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## **Chapter 4: Factors to be determined when performing Multimodal Transport Operation**

### **Objectives**

- To understand which factors may impact to the Multimodal Transport Operation
- To be able to identify why such factors are important and their roles
- To demonstrate some Case Studies in Multimodal Transport Operation as a guideline for the learner

### **FACTORS TO BE DETERMINED WHEN PERFORMING MULTIMODAL TRANSPORT OPERATION**

There are several factors to be determined before performing Multimodal Transport Operation as follows:

#### **1. DOCUMENTS**

When Multimodal Transport Operation is arranged, Consignor or Consignee deals only with one Operator and one single transport document. However, the actual physical operation behind scene, MTO has to deal with many common carriers on several transport documents. Therefore, it is necessary to understand the role of documents and flow of documents.

#### **Bill of Lading**

Bill of Lading is a document issued by shipping line or its agent, or Freight Forwarder or Multimodal Transport Operator who acts as principal or carrier, providing details of a shipment of merchandise.

It is also a certificate that the goods has been taken in charge by or in custody of the carrier including evidence that the merchandise has been shipped aboard a vessel with the condition of the goods at the point of loading. Bill of lading also represents as a financial instrument in an international trade transaction. It also demonstrates the ownership of the goods.

#### **The functions of the Bill of Lading**

**1. Receipt of Goods:** Bill of lading is a receipt from carrier regarding the number of packages with particular weight, measurement and marking. It also stipulates the condition of goods when the goods have been taken into custody of carrier. Moreover, it also certifies that the goods have been shipped aboard a vessel. The principal use of the bill of lading as receipt is a proof of shipment for customs and insurance purposes, including commercial proof of completing a contractual obligation under INCOTERMS.

**2. Contract of Carriage:** Bill of lading is an evidence of a transport contract between the carrier and the consignor / consignee. The contract of carriage is set out in the documents stating from goods are received and embarked, until undertaking to deliver at the end of the voyage subject to the term and condition mentioned in the bill of lading which normally incorporate the carrier's standard terms of business.

**3. Document of Title:** Bill of lading is an evidence of title to goods, expressing the ownership of the goods which is transferable when a negotiable bill of lading is issued. In fact, it confers prima facie title over the goods to the named consignee or lawful holder. The title to the goods can be changed from one party to another by endorsement of the bill of lading.

**4. Financial Instrument:** When trade between shipper and consignee gets involved with the Bank, Bill of lading becomes an important financial instrument. Consignee will have to pay money for his Letter of Credit in order to get Bill of lading which the Bank will make an endorsement to order Carrier release the goods to consignee.

#### **MULTIMODAL TRANSPORT DOCUMENT IN ASEAN CONTEXT**

The Multimodal transport documents in Article 5 of the ASEAN Framework Agreement on Multimodal Transport shall contain the following particulars:

- a) The general nature of the goods; the marks necessary for the identification of the goods,; and express statement, if applicable, as to the dangerous or perishable character of the goods; the number of packages or pieces; and the gross weight of the goods or their quantity otherwise expressed, all such particulars as furnished by the consignor;
- b) The apparent condition of the goods;
- c) The name and principal place of business of the multimodal transport operator;
- d) The name of the consignor;
- e) The consignee, if named by the consignor;
- f) The place and date of taking in charge of the goods by the multimodal transport operator;
- g) The place of delivery of the goods;
- h) The date or the period of delivery of the goods at the place of delivery, if expressly agreed upon between the parties;
- i) A statement indicating whether the multimodal transport document is negotiable or non-negotiable;

- j) The place and date of issue of the multimodal transport document;
  - k) The signature of the multimodal transport operator or a person having authority from him;
  - l) The freight for each mode of transport, if expressly agreed between the parties, or the freight, including its currency, to the extent payable by the consignee, or other indication that freight is payable by him;
  - m) The intended journey route, modes of transport and places of transshipment if known at the time the multimodal transport document is issued;
  - n) Any other particulars which the parties may agree to insert in the multimodal transport document, if not inconsistent with the law of the country where the document is issued.
- \* The absence of the multimodal transport document by one or more of the particulars referred to the above in this article shall not affect the legal character of the documents as a multimodal transport document.

In Article 6, it mentioned that the multimodal transport document shall be prima facie evidence of the taking in charge by the multimodal transport operator of the goods as described in that document unless a contrary indication, such as “shipper’s weight, load and count”, “shipper-packed container” or a similar expression, has been made in the printed text or superimposed on the document.

Secondly, it mentioned that Proof to the contrary shall not be admissible when the multimodal transport document has been transferred, or the equivalent electronic data interchange message has been transmitted to and acknowledged by the consignee, who in good faith has relied and acted thereon.

It is suggested that whenever the goods packed by the shipper, Multimodal transport operator in no choice have to believe and rely on the descriptions provided by the shipper, therefore, multimodal transport operator should place contrary indication on the bill of lading. And in case he finds damage even slightly, it is also suggested to return cargoes for repacking to shipper.

### **FIATA MULTIMODAL TRANSPORT BILL OF LADING: FBL**

Most of reliable freight forwarders who perform multimodal transport operation use the FIATA Multimodal Transport Bill of Lading: FBL as transport document.

FIATA is the acronym for the International Federation of Forwarding Agents Associations and is based in Zurich, Switzerland.

The FBL-document was drafted in 1975. In comparison to the other documents where the general carrier conditions are printed on the reverse side of the document, the FBL document differs in that it has worldwide uniform conditions: the "Standard Trading Conditions Governing FIATA Combined Transport Bills of Lading".

On the 4th of August 1993 FIATA was confirmed by the ICC that the Negotiable FIATA Multimodal Transport Bill of Lading is entirely compatible with the UNCTAD / ICC-rules for Multimodal Transport Documents; as proof of this, the new FIATA B/L is allowed to carry the ICC-label.

On the 1st of July 2007 the new ICC-rules regarding the documentation credit (UCP 600) also came into force. Art. 19, 20, 23 and 24 determine the conditions under which transport documents issued by carriers are accepted by banks. (Belgian Freight Forwarder association)

The FBL is a "Negotiable FIATA Combined Transport Bill of Lading" which is issued by freight forwarders acting as carriers and which is subject to the ICC Uniform Rules for a Combined Transport Document. The FBL is usually a standard form incorporating standard trading conditions, which do appear to favour freight forwarders. ([www.shipinspection.eu](http://www.shipinspection.eu)) Anyway, Currently, it appears on the surface of FBL as Multimodal Transport Bill of Lading.

The FBL may have the logo of the freight forwarder on the front with the logo of FIATA also on the front of the document. The issue of the FBL is approved by the International Chamber of Commerce. To be able to issue a FBL the freight forwarder must be a member of FIATA member.

The copyrights of these documents are owned by FIATA. Any sort of reproduction through individual enterprises is forbidden. The FIATA B/L can be sold by only the National Association who is a FIATA member to its members only.

The FIATA-documents have a very good reputation and are recognized as trustworthy documents with sustainable tradition. They contribute to simplifying the international goods traffic and world trade. Most of freight forwarders are using FBL.

## **OTHER DOCUMENTS**

### **HOUSE MULTIMODAL TRANSPORT BILL OF LADING**

Those international freight forwarder or multinational freight forwarder companies shall use their own house bill of lading as a multimodal transport document for their operation.

