

# Delving Into The Reasons For Demurrage In Air Cargo From Customs House Agents Perspective

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**Abstract:** Importers often encounter demurrage charges. This has been a sensitive issue between the Clearing House Agents (CHA) and the importers. So, the reasons for the occurrence of demurrage has been explored using judgemental sampling survey method from Clearing House Agents. From the research we observe that age in business doesn't seem to impact on demurrage charges being paid. The main reasons for demurrage are lack of awareness of the consignment for the importers, communication barriers between importer and exporter and less knowledge on documentation procedure. Necessary measures should be taken which will enhance the business mutually.

**Keywords:** -Clearing House Agents, Importer, Demurrage, Air cargo, documentation procedure, Age of business, Communication barrier.

## 1. INTRODUCTION

Demurrage in aircargo occurs when the goods remain in a particular terminal beyond the allotted free time. The free time varies from one place to another and usually it is 4 to 5 days. It is important to pull the cargo out of the terminal before the expiry of the free time failing which demurrage needs to be paid. Demurrage and detention are often been an issue due to various mismanagement in the process by importing companies. There are several high stake dispute cases on demurrage and detention among the clearing house agents and importers. There are various causes for CHA(Clearing House Agents) and importers for their delay, ending up with demurrage and detention charges (Joseph Bonney, 2017). This article is an attempt to identify the major reasons for demurrage so that measures can be taken to reduce the causes.

## 2. REVIEW OF LITERATURE

Noorul Shaiful Fitri Abdul Rahman (2019) measured the various factor which influence the delay in cargo operations to answer the concerns of the stakeholders using AHP. The factors where classifies as Miscellaneous, Port and ship. Out of these Miscellaneous factors like foul weather and tide prediction, Ineffectiveness of equipment for transportation and issues on safety. George K. Vaggelas, (2019) focuses on port user's perception on port performance and the other shipping lines. A typology has been developed for viewing the perception of port performance. GAP analysis is performed for evaluation rating of performance parameters. This holistic performance of port will improve by customizing the port to its needs and selection of port market, second feature is confidentiality in business information and data. Third is the flexibility. The port can proposed a task need by their customer at any time. Marcelo Muller Beuren, Rafael Andriotti et al (2016), evaluates and compares the efficiency using data envelopment analysis among the Brazilian ports.

The efficiency are compared using BCC and CCR models. The port of Paranagua has a very high physical infrastructure and shipment consolidation efficient levels. Jafari, H. and Saeidi, N. and Kaabi, A. and Noshadi, E. and Hallafi, H.R. (2015) have done an exploratory study on the factors which provide competitiveness for port services. 27 factors were identified to be influential for cut the competitive edge. They are the cost of logistics, connectivity, facilities at the port, Service and availability, efficiency, safety reliability, productivity, security and Hinterland conditions. Hamed Hasheminia and Changmin Jiang (2017) empirically analyses the trade-off vessel delay and schedule recovery. From the finding of the study it is evident that, the vessels prove to have lesser delays than compared to the delay due to operations. It is noticed to have vessel waiting time of three days in the port. Nasser Saeidi, Hassan Jafari et al (2013), analyses the port operations in Amirabad, North of Iran using FMEA model. The port reported a daily issue of lag and halt in unloading and loading operations. Deficiency and malfunction of transportation equipment's and unpreparedness are the influencers outside the port like the importers are the major issues. Jafari H (2013) analysed the performance of cargo loading and unloading operations using AHP and Promethee method at Latakia port Syria. Document incompleteness were ranked as the major reason followed by shortage of truck, deficiency in Horizontal L/U equipment, unpreparedness of owners of goods and Administrative and financial issues. Mary R.Brooks, Tony Schellinck and Athanasios A.Pallis (2012), evaluates the effectiveness and evaluation of Port performance is measured by perceived satisfaction, competitiveness and service delivery effectiveness. Competitiveness is the prime influencer while we evaluate the effectiveness of the port. Satisfaction varies from port to other port biased on users. Service delivery effectiveness and competitiveness bring out the real efficiency of the port.

## 3. OBJECTIVES

1. To identify the reasons for demurrage among importers in air cargo transportations.
2. To analyse whether there is a difference in demurrage paid with respect to the age of the business.
3. To rank the opinion of Custom house agent on the reasons of demurrage.

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#### 4. RESEARCH METHODOLOGY

The study utilizes the quantitative research method, which involves a structured questionnaire. The information where obtained from 40 Clearing House Agents. The sampling technique used for this survey is judgemental, based on the expert's opinion. With the help of statistical tools ANOVA, Friedman Test and the statistical package SPSS 22. The results and findings were generated.

##### .a DESCRIPTIVE STATISTICS

28% percentage of our respondents holds 16-20 years of experience in their business. And the sample includes 43% importers and 12% were both importers and exporters. Nearly 23% of the sample have paid the demurrage charges of above 2lakhs per month.

#### 5. ANALYSIS AND FINDINGS

H<sub>01</sub>- Number of years in business has no significant difference in demurrage happened due to delay in submission of bills.

**TABLE 1**

DESCRIPTIVE STATISTICS					
	N	Min	Max	Mean	SD
Number of years in business	40	1	5	2.7	1.176
Demurrage happened due to delay in submission of bill	40	1	5	4.1	1.172
Valid N	40				

**TABLE 2**

Anova					
	Sum of Squares	df	Mean Square	F	Sig
Between Groups	5.81	4	1.45	1.06	0.38
Within Groups	47.79	35	1.36		
Total	53.6	39			

The significance value p is greater than 0.05. Hence we accept the null hypothesis. There is no significant difference in demurrage happened due to submission of bill and the number of years in business. H<sub>02</sub>- To rank the opinion of custom house agent on the reasons for demurrage

**TABLE 3**

TEST STATISTICS	
N	40
Chi-square	54.34
DF	10

Asymp.Sig	0
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**TABLE 4**

Friedman Test		
Sl.no	Reasons for Demurrage	Mean Rank
1	Consignee having lack of awareness about consignment	7.26
2	Exporter and consignee is having communication barrier	6.39
3	Exporter and importer having lack of knowledge on documentation	5.76
4	Demurrage was paid because of missing of necessary documents	6.55
5	Custom clearance taking more time during peak hours	7.01
6	Insufficient fund from consignee	6.94
7	Lack of experienced staff	4.76
8	Demurrage happened due to delay in submission of bill of entry	7.43
9	Problem with the truck backup plan	4.46
10	Dispute between shipper and consignee	4.61
11	Strike holiday other reason for delay in custom clearance	4.83

There is a significant statistical difference in the reasons for demurrage depending on the custom house agent,  $X^2(10) = 54.341$ ,  $p=0.00$ . The problem with the truck backup plan during custom clearance has been ranked higher by the custom house agent, followed by the reasons "dispute between shipper and consignee", "Lack of experience staff", "Strike/holiday other reason for delay in custom clearance", "Exporter and importer having lack of knowledge in documentation", "Exporter and consignee is having communication barrier", "Demurrage was paid because of missing of necessary document", "Insufficient fund from consignee", "Custom clearance taking more time during peak hours", "Consignee having lack of awareness about arrival of consignment", "Demurrage happened due to delay in submission of bill entry.

#### 6. DISCUSSIONS

There are several reasons identified for the demurrages at the aircargo. These reasons where identified with the help of expert's opinion. The Clearing House Agents (CHA's) are

the expert knowledge providers. The major reasons for demurrage at the air cargo are, lack of awareness of the consignment for the importers, there exist a communication barrier between the traders (exporter and importer) about the consignment, Documentation procedure and knowledge was not well established for the exporters and importers. Due to lack of these documents demurrage charges were paid. Custom houses are taking more time for clearance procedure during peak hours. There was lack of experienced staff in these process handling. Demurrage charges were more often paid because of the lag in submission of bill of entry. Problem were found in trucks back up plans, there were no alternate solution provided for resolving the issues. There were often disputes among the shippers and the consignees. Strikes, holidays are the other major reasons for lags in customs clearance. From the finding it is evident that, the importers who had been in business for several years are also found to pay very high demurrage charges due to late submission of Bill of Entry. Among the various reasons identified for demurrage, most predominant reasons are truck back up plan, dispute between shipper and consignee, lack of experienced staff, strike holidays at the clearance house and lack of knowledge on documentation procedures by exporters and importers.

## 7. CONCLUSION

The paper highlights the opinions of Clearing House Agents for the occurrence of demurrage. Programs need to be organised for speeding up the documentation procedures and process in air cargo, yet there are few internal issues like the exporter importer and shipper communication lags. Business experience doesn't contribute to minimize the value of demurrage charges paid by the consignee. The communication barrier has to unfasten with online tracking of consignment. These measures would bring an end to miscommunications and enhance the flow of supply chain thereby enhancing the profitability of the business.

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