

Guides to International Logistics

The Practitioner's  
Definitive Guide

3rd Edition

# Multimodal Transport

The Singapore Logistics Association  
with Cheong Yun Wan  
in consultation with  
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REFERENCE

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## About the SLA

Established in 1973, the Singapore Logistics Association (SLA) champions the causes of the logistics and freight forwarding industry in Singapore. The association aims to represent Singapore logistics and is thrust to advance professionalism and excellence to promote high standards in industry practices. The association, in close collaboration and consultation with government agencies, trade organisations, logistics professionals, academia and international organisations, crafted its objectives:

- to promote, protect and develop a sound logistics industry;
- to develop, promote and enhance Singapore as a premier regional and international logistics hub with a reputation for reliability, integrity and high standards in logistics practice and management; and
- to represent, protect and promote the general interests of members.

SLA has a membership of more than 460 companies. These are corporations that are drawn from a wide spectrum of the freight forwarding and logistics fraternity ranging from major global companies to local smaller service providers. Membership is voluntary. Ordinary membership is for Singapore-incorporated companies which are actively engaged in the provision of logistics services for a period of not less than two years. Associate membership is open to incorporated or registered organisations which are actively engaged in the provision of logistics and/or ancillary services.

SLA is one of the five industry associations that has been successfully awarded the Local Enterprise and Association Development (LEAD) funding in 2007.

For SLA, LEAD also encapsulates the key characteristics of the initiatives: Leadership, Excellence, Advancement and Dynamism. SLA will be implementing 11 projects over the next three years. These projects support the association's four strategic thrusts, namely Industry Branding and Benchmarking; Education and Training; Resource and Competence Development; and Business Facilitation and Development. SLA's initiatives will promote the growth of the logistics industry and help Singapore to maintain its leadership position as a regional logistics hub. SLA will commit a total of \$7 million to these projects.

Under the thrust on Resource and Competence Development, one of the projects identified is adoption of best practices. Through the development and publishing of a set of comprehensive books on best practices in logistics, the association endeavours to help logistics companies to upgrade their process capabilities through a cost-effective medium. Launched under the LEAD project, the guides include *The Practitioners' Definitive Guide: Process-Driven Warehouse Operations*, *The Practitioners' Definitive Guide: Safety & Security* and *The Practitioners' Definitive Guide: Warehouse Practices*.

These publications add to the association's publication series of Guides to International Logistics, namely *The Practitioners' Definitive Guide: Airfreight Forwarding* and *The Practitioners' Definitive Guide: Seafreight Forwarding*.

## Preface

Multimodal transport is a concept aimed at improving trading efficiency. It transforms the relationship between trading partners and international carriers from the traditional buyer-seller roles to a new partnership in trade and transport. This requires a change of mentality, a new approach to commercial practices and appropriate changes in trade and transport rules, all of which give each party new responsibilities.

Multimodal transport is a means of moving goods door-to-door internationally under a single liability system, leading to lower delivery costs. It is a service innovation by which the multimodal transport operator assumes a contractual responsibility to move goods from origin to destination under a single contract, for an agreed price with, possibly, a pre-established time-limit for the delivery. This ensures that the goods will move to their destination as fast and safely as possible, at a cost known in advance. Today, the multimodal transport operator's competitiveness depends largely on how well he takes advantage of all available transport management techniques to make the best use of the existing capacity and operating conditions of each specific transport link.

With containerisation and globalisation, it became more convenient to have one transport operator being responsible for the entire transport process. This led to the development of multimodal transport operators, which in turn led to the development of new types of transport documents covering the door-to-door movement of goods, superseding traditional documents such as railway consignment notes and ocean bills of lading. The new types of transport documents set out clearly the responsibilities of multimodal transport operators.

- International multimodal transport is an activity that spans national frontiers. Not only must the goods comply with import and export regulations at the starting and end points, but the multimodal transport operator must also be recognised as a carrier in its own country as well as in the destination country. This highlights the importance of developing internationally harmonised governmental regulations and commercial practices in the profession of "the multimodal transport operator".

- Multimodal transport certainly has an overriding impact on trading opportunities, especially between sellers and buyers. But multimodal transport also generates new trading opportunities for transport operators, particularly from developing countries. With the proper institutional and legal framework in place, and with appropriate awareness from trade and transport-related administration and potential users, transport companies can enter the global transport market.

This book is the third in SLA's series of Guides to International Logistics. It covers the various dimensions of multimodal transport in a pragmatic, current and relevant way, with a comprehensive discussion of issues faced in the industry.

The nine chapters aptly demonstrate to the layperson and specialist alike the wide-ranging roles of multimodal transport operators and the significant part they play in today's increasingly globalised world.

**Chapter One:** This is an introduction to the basic concepts and definition of multimodal transport. It provides an overview of the United Nations Convention on International Multimodal Transport of Goods 1980, or the MT Convention. The chapter also covers the impact of free trade agreements on international multimodal transport.

**Chapter Two:** This chapter addresses freight forwarders' roles and functions as agent and as principal. It also covers his roles in supply chain management as a third-party logistics service provider. The liabilities of the MTO are also explained. This chapter also discusses the ICC UCP 600 and the UNCTAD/ICC Rules for Multimodal Transport Documents, which set out international standards and practices relating to documentary flow, as well as rules on usage and practices in the multimodal transport trade.

**Chapter Three:** This chapter examines the various individual modes of transport and its realistic combinations in today's context, with practical examples in the Asian and global context.

**Chapter Four:** This interesting chapter focuses on two types of specialist MTO services – project transportation and transportation of household goods – that exercise the MTO's skills, knowledge and experience in organising complex multimodal operations.

**Chapter Five:** This important chapter discusses the necessary skills required of the MTO in extending innovative solutions to their increasingly demanding global clientele by thinking in alternatives. These skills are the identifying traits of the MTO as a distinct and separate profession.

**Chapter Six:** Documentation – bills of lading, air waybills, multimodal transport documents and so on – is an integral part of any multimodal transport operation. This

chapter seeks to explain the importance of the B/L and other documents, including the multimodal transport document, and their relevance in today's transport operations. The FIATA Multimodal Transport Bill of Lading or FBL is extensively referred to, in order to promote the use of uniform documents to improve professional standards globally.

**Chapter Seven:** This chapter highlights the importance of transport insurance, which is directly relevant to the MTO. It explains the fundamental principles of cargo insurance and its differences as opposed to liability insurance.

**Chapter Eight:** This chapter discusses the multimodal transport initiatives taken by the Association of Southeast Asian Nations (ASEAN). It covers the history and genesis of the regional and sub-regional groupings of the ten Southeast Asian nations and the transport facilitation programmes initiated to boost trade and transport. The recently ratified ASEAN Multimodal Transport Agreement is discussed. The need for ASEAN cooperation can also be seen in the Asian Highway (AH) and the Trans-Asian Railway (TAR) projects.

**Chapter Nine :** This final chapter lists various industry terms that are introduced in the earlier chapters of this book. Also included are some terms not previously mentioned.

I would like to express my sincere appreciation to Cheong Yun Wan for organising the information in such an appealing manner, and to Stanley Lim, an industry veteran and my partner, who contributed immensely towards this book.

**Thomas Sim**

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