

**“A COMPARATIVE ANALYSIS ON THE OPERATION OF  
PUBLIC AND PRIVATE CFS IN KOCHI”**

A dissertation submitted to the Indian Maritime University in partial fulfillment of the requirement for the award of the degree of Master of Business Administration in International Transportation and Logistics Management

SUBMITTED BY

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**SCHOOL OF MARITIME MANAGEMENT**

**KOCHI CAMPUS**

**JUNE 2022**

## **DECLARATION**

I, **SIVADHARSHANA TP (2005305033)** student of School of Maritime Management, Indian Maritime University, Kochi Campus hereby declare that this project report titled “**A COMPARATIVE ANALYSIS ON THE OPERATION OF PUBLIC AND PRIVATE CFS IN KOCHI**”.

Submitted in partial fulfillment of requirements for the award of degree of **Master of Business Administration in International Transportation and Logistics Management** is a bonafide work carried out by me under the guidance of Dr. Jayan P.A. This report bears no resemblance to any other report undertaken or submitted elsewhere in connection with any other academic course.

**DATE:24 /05/22**

**SIVADHARSHANA TP**

**PLACE:KOCHI**

## **CERTIFICATE**

This is to certify that the report titled “**A COMPARATIVE ANALYSIS ON THE OPERATION OF PUBLIC AND PRIVATE CFS IN KOCHI**” submitted to the School of Maritime Management, Indian Maritime University, Kochi Campus, by **SIVADHARSHANA TP (2005305033)** in partial fulfillment of the requirements for the award of degree of **Master of Business Administration in International transportation and Logistics Management** is a bonafide record of work done under my guidance.

**DATE: 24/05/2022**

**PLACE: Kochi**

**Dr. JAYAN P.A.**

**(PROJECT GUIDE)**

## **ACKNOWLEDGEMENT**

First and foremost, I thank the God almighty, who has granted countless blessings, knowledge and opportunity to undertake this project to its fullest.

I would like to thank my parents and friends for their unfailing moral support, encouragement and cooperation throughout this project.

I would like to express my sincere gratitude to Indian Maritime University Kochi Campus and Dr. Yogamala H.L, Head of Department, School of Maritime Management, Indian Maritime University Kochi Campus for providing the opportunity and guidance for this project.

I am deeply grateful to. Dr. Jayan P A, for his constant and timely help, guidance and valuable suggestions.

## **EXECUTIVE SUMMARY**

Title of Dissertation: A Comparative Analysis on the Operation of Public and Private CFS in Kochi.

Degree: Master of Business Administration (International Transportation and Logistics Management)

Trade involves the exchange of goods and services for money, countries trade with each other for raw materials and merchandise. Trade facilitates the growth and economic welfare of nations. Due to the influence of various factors such as globalization, liberalization, containerization and developments in the transportation, it has contributed to the rise of global trade. Containerization played a major role in the trade and facilitated the transportation of the goods worldwide effectively. The growth of container trade volume has led to the congestions of the sea ports as the maritime transportation is considered as the backbone of the international trade. The container freight station is considered as an extended arm of the port, which has been established with the objective of decongesting the port. They ensured the smooth movement of EXIM trade. It serves as a transshipment point of export and import cargo and can also be considered a warehouse where goods are stored before import and export. It's a customs notified area situated near the port or terminals.

This report focuses on creating overall understanding about the CFS and depicts about the functions, services, importance, operations and the challenges faced by the CFS. A comparative analysis has been made through the report on the public and private CFS in Kochi based on parameters such as the tariff rates, services, warehouse capacity and free periods offered. The report also indicates certain findings and suggestions regarding the CFS based on the comparisons. The study was mainly conducted based on the secondary data due to the Covid -19 pandemic situations.

With the development of containerization and the growth of container trade around the world and India, has facilitated the growth of the CFS and has emerged as a dominant aspect in the EXIM value chain. The CFS is adapting to the present technological environment by incorporating innovative technologies into its operations and services. They can now provide better solutions for the transfer of EXIM items to their customers.

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## GLOSSARY

**CFS (Container Freight Station):** A container freight station is a distribution facility where import and export shipments are consolidated and de-consolidated.

**LCL (Less than Container Load):** Refers to small ocean freight shipment wherein the shipper does not contract for a full container since the quantity of shipment is not adequate to contract for a full container.

**FCL (Full Container Load):** Refers to a full container load, where the shipment or cargo requires the full space of the container. In this case, the complete cargo of the container is owned by the shipper, and the container space is not shared by any other cargo.

**CHA (Customs House Agent):** Means any individual/entity licensed under the regulations prescribed by Government of India to act as an agent for the transaction of any business relating to the entry or departure of conveyances or the import or export of goods at any customs station.

**ICD (Inland Container Depot):** An Inland Container Depot is essentially a physical premise close to the ports. It could also be located in the hinterland. Customers are allowed to store containers, cargo, empty or full, on a temporary basis until they are ready for transportation.

**LEO (Let export Order):** Let Export Order is the final export legal procedure to move goods out of India under Export shipment. This procedure is to be completed with Indian Customs Department by assessing the value of goods and inspection of goods to be exported.

**IMC (Inter-Ministerial Committee):** Act as a single window for clearance of proposals to set up Inland Container Depots (ICDs), Container Freight Stations (CFSs) and Air Freight Stations (AFSs).

**IGM (Import General Manifest):** the Import General Manifest that every shipping line or its agent needs to file with the customs 24 hours before its ship enters Indian waters and has cargo to be discharged at the port of call.

**DPD (Direct Port Delivery):** Which began last year with the Nhava Sheva port on the outskirts of Mumbai, entails the delivery of a shipment from the port to the consignee instead of initially holding it at a container freight station (CFS).

**BOE (Bill of Entry):** A bill of entry is a legal document that is filed by importers or customs clearance agents on or before the arrival of imported goods. It's submitted to the Customs department as a part of the customs clearance procedure.

**TAMP (Tariff Authority for Major Ports):** is a multi-member statutory body with a mandate to fix tariffs levied by major port trusts under the control of Union Government and private terminals therein. It is mandated not only to fix the rates but also the conditionality's governing application of the rates.

# **CHAPTER-1**

## **INTRODUCTION**

## 1.1 INTRODUCTION

Globalization has facilitated the growth of trade; the entire world is now regarded as a single marketplace, where countries trade raw materials and goods with one another. The developments and advancements in the various transportation modes such as water, rail, air, road and multimodal have expedited the world trade. Due to the numerous benefits associated with the water transport over other means of transport, the maritime transportation is considered as the backbone of the international trade and the port as a gateway for international trade and plays an important role in moving the goods to other countries as well as to the interior of the country. A port is defined as an area situated near the coast, which provides facilities for shipping vessels to load and discharge cargo and passengers. With the liberalization of the Indian economy, introduction of containerization and developments in the transportations sectors has contributed to the growth of import and export within the country and has increased the role of the ports

Containerization is defined as a system of intermodal freight transport using intermodal containers. The concept of containerization was introduced by Malcolm McLean, a trucking entrepreneur from North Carolina, USA in 1956 and has revolutionized the sea-borne trade. The uses of containers in transportation of the goods have facilitated the carriage of goods. Containerization was gaining popularity in trade due to its features, which included the ability to provide door-to-door services, a low rate of cargo damage and pilferage, the ability to transport goods quickly, fewer cargo packing requirements, and the elimination of intermediate handling. Previously, goods had to be loaded and unloaded as they moved from one transportation system to another. Containerization has aided the multimodal transportation system by allowing all goods to be loaded onto a single container that travels around the world as if it were a single piece. Large amount of goods are being moving through ports and has led to the congestion of the ports. As of 2020, the global container throughput has reached around 775 million TEUs. India container port throughput reported at 17,053,200.000 TEU as of December 2019, the TEUshandled by the major ports during 2019-20 have recorded 1.0% growth as compared to 8.1% in 2018-19.

The exporters and importers from various hinterlands had to come to the port for the clearance of the cargo from the port. For avoiding the congestions at the port and for the smooth movement of goods from the port to the customers, have led to the development of CFS. A container freight

station is defined as a facility situated near a port where the consolidated and de-consolidated of goods takes place before they are imported or exported. These facilities are also responsible for customs clearance procedures and documentation for the shipments. The CFS plays a key role in the import and export logistics. They create a centralized location for the suppliers to send their goods. CFS is considered as an extended arm of the port or terminal, where the imported and exported goods are stored till the completion of their examination and clearance. In India there are around 168 CFSs as of 2017, in which Tamil Nadu has the highest number of CFS that is 50. The concept of CFS is said to be started off from India and is now a part of international shipping.

## 1.2 KOCHI AS A TRADING CENTER

Kochi, so-called Cochin, is the commercial hub of Kerala and was an important trading center from ancient time, especially in spices from 14th century onwards. Situated on the south-west coast of the Indian, many traders and travelers have come across the city for trading. With a coastline of 46 km and with availability of major and local industries such as chemicals, oil refining, ship building, transportation, information technology, spices, seafood, logistics and warehousing etc. the city has been an important trading post on the west coast of India.



