UNIT 11 PREPARING FOR SHIPMENT

Structure

11.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the recent developments in the packing of export consignments
- describe the nature of export cargo
- explain the features of liner and tramp shipping services
- describe various methods of chartering of the ship
- explain the role of IATA
- describe the methods of quality control and pre-shipment inspection
- explain the role of clearing and forwarding agent.

11.1 INTRODUCTION

The first stage in the physical movement of goods from the factory/godown of the exporter to the importer is to pack, mark and label the consignment in accordance with the requirements of the buyers. The buyer also arranges the proper transport for the movement of goods to the port of shipment. For this purpose, the exporter must be aware of different modes of transport, especially for performing the overseas part of the journey. The choice of carrier, whether an aircraft or a ship, will depend on many factors including product and marketing characteristics as well as the cost and non-cost factors. In addition to commercial aspects of movement of cargo to the port of shipment, the exporter is required to comply with an important legal requirement. In this unit, you will learn about the features of liner and tramp shipping services, various chartering practices, and methods of quality

control and pre-shipment inspection. You will also study the role of clearing and forwarding agents.

11.2 PACKING OF GOODS

Goods in transit are subject to many hazards. If these are not properly packed, they may be damaged or lost due to rough handling, crushing weight, corrosion, pilferage, etc. Transport usually subjects the cargo to mechanical forces such as shocks, vibrations, pressures and climatical forces including temperature and moisture. The packaging needs to be strong enough to withstand the rigours of stowage and multiple handling. Goods, which are not packed properly, may damage other goods in the same transit. Thus, it is essential that the goods are properly packed to protect them, to keep a consignment together, to protect the goods from damaging the environment and be affected by it.

Containers have become the order of the day. *Intermodal transportation* is the movement of cargo from one location to another location via more than one mode of transportation (i.e. rail, road, river/ocean). Unitisation, in general terms, may be defined as consolidation of a number of bags, boxes, packs, etc. in a single cargo unit, most important of which is the container. The purpose of unitisation is to assist the process of cargo handling through reducing the handling frequency of each cargo unit. Unitisation has particular relevance to the making up of a number of 'small sized' items into one unit of standard size.

In international trade, containerisation has become a predominant form of unitised transport. It enables the transportation of cargo from the warehouse of the exporter to that of the importers directly.

Containerisation offers many advantages including the following:

i) Speed and economy of handling

ii) Safety both with regard to breakage and pilferage

iii) Greater efficiency due to less re-handling of individual packages

iv) Less packaging cost

v) Less cost of insurance and handling

vi) Door-to-door transport service.

For preparing break-bulk packages (other than unitised/containerised packages), the most important commercial requirement is to pack the consignment according to stipulation in the export contract. Generally, the contract will specify the manner of packing, including the use of packaging and stuffing/cushioning materials. However, if the contract does not specify the type of packaging, one should follow two main principles.

i) Export packs should be strong enough to withstand hazards of the journey and thus should be designed by taking into consideration nature of the product, type of carrier, port conditions, transit time, etc.

ii) The export packs should be light enough to attract the minimum freight cost since freight charges are generally calculated on the volumetric basis, i.e., weight or volume whichever is higher.

But the choice of packing and cushioning materials take into account the specific regulations in the importing country, if any.

Many products are hazardous in handling, transportation and storage because, for instance, they are explosive, flammable, poisonous or corrosive. They are therefore, subject to certain regulations. These regulations have been designed to ensure safety and facilitate safe transit. The Merchant Shipping (Carriage of Dangerous Goods) Rules, 1978 specify that the packaging of dangerous goods and their marking and labelling should be in accordance with the International Maritime Dangerous Goods (IMDG) Code of International Maritime Organisation (IMO). According to the rule, all such packages should be tested and marked

by the competent authority in the country. In India, the Indian Institute of Packaging has been authorised to carry out all necessary tests and issue the appropriate certificate.

Marking and Labelling of Goods

Every export package must be properly marked and labelled. Marking, including handling instructions, help quick and safe transportation of goods. Marking is of two types-marking of origin and shipping marks. In addition to marking, handling instructions on export packs must be clearly stated. Where these are given in the form of written language, these must be in the language of exporting and importing countries. In case of goods requiring careful handling and storage, the international practice is to give these instructions in the form of symbols.

11.3 NATURE OF EXPORT CARGO

The demand for transport services is a derived demand and the nature of these services is determined by the nature of goods traffic in international trade. The internationally traded goods for which different types of transport services are needed may be categorised into three broad groups on the basis of their marketing requirements. These groups are: Rush Cargo, Bulk Cargo and General or Non-Bulk Cargo. In satisfying the immediate marketing needs of the **Rush Cargo**, speed is the most important consideration in the decision-making process and hence, such cargo is necessarily to be sent by air.

