Nepalese Experience in Liberalization of Trade Logistics Services

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Introduction.

Trade logistics services in Nepal have been developed very late. The opening of the first highway linking Kathmandu with the Indian border city of Raxoul in 1955 enabled the private transporters to operate the freight vehicles to and from the capital city of Nepal. Two short stretches of meter gauge railway extending Raxoul to Amlekhgunj (35km) and Jayanagar- Janakpur (42 kms) were in operation by the time to carry on traded goods and passenger traffic.

The establishment of National Trading Ltd in 1961 and Nepal Transit Warehousing Company (NTWCL) in 1971, both as the government undertaking has been a milestone towards institutionalizing the trade logistics services through government interventions. In addition, Jute Development Board was also created in 1971 to take care of production and export promotion of jute and jute products which constituted 50% of the Nepal's third country exports during early 70s.

Nepalese transporters and freight forwarders although in operation, since mid 50s, started organizing themselves with the formation of Freight Forwarders Association of Nepal (FAN) in 1990, Cargo Agents Association Nepal (CAAN) in 1994. Earlier, the truckers had formed their organization called Goods Carrier Association, Nepal (GCAN) in 1978.

Logistics Services

Trade logistics services in Nepal can be seen from three perspectives, first, it is the transport infrastructure, second is the freight forwarding and transport services, third is the warehousing, ICD and container operation.

Road Transport

Being a mountainous country, road transport has been of significantly importance in linking the hinterland and production centers with the markets and also linking the major industrial estates to the national highways. By the end of 2004, altogether 17280 kms of road has been constructed which consist of 5273 km of bituminous 4613 kms of graveled road, and 7394 kms of earthened road. The status of road transport in Nepal is presented in the following table.

Table-1
Region-Wise Road Length with Category of Pavement
(In Kilometer)

Region	BT	GR	ER	Total
Eastern	948.19	1133.85	1480.17	3562.21
Central	2218.83	1851.88	2634.92	6705.63
Western	1216.16	394.03	1517.85	3128.04
Mid-Western	490.37	815.97	1098.56	2404.9
Far-Western	399.49	417.52	662.78	1479.79
Total	5273.04	4613.25	7394.28	17280.57

Note: BT= Bituminous, GR=Graveled, ER= Earthen.
Source: DOR, Government of Nepal.

Road master plans have been prepared in 54 of the country's 75 districts and a 20 year road sector master plan is under preparation. Connecting districts headquarters to the road network has remained the government priority in the current plan periods. Currently, fifteen districts headquarters out of seventy five districts are deprived from road connectivity. Ten districts headquarters will be connected by road by mid 2007 reaching a total number of seventy with motorable road by the period.

The north-south highways in Nepal are connected to the Indian border and serve the bilateral as well as third country trade. However, there are deficiencies in terms of feeder roads, bridges and transshipment facilities at the border crossing. The slower speeds caused by the poor road conditions and breakdowns of vehicles are also seen as the contributing factors to the pilferage and theft that takes along the transit route. Similarly, the road linkage to Nepal-China border is through the 110 km long Araniko highway that connects Kathmandu to the border town of Zhamu of Tibet. The second highway linkage to Nepal China border is being developed by connecting a missing link of 22 kms between Rasuwagarhi and Syabrubesin North West of Kathmandu.

Railways

There are two short stretches railways links in Nepal ; the first one is the old line that connects Jayangar in India to Janakpur in Nepal through a 42 km rail line which basically carries the passenger traffic; the second line is between Raxoul of India and Birgunj ICD in Nepal, a stretch of 5.4 km for goods traffic. This rail line was developed in 2000 along with the development of inland clearance depot in Birgunj. This being the broad gauge line has made it possible to link with all major cities in India including ports without requiring transshipments of the cargo.

