

CARGOCONNECT

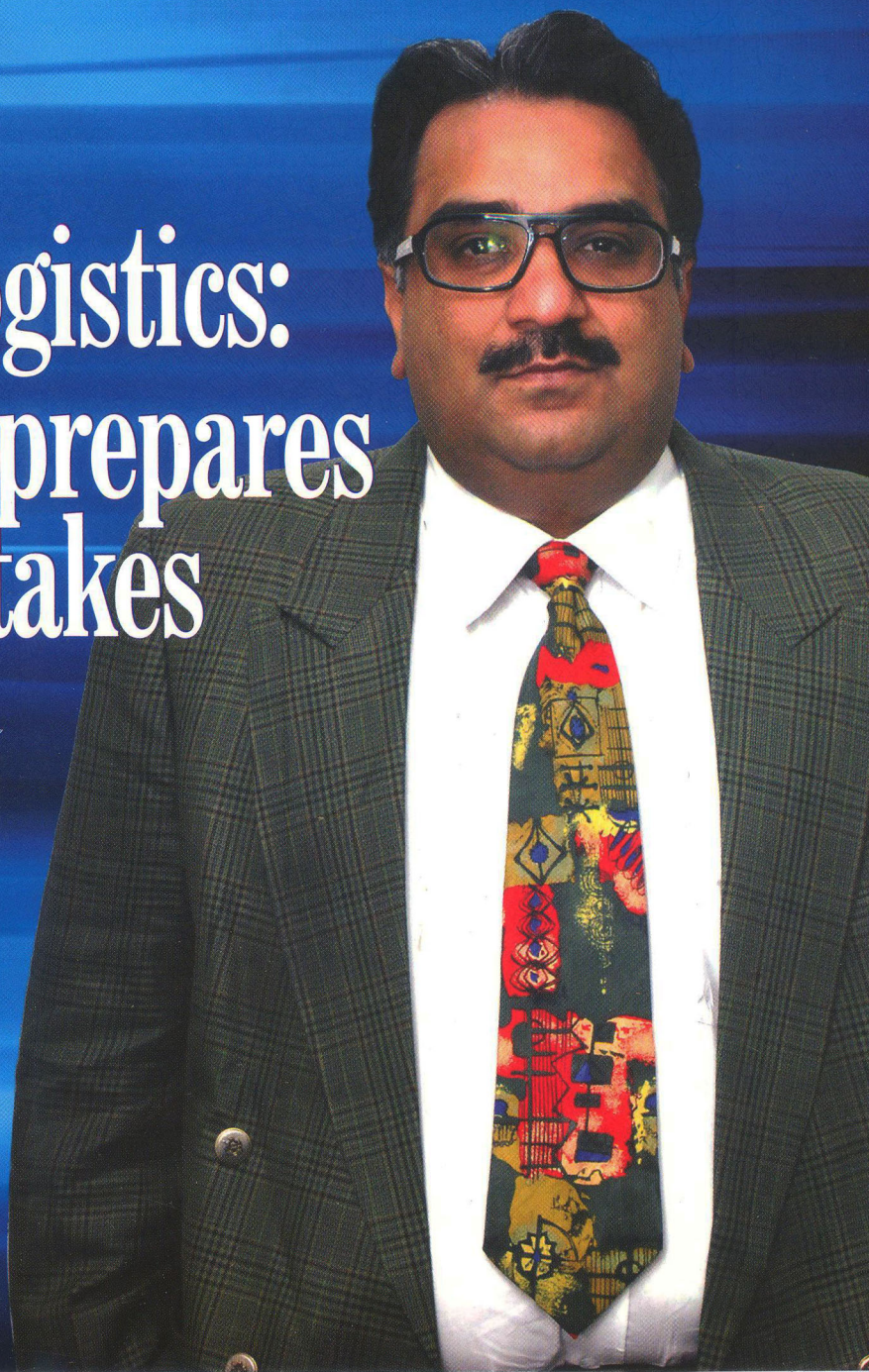
Connecting Cargo Professionals

Automotive Logistics: Mercurio Pallia prepares for higher stakes

Containerised Freight:
Its growing big... never before

Custom bonded trucking:
A concept growing in size and stature

Indian Ports: Growth story to continue



Custom bonded trucking: A concept growing in size and stature



Though the concept of custom bonded trucking emerged quite late with lesser acceptance in Indian market, today it shows great promises as number of airlines engaging dedicated truckers for last mile connectivity is increasing day by day. **Jasleen Kaur** explores the custom bonded trucking market in India.



