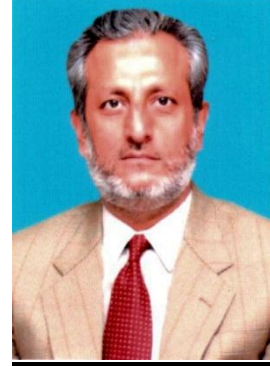


PIFFA AND ITS ROLE IN TRADE FACILITATION

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Pakistan's Logistics Industry always had great potentials due to its unique geographical location, however it has taken time for us to realize and appreciate the potential. Concrete efforts to create awareness and advocacy badly needed to convince those in power to facilitate logistics activity to reap the benefit nature has to offer for our Freight Forwarding Industry and the Country at large.

The ancient Silk Route has taken a new importance, accentuated by the events in Afghanistan and world economic recession compelling all economies to trade more on regional basis as compared to long-range continental trading patterns. All goods now have a perceptible bi-modal or multimodal movement that requires a 'resource' undertaking to deliver all aspects of services with consequent acceptance of liabilities and obligation of services rendered by the 'resource'. This essential service provider is the 'Freight Forwarder' or the 'Logistics Consultant' or 'Supply Chain Manager' in current usage.

The international Logistics & freight forwarding industry is classified in the transportation (by Air, Sea Land & Train), storage and communication segment of services sector. This sector attracted the largest inflow of investment since 2004. The importance of the industry lies in managing the logistics of the country's international trade. The services provided by international Logistics & freight forwarding companies facilitate exports which collectively generate over 80% of the country's foreign exchange earnings. At the same time, imports handled by the Logistics & freight forwarding companies ensure uninterrupted flows of industrial raw materials, plant and machinery, spares and components to maintain industrial production at competitive costs.

Logistics costs play an important role in determining any country's competitiveness in the global market. Therefore, countries like Pakistan must have in place efficient transportation and logistics infrastructure enabling stake holders to achieve our Export Target. The role of the Logistics & international freight forwarding sector as the "architect of efficient logistics" is acquiring increasing importance as global trade becomes driven by competitive market forces. Countries with capacity to ensure timely and secure transportation of goods between their primary producers and ultimate consumers are likely to win increasing market share in the new

world trade markets. Working capital requirements for the Logistics & Freight Forwarding sectors are rising to support higher operating overheads and growing trade receivables. Cash flow management is a major challenge for international freight forwarders.

The growth of the Logistics and Freight Forwarding Industry require that it to be recognized as formal organized sector. Towards that end and to raise the professional standard of service delivery, forwarding companies got together as a 'council' under the banner of the FPCCI and subsequently evolved into Pakistan International Freight Forwarders Association (PIFFA) in the year 2003. PIFFA currently has over 500 members, more than 80% of whom have grown from being employees of other companies to being the owners and directors of forwarding companies who asserted themselves as PIFFA members into giving it a regulatory role.

International Transportation management involves a great deal of logistics to ensure that every shipment reaches its destination safely and time efficiently. Since its inception PIFFA is working closely with various stakeholders in updating international shipping process for country's export and import trade. Some applicable laws date back to 1865 and need immediate revision. To replace the current Carriage of Goods by Sea Act 1925, PIFFA members and its lawyer actively participated in drafting and ultimately the proposed draft of Carriage of Goods by Sea-2011 (COGSA) got its approval by the Standing Committee of National Assembly on Ports & Shipping.

The Rotterdam Rules are knocking at the door and therefore yet another updating of COGSA would be required in near future.

The inefficiencies at Ports and poor road infrastructure are some of the barriers that are blocking free flow of transit trade opportunities to Afghanistan and Central Asian countries. Current cumbersome transit rules are vague that result in procedural delays and frustrate our efforts to enhance transit trade volumes to landlocked countries.

PIFFA has been actively engaged in addressing core issues relating to bill of lading, sales tax, remittances; some are happily resolved, others need constant interaction with authorities. To attend to day to day issues facing members, PIFFA Executive Committee has constituted several Standing Committees. The workings of Standing Committees of Trade Disputes & Reconciliation and Defaulted Payments have been lauded by members and trade alike as it provides alternative forum to disputes are heard and efforts are made to resolve issues amicably on merit.

Defaulted payments from Trade is a critical issue for our Industry. PIFFA is actively working with PSAA (Pakistan Ship Agent Association) & ACAAP (Air Cargo Agents Association of Pakistan) and modalities of creditors database / SOPs are being framed as per advise of CCP (Competition Commission of Pakistan). This will allow all three Associations to publicize defaulters, exchange defaulted companies' list and bar them from operation.

Ever changing Logistics & Supply Chain Management sector require its players to keep abreast of latest initiatives and technologies. Realizing the need, right from its inception PIFFA Management endeavored to upgrade professional skills of its members/employees to international level. Training opportunities in logistics were virtually non-existent in Pakistan and novices learned the skills working on the job. Scarcity of trained manpower resulted in employee poaching within freight forwarding industry and by shipping lines.

In 2006 PIFFA organized a 'Training-of-Trainer' program in collaboration with FIATA and soon after for the first time in Pakistan an approved **PIFFA-FIATA Diploma Course in International Freight Forwarding** was offered in **PIFFA Training Institute** in Karachi and later on in Lahore. So far 11 batches have already graduated and two more are undergoing studies. PIFFA takes much pride that its initiatives in vocational training has given Industry over 350 trained and qualified professionals and its future plan visualize **PIFFA Training Institute** as an academy that will cater to the capacity building needs of not only freight forwarders, but import/export houses, banks and other shipping related entities.

The Logistics performance Index in Pakistan was 2.53 in 2009 (1=low to 5=high), according to a World Bank report, published in 2010. Logistics Performance Index overall score reflects perceptions of a country's logistics based on 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.

The index ranges from 1 to 5, with a higher score representing better performance. Pakistan is placed at mid-way point but the international trade requires professional standards. The post 9/11 scenario and the current dictates of security measures require attention to minute details, 100% compliance of procedures and reporting. This leaves us no choice but to climb up the scale of our Logistics Industry and achieve a rating of 4+ to be counted amongst international competent service providers.

Pakistan's economy has suffered in the past from decades of internal political disputes, law & order situation, power crises, fast growing population, mixed levels of foreign investment, and a costly confrontation with neighboring India and war in Afghanistan. However, recently the bilateral talks between Pakistan & India created a new hope for the business community.

The government needs to recognize that, without an efficient and strong Logistics and freight forwarding industry, ambitious export targets are unlikely to be achieved. The end of preferential access to developed markets under the new global trade environment makes it imperative for the Government to view our industry as part of the mainstream economy.

PIFFA as trade body will continue to be an effective conduit to project members and industry issues at the highest echelons and to promote regulatory regime that will ensure fair business practices and contribute to the economy of Pakistan.