These multinational freight forwarder companies such as U.S. Base, European Base and Japanese Base have large scale of operation worldwide with their own branches and offices including agents. They develop house Bill of lading and use it as a unimodal and multimodal transport under a worldwide single insurance policy.

Some national associations have printed Multimodal Transport Bill of Lading for its members to use with specific conditions on the back clauses, for example Japan International Freight Forwarders Association – JIFFA has implemented Multimodal Transport Bill of Lading for its members use.

### **FORWARDER CARGO RECEIPT - FCR**

FCR in full name can be called in another way, such as Forwarder's Certificate of Receipt, but in business norm, most people call it as Forwarder's cargo receipt.

It is just a document to show that the cargoes have been received by Freight Forwarder or MTO. Freight Forwarder or MTO will further perform the services on behalf of consignee until the cargoes have been delivered according to consignee's instruction.

The FCR is not a "negotiable" document. Thus, it is not a title document and it is merely evidence of what was received by the forwarder, not who owns it.

When INCOTERMS indicated FCA term, the shipper may have to use FCR to draw down his money under L/C. As a result, the consignee's bank will not pay the shipper's bank unless it receives the FCR and the consignee's bank will not release the FCR to the consignee until it pays the bank.

Since the FCR is not a negotiable title document, it is not legally required to claim the cargo. This has repeatedly led to legal claims upon carriers directly and indirectly, and forwarders alleging improper release of cargo when it is released without first obtaining the original FCR because the consignee obtained the cargo but did not pay its bank.

### **SEA WAYBILL AND AIR WAYBILL**

Both are non-negotiable documents, unlike a bill of lading. Waybill is a contract for transportation and receipt of goods, but not a document of title.

Some freight forwarders offer a consolidation service and issue its own air waybill or bill of lading or either sea waybill. This acts as contracts of carriage between shipper and the forwarder who become principal or carrier. The Forwarder may enter into a contract with one or more carriers using more than one mode of transport. The waybill as a result, acts as a multimodal transport document.

### **Conclusion**

As stipulated in Article 4 of the ASEAN Framework Agreement on Multimodal Transport, when the goods are taken in charge by MTO, MTO shall issue a multimodal transport document which at the option of the consignor, shall be either negotiable or non-negotiable form.

The multimodal transport document shall be signed by MTO or his authorized person in form of handwriting, print, perforated, stamped, symbols, or in any other mechanical, or electronic forms, not inconsistent with the laws of the country where the multimodal transport document is issued.

## **2. DOCUMENTS FLOW AND OPERATION FLOW**

The Shipper or Consignee will never know what is going on with the related documents in multimodal transport operation; they merely know only one document, a Multimodal Transport document which is in his hand.

The flow of the document of shipper is that after releasing the cargo to MTO or MTO takes in charge of the goods, MTO will issue the MT document in the form of FBL or Own House Bill of Lading. Shipper then, in case of L/C will submit the bank said transport document together with other documents required by L/C in order to negotiate with and get his money from the Bank. The Bank, after checking the correctness of the content in all documents, then will send these documents for reimbursement from the consignee's bank. After consignee pays money to his bank, his bank will release all related documents to consignee and transfer money to the shipper's bank. Shipper then, gets money transfer into his account.

This is only flow that shipper and consignee know about.

Unlike, Multimodal Transport Operator, the document flow is more complicated and need to have well planned, starting from designing route, mode, shift mode point, network, flow of documents and costs. That is the factors MTO should consider.

### **CASE STUDY**

The shipment ex Thailand bounds for Rotterdam in Europe.

The garment factory in Thailand received T-shirt order from Buyer in Rotterdam, which the lead time to deliver was three months under the term CFR.

The cycle time of manufacturing was sixty days to complete the order counting from the date of final confirmation of the buyer and the garment factory planned to ship the order by sea, which will take twenty four days transit time for ocean journey and three days for customs clearance in Thailand. Total planned days of delivery were twenty seven days.

Due to deficiency of supply chain management, the garment factory did not receive button from supplier in Hong Kong on time, which made production time delay to finish additional ten days from origin schedule and it was seventy days cycle time.

What the garment factory should do in order to maintain the schedule of delivery to Buyer in Rotterdam.

In many cases, the same situation has happened in many industries and the shipper/seller may think only about to transport by air rather than using Multimodal Transport because of lack of knowledge about Multimodal Transport.

The Shipper/seller would consider only how making the shipment delivered on time with the lowest cost of transportation as the price quoted under sea transportation. The air transportation cost would even higher than sea transportation ten times, and that would make him lose the money for this order. On the other hand, if the shipper/seller still keeps on shipping by sea transport, he may lose the customer or the shipment might be rejected due to delay in delivery.

Freight forwarder who acts as Multimodal Transport Operator offers service to shipper and guarantees the arrival of shipment within the rest of twenty days.

He has to plan the routing of transport, networking, operation and document flow with lowest cost possible.

In this case; MTO planned to ship the order by sea to Dubai and from Dubai, he instructed his agent to ship by air to Amsterdam Airport Schiphol and delivered the goods there. Since the distance from Schiphol airport to Rotterdam seaport is 78 kilometers, the Shipper/seller may be able to negotiate with the buyer for the delivery place from Rotterdam seaport to Schiphol airport, or minimized the cost of inland transport, which he has to absorb for buyer (in some portion of the transportation cost) subtracting cost of transportation from Rotterdam seaport to final destination of buyer by cost of transportation from Schiphol airport to final destination of buyer.

The internal document flow of MTO starts from Shipping Instruction sent to Ocean Carrier, receiving Ocean Bill of lading after delivery goods to carrier which he may make "B/L surrendered" or to send this bill of lading to his Dubai agent in exchange to Delivery Order when the shipment arrives at Dubai. MTO in Thailand will have to send notification of shipment details to both Dubai agent and Amsterdam agent.

His agent in Dubai has to make a booking with Airline from Dubai airport to Schiphol airport. Agent in Dubai has to perform the customs transshipment procedure and move the goods from Dubai seaport to Dubai airport by land transport. After handover the goods to airline, Dubai agent will get Master Air waybill, and issue House Air waybill, then notify MTO's agent in Amsterdam by email informing the arrival date and details of shipment.

The related documents are Ocean Bill of Lading, Truck waybill, and Air waybill.

To perform the operation, MTO has to deal with three parties, namely,

A) Customer: MTO should be able to give a good advice to customer for the best routine and cost including lead time of transport. Customer will receive a Multimodal Transport Bill of Lading from MTO.



B) Carriers: MTO should be able to get a good rate from all carriers related to the transport operation, Sea/Land/Air. He has to use his agent to negotiate with the carrier at the transshipment point for next transportation, including furnish customs transshipment procedure and to use destination agent to complete customs procedure and deal with Truck operation for delivery to final destination.

C) Agents: MTO should have a good choice of selecting an agent in transshipment place and destination to ensure smooth operation of transshipment process and in final delivery at destination. Of course, customs officers are involved when transshipment is made.

## **Conclusion**

The multimodal transport operator shall have a good planning for documentation flow and operation flow by selecting relevant carriers and agents at each leg of transport and fix the flow documents including related information to transfer from point to point.