Air Transport

Air transport is another important mode of transport in serving Nepalese international trade. The high value commodities are mostly traded through air to air routes. Domestic

air transport has a significant place in the transportation of goods and passengers to the hinterland and remote areas of the country. Currently there are 51 airfields of which 4 are under construction and 47 are in operation. Altogether 10 air fields including one international airport have got the bituminous paved runways. There are 37 STOL (short take-off and landing) airports that handle small aircrafts. The airport in Kathmandu is the only international airport that handles the international air traffic to/from Kathmandu. This airport handled 11680 flights in 2005 for both arrival and departures traffic serving to 1.25 million passengers and 12.8 million kg of air cargo (both inbound and outbound). There is steady increase in the number of flights and passengers over the past four years while the volume of freight movement is erratic and a decrease by 20% in 2005 as compared to the previous year.

Inland Clearance Depots

Inland Clearance Depots have been developed in major border towns namely, Birgunj, Biratnagar and Bhairahawa with the assistance of the World Bank/IDA. Birgunj is the only rail connected ICD in Nepal where Government of India has supported the development by providing financial and technical assistance for installation of railway lines and facilitating the movement of wagons and locomotives of Indian Railways into the Nepalese ICD.

The ICD Birgunj is a rail connected terminal, around 5.4 kms away from the Rail head of Indian Railways Raxoul station, with the facilities of handling all types of traffic including containers, bulk, and break bulk cargo. It covers an area of 38 hectares and is a green field project that has; six full length railway lines, covered goods shed with an area of 405*26.5 m, CFS 205*35 m with 231 ground slots, container yard measuring 685*64 m with ground slots for 1568 TEUs, parking for 250 trucks and 50 trailers, high mast illumination for round the clock operation, secured high boundary walls with barbed wire fencing at its top. The equipments include; three reach stackers for handling loaded containers and one for empty containers, fork lifts, trailers and cranes. The terminal also provides for efficient customs clearances through automation of the terminal with the application of Automated Systems of Customs Data (ASYCUDA) and the customs office is projected as the model customs in Nepal. Besides, information on container positioning and location of cargo are made available through the websites. Thus the ICD reflects many aspects of a modern multimodal terminal.

Two other road terminals were brought into operation since 2002. One of them is located in Biratnagar, the second big city of Nepal and the next in Bhairahawa, the important business centre in western Nepal. Both of these are border towns and the important entry/exit points from the perspective of bilateral as well as third country trade of Nepal. Both of these terminals are being run by a Nepal-India joint venture on a leasehold basis since 2002, for a term of ten years.

Ports

Kolkata and Haldia port are the two designated port under Kolkata Port Trust and remains as the dominant port of entry and exit of Nepalese transit cargo. Both of these ports handle the containerized cargo which mostly passes through Birgunj. Mongla and Chittagong ports in Bangladesh are also available for Nepalese transit traffic for third country trade. However, the use of these ports are severely limited due to constraints of longer distance, complexity in documentation, inadequacy of physical infrastructures and requirement of transshipment due to differential gauge of railways.

Birgunj-Mumbai corridor is being projected another alternative transit route for Nepal's transit traffic. There is potentiality of using this route for export cargo of Nepal which is mostly bound to Europe and USA. There has been understanding between the two governments in the past on use of this corridor for Nepalese transit traffic. However, the administrative arrangements and the modality are yet to be worked out and agreed.

Freight Forwarders as the Service Providers

Nepalese transporters organized themselves for the first time in 1978 with the creation of Nepal Goods Carrier Association (NGCA). Similarly, freight forwarders were organized under the banner of Freight Forwarders Association Nepal (FAN) in 1990. Another parallel organization was created in 1994 in the name of Cargo Agent Association Nepal (CAAN), which was the splinter group of FAN. Both of these organizations were again reunited in 1998 and formed the united association called Nepal Freight Forwarders Associations (NEFFA) at the behest of Nepal Multimodal Transit and Trade Facilitation Project. Now the Customs Agent's Association and Nepal Courier Association are also the players in the logistics business in Nepal.

The Nepalese freight forwarders are taking up the responsibilities of international cargo movement as the principal agent for door to door transport and delivery of goods. They take up the charge of goods in trade from the exporters and importers and issue the Bill of Lading on behalf of the shipping lines, prepare all the necessary documents and carry out the onward transportation of the goods. Now there are 88 freight forwarders in the business and registered as the member of NEFFA.