With factors such as globalisation, international economic integration, removal of barriers to trade and the increased competition taking centre stage, a lot of new and innovative concepts in service delivery have cropped up in the last decade to help the industry catch up with rapidly evolving competitive global market scenario. Being aware of its nature that it concerns procurement, deployment and utilisation of infrastructure and assets to provide for a seamless, synchronised and cost effective provision of goods from places of availability to places of need, the boom in the logistics industry seems to have spurred custom bonded trucking into action.

Trucking is frequently used to connect the "line-haul" air, ocean and rail segments of a global intermodal freight movement. The specialised trucking that runs between airports, sea ports, rail terminals, and inland shipping docks, is often called 'drayage', and is typically provided by dedicated drayage companies. Due to various constraints, mainly related with infrastructure, airlines and shipping companies cannot operate to some of the hinterland destinations to which cargo is intended to be delivered. It would also be financially non-viable to frequently load and unload goods at different ports. In order to overcome this problem, the concept of Custom Bonded Trucking was conceived. The concept is comparatively new in the India market.

The concept is believed to have first thrown up in 1998 by the then Finance Minister, Yashwant Sinha. The concept was picked up quickly by few logistics companies. Before the concept came into picture, international airlines used to carry their cargo through domestic airlines. It was used to be air-to-air movement. International shipments arrived at the gateway airport, got offloaded and then stuffed into the domestic aircrafts to reach to the hinterland airport. This involved high landing and take-off cost. Custom Bonded Trucking provided much needed relief to airlines in terms of giving last mile connectivity.

The challenges before those who jumped into the custom bonded trucking fray initially were too many. The size of the bonded trucking operators was almost negligible and there were very few airports that need bonded trucking. They used to force the international airlines to have a trial of the service and it was indeed a very difficult job because international airlines

were heavily relied on the domestic airlines for their logistics movement. In addition, unlike in developed markets, regulatory regimes in India were not favourable for the operators initially here in India. There were no uniformity in custom procedures at different airports. The situation has changed over a period of time. With the growing trade volumes and more importantly sector specific, the concept of bonded trucking is gaining momentum and is poised for growth with more international airlines opting for it. Dileepa B M, CEO - Bonded Trucking, Shreeji Transport Services, mentioned that it is completely wrong to say that the size of custom bonded trucking is so small in the logistics industry. "Even though there are huge number of airlines operating across the world, only 60 to 70 international airlines lands in India. Out of these airlines, 45 to 50 airlines are utilising our bonded trucking facilities."

"Bonded Trucking operations are not like domestic trucking operations," avers Dileepa, adding, "Huge investments are needed. Bank guarantees are involved. An operator should have their own trucks. Too much of operational formalities are there. High risk is involved in bonded trucking operations. Hence, most of the transporters will not try to start bonded trucking operations. The situation can be improved only if more number of airlines is operated in India."

At present, bonded trucking is a very small market as there are hardly 10-15 major airports needing bonded trucking in India. Presently, there are six to seven bonded trucking operators in India. When few of them operate from quite a number of airports, some are confining themselves to select destinations only. As far as airlines are concerned, they have to appoint the transporter as its bonded trucking operator to carry its transshipment cargo in customs-sealed container body trucks from the air cargo complex.

Commenting on initial challenges Dileepa said, "Initially we have struggled a lot to convince the international airlines about the benefits of these services. Then they operated few trial movements, which satisfied them. Following the trial movements, the airlines started using the bonded trucking facilities regularly. Now most of the airlines are using bonded trucking operations in one or the other sectors."

