

THE RISK MANAGEMENT ON NON-VESSEL OPERATING COMMON CARRIER

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ABSTRACT

NVOCCs are governed by the Shipbuilding and Observing Common Carrier Act of 1984. This bill was proposed in the 98th US Congress with the goal of improving and growing the nation's international water transportation system. An NVOCC's success can be determined by a variety of factors, including as customer support, competitive pricing, transit times, cargo tracking capabilities, and overall efficiency. NVOCC (NON-VESSEL OPERATING COMMON CARRIER) is a crucial component of maritime transportation for the import and export of products. NVOCC acts as an intermediary for companies that are small and medium-sized. NVOCC leases or rents space in containers from large shippers and freight forwarders, and then sells that space to smaller shippers. While the majority of NVOCC do not own a warehouse, many do own a fleet of containers.

They may also use outside contractors to do jobs like cleaning and repairing containers, and they may offer services like deconsolidation and freight consolidation. To ascertain the primary risk related to the management of NVOCC carrier partnerships Diversification as an act NVOCCs should collaborate with a variety of carriers to reduce the chance of variable freight prices and a shortage of vessel space.

By distributing the risk among several carriers, this diversification enables flexibility in procuring space during peak periods or outages. In addition to discussing the NVOCC's performance, this project focuses on its problems and inadequacies. The responses received indicate that the company's services are adequate.

1. INTRODUCTION

The Shipping Act of 1984 governs NVOCCs (NON-VESSEL OPERATING COMMON CARRIER). The United States Congress's 98th session introduced this bill with the goal of developing the country's international ocean transportation network. An NVOCC's performance can be assessed using a number of criteria, including overall efficiency, competitive pricing, transit times, cargo tracking capabilities, and customer service.

When it comes to ocean transportation for the import and export of materials, NVOCC (NON-VESSEL OPERATING COMMON CARRIER) is essential. NVOCC serves as a middleman for small and medium-sized businesses. Large shippers and freight forwarders lease or rent space in containers to NVOCC, which then sells it to smaller shippers. Although NVOCC typically do not own a warehouse, many do have a fleet of containers of their own. Additionally, they might provide services like deconsolidation and cargo consolidation in addition to employing outside contractors for tasks like cleaning and repairing containers.

A number of criteria, including service quality, competitive pricing, transit times, cargo tracking capabilities, customer support, and overall efficiency, can be used to assess an NVOCC's performance. An NVOCC's service dependability depends on its ability to deliver cargo both on schedule and undamaged. Planning ahead and coordinating with shipping lines and other supply chain participants are necessary for this. Another crucial element is pricing competitiveness, since NVOCCs need to provide competitive rates to draw clients in a very cutthroat industry.

2. NEED OF THE STUDY

Due to various industry-specific challenges, it is imperative to research risk management in Non-Vessel Operating Common Carrier (NVOCC) operations. By combining cargo from various shippers into containers for transportation, NVOCCs play a crucial part in the global shipping and logistics system.

STATEMENT OF OBJECTIVE

Primary Objective:

- To Identify Key Risk in associated with the handling of NVOCC

Secondary Objectives:

- To study the rules regulation followed in the NVOCC operation
- To evaluate the container service quality provided by the NVOCC

3. REVIEW OF LITRATURE

RK Bank, AW Craig, EJ Sheppard - 2005, since the early 1900s, the United States has had an ocean transportation regulating framework that is akin to the British "conference system." The US Federal Maritime Commission (FMC) became increasingly involved in maritime affairs as a result of the 1916 Shipping Act, the 1984 Shipping Act, and the 1998 Ocean Shipping Reform Act. Ocean shipping regulations are viewed more laxly in European countries. Diverse economic ramifications have resulted from this, including the prohibition against non-vessel operating common carriers (NVOCCs) from entering into contract rates with shipper-customers.