The Shipper will see only one document, but MTO will have to manage several documents depending on the mode of transport used.

## **3. LIABILITY INSURANCE**

According to the ASEAN Framework Agreement on Multimodal Transport article 30 (C), the MTO shall have an insurance policy, a coverage from a protection and indemnity club, or an alternative of a financial character to cover payment of obligations for loss, damage or delay in delivery of goods under multimodal transport contracts as well as a contractual risk.

This makes the issue of insurance becomes extremely important.

The VO-MTOs may use P& I Club coverage for their liability insurance while the NVO-MTO may have to find insurance companies or institution to cover for their liability.

The limitation of liability of the multimodal transport operator has mentioned in article 14 as follows:

“Unless the nature and value of the goods have been declared by the consignor before the goods have been taken in charge by the multimodal transport operator and inserted in the multimodal transport document, the multimodal transport operator shall in no event be or become liable for any loss and damage to the goods in an amount exceeding the equivalent of 666.67 SDR per package or unit or 2.00 SDR per kilogram of gross weight of the goods lost or damaged, whichever is the higher.”

Therefore, MTO shall seek for reasonable insurance coverage for said amount when he has taken in charge to perform multimodal transport operation.

To seek for individual insurance company or institution to cover liability of NVO-MTO is not easy because individual NVO-MTO will be charged at high insurance premium, because most of MTOs may wish to have full coverage of liability for their through transportation. The insurance company may estimate the number of shipments and value

of the goods carried by MTO and set the premium which over affordable to MTO in most cases. In some ASEAN countries, MTO could not find insurance company which provides reasonable insurance premium and worse than that, no insurance company to accept insure.

In ASEAN Framework Agreement on Multimodal Transport does not mention the minimum insurance coverage of Multimodal transport Operator, however, in some ASEAN member states, for example Thailand has announced minimum insurance coverage or Bank Guarantee as follows:

A) Thai NVO-MTO acts as Individual Principal – Should have own insurance policy coverage or to place Bank Guarantee not less than two million Baht per loss/damage or delay in delivery occurrence under own operation.

B) Thai NVO-MTO acts as Agent – Should have own insurance policy coverage or to place Bank Guarantee not less than three million Baht per occurrence in case of acting as agent for ASEAN MTO or NON-ASEAN MTO.

C) Thai NVO-MTO acts as Individual Principal and acts as Agent – Should have group liability insurance coverage not less than five million Baht per occurrence.

For the carriage of goods by sea, the limitation of the Carrier or NVOcc is as follows:

1. Hague Rules Pound 100 per package
2. Hague Visby Rules 2 SDR per kg or 666.67 SDR per package
3. Hamburg Rules 2.5 SDR per kg or 835 SDR/package.
4. Rotterdam Rules 3 units of account per kg or 875 SDR per package

## **Conclusion**

The liability insurance is a compulsory mechanism for multimodal transport operator to perform multimodal transport operation. The minimum amount of insurance coverage or Bank guarantee or similar financial instrument is depended on each ASEAN member state's rule and regulation provided by the competent authority.

However, Multimodal transport operator should realize his liability limitation in order to have good plans for insuring in order to save insurance premium cost.

## **4. REGISTRATION, RULES AND REGULATIONS**

It is the liberty of freight forwarders to perform multimodal transport in the past. When ASEAN has made the draft of the Framework agreement on multimodal transport, the working group has fixed the conditions for becoming a multimodal transport operator to

ensure shipper or consignor that said operator is qualified according to the regulation set out by the competent national body.

In ASEAN Framework Agreement on multimodal transport article 29 and article 30 have mentioned a must registration and qualification of operator as follows;

Article 29:

A multimodal transport operator of any Member Country shall be registered with the competent national body of his country. The competent national body shall maintain the register of duly registered multimodal transport operators.

Article 30:

1. For inclusion in the register of multimodal transport operators, the person concerned shall submit an application to the respective competent national body and establish that he fulfills all requirements as prescribed by national law. As a minimum;

a) He shall possess the legal capacity as required by the provisions of the Member Country in which he is applying for registration;

b) He shall have domicile in the Member Country in which he is applying for registration;

c) He shall have an insurance policy, a coverage from a protection and indemnity club, or an alternative of a financial character to cover payment of obligations for loss, damage or delay in delivery of goods under multimodal transport contracts, as well as contractual risks; and

d) He shall maintain minimum assets equivalent to 80,000 SDR or provide an equivalent guarantee.

2. Member Countries shall ensure transparency of their respective laws, regulations and administrative procedures concerning the registration.

The registration by the competent national body of any of the Member countries authorizes multimodal transport operator to operate in any of the Member countries, if multimodal transport operator submit a copy of registration certificate duly issued by his competent national body to competent national body of the other Member Country in which he has legal representation such as through agency agreement or branch office in the other Member Country in which he wishes to operate – Article 32 (item 1 and 4b)

To fulfill the qualification to become a multimodal transport operator, each ASEAN member country, therefore, have to implement regulations, according to Article 30 which have great impact to the intend-to-be multimodal transport operator, namely;

1. Relevant documents required for registration shall be prepared by the applicant. It depends on the competent national body to fix what documents are required. It is highly possible that unnecessary documents may be requested for evidence to make registration.
2. Minimum Registered Capital is required at 80,000 SDR since the multimodal transport operator must maintain his minimum assets at all time in such amount or equivalent guarantee. The small enterprises that perform NVO business and wish to become multimodal transport, may have to increase its registered capital in order to comply with the regulation, while in the past, they can perform freely. To seek for more capital might be difficult for some enterprises. The control measure of minimum asset maintenance set up by the competent national body may create an impact to multimodal transport operator if such measure is unmatched with the nature of operator's business performance.
3. Applicant must have liability insurance or Bank Guarantee, or financial instrument to cover payment of obligations for loss, damage or delay in delivery of goods under multimodal transport contracts, as well as contractual risks. As mentioned earlier that insurance premium is high and it is not easy to find an insurance company in some countries. Moreover, each ASEAN member country may require minimum coverage of insurance policy or bank guarantee in different amounts.
4. Validity of registration certificate has not been agreed in the Framework agreement on multimodal transport and it is depended on each competent national body to set out.
5. The penalty for neglect or infringe against the rules and regulation is one of the impact to multimodal transport operator since there might be several rules to follow, but unintentional, the multimodal transport operator is ignored or miss to perform.  
For example,

### **Thailand Case**

#### CASE 1:

Whenever Multimodal Transport Operator moves his office or change in main point or essence of his registration such as; Name of the company, Address, Registered capital, Multimodal Transport Operator has to inform the Registry office within seven days. Failure to notify, the fine will be 50,000 Baht.

When people move office to another place, the address will be changed automatically, but most of people will forget the important issue to notify the authority as stipulated in the regulation. There were some companies have been fined in Thailand.

According to Article 32, if Multimodal Transport Operator wishes to operate multimodal transport in other Member countries, the registered multimodal transport operator in one country shall have legal representation such as Agent, or branch office in another member country. In the most cases, it is very rare that the ASEAN multimodal transport operator

will open branch to operator multimodal transport in another country, but rather use his agent in such country instead.