**Figure 1.1** Kochi as a trading center – (Source: newindiaexpress.com)

Kochi is also home to one of the major ports of India, the Cochin port, which has facilitated the international trade and led to the development of the city. The major items of import to Kochi includes crude petroleum, other petroleum products, rubber products, raw cashew nuts, vegetable oil, cement, metallic ores, machinery, motor vehicles, defense classified goods etc. and export items are, tea, coffee, pepper, cardamom and other spices, frozen marine products, cashew kernels, cotton piece goods, other textiles products and garments, leather and leather products, engineering goods, pharmaceutical products etc. The first public CFS (Central government) in the city was established under the Cochin port and was commissioned in 1992-1993 and the first public CFS (state government) was the CFS of the Kerala State Warehousing Corporation in Petta, which was established in March 1999. A dominant change that has contributed to the developments of CFS around the city was with the introduction of the International Container Transshipment Terminal (ICTT) also known as the Vallarpadam terminal, which is the first transshipment terminal in India. The Vallarpadam terminal is a part of the Cochin port and the first container terminal to operate in a SEZ .With the introduction of ICTT, it has helped in the development of the public and private CFS in Kochi. The total number of containers handled in the terminal has shown an increase for the past five years. The increase in the container handling has led to the growth of the CFS.

**TABLE 1.1 TEUs HANDLED BY ICTT FOR FIVE YEARS**

<b>YEARS</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-2020</b>
TEUs	491087	555812	594592	620061

### **1.3 OBJECTIVES OF THE STUDY**

The objectives of the study are as follows:

- To undertake a comparison between the public and private CFS in Kochi

- To attain an insight about the functions and operations of the CFS
- To learn about the services and facilities offered by the public and private CFS

#### **1.4 SCOPE OF THE STUDY**

With the help of standardized containers, different kinds of good were transported between the countries more efficiently and safely. It helped in the easy handling of the goods and also increased the trade volume. The uses of containers have facilitated the transportation of goods, the exporter and importers can make use of the CFS in bringing and sending the goods to their destination effectively.

The scope of the study focuses on the public and private CFS in Kochi and emphasis on the services and facilities offered by them. The study also aims at creating overall understanding about the CFS. The study states about the procedures to be followed for the establishment of CFS and the export-import process involved. It also discusses on the equipment used, major parties and important centers of activities involved in their operations. The challenges faced by the CFS have also been depicted through the study.

#### **1.5 REVIEW OF LITERATURE**

##### **B.Abirami & B. Gayathri (2016):**

According to the research paper, "Role of Container Freight Station in International Trade", focuses on CFS and the relation of international trade in increasing the role of CFS. Various factors such as the industrialization, globalization, growth of transportation etc. have impacted the international trade and facilitated its growth. The CFS is considered as an extended arm of the port with a public authority status. It's the place where the stuffing and de-stuffing, consolidation and deconsolidation of cargo takes place for export and import. CFS helped in reducing the congestion in the port and for speedy clearance of the cargo. Clearance of goods

from CFS is an important concern for trade in terms of import/export of goods. The study states about the functions of CFS such as the stuffing, de-stuffing, customs clearance, temporary storage of cargo and containers etc. The procedures for clearance of the goods and implementation of CFS have also been stated. Containerization is another factor that has contributed to the development of trade and CFS. Containerization offers safe and cost-effective transportation of goods. With the development of different types of container, most of the goods are shipped effectively and have boosted the trade.

**Preetha Subrahmanyam & S. Subhashini (2018):**

The CFS plays an important role in the import and export shipments. Their responsibility involves keeping the cargo safe and secure until their shipment. In addition to the safety, they need to be sorted properly for the next stage of movement. According to their article, “Customs House Agents Perspective on Effectiveness of Container Freight Stations”, focuses on the problems faced by the CFS and the criteria considered by the CHA in the selection of a CFS. The CHA is stated as a licensed agent who facilitates any business related to the import or export of goods to be conducted at the customs station. The CHA acts on behalf of the importers and exporters and files the documents. The problems faced by the CFS include the delay faced in moving the container to the CFS from port, lack of 24x7 operational CFS, time limit in the payments. The article also states about increasing the productivity of CFS through better infrastructures. The factors that are considered by the CHA in selection of the CFS include infrastructure, location, safety and quick clearance.

**T.E. Raja Simhan (2012)**

Through his article “Better infrastructure can boost productivity at container freight station”, mentions the growth of business of the CFS, which can be effectively utilized through better infrastructure. Clearance of goods from CFS is considered as an important stage in the EXIM trade as it's the final customs contact point. The success of a CFS depends upon better

infrastructure such as connectivity which helps in the speedy movement of the vehicles between the CFS and port. The delay in clearance of cargo will affect the productivity of the CFS.

**Asst. Prof. Girish V Upadhye (2015):**

On his research “A study on role of ports, container freight station and inland container depot in logistical development”, states about the importance of logistic developments for facilitating the growth of business. The ports and container freight stations play a vital role in the movement of the goods. The CFS is regarded as an extended arm of the port, which facilitates the speedy movements of the goods from the port to its customers. The research focuses on the role of CFS in facilitating the import and export shipments as well as international trade. This includes better cargo management, improved transportation link, container storage and handling facilities, cargo storage, quicker processing, customs clearance and collection of taxes.

**M. Govindarajan (2019):**

In his article on “CONTAINER FREIGHT STATIONS” states CFS as an off-dock facility situated near the serving port, which helps in moving the cargo and customs related activity outside the port. The CFS provides much-needed logistics infrastructure for the import and export of containerized cargo. The article also states about the government initiative to involve the private sectors in the CFS for foreign trade and export. It also mentions on the modern handling equipment used in loading, unloading, stuffing and de-stuffing of containers and highlights about the minimum equipment that should be made available at CFS such as the forklift, trailers, straddle carrier, rail mounted and rubber tyred yard gantry crane etc.

## **1.6 RESEARCH METHODOLOGY**

Research can indeed be broadly defined as the systematic collection and analysis of data and information for the advancement of knowledge in any subject. According to Somekh and Lewin (2005), a research methodology is both “the collection of methods or rules” you apply to your

research, as well as the “principles, theories, and values” that support your research approach. The research is conducted primarily using secondary data and a telephone survey.

### **1.6.1 SOURCES OF DATA COLLECTION**

Data collection is a systematic method of gathering and measuring information from various sources in order to provide answers to pertinent questions. The two major sources of data collection are the primary and secondary.

- **Primary Data**

Primary data is the information that is collected fresh and for the first time. These data are more reliable, authentic and objective. The primary data collection has been hampered as a result of the Covid-19 pandemic restrictions and lockdowns in place.

- **Secondary Data**

Secondary data includes the data that has been already collected and published. The data for the study was collected from secondary sources. The various sources used for the secondary data collection include, textbooks, articles, magazine, official websites of different CFS, online published papers, reports.

### **1.7 LIMITATION OF THE STUDY**

The major limitations associated with the study are as follows:

- The analysis was primarily based on secondary data that was accessible.
- The Covid-19 pandemic situation and lockdown has restricted from physically accessing the CFS for data collection and research.
- Unavailability of sufficient and reliable data was a major constraint in the conduct of the study

## **1.8 CHAPTERISATION**

- **CHAPTER-1**

Introduction – Objectives of the study – Scope of the study – Review of literature – Research methodology – Limitation of the Study.

- **CHAPTER-2**

CFS OPERATIONS: Container Freight Station – Functions – Benefits – Procedure for approval of CFS – Important centers of activities relating to CFS – Major parties associated with CFS – ICD – Services & facilities offered by CFS – Equipment used in CFS – Major documents associated with CFS – Import process – Export process – Challenges

- **CHAPTER-3**

COMPARATIVE ANALYSIS

- **CHAPTER-4**

FINDINGS, SUGGESTIONS AND CONCLUSION

- **CHAPTER-5**

BIBLIOGRAPHY

# **CHAPTER-2**

# **CFS OPERATIONS**

## **2.1 CONTAINER FREIGHT STATION**

According to Ministry of Commerce and Industry (MoCI) guidelines, Container Freight Station (CFS) may be defined as a common user facility with public authority status equipped with fixed installations and offering services for handling and temporary storage of import/export laden and empty containers carried under Customs control and with Customs and other agencies competent to clear goods for home use, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export.

A container freight station defined as a facility where the consolidation and de-consolidation of goods takes place before they are imported or exported. The CFS is customs notified area where all the dealings are handled through customs authentications, such as the customs clearance procedure and documentation for the shipment of the goods. A CFS cannot have an independent existence and has to be linked to a customs station within the jurisdiction of the commissioner of customs. In a CFS, only a part of the customs processes is carried out by the customs, mainly the examination of the goods. All other operations such as the stuffing/de-stuffing of containers and aggregation/segregation of cargo are done by the CFS itself. A custodian will be appointed by the customs in the CFS, who is liable to follow the instructions as per the customs guidelines. The CFS is situated near to the port, terminals, railway hub etc. and can be linked to a port through various modes such as the rail, road, and inland waterways. It serves as a transshipment point of export and import cargo and can also be considered a warehouse where goods are stored before import and export.

