

## **Transport Corporation of India complains of lopsided contracts**

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The highly competitive trucking market is leading to lopsided contracts and customers are getting away with unfair advantages, says Transport Corporation of India's Joint Managing Director, Vineet Agarwal.

The Rs 2,200-crore TCI gets about 40 per cent of revenue from freight segment (its trucking operations).

Agarwal says such practices are more rampant in trucking operations and that the contract terms are not as lethal in other value added segments. This could also explain TCI's move of reducing the company's focus on this segment in the last few years — the freight segment contributed 56 per cent in 2007-08.

For instance, there are norms where the customer is free to terminate the contract without any notice, but the freight service provider does not have a similar option and has to provide a notice period.

Such lopsided contracts are adopted by many customers across the Government and private sector, Agarwal told Business Line. Echoes Vineet Kanaujia, Vice President-Marketing, Safexpress, "Lopsided contracts that are skewed in favour of customers are a market reality. We face such problems on a daily basis."

There are also disagreements on the extent of hike that should be built-in when there are changes in diesel prices. "Fuel (diesel and lubricants) together account for 50-60 per cent of total operating cost for a truck. But, many customers consider the fuel component to be much lower," says Agarwal.

Companies also find various ways of not paying on time. For instance, if there is a 60-day credit cycle for payment upon delivery, some customers say the 60-day payment cycle will begin after they get a physical proof of delivery at their despatch office.

This further delays the payment cycle by a few days, as the delivery receipt that the driver collects at delivery point has to be given back in physical form at the despatch office. Safexpress' Kanaujia added that customers who started delaying payment cycles when the slowdown set in a few months ago, have now become conditioned to late payments.

Link:- <http://www.thehindubusinessline.com/industry-and-economy/logistics/transport-corp-n-complains-of-lopsided-contracts/article4009853.ece>