#### CASE 2:

Multimodal Transport ACT B.E. 2548 of the Kingdom of Thailand states that there are three types of Multimodal Transport Operator who can perform Multimodal Transport in Thailand.

1. Thai Registered Company
2. Foreign Registered Company of whose countries, Thailand has the agreement with – in this term means ASEAN Members
3. Foreign Registered Company of whose countries, Thailand do not have the agreement with – in this term means any Countries in the world excepts ASEAN.

#### Conclusion

To become Multimodal Transport Operator, ASEAN Framework Agreement on Multimodal Transport has set up the qualification of the party who wishes to perform Multimodal Transport operation.

The Local rules and regulation of each ASEAN Member State may be different from the other, but the majority rules and regulation shall be aligned with the ASEAN Framework Agreement on Multimodal Transport.

To perform Multimodal Transport in other ASEAN countries, Multimodal Transport shall have legal representation such as Agent, or branch office in such countries.

1. The obstacle of SME to become MTO is the amount of registered capital and how to get liability insurance.
2. Even though some enterprises are ready to become a multimodal transport operator in term of assets or registered capital, they may possibly encounter the problem of how to obtain liability insurance from an insurance company.
3. There is highly possible that each member country will set up different requirement in registration and rules to follow during the period of ratification and implementation of multimodal transport operation.
4. MTO ASEAN may merely use Agent as subcontractor in another country to perform multimodal transport operation in such country, rather than self-operation. The liberalization of Multimodal transport service sector in ASEAN is highly possible, therefore, MTO of one ASEAN (A) country may hold 70% of stock registered in another

(B) country, but leaves the operation to Local MTO of (B) country to perform the work as his subcontractor.

5. MTO should aware of local practice and rules of each country, especially the customs procedure, including carrier permission to move the container into another territory.

## **5. REGULATION AND RULES WHEN PERFORMING OPERATION**

### **CUSTOMS RULES**

The regulation and rules in performing multimodal transport operation in ASEAN is not similar, especially customs procedure which is unlike Cross border Transport under ACTS – ASEAN Customs Transit System.

The movement of goods from one mode to another mode may have different regulations or rules in each ASEAN member country and of course, in another territory beyond ASEAN as well.

### **CASE STUDY Singapore / Thailand**

**In Singapore:** Only registered shipping agents, airline agents and freight forwarders / cargo agents can submit Transshipment Permit Applications if the shipments are covered by Through Bills of Lading or Through Air Waybills. After approval of the Transshipment Permit Applications by the TradeNet®, you will be required to send a copy of the Transshipment Permit to the our Permits Compliance Branch (PCB) together with the Through Ocean BL or Through MAWB or Through House BL or Through HAWB for checking.

**In Thailand:** Only Shipping agents, airline agents can sign in Transshipment Permit, not a freight forwarder / cargo agents. To perform transshipment, the License Customs broker will submit a transshipment permit to customs that will make approval to move the goods from the seaport or airport to another place for next mode of transportation. This makes Thailand no competitive in term of time performance for transshipment. Simply to think if Shipping agent or airline agent do not sign on the permit, the customs procedure cannot be done at all.

### **CARRIER RULES**

In some case, the carrier does not allow his container to cross border from transshipment country to third or fourth country. For example, the shipment from Port Klang, Malaysia by sea carriage and transshipped at Laem Chabang port, Thailand bounded for Phnom Penh, Cambodia by truck as final destination, carrier does not allow his container to cross border at Poi Pet to Phnom Penh as he is afraid that the container would not return to the container depot in Thailand.

The reality of through transport in ASEAN future, the shipment from one country, transship at next country, and cross border more than one country would happen when ASEAN trade grows up as ASEAN aims for Single Market and production base, therefore, raw material, semi raw material and finish product may flow along ASEAN country. In many cases, cargo receivers are preferred to receive the goods in the container than loose cargo which have to be unpacked from the container in somewhere during the journey of transport.

## Conclusion

There are both official rules and private rules concerned to Multimodal Transport Operation, the Multimodal Transport Operator should have

### **6. CUSTOMS OPERATING TIME AND BORDER POST OPERATING TIME**

This is one of the factors that MTO should consider when performing the multimodal transport operation. In order to make smooth operation, MTO must understand working hours of customs at each point if he wished to perform cross border transport under multimodal transport operation. Time lap creates delay in delivery of the goods. For example, the shipment from Lao PDR bounded for Singapore by Land/Sea mode, MTO Laos must aware that lunch break of Laos customs is two hours from noon to two o'clock in the afternoon. Arranging customs process after two o'clock, MTO may not be able to process further customs in Thailand after four o'clock. The shipment may have to be stuck in Thailand; MTO have to resume working in the next morning. Poor planning may lead to the "Roll-over" of the shipment by ocean carrier, and now the shipment may be stuck at the port another one week.

### **7. UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDIT (UCP 600)**

Before the revision of the rules UCP 400 in 1983, the Bank will accept on the bill of lading which is issued by the carrier, especially in sea transportation, the "shipped on board" bill of lading only. After revision, the bank accepts any transport document, which has been issued by a carrier accepting liability for the entire transport, including "received for shipment" bill of lading.

The transport articles of UCP 600 do not impose a condition as to who is to issue a transport document. These articles detail how the carrier, owner, master or charterer is to be shown on the transport document and how the documents are to be signed including the capacity of the signer.

In UCP 600 sub-article 14 (l), a transport document may be issued by any party other than a carrier, owner, master or charterer provided that the transport document meets the requirements of articles 19, 20, 21, 22, 23 or 24 of these rules and Sub-article 14 (l) emphasizes that a transport document may be issued by a party other than the carrier,

owner, master or charterer – i.e. Freight forwarder, etc., provided that the transport document meets the requirements of articles 19 to 24 of UCP 600.

The transport document, covering at least two different modes of transport in Article 19 shown that it is necessary to indicate the name of the carrier and shall be signed by whom.

Actually, FIATA Bill of lading does not allow anyone to sign, only the name of carrier appeared on the face of Bill of lading while normal freight forwarder multimodal transport bill of lading has no such limitation; however, it has to comply with UCP 600.

## **Conclusion**

There is no limitation for signature when transport document is aligned with UCP600, however, in FBL case, it allows only the party whose name on the fact of bill of lading to sign as a carrier. This means that overseas agent cannot use FBL of other countries for his export shipment, unless he owns his own FBL.

## **8. SELECTION OF THE TRANSPORT ROUTE**

Selection of the transport route leads to the Form of Intermodal and Multimodal transport Operation mentioned earlier.

MTO should have a good understanding about following matters:

### **A) Availability of Common Carrier in each leg of transport in designated transport route:**

There is highly possible that the planning of MTO to use his planned transport route cannot come true because there are no common carrier could serve in that area. This includes the availability of the mode of transport in the country where the shipment may go through.

**B) Hub and Connecting point:** the wrong choice of using some country as hub could create trouble of longer transit time and delay in delivery finally. Cambodia garment shipment bounded for USA shipped to Thailand by sea and would connect to the Suvannabhumi Airport in Thailand miss the flight of the airline because of the customs transshipment process.