A container freight station can be owned by both public and private parties. The government, in order to bring the customs facilities to the doorstep of the exporters and importers, has allowed the involvement of private sectors in this field so that more CFS facilities can be developed around the country. CFS is operated by shipping lines, terminal, and ports or by the parties in the form of joint ventures and statutory corporations. Public CFS is owned by the central or state governments. The lists of active public and private CFS in Kochi are as follows.

**TABLE 2.1 LISTS OF PUBLIC AND PRIVATE CFS IN KOCHI**

<b>PUBLIC CFS</b>	<b>PRIVATE CFS</b>
Cochin Port CFS	MIV Logistics Private Ltd.
Kerala State Warehousing Corporation CFS	Asian Terminal
Cochin International Container Freight Station	
CONCOR CFS	
Gateway Distriparks LTD	

## **2.2 FUNCTIONS OF CFS**

Following are the main functions of a container freight station:

- Stuffing and stripping of containers for Export and Import
- Consolidation and deconsolidation of cargo for shipment (LCL)
- Customs clearance of the export and import shipments
- Receipt and dispatch of cargo
- Transit operation by rail or road to and from ports
- Temporary storage of the cargo as well as the containers
- Maintenance and repairs of the containers.

## **2.3 BENEFITS OF CFS**

The CFS plays a vital role in the import-export logistics and it facilitates the movement of containerized trade. Following are some of the benefits associated with the CFS.

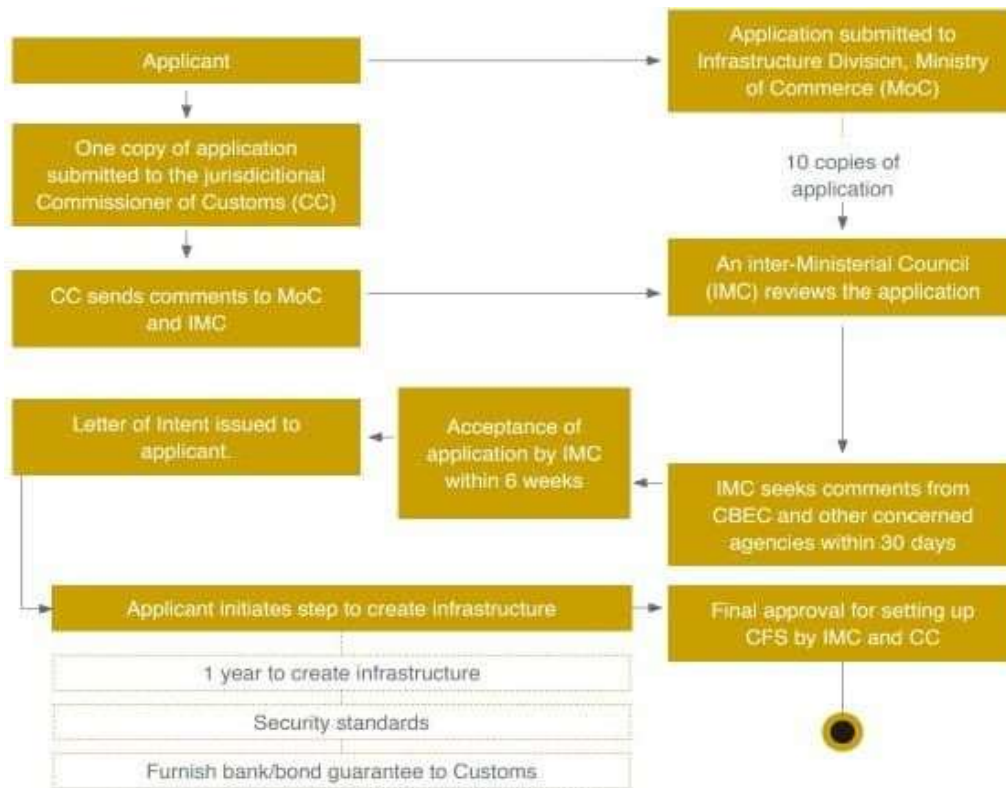
- One of the major benefits of CFS is that it helps in decongesting the ports and ensures the smooth movement of the goods.
- CFS helps in establishing a centralized location for the exporters and importers to send and receive their shipments
- They consolidate the LCL shipments into a larger container
- Through CFS customs clearance facility available near the centres of production and consumption.
- The CFS Service as a transit facility.
- They reduced the level of demurrage and pilferage, also offer greater cargo security, efficient and timely loading, unloading, stuffing, and de-stuffing.

## **2.4 PROCEDURE FOR APPROVAL OF CFS**

Following are the procedures to be followed for the establishments of a CFS as per the central board of indirect taxes and customs.

- For the establishment of a CFS, at first the proposals need to be considered and approved by the Inter-Ministerial Committee (IMC), consisting of officials from the Ministries of Commerce, Finance (Dept. of Revenue), Railways and Shipping. If required, the view of the state government is also considered.

- Application in a prescribed form has to be submitted to the infrastructure division, department of commerce, along with the copies of the feasibility report.
- The applicant needs to send a copy of the application to the jurisdictional Commissioner of Customs.
- The jurisdictional Commissioner of Customs will send his comments to the Department of commerce and board within 30 days. The applicants are expected to be familiar with the statutory Customs requirements in relation to Bonding, Transit Bond, Security Insurance and other necessary procedural requirements and cost recovery charges payable before filing the application.
- On receiving the proposal, the department of commerce obtains the comments from CBEC and other concerned agencies within a period of 30 days. The IMC normally takes six weeks to take a decision.
- Letter of Intent is issued to the applicant on the acceptance of the proposal. The letter of intent will enable the applicant to initiate steps to create infrastructure.
- The infrastructure needs to be set up within a period of one year, an extension of 6 months can be granted by the department of commerce. Thereafter, IMC may consider a final extension for a further period of 6 months or withdraw the approval granted.
- The applicant needs to send the quarterly/annual progress report to the Ministry of Commerce in the prescribed format through electronic mode and hard copy.
- After the establishment of the required infrastructure as per the security standards of the jurisdictional Commissioner of Customs and provided a bond backed by bank guarantee to the Customs, final clearance and Customs notification will be issued. The approval is subjected to cancellation in the event of any abuse or violation of the conditions of approval.



**FIGURE 2.1** Process of setting up a CFS – (source: POLICY BRIEF, briefindia.com)

## 2.5 IMPORTANT CENTERS OF ACTIVITIES

### 1. Container Yard

The container yard is a dedicated storage area for containers before they are loaded or unloaded from a ship in a terminal or dry port. It is a stacking area where the export containers are aggregated prior to dispatch to port, import containers are stored till Customs clearance and where empty containers await onward movement. Certain stacking areas are also earmarked for keeping special containers such as refrigerated, hazardous, overweight etc.

## 2. Warehouses

Public and private warehouses are appointed and licensed under the section 57 and 58 of the customs act in 1962. It includes the space where the export and import cargo are received, stored and delivered, containers are stuffed and stripped, cargo are consolidated and the physical examination of the cargo is taken. Export and import consignments are generally handled either at separate areas in a warehouse or in different nominated warehouses/sheds.

## 3. Rail siding

The rail siding is the area in a terminal where the container trains are received, dispatched and handled. The containers are loaded and unloaded from the wagon using cranes and equipment at the siding.

## 4. Gate complex

The CFS gate plays an important role in the operations of CFS. They regulate the entry and exits of road vehicles carrying cargo and containers through the terminal. It is the place where documentation, security and container inspection procedures are undertaken.

## **2.6 MAJOR PARTIES ASSOCIATED WITH CFS**

### 1. Exporters

An exporter is a person, firm or country which sells and sends goods to another country. The exporters may or may not be the actual seller of the goods; they could be organization acting on their behalf.

## 2. Importers

Importers are a person, firm or country that buys goods from another country for the use in their own country.

## 3. Customs House Agent

A customs house agent or a customs broker is a licensed person who helps the exporters and importers with their shipments at the customs stations. They act as an intermediary between the importers/ exporters and the customs. As per the customs regulations, section 146 of the customs act 1962, "Customs House Agent" means a person licensed under these regulations to act as an agent for the transaction of any business relating to the entry or departure of conveyances or the import or export of goods at any Customs Station. The CHA for exporters and importers is a legal adviser, they will suggest the correct classification of the good and help to get the goods clear out from the customs. They will help to resolve the query raised by the customs officer on the bill of entry.

## 4. Freight forwarders

A Freight forwarder is the agent or firm acting on behalf of an importer/exporter or other companies to organize the safe, efficient and cost-effective transportation of goods. They contract with a carrier or often multiple carriers to move the goods and offer a wide range of services such as tracking inland transportation, preparation of shipping and export documents, warehousing, booking cargo space, negotiating freight charges, freight consolidation, cargo insurance, and filing of insurance claims.

