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**A STUDY ON THE BUSINESS AND
REGULATORY FRAMEWORK OF FREIGHT
FORWARDERS IN THE REPUBLIC OF
MALDIVES**

MINNA RASHEED

A dissertation submitted to the World Maritime University in partial fulfilment
of the requirements for the award of the degree of Master of Science in
Maritime Affairs

2023

Declaration

I certify that all the material in this dissertation that is not my own work has been identified and that no material is included for which a degree has previously been conferred on me.

The contents of this dissertation reflect my own personal views and are not necessarily endorsed by the University.

(Signature):



(Date):

26 Sep 2023

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Acknowledgment

الرَّحِيمِ الرَّحْمَنِ اللَّهُ بِسْمِ

In the name of Allah, the Most Gracious, Most Merciful

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It is in the pursuit of knowledge that we gain the most

Abstract

Title of Dissertation: **A Study on the business and regulatory framework of freight forwarders in the Republic of Maldives**

Degree: **Master of Science**

The dissertation aimed to investigate the business and regulatory framework of the freight forwarders working in the Maldives considering the cases of neighbouring countries. The gaps identified in the regulatory framework was taken into consideration with the approaches by the international regulatory framework in regulating the country's maritime affairs. The study identified problems related to freight forwarders doing business in the Maldives with current regulations in place and the hindrances faced by the freight forwarders.

A brief evaluation of the Maldives' regulatory system including the role of regulatory bodies in the Maldives in identifying shortcomings in terms of logistics was undertaken along with the national recognition of the freight forwarding industry, the collaboration with border and enforcement authorities, and the stakeholder relationships. A qualitative research approach was used via semi-structured interviews with 10 freight forwarders experts in the Maldives and neighbouring countries of Sri Lanka, India, and Malaysia. Secondary data was utilized to analyse the best practices and business models used in other countries which can be incorporated into Maldives freight forwarding business. Literature and academic research on freight forwarding in the Maldivian market is limited, but interviews with 10 companies provided insights into the business's challenges for importers and exporters.

Additionally, assessments on operators working as Freight forwarders were undertaken highlighting the relevance of the regulation and giving recommendations for the best practices which can be implemented in regulating the freight forwarding business in the Maldives. The result of the research was indicative of better integration of national policies and regulations in a more centralised manner to provide a suitable environment for freight forwarders to perform duties in a more holistic manner.

KEYWORDS: Freight Forwarding, Government Regulation, Logistics, International Trade, Business Challenges.

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List of Abbreviations

ADB	-	Asian Development Bank
AEO	-	Authorised Economic Operators
B/L	-	Bill of Lading
CBM	-	Cubic Metres
CFS	-	Container Freight Stations
CW	-	Chargeable weight
DAP	-	Delivered at Place
DDP	-	Delivered Duty Paid
DDU	-	Delivery Duty Unpaid
DFE	-	Digital Freight Forwarding
DO	-	Delivery Order
EB	-	Electronic Business
EC	-	Electronic Commerce
EDI	-	Electronic Data Interchange
EDMS	-	Electronic Document Management System
FAL	-	Convention on Facilitation of International Maritime Traffic
FFs	-	Freight Forwarders
FIATA	-	International Federation of Freight Forwarders Associations
FLP	-	Freight Logistic Providers
ICS	-	International Chamber of Shipping
IMO	-	International Maritime Organisation
IT	-	Information Technology
LCL	-	Less than Container Load
LPI	-	Logistic Performance Index
MACL	-	Maldives Airports Company Limited
MAFF	-	Maldives Association of Freight Forwarders
MCH	-	Male' Commercial Harbor
MCS	-	Maldives Customs Service
MED	-	Ministry of Economic Development
MIRA	-	Maldives Inland Revenue Authority
MLO	-	Main Line Operators
MMA	-	Maldives Monetary Authority
MNDF	-	Maldives National Defence Force
MoTCA	-	Ministry of Transport and Civil Aviation
MPL	-	Maldives Ports Limited
MPS	-	Maldives Police Service
MSDS	-	Material Safety Data Sheet
MSW	-	Maritime Single Window
MTOs	-	Multimodal Transport Operators
NSW	-	National Single Window
NVOCC	-	Non-Vessel Operating Common Carrier
NVO-MTOs	-	Non-Vessel Operating Multimodal Transport Operators
OCR	-	Operation Cost Recovery

ODEX	-	Online Document Exchange
REC	-	Research Ethics Committee
SCM	-	Supply Chain Management
SIDS	-	Small Island Developing States
SLFFA	-	Sri Lanka Logistics & Freight Forwarders Association
STO	-	State Trading Organization
UN/LOCODE	-	United Nations/Codes for Ports and Other Locations
UNCTAD	-	United Nations Conference on Trade and Development
VO-MTOs	-	Vessel Operating Multimodal Transport Operators
WMU	-	World Maritime University

Chapter 1. Introduction

Shipping exists as a derived demand. The purpose of shipping is to move goods from one place to another. But the movement of goods does not solve the purpose of trade (Clark et al., 2004). Goods need to get to the customers; this is where Freight Forwarders (FFs) come into play. They are the link between the shipping industry and trade. This research is the result of this necessity and takes a deeper look into the freight forwarding market in Maldives. What is the existing system and what challenges are being faced by the FFs. This chapter presents the aspects of this research which includes the background, history and rise of freight forwarding issues in the Maldives. It's further details on the problem statement, aim and objectives, research questions and the scope and limitation of the study.

1.1 Introduction

Maldives is a Small Island Developing Nation (SIDS) in the middle of the Indian Ocean. Being the least populated country with the smallest land area in the whole Asia Pacific Region, the nation is made up of 194 inhabited islands, for a total of 1190 islands, which are dispersed over a stretch of 800 kilometres (km) of ocean area. Due to geographical constraints and other challenges related to the development, the main sources of income of the country are from tourism, supported by transportation, telecommunication, and construction (Asian Development Bank [ADB], 2015). As a SIDS, in-house resources are scarce and dependency on imports is very high.

The imports averaged 2638.38 million USD from 2017 to 2023 on the other hand, exports averaged only 334.43 million USD during the same period (Maldives

Monetary Authority [MMA], 2023). The international trade of the country continues to grow whereby the need of the FFs is likely to grow as well.

Intermediaries are the facilitators in smooth flow of goods from one place to another (Grainger, 2008). Intermediaries like FFs and Agents play an important role in international trade as supply chain mediators. The role of carriers and cargo intermediaries are not defined anywhere in Maldivian Act. Until the year 2020, there were no specific FFs definitions or regulatory functions. Due to the lack of statutes governing FFs in the Maldives, the carriers and cargo intermediaries played mixed roles. For instance, within normal business situations, it is the shippers who get in contact with an intermediary to deliver the goods and choose the best carrier. Respectively, in the case of cargo handling, it is the cargo intermediaries who take charge of cargo like FFs and multimodal cargo operators (Islam et al., 2005).

The FFs are regulated by the Ministry of Economic Development (MED), and the power of administration of the regulation shall be enforced by the registrar of Business. (Ministry of Transport and Civil Aviation [MoTCA], 2020a). Understanding the relationship between maritime supply chain service providers is essential to fill the legal gap and apply global standards considering the type of intermediaries. This is because most freight forwarding companies currently operate as subsidiary businesses instead of solely being engaged in freight forwarding. Maldives Customs Service (MCS), Ministry of Transport and Civil Aviation (MoTCA), Maldives National Defence Force (MNDF), MED, Maldives Ports Limited (MPL) and other government agencies have a distinct role in regulating the activities of intermediaries.

1.1.1 **Background**

As per existing laws and regulations, any service or business can be operated in Maldives after registering under the Companies Act by MED. Maldives freight forwarding business was established in 2020 via Business Registration Act (Companies Act 10/96) by MED, it has been made mandatory

to register any business activity with the ministry (MoTCA, 2020a). This has assisted FFs to be identified as a registered independent business.

Similar to the establishment of regulation for freight forwarding, the year 2020 also saw the inception of the Shipping Agency Regulation where standards and procedures to be followed by shipping agencies of the Maldives are detailed (MoTCA, 2020b). The laws practiced on maritime and shipping operations in the Maldives are the Maritime Zone Act which details the maritime areas of the Maldives (*Maritime Zones of Maldives Act 6/96*) and Cargo Ship Regulation which came into force on 20th May 2023 (Gazette Maldives, 2023).

Prior to the registration and getting their own identity, FFs in Maldives were only registered as a business entity with MED, under the register of business. To foster the growth of the Maldives freight forwarding sector in tandem with the shipping and logistics sectors, the Maldives Association of Freight Forwarders (MAFF) was established in 2018. The association also sought to educate importers and exporters about the most recent laws and regulation pertaining to the sector (Maldives Association of Freight Forwarders [MAFF], 2012). Furthermore, the association met with high-level officials and the parliament of Maldives raising issues regarding the appreciation of FFs work and being registered as a separate entity. Several issues identified by the association were also resolved. The discussions put a focus on clearing and forwarding issues, fee structures, export-import logistics handling procedures and fees, Delivery Orders (DO) issued by FFs and Shipping Agents and implementation of a price cap on the DO charges (People's Majlis, 2021).

Also, the issue of dependence on foreign controlled or foreign registered business houses in freight forwarding in the Maldives was discussed. Outcome of the discussion was that freight forwarding companies are in control

of foreign personnel and are detrimental to the local business, resulting in significant revenue losses of millions of dollars to the nation. Such companies collect higher cargo handling charges leading to higher pricing to the end consumer. Also, these additional charges e.g., Customs fees, terminal handling fees, agent handling charges at ports, and additional charges beyond those specified in the MoTCA are getting raised frequently. It was brought to the attention of the parliament that customers are not aware of these charges assigned to them and all these charges are resulting in the rising of price (People's Majlis, 2021). In the next section the history of FFs and how FFs were established in Maldives are discussed.

1.1.2 History of Freight Forwarding in Maldives

Maldives being an isolated country in the Indian Ocean started exploring new products from other countries which marks the beginning of freight forwarding. The shipping industry of the Maldives used to be the strongest and highest in the region in the 19th Century. People travelled to neighbouring countries for trade and needed intermediaries to take their goods back home. First freight forwarding services were provided for Maldivian traders by FFs in Thailand.

Due to improper documentation and non-availability of facts, much of the development stage of freight forwarding is lost to history, however, what can be understood from the local populace is, the structure of this sector remained unchanged for better part of 150 years and the mechanism of FFs continued to be a fragmented sector without organised union and remained highly competitive in nature which worked against the FFs. With a highly unregulated nature, outrageous amounts of overhead expenses were charged. All these factors led to the intervention of the Government in the matter and resulted in a regulatory framework for uniform application across the board to regulate the market.

The Freight Forwarding Regulation of Maldives dated 26th November 2020 which mandates all freight forwarding to be registered as business entity under MED (MoTCA, 2020a). At present there are 89 FFs registered under the regulation (Ministry of Economic Development [MED], 2021), some FFs are still operating in the unregistered sector. There are no accountable agencies or regulatory frameworks in place to control them. The government of Maldives is still unsure about which ministry should have complete control over freight forwarding companies (People's Majlis, 2021).

Article 12 of the Freight Forwarding Regulation (R-115/2020), supervised by the Registrar of Business addresses the control of charges and prohibits FFs from exceeding the approved rates set by the authorities (MoTCA, 2020a). Part 9 of the Shipping Agency Regulations, supervised by the MoTCA, emphasises that no additional fines should be imposed beyond the agreed-upon terms, which aligns with the principles applied to freight forwarding services (MoTCA, 2020b). However, a conflict arises in view of them being able to be registered as a separate entity. It has been brought to light that certain shipping agents have registered themselves as sister entities in the form of approved freight forwarding companies, which is permissible under the law if they have distinct legal character (People's Majlis, 2021).

1.2 **Problem Statement**

The freight forwarding business has yet to be widely explored in the Maldives as the regulations related to it came into existence recently. Literature on the work of the Maldives freight forwarding business is limited and mostly not available. The information about the freight forwarding trends and the business is obtained from the interviews with FFs and the parliament documents of the Maldives.