**C) Current situation at transshipment point:** This used to be happening that ASEAN shipment bounded for Europe, mostly using Dubai as Hub for air transport after the shipment arrived at sea port. In normal situation, Dubai is good for air transport hub, however, once Dubai had a huge backlog of airline space, the transshipped shipment was sat there more than two weeks. MTO should monitor and check the situation at every single point of each leg of transport to avoid congestion and delay in transport.



**D) Infrastructure at transshipment point and connecting point:** MTO should have good knowledge about the infrastructure of the area they ship the goods via and to. For example; road condition, weight limitation, the facility of air, sea, train and truck terminal which all have an impact to the movement of the goods.

**Inland Container Depot-** ICD where the transshipment can be done is one of factors to consider, especially for the shipment from/to land lock country. Nowadays, UNESCAP is promoting ICD in various countries for the hub of transshipment besides sea port or air terminal. This is included Free Zone or Free Trade Zone where the shipment will be transferred in, performing a customs clearance for import and re-export without duty. It is one of the solutions when normal transshipment cannot be done in some countries due to no bilateral or multilateral agreement for in-transit transport and interstate transport have not been made between countries.

**E) Safety and Security:** It is inevitable that safety and security are very important issue after 911. In some certain route, the operator might be at high risk of transport due to poor infrastructure and no facility during the journey. On road transport route of some ASEAN Countries, there is no gasoline station, no rest area facility and the road is too narrow with a full fleet of bicycles in some route.

The safety-transport along the planning corridor is a must for carriage of dangerous goods. The corrective and preventive action on handling dangerous goods must be placed in advance before transportation is done.

The security risk comes up because of uncertainty of the environment such as politics, riot, terrorism, narcotics and smuggling etc., during the journey. Multimodal transport operator as principal should carefully consult with his subcontractors to find out the best mechanism to avoid such environment.

**F) Cargo Handling:** MTO should ensure that the infrastructure that he selects is capable of handling the cargoes and has sufficient equipments as well. Especially, when carrying Dangerous Goods, MTO should understand the rules and regulation and how to handle at each place.

**G) Restriction of Infrastructure on the transport route, especially during land transport:** MTO should understand road condition, weight limitation or even type of truck which can be used for passing through the route, he plans.

## Conclusion

The selection of the transport route plays vital role in multimodal transport. The Multimodal transport operator should consider the availability of route, carriers, connecting point, infrastructure, and the hub of transshipment.

The current environment in various aspects is required to put into consideration seriously by the multimodal transport operator when he plans for the route of transport and mode of transport for such route because it may be caused to delay in delivery and other serious problem of safety and security which may happen during the journey.

## **9. NETWORK OF MULTIMODAL TRANSPORT OPERATOR**

To perform multimodal transport efficiency, multimodal transport operator should have the group of partners, agents who would assist or act as subcontractor moving forward to goods from point to point at each leg of transport and at each country where the goods being changed the mode of transport.

In general, multimodal transport operator must seek for agents who are able to provide several modes of transport. Apparently, most of freight forwarders are good at one single mode of transportation such as air transport, sea transport rather than multimodal transport service. Some of them do not provide customs clearance service.

In ASEAN, multimodal transport operation in another country where MTO office is not located, MTO has to appoint an agent in said country to perform operation on behalf. Therefore, the network is very important for communication and operation.

Cross networking can be happened when MTO appoints his agent in country A and country B, whilst agents in both countries do not know each other but have to coordinate and collaborate in order to make smooth transportation as per instruction of MTO.

Wrong choice of network will not make multimodal transport operation efficient and may lead to argument between agents. It could be happening that agent in country A may select at his option carrier whom the agent in country B dislike to deal with or in opposite carrier dislikes to deal with agent in country B. This may cause delay.

To set own branch in several countries of ASEAN MTO is not easy and depended on business opportunity in each country where multimodal transport operation will be performed. ASEAN MTO therefore, rather prefer to use agents than using own branches. Unlike, multinational companies who have strong own network and strong financial support, will use their own branches along the transport corridor of multimodal transport.

## **Conclusion**

MTO has to have a strong network along the route of transport when he provides multimodal transport service to Traders. Most of MTOs in ASEAN rather select reliable agents helping them to operate transshipment and deliver the goods to consignee than operate an own branch or office in other countries within ASEAN and beyond.

Crossing network may create unsmooth operation and mishandling in some cases due to communication and understanding of relevant parties.

## **10. COST AND COMPETITION**

As mentioned that most of ASEAN MTO will use agents rather than set up own branches and operate in various countries, including ASEAN because of less strong financial status and the business opportunity.

The cost of operation, therefore, may become higher than multinational companies. The traditional in doing business of ASEAN MTO is a profit center, namely, when the MTO requests his agent to perform activities of operation, the agent will charge as “Cost Plus margin”. The more margin of handling or performing transport in his portion, including the more cost of final destination agent, the cost of MTO at origin becomes high. This is simple to say that all concerned parties are different pocket.

Unlike multinational MTO who is able to perform “Cost Center” when being instructed by head quarter. All agents will charge at cost to MTO at origin station and MTO at origin station will have a more competitive advantage to offer lower freight rate to shipper/consignor, especially if there is bidding concerned. Local MTO losses his competitiveness, unless otherwise he may have a good collaboration with agents and he has to request agents in the same manner as multinational MTO, thereafter share the margin. This would help in performing business under the arena of competition, but no so many networks can do this scheme.

## **Conclusion**

The Multinational Multimodal Transport Operator shall have more merit in costing when performs multimodal transport service by using the strategy of “Cost Center”, unlike Local Multimodal transport operator who shall have disadvantage and less competition since the performance of the business is based on “ Profit Center”.

## **11. INCOTERM**

This factor is related to Shipper/Consignor/Consignee who must clearly understand about the obligation, risk and cost between seller and buyer under the Incoterm.

The Seller may select the term which he is able to control the transport by using Incoterm or he may ignore about transportation and leave the decision to the buyer as he wishes to minimize his obligation, risk and cost for transportation.

In most cases, Traders (Seller and Buyer) do not have well educated about the Incoterm and wrongly using it which comes to argument in trade especially risk and cost.

A professional MTO should have ability to explain seller/buyer what term to use, why to use and how the benefit they will gain when they make a decision on trade term.

The terms which Seller bares least to most cost are as follows:

EXW, FCA, (FAS, FOB, CFR, CIF,) DAT, DAP, CPT, CIP, DDP

The above terms in the blanket are not used for Multimodal transport. They will be used for Sea Transportation only. There is still misunderstanding of the seller to use the FOB term for air shipment rather than using FCA.

The unloading cost belongs to the seller at destination when CPT, CIP and DAT is applied and unloading cost is belonging to buyer at destination point is under DAP and DDP.

## **Conclusion**

Incoterm is a very important issue for all parties, seller, buyer and transport service provider.

It is necessary that every party should understand his role, obligation, risk and cost when making the decision of selecting the term in Incoterm.

MTO should have sufficient knowledge to advise Traders that at which point the risk is transferred from seller to buyer and at which point the cost should be borne by which party, including the end of the seller's obligation and starting point of obligation of the buyer.

Wrongly using or miss use of Incoterm will create an argument, especially the cost of transportation between seller and buyer.