Airlines have started looking at the operation as cost-effective and time-saving

mode of transport and most importantly, for space availability as odd dimensions of cargo cannot be carried in the small domestic aircraft. Airlines are getting into bonded trucking to reduce the cost of transshipment on intermediary sectors. For example, the airline would have to transship cargo from destinations such as Bangalore or Hyderabad, on either Jet Airways or Blue Dart Aviation. The rate quoted to the shipper would be ex- Bangalore or Hyderabad and as the airline would have to absorb the sector cost, bonded trucking is seen as a more viable and economic option. "By utilizing bonded trucking operations, cost can be reduced and also the time. If the international carrier uses domestic flights to send their cargo, the rates may be higher than the bonded trucking rates. For instance, if the domestic carrier rates for Bangalore to Mumbai is approximately Rs 35 per kg, trucking rates will be approximately Rs 20 per kg. And, from Bengaluru to Chennai, an airline charge approximately Rs 25 per kg, when bonded trucks charge Rs 15 for the same volume," explains Dileepa. In addition, he enlists few benefits which airlines can avail out of bonded trucking services, such as:

- Huge reduction in freight charges when compared to the movement of cargo by domestic flights.

- Without landing their flight, Airline can become an online carrier by using bonded trucking services.

- Bonded trucking may also move DGR (dangerous) cargo on prior agreement and with certain preconditions regarding Class and Division on danger. Explosives, Flammable liquids/solids, Toxic and Infectious substances are not accepted.

- Odd dimension cargo, which cannot be carried by domestic airlines can be carried by Bonded Trucks.

- In Bonded Trucking facility, we can uplift 100 to 120 tonnes or more than this tonnage of cargo in one lot.

- Bonded Trucks can be operated to all the destinations where all the airlines cannot operate their flights.

Seeing the potential, the existing bonded trucking operators are working on expansion of their networks as well as innovating themselves to garner more acceptance. New operators are also entering the market in a big way. TT Logistics is a new entrant into this segment. Arun Vasu, Managing Director, TT Logistics says that custom bonded trucking business in the aviation sector is pegged at around Rs 120 crore in

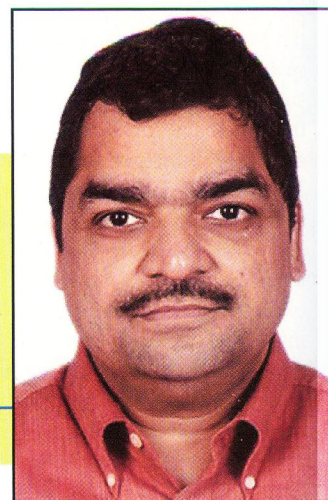


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Dileepa B M, CEO – Bonded Trucking, Shreeji Transport Services

Bonded trucking is basically for quick movement according to our needs and is cost effective as well for bigger shipments. Bonded trucking is basically done by selected few operators and even customs notification is referring for specific carriers. In nutshell, smaller shipments make economic sense to be airlifted and bigger size by bonded trucking as we have very limited options to operate large size shipment by domestic carriers within India.

Vipin Jain, Regional Manager-Logistics, Lufthansa Cargo



India and is growing annually at 10 per cent. The company is focussing on Chennai while connecting Bangalore, Hyderabad, Kochi, Thiruvananthapuram, Kozhikode, Mumbai and Coimbatore.

Dileepa shares, "As on date, we provide both export and import bonded trucking services all over India. More than 40 airlines are utilizing our services all over India. The major airline clients are Singapore Airlines, Cathay Pacific, Etihad Airlines, Emirates SkyCargo, Korean Airways, KLM and Air France, British Airways, Oman Airlines, to name a few. On all India basis, including export and import transshipment cargo, we handle an average of 1300 to 1400 tonnes in a month."

While bonded trucking is doing pretty well in the south and west, the penetration is comparatively low in the east and north regions. The reason being cited is lower trade flow into these regions. If import volume is more and export is less, an airline can't take their cargo to these regions and run their operation on loss taking empty aircraft back. Therefore, there is a need for right amount of consideration on the part of both airlines

and bonded trucking operations in terms of network, presence, customs, trade, etc.

