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**SHIPPER'S PERSPECTIVE:  
CONCERNS AND EXPECTATIONS\***

**by**

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# **Shipper's Perspective: Concerns and Expectations**

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It is indeed an honour for me and for my country to speak at this International Forum on the subject of "Multimodal Transport & Logistic Services". This subject is very close to my heart as we at the Pakistan Shippers' Council have organized several seminars and workshops on the topic since 1989. While I will be deliberating on the 'Shippers Perspective – Concern and Expectations' on the Multimodal Transport System, I am glad to report to this august house that there has been enough awareness in Pakistan on this mode of transport. This awareness has been created with the help of UNESCAP and UNCTAD.

Allow me to start my presentation with a brief summary of multimodal transport and its significance for developing countries.

## **Introduction**

The concept of international multimodal transport covers the door-to-door movement of goods under the responsibility of a single transport operator. Although the concept might not be new, it developed with the container revolution initiated in the late 50's by Malcom McLean and his trucking operations.

The emergence of the container technology and of the multimodal transport concept came from growing international trade. Trade and transport are inextricably linked: efficient transport services are a prerequisite to successful trading.

International transport generally implies the use of various transport links (interfaces and modes), each link corresponding to a transfer, storage or transport operation either in the country of origin, in a transit country, or in the country of final destination.

This situation has created a number of problems over the years, as more and more shippers are realizing that this new concept is involving the effective participation of various transport mode operators but does not always make clear who is responsible for delivering cargo at destination in safe conditions, according to agreed schedules.

Considering the variety of cultures, languages and commercial practices at both ends of a trade, and the resulting complexity of assembling such an international

transport operation, it would appear reasonable to a trader to let one qualified operator organize and *be responsible* and accountable for the entire transport chain.

Beginning from the present unimodal transport conditions and legal environment, transport operators have developed transport systems to fulfil customers' requirements, offering competitive services and thereby making trade more efficient by offering multimodal transport services to their clients. Since the introduction of containerization and the later development of electronic data interchange (EDI), international trade has increasingly demanded efficient commercial transactions. To take advantage of the potential offered by the new technologies, the international trading community updated its uniform commercial practices regarding trading terms, letters of credit, and multimodal transport documents.

Multimodal transport implies the safe and efficient movement of goods, where the multimodal transport operator accepts the corresponding responsibility from door-to-door. With technological development of transport means and operations, as well as in communications, coupled with liberalization in the provision of these services, more and more transport operators are able to provide such safe and efficient transport. These services are increasingly *market-segment oriented* rather than *transport mode oriented*.

The absence of international rules governing the successive carriage of goods resulted in peculiar problems in the matter of carriers' responsibility and the liability for loss of or damage to the goods occurring in the course of a multimodal transport operation.

In 1973, commercial forces created a set of rules under the ICC banner, while governments have initiated consultations on an international convention at UNCTAD. The MT convention was signed in 1980 but it has so far received little support.

Multimodal transport has indeed proved to be most reliable and cost effective system particularly in the developed countries. With the globalization of production and the liberalization of services, however, developing countries and countries in transition, more than ever, need to increase their capabilities in offering reliable and cost-effective transport and logistics services, taking advantage of technological development.

Developing nations of our region are endeavouring to broad-base their economics by increasing the share of manufactured goods in their exports. This demands an efficient transport system, and there is, therefore, a need to develop effective and efficient multimodal transportation in our region.

Although nearly all modes of transportation are available in the region, we are still in the era of unimodal transportation. The concept of integrated transportation or multimodal transportation has yet to take roots for which more concerted efforts are much needed on the part of trader, transporters and governments.

Now allow me to give you a brief picture of Pakistan vis-à-vis the shipping sector with particular reference to multimodal transport.

### **Pakistan Perspective**

Total annual sea borne imports and exports of Pakistan during the period July 2002 to June 2003 amount to a little over 36 million tones, of which about 10 million tones was general cargo. Over 80 percent of the general cargo trade is now moving in containers. Our annual container throughput has already exceed 1 million TEU.

Karachi and Bin Qasim are the two seaports of Pakistan located at Karachi at distance of about 45 km from each other. Bin Qasim Port has a modern container terminal, called Qasim International Container Terminal (QICT) with gantry cranes, other container handling equipment and computerized systems, and is handling about 300,000 TEU annually.

Karachi Port has two container terminals, Karachi International Container Terminal (KICT) and Pakistan International Container Terminal (PICT). KICT is a modern state of the art container terminal and handles about 500,000 TEU annually. PICT is in the process of development and by the end of next year it will also be operating as a modern container terminal. These container terminals are in the private sector and same have been developed in the past decade on account of the "port as landlord" policy.

There are also two off-dock container terminals at Karachi and a Container Freight Stations at Port Qasim.