## **12. COMBINATION OF MULTIMODAL TRANSPORT AND GOODS INTRANSIT AND INTER-STATE TRANSPORT**

ASEAN is aiming to have institutional connectivity which transportation is one of the components. ASEAN has made Three Framework Agreements on Transport Facilitation which are:

1. Framework Agreement on Multimodal Transport,
2. Framework Agreement on the facilitation of goods in transit,
3. Framework Agreement on the facilitation of interstate,

In order to have integrated and seamless transport among ASEAN member states, whereas ASEAN is aiming for Single Base Production and Market in ASEAN Economic Community.

These Three Framework Agreements to facilitate Multimodal Transport, Goods in transit and interstate transport has been signed and partly of these three agreements have been implemented.

Framework agreement on Multimodal Transport prescribes clearly the minimum requirement, qualification, obligations of MTO and allows Multimodal Transport Operator registered in one member country to operate in any of the other member countries. In order for the multimodal transport operator registered in one Member country to operate in other member countries, he shall have legal representation such as an agent or branch office in said member countries.

For the Framework agreement on facilitation of Goods in transit and interstate stipulate the party performs Cross border Transport under ASEAN Customs Transit System (ACTS) as Principal and allows 500 trucks of each nation to cross other nation borders. The trucking company who has been granted license can be only common carrier in trucking service or he can become both Principals and Common Carrier when the goods are taken in charge by him from one country via second country to country of destination.

### **CASE STUDY**

Consignor in Batam Industrial Park, Indonesia wishes to ship his goods to new South Dagon2 in Yangon, Myanmar. Actually Consignor has an option to use type of transport SEA/SEA (ferry/ocean vessel) transshipment at Singapore, however, Consignee prefers to have multimodal transport from Batam via Singapore, Malaysia and Thailand even though the freight cost is higher due to some reasons, frequency, transit time, customs procedure when entering into Myanmar. Thus Consignee purchases FCA Batam Industrial Park in order to control the entire transport chain.

Consignee hires one Multimodal Transport Operator in Yangon who requests Indonesian Multimodal Transport Operator in Batam to handle the freight using Ferry across the ocean to Singapore port and use the Singapore truck through Malaysia and Thailand border entering into Myanmar from Mae Sot, Tak, Thailand to Myawaddy, Kayin State by using traffic on the Myawaddy-Kawkareik road to Yangon.

According to the Framework agreement on Multimodal Transport, Indonesian Multimodal Transport Operator who has no branch in Singapore has to appoint an Agent to handle the second leg of transport which is land transport. Singapore Multimodal Transport Operator who has no license on transit transport hires the in-transit-license trucking company to convey the goods to destination and Singapore Multimodal Transport Operator acts as Principal according to the ASEAN Customs Transit System - ACTS.

The in-transit-license trucking company carries the goods to final destination under the ACTS clearance system of Singapore MTO. During transit in Malaysia and Thailand, Singapore MTO is not necessary to appoint an Agent to supervise the goods but only in Myanmar for delivery.

### **What has happened to the operation?**

1. Even though the consignee is the person who pays for transportation cost, the consignor is the person who concludes a multimodal transport contract with the MTO. However, in case of a claim, the consignee has right to claim agents of Singapore Multimodal transport in Myanmar and claim to License trucking company, including Indonesian Multimodal Transport.
2. The Indonesian Multimodal transport acts as “Carrier” or a principal assuming responsibility for the performance of the Multimodal transport contract and has the limit liability in accordance with the Agreement.
3. Consignee in Myanmar is the person entitled to receive the goods from the MTO as specified in the multimodal transport bill of lading.
4. If the cargo is loss or damage, the basis of liability of the MTO under the local act (if able to prove where – Localised Damage) within ASEAN applies to claim against the MTO whether on ground of contract or tort and will apply to claim against his servants, agents or any other person whose services the MTO makes use for the performance of the contract.
5. According to ACTS technical appendix article 2 – Obligations of the Principal; in placing goods under the ACTS procedure, the Principal shall be liable for the payment of any customs debt, which may become due as a result of an irregularity occurring before the termination of the transit operation. This liability applies equally where the goods have been placed under the ACTS procedure by the Principal’s authorized representative.

Physically and theoretically, this operationalisation is Multimodal Transport, however, to cross the border by truck; Singapore Multimodal Transport Operator shall become Principal and Singapore Customs office becomes Customs Office of departure.

6. The Singapore Multimodal Transport Operator has no truck and he has to hire Licensed trucking company to carry the goods up to Yangon. Trucking company shall be liable on land transport, which, according to local law, the limit of liability will be applied differently between Singapore, Malaysia, Thailand and Myanmar since ASEAN does not indicate limit of liability in both agreements, goods in transit and interstate, therefore, local law shall be applied between Singapore Multimodal transport and License trucking company.
7. Trucking company shall be responsible to Singapore Multimodal Transport Operator under applicable local law or if he is able to prove, the local law of the country may apply where the goods finds damage or loss.
8. The Singapore Multimodal Transport Operator must find Guarantor to cover customs debt along the journey and should have agents along the corridor to assist when an irregular event occurs.

9. License trucking company shall carry “Transit Accompanying Document” with him until delivery of goods and terminate ACTS with customs. His company also shall participate in customs debts as well.

## Conclusion

There is possibility that Multimodal Transport Operator may use combination of the ASEAN Three Framework Agreements on Transport Facilitation which depends on the transport corridor and physical operation along said corridor.

## 13. ALTERNATIVE TRANSPORTATION AND TIME/COST MODULE

The Multimodal Transport Operator should think about alternative transportation, which relates to transport routing, hub, time and cost.

To select the best route in performing Multimodal Transport Operation, MTO may have to seek for the best transshipment point as “Window” or “Gateway” for connecting between modes of transport which he should think about the cost and time as well.

## CASE STUDY

Consignor consults Multimodal Transport Operator about the shipment ex Laem Chabang to Kaiserslautern in Germany. He asks if there are any shipping lines that are able to carry his shipment to final destination in Kaiserslautern as direct service. The answer is “No”.

The first thinking of Multimodal Transport Operator is route of transport, secondly, he may think where is the window to use in Europe for the arrival of Mother Vessel, thirdly, he has to think which mode of transport is to be used for the next leg of transport and how good of connecting and finally he has to think how much it would cost and how much time consumes in each alternative route.

When Multimodal Transport Operator selects the route of transport and Gateway in Europe port, he may have many options for Port of discharge such as Rotterdam port in the Netherland, Hamburg in Germany, and Antwerp in Belgium etc.

In this case, we will demonstrate only two ports, namely Rotterdam and Hamburg. It can be three alternatives, according to the route of transportation, window and mode of transport as follows:

### **Route No. 1:**

From Laem Chabang to Rotterdam by Ocean Vessel  
From Rotterdam to Mannheim by Barge  
From Mannheim by Truck to Kaiserslautern

### **Route No. 2:**

From Laem Chabang to Hamburg by Ocean vessel

From Hamburg to Mannheim by Rail  
From Mannheim by Truck to Kaiserslautern

**Route No. 3:**

From Laem Chabang to Hamburg by Ocean vessel  
From Hamburg to Mainz by Rail  
From Mainz by Truck to Kaiserslautern

Based on Ocean Vessel schedule calling both ports:

1. Laem Chabang to Hamburg route has two schedules and it takes 25 days and 27 days transit time, respectively, for ocean transport and another 2 days inland transport for Kaiserslautern.
2. Laem Chabang to Rotterdam route has two schedules and it takes 21 days and 25 days transit time, respectively, for ocean transport and another 5 days for inland transport for Kaiserslautern.