Bulk Cargo by its very nature, can be carried and stored in large quantities mainly because their market demand does not frequently change since they are free from attacks of product development, changes in design, obsolescence, deterioration and depreciation. These cargos have low unit-value and hence, they can be transported and warehoused at low per unit cost only when transported and warehoused in large quantity. The cargos, which have these characteristics, are the primary commodities and industrial raw materials such as iron ore, foodgrains, coal, fertilizers, oils, petroleum products, chemicals and liquified gas. You may notice that Bulk Cargo has been divided into two categories, viz., Dry Bulk (e.g. foodgrains) and Liquid Bulk (e.g., oil and petroleum products).

General Cargo comprises manufactured, semi-manufactured, processed and semi-processed goods and materials moving in small quantities in cases, packages, parcels, bales, etc. Examples of such cargo are engineering goods, leather products, textiles, drugs and pharmaceuticals, tobacco, spices and marine products. In contrast to Bulk Cargo, General Cargo cannot be carried and stored in large quantities, mainly because of their susceptibility to fast changes in their demand due to changes in fashion, design, season, technology, etc. On the other hand, they need not be carried and stored in large quantities because of their higher unit-value and thus, their ability to bear a higher per unit transportation and warehousing cost.

11.4 LINER AND TRAMP SHIPPING SERVICES

It is clear from the discussion so far that Bulk Cargo requires such kind of shipping services in which large quantity of one type of cargo can be carried at low per unit cost. These services are provided by carriers known as Tramps. Quite naturally, there are different types of tramp ships to carry different kinds of bulk cargo. On the other hand, carriers which provide regular and scheduled shipping services to carry heterogeneous cargo suiting the marketing requirements of General Cargo are known as Liners. A liner ship is built and run to satisfy the transport demand of a variety of cargos. Let us now discus them in detail.

11.4.1 Liner Shipping Service

The liner ship has the following features:

i) It is designed to carry a variety of cargo, with spaces for bales, bundles, boxes, barrels, drums, etc. as well as for reefer (refrigerated) cargo. The designs of the holds and number of decks will be different from those of a tramp. With the increased share of containerised cargo, specially designed container ships for carrying different categories of containers operate.

ii) The cargo handling equipment on a liner will be varied and sophisticated for quick loading and unloading of cargo to ensure quick turnround. A quick turn-round means that the ship spends the least possible time in the port and most of its time in transit.

iii) It operates regularly between fixed ports and normally loads in several ports. It serves a number of discharging ports along a predetermined route.

iv) In order to ensure speedier carriage, it is fitted with sophisticated and expensive propelling machinery.

v) It provides pre-announced scheduled services on given terms and conditions of carriage. These terms and conditions mostly relate to the responsibilities and liabilities of the shipowners in receipt, carriage and delivery of cargo. Liners, thus, provide services on terms and conditions, which are not negotiable.

vi) It generally offers carriage on fixed and stable freight rates.

11.4.2 Tramp Shipping Service

A tramp carrier has the following characteristic features:

i) It is primarily designed to carry the more simple and homogeneous cargo in large quantity. It is, therefore, designed to fully utilise its carrying capacity for carriage of one type of cargo. For example, a grain-carrying ship will be designed in such a way that a full cargo of grains in bulk can be accommodated in the lower holds, feeders and bins.

ii) Since one kind of homogeneous cargo is to be handled, a tramp will have comparatively simple equipment. Bulk cargos are normally loaded and discharged by mechanical equipment, elevators, pumps, etc.

iii) Because of the comparatively low unit value of commodities carried, a tramp will be operated at the lowest possible cost. This objective can be achieved by operating ships having relatively less speed by fitting less expensive propelling machinery.

iv) A tramp generally carries cargos of one or two ship users. Hence, loading and discharging are confined to a few ports.

v) It does not have a fixed route and predetermined schedule of departure as it is to be engaged by one/two users as and when their need arises.

vi) It offers services at terms and conditions, including freight/hire charges, which are not fixed and given but are negotiable.

Check Your Progress A

1. List three important advantages of containerisation.

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2. What do you mean by Line shipping service?

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3. State whether the following statements are **True** or **False**.

i) Speed is the most important consideration in case of Rush Cargo.

ii) Shipping conference helps in minimising losses or maximising profits by combating competition among shipowners.

iii) Tramp shipping service is suitable for carrying heterogeneous cargo.

iv) Line shipping service is suitable for carrying homogeneous cargo.

v) The demand of bulk cargo frequently changes.

11.5 CONFERENCE PRACTICE

The liner shipping services are offered both by the liners which operate unitedly as well as those which operate independently. Liners in the first category are said to be members of conference.