Inland Dry Ports have been established at the major commercial and industrial centres of Pakistan, namely Lahore, Faisalabad, Sialkot, Multan, Rawalpindi, Peshawar, Hyderabad and Quetta. Container train service from Karachi to Lahore and Faisalabad is available However, most of the containers destined for inland cities and transported by road. The National Logistic Cell (NLC) is the major transporter in public sector with a large fleet of trailers. Private road hauliers have also started to operate as bonded carriers since 1994 for transport of containers to and from sea ports to dry ports. The operations of these private road hauliers are limited to transportation within Pakistan. Efforts are now being made

to extend their operations to neighbouring countries like Afghanistan and Iran, and eventually to the Central Asian States.

Establishment of private bonded carriers was recommended in several workshops and conferences of Multimodal Transport System. Finally in the year 1994 first private bonded carrier was established and since then licenses were issued to about 20-22 companies. However, in September 2002, Government increased the security deposit from Rs. 1.00 million to Rs. 5.00 million, which reduced the numbers of private bonded carriers from 20-22 to 6-7.

We feel this was a good move as only financially sound companies should be given this important job.

The import containers for inland destinations are Customs cleared at these dry ports. Similarly the inland export containers are Customs cleared and shipped from these dry ports.

Multimodal transport services are mainly offered by foreign shipping lines who have opened branch offices at some of the major inland trading centres. From there they book cargo for multimodal transport against their own bill of lading. A few international freight forwarders have opened their offices in Pakistan, while some others have worked out collaborating arrangement with local freight forwarders, who issue a house bill of lading of the foreign freight forwarders. There are also some Pakistani non-vessel operating common carriers (NVOCC's) who book cargo against their own house bill of lading, which is subsequently exchanged for the master bill of lading issued by the shipping company through which the container is shipped. Here the concerns of shippers are towards the role of NVOCC. The NVOCC in Pakistan are not registered any where and there is no proper code of ethics governing these NVOCC's. When the house bill of lading is exchanged for the master bill of lading, the agent of the NVOCC demands exorbitant endorsement charges.

At present there is no law in Pakistan regulating the multimodal transport of goods. Even the Carriage of Goods by Sea Act dates back to 1925 and is based on Hague Rules. The applicable terms of carriage for multimodal transport are those printed on the back of Through Bill of Lading of the shipping company. This is the most perturbing aspect for shippers as we all know what terms are printed on the back of Bill of Lading. These terms are only protecting the interest of ship owners and shippers remain on the mercy of carriers.

In the public sector, Pakistan Railway and National Logistic Cell do not accept any liability for damage or loss to cargo during the road haulage. They do not sign any liability agreement. This liability is therefore carried by the shipping company. The private road haulers usually provide insurance cover for the container only.

## **Shippers Concerns**

Taking the opportunity, I would now like to highlight the serious concerns of shippers vis-à-vis transport trade and the multimodal transport system.

The major issue concerning the shippers, exporters and importers alike, relates to the freight charged by the shipping companies. Besides the basic freight rate, they keep adding additional charges such as port surcharge, bunker surcharge, terminal handling charge and various documentation and service charges. Even in the cases where an importer holds a clean freight prepaid bill of lading, they are required to pay terminal handling charges, documentation and service charges.

To give you the example of Pakistan, our imports are mostly on C&F basis. The buyers have no control over the shipping lines. The buyer who is holder of bill of lading is no more enjoying the status of title holder, as he cannot obtain the delivery of the consignment unless he pays all the charges at Port of Karachi to the shipping agent prior to getting a delivery order. In other words, the importer is under the undue influence of shipping companies/agents and pays all charges under coercion.

National flag carriers in developing countries are either non-existent or hardly contributing any significant share in the transportation of goods. The result is that the foreign operators have gained a free run of the trade. Here also I quote the example of our national line, PNSC, which used to offer container services in past, at that time there was an element of check on the freight rates and other charges charged by the foreign operators.

Unfortunately there are no effective government regulatory procedures to check such practices which have become prevalent in the trade. There is an urgent need to establish minimum standards of professional conduct and qualifications and also the standard terms for the contract of carriage by freight forwarders.

The transit rules for internal goods movement need to be simple, precise and clear as same are imperative for the transportation of goods within the country if we need to develop a multimodal transport system. The Custom authorities within their jurisdiction and to safeguard collection of revenue/taxes have framed rules for movements of such goods under Customs bonds or with Customs pre-clearance and or approval. What is required is to amend the rules taking into consideration other aspects of the trade and to ensure speedy uninterrupted flow of goods.

Similarly simple transit rules for cross-border movements of goods are essential to facilitate international trade and multimodal transport operations. As members

of the World Customs Organization and signatory to international Customs conventions and regional treaties, developing countries are obliged to frame progressive rules for the transit trade.

### **Multimodal Transport Operators (MTOs)**

The pivotal point in a multimodal transport operation system is the multimodal transport operator or MTO as he is generally known. The MTO bridges the gap between seller and buyer and undertakes total responsibility for movement of goods from producer or seller to consumer or buyer. Goods worth millions of dollars and the reputation of concerned parties are entrusted to him.

The relevant quarters are rightly concerned that there should be a system to check establishment, conduct and performance of the MTO to whom they would ultimately entrust their cargo and reputation in foreign markets.

