

# Custom Bonded Trucking: A question of costs

While custom bonded trucking has been in India for 15 years, the concept has not found expected footing in the industry. Some argue that the process in which imported cargos do not go through the customs at the port entry but are transported to another bonded area, is cost effective, whereas others claim that the delays involved in procuring required sanctions make it unfavourable. Read on to find out which way the debate swings.



KALPANA LOHUMI



**Dileepa BM, CEO, Shreeji Transport Services**

Customs bonded trucking is very cost effective when compared to air movement domestically. Even though bonded trucking has completed 15 years in India, it is not used to that extent because of the policies framed by our authorities. There are too many formalities at every airport and there are different policies framed by various custodians, with their different tariff for handling bonded cargo.

Also, recently all custodians started levying additional charges for the same cargo like, handling charges, storage charges, Customs Cargo Service Provider (CCSP) charges and royalty to name a few.

Despite the fact that there are a massive number of airlines in the world, only 60-70 international airlines are landing in India. And, out of these 45-50 airlines are utilising our bonded trucking facilities.

The size of bonded truckers is almost negligible in the country because bonded trucking operations are not like domestic trucking operations. Huge investment is required, bank guarantees are involved, companies should have their own trucks and too many operational formalities are there. Most of the transporters don't try to start bonded trucking operations because of the high risk involved. The situation can be improved only if more airlines operate in India.

**Sundreysh Swarup, Managing Director, Logistics Plus**

Custom bonded trucking is very successful in the Western and Southern India and there are a couple of players in this segment also like Shreeji and Oscar. Moreover trucks in Ahmedabad, Bombay, Chennai and Bangalore are also doing well. Now, if we talk about why it has not speeded well across the country then there are two reasons. First, it's a little expensive as compared to regular trucking and regularity of trucks movement. As a forwarder I would like to stress on the regularity of truck service as I am interested in Ahmedabad-Delhi solutions but the truck runs once in 10 days. As a forwarder you need to move your cargo everyday but here we are lagging at connectivity. There is no service available for Moradabad, Meerut, Jaipur and Panipat which are also export hubs. It is a very successful model if it runs professionally and perhaps regularly. Air Freight Stations (AFS) play an important role in the success of custom bonded trucking. Once the AFSs are open, it would be easy for supplier to custom clear shipment locally in his city. So, unless there are more AFSs, bonded trucking service will take time to evolve across the country.



**Akash Bansal, Head-Logistics, Om Logistics**

I fully agree with the thought that despite the benefits of customs bonded trucking which is not only limited to cost, there is a resistance for such product being accepted by the exporters at B class cities. With the opening of Air Freight Stations; an innovative move by airports to reach their customers rather than their customer reaching to them should have been accepted happily as this saves cost, reduces congestion at the airports for custom clearance and reduces hassles of multiple liaison offices across metros which these exporters need to manage just for coordination of air shipments.

Even after such benefits it is unfortunate that the product has not picked up and airports are still struggling to accumulate volumes on the same. I feel the basic reason for such slow progression in this vertical is just the mindset that exporter's based from B or C class cities are comfortable with the traditional model they have been adopting for their exports and there is always a resistance to change. Also, there may be some ground realities which restrict them to channelise their synergies into adopting this new product of custom bonding at their own location. As per my preview AFS is the need of tomorrow and such initiatives would save upon heavy losses that our exporters incur presently due to non availability of proper resources and understanding at the local level. Custom bonded trucking is well accepted globally and I am sure the same would become a very effective logistics toll in India for times to come.

**Sanjiv Edward, Head-Cargo, DIAL**



It is true that the bonded trucking has not picked up well due to customer perception of high transportation costs and also as such the product is largely driven by market demand, which has been low. From a service provider point of view, the process for bonded trucking service includes submitting the bond to the customs authorities. However, there is no 'centralised bond' concept, which requires local bonds to be submitted by the same service provider operating from different locations and even separately for export/import. This makes the entire process expensive and time consuming. The trend is however fast changing and more and more businesses are moving towards shipment movements on bonded trucks especially in imports.

## high lights:

- Even though custom bonded trucking has completed 15 years in India, it is underutilised because of the policies framed by the authorities.
- The situation can be improved if more number of airlines are operated in India.
- It requires specific permissions from gateway customs office which is time consuming.
- From a service provider's point of view, the process for bonded trucking service includes submitting the bond to the customs authorities and there is no 'centralised bond' concept which makes the entire process expensive and time consuming.
- The consolidation of cargo for different locations cannot be done in one truck under one customs seal making it impossible for bonded trucker to carry mixed load resulting into an expensive proposition.

## Did You Know?

- Shreeji Transport is the first to have entered custom bonded trucking in India.
- Bonded trucks can be operated to destinations where airlines cannot operate.



**Amit Dawar, Director - Value Added Services, DHL Global Forwarding**

Bonded trucking requires specific permissions from gateway customs office which are time consuming and lengthy due to the procedure involved. Moreover, these permissions are generally given by port and carrier specific. Due to revenue implications, customs offices at the gateways are over cautious in granting this permission, also because the duty gets paid at the final port of transshipment or clearance.

Furthermore, this is yet not considered a very safe mode of movement for long routes and rail is still preferred, though used primarily for moving containers from gateway ports to Inland Container Depots (ICD).