Q Peng, C Wang -, 2022, Shipping e-commerce now has new business opportunities thanks to the sharing economy. This article introduces a liner shipping system that includes two Non- Vessel Operating Common Carriers (NVOCCs) and a ship space booking platform. Using multi-party game theory, the best sharing method and space renting mode for the platform are found. Differential rentals are found to work best for NVOCCs with higher prospective demand and to work against those with lower demand. Several NVOCCs are included in the model.

Z Song, W Tang, R Zhao - ... 2017, In a maritime cargo service chain, the canvassing tactics of ocean carriers are examined in this research with a particular emphasis on freight forwarders and NVOCCs. It analyzes relationships using a principal-agent model, showing that high capacity promotes effort while low capacity impedes NVOCC information.

V Pandi – 2017 Since 1950, container shipping has revolutionized the movement of commodities and unitized freight. Price wars, overcapacity, and declining freight rates are some of the obstacles the market must overcome. The purpose of this thesis is to investigate the "Negative Freight" pricing approach used by NVOCC on the Middle East-South Asia trade route and to comprehend the pricing process. According to the survey, even though software interfaces and other technology developments are progressing, businesses still require significant organizational adjustments in order to identify their corporate strategy and adjust prices appropriately.

4. RESEARCH METHODOLOGY

Descriptive Research: Descriptive study is a fact-finding investigation with adequate interpretation. It is more specific than an exploratory study as it has focus on particular aspects or dimensions of the problem studied. It is designed to gather descriptive information and provide information for formulating more sophisticated studies

5. PERCENTAGE ANALYSIS

TABLE 1: Showing The Experience

| EXPERIENCE | FREQUENCY | PERCENTAGE |
|--------------------|-----------|------------|
| INTERNSHIP | 5 | 12.5% |
| LESS THAN 1 YEAR | 4 | 10% |
| 1-5 YEAR | 14 | 35% |
| 6-10 YEAR | 9 | 22.5% |
| MORE THAN 10 YEARS | 8 | 20% |

INFERENCE:

Internships representing 12.5%, less than one year 10% of respondents, 1-5 years at 35%, 6-10 years comprising 22.5% of respondents, and those with more 10 years of experience 20%.

TABLE 2: Showing The International Shipping Standards

| Statement | Frequency | Percentage |
|-----------|-----------|------------|
| Yes | 36 | 87.5 |
| No | 1 | 2.5 |
| Maybe | 3 | 10 |
| Total | 40 | 100 |

INFERENCE:

From the above table and chart inferred that the 87.5% of the respondent are saying yes, 2.5% of the respondent are saying no and 10% of the respondent are saying maybe. Hence, that the majority of the respondent are yes with the NVOCC comply with international Shipping standards

TABLE 3: Showing The Potential Risks Identified

| Statement | Frequency | Percentage |
|-----------|-----------|------------|
| Yes | 14 | 60 |
| No | 5 | 12.5 |
| Maybe | 11 | 27.5 |
| Total | 40 | 100 |

INFERENCE:

From the above table and chart inferred that the 60% of the respondent are saying yes, 12.5% of the respondent are saying no and 27.5% of the respondent are saying maybe. Hence, that the majority of the respondent are yes with the potential risks identified in NVOCC Operations

TABLE 4: Showing The Cargo Security Measures Implemented

| Statement | Frequency | Percentage |
|-----------|-----------|------------|
| Yes | 12 | 70 |
| No | 1 | 2.5 |
| Maybe | 27 | 27.5 |
| Total | 40 | 100 |

INFERENCE:

From the above table and chart inferred that the 70% of the respondent are saying yes, 2.5% of the respondent are saying no and 27.5% of the respondent are saying maybe. Hence, that the majority of the respondent are yes with the cargo security measures implemented to mitigate risks.