Now the cost may become an impact for selection of the route since the time is not much different comparing of four schedules and three routes.

Time/Cost/Distance Module is one of the tools developed by Dr. Ruth Bhanomyong, helping transport operator to determine the selection of routes, including time used and cost concerned. In the figure shows the transportation from factory to Laem Chabang port, the cost and time of Consignor is the same in whichever route, selecting between Rotterdam and Hamburg and it becomes different after shipment departs Laem Chabang Port to the Rotterdam port and Hamburg Port respectively, including the time and cost between barge and rail connecting with the last mode of transport which is the truck. The distance from Mainz and Mannheim to Kaiserslautern is not much different. Therefore, the transport cost is the same.

The Key issue is only how much the ocean freight cost to Rotterdam compares to ocean freight cost to Hamburg and Barge transport cost comparison to Rail transport cost.

## Conclusion

Besides the transshipment hub, which should be carefully selected, the Gateway of the region shall be also considered.

There are many possible gateways to be used and create more alternatives route of transport. However, Multimodal Transport Operator should not think only shorter transit time and cheapest cost for the corridor which he selected, but he should think what is the customer requirement and other obstacle factors in such corridor.

## 14. EQUIPMENTS TO BE USED



One of the factors which are needed to consider is what type of equipments to be used and that suits to mode of transport from origin to designated transshipment.

### **Container type**

Multimodal Transport Operator shall determine which type of containers should be used for each typical cargo

**Reefer Container** – for frozen, chill and cool perishable goods

**Dry Container** - light weight cargoes with high measurement volume probably 40' container is used, while the heavyweight cargoes with less measurement volume, the 20' container will be used.

Special containers:

**Tank Container** – for liquids and chemical cargo

**Open Top Container** – for over height cargo

**Flat Rack Container and Platform Container** – for over size cargo

**Bulk Container or Liquid Bulk Container** – for bulk cargo or liquid cargo

**Half height units** – for steel and heavy cargo

Besides, determining the container type for sea transport, Multimodal transport Operator shall consider Handling Equipment that suits for handling the goods.

For example: A FCL container that stuffs garment in cartons, moving from the sea port of origin to the sea port of transshipment, said container can be unpacked and loaded onto trucks or loaded onto the prime mover's chassis and directly convey to the airport in the transshipment country.

Multimodal Transport Operator has to plan which equipment should be the most suitable one. Arriving at the airport, with advance planning and booking space with the airline, the cartons will be either loaded on pallets or place into container subject to loading plan for aircraft.

In this case of garment in cartons, pallets and forklift would be sufficient to handle. In some commodities, special equipment may be required, such as huge and oversize machines such as heavy lifter crane and special trailers.

## **15. COST CALCULATION**

Besides cost competition, Multimodal Transport Operator, with his networking and by selection of transport routes, should be able to calculate the cost of transport of each mode. Since the method of calculation of freight charge is different in each mode. For example;

Sea Transport, coaster liner and inland waterway freight charge may be charged by

- A) Box rate when carriage is done by Container ship or barge;
- B) Revenue ton in term of Less than container loaded – LCL (measurement or weight, whichever greater amount is the base factor to calculate for the freight charge);
- C) Metric Ton when carriage is done by bulk or barge or chartering basis.

The air freight charge is calculated as “Chargeable weight” which is similar concept as Revenue ton but the way to calculate is different.

The rule of Revenue ton is width x length x height in metric namely 1x1x1 Meter equals to 1 Cubic Meter and equivalent to 1,000 kilograms or one ton, namely one cubic meter equals to one metric ton.

For example, the cargo measurement is 0.95 x 1.45 x 0.85 meter and the weight is 1,250 kilograms. The measurement is 1.170M<sup>3</sup>. In this case Revenue ton is 1.250M<sup>3</sup>.

In the same case, “Chargeable weight” will be calculated by measurement in centimeter the result of calculation will become cubic centimeter, then divided by 6,000, it will become Chargeable weight of 195.145 kilograms, however, when comparing with actual weight, it is 1,250 kilograms, therefore, the Chargeable will be 1,250 kilograms in term of whichever grater figure is the base figure to use for calculation of the freight charge.

Local or International Truck Transportation charge is calculated by

1. Full Truckload (FTL) – hiring whole truck from origin transport to the designated destination. The size of the truck shall be determined according to the size of the goods.
2. Less than Truck Load – (LTL) hiring a compartment of space in the truck as consolidated shipment.
3. Prime mover and chassis – dray the whole container from place to place.
4. Special truck/trailer for project cargoes.

Local or International Rail Transport charge will be charged by

1. Box rate – carry whole container on rail chassis
2. Freight Ton – carry the goods as LCL shipment

### 3. Wagon rate – hiring a whole wagon of rail to transport from station to station

The other costs concerned are as follows:

#### **Port Charge:**

Multimodal Transport Operator should aware that the port tariff of each port is different, even though it is located in the same country. Each port has a different character, different service and different charges.

#### **Port Storage Charge:**

In the same sense as Port Charge, port storage of each port is different. Multimodal Transport Operator should not only realize such difference, but also should be able to calculate how long the goods shall be in the port before moving out for a further transshipment process which this is related to customs formality in each country.

#### **Terminal Charge/Terminal Storage Charge:**

This is including airport terminal, ICD where the goods passes through or stop over for further process of transport. The cost concerned of these places is the same concept as Port Charge and Port Storage Charge.

#### **Document fee:**

It is not only, Bill of lading fee or Forwarder Cargo Receipt fee to be considered, but also in some destination, Consignee requires Legalization of documents such as shipment bounded to the Middle East, therefore, Multimodal Transport Operator shall keep aware of this extra cost.

#### **Handling Charge:**

It can be invoiced by any Third or Forth parties during the journey as well as the handling charge billed by Multimodal Transport Operator's partners or agents who locate at transshipment point and destination point.

Multimodal Transport Operator shall carefully check with his partners or agents on else handling charge may incur from the parties beyond his partners or agents.

#### **Equipments hire:**

Normal equipment-hiring cost may be put into handling charge, however, in some case, special equipments hire is required and this will be a huge cost factor depending on the nature of the goods.

#### **Inland Transportation:**

This cost may come from local barge hire, nearer coaster service, including local truck / rail transport as mentioned earlier.

Hiring barge for bulk cargoes, the cost is not only transportation from/to place, but also demurrage for retaining barge over the number of days in the transport contract may happen. Multimodal transport must ensure the operation shall not be exceed the time frame.

### **Stuffing/Unstuffing Charge & Load /Unload:**

One type of handling cargoes is to stuff or unstuff the goods from container and load or unload the goods to/from truck. The cost will be different when hiring stevedore in different places. In many cases that common carrier may provide such services with extra charges from the freight rate.

### **Terminal Handling Charge:**

Nowadays, in Container transport, Carrier is charging Terminal Handling Charge to compensate their port charge and operation in the port where their vessel berth. In each trade lane, terminal handling charge is different, for example, THC of the shipment from Intra-Asia maybe different from THC of the shipment from Europe or USA.