Bonded trucking is gaining momentum and is poised for growth as many airlines are accepting the concept and realizing its benefits. The services are getting better and better and the way it is maturing it is quite obvious that India would catch up with other international markets in service delivery through custom bonded trucking sooner than later, believes Dileepa. "In future, India will rise to the level that exists in the US and Europe in bonded trucking. Importers and exporters would not suffer due to an international airline not operating to a particular destination. Now, the trade knows there is a specialized road feeder system called bonded trucking which is really cost-effective available in India. Bonded trucking service accelerates the country's exports and imports, which ultimately helps economic progress," concludes Dileepa.

Airlines' views:

It is important to know how the airline companies look at custom bonded trucking as a service. They feel that although there is

a definite cost advantage associated with it, there are certain bottlenecks as well related to airports and customs regulations.

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Being said that Jain has expressed reservations on the current delays that happen in road transportation. Because of various barriers, road transportation takes longer time compared to air transport in India, he informs. "There are number of



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Airlines are keen to go for bonded-trucking. They will be more than happy to avail such services. But the point of concern is custom license - bond with customs. Value of goods, investing in manpower are the other reasons. Being an airliner, the transformation which I foresee is that more bonded trucking business will come and there will be high level market penetration

Keki Patel, Cargo Manager - India & Nepal, Emirates Airline

It is not now that bonded trucking is being carried out. It was much before started and most airlines in off line station follows suit for bonded trucking. This is cost effective and can also serve with any capacity and to be carried in single lot. Commitment is most important, being a service industry. In case of any break down of the ear-marked vehicle, big operators can have a standby arrangement.

Srikanth Rajagopal, Regional Manager - South India, Air Cargo Trader Pvt Ltd

barriers and border issues within India while moving goods from one state to another. Traffic restriction within the cities is another bottleneck. Issue has already been addressed to respective ministries to promote multi-modal transport system which can contribute to develop cargo hub. Once the customs interface between all the airports is fully created, we expect much more growth in this sector," observes Jain.

Expressing suggestions, Jain said, "All the bonded truck operators should be listed with airport operator and customs and should have valid permit to operate on all India basis irrespective of airlines or consignee. It means customs along with airport operator should first recognise the operator to give carrier and customer (shipper/consignee) a confidence level. The commercial can always vary based on service offered and accepted but basic should be clear."

Bonded trucking is right choice for domestic cargo, observes Keki Patel, Cargo Manager - India & Nepal, Emirates Airline. "Operating through domestic airlines

becomes cost-intensive and provides not-so-good load facility. Therefore trucking is beneficial. However, there are pros and cons other way. If someone goes for air-to-air movement, there is no need to go offline. Bonded trucking involves transshipment which is another area of worry." When asked how Emirates view the services provided by bonded trucks by road, Patel said that as an airline company they are more than "happy to avail such services." "Airlines are keen to go for bonded-trucking. They will be more than happy to avail such services. But the point of concern is custom license - bond with customs. Value of goods, investing in manpower are the other reasons," he added.

Emirates has GTB Express as their service provider in bonded trucking and operates through 10 airports and 185 flights a week "Being an airliner, the transformation which I foresee is that more bonded trucking business will come and there will be high level market penetration," Patel said.

Srikanth Rajagopal, Regional Manager - South India, Air Cargo Trader Pvt Ltd, says, "It is not now that bonded trucking is being

carried out. It was much before started and most airlines in off line station follows suit for bonded trucking. This is cost effective and can also serve with any capacity and to be carried in single lot."

Talking about the small size of bonded trucking operators, he mentions, "Commitment is most important, being a service industry. In case of any break down of the ear-marked vehicle, big operators can have a standby arrangement."

Agreeing that the bonded trucking is more in south and west regions of the country, he gives a simple reason. "This may be because of more carriers operating from this regions and South India using west as their gateways. The reason for not too much presence in eastern India is that there are not too many exports from this region."

The transformation he foresees is that the bonded trucking operations will grow more because of the cost-effectiveness. And what expectations does he have for bonded trucking operators. "They can act as an airline representative, in areas, where the airline has no offices/staffs." •