Chi-Square Tests

| | Value | df | Asymptotic Significance (2-sided) |
|------------------------------|---------------------|----|-----------------------------------|
| Pearson Chi-Square | 20.346 ^a | 12 | .061 |
| Likelihood Ratio | 15.439 | 12 | .218 |
| Linear-by-Linear Association | .323 | 1 | .570 |
| N of Valid Cases | 40 | | |

INFERENCE

The Pearson Chi-Square test has a value of 20.346 with 12 degrees of freedom and an asymptotic significance (p-value) of .061, which is close to the common threshold of 0.05. This suggests a borderline significance level, indicating some potential association between the variables, but not strong enough to definitively reject the null hypothesis. The Likelihood Ratio and Linear-by-Linear Association tests also support this conclusion with higher p-values of .218 and .570, respectively. Given the results, there is some evidence of a relationship between the variables, but it is not strong enough to be considered statistically significant.

6. FINDINGS OF STUDY

- 70% of respondents are Male
- 60% of respondents are age group between 21-30 years.
- 62.5% of respondents are Under graduates (UG)
- 35% of the respondents are 1-5 year of experience.
- 15% of the respondents are Operation and Documentation.
- 87% of the respondents are known with comply with international Shipping standards
- 60% of the respondents are agree with potential risks identified in NVOCC Operations
- 70% of the respondents are agree with cargo security measures implemented to mitigate risks
- 62.5% of the respondents are agree with insurance coverage for potential risk

- 42.5% of the respondents are agree with emergency response plans for unforeseen events
- 70% of the respondents are known the vendors and partners assessed for potential risks
- 37.5% of the respondents are agree with cybersecurity measures in place to protect digital assets
- 53.5% of the respondents are Known to manage financial risks associated with its operations
- 32.5% of the respondents are agree with prepared with contingency plans for unforeseen disruptions
- 61.5% of the respondents are Know the relevant regulations in its operations
- 40% of the respondents are Effective in training programs provided to staff regarding risk management
- 47.5% of the respondents are agree with physical assets protected against potential risk in NVOCC activities
- 45% of the respondents are Known to integrity of data maintained to prevent potential risk
- 70% of the respondents agree with handle communication during crisis situation
- 60% of the respondents agree with address environmental risk in its operations
- 57.5% of the respondents known that geopolitical risk assessed in NVOCC decision making
- 62.5% of the respondents are actively monitor and manage relationship with key vendors
- 45% of the respondents are known to processes in identifying and addressing risks
- 70% of the respondents are known that feedback for continuous improvement in risk management

7. RECOMMENDATIONS AND SUGGESTIONS

- Carrier Partnership Diversification NVOCCs should form alliances with several carriers in order to reduce the risk of freight rate changes and unavailability of vessel space.
- This diversification allows for flexibility in procuring space during peak seasons or disruptions by distributing the risk among several carriers.
- Advanced Capacity Management to measure demand precisely and allocate containers most efficiently, put in place advanced capacity management technologies.
- By being proactive, the chance of under booking or underutilization is reduced. Risk Assessment and Contingency Planning Create detailed contingency plans and perform in- depth risk assessments to find any possible weak points.
- this covers situations with shortages of vessel space, increases in freight rates, and interruptions to the supply chain brought on by piracy or natural catastrophes.
- Review and adjust these plans often to accommodate changing threats.
- Insurance Coverage obtain business interruption, liability, and cargo insurance, among other types of comprehensive coverage catered to the unique risks faced by NVOCCs.
- Collaborate closely with insurance companies to provide sufficient coverage and quick handling of claims in case of an accident.

8. CONCLUSION

The project program gave me excellent exposure to learn about performance of NVOCC's and also to work with Phoenix Logistics India Pvt.Ltd. Which helps to gain knowledge in performance of NVOCC service. The final project with Phoenix Logistics enabled me to understand the functions of each department and create a good relationship with the staff.

This project talks about the performance of the NVOCC's service it also focus on the problems and the area where it lacks. The company's services are satisfied as per the responses collected.it also provides timely delivery of shipments. The company provides cargo insurance and other risk management's service which is an advantage to the company to rate the performance as high. The documentation and invoicing services are also performance well.

9. REFERENCE

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