Based on the literature found from rules and regulations from the Maldives and other neighbouring countries, the Maldives needs to have robust laws and regulations

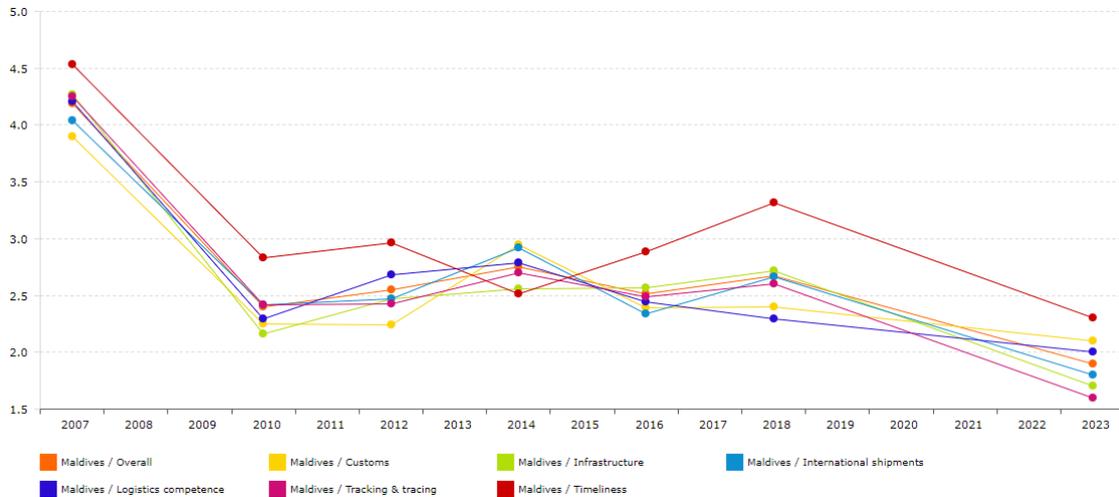
to manage the freight forwarding role in the maritime supply chain (People’s Majlis, 2021).

Advanced technology and standardised operations need to be established at the border along with internationally accepted and commonly followed procedures. FFs need to integrate their service into the supply chain to survive in their business. This results in forwarders merging with shipping agents or providing additional services like banking, trucking, etc (Baluch, 2006) and taking part in various supply chain services resulting in dynamic changes to the way it connects with customers and suppliers (Skiba & Karaś, 2022).

The Logistic Performance Index (LPI) survey by the World Bank details structural performance in trade, logistics and SCM (Supply Chain Management) of the country evaluating both domestic and international factors. The LPI score mirrors insights of a nation’s logistics based on the “*efficiency of customs clearance process, quality of trade and transport related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time*” (World Bank, 2023). The LPI index from 1 to 5 where higher score indicates better performance of the country. Figure 1 below illustrates the Maldives LPI index from 2007 to 2023 which had been drastically falling since 2018.

Figure 1

Maldives LPI by World Bank from 2007 to 2023



Note. From “Maldives LPI Index” by World Bank, 2023, (<https://lpi.worldbank.org/international/scorecard/line/C/MDV/2023>). Copyright 2023 by World Bank.

The world bank's LPI index makes it simple to see how FFs and logistics providers view business and government operations. In the World Bank report, indicating a continuous drop in various factors which indicates the health of a nation’s logistics, freight forwarding is also part of this index and has suffered like the rest.

To address the issues, one needs to analyse the problems in the market and find out the bottleneck to solve the problems faced in the freight forwarding sector in Maldives. **The regulatory framework of Freight Forwarding is a relatively new area with no studies and literature. There exists a need to analyse the gaps for conduct of freight forwarding business in Maldives.**

1.3 **Aims and Objectives**

The aim of this study is to investigate and disclose the approaches and activities of FFs in the Maldives and compare them with best practices used in neighbouring countries by studying the business and regulatory framework of freight forwarding in the Maldives and studying the challenges for FFs and the gaps in regulating them.

The followings are the objectives of this study:

- a) To investigate the business and regulatory framework of freight forwarding in the Maldives.
- b) To disclose the approaches and activities of FFs in the Maldives and compare with neighbour state practices.
- c) To study challenges for FFs and the gaps in regulating them in the Maldives.

1.4 **Research Questions**

- a) What are the existing laws and regulations governing freight forwarding business in the Maldives?
- b) How are the intermediary roles and obligations of freight forwarding in Maldives in comparison to the neighbouring countries?
- c) What challenges do FFs face in doing business with the current laws and regulations and with international best practices?

1.5 **Ethical Considerations and Budget Requirements**

To conduct this research, interviews from 10 FFs in Maldives and neighbouring countries of Sri Lanka, India, and Malaysia were taken to analyse the best practices and business models used in other countries which can be incorporated in the Maldives freight forwarding business. Permission from the selected personnel currently working as FFs were taken before the interview.

The research questions along with the Research Ethics Committee (REC) consent form were sent to participants to fill and send back by mail, thereby all the interviews were recorded after the consent form was signed and sent back. The interviewee was asked to get themselves ready to answer the questions when interview dates were preferred by them. The interviewees were ensured that the information provided will remain confidential as the interviewees and the company's name will not be disclosed under any circumstances. The whole process of gathering information was kept private and confidential. No external budget was needed for this research.

1.6 Concluding Remarks and Structure of the Dissertation

This study attempted to provide findings on the roles of FFs as intermediaries in the Maldives, to identify the challenges faced by the FFs within the current laws and regulations and find gaps so that they can be regulated. Finally, the research provided some suggestions for the improvement of Freight Forwarding Regulation along with measures to be taken by the regulatory agencies to implement policies to minimise the challenges faced by the FFs.

The dissertation consists of seven (7) chapters. Chapter one presents the introduction, background, history and rise of freight forwarding issues in the Maldives, providing problem statement, aim and objectives, research questions and the scope and limitation of the study.

Chapter two introduces research methods, data collection, questionnaire, selection of participants and sample of the participants. The chapter further details the design of the research and the limitation of data collection by the author.

Chapter three elaborates on relevant government authorities and legislations where international rules and conventions relating to FFs. International standards and regulatory bodies with their functions for the development of the freight forwarding industry were highlighted.

Chapter four gives details about the roles and activities of FFs in the supply chain. The roles of FFs as an agent and as a principal were discussed in addition to identifying differences between FFs, Non-vessel Operating Common Carrier (NVOCCs) and Multimodal Transport Operators (MTOs) to illustrate the operator's work as a trade intermediary.

Chapter five and six presents the result of the analysis and discussion of the interviews done using the codes to understand the perspective of the FFs selected for this research.

Chapter seven gives recommendations by the author based on which Freight Forwarding industry in Maldives can be improved in a sustainable manner.

Chapter 2. Research Methodology

This research is primarily based on a mixed method using qualitative and desk-based review of existing literature and government regulation. Data was collected from primary sources via semi-structured interviews conducted with FFs working in the Maldives and in some neighbouring countries. Qualitative research is done mostly to understand human experiences in an interpretative and humanistic manner which can be obtained through data sources like interviews, printed materials, and other printed media (Jackson et al., 2007) where FFs were encouraged to express their viewpoints about the topic.

2.1 Data Collection Techniques

In qualitative research, interviews are a popular method for gathering data (Goundar, 2012). The data obtained for the research was descriptive in nature and was coded and interpreted. The interviews were based on obtaining distinct real-life experiences based on the responses from the interviewees. Due to the profession of the personnel interviewed, as most of them were working in the field of freight forwarding and as shipping agents, the data collected was reliable and authentic.

Primary data collected via semi-structured interviews were from main freight forwarding companies in Maldives and from neighbouring countries. The topics for the interview and questions to comprehend the current challenges faced by FFs and their experiences with freight forwarding were chosen to ensure that status of the market and contemporary challenges faced by the personnel working in the sector were brought out.

The secondary data includes laws and regulations of similar trading countries, international conventions, contracts, and related documents concerning freight forwarding operations (Ajayi, 2017). As part of this research, past and present regulations were analysed apart from the text documents from different areas of discussion related to freight forwarding in Maldives. Historical records were of crucial importance for gathering information to analyse how the business was founded, and current regulations provide details on the existing structure which have validity and unbiasedness in data. Also referred to were the minutes of the meeting held at the Economic Committee of the Parliament of the Maldives in 2020, at the initial stage of the discussion about the challenges faced by the FFs in Maldives as a form of secondary data.

2.2 Questioners and Participant Sample

The sample size of a qualitative research was smaller than quantitative research as it is aimed at obtaining in depth information and understanding of the issue with the reasons for and against the occurrence of the situation. Its aim is to categorise the data obtained and create a relationship with the problems and aims of the research (Dworkin, 2012). Purposive sampling was thus used to get information from the qualified people with a background in the sector for the research undertaken (Siddiqui, 2020). The targeted participants were leading personnel of freight forwarding companies and shipping agents in the Maldives and neighbouring countries.

The World Maritime University (WMU) Research Ethics Committee (REC) approved interview questionnaire is placed at Appendix 1 to this research. The questionnaire consisted of 10 main questions to understand the business and regulatory analysis of FFs in the Maldives. Technological advancements and past and current technological trends and projects used were highlighted to correlate the business and regulatory framework of freight forwarding.

2.3 Selection of Participants

Random sampling methods were employed for selection of participants. A total of 10 participants were selected from the leading FFs in the Maldives and neighbouring countries, the selection was considered sufficient for producing high-quality results as the participants are extremely involved in the business. Targeting appropriate individuals resulted in the acquisition of appropriate and accurate information needed to understand the research area. Although the sample population is small compared to the total number of FFs operating in Maldives, the interview questions made it possible to obtain the complete information needed for this dissertation. Senior managers of each of these companies have been interviewed to collect their views on the topic of the research to identify the gaps.

Foreign based FFs were also interviewed to understand their process in the neighbouring countries. For this FFs from Malaysia, India, and Sri Lanka have been chosen randomly. To keep the anonymity of the interviewees code names were generated for everyone as highlighted in the Table 1 below. The data shared was kept confidential and the information shared in this paper was presented with the consent of the participants.

Table 1

List of Interviewees, Code Names, Country, Duration of the Interview and the Date of the Interviews

#	Code Name	Country	Duration of the interview	Date of interview
1	FF-1	India	40:50	07/08/2023
2	FF-2	India	30:12	02/08/2023
3	FF-3	Maldives	20:01	13/08/2023
4	FF-4	Maldives	48:09	11/08/2023
5	FF-5	Maldives	54:09	25/07/2023
6	FF-6	Malaysia	58:12	02/08/2023
7	FF-7	Sri Lanka	36:41	28/07/2023
8	FF-8	Maldives	55:02	06/08/2023
9	FF-9	Maldives	54:36	10/08/2023
10	FF-10	India	34:29	15/08/2023

Note. Created by the Author.

2.4 Methodology

The narrative inquiry approach was used in this study to learn more about how people experienced the business and regulatory process and their personal narratives (Webster & Mertova, 2007). With the help of narrative inquiry, it is simple to learn more about the freight forwarder's perspective towards the technological, regulatory, and businesses that take place in the country. The questions in the questionnaire were supplemented with other inquiries to provide a more comprehensive understanding of the research topic.

2.5 **Interview Design**

The REC approved questionnaires were sent to the participants who agreed to participate in this research. Participants who signed the consent forms were asked to fix their interview date and time based on their availability. All the interviewees were interviewed through WhatsApp audio calls using the mobile's inbuilt recording application of WhatsApp application. The recorded audios were translated manually as most of the interviews were conducted in the local language due lack of proficiency in English of the personnel interviewed.

2.6 **Limitations and Scope of the Research**

There are several limitations in collecting data for this research. It was challenging to conduct interviews with individuals who are currently employed as FFs in the Maldives and its neighbouring countries as they can only be reached online. It was also difficult to fully understand the respondent during the online interview conducted via WhatsApp due to the poor call connectivity and language barrier. The research could only be done in Sweden, so both time and space were limited. The initial group of FFs from the Maldives who were contacted and agreed to the interview had a low response rate and due to delay in response from the FFs.