### **Customs Clearance Charge:**

In Theory, the customs clearance charge shall be low in term of government service, however, in reality the formality of customs procedure creates high cost and uncertain amount which is subject case by case which some time related to type of commodity.

### **Duty and Taxes:**

It might be very risk for Multimodal Transport Operator to serve Consignor with DDP in INCOTERM as he has to make advance payment of Duty and Taxes incurred in the Consignee's country. Sometime, advance money for duty and taxes are very high and partner or agent of Multimodal Transport Operator could not pay and have to request Multimodal Transport Operator to remit the fund for such duty and Taxes.

a) Pay less duty and taxes, which will be affected to Consignee after being post-audit by Customs officers. If incorrect H.S. Code has been declared in customs entry and the amount of duty and tax is less than correct H.S. Code, the consignee may claim Multimodal Transport Operator for fine or penalty by customs.

b) Duty and Tax amount offered to Consignor is less than Actual paid Duty and Tax amount. In this case, there is possibility of argument between the Consignor and Multimodal Transport Operator unless, in the quotation clearly mentioned that Duty and Taxes are subject to actual payment with an official receipt.

## **Other Transport Surcharges**

There are a lot of Transport Surcharges implemented by Shipping Line, Airline or even Truck Operator, Barge Operator.

In Shipping Business, following surcharges are currently implementing:

- BAF (Bunker Adjustment Factor)
- FAF (Fuel Adjustment Factor)
- CAF (Currency Adjustment Factor)
- YAS (Yen Appreciation Surcharge)
- CRISIS/WAR RISK SURCHARGE
- AMS FEE (Advance Manifest Surcharge)
- ENS FEE (Entry Summary Declaration)
- AFR (Advance File Rules)
- DDC (CY Destination Delivery Charge)
- PEAK SEASON SURCHARGE
- CHASSIS UTILIZE CHARGE
- DEMURRAGE/DETENSION CHARGE

## **Conclusion**

There are many unseen cost when performing Multimodal Transport, the Multimodal Transport Operator shall carefully think for all cost concerned. The cost of getting something wrong or misjudging the method of delivery can be catastrophic.

## **16. CARRIER SELECTION**

Carrier selection is based on Nature of the goods and route of transport. Conventional Common Carrier or Ship Owner (for voyage chartering) shall be suited for project cargoes and bulk cargoes. In some case, RO/RO carrier will be used for carriage specific cargoes such as equipments.

Non-schedule Carrier, for example Truck, Trailer transport operator or barge service provider shall be used for specific inland routing from place to place.

Schedule Common Carriers, for example, Vessel Liners, Airlines, Schedule barge in some areas are used for international transport.

Multimodal Transport Operator when he designs the route of transport, he has to consider and determine which type of carriers shall be used in each leg of transport.

Moreover, Multimodal Transport Operator shall consider the reliability of the each carrier he chooses. Many carriers look reliable but when perform carriage, they have no responsibility in their duty. Services of Carriers are one of the issue to consider.

## Conclusion

The Multimodal Transport Operator has to select Carrier who is suitable for each leg of transportation according to the nature of the goods and he also has to ensure that selected carriers are reliable and providing good services.

### **17. NATURE OF THE GOODS**

The duty of Multimodal Transport Operator is to carry the goods from origin to destination and deliver in good condition under his custody. The nature of the goods is one factor that he needs to consider.

To carry General Cargoes is different from Dangerous Cargoes.

Common Carrier or means of transport maybe refuse to carry some type of dangerous cargoes but only accept general cargo.

Some General cargoes cannot be stacked by themselves or by other cargoes when they are stuffed into the container due to the packaging is not endurable against the weight on top.

Perishables definitely need container or vessel equipped with refrigerator to keep it fresh. Packing of the goods is also deemed as the nature of the goods, for example, Steel coil in normal packing condition is stuffed into the container and transport from Tokyo port via Jakarta port to Jakarta city limit. The consignee may claim cargoes damage to Multimodal Transport Operator due to rust found on the surface of the coil. But in fact, during the journey of sea transport, condensate inside the container has happened, wetting the coil and created rust.

## Conclusion

Multimodal Transport Operator may not be able to transport some products due to its nature and packing. He has to consider mode of transport and in some case the carriers in such mode of transport.

### **18. UNSEEN RISK FACTORS**

In many cases, after Multimodal Transport Operator plans his Transport route and implement the operation, on the way to final destination at some point, there is a crisis, riot, strike, port congestion, backlog of space of Common Carriers, politic critical, or most worst a war.

These unexpected situations may happen and Multimodal Transport Operator must find an advance solution along his transport route when he first planned.

### **CASE STUDY,**

Back to two decades ago plus, the booming in Europe economic made the huge movement of the goods from ASIAN to there.

All Shipping lines had a huge back log due to high demand in the shipping and shortage of containers. Shipping lines tried to allocate space and equipment to the area where they got higher contribution and reduce space allocation in the thin margin area. Shipments ex Laem Chabang were back log at least two sailings, which meant 14 days.

The air freight transportation was not different, the airlines had also back log shipments and could not move the goods at least one week.

To maintain the supply chain in order, Seller came to see Freight Forwarder and consulted how to ship his shipments to arrive any main ports in Europe within a month and he needed to ship only one 20' container.

Knowing the current situation, Freight Forwarder advised to ship one 20' container to Dubai, arranging transshipment from SEA transport to Air transport there. It was Multimodal Transport Operation which was seemed to be good with such situation. It will take around 16 days to arrive.

The sea transport from Bangkok to Dubai was very smooth and there was no sign of any problem until the container was landed. The worst back log ever in air transport happened two weeks ago and continued so due to huge cargoes flying into Dubai airport for transshipment. The container was stuck at the sea port another week after arrival because the aircargo terminal was full house. The Cargoes was transferred to the aircargo terminal and kept on waiting for another two weeks before freight forwarder could get the airline space, but airline could not accept the whole shipment as they have to share allocation to other freight forwarders, the shipment was needed to split and the second shipment would be in another week to be able to ship out.

Total Transit time of the case was two weeks in sea transport, one week seaport stay, two weeks air terminal stay and another one week for split shipments. The supply chain was broken because originally lead time was only four weeks.

Shipper paid higher cost, but the result was not as intension and freight forwarder could not control the situation.

### **Conclusion**

The Multimodal Transport Operator should have a contingency plan by evaluating risk to manage for his operation. However, in some situation, there are no solutions to solve the problem.

### **19. Company Capability**

It is naturally to say that each organization has different capability and skill in different areas. In normal case, non Multinational Companies are not able to handle everythings and for everywhere.

In one organization, without knowledge transfer and in house training, it is impossible to handle the business properly though it seems that staffs are capable. But in fact, they may not aware some factors related to operationalisation and create huge damage to the company in term of miss handling, miss calculating the cost, miss understanding for route of transport etc..

INCOTERM is one of factors that staffs in the company who serves international forwarding business and multimodal transport should have well understanding in order to correctly advise Traders about their obligation, cost and risk.

### **Conclusion**

Knowledge sharing and in house training including outside training for staff is the essential issue that the company should always realize and support its staff to fulfill the knowledge and know how.

Strong knowledgeable staffs will assist company in performing business properly and generate income to the company.