## **2.7 INLAND CONTAINER DEPOT**

The ICD are the container handling and storage facility which are situated at the inland points away from sea ports. These facilities are established to help the exporters and importers in handling their shipments close to their location. It involves a combination of services of the sea custodian, customs department, carriers, freight forwarders, customs brokers etc. undertaken to

facilitate exporters and importers for smooth handling of cargo. They offer export and import customs clearances. They also provide temporary container storage facility to the containers before they are moved to the port. Once the cargo is cleared at the ICD, it does not have to go through customs at the port and is cleared to export. An ICD connects the ports with the hinterlands.

### 2.7.1 DIFFERENCE BETWEEN CFS AND ICD

**TABLE 2.2 DIFFERENCES BETWEEN CFS AND ICD**

<b>CONTAINER FREIGHT STATION</b>	<b>INLAND CONTAINER DEPOT</b>
CFS are situated near to a port	ICD is situated far away from a port, they connect the ports with the hinterlands.
It's a place where the containers are stuffed, de-stuffed and aggregation/segregation of cargo takes place.	It's a place where containers are aggregated for forward movement to or from the ports
CFS is considered as an extension of ports/ICD	ICD may have a CFS attached to it
It cannot have an independent existence, it has to be linked to a customs station within the jurisdiction of the commissioner of customs	It has an independent existence as it is a 'self-contained customs station'

### 2.8 SERVICES AND FACILITIES OFFERED BY CFS

- Stuffing and De-Stuffing

Stuffing refers to the process of loading goods into containers for export and De-stuffing refers to the process of unloading of goods from the containers. In stuffing the goods will be moved into the CFS and will be unloaded at the warehouses. After the completion of the customs clearance procedures, the carrier loads the cargo into the containers for transporting

it to the final destination as per the shipping bill. The stuffing of goods can be of CFS stuffing, direct stuffing and factory stuffing.

In CFS stuffing, after unloading the goods at the CFS for stuffing, the CHA files the documents with the customs for completing the customs procedure of the goods and for obtaining the Let Export Order. The CHA delivers the required documents to the carriers and the carrier files the documents with the CFS for loading the containers. Whereas in direct stuffing the truck loaded with the goods is entered to the CFS. The goods can be inspected by the customs official and after completing the customs and CFS procedures, they can be directly loaded into the containers. Factory stuffing is defined as the stuffing of the goods into the containers within the factory itself. The exporter after obtaining the permission can move the empty container into the factory and can stuff the goods into the containers under the supervision of the customs official. The stuffed container can be unloaded back to the CFS for its final shipment.

- Consolidation of Cargo

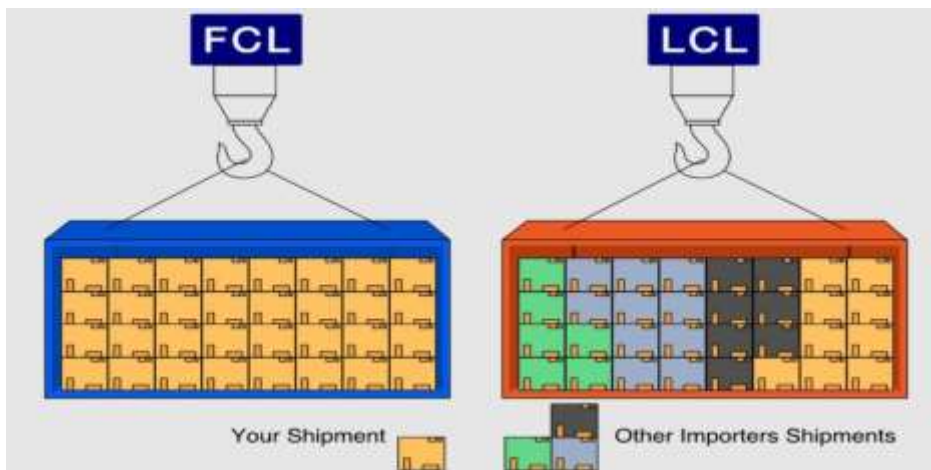
Consolidation of cargo involves combining several small shipments into a single container shipment. Consolidation of cargo helps in lowering the freight costs and transit time. There are two main modes of container shipment: full container load (FCL) and less than container loads (LCL).

1. Full Container Load

FCL shipments refer to those shipments where all the goods in a container are owned by one party. The complete goods in the container will be of one shipper. In FCL, whether the cargo is half-loaded or quarter-loaded in a container if it is booked by one shipper less than one shipment, then it is considered a FCL shipment. FCL has many benefits such as less handling and damages, lower price per unit and it also saves transit time.

2. Less than Container Load

LCL shipments are used by shippers when the shipments are not large enough to fill a shipping container. Here the shipper does not have sufficient cargo to accommodate in one full container; therefore, he can book his cargo with a consolidator for consoling it with the goods of other shippers. Such shipments are called LCL shipments. Some of the benefits associated with LCL shipment include it's a cost-effective shipment as the payment had to be made for the volume or space the cargo takes, and these shipments help in maintaining the inventory low.



**FIGURE 2.2** FCL AND LCL – (source: guideimports.com)

In FCL the freight charges is for the full container load basis. Whereas in the case of the LCL the freight charges are on the basis of volume of cargo, here the charge for freight is calculated on cubic meter CBM.

- Bonded warehouse

Bonded warehouses are those warehouse facilities which are authorized by Customs authorities for the storage of goods. Here the payment of duty is deferred until the goods are withdrawn from the warehouses. All the CFS has bonded warehouse services. When the goods are stored in the bonded warehouse, the warehouse authority will issue bonds, which will ensure that the importers don't face any financial and legal liability when the goods are released. Importers can store the restricted items in the bonded warehouses until their paperwork is completed. Bonded warehouse can be a public bonded warehouse and a private

bonded warehouse. As per the section 58 of the customs act 1962, the Assistant/Deputy Commissioner of Customs can licence Private Bonded Warehouses where goods imported by or on behalf of the licensee, or other imported goods where facility for the Public Warehouse is not available, may be deposited. The goods deposited in the warehouse can be stored up to a period of one year in the bonded warehouses, In case of capital goods which are meant to be used in 100% EOU; they can have a storage period of 5 years. The period can be extended by the Commissioner of Customs for 6 months.

- Customs Examination

Customs examination is considered as one of the primary services of the CFS. The imported or exported goods can only be moved through the CFS after the completion of the customs examination. The examination includes the assessment and valuation of the cargo, checking the container seal, sealing of export containers etc. Preventive officers will be appointed by the customs for undertaking the examination.

- Transshipment of cargo

Transshipment of cargo involves the movement of cargo from one port to another while in transit to its final destination. According to the customs act 1962, once the imported goods have been landed in ports they are subjected to duty payment. To avoid payment of duty at the port of landing in cases where goods are to be carried to another port or port abroad, the Customs Act provides a facility of transshipment of cargo without payment of duty. The goods can be transshipped from one port to another port/CFS either by vessel, air, rail or road or by combination of more than one such mode of transport. In Kochi the transshipment of cargo services are offered by the Cochin port CFS. The transshipment of cargo is only applicable to imports. The imported cargos unloaded at the ports are allowed to be transshipped to another CFS, if the cargo is mentioned for transshipment.

- Weighbridge

Weighbridges are a specially designed machine for weighing an entire rail or road vehicles and their contents. The vehicles are weighed in both empty and loaded, for determining the load that can be carried by the vehicles. There are different types of weighbridge used for weighing the vehicles, and these include pit type weighbridge, electronic weighbridge, surface weighbridge etc. weighbridge facilities are offered by the CFS for ascertaining the loaded weight of the containers. As the container weightment details are required while loading the containers into the ship for ensuring the stability of the ship and safe carriage.



**FIGURE 2.3** Weighbridge – (source: eaglescales.com)

- Warehouses and storage

A warehouse is a large commercial facility in which the goods are received, stored, inspected, packed and transported. The warehouse plays an important role in the freight movement. The CFS in addition to the bonded warehouse offers warehouse facilities to the exporters and importers for the storage of their goods.

- Reefer points

A refrigerated container or reefer containers are used for the transportation of temperature sensitive cargo or perishable cargo such as meats, fruits and vegetables. This container

relies on the external power to keep the temperature regulated. The CFS offers reefer plug points within the CFS for the supply of power for maintaining and controlling the temperature of the reefer containers. The CFS will be charging a fee for the supply of the reefer points.

- Personal Baggage Clearance

Another services offered by the CFS includes the facility to handle unaccompanied personal baggage received in containers. The unaccompanied baggage is required to have been in the possession abroad of the passenger and dispatched within 1 month of his/her arrival in India or within such further period as the Deputy/Assistant Commissioner of Customs may allow. The customers after submitting the necessary documents by themselves or through a CHA can take out the baggage after customs clearance. The Cochin port CFS has a monopoly over these services. The importers have to submit the copy of the bill of lading along with the cargo charges and delivery order to the port. The port shall issue an appraisal ticket for customs examination, after the customs clearance the importer shall submit Customs out of charge stamped in Baggage Declaration for taking delivery of goods. The storage charges levied by the port CFS includes.