A conference is an association of independent shipowners which is organised to restrict/eliminate competition in the trade, regulating and rationalising sailing schedules and ports of call. The conferences operate on the basis of written agreements, providing for a permanent secretariat and describing rights and obligations of members. The members are expected to follow the rules set by the conference under the agreement. In the event of violation of the agreed rules of discipline by a member, the agreement provides for imposing a penalty which is generally the forfeiture of an agreed bond amount deposited with the conference.

The first conference was formed in 1875, known as the UK- Calcutta Conference. Since then almost all trade routes have been covered by the shipping conference system. The basic aim of a shipping conference is to minimise losses or to maximise profits by combating competition among shipowners. At the same time conference binds shippers (shipping services users) and obtains continuous cargo support from them through a number of freight concessional arrangements and agreements. Major methods, which have been evolved to achieve this aim, are designed to eliminate competition from within and fight competition from outside.

Competition among the conference members is regulated by i) rate agreements; ii) control of sailing schedules; iii) pooling arrangements; and iv) good faith or performance bonds. The conferences fight competition from outsiders including shipping lines and shippers in a number of ways. The competition from other shipping lines is encountered through: i) extending conference membership to the growing outside lines; ii) agreements with other conferences operating on alternative routes in such a way that one conference operates on one route.

Competition from the skippers is blunted through three main devices for securing cargo support from the shippers. These devices are:

i) Deferred rebate on commissions arrangements

ii) Immediate cash rebate agreements

iii) Dual rate agreements.

11.6 CHARTERING PRACTICES

When a tramp carrier is engaged, it is said to be under charter, as one—charterer hires either the whole or the bulk of its space. A tramp may be chartered in a number of ways. Three most important forms of engagement are:

i) Voyage Charter

ii) Time Charter

iii) Bareboat Charter or Charter by Demise.

Let us now discus them in detail.

11.6.1 Voyage Charter

A ship may be chartered either for a single voyage (say, from port A to port B) or for consecutive voyage (say, from port A to port B to port C) or for a round voyage (say, from port A to port B to port A).The shipowners provide the vessel to the charterers for carriage of an agreed quantity of cargo from the named port or ports to be discharged at named port or ports. Alternatively, the agreement (known as Charter party) provides for carriage of cargo between ports within a certain range (say from any port in India to any port in Germany). In the latter case, the charterers will be required to convey the names of specific ports to the shipowners (which in effect is the Master of the vessel) at the time of voyage or voyages are to be made.

For engaging a tramp on voyage basis, the charterers are to pay freight to the shipowners. Freight may be payable either according to the actual quantity loaded or may be calculated on the basis of the total capacity of the ship. In the first case, the charterers may also be required to pay for any capacity, which remained unused. Alternatively, the shipowners hire out the unused capacity to another charterer.

In voyage charter, the shipowners are not only to meet all expenses of running the ship such as officers and crew wages, stores and provisions, insurance of ship, depreciation, etc. but also the operating expenses like fuel cost, port charges, light dues, etc. The shipowners recoup their expenses and earn profits from the freight paid by the charterers.

11.6.2 Time Charter

For time charter engagement, a ship is hired for a fixed time period operation within the defined territories or between agreed ports. Although the ship is operated at the command of the charterers, it cannot be taken outside the agreed territories or agreed ports to protect the interests of the shipowners. It may also be noted that time period is the essence of the agreement but it also provides for the voyage territories.

Under the time charter agreement, shipowners have the responsibility to deliver the vessel at the agreed port within the specified time period in such a condition that it is in every way fitted and equipped for the contemplated employment. The charterers in turn are to redeliver the vessel at the agreed port in the same condition, in which it was taken in charge, excepting normal wear and tear.

The entire capacity of the ship is hired and the shipowners receive charter hire for the time duration for which it has been hired. The charter hire is generally payable in advance at certain agreed intervals. The quantity of cargo carried has not bearing upon the charter hire and even if no voyage is made because of the charterer's fault, the shipowners are entitled to the hire.

In a time charter engagement, the responsibility of scheduling the ship's employment and meeting port expenses, canal dues, fuels cost, cargo expenses etc., remain with the charterers. However, running expenses of the vessel like officers and crew wages, stores, provisions, insurance, etc., have to be met by the shipowners. Another feature of the time charter

engagement is that the charterers can either operate themselves or sublet the vessel on voyage charter depending upon their requirements (provided the latter action is not specifically prohibited in the agreement between the shipowners and the charterers). If the market improves after the vessel is taken on time charter and the charterers sublet it, the charterers may earn more money than what is payable to the shipowners by way of charter hire. Sometimes ships are time chartered on a long- term basis to fulfil the contractual obligations like the Contract of Affreightment. Such long-term charters are entered into so as to protect the charterers from the vagaries of fluctuation in the freight market.

Expenditure-wise, the charterers have greater responsibility under the time charter compared to voyage charter. However, under time charter, the shipowners undertