Stiff challenges for NVOCC operators

Changes in the economic conditions, unpredictability of volumes in their trade lanes and many other factors have marred the prospects of growth of the NVOCC industry. **T Venkatraman**, Managing Director, Goodrich Maritime offers a sneak peek into the same and suggests ways for the NVOCCs to survive in the industry.

CT Bureau

With the freight market scenario going deeper into crisis with freight rates looking worse than what it was ever before, Non-Vessel Operating Common Carrier (NVOCC) operators in Asia especially in the Arabian Gulf / Indian subcon-

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tinent have their backs pushed to the wall. The costs are far exceeding the freight rates that are available to them so much so that these NVOCCs have to depend on shore side incomes and the container detention collection to keep their noses out of water.

Who are the NVOCCs?

Just to get into the frame, the brief definition of who these NVOCC operators are. This tribe is the one who gets the vessel space support from common carrier feeder operators doing short sea trades. They own or lease containers predominantly. They try to set up their own agency offices in the areas that they operate. They normally book slots with feeder operators on voyage to voyage basis or enter into dead freight agreements with them.

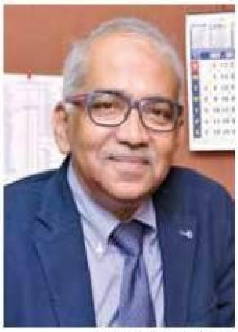
These NVOCC operators have been in existence for the last few decades and have done creditably in providing to the shippers, freight forwarders or clearing agents like personalised service the like of which main liners find difficult to emulate.

Some of them in the Asian region have reached eminent positions in the trade that they operate like Balaji, IAL, Perma, Bay Lines, Trans Asia, etc.

When they started, their equipment profile was restricted to dry vans but today they operate with many special equipment reefers, flat racks, open tops and even ISO tanks. The fleet size of quite a few of them has reached gargantuan proportion which can frighten many a vessel operator.

With a first class insurance cover they give the comfort to their customer that all the risks incidental to the trade are abundantly insured. Top of the line container terminals recognise them too and enter into volume contracts year on year.

Coming back to the bleak prospects they are facing today the proximal causes are not a few in number:



(T Venkatraman is the Managing Director of Goodrich Maritime)

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NVOCCs face challenges in Asian trades

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- The unpredictability of the volumes in their trade lanes;
- Main liners coming strongly into their trade lanes not only with abundance of containers and vessel space but with also an agenda which may not necessarily be to make profit out of the moves;
- Mushrooming growth of NVOCC operators: With equipments available easily and sufficiently either on lease or purchase and with risk consciousness not much in their minds and with credit worthiness remaining unscreened, today the NVOCC industry is very much over populated;
- The symbiotic relationship that existed traditionally between the NVOCCs and feeder operators has very much thawed and their common aspirations today have taken a different hue.

The over-tonnaging and excess of container equipments have also taken a toll on the NVOCC operators. There may be other reasons too, but the bottom line is that today the NVOCCs are gasping and continue their show regardless of no source of oxygen being in sight.

Invariably today they operate more out of hope than with an intelligent business plan. Their hope stems from the possibility of collecting detention from containers whose clearances are delayed by the consignees of cargo.

But so intense is the competition among the NVOCCs that even here there are reckless increments given on the free of detention days. In certain sectors in their trade profile, the freight rates have reached negative levels. Purse strings are being opened to dole out cash for carriage of cargo ranging from USD 100 per TEU to USD 250 per TEU.

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It is difficult to fathom what makes them do this. These were the trades which started with good positive freight rates a decade back and now through indisciplined under-cutting, the situation has come to this pass.

Merchants who are beneficiaries of this largesse have the audacity to even put forward their cargo claim to the hapless NVOCC should there be an unfortunate damage to cargo. Their commitment levels have become so strong and permanent with mounting number of equipments and the shoreside infrastructure that they have no option but to continue.

Where does the NVOCC go from here?

The only salvation for them is to rally each other around and bring the freights commonly to sustenance levels.

Ideally the uncontrolled growth of the number of NVOCCs, who are not disciplined need to be regulated; something on the lines of what exists in developed economies like USA, where an intense amount of screening on various aspects not restricted to financial credibility is done.