**TABLE 2.3 STORAGE CHARGES ON PERSONAL EFFECTS/ UNACCOMPANIED BAGGAGE**

<b>PERIOD OF OCCUPATION</b>	<b>UNIT</b>	<b>RATES IN Rs.</b>
First 3 days	Per MT/part thereof perday or part thereof	Free
4 <sup>th</sup> - 15 <sup>th</sup> day		93.26
16 <sup>th</sup> -30 <sup>th</sup> day		139.89

Thereafter		233.15
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- Other facilities and services include

Certain other services and facilities offered by the CFS for its customer include firefighting equipment, 24\*7 CCTV surveillance, security guards, empty container depot, container maintenance & repair service (Reefer & Dry), connectivity, regulated entry of visitors etc.

## 2.9 EQUIPMENTS USED IN CFS

For facilitating the operations and smooth handling of the cargo, the CFS is equipped with different kinds of equipment for loading and unloading of the containers from the rail, truck chassis, etc., stuffing and de-stuffing of the container and for the handling and movement of cargo in the CFS.

- **Forklift**

A Forklift is an industrial vehicle with power-operated forked platform in the front used for lifting and moving the cargoes. They help in moving the cargo from a container to a warehouse and within the warehouses. Forklift can be of diesel, electrical, LPG etc. and their load capacities ranges from 1.0 to 16.0 tons.



**FIGURE 2.4** Forklift-(source: CFS brochure, slideshare.ne

- **Reach stacker**



The Reach stackers are the vehicles used for the handling of intermodal cargo container at short distances. These vehicles are equipped with a telescoping boom which helps for an extended horizontal reach. They have a capacity up to 99,000 lbs.

**FIGURE 2.5** Reach stacker- (source:indiaseatradenews.com)

- **Hydraulics hand pallet truck**

The hydraulics hand pallet trucks are used for the loading, unloading and transfer of heavy loads. They are used for handling of pallets, rolls, sheets etc. Hydraulics hand pallet truck is the suitable option in a narrow path for the short transportation of heavy goods. These hand trucks have a load capacity of 2000 kg.



**FIGURE 2.6** Hydraulics hand pallet-(source: sfsequipments.com)

For facilitating the safe and smooth handling of the cargo, pallets are used in the CFS. Pallets are a portable flat platform in which goods are stacked and moved using forklifts, hydraulics hand truck etc. The pallets can be of different types such as wooden, plastic, metal and recycled materials.



**FIGURE 2.7** Different types of pallets-(Source: dir.indiamart.com)

## **2.10 MAJOR DOCUMENTS ASSOCIATED WITH CFS**

The major documents involved in the export and import process associated with the CFS include the following.

- **IGM**

Import general manifest is a mandatory document (as per Section 30 of the Customs Act, 1962) to be filed by the shipping line/carrier to the customs department of the importing country before the goods have been reached at the destination port. It contains information such as the details of cargo, shipper, consignee, description of goods, BOL date, BOL number, kinds of package, vessel details and number of package etc.

- Bill of entry

Is a legal document submitted by the importer / CHA to the customs for undertaking the customs clearance formalities and to take the goods out of customs. It includes details such as the name and address of importers and exporters, import licence number, description of goods, value of goods, name of the port where the goods are to be cleared, rate and value of import duty. The BOE is prepared by the shipping line, which is then sent across to the customs with a copy to the CFS by the CHA. The BOE is filed by the exporter/ importer on or before the shipment of the goods.

- Delivery order (D.O)

The delivery order is the order issued by the carrier to the consignee (or his order) after collecting necessary charges to take the delivery of the goods once it has arrived at the destination port.

- No objection certificate (NOC)

The shipper has to prepare and send a NOC to the customs and the CFS while importing the goods to the country based on the foreign trade policy (FTP) on importation and exportation of various commodities.

- Out of charge (OOC)

Are the document issued by the customs after the customs verification is completed regarding the conditions, valuation and other particulars of declarations of the goods.

- Shipping bill

It's the main document in the export process, which has to be filed by the exporters. The customs permission is given on the basis of the shipping bill. It includes the nature of goods exported, name of the vessel, master, flag, country of destination, details of the package, F.O.B price and real value, quality details of each case, importers and exporters address.

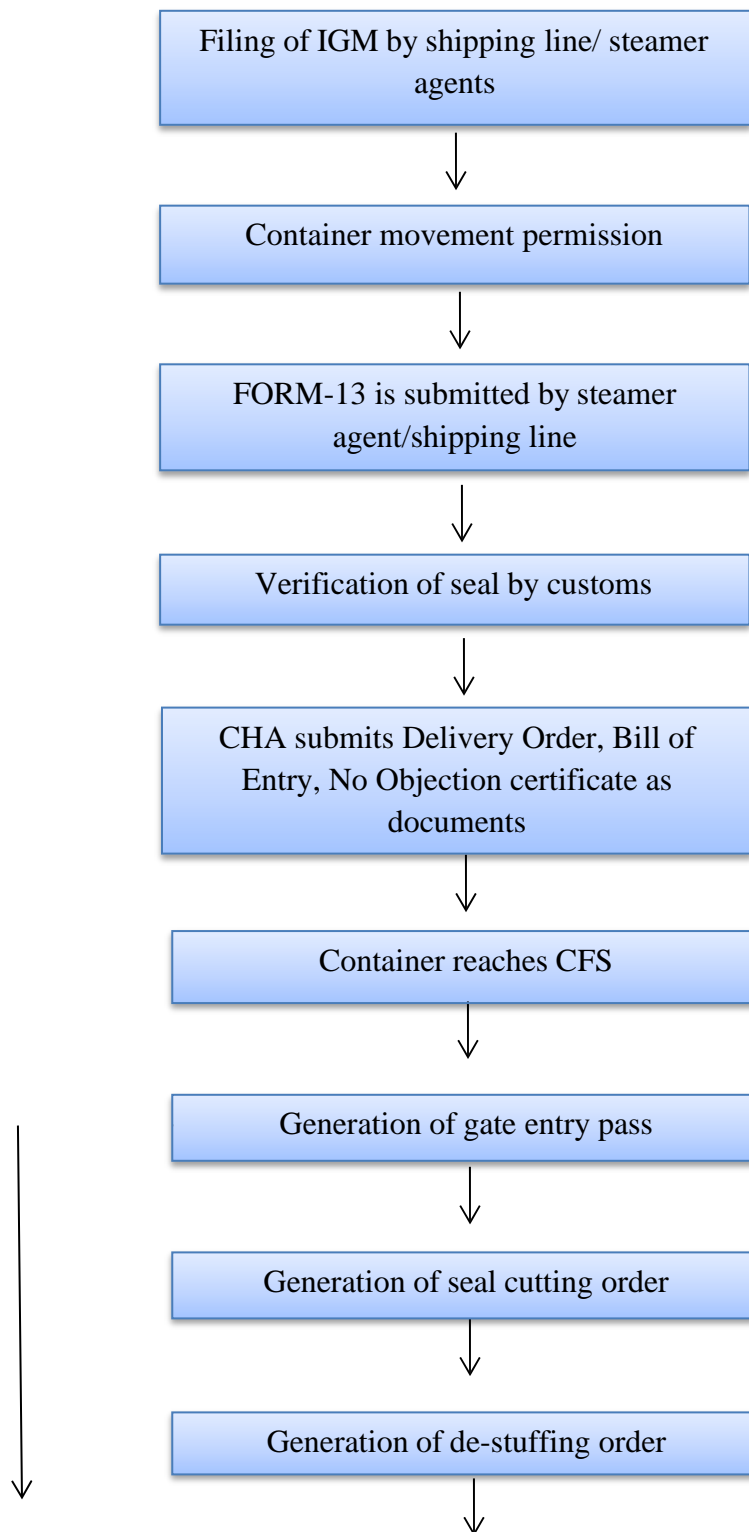
- Let export order (LEO)

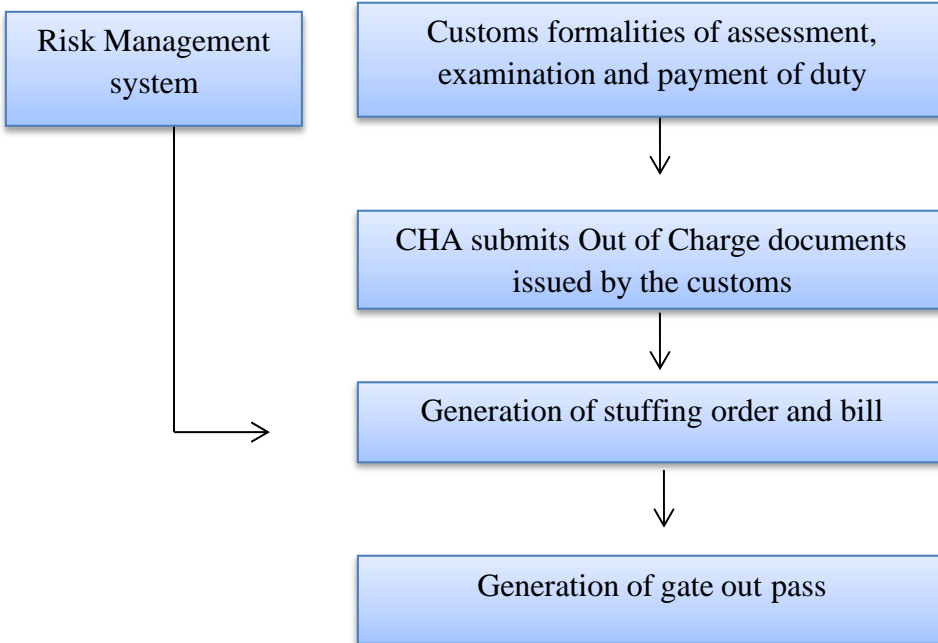
LEO is considered as the final export legal procedure to move goods out of India in export shipment. The LEO is issued by the customs after the accessing the value of the goods and inspection of the goods.

## **2.11 THE IMPORT PROCESS**

The import process of a container through CFS begins with the filing of the IGM (import general manifest) by the shipping line/steamer agents in accordance with section 30 of the customs Act 1962. It will be indicated in the IGM to which CFS the containers should go and will be filed with the concerned CFS. Then the movement form is prepared for obtaining the container movement permission and form 13 will be submitted by the steamer agent/shipping line along with it. On paying the port and carrier charges, the container will be moved towards the gate where the seal verification will be undertaken by the customs at the port/ terminal, and the containers will be moved to the CFS. The necessary documents such as the delivery order, bill of entry, and no objection certificate have to be submitted by the CHA to the CFS before the container reaches the CFS. On obtaining the gate entry pass, the container is moved into the CFS and the lift off process is undertaken. The seal cutting order is being generated, and the cargo is de-stuffed after obtaining the de-stuffing order. After the customs formalities of assessment, examination and payment of duty, the CHA submits the out of charges documents issued by the customs. The cargo is stuffed after obtaining the stuffing order and the gate out pass is issued by the CFS along with the consolidation bill charged by the CFS.

### 2.11.1 IMPORT PROCESS FLOW CHART

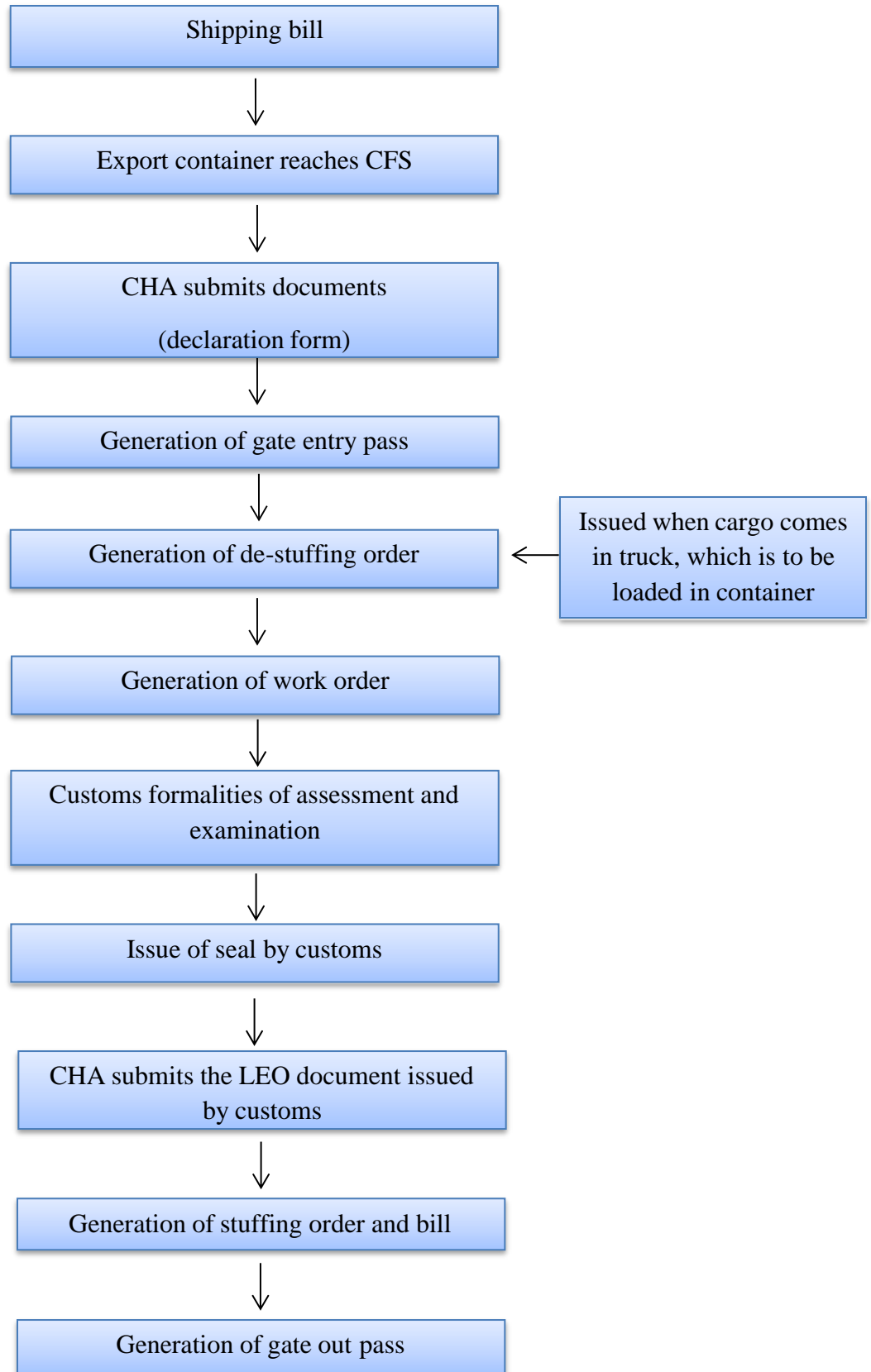




## 2.12 THE EXPORT PROCESS

In the export process the exporter/ shipper creates the Performa invoice and delivers it to the freight forwarders. The freight forwarder then prepares the invoice, packing list and handover it to the CHA. The CHA files the shipping bill to the customs, and the container/cargo is moved towards the CFS and the declaration form is submitted by the CHA. After that, the gate entry pass is generated and the container /cargo are moved in. De-stuffing order issued in case the cargo comes by truck. The work order is generated and after the customs formalities of assessment and examination, the seal is issued by the customs for sealing the containers. The customs issues the LEO and a copy of it is submitted by the CHA to the CFS. Finally after generating the shipping bill, the gate out pass is issued.

### 2.12.1 EXPORT PROCESS FLOW CHART



## 2.13 CHALLENGES ASSOCIATED WITH CFS

Some of the challenges faced by the container freight station that affects the traders and the CFS operators include the following.

- Challenges associated with the charges levied by the CFS

According to the customs, it's mandatory for the CFS to display their tariff scale online. Even though all the CFS follows these guidelines, but some undeclared tariffs are also included in the invoice which increase the transportation costs and creates misunderstanding among the customers.

- Delay in the movement of containers from port to CFS

The containers unloaded at the port face many delays, which affects the speedy movement of the containers to the CFS. The delays may be caused due to regulatory issues such as the delays in customs clearance and operational issues such as the delay in picking up of the containers by tractor trailers.

- Uncertainty in selection of CFS

One of the challenges associated with the CFS includes the uncertainty in the selection of CFS. An importer/CHA does not choose the CFS. The CFS is selected by the choice of the shipping lines/freight forwarders.

- Paper based documents/orders

Even though there are options for filing the documents online. But some of the CFS is still filling in the paper-based documents manually, which increases the transaction costs and creates delay.

- Introduction of new systems and schemes

Another challenge faced by the CFS includes the introduction of new schemes and policy by the government such as the DPD (direct port delivery), which helps certain importers to clear their cargo directly from the port itself. These schemes were introduced for facilitating the trade, reducing the time and cost etc. The DPD model is considered an alternative for the CFS and has affected its operations.

- High costs

High costs associated with the establishment of CFS are another challenge faced by this sector. A large amount of initial investments are required for the setting up of the infrastructure and facilities itself. Transshipment bond, bank guarantee, yard, warehouse and equipment's maintenance costs are the other factors that need to be considered associated with the costs.

**CHAPTER-3**

**COMPARATIVE ANALYSIS**

### **3.1 COMPARATIVE ANALYSIS ON PUBLIC AND PRIVATE CFSs**

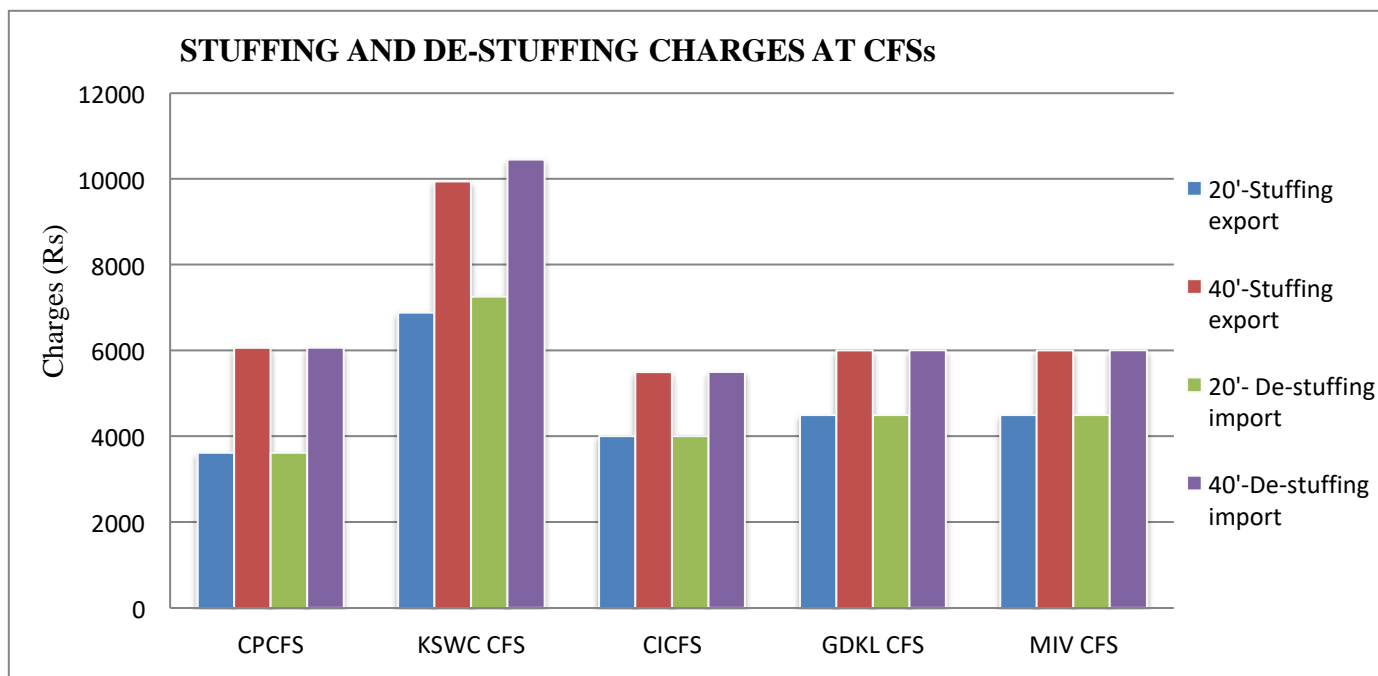
Container freight stations are the warehouse station which is responsible for the clearance of import and export goods after customs examination. The major operation associated with these stations includes the consolidation of cargo, customs examination, stuffing and de-stuffing of the container and storage of goods/containers. A comparison analysis has been made on the active public and private CFSs in Kochi based on various parameters, which include their tariff rates, services, warehouse capacity and the free periods offered by them. Due to the covid-19 pandemic restriction prevailing, the analysis is made based on a telephone survey and through the secondary data available on the websites of the different CFSs.

### **3.2 CFSs TARIFF RATES**

The CFSs impose a fee for each activity or services they perform. Once the goods have been arrived at the CFS, the charges are levied for its handling, storage, security etc. These charges have to be paid by the importers, exporters or the other users of the CFS. The tariff for each type of work varies depending on the nature of job involved in each job. The tariff charges of each CFS could be varied from one another in the same area. In case of public CFS such as the Cochinport CFS, under the Ministry of Ports Shipping and Waterways. The tariff rates are fixed as per the traffic authority for major ports (TAMP), whereas in other CFSs the rates will be determined by the organization itself and will be market driven. The usual charges imposed by the CFS include the container stuffing- de-stuffing, cargo storage, container scanning, lift on/lift off, container weightment charges, refer container charges etc. The table 3.1 states the stuffing and de-stuffing charges levied by the public and private CFS in Kochi. A graphical representation of the same has been made on the Figure 3.1

**TABLE 3.1 STUFFING AND DE-STUFFING CHARGES FOR CARGO CONTAINERS**

CFS	Description	Rate per container (in Rs.)	
		20'	40' and above
Cochin Port CFS	Containers	3613.74	6061.75
Kerala State Warehousing Corporation CFS	Import-general cargo de-stuffing	7250	10450
	Export – general cargo stuffing	6890	9950
Cochin International Container Freight Station	Containers	4000	5500
Gateway Distripark sLTD	Containers	4500	6000
MIV CFS	Containers	4500	6500



**CHART 3.1 STUFFING AND DE-STUFFING CHARGES AT CFSs**

On comparing the charges, most of the public and private CFSs in Kochi are offering the same charges for the stuffing and de-stuffing of the 20-footer and 40-footer containers. Whereas the Kerala State warehousing corporation are imposing different charges for the stuffing and de-stuffing of containers at their CFS and are charging, Rs 7250 for de-stuffing and Rs 6890 for stuffing of a TEU, which is higher compared to other CFS in Kochi. The KSWC CFS stuffing and de-stuffing charges include the charges for unloading from a container and loading into trucks. The tariff rates mentioned in the table will be negotiated by most of the CFS based on the market conditions and volume of cargo available, except in the case of the Cochin port CFS, their rates are fixed as per the TAMP.

### 3.3 SERVICES OFFERED BY CFSs

The CFS offers a wide range of services to exporters and importers, including cargo storage, handling, transportation, clearance etc. These services are regarded as the revenue generating sources for CFS. The services facilitate the shipment of the goods. The services offered by public and private CFS are as follows.

**TABLE 3.2 SERVICES OFFERED BY THE CFSs IN KOCHI**

<b>SERVICES</b>	<b>Cochin Port CFS</b>	<b>KSWC-CFS</b>	<b>CIC FS</b>	<b>GDKL CFS</b>	<b>MIV CFS</b>
De-stuffing/Stuffing Operations	YES	YES	YES	YES	YES
Consolidation of Cargo	YES	YES	YES	YES	YES
Customs Examination	YES	YES	YES	YES	YES
Palletization and Package	YES	YES	YES	YES	YES

Transshipment of cargo	YES	NO	NO	NO	NO
Personal Baggage Clearance	YES	NO	NO	NO	NO
Weighbridge	YES	YES	YES	YES	NO
Ro-Ro jetty	YES	NO	NO	NO	NO
Mechanized Handling	YES	YES	YES	YES	YES
General warehousing storage	NO	NO	NO	YES	YES
Empty Container Handling and Depot	NO	NO	NO	YES	YES
Customized Solutions For Customers Handling Carious Cargo	NO	NO	NO	YES	NO
Dedicated Customer Service Team	NO	YES	NO	NO	YES
Container maintenance & repair (M & R) service - Reefer & Dry	NO	NO	NO	NO	YES
On-time reports and updates	NO	NO	NO	NO	YES
Container yard	NO	NO	NO	YES	NO
En-block movement of import containers	NO	NO	NO	NO	YES
First And Last-Mile Connectivity Through Own Fleet Of Trailers	NO	NO	NO	YES	YES

Reefer Maintenance & Repair Service inside Port - ICTT, Vallarpadam	NO	NO	NO	NO	YES
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On comparing the services offered by the public and private CFSs from the table 3.2. The common services offered by the CFSs include the stuffing and de-stuffing of containers, consolidation of cargo, customs examinations and weighbridge facilities. The private CFS is offering more services, while compared to the public CFS, for facilitating the shipment of different goods and for attracting customers. Public CFS such as the Cochin port CFS has a monopoly for certain service such as for the Personal Baggage Clearance and transshipment of cargo.