The dissertation represents the finding of the analysis for business and regulatory framework of the Maldives freight forwarding business. The interviewees responses were used for analysis of the businesses they work in to get first-hand information which does not reflect with the FFs in the respective countries. Even though the interviewee sample is small, the response is valid for further decision-making processes. The discrete descriptions of some of the conduct of business of FFs like liability and contracts was only touched upon in the research as the discussion is beyond the scope of the research.

Chapter 3. Relevant Authorities and Legislations

To understand the issues related to the FFs, it is essential to analyse the roles and responsibilities of various government authorities under the present legislation in the Maldives. FFs need to follow international and domestic laws and regulations for proper functioning of the business. Below are the international rules, conventions, the standards and the regulatory bodies related to freight forwarding. Additionally, relevant government authorities and domestic laws and regulations linked to freight forwarding business in the Maldives are also discussed.

3.1 International Rules and Conventions

International Rules and Conventions form the basis of procedures related to the facilitated trade. The compliance to these rules is necessary for the FFs to successfully complete the Import and Export of goods. The following rules and conventions are internationally in place governing the freight forwarding business.

3.1.1 Hague Rules 1924

The Hague rules provide shippers the fundamental rights against the carrier. As per the Article 1 of the Hague Rule, a carrier is “*any person by whom or in whose name a contract of carriage of goods by sea has been concluded with a shipper*” (International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading, 1924). As per the definition above any individual who has contracted as a “*Principal*” to transport the goods by sea will be subject to this rule, including Freight Forwarder or Non-Vessel Operating Common Carrier (NVOCC) (Wilson, 2008). The rules and obligations for carriers are included in the Hague rules to make the ship

seaworthy in relation to “*the loading, handling, stowage, carriage, custody, care and discharge of such goods*” and the liabilities of the carriers during the shipping of goods from one place to another (International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading, 1924).

3.1.2 **Hague Visby Rules 1968**

Hague Visby Rules 1968 is the amendments of Hague Rules 1924. The rules cover the responsibilities and liabilities of ship owners and carriers in international transportation. The rules also state the rights and obligations of all the parties involved in carriage of goods by sea. The liability of the carrier in relation to handling and delivery of the cargo at a given time and date specified is detailed in this rule (Protocol to Amend the International Convention for the Unification of Certain Rules of Law Relating to Bills of Lading, 1968).

3.1.3 **Montreal Convention 1999**

This convention applies to all rules related to the transport of goods by air including liability of damage and loss of cargo. The Montreal convention is beneficial for shippers involved in air cargo as the liability claims are made easier for member states (The Unification of Certain Rules for International Carriage by Air, 1999).

3.1.4 **International Multimodal Transportation Convention 1980**

Article 1 of the United Nations Conference on a Convention on International Multimodal Transport (1980) defined Multimodal transportation as:

carriage of goods by at least two different modes of transport based on a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country. (United

Nations Conference on a Convention on International Multimodal Transport, 1980, p. 5)

Due to the increasing globalisation of freight forwarders' operations and the diversification of their work, the modern transportation of goods is growing rapidly. The expansion of the global logistical industry and shipping markets, revolution in the container market has led to an increase in multimodal transportation (Leung, 2007).

3.1.5 Convention on Facilitation of International Maritime Traffic (FAL) 1965

FAL convention is an important tool for facilitation of trade for the development of the economy of a country. FAL convention assists in better management of maritime governance as well as efficiency in trade and reducing costs when properly implemented. FAL convention states the standard documents for ship clearance which avoids unnecessary delays in maritime traffic at ports reducing paper works with simplified formalities for trade (*Convention on Facilitation of International Maritime Traffic [FAL], 1965*). The amendments to the annex of the convention have mandated the member countries to establish Maritime Single Window (MSW) for the electronic exchange of data at ports by January 2024 (International Maritime Organization [IMO], 2022).

3.2 International Standards and Regulatory Bodies

As discussed earlier, to successfully complete the delivery of goods, there is a necessity of standards in the freight forwarding procedures. Subsequent sections enlist the International Standards and the bodies responsible for ensuring compliance.

3.2.1 United Nations Conference on Trade and Development (UNCTAD)

UNCTAD is a UN body established to simplify cross border trade effectively by supporting developing countries to access the globalised economy through international trade (United Nations Conference on Trade and Development [UNCTAD], n.d.). UNCTAD has classified FFs as “*ocean-based*” MTOs or Vessel Operating Multimodal Transport Operators (VO-MTOs). Those who do not have their own vessel are categorised as Non-Vessel Operating Multimodal Transport Operators (NVO-MTOs) who are estimated to provide expert capacity in multimodal transportation in the future (Saeed, 2013). UNCTAD Standards for Shipping Agents specifies minimum standards for shipping agents. The shipping agents are defined in the Article 2 as “*any person (natural or legal) engaged on behalf of the owner, charterer or operator of a ship, or of the owner of cargo, in providing shipping services...*” which includes freight collection, arrangements for cargo documentation, customs clearance, and forwarding, arrangements for obtaining and processing documentation and arrangements for carrying out all necessary tasks related to cargo dispatch (UNCTAD, 1988).

3.2.2 United Nations Economic Commission for Europe (UNECE)

UNECE is one of the economic commissions of the UN which provides a range of services related to trade facilitation. The United Nations Code for Trade and Transport Locations (UN/LOCODE) is managed by UNECE for joint trade facilitation efforts by the UN. The codes are developed by UNCTAD with the associations like International Air Transport Association (IATA), International Chamber of Shipping (ICS) and contributions from other national government and commercial bodies around the world. The codes represent the location of international ports, airports or any location for international trade and transportation consisting of more than 8000 locations around the world which are used by shipping agents, FFs and all the

stakeholders in manufacturing and trade related businesses (The United Nations Economic Commission for Europe [UNECE], n.d.).

3.2.3 **International Maritime Organization (IMO)**

IMO is the specialised agency of the UN regulating the international shipping industry with a special emphasis given on safe transport of containers around the world. IMO has developed regulations for “*safe carriage of containers*” through its conventions and guidelines for the packaging and securing the containers in international trade. FAL and Tonnage Convention are two main conventions related to maritime trade adapted by IMO (IMO, n.d.). IMO/ILO/UNECE Code of Practice for Packing of Cargo Transport Units, also addresses non mandatory codes for transportation of cargo transport, specifically the handling and packaging by sea and land (IMO, 2014).

3.2.4 **World Trade Organization (WTO)**

WTO is a global organisation dealing with trade rules between nations. WTO trade facilitation agreements are negotiated and signed between countries for smooth flow of trade with predictability by lowering the trade barriers around the world (World Trade Organization [WTO], n.d.a). Maritime transportation sector is one sector where trade facilitation negotiation had taken place over decades and where freight forwarding business had a direct impact. Shipping has become the dominant mode of international transportation covering more than 80% of the volume of world trade (UNCTAD, 2021). Maritime transport services and auxiliary services, access to port facilities and multimodal transportation services allow members to easily access new markets due to the trade facilitation agreements of WTO (WTO, n.d.b).

3.2.5 International Federation of Freight Forwarders Associations (FIATA)

FIATA is a non-government organisation representing FFs all over the world. To create uniform standards for FFs worldwide, the organisation develops specific documents and additionally considers multimodal transportation, customs facilitations, and sea and air freight giving the customers protection with their specified rule in different subject areas. FIATA provides model rules for the freight forwarding for member countries. The FIATA Bill of Lading is one of the crucial documents widely recognized worldwide which expresses the liability for the carriage of goods. (Glass, 2012). FIATA has obtained consultative status with UN committees and UN special bodies and provides guidance and rules for the FFs. It is also recognized by various governments, intergovernmental as well as private international organisations dealing with trade and logistics (International Federation of Freight Forwarders Associations [FIATA], 2017).

3.2.6 International Air Transport Association (IATA)

For the FFs to stay present with the airline industry and offer air cargo services, IATA certification is crucial. 140,000 tonnes of cargo worth \$18.6 billion are transported by air every day around the world (Commonwealth of Australia, 2018). Like maritime transport, the FFs ensures the safe delivery of air cargo to its destination, for which the FFs shall be up to date with IATA standards and regulations for the process of air cargo handling operations (International Air Transport Association [IATA], 2022).

3.3 Relevant Government Authorities in Maldives

Government Authorities form the legislative and the administrative arms for regulating and implementing the procedures related to freight forwarding in a country.

In the Maldives the following Government authorities play a very important role in freight forwarding business.

3.3.1 Parliament of the Maldives

In the Maldives, legislative proposals are first presented to the parliament as bills, after which the relevant committees hold meetings and make recommendations. The bills are sent to the parliament for a vote after a debate, and with a simple majority vote, followed by the president's approval, the bills are passed and made public. Passed legislation is published on the public platform www.gazette.gov.mv. The freight forwarding issue was first brought to attention to the economic committee of the parliament by FFs of Maldives in August 2020 (People's Majlis, 2020). The requirement that FFs be registered as a business entity was put into effect in the same year responding to the concerns of the FFs (People's Majlis, 2021).

3.3.2 Ministry of Economic Development (MED)

MED is responsible for formulation of economic and trade policies in coordination with other government agencies. MED is one of the key ministries in the Maldives dealing with all matters related to trade, investments, business regulations and employment-related aspects which contributed to the economic development of the country (MED, n.d.).

Being a SIDS, Maldives is completely dependent on imported goods. MED is the responsible ministry to deal with the trade-related complaints regarding the FFs. The ministry also deals with port operations charges in the context of congestion charges taken by the FFs (People's Majlis, 2021).

3.3.3 Ministry of Transport and Civil Aviation (MoTCA)

MoTCA mandates all the transportation policies and regulations in the Maldives and administers all the maritime issues. The ministry has four main

branches where the maritime transport division oversees all the maritime affairs including port training & awareness and maritime operation & safety. All regulations related to the shipping industry are mandated by the transport ministry with a vision to connect all transport modes with the internationally accepted principle in accordance with advanced technology, transportation, and sustainable green energy sources (MoTCA, n.d.).

3.3.4 Maldives Customs Service (MCS)

MCS is a distinct legal entity separate from the Civil Service of the Maldives under the Maldives Customs Act. This act is one of the few acts which is functional in Maldives in regulating and monitoring carrier and cargo intermediaries (*Maldives Customs Act 8/2011*). Maldives Customs Service became a member of World Customs Organization in 1995 (World Customs Organization [WCO], 2023) and had been actively involved in activities related to Customs modernization and international trade. The primary duty of MCS is to carry out all necessary customs-related tasks such as import and export of goods, as well as the collection of customs duties. The main responsibility related to maritime issues of customs is that they are responsible for monitoring and controlling the movement of people, goods and conveyances entering and leaving the Maldives, hence dealing directly with the FFs on a day-to-day basis (Maldives Customs Service [MCS], n.d.).

3.3.5 Maldives Ports Limited (MPL)

MPL, is a public limited company, having a wealth of experience in maritime trade and commercial activities at the border, which serves as the entry and exit point for all trade in the Maldives. With a focus on providing extensive services and cutting-edge technology to keep up with the global economy, MPL is heavily responsible for the communities and businesses involved in commercial trade in the nation. (Maldives Ports Limited [MPL], n.d.).

As container unloading at ports requires time and costs, MPL requires some additional charges from the shipping agents. Charges like additional port cost, recovery charge, operation cost recovery charge (OCR), equipment imbalance charges charged by MPL were included as the DO charged to the consignee by the FFs on behalf of the shipper to release the goods at ports. (People's Majlis, 2021).

3.3.6 Maldives Police Service (MPS)

The primary duty of MPS is to protect the nation from crimes and to build a safer society by enforcing the laws of the country (Maldives Police Service [MPS], n.d.). Before the implementation of Freight Forwarding Regulation, a police investigation could not be carried out in cases related to the FFs. MPS has the legal obligation to investigate the case according to the Freight Forwarding Regulation, when charges are taken against the regulation (People's Majlis, 2021).

3.4 Relevant Domestic Laws and Regulations

The domestic laws complete the linkage between the international rules and convention with the local procedures essential for the trade to take place. When it comes to implementation of the regulations, the government promulgate statutory rules whereby the regulations are implemented by related ministries or government agencies. In the following section a discussion is made about the linkages and the gaps between the present domestic laws and regulations in place in the Maldives.

3.4.1 Freight Forwarding Regulation

Freight Forwarding Regulation (R-115/2020) is a regulation made under Business Registration Act no. 18/2014 (*Business Registration Act 18/2014*) which states the regulatory requirements of registering freight forwarding as a business in the Maldives. This regulation further states that it

applies to the FFs which are not registered as shipping agents but have the right to issue Bill of Lading (B/L) and DO to the customers (MoTCA, 2020a). The regulation aims to improve the quality and standards of freight forwarding business in the Maldives. A total of 14 articles are stated in the Freight Forwarding Regulation which are translated and presented at Appendix 2.

3.4.2 Shipping Agency Regulation

The Shipping Agency Regulation (R-114/2020) is a regulation made under article 20 of the Maldives Navigation Act (Act No. 69/78) mandating all the shipping agents that operate in the Maldives to register under MoTCA (*Maldives Navigation Act 69/78*). Article 5 of this regulation specifies the field of services offered as a shipping agent where it specifies “*Providing B/L for exports, freight forwarding services as a shipping agent in the Maldives and to issue delivery orders*”. Furthermore, shipping agent’s duties and obligation, licencing requirements, fees and price control requirements according to the Consumer Protection Act (*Consumer Protection Act 12/2020*) are stated in this regulation (MoTCA, 2020b).

3.4.3 Cargo Ship Regulation

Cargo Ship Regulation (Regulation no. R-71/2023) is applicable to cargo vessels registered and licenced under the Registration of Local Vessels Regulation via Regulation No. 2016/R-6 (Gazette Maldives, 2023). The purpose of this regulation is to establish minimum requirements for carriage of goods on cargo ships, their loading, unloading, storage on the ship by owners & captains and their responsibilities. In the Maldives, FFs who provide door-to-door service and transport goods to resorts or other islands are required to abide by regulation no. 2016/R-6.

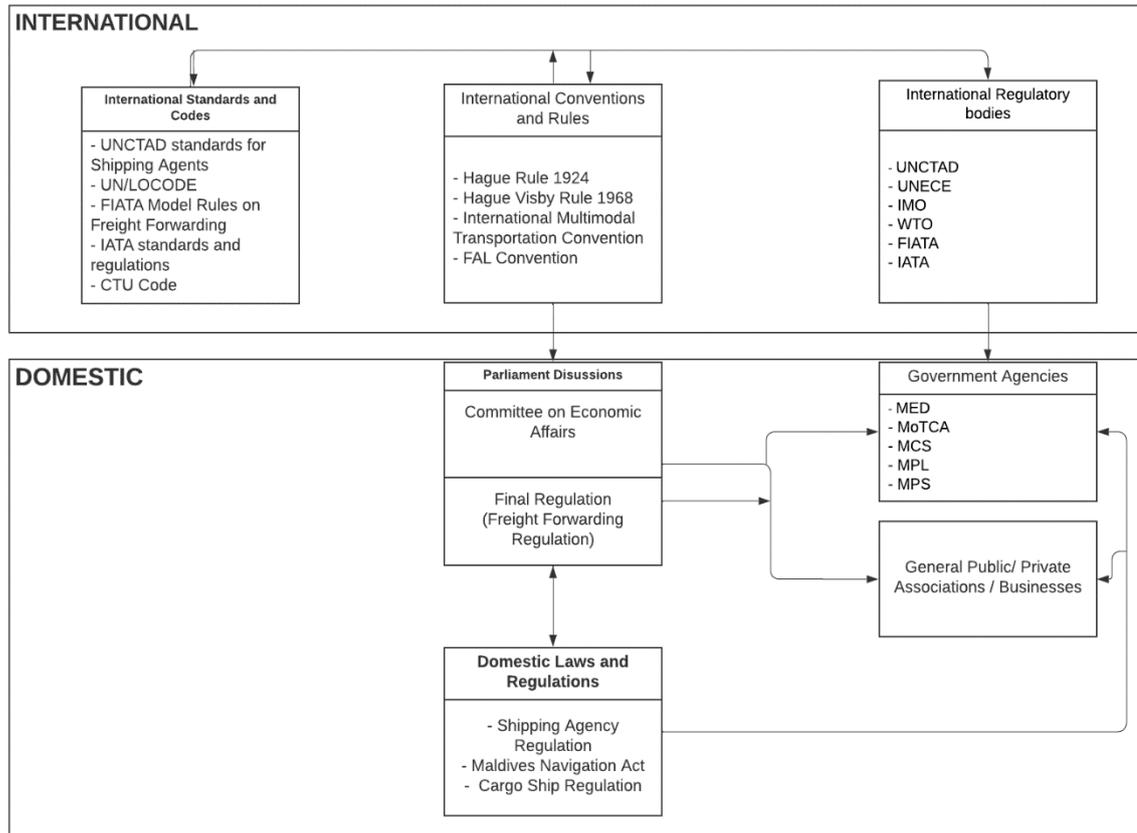
3.4.4 **Maldives Navigation Act**

The Maldives Navigation Act 69/78 deals with all the aspects of the safety at sea in Maldivian sea going vessels. There are several regulations made under this act which mainly covers safety measures of seagoing vessels in the territory of Maldives. Shipping Agency Regulation is the only regulation made under this Act which is linked to freight forwarding business (Maldives Navigation Act 69/78).

Established by the Constitution of the Maldives, Parliament is the sole authority to enact legislation in the country. The draft legislative proposals are discussed and debated in the various committees before they are passed for implementation. As discussed in Chapter one, the regulations related to FFs in the Maldives were implemented post complaints received from the people and the companies regarding the unethical practice by some of the freight forwarding companies operating in the Maldives. Related government agencies which are responsible for the enforcement of the regulation are detailed in the Figure 2 below.

Figure 2

Formation of Regulation in the Maldives



Note. Created by the Author.

3.5 Concluding Remarks

The analysis of the relevant regulatory agencies and legislation directly answers about the challenges faced by the FFs in the Maldives. The international conventions and rules are not effective in the Maldives however some of the FIATA and IATA rules are being followed by the FFs operating in the Maldives.

Based on the legal system analysed above, it is evident that the domestic regulations need to be revisited for their effective implementation. While doing so provisions of International Conventions related to the freight forwarding business must be complied with. The freight forwarding business in Maldives is in an infant stage where emphasis must be made on regulating the businesses in the Maldives. Forwarding and logistic operations of Maldives must be in accordance with the rules and regulations similar to the rest of the world. However, further validation of the analysis was conducted via responses received from the interviewees in Chapter five. Results of the analysis will be further discussed providing finding and gaps for each factor identified in the research.

Chapter 4. Freight Forwarding - Comprehensive Overview

4.1 Introduction

FFs offer their clients the best possible solutions for any transportation-related problems. They provide thorough information on matters related to administrative, legal, and transportation costs associated with their order of the goods until it reaches the destination. Additionally, they provide the client with the best service at the most affordable price by having numerous international transport channels that are the most practical for the nation. (Skiba & Karaś, 2022). As importers or exporters FFs play different roles depending on the specific needs of the shipper in the country by arranging for different transport solutions and delivery services for the shipper (Huang et al., 2019).

4.2 Definitions

FFs and freight forwarding are difficult to define as different countries take the meaning of the term differently. Some of the more popular definitions are elaborated in the succeeding paragraphs.

4.2.1 Freight Forwarders

They are the “*architect*” in charge of the international logistic chain (Schramm, n.d.) acting as middlemen who represent importers, exporters, and other businesses (Skiba & Karaś, 2022) hiring them for transportation and trade of goods (Baluch, 2006). They act in the capacity of an agent to take over the work of the transportation companies and deliver goods to consignees in their name or on their behalf (Burkovskis, 2008).

FIATA (2019) defines FFs as *“the person concluding a contract of freight forwarding services with a customer”*.

Although it applies to both domestic and international FFs, the common definition of FFs is typically referred to as international FFs. *“...an international trade specialist who can provide a variety of functions to facilitate the movement of cross border shipments”* (Murphy & Daley, 1996a, para. 1).

4.2.2 Freight Forwarding

It is a commissioned service by the FFs (Skiba & Karaś, 2022). FIATA defines freight forwarding as:

Services of any kind relating to the carriage, consolidation, storage, handling, packing or distribution of the Goods as well as ancillary and advisory services in connection therewith, including but not limited to customs and fiscal matters, declaring the Goods for official purposes, procuring insurance of the goods and collecting or procuring payment or documents relating to the Goods. (FIATA, 2019, p. 1)

4.3 Forwarder's Roles

The role of FFs depends on the arrangements made on the mode of transportation where different roles take place at different times depending on the level of responsibilities during their service period (Glass, 2012). Forwarders organise inland transportation for the cleared goods, clear shipments at customs, pay duties and if needed set up nearby storage and warehousing facilities (Pope & Thomchick, 1985). Different roles are taken up by FFs based on their functions and the form of contract. Some of the common roles taken by the FFs are detailed in table 2 below.

Table 2

Common Roles of Freight Forwarders

FFs Roles	Description of the Roles
Advice on the process of the shipment	On shipping routes, freight costs, provide exporters and importers with the necessary sales procedures and regulatory requirements
Providing quotation and booking	Reserve cargo space and offer quotes for that space
Customs clearance	Complete all import or export related customs clearance procedures for clearance of goods on behalf of the consignor or consignee
Documentation processing	Documents related to sale and purchase agreements, including export and import licences, declarations of origin, invoices, inspection certificates required from importing or exporting countries, etc
Cargo Insurance	Open insurance with an insurance company and issues insurance contracts on their behalf
Warehousing and Storage	Provide warehousing and storage including bonded warehousing
Packaging and labelling	Labels of origin and other regulatory requirements of the package either on his own behalf or on the consignor's behalf
Transportation services	Inland transportations whether by sea, land or air is also provided according to the contract made to provide on their own account until the goods arrive at the doorstep and on this process

Note. Adapted from “Freight Forwarder’s Intermediary Role in Multimodal Transport Chain”, by H. J. Schramm, 2012 (p. 24-28). (DOI: 10.1007/978-3-319-25855-3_4).

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4.4 Liability of the Freight Forwarders

The liability of the freight forwarder differs on whether they are acting as an “agent” or a “*principle*”. FFs does not take the liability when acting as an “agent” but must incur liability as a carrier when acting as a “*principal*” (Watanuki, 2015). The

liability which holds between transportation modes is different for and divided among the various carriers involved in transportation (Glass, 2012).

However, regarding the liability and insurance, the consignor needs to know who the actual carrier is responsible for the loss or damage of the goods and whether they are governed by local laws (Clarke, 2002). The freight forwarder is liable under FIATA Article 8 if he fails to exercise due care or take reasonable steps to provide the service, except as a “*principal*”. He must pay damages or other costs because of the breach of care, but he is not responsible for any third parties who are responsible for the act (FIATA, 2019). Apart from the liability insurance, the liability of FFs as an agent are usually for errors and omissions which are detailed in figure 3 below.

Figure 3

Liabilities of Freight Forwarder as an Agent



Note. Adapted from *Liabilities of freight forwarders as an Agent*, by UNESCAP, 2011.

<https://www.unescap.org/sites/default/d8files/knowledge-products/FF-standard-fulltext.pdf>). Copyright 2011 by UNESCAP.

Therefore, even when acting as a “*principal*”, if a third party provides the service document, the freight forwarder is not responsible for any loss or damage. However, if he expresses the undertaking as a “*principal*” and provides the ancillary services himself using his own facilities and staff, the FFs will be responsible for all loss and damage relating to any service provided (FIATA, 2019).

4.5 Common Freight Forwarding Operators

FFs, NVOCCs and MTOs are the most common freight forwarding operators which are defined differently in different countries. NVOCC offers shipping services without owning a ship but does so by paying for the space for the freight container in a ship and selling to customers in less than a container load (LCL) (Pope & Thomchick, 1985) while MTOs provide shipping services up to the consignee’s doorstep (Schramm, 2012). Some countries regulate NVOCCs and MTOs as FFs while different sets of rules and regulations are established for the operators. Although NVOCCs and MTOs are referred as FFs, they operate as a common carrier which are categorised as a principal. Therefore, NVOCCs and MTOs are referred to as Freight Forwarder as a principal while FFs are considered as an agent (UNESCAP, 2011). Thus, the difference between the three operators needs to be clear for both consignor and consignee which are identified based on whether they work as an agent or principal as defined in table 3 below.

Table 3

Classification of Operators

Freight Forwarders	NVOCCs	MTOs
An agent concluding a contract with a customer on freight forwarding services relating to the carriage, consolidation, storage, handling, packing or distribution of the goods as well as ancillary and advisory services in connection therewith	Acts as a principal who arranges transport of goods as a carrier and issues their own bills of lading or equivalent document but does not own or operate a major means of transport	Concludes a multimodal transport contract on his own behalf or on behalf of another party and who acts as a principal or participate in the multimodal transport operations, who assumes responsibility for the performance of the contract on behalf of the consignor or of the carriers

Note. Adapted from “*Liabilities of freight forwarders as an Agent*”, by UNESCAP, 2011 (<https://www.unescap.org/sites/default/d8files/knowledge-products/FF-standard-fulltext.pdf>). Copyright 2011 by UNESCAP.

4.6 Services of Freight Forwarders

Modern FFs provide services of goods transportation as well as freight forwarding which can also be referred to as their roles in freight forwarding. The primary service is to transport the goods using a carrier and shippers, and the secondary services cover all other activities connected with the goods from the point of sale to the consignor's doorstep (Skibav& Karaś, 2022). The transport and logistics services are major services provided by the FFs (Schramm, 2012) which includes finding quick transportation links by paying the freight charges and giving recommendations to the

shippers on the routes to transport the goods to or at the destination (Murphy & Daley, 1996a).

During the research undertaken by Murphy & Daley (1997) international FFs were surveyed and the results showed auxiliary services like “*legal counselling, providing export licences and export packing*” are provided and were labelled as least vital services provided by some selected companies.

4.6.1 Services as Shipper’s Agent

By providing inland containerization services to their clients on behalf of the shippers, forwarders occasionally act as the shippers' agents (Ullman, 1971). In essence, the FFs arrange the transportation for the shipment that belongs to their client, or the shipper, by covering the costs of transportation, freight, customs duties and any additional expenses incurred for shipping the goods. However, the FFs are not liable for any violations of the terms of the cargo contract between the shipper and carrier if they act as an agent (Leung, 2007).

4.6.2 Services as a Principal

On behalf of various shippers, FFs combine their cargo into a single container. In this manner, the shippers pay a set freight fee to the FF, who arranges the carriage in his own name and assumes full responsibility for the total freight charged by the carrier. By doing this, FF can save money on the carrier's freight bill and make a profit that is occasionally shared with the shippers but are fully liable for any violation of the contract with the carrier (Leung, 2007). Therefore, when goods are transported using their own means of transportation or when they plan with other transportation companies they act as a principal (Saeed, 2013).

4.6.3 Services on Behalf of Carrier

To move their shipments to or from importing and exporting countries, major shipping carriers like Maersk and China Ocean Shipping group who dominate the industry select shipping forwarders within locality contracts as their intermediaries (Li & Zhang, 2015). FFs adopt a unified rate with common transport documents and a rate for all combined transportation to lower the costs of transportation at various points of the trade. Thus, carriers delegate their portion of the transport to these forwarders, who will coordinate the services outside of their direct control (Burkovskis, 2008). When choosing common carriers to transport goods, forwarders must be impartial and refrain from favouring specific carriers if doing so would be against the interests of their clients. Additionally, this may change based on the nation and the industry (Pope & Thomchick, 1985).

4.7 Conduct of Business by the Freight Forwarders

After looking back on the definitions, roles, common freight forwarding operators and services of the FFs, now the discussions about how the freight forwarding business is conducted in the modern world.

4.7.1 Bill of Lading and Waybill

A B/L and waybill is a contract stating that the goods must be delivered to the destination and that the ship's owner will transfer ownership of the goods at discharging port (Russell, 2022). A charterer issues B/L to customers which is supplemented by the shipowner's B/L which states that it is to procure the carriage rather than to carry (Glass, 2012).

A B/L may be issued by the FFs even when a cargo bill of lading is issued by the carriers. These are mostly house B/L, which is the document used to endorse the goods and is issued by the FFs expressing their intent to act as a

carrier (Leung, 2007) by means of which FF issues the document as a contract in accepting the duty as a carrier. In this case the FF controls the movement of the goods by himself or by his agent through consigning the goods to his agents who get the service of transport from the freight forwarder (Glass, 2012).

Normally, a B/L is a title issued by the carrier for the goods being transported, but FFs can issue a FIATA multimodal transport B/L (FBL), in which the consigner will receive the title when the goods are released. When FFs act as a “*principal*”, they issue their own bill of lading but when they act as an “*agent*”, they handle carrier’s B/L (Schramm, 2012).

4.7.2 Information Technology (IT)

With the introduction of advanced technology, FFs work has evolved further. The mechanism used by the FFs in integrating business with the trend in the 21st century and adapting to the latest technology results in paperless trade and advanced business operations. The logistic chain significantly impacts various supply chain levels due to the internet's integration with technology, which was incorporated as “*Electronic Commerce (EC) and Electronic Business (EB)*”. Attention should be paid to the interactions between FFs and intermediaries in SCM due to huge changes in the relationship between businesses with the internet and other technologies (Schramm, n.d.).

Where trade connections have already been established between traders on opposite sides of the world, IT is the most crucial element in the integration of a global supply chain. For proper logistics and data handling at all stages of trade, ports and customs need to be equipped with cutting-edge IT and trading infrastructures. IT is one of the most effective tools in the logistics industry, used for timely information sharing and real-time communication with customers to provide the services they require. IT has evolved into a quick and effective method for submitting documents to customs and shipping agents. IT

should develop and improve as technology and services advance (Baluch, 2006).

Electronic Data systems are the computer systems used to manage transactions and conduct business via telecommunication networks at a lower cost than paper-based methods (Baluch, 2006) enabling the sending of accurate information quickly and cheaply (Murphy & Daley, 1996b). Electronic Data Interchange (EDI) is the most popular system used by the FFs for exchange of documents and business information all over the world (Garguilo & Markovitz, 1995). There are the mechanisms adapted by FFs in doing business with advanced technology in place depending on country to country.

4.8 Concluding Remarks

Based on the literature detailing about functions of FFs they can be categorised either as customs house brokers, Ocean FFs, or Air FFs which narrowed down to air freight forwarding, LCL and FCL ocean freight forwarding. FFs have evolved into 3PL and 4PL logistic providers overtime due to the range of service provided by them in the logistic industry.

The difference between different operators explained above, roles and the liabilities of the FFs are not mentioned in any regulation. Therefore, based on the literature, it is evident that the Maldivian freight forwarding business must be improved along with the amendments to the regulations in place which will be further discussed in subsequent chapters after analysis of the data received from the interviews.

Chapter 5. Data Analysis

The interview data obtained was analysed on a thematic content analysis basis. For analysis of the data, all the interviews are recorded and transcribed with codes keeping with the guidelines of REC in mind. A total of 35 FFs from the south-east Asian region were contacted for the interviews, out of which only 25 personnel responded and only 20 agreed for participation in the research. Out of the 20 personnel who agreed, only 10 personnel took part in the research due to non-availability of the respondents and time restriction for the research. The interviews were conducted based on a semi-structured questionnaire and responses were recorded per the extant guidelines.

For the analysis of the collected raw data the questionnaire was coded using online software, NVivo and themes were generated. Table 4 below highlights the six most used themes in the questionnaire.

Table 4

Codes for Qualitative Analysis

Code 1	Logistic activities
Code 2	Legal obligations
Code 3	Technology
Code 4	Challenges
Code 5	Trends
Code 6	Areas for improvement

Note. Developed by the Author.

The interviews were transcribed manually as the languages used during the interview were mixed and high inaccuracy was observed during online transcription. A total of 10 hours and 50 mins of interview was transcribed. Post transcription data was fed to the NVivo software free version for coding, based on the themes generated for the questionnaire and results obtained in the form of common terms and words which can be associated with a particular theme. In the next section each theme along with the highest number of terms/words associated are presented in a descriptive manner and for answering Research Questions they will be presented in a categorised form for each theme.

5.1 Code 1: Logistic Activities

The logistic activities by FFs in Maldives is less significant when compared to the neighbouring countries. As per the analysis of the interviews of FFs of Maldives, they engage in the following activities as the primary services to the customers. Preliminary services like free storage at overseas branches, making invoices, B/L, and other documents needed for customs clearance¹ are the services extended by the FFs in Maldives which no other FFs from different regions have mentioned. Also, FFs in Maldives are involved in activities such as warehousing, short distance inland transportations and e-retail deliveries are undertaken by Maldivian FFs.

As stated by a freight forwarder from the Maldives² that was interviewed for the purpose of this research, “*We specialize in delivering and transferring goods, as well as providing entitled transfers*” which gave the impression that the Maldivian FFs work mostly in delivering goods and dealing with services related to delivery.

Warehousing including bonded warehousing, cargo and container management, tracking³, transport insurance, labelling and packaging, delivery to the

¹ FF from Maldives has quoted the facts – FF-9

² FF from Maldives has quoted the facts – FF-5

³ FFs from India, Malaysia and Sri Lanka have quoted the facts - FF-2, FF-4, FF-6, FF-9, FF-10

doorstep by providing procurement to consumer's doorstep, e-retail deliveries⁴ and hiring inland transports vessels or vehicles⁵ are the common logistics services given by both the Maldivian and Indian freight forwarding companies.

Wide range of logistic services like transportation and handling services are provided by the FFs in the neighbouring countries. As mentioned by the freight forwarder⁶ from India: *"Everything related to customer's logistics process and taking charge from the procurement door to the consumer's doorstep including even e-retail deliveries, Warehousing, Trucking, Custom Clearances, CFS (Container Freight Stations), Container Terminals, NVOCC solution, own network at destination"* basically gives an end to end solution for logistics services including handling of ODC cargoes, bulk handling, infrastructure, port management⁷, in-house agency, vessel agency services⁸. Inbound and outbound transportation⁹, Custom clearance, Customs brokerage, Customs house agent, e-commerce logistics, 4PL and 3PL logistics, order fulfilment, inventory management¹⁰, container agencies services¹¹, Stevedoring¹² are other logistic services provided by the freight forwarding companies of the neighbouring countries.

The logistic activities performed by the FFs in Maldives are more basic in nature when compared to neighbouring countries. With proper business mechanisms established by making the market open for the FFs to do logistics activities with business licence akin to other business will allow the Maldivian FFs to expand service in other areas of logistic activities.

⁴ FFs from India and Maldives have quoted the facts – FF-9, FF-10

⁵ FFs from India, Maldives and Sri Lanka have quoted the facts - FF-1, FF-2, FF-4, FF-5, FF 8, FF-10

⁶ FF from India has quoted the facts – FF-0

⁷ FF from India has quoted the facts – FF-1

⁸ FFs from India and Maldives have quoted the facts – FF-2, FF-4

⁹ FF from Maldives has quoted the facts – FF-6

¹⁰ FFs from India and Maldives have quoted the facts – FF-1, FF-2, FF-6, FF-10

¹¹ FF from India has quoted the facts – FF-2

¹² FFs India and Maldives have quoted the facts – FF-2, FF-4

5.2 Code 2: Legal obligations

Different countries have different legal frameworks for freight forwarding and theories of freight forwarding agreements; some countries see the freight forwarding agreement as a commission contract while others see it as one-on-one agreements due to the diversity of their legal systems. The relationship between FFs and consignees is determined by the laws that are upheld in each country, whether they are common law or civil law legal systems, or any combination of them (Burkovskis, 2008).

The laws and regulations followed by Maldives are contemporary compared to the rest of the world. The Maldives follow Freight Forwarding Regulation, Shipping Agency Regulation, Cargo Ship Regulation, Maldives Navigation Act¹³. The FFs in the Maldives are not happy about the Regulation of FFs and Shipping Agency Regulations in a similar manner where one interviewee mentioned *“it is a challenge that suddenly, we cannot charge anything above \$25 which is wrong because the agreements here are entered in another jurisdiction and we are also not complying with what the agent wants but what the shipper agent wants from that end”*¹⁴.

Most of the respondents from neighbouring countries interviewed follow Carriage of Goods by Sea and Carriage of Goods by Air Act, Merchant Shipping Act, Marine Insurance Act, Warehousing Act apart from the legal requirements for logistics activities under government logistic policies to be followed by the FFs¹⁵. The Malaysian freight forwarder stated that *“apart from the Companies Act, the Consumer Protection Act was also passed. For logistics services, an integrated logistics services (ILS) licence needs to be taken”*. Acts and regulations like Customs House Agency Regulation, Multimodal Transport Goods Act and licencing regulations are followed by the neighbouring countries¹⁶.

¹³ FFs from Maldives have quoted the facts - FF-3, FF-4, FF-5, FF-8, FF-9

¹⁴ FF from Maldives has quoted the facts - FF-3

¹⁵ FFs from India, Malaysia and Sri Lanka have quoted the facts - FF-1, FF-2 FF-6, FF-7, FF-10

¹⁶ FFs from India and Malaysia have quoted the facts - FF-1, FF-2 FF-6,

As stated earlier, Maldives freight forwarding as well as logistic industry is in its infant stage where the government should review the existing regulations and other regulations directly related to freight forwarding business for competitiveness and professionalism in the industry.

5.3 Code 3: Technology

The technological advancements of different countries regarding freight forwarding business is mentioned by many interviewees. FFs from Maldives mentioned their own EDI system like Online Document Exchange (ODEX)¹⁷ and GenSoft software¹⁸ which are used according to the business system established. The importance of the ongoing NSW project and Block chain technology was mentioned by all FFs stating that the country must depend on the technological aspects from neighbouring countries whenever needed. For instance, Participant¹⁹ from Maldives mentioned: *“No technological companies here in the Maldives are present for this industry so we must go to neighbouring countries to get software, technologies to enhance us which means it's a costly affair and always getting delayed”*.

System-based business models where input for the systems is incorporated with the company requirements; Electronic Data Interchange (EDI)²⁰, Automated System for Customs Data (ASYCUDA)²¹, Blockchain technology²², Single window²³ interfaces are used by different countries.

Global track and trace systems²⁴ like Electronic Document Management System (EDMS), automated container location²⁵, Electronic B/L and E-commerce

¹⁷ FF from Maldives has quoted the facts - FF-4

¹⁸ FF from Maldives has quoted the facts - FF-5

¹⁹ FF from Maldives has quoted the facts - FF-5

²⁰ FFs from Maldives and Malaysia have quoted the facts - FF-3, FF-6, FF-8

²¹ FFs from Maldives and Sri Lanka have quoted the facts - FF-5, FF-3, FF-7

²² FFs from Maldives have quoted the facts - FF-3, FF-4

²³ FFs from Maldives have quoted the facts - FF-3, FF- 5, FF-8

²⁴ FFs from India and Malaysia have quoted the facts - FF-1, FF-2, FF-6

²⁵ FF from India has quoted the facts - FF-1

systems are some of the IT systems used by the neighbouring countries. Artificial intelligence is being brought into the system whereby promoting the paperless system making integration of technology²⁶, long distance work from home, online banking systems, processes like transferring, approving, and executing customs procedures have become more streamlined. As mentioned by the interviewee from India²⁷ “*Bar Coding, Warehouses, Interface with Custom systems, Interface with your partner systems constantly changed from retro updates on the internet to live updates and even updates on mobile*”, while other FFs from India mentioned about the government established PM Gati Shakti Yojana²⁸ which facilitates the trade and growth of the industry.

It can be clearly seen from the responses that Maldives is making effort towards use of technology in the field of freight forwarding but being a SIDS, the efforts are slow and expensive which a competitive market may not be able to sustain in the short run. Use of technology has proven to be more economical and results in providing better services in the longer run.

5.4 Code 4: Challenges

The challenges of geopolitics, Russia-Ukraine conflict, Covid-19 impacts, port congestion are mentioned by most FFs²⁹. This means that the freight forwarding business is not only about buying and selling freight but also external factors challenging the operation of the business. Keeping the external factors in mind FFs need to provide value-based services with superior high-quality services as it is a competitive and challenging market to do business.

²⁶ FFs from India have quoted the facts - FF-1, FF-10

²⁷ FF from India has quoted the facts - FF-10

²⁸ FFs from India have quoted the facts - FF-1, FF-2, FF-10

²⁹ FFs from India and Maldives have quoted the facts - FF-2, FF-3, FF-4, FF-8, FF-9, FF-10

The influx of new freight forwarding companies in the Maldives has intensified competition in the market along with increased overhead expenses³⁰ and competition with neighbouring countries³¹. Proper business registration and maintenance of business matters were not established by the government to regulate the freight forwarding business having a slow movement of goods concerning the demand and supply, no proper compliance mechanism with no logistics acts in Maldives³² as mentioned by the interviewee³³ “*Our involvement is not recognized in the supply chain in Maldives*”. Border agencies like Ports Authorities and Customs do not recognize FFs³⁴ but mandate FFs for shifting containers from one location to another without prior notice at borders³⁵. DO charge by the carrier³⁶, lack of CFS and port facilities³⁷, challenges with dollar rate fluctuation³⁸, restriction on submission of house B/L³⁹, delay in implementation of National Single Window (NSW) and Blockchain technology⁴⁰ are few of the challenges identified by Maldivian FFs. When it comes to the software used, there are no local technical experts available to attend to the errors, failures and maintenance of this advanced technology, making it risky to use⁴¹.

Traditional custom clearance agents dominate the clearance as mentioned by Indian participant: “*traditional custom clearance agents are linked to specific shippers or consignees and extend their role beyond clearance services*”⁴². Customs compliances, capacity at ports, Main Line Operators (MLO) not operating correctly⁴³,

³⁰ FFs from Maldives have quoted the facts - FF- 4, FF-5, FF-9

³¹ FFs from Maldives and Malaysia have quoted the facts - FF-4, FF-5, FF-6, FF-9

³² FF from Maldives has quoted the facts - FF-9

³³ FF from Maldives has quoted the facts - FF-10

³⁴ FF from Maldives has quoted the facts - FF-9

³⁵ FF from Maldives has quoted the facts - FF-5

³⁶ FFs from Maldives have quoted the facts - FF-5, FF-3

³⁷ FFs from Maldives have quoted the facts - FF-3, FF-8, FF-9

³⁸ FFs from Maldives have quoted the facts - FF-5, FF-8, FF-9

³⁹ FF from Maldives has quoted the facts - FF-58

⁴⁰ FFs from Maldives have quoted the facts - FF-5, FF-4, FF-9, FF-8

⁴¹ FF from Maldives have quoted the facts - FF-5, FF-8, FF-9

⁴² FF from India has quoted the facts - FF-10

⁴³ FF from India has quoted the facts - FF-2

artificial intelligence in the IT systems used⁴⁴, cyber risks and cybercrimes⁴⁵, environmental impacts⁴⁶ are the challenges highlighted by the Indian FFs. Furthermore, cyber security and cyber risks, credit terms, low market freight rates, additional charges added by the liners, advanced payment to the carriers are some of the common challenges faced by the FFs in India⁴⁷. FFs in neighbouring countries mentioned that their customers displayed lack of knowledge and understanding regarding the market, IT systems, schedules, documents⁴⁸, and proper dimensions for hazardous goods, Material Safety Data Sheet (MSDS), Chargeable Weight (CW)⁴⁹ and local and international regulations⁵⁰ to do the business.

In the Maldives, it is very challenging to maintain overhead costs while turning a profit in the freight forwarding industry. Due to the competitive client market, dollar rate fluctuation and higher expenses to do the business, it is challenging to maintain profitability with smaller profit margins. Due to a lack of available warehousing and CFS facilities and other logistics service opportunities, FFs in the Maldives face numerous challenges when trying to conduct business.

5.5 Code 5: Trends

Attracting new customers or target markets and delivering quality services have always been the core competencies of freight forwarding all over the world⁵¹. In Maldives, the trend is mostly influenced by the politically powerful group of people who establish the system based on specific interests⁵² which in turn become a trend in the community. The participant from Maldives⁵³ mentioned that “*political people*

⁴⁴ FF from India has quoted the facts - FF-1

⁴⁵ FFs from India have quoted the facts - FF-1, FF-2

⁴⁶ FFs from India have quoted the facts - FF-1, FF-2, FF-10

⁴⁷ FF from India have quoted the facts - FF-1, FF-2

⁴⁸ FFs from Malaysia and Sri Lanka have quoted the facts - FF-1, FF-2

⁴⁹ FFs from India and Sri Lanka have quoted the facts - FF-1, FF-7

⁵⁰ FF from India has quoted the facts - FF-10

⁵¹ FFs from India and Maldives have quoted the facts - FF-8, FF-10

⁵² FF from Maldives has quoted the facts - FF-3

⁵³ FF from Maldives has quoted the facts - FF-8

manipulate the system". Temperature control logistics within the Maldives is the newest trend where food supply under Hazard Analysis and Critical Control Point (HACCP) guidelines is taken with delivery on time⁵⁴. Social media plays a major role in the industry⁵⁵ whereby products handled by the Malaysian FFs are advertised in social media⁵⁶.

It is crucial to provide an end-to-end customer service which enables 24/7 response, adapting to global changes, entry barriers⁵⁷, end to end solutions and beyond with order management systems. The Indian participants noted that the digitization and Go Green initiatives will become a trend in freight forwarding with the challenge faced from mega carriers who are slowly spreading their reach into the FFs space⁵⁸. Liners having their own freight-forwarding divisions or subsidiaries and domestication of containers have become the latest trend in Freight Forwarding⁵⁹.

The Maldives freight forwarding itself became a trend after establishment of the regulation in 2020. Freight Forwarding and Shipping Agency Regulation came into force with the emphasis on the article where pricing factor came into existence. The changes are done by the powerful political people within the system for their own benefits; without taking into consideration the relevant factors in logistics. The participants from Maldives gave the impression that implementing rules and regulations is a challenge in Maldives due to political instability.

5.6 Code 6: Areas for Improvement

Subsequently after Covid-19, the E-service and norm on *"work from home"* was imposed as a safety response across the world. Because of this, border agencies

⁵⁴ FF from Maldives has quoted the facts - FF-3

⁵⁵ FFs from Maldives and Malaysia have quoted the facts - FF FF-6, FF-9, FF-4)

⁵⁶ FF from Malaysia has quoted the facts - FF-6

⁵⁷ FFs from India have quoted the facts - FF-1, FF-2

⁵⁸ FF from India has quoted the facts - FF-10

⁵⁹ FF from India has quoted the facts FF-5

have started to use their own portals and software to do document submissions⁶⁰. Maldivian FFs highlighted those improved facilities at ports such as warehouses and other storage and infrastructures, expansion of port areas and implementing NSW and blockchain technology⁶¹, e-commerce⁶², introduction of Delivery Duty Unpaid (DDU) and DDP shipments and CFS facilities⁶³ are the improvements needed for the business. The participant from Maldives⁶⁴ gave an example stating that: *“We can even develop a separate hub with warehouses and distribution facilities in the future as the trade market has developed with the resort business”*.