An efficient and effective system for monitoring MTOs is a prerequisite for the MTO system itself. To regulate MTOs, various options are available which include issuance of licenses by a central / federal authority, registration of MTOs based on prescribed minimum qualifications pertaining to financial ability, adequate coverage of liability, establishment of network of offices and agents and or self regulation through membership of associations/councils and affiliation with international bodies. In this regard introduction of standard trading and working conditions can also prove useful.

### **Legislation on the Multimodal Transport of Goods**

The major difficulty which arises, in maritime and land transport law, when goods are carried in a multimodal (or combined) transport of goods lies in the necessity to define a contract for such a transport. Most national legislation on the carriage of goods by sea and on the carriage of goods by land does not contain any particular provisions relating to the multimodal transport of such goods.

The Convention on Multimodal Transport signed in Geneva on 24<sup>th</sup> May 1980 has not come in force and some developed countries are operating multimodal transport under the provisions of UNCTAD/ICC Rules for Multimodal Transport Documents 1992. The developing countries interested in introducing legislation in multimodal transport would like to have some insight into why the Multimodal Transport Convention has not received the necessary support to come into force and how far is it advisable to introduce multimodal transport legislation based on the provisions of the Convention signed in 1980 and the UNCTAD/ICC Rules for Multimodal Transport Documents. Considering that UNCITRAL is at present

working on drafting a new Carriage of Goods by Sea Convention, is it advisable to introduce Multimodal Transport Legislation at this stage or should the interested countries wait for the new Carriage of Goods by Sea Convention to be adopted?

### **Security Aspects**

The new security requirements being imposed by the United States, and increasingly adopted by European countries as well, are a matter of major concern to shippers from developing countries. The Container Security Initiative (CSI) of US Customs has so far not been a serious impediment for countries that do not have direct liner service to American ports as the containers are screened at the trans-shipment port. But non-availability of screening facilities for containers at ports could prove a major impediment to countries wishing to introduce direct sailing to the USA, in order to reduce the shipment time. Installation of such screening facilities would require huge investment, which cannot be afforded by developing countries.

The American Customs-Trade Partnership Against Terrorism (C-TPAT) is another major issue, as it could greatly affect the exports from third world countries. Its requirements are so elaborate, that it appears very difficult for many manufacturers and traders to meet them. Can we expect the developed countries to come forward with the necessary technical & financial assistance to implement tighter logistics security?

### **Role of International Agencies**

I will fail in my duty if I do not acknowledge the assistance of the international agencies like UNCTAD in improving various modes of transport system in the developing countries. They indeed played the role of torch-bearer in guiding the developing countries to keep the momentum with the global trade and transport. However, taking the opportunity of this forum, I would like to make an observation that governments in the developing countries, while accepting the assistance of international agencies, should associate the private sector if the ultimate beneficiary of the project is private sector. The experience has taught us that the public/private partnership is the only vehicle if we need proper execution of any project.

To elaborate my point, I would like to refer to the project, "Multimodal Transport and Trade Facilitation Programme - UNDP / UNCTAD" The final report of this project was submitted by the UNCTAD Experts to the Government of Pakistan in December 1994. The report was indeed comprehensive and there is no doubt considerable efforts were put in to submit the recommendatory report on the

Multimodal Transport and the Trade Facilitation. Within the framework of this project, the experts prepared various drafts of carriage of goods by sea, air, rail, and road and also draft on the Multimodal Transport Act. The drafts were prepared to update the various acts as same were not only outdated but obsolete.

However, the point I would like to emphasize that it is now almost ten years that this report / drafts were submitted to the Government but the only thing we achieved was to see the bunch of books lying in the shelves of the Government Department. There was no follow up on the recommendations. Here I would like to ask *who is at loss?* Obviously it is we, the shippers of Pakistan.

To continue my example, another project by the name of "Trade Facilitation" was started in Pakistan in 2001 with the help of The World Bank and UNCTAD. The significant change adopted this time was to associate the private sector with this project. We understand that this bright idea was emphasized by The World Bank before lending funds to the Government to carry out this Project. Pakistan Shippers Council was selected as a vehicle in the Private Sector to coordinate with the Government for this project. The result was that within a year of the project, with the help of UNCTAD, we were able to finalize a "single administrative document" which is known as "Pakistan Goods Declaration" (PGD). This one page clearance document has indeed facilitated the Shippers/Consignees in the prompt clearance of their consignments.

This project is also now busy in re-drafting the various acts and also proposing the Multimodal Transport Act to update our legislation system. Although considerable work is still to be done under this project, here I would like to emphasize that international agencies like UNCTAD should adopt a policy that the new project with that particular country should only be initiated if the previous report / recommendations are properly executed. I am fully aware that this may be against the commercial consideration of the international agencies like UNCTAD. However, I strongly believe that if we intend to see a reasonable change in the countries like us, something radical has to be adopted.

After giving you this sombre presentation, I take the liberty of expressing the shippers concerns and expectations in a lighter mode. Although it reflects the actual situation in the developing countries, I must emphasize that the same is not directed against anyone and it should be taken in the spirit of making this subject bit lively.

**Thank You.**