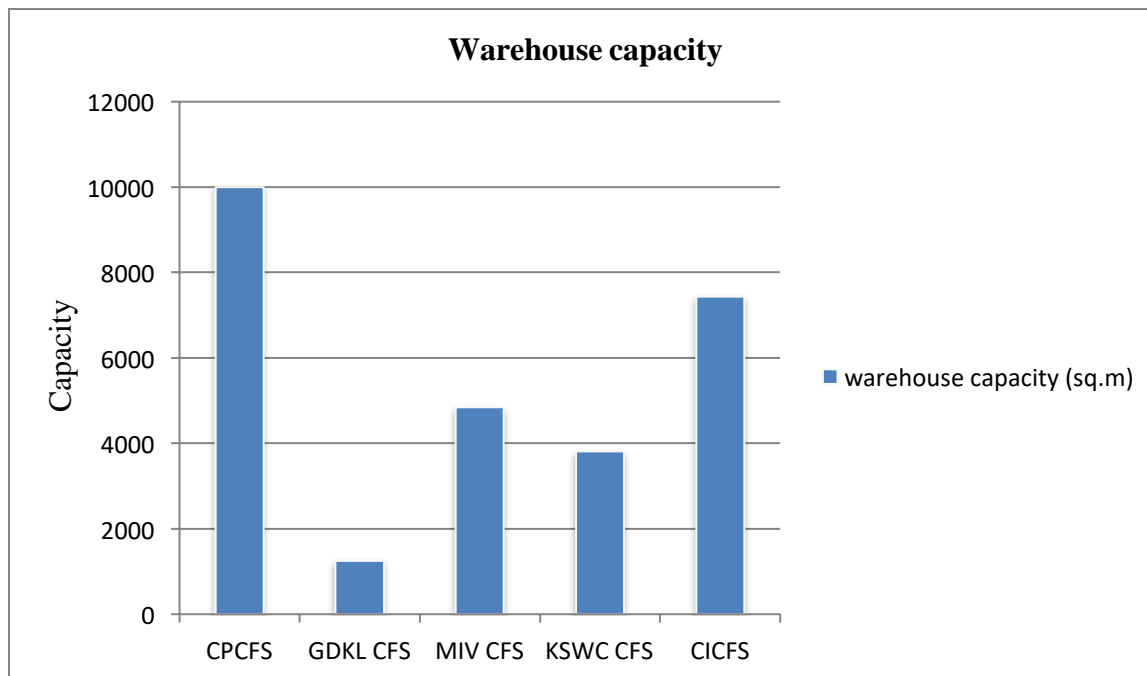
### 3.4 WAREHOUSE CAPACITY OF CFSs

The CFSs are offering warehouse facilities to the importers and exporters for the consolidation of cargo and for the safe storage of goods before and after shipments. The CFS warehouses will be equipped with all mechanized equipment for the handling of the cargo brought in. Along with the bonded warehouses facilities, they are also offering additional warehouse facilities for the customers, where their goods can be stored before or after the shipments and charges will be levied by the CFS based on their tariff rates. The warehouse capacities (in sq.m) of public and private CFSs in Kochi are as follows.

**TABLE 3.3 WAREHOUSE CAPACITIES OF THE PUBLIC AND PRIVATE CFS**

CFS	WAREHOUSE CAPACITY IN (Sq.m )
Cochin Port CFS	10000

Gateway Distriparks LTD	1250
MIV CFS	4850
Kerala State Warehousing Corporation CFS	3810
Cochin International Container Freight Station	7432



**CHART 3.2 WAREHOUSE CAPACITIES**

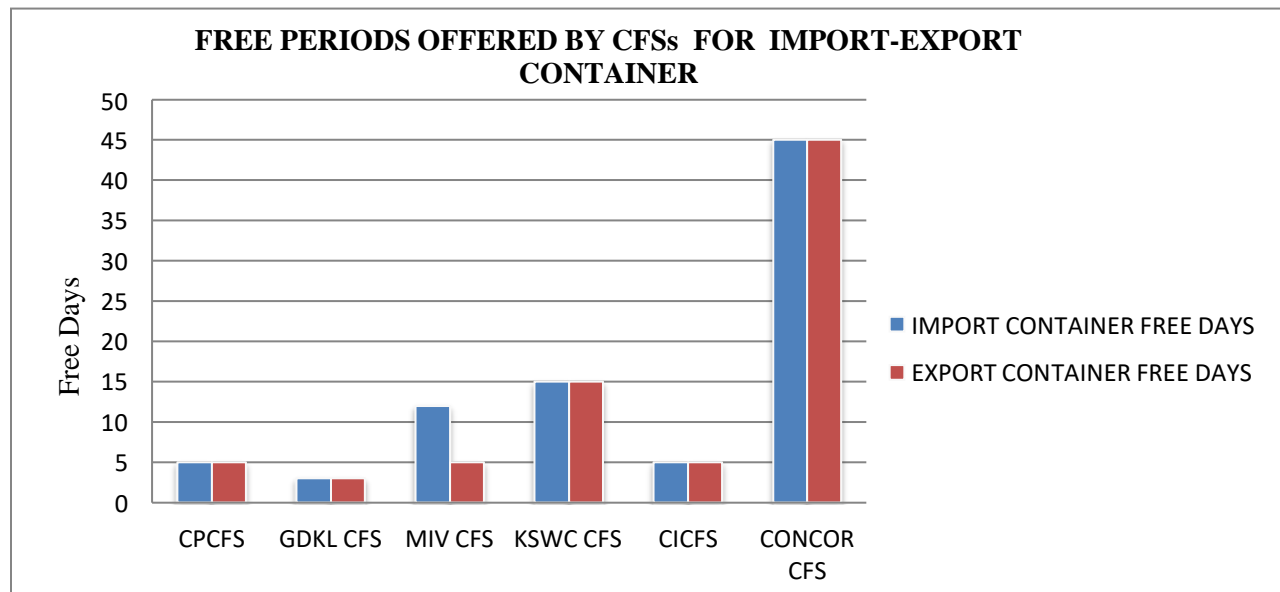
On comparing the warehouse capacity of different CFSs in Kochi from the table 3.3, the Cochin port CFS has more capacity compared to the other CFSs. A graphical representation of the same is shown in the figure 3.2. The port CFS is also having 20000 sq.m of open space in their CFS.

### 3.5 FREE PERIODS OFFERED BY CFSs

Free periods are defined as the period during which the container shall be allowed storage free of demurrage charges/ground rent. Customs notified holidays and public holidays are excluded from the calculation of these free periods. The free periods offered by the public and private CFS in Kochi are as follows.

**TABLE 3.4 FREE PERIODS OFFERED BY CFSs FOR CONTAINERS.**

CFS	IMPORT CONTAINER	EXPORT CONTAINERS
Cochin Port CFS	First 5days	First 5days
Gateway Distriparks LTD	First 3days	First 3days
MIV CFS	12 days	5 days
Kerala State Warehousing Corporation CFS	15 days	15 days
Cochin International Container Freight Station	5 days	5 days
CONCOR CFS	45 days	45 days



**CHART 3.3 FREE PERIODS OFFERED**

On comparing the free periods offered by the CFS from the table 3.4. The CONCOR CFS is offering more free periods for import-export containers compared to other CFS. The free periods are offered by the CFS for attracting customers and shipping lines. The free periods help the shipping line and customers to deal with matters such as the documentation, finances and for obtaining business. The free periods can be negotiated by the CFS based on their market conditions, business availability and as per the requirements of the shipping lines.

**CHAPTER -4**

**FINDINGS, SUGGESTIONS**

**AND CONCLUSION**

## **4.1 FINDINGS**

The major findings of the report consist of the following:

- The operating procedures and formalities associated with the operations of both public and private CFS are the same and are under the control of customs.
- The CFS is offering a wide range of services for their customers and is generating revenue from the services offered by them.
- The private CFS in Kochi is offering more services compared to the public CFS.
- Certain public CFS in Kochi such as the Cochin port CFS has monopoly over some services such as the Personal Baggage Clearance.
- Even though the CFS mentions their tariff rate regarding their services offered by them, but the rates will be negotiated by most of the CFS based on the market conditions and requirements of their customers. Except in the case of the Cochin port CFS.
- Introduction of new schemes and policy by the government for facilitating the trade such as the direct port delivery creates a major challenge for the CFS.

## **4.2 SUGGESTIONS**

Major suggestions that can be provided in relation to the report include the following:

- The public CFS need to offer more services and value-added services for attracting business and customers

- Monitoring should be made on the charges levied by the CFS
- Electronic filing of documents and orders needs to be promoted more in all the CFS.
- For increasing the operating efficiency of the CFS, the delay in the container movement from the port to CFS must be reduced.

### **4.3 CONCLUSION**

The logistics industry plays an important role in the growth of the country and its trade. With the different development and advancement arising around this sector it has led to the movement of goods seamlessly across the world and the country. When it comes to the movement of goods between countries, the port and container freight station are critical for the smooth flow of EXIM trade. The ports handle around 90% of EXIM Cargo by volume and 70% by value through seas. With the development of containerization and the growth of container trade around the world and India, has facilitated the growth of the CFS and has emerged as a dominant aspect in the EXIM value chain. The CFS is considered as an extended arm of the port developed with the objective of decongesting the ports and enhancing the handling capacity of the terminals.

The research is being conducted among the public and private CFS in Kochi with the goal of gaining an understanding of the CFS and its functions, importance, services, facilities and operations etc. A comparative analysis has been made on the public and private CFS based on various parameters. The primary operations of CFS include the stuffing, de-stuffing, customs examination, consolidation of cargo, and storage of the goods. The CFS is a customs notified area where all the dealings are under the customs. These stations are situated near the port, terminals etc. and facilitates the movements of the exporters and importers shipments. Due to the Covid-19 pandemic restrictions, the research was mainly undertaken based on the secondary data available and through telephone survey.

Through the use of automation technology, mechanized handling and EDI in the operations, the CFS is functioning efficiently and supporting in the movement of shipments. The CFS by offering various services and value-added services are able to attract customers and offers a better solution for the importers and exporters in the movement and clearance of their goods. These sectors are experiencing tremendous growth as a result of the container trade's expansion.

# **CHAPTER-5**

# **BIBLIOGRAPHY**

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