Good distribution practice (GDP), Congress certification, Authorised Economic Operators (AEO), Delivered at Place (DAP) and Delivered Duty Paid (DDP) shipments, CFS if your unit falls under Random monitoring system (RMS) where the computer will automatically randomly pick containers when instructed⁶⁵ and trade disruptions created by MLOs’ are areas which needed improvements in India. To mitigate these disruptions, it is important to develop, pilot and ultimately enforce new ideas in the areas needed for improvements⁶⁶, digitization and Go Green initiatives are the driving force in freight forwarding⁶⁷ highlighted by Indian FFs.

Despite the limitations, the FFs still receive a stable profit share, albeit at a reduced level prior to Freight Forwarding Regulation in the Maldives. Further improvement in the business is needed to serve the industry in a proper and sustainable manner. The chapter brought out many aspects of the freight forwarding business and highlighted the challenges faced and opportunity for improvement. In the next chapter discussion based on the analysis of the interviews will be held to come up with the findings which then can later be translated into the recommendation for improvement

⁶⁰ FF from Maldives has quoted the facts - FF-9

⁶¹ FFs from Maldives have quoted the facts FF-4, FF-5, FF-8

⁶² FF from Maldives has quoted the facts - FF-3

⁶³ FF from Maldives has quoted the facts - FF-9

⁶⁴ FF from Maldives has quoted the facts - FF-9

⁶⁵ FF from India has quoted the facts - FF-1

⁶⁶ FF from India has quoted the facts - FF -2

⁶⁷ FFs from India have quoted the facts - FF-2, FF-10

and existing opportunities in the market. The analysis of the data is indicative of the facts which were brought out earlier in the research during the discussions on legislative framework and role and obligations of the FFs in Maldives. The discussions further strengthen the points brought out in this chapter.

Chapter 6. Discussions and Findings

6.1 Introduction

The data analysis of the qualitative interviews and literature brought out that FFs in different countries have similarities when it comes to regulations and in doing business. The services offered by FFs depend on the business models they use. Below are the discussion based on the analysis which helps in answering the research questions.

6.1.1 Discussions on Logistic Activities Performed by the Maldivian Freight Forwarders

The FFs in the Maldives work mostly as agents, however few of them also act as principal. The FFs as an “*agent*” act as an intermediary between the shipper and the carrier. They help in carriage of goods by making a contract for the carriage with the carrier and forwarding the contract with the consignee. Few companies act as a “*principal*” in the Maldives by contracting for carriage of goods under their own name as a carrier. They do not own the vessel but do freight forwarding as NVOCC or “*contracting carrier*”. However, the Freight Forwarding Regulation in the Maldives does not differentiate the FFs between a “*principal*” or “*agent*”.

The finding indicates that different categories of work are done by FFs, shipping agents, and logistics operators. In other words, few FFs give total solutions while others provide both agency as well as brokerage services. The regular functions of FFs in the Maldives and other countries are summarised in table 5 below.

Table 5

Intermediary Roles of FFs in Maldives and Other Neighbouring Countries

Maldives	Other Countries
<ol style="list-style-type: none"> 1. Free storage services at overseas branches 2. Preparing documents for customs clearance 3. Transportation services 4. Transport insurance 5. Labelling and packaging, 6. E-retail deliveries 7. Hiring vessels for 8. Consolidation and container shipping 	<ol style="list-style-type: none"> 1. Transportation services 2. Handling services 3. Infrastructure services at ports 4. In-house agency 5. Vessel agency 6. End-to-end logistics 7. Order management systems 8. Container Freight Stations 9. Inland Container Depot 10. NVOCC solutions 11. Warehousing 12. Cargo, and container management Tracking 13. Custom clearance 14. Customs brokerage 15. E-commerce side of logistics 16. 4PL and 3PL logistics 17. Order fulfilment/inventory management 18. Container agencies services 19. Stevedoring 20. Insurance

Note: Developed by the Author, from the Interview response.

6.1.2 Discussions on Maldivian Legal System Related to Freight Forwarding

The findings from the research shows that the freight forwarding businesses must be registered as Freight Forwarding Service under Regulation of registration of business. The name of the regulation itself defines the scope of business activities which can be performed by the FFs in the Maldives. Any other activities like warehousing or customs clearance does not fall under this regulation and must be separately registered to get the licence to do the logistic activities other than freight forwarding. The concept of the FFs need to be detailed in regulations as it will provide the legal status and the liability of the FFs. Additionally, the liability clause of the FFs are not mentioned in the domestic regulation resulting in ambiguity in the regulatory framework.

Due to current regulation, there is no distinction between FFs with NVOCCs and MTOs. There is no way to distinguish between NVOCCs operating as FFs or MTOs even though they are influential to the freight forwarding service.

FFs interviewed confirmed that the establishment of the Freight Forwarding Regulation is said to be with the intention of implementing DO charge requested by a particular group of influential people without checking the actual procedures for implementation of logistic policies. Another challenge arises when voluntary associations in the industry do lobby the government on improving laws and regulations or when they feel the urge that the industry needs to reform. The DO charge in FFs regulation overlaps with the charges mentioned in the shipping regulation if FFs cannot issue DO to customers. This duplication of the same task in two regulations had created an imbalance in the existing market as FFs are not able to challenge the shipping agents for taking DO charges from the customers.

It had come to notice that the Air FFs are not mentioned in the Freight Forwarding Regulation. Air FFs do a huge role in freight forwarding business where FFs act as general cargo sales agents for air carriers in Maldives. Some of the FFs interviewed mentioned the difficulties in submitting documents to MACL which had to be modified according to the requirements of the system MACL use. Due to this difficulties, red tape is observed whereby FFs are required to perform extra work and time during document submission.

The main mode of transport which the FFs deals with is air and sea where local transportation by land and sea are provided as an additional logistic service in the country. Usually, domestic transportations are provided from ports to resorts which accounts to 15% of the total imports in the Maldives in 2022 (Maldives Customs Service statistics section, personal communication, October 9,2023). Presently this is regulated by a separate regulation for domestic carriage of goods which does not integrate with the new regulation for FFs.

The finding from the interview questions as well as from analysis of the current legal systems in the Maldives in chapter 3 gave further proof that there is a need for improvement in the regulatory framework in the Maldives. FFs use different transport modes in the Maldives without proper transport policies. There is no multimodal and intermodal transportation Act in the Maldives, detailing the operational rules governing the efficient movement of goods using different modes of transportation.

6.1.3 Discussions on Technological Aspects of Freight Forwarding in the Maldives

The NSW project work was started by the Maldives government to simplify international trade procedures, reducing the time, effort, and resources

required to conduct trade, while maintaining all necessary government controls. An NSW is a digital platform that enables all trade participants in a nation to submit and access data on importing and exporting goods in one location. FFs role in the Maldives is to assist the government in achieving these goals and objectives. The finding shows that even though FFs had been directly involved in the discussion on implementation, the project keeps on delaying for years.

Border agencies and private companies need to have close cooperation in doing business. MSW needs to be established whereby border agencies can use a single platform instead of a separate system for the customers. With a single system's interoperability, it will be simpler to share and reuse data in a harmonised way. Establishment of MSW for the development of an integrated approach for shipping lines at the border agencies is essential for facilitating trade and clearance of goods. However, from the discussions with interviews, it is evident that the connection between the FFs and border agencies are yet to be established.

The Maldives government is promoting digitalization by investing heavily on paperless maritime operations. Banking system has become online with online payment where most documents and declarations are submitted on digital platform. EDMS systems currently available in the Maldives allow the data entrances recorded in detail to create customer profiles with all the data about respective customers extracted from the system. For example, the volume, type of cargos with number of shipments and how regularly he has traded can be obtained. Hence, these data can be used for further policy discussions on the maritime trade in the Maldives.

The research finding shows the need for the technological aspects as well as the personnel who establish these technologies. FFs were directly

involved in establishments of the government projects like NSW and Blockchain technology. The government must be vigilant for the projects and funding received by the international organisations for building up these projects in the country.

6.1.4 Discussions on Challenges Faced by the Freight Forwarding in the Maldives

Almost all the FFs need CFS facilities to store their goods without the customer's waiting for the goods to be released at different times at MPL. FFs highlighted that CFS facilities at regional ports might not be feasible but it would be more efficient somewhere near the main ports as shipping service is mostly available at Male' Commercial Harbor (MCH). Moreover, the FFs in the Maldives have high expectations to avail these facilities in the future with the intention of using these facilities to store the goods imported and then selling to small retailers and even the corner shops.

For freight forwarding activities specially on transit cargoes and inter island transportation of goods, warehousing facilities and other specialised port facilities are needed for the FFs to expand their business. Alternatively, public ports specialised in general goods and specialised shipments to be transported to other destinations must be detached from main ports specially for inter-island transshipments and global transshipments.

Another problem with port facilities is that due to less infrastructure available at regional ports and high costs involved in transporting goods from regional ports to other parts of the country, the carrier chooses MCH. Therefore, most of the goods imported to the country are transported back to islands through MCH which leads to huge costs for fuel and operational costs to transport goods until the door stops.

Since all the facilities involved with FFs at ports takes place in a small, congested area, FFs highlighted the slow facilities and inferior services they received from the ports. The main concern of the FFs are the costs incurred in clearing the goods from consolidated shipments. This is derived by limited space availability which leads to port being prone to perform improper storage planning that would ultimately affect the timeliness of container turnaround. This indicates that the port congestion problem is the main challenge faced by the FFs along with inadequate resources to do and expand business further.

6.1.5 Discussions on Trends of Freight Forwarding in the Maldives

Customers nowadays prioritise service, and successful companies adhere to two or three key principles. The first and foremost is providing excellent customer service, which ultimately drives higher sales. The study finding shows that to find new customers and retain them can be done by social media advertisements. All the FFs interviewed have their own website which happened to be a successful factor to inform customers on the reliable service to provide.

The problem associated with late clearance of goods due to Customs Regulations in the Maldives are also highlighted noting that customs clearance can only be done by licenced customs brokers. Even though FFs offer fast and reliable service, in the end customers must pay a huge amount for the delays at ports due to border agency's rules and regulations. The study finding shows a trend of FFs becoming Customs house agents to provide customers exceptional service till the end.

Consolidation and Container shipping is one area of specialisation for most FFs in Maldives. It is a usual practice where many consolidations are done

in one container with multiple handling. There is a trend of customers going overseas and buying small packages of goods which are handled by FFs to transport back to the Maldives.

The Maldivian FFs respondent about trends in the Maldives was based on their view on government influences on the businesses. This is a very concerning response which indicates that there is a problem with the business owner's mentality and future improvements. From the trends on providing brokerage service, advertising on social media and ways to promote FFs of neighbouring countries must be established in the Maldives and these techniques can be done by the FFs themselves without any influence from the government or influential people in the country.

6.1.6 Discussions on Areas for Improvement of Freight Forwarding in the Maldives

After extensive research on the regulatory and business analysis, the gaps in FFs were identified along with other intermediaries. The biggest issue identified was the communications between border agencies are poor in relation to implementation of technology at borders in the Maldives.

To meet the domestic demand for goods in international trade, terminals must be well equipped for the requirements for storage and connections between sea modes and land modes of transportation. Port Facilities in Maldives are not sufficiently equipped for handling the import cargo and the FFs raised issues which can be resolved by the government. Large majority of imports comes to the capital port of the Maldives, MCH with a port side depth of 9.5 metres and length of 101 metre for the main berth area whereby 1.6 hectare of land is used for storage of containers and breakbulk (Shimla, 2020).

The Maldives Container throughput data which depicts the number of containers handled in Maldives averaged to 80,728 TEU from 2008 to 2019 (World Bank, 2023b). In 2022 it reached 119,303 TEUs compared to 98,218 TEUs in 2021 which shows an increase in the container traffic with an increase in the cargo volume (MPL, 2022). This increase in container throughput and cargo volume challenges the spatial limitations and logistic operations at ports. This further gives validation to the concerns highlighted by FFs.

The analysis indicates that there are difficulties for FFs in Maldives because of both regulations established as well as in doing businesses which are all areas for improvements. Based on the discussions held there is a need to reform the whole business operations according to international best practices.

6.2 Summary of the Findings

A brief summary of the findings after the analysis of the interviews and discussions are enumerated below:

- The Maldivian FFs primarily perform the role of agents, standing in between shippers and carriers. Maldivian freight forwarding does not distinguish between principals and agents. The logistic operations performed by FFs in the Maldives is less when compared with other countries. This is due to the restrictions in performing other logistics activities with the licence as Freight forwarder in the Maldives.
- There is a need for the government to review current regulations for competitiveness and professionalism in developing the Maldives freight forwarding and logistics sector.

- The Maldives government initiated the NSW and investing heavily on digitalization, converting maritime operations to paperless, and using EDMS systems to create customer profiles. The research found the need for technological aspects and personnel to establish these technologies. The government must be vigilant for international organisations' funding and monitor the establishment of projects like NSW and Blockchain technology.
- FFs in the Maldives encounter difficulties in port facilities and services due to limited space and improper storage planning. The main concern is the cost of clearing goods from consolidated shipments, which can affect container turnaround timelines.
- FFs in the Maldives need CFS facilities near main ports for efficient storage of imported goods, with high expectations for future performance of forwarding business with the current mandate.
- The present Maldivian Customs Law does not allow brokerage services under FFs licence which led to time lag in clearance of goods.
- There is a lack of communication and integration of technology among border agencies and better connections for storage and transportation of goods are required at terminals.

Various findings which are discussed in this chapter and chapters above are further translated into recommendations for the government for improvement upon the existing system. The findings presented in chapter three and chapter four give clear answers for research question one and two, and findings represented in chapter six answer the research question three.

Chapter 7. Conclusion and Recommendations

This dissertation focused on the economic and legal analysis of the Maldives' freight forwarding market. For this research, theoretical and empirical studies were conducted, and a more descriptive methodology was investigated by using qualitative analysis to obtain data other than the secondary data available.

The study reveals that FFs in the Maldives work in various categories, including acting as liner agents, shipping agents, and logistics operators. Some provide total solutions, while others offer agency and brokerage services. FFs mostly act as intermediaries between shippers and carriers, while few act as principals, contracting for goods carriage under their own name. However, the Freight Forwarding Regulation in the Maldives does not differentiate between these roles.

The Maldives freight forwarding business faces challenges due to weak legal framework and infrastructure. Robust laws and regulations are needed for maritime supply chain management. Advanced technology, standardised operations, and internationally accepted procedures are needed for success. FFs were concerned about enforcement of Shipping Agency and Freight Forwarding Regulations, leading to fines. The government must ensure proper monitoring and enforcement of freight forwarding companies. Proper policy implementation on international trade and regulating intermediaries will benefit the economy.

Despite the significance of freight forwarding in facilitating seamless trade in international transportation, little research has been done on freight forwarding (Watanuki, 2015). Primary information obtained by the interviews with 10 different

freight forwarding companies allowed the author to analyse information on Maldivian freight forwarding business and its challenges and compare with neighbouring countries. By strategically leveraging the FFs' expertise, it can be a tool to assist importers and exporters in enhancing their understanding on logistics businesses, operations and policies. Below are some of the recommendations which can be implemented for better integration of FFs in the existing system and answering the gap identified based on the study.

7.1 Different logistic services are regulated by different government organisations like Transport authority, Ministry of Trade, Customs or individuals or associations. The Maldives must create a centralised body to govern all the shipping and logistics activities and target to achieve this in national strategies. This way FFs will get their own recognition to do business by having better access to their own customers. There should be coordinated rules for different logistic services operators like shipping agents, NVOCCs and MTOs managed by a single government agency.

7.2 Thorough analysis of the present status and activities of the FFs with extensive reforms and changes should be brought to the logistic activities in the Maldives. Fragmented nature of governing laws in freight forwarding is a cause of concern, some major gaps identified are exclusion of export from the policies and non-integration air freight forwarding in the existing system. A comprehensive review of the regulatory framework, with the help of external experts such as FIATA and others can be considered for better integration of existing regulations and law.

7.2 Maldives is an import-oriented country which depends on the tourism sector, whereby goods from all over the world become the main enabler for the sector to remain sustainable. Multimodal transportation is where two or more modes of transportation take place to carry goods from one place to another with the same contract. The Maldives must develop proper transport policies focusing on transport services between the capital city and in habitat islands. National policies and

regulations must be established for the Multimodal Transportation Act and Intermodal Transportation Act in Maldives.

7.3 Coordination with border agencies needs to be well regulated. With the introduction of logistics laws at national level, the border agencies must have the capacity to deal with the intermediaries and implement the regulation with the assistance from the government. Establishment of NSW is crucial to speed up the cargo delivery process.

7.4 The FFs dealing with air cargo, operating in the Maldives are registered cargo agents of IATA mandated with IATA rules and to follow its operational rules. To provide speedy services at air cargo, it is recommended to establish a freight forwarding public limited company where all the FFs who are regulated by IATA submit necessary documents directly to the border agencies. This will help in smooth flow of imports to the country with a fast and efficient system established which can be linked to the border agencies.

7.5 Government must establish a minimum capital requirement for operating the freight forwarding business in the Maldives. This can be categorised into minimum registered capital for air FFs, maritime FFs, FFs having two or more registered businesses, branches of international FFs and NVOCC which can be taken in cash or in kind.

7.6 Education and training for the FFs is essential for the development of the freight forwarding industry. Establishing a minimum requirement for FFs when hiring for forwarding companies based on their professional, work experience, reputation, and competence. Professional training requirements for IATA or FIATA certifications must be made mandatory for a minimum number of staff working in a company. National authorities and border agencies must check the compliance with the minimum requirements established when registering such FFs.

7.7 For the development and reputation of the industry, MAFF must resume its duties in the Maldives. The association is required to monitor businesses and support government policy reforms to improve the activities of the members in the Maldives. They must establish the Code of Conduct for the FFs and ethical standards for freight Forwarding business in the Maldives with collaboration of the government of Maldives for better enforcement and compliance of the industry and its stakeholders.

7.8 One of the biggest challenges faced by the FFs is port congestion and unavailability of space to store the goods. This issue can be addressed in two phases, as a short-term measure port can explore hiring additional spaces and better facilitation of goods being processed. However, the only long-term solution to this issue is construction of newer terminals spread across the nation which will increase the storage capacity for the goods closer to the destination and will also reduce workload MCH. Government long term plan was indicated towards the same approach and will require considerable political will and efforts from every sector.

Freight Forwarding businesses have become advanced due to easy network connections from one end of the world to another. To carry out the daily tasks of the business, an appropriate business environment must be established in accordance with the legal system. Due to the lack of a robust legal and monitoring mechanism, presently anyone can establish a freight forwarding company in the Maldives with inadequate infrastructure, insufficient experience, and manpower. The effective implementation of the rules and regular verification of compliance and enforcement measures with the requirement such as infrastructure, training and advanced technology in place can lead to the improvement business for the FFs in the Maldives.

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Appendix 1 - Interview Questions



You are invited to participate in the Interview “Study on the business and regulatory framework of freight forwarders in the Republic of Maldives” conducted by Minna Rasheed from Maldives, as part of the research project in fulfilment of the requirements for the award of the degree of Master of Science in Maritime Affairs at World Maritime University (WMU). It will take no more than 30 minutes to complete the questionnaire.

The interview questions are reviewed by the WMU Research Ethics Committee. Information provided for this research will not be disclosed and the confidentiality of the interviewee will be kept anonymous. As your participation is voluntary you can withdraw or give more suggestions for the interview at the beginning of the interview as the questions will be given to you a few days before the interview is taken. The interview will be taken by WhatsApp audio call in the local language (Dhivehi), but answers in English will also be accepted.

Any further queries about the interview procedures are most welcome through my WhatsApp number +46734936804 or by email at w1012357@wmu.se.

Below are the interview questions needed for the dissertations and your sincere input from your own perspective is highly appreciated.

1. What are the current business models followed by your freight forwarding company?
2. What are your expectations from cargo owners and how do you maintain relationships with the clients?
3. What are the logistic activities undertaken by your company in relation to the supply chain in Maldives?
4. What legal requirements affect the freight forwarding business and what are the compliance mechanisms and operational changes used by your company to meet the requirements?
5. What technological advancements do you come across in doing business in the Maldives and how do you adapt to these changes in technology?
6. Does your company consider blockchain technology or the single window in the Maldives and what is your perception about border agencies' introduction of blockchain technology and the single window in maritime logistics?
7. What are the challenges faced by your business in view of the implementation of new technologies and regulations by different border agencies?
8. What are the challenges faced by the freight forwarders in the Maldives and how do you navigate these challenges?
9. What are the trends you have noticed in the industry and how do you see the future of freight forwarding in the Maldives?
10. Discuss the areas for improvement or gaps identified in the regulation of freight forwarding in the Maldives?

Appendix 2 - Unofficial Translation of Freight Forwarders Regulation by the Author

1. Introduction: This regulation stipulates the business operations of FF, their registration and rules and regulations to be followed when doing freight forwarding business in Maldives.
2. Purpose: The regulation aims to assist the importers in doing business through FFs and to standardise and improve the operations of FFs with a professional and responsible manner.
3. Scope: The operational body of this regulation is the authority providing the FF services as registered under business registration who are not registered as a shipping agent but issue B/L and DO.
4. Power of the Administration: The regulation shall be enforced by the registrar of Business.
5. Registration of the business: The business must be registered in accordance with section 4 of the business registration act (Act no.18/2014). If the registration is submitted by a foreign person, foreign investment, or a foreign company, they shall get the permission to register business under foreign investment law (*Law on foreign investments in the republic of Maldives 25/79*). and the time frames for the commencement of business and terms and conditions for foreign investments in doing FF business in Maldives.
6. Submission of the registration: The business registration must be submitted online on the business portal of MED *business.egov.mv* under business entity “*Sea & coastal freight water transport*”.
7. Information needed for registration of the business: An individual company, Partnership and cooperation society registration number, name of the business entity, registered address of the business entity and the phone number, email

address, ID card number and name of the contacting person and their phone number and email address.

8. Fee: Any business registered under this regulation must pay a registration fee of MVR 500 to be paid to MED.

9. Information update: Any business registered under this regulation must submit to the portal *business.egov.mv* once a year or when there is any change in the information about the business.

10. Procedures to cancel the business: Any business registered under this regulation wishes to stop the business may cancel the registration within 14 business days to cancel the business registration under MED portal. Failing to comply with the stated period of cancellation of business shall be fined with MVR 500.

11. Offences: It shall be an offence to carry out business without registering the business in accordance with this regulation and will be fined under article 24 of the law with fine of not smaller than MVR 1,000 (one thousand) and not exceeding MVR 10,000 (ten thousand).

12. Price controls: Upon the commencement of this regulation, any service mentioned in Article 3 of this regulation must be charged in accordance with article 7 of the Consumer protection act (Act no. 1/96) and article 65 of the gazetted consumer protection act (Act no. 12/2020) which stated as follows:

- DO charge of a full container or B/L equivalent to full container or containing more Cubic Metres (CBM) than a full container: MVR 771
- DO charge of a B/L less than a full container: MVR 385.50
- DO charge other than what is mentioned above: MVR 385.50
- DO amendment charge: MVR 385.50

Any charge higher than what is specified about is prohibited and fined as below.

- First time of offence MVR 500
- Second time of offence MVR 10,000
- Repeated offences MVR 100,000

13. Entry in to force: This regulation shall come to force once it is published in the Government Gazette.

14. Definitions: In this regulation, unless the contrary intention appears, the following words or phrases shall be defined as follows:

- a. *“Registrar of Businesses” shall mean to refer to the Registrar of Businesses as stated in section 3 of the Act.*
- b. *“Business” shall mean any type of business mentioned in article 7 and those exempted in article 9 of the Act.*
- c. *“Business name” shall mean to refer to any name registered under chapter 4 of this Act for use in business by a business entity specified in section 4 of the Act.*
- d. *“Ministry” shall mean to refer to the Ministry charged with the mandate of implementing economic policies or MED.*
- e. *“Act” shall refer to Act no. 18/2014 (Business Registration Act) and the amendments of the aforesaid act.*