The objective of Nepal Freight Forwarders Association is to facilitate the international trade by delivering goods at the destination in an efficient and fast manner. It is carrying out various promotional and capacity building measures to the freight forwarders in collaboration with the government entities. Orientation to multimodal transport, use of INCOTERMS in transportation of goods, liability of the freight forwarders and transporters, handling of dangerous goods were some the focus area of training taken up in the past, particularly with the help of Nepal Multimodal Transit and Trade Facilitation Project. NEFFA also issued Standard Trading Conditions (STC) and Code of Conduct as the guidelines for carrying out business by its members.

NEFFA has collaborated with the Government of Nepal in providing technical support and advice in the formulation of Multimodal Transportation Act, Carriage of Goods by Road Act, Railway Act and the Marine Insurance Act. They are also represented in National Transport and Trade Facilitation Committee and the Nepal Inter-modal Transport Development Board (NITDB). This organization is also a member of South Asian Freight Forwarders Association (SAFFA), SAARC Chambers, Federation of Asia Pacific Air Cargo Association (FAPACA), International Transporters Association (FIATA) and International Federation of Customs Brokers Association (IFCBA).

NEFFA has been actively engaged into negotiations with the Civil Aviation Authority of Nepal (CAAN) for running the only air cargo terminal at Tribhuvan International Airport under a concession agreement. It has also facilitated the development of physical infrastructures at air cargo complex, particularly for storage of hazardous goods, valuables and the perishable goods.

Transport Services

Goods are generally transported by two axle trucks. Altogether 29100 cargo vehicles comprising of trucks and mini trucks were registered with the Department of Transport Management till the end of 2005. Pick up Vans (1411 in numbers) and Tractors (34336 in numbers) are also used in transportation of goods for a short haul. Maximum loading weight for a truck is 10.2 tons per axle. Hilly roads are narrow, often single lanes and with high gradient and are suitable for mini trucks carrying loads of seven tons. Multi axle vehicles are used while transportation of goods in marine containers to and from the gateway port.

Air transport is widely used in supplying essential commodities in the hinterland with difficult terrain. Generally, helicopters and STOL aircrafts are used in transporting rice, salt and medicines in such places and the costs are subsidized by the government. Carrying of goods on head load by the porters and by the draft animals like donkey, mules and sheeps is also equally popular in the mountains.

Small volume of cargo belonging to the trekkers and mountaineers are carried by the porters. Such porters had also formed an association called Nepal Porters Association (NPA) to protect the right and interest of their members.

Transport vehicle used for movement of cargo are very much traditional. Tractor trailers and flat cars to carry on the containerized traffic are few which are not readily available and such upgraded are vehicles are normally hired from India. The road movements of containers are done in Indian vehicles, to and from the gateway port for transit traffic and as well as for bilateral traffic.

The transit traffic particularly by road is not hassle free. There are problems associated with the movement of goods largely due to carteling by transporters, lack of liability to the carrier, and pilferage of goods en route. The pilferages in many cases are due to security and customs staff interventions. These interventions are also expensive in terms of the unofficial inducements payable to customs staff, and cause unnecessary delays. There is little effective choice of carrier, and there seem to be powerful forces acting to prevent modernization of the road transport fleet and method of carriage. As a result a high proportion of imports and exports are uninsured for the land routes unless the owner themselves buy a separate insurance to cover it. Insurance is expensive and often granted in restricted conditions.

Policies and Agreements on Trade Logistics Services

Government of Nepal has pursued the policy of economic liberalization allowing the offshore Banks to operate in Nepal since mid eighties. The process was intensified with the restoration of multiparty democracy in 1990. The Government announced its policy on liberalization of economy. New trade policy was formulated which abolished the license Raj and brought the export and import under the open general licensing system. Industrial Enterprises Act and Foreign Investment and Technology Transfer Act (FITTA) were enacted in 1993. New industrial policy was bought with a view to promote industry and increase competitiveness of Nepalese industries; the concept of one window services for facilitation of industries, formation of Industrial Promotion Board (IPB) and the fast track committee were some of the initiatives bought under the new policy.

A multimodal transit and trade facilitation project was initiated early in 1993 for expanding the trade logistics services in the major land customs stations in Nepal. The project took its shape with the finalization of detailed engineering design of the Inland Clearance Depots in Birgunj, Biratnagar and Bhairahawa and the program of trade facilitation along with customs reform and modernization measures. Various legal and institutional reforms were introduced through the project interventions besides the construction of three ICDs in Nepal. These, among others, include drafting of rail, road and multimodal transport act and the corresponding marine insurance act, formation of National Transport and Trade Facilitation Committee (NTTFC), a public and private sector partnership to improve and modernize the trade and transport sectors and the establishment of a regulatory body by the name of Nepal Inter-modal Transport Development Board (NITDB) for development, and promotion of ICD terminals for the facilitation of Nepalese export and imports.

Government of Nepal, in 2002, opened up the services of ICD development and operation for the foreign investors. Accordingly, the ICD operation in Nepal was leased out to the joint venture company for a period of 10 years under the concessional leasehold agreement.

The Nepal-India Transit Treaty, signed in 1991 and renewed in June 2006 provides for modality of operation of transit traffic between gateway port and Nepal customs. Warehouses and open space were provided in Kolkata and Haldia port and 15 land customs stations designated for Nepalese transit traffic under the treaty. Similarly, it has specified documents to be submitted along with filing of Customs Transit Declaration (CTD) for customs clearances of transit cargo. The requirement of duty insurance has been made applicable only to the sensitive cargo which were earlier required for all kind of transit traffic. Besides, the transit treaty has laid down the details for export and import procedures.

The Rail Service Agreement was signed between the government of Nepal and India in May 2004 for laying down the modality of train service operation between gateway port/rail stations in India and Birgunj ICD. This agreement has identified the type of wagons to be used for movement of rail traffic, the provision on interchange and serving stations, accident and restoration, security and the liability of the railways as the carrier. It has also laid down the details of procedures on movement of export and import cargo between the ICD and the port of Kolkata/Haldia.

Another agreement was reached between Nepal and India in 1997, to allow the transit route of Kakarbhitta-Phulbari-Banglabandha for the passage of exports and imports with and through Bangladesh. This is a 55 km transit route in addition to the traditional meter gauge transit route of Radhikapur-Birol. This corridor is still not in use due to many procedural hassles and infrastructural deficiencies associated with the transit movement.

Nepal and Bangladesh have signed separate agreements on Trade and Payments and on Transit on 2 April 1976. The transit agreement allows Nepal use both the sea ports of Chittagong and Chalna/Khulna as well as four border crossings at Birol, Banglabandha, Chilhati and Benapole. After India agreed to allow access to the border points in Bangladesh, Birol and Banglabandha are being used for the movement of transit traffic where as Chilhati and Benapole still remains unused.

Nepal and China has entered into Trade and Payment Agreement in 1982 which in addition to others provides for border trade between Nepal and Tibet Autonomous Region of PR China. A substantial part of Nepalese trade takes place through the land routes to Tibet. The railway link to Lhasa from mainland China will have impact on Nepal China trade and may open new opportunity of transit through China. Nepal is also being projected as the transit links between India and China.

Impact of Policies on the Industry and Trade Facilitation.

The liberalization of trade logistics services has bought significant changes in the pattern of moving the traded goods. The successful operation of ICDs in Nepal has helped in bringing down the cost of transaction, although, full realization of the benefit is still to be achieved. Nepalese freight forwarders are joining hands with their counterparts abroad

for managing the delivery of goods from seller to buyers. There is increasing demand for enacting the multimodal transport act and the carrier's liability act in order to optimize the benefit from the development of multimodal terminals.

The liberalization of trade logistics services in Nepal has eroded the need of maintaining a government company to look into the warehousing and transportation matters. The only agency created in the name of Nepal Transit and Warehousing Company Ltd. (NTWCL) during 70s has now become a lame organization as most of its operation has been taken over by the market, i.e. private operators. The Transport Corporation of Nepal created in late 60s is no longer in operation as it has lost the relevance of existence in the context of liberalization of services.

Freight forwarding is now growing as the industry that has substantial stake in the operation of international trade of Nepal. Freight forwarders in Nepal are eyeing to the total logistics services rather than simply operating as the forwarders and are seeking for a suitable legal ground for their operations.

The development of ICD in Nepal has opened up a new vista in the transit operation. The agreement concluded between Nepal and India, called the Rail Service Agreement (RSA) provides for a separate transit procedure which is simplified from the conventional transit procedures. This has given inducement to the traders to use the facility in spite of that some discrepancies in the operation still need to be sorted out.

Another important aspects related to the development of ICD facilities has remained in the opening of the opportunities to have a throughout BG rail connection to Bangladesh and all parts of India, thereby increasing the number of transit routes for third country as well as bilateral traffic.

The rail mode of transportation is generally cheaper, hassle free, and takes less transit time if the goods are formed in a single rake or unit train. The movement of goods between sea ports and dry ports are done in simplified modalities requiring less documents and procedures. There will be substantial reduction in handling and other related charges at the gateway port for the dry port bound cargo and would thus have cost implications.

The comparative study done by Nepal multimodal project about the transit cost through road mode of transport and the rail mode through the dry port in Nepal has shown 52% saving in moving the goods through the terminal over the de-stuffing and onward transportation from Kolkata. While, there will be a shaving of 54 % in transit transportation cost in case of without de-stuffing in Kolkata as shown in the following table.

Table-2
Estimated comparative transit cost of containerized traffic to/from Birgunj
(NPR per TEU)

Items of expenses/TEU	After destuffing of containers at Kolkata, truck transport to Birgunj (existing)-1	Container transport to Birgunj (by road) (existing)-2	Rail transport of container to Birgunj ICD (new)-3
A. At Kolkata Port	48,800	40,505	11,840 (I)
B. In transit transport	56,280	59,400	24,000 (II)
C. Clearing services	10, 480	9,920	12,800 (III)
D. Terminal services at ICD Birgunj	-	-	10,860 (IV)
Total	115,560	109,825	59,500
% of option 3 on1	-	-	51.5
% of option 3 on 2	-	-	54.2

Source: A Study Report on Multimodal Transport System in Nepal, Problem and Prospects, by Purushottam Ojha, May 2002.

Assumptions:

I- No clearing expenses at Kolkata and Nepal-India border.
II- No duty insurance as the carrier will be responsible to transit customs.
III- The clearing service charge inclusive of all expenses at Birgunj customs is estimated at NPR 12,800 per TEU.
IV- The maximum THC at NPR 2500.

The ICD at Birgunj has already been bought into operation since mid July 2004. However, the total benefit of the goods movement is yet to be realized. There are still procedural and document related complexities that need to be sorted out in order to bring the dry port to full fledged operation.

The developments of physical facilities are not alone sufficient to generate benefit to trade. Rather it has to be combined with the reform and modernization of legal, institutional, procedural and documentation requirements for trade and transport. The development of physical facilities has however triggered the process taking up such a reform measures.

Adding value to the services available with the dry port is another area of improvement in trade logistics. Now the processes are going on to establish especial economic zone near the dry port area which may house the specific commodities related industries like garment and carpet. The availability of reduced cost in transport services will help in achieving cost competitiveness by the Nepalese export commodity in the international markets.

Box: Textile and Apparel to be benefited from Special Economic Zones
Textile and Apparel comprises of around 18% of the total export trade and around 30% of the third country (other than India) trade of Nepal. The industry provides job to around 50,000 Nepalese where 50% of the job is held by women. With an average family size of five around 250,000 people are dependent on this sector. The sector is reeling under difficulty with the phase-out of quota under multi-fiber agreement since January 2005. With the operation of only rail connected ICD in the border city of Birgunj, Nepalese textile and apparel industry is hopefully seeking its sustenance in the international market by reducing transaction cost and increasing competitiveness, which of course, may be achieved by relocating the industrial establishments in the vicinity of the dry port. There is quite tremendous pressure to the government to initiate the development of special economic zone in the near about area of the dry port. Development of such a facility will on one side help in eliminating the process of duty draw back and bonded warehouse as the raw materials for production of apparel will be directly landed at the customs bond area. Secondly, the additional transportation charges for transferring the raw materials to the distant locations and re-transportation of the finished goods to the dry port for exporting abroad would be greatly reduced thereby increasing the competitiveness of the product. The industry established in the SEZ area is also expected to enjoy some other incentives in the form of taxes and credit benefits, export incentives and the flexible labor laws. The synergy of these would help achieving reduced transaction cost and increasing the competitive strength of Nepalese apparel. The Government of Nepal has already taken up the process of setting up such a zone for the larger interest of the export sector.

Implications of Trade Logistics Service Liberalization.

Trade logistics has remained a part of trade facilitation process in the direction of making trade more competitive and secure in the marketplace. There is competition among the logistics service providers to secure the business that has resulted in mitigating the cost and improvement in the quality of services to some extent.

The introduction of new Trade Policy in 1993 may be taken as the landmark initiatives toward liberalization of trade logistics services. The policy aimed at improving the logistics services through; liberalization of transit transportation, containerization of cargo, setting up the bonded warehouse, export processing zones and improvement in packaging of materials. This has been further concretized with the implementation of Nepal Multimodal Transit and Trade Facilitation Project which has set a trend in improvement of trade logistics services by combining the physical facilities development with the reform in the whole trade processes right from documentation, procedures, customs reform and modernization to moving towards paperless transaction system. The Project also initiated the institutional reform process along with the reengineering of the mechanism of trade and transport.

In spite of process taken for liberalization of trade logistics services, Nepal needs to move ahead in the direction of making these services more qualitative and less expensive in order to achieve the objectives of facilitation. Since many players are involved in the trade and transport, inefficiencies in these entities must be removed for making the transaction effective and efficient. Lessons learnt from the trade logistics liberalization effort in Nepal can be summed up as follows.

- The rail linked ICD in Birgunj has to be bought to full operation by removing the impediments and obstacles. This calls for allowing all kind of wagons including open wagons liquid cargo, and the reefer containers in the terminal so that turnover of the terminal is increased to justify the financial viability of the facility. Shipping lines are hesitant to make their base of operation at the ICD in Nepal which is not a correct approach to running an ICD. The through bill of lading has to be issued at the inland terminal so that there is an extended liability of the Shipping lines up to the terminal.

- Container security is still a problem in movement of transit traffic. There are reported cases that containers moved in truck/trailers are sometimes skillfully cut opened in transit movement and the goods pilfered without damaging the seal.

- Transit insurance for road movement between Kolkata and Nepal is still a burdensome business as the normal CIF in import and FOB in export is at Kolkata. The goods between Kolkata and Nepal are moved at owners risk and the owner generally takes separate insurance for this segment of transport.

- Diversification of transit route and the use of various mode of transportation is still a problem. Alternative land – sea routes through Phulbari-Bangla bandha-Mongla/Chittagong, although opened in 1997 still very less in use. The third route that has been identified and agreed in principle between Nepal and India has been the land-sea route through Birgunj-Mumbai which will have benefit to the movement of Nepalese export cargo with a saving of $ 400 for a twenty foot container in comparison to routing via Kolkata and Singapore. However, the use of this route remains uncertain because of pending legal and bureaucratic formalities by both governments.

- Sometimes pilferage is a problem in movement of transit traffic between Nepal and Kolkata. Deliberate pilferage at the customs point due to irresponsible behavior of the customs staff and extortion of money through deliberate delay and hassles has often been a problem in movement of traded goods.

- High insurance premium due to high risk and vulnerability of transit movement has posed a problem for Nepalese transit traffic. Duty insurance

has to be taken for the full duty amount of Indian customs and is payable at first notice if the goods disappeared in India while transiting in India. Another insurance is the liability cover to the goods itself to be recoverable from the insurers if the goods are lost or pilfered. The insurance cost could be reduced if there is a single liability cover from origin to destination and not the segmented cover as practiced currently. Similarly, the duty insurance to be taken at market value is raising the cost unnecessarily as such value goes up to two and half times of the CIF value of goods.

- Delay in customs at Kolkata, Indian land customs and Nepal customs has also been a constraint in managing the supply chain. Congestions in the land customs, delay in processing, use of extensive paper works, often time deliberate delay by the customs staff for sake of under table payment is paying a price by trade and needs effective measures to address the problems.

- Most of the Nepalese freight forwarders are working as the intermediaries who organize transport of foreign trade on behalf of the cargo owner. There are a few who offer services such as container stuffing, local transportation, customs clearing etc. There is need of enhancing the capacity of the freight forwarders in order to provide the wide range of services and also take the liability of the services.

- The implementation of only behind the border measures is not sufficient for the land locked country like Nepal. The overall transaction cost has also bearing with the operation of gateway port. The inefficiency associated with the port may offset the process taken up in the domestic front. Hence, the reform measures need to be dealt holistically and in a comprehensive manner from the supply chain perspective.

Conclusion

Nepal is now in a process to attempt the hurdles and difficulties associated with the transit transport and inefficiencies in trade by embarking upon the new supply chain initiatives through the development of multimodal corridors. The emphasis is on restoring inter-modal competition between road and rail transport with a view to curb increasing transport costs and decreasing dependence on the road mode transport for the export/import cargo.

The only rail connected terminal, bought to operation two years back, is still facing difficulties in operation to full potential. First, it needs to have all kind of traffic to be moved in, as envisaged in the project, secondly, value added services need to be provided with the operation and utilization of the terminal, thirdly, focus should be given for development of the special economic zones to develop the terminal as a hub of total supply chain.

Logistics service in Nepal has its bearing with the operation of gateway port of Kolkata and Haldia. There is need of harmonization of customs and port processes both in the port and dry port so that document and processes are made simple and effective to support just in time delivery of goods and reduce transaction costs. Electronic Data Interchange (EDI) would be the means of moving to faster clearances of goods and decrease the waiting time in customs and port.

Development of alternative corridors is very much important in view of increasing competition among various modes of transport. The corridor through Nepal-India – Bangladesh via Kakarbhitta-Phulbari-Banglabandha has to be developed to the full potential so that all partnering countries will benefit from it. There is also need of finalizing a working arrangement towards utilization of Mumbai port for Nepalese transit traffic which will help in bringing down the transit cost particularly in Nepalese export.

Customs reform and modernization process, already initiated, has to be enhanced with focus on introduction of risk management and development of electronic interface with the traders in lodging declaration and payment of customs duty. This is expected to help curb down the corruption in customs as the meeting between customs staff and traders would not be required in carrying out the transaction and also decreases the paper work at the other.

Nepalese logistics service providers are needed to enhance their capacity by training and keeping abreast of the changes taking place in international logistics business. Development of legal and institutional base for enhancement of the logistics business is very much important in shaping the future of the industry. Creation of suitable training facility to provide training in multimodal transport, freight forwarding and logistics would help gear up the process of trade.

There is need of creating and making effective institutional mechanism to enhance the public/private partnership to improve transit and trade practices. The formation of National Trade and Transport Facilitation Committee (NTTFC) in the past was a beginning to this direction but become short lived after the phase out of the project. A perpetual institution need to be constituted to discuss among various stakeholders on the issues of transport and trade facilitation and improvement of logistics services.

The legal base of bringing logistics in the forefront is still weak. There is need of enacting and framing laws on multimodal transport, carriers liability, marine insurance provisions so that stakeholders find the ground of advancing the logistics for the benefit of trade.

Trade logistics is a part of the trade facilitation process which not only deals with the timely release of goods from the port and customs but also seeks for simplification of documents and procedures, reduction of data and the number of documents and also replacement of the paperwork through electronic means. The synergy created from the reform in institutions, processes, legal base, documentary requirement and the physical infrastructures would help in bringing benefits to the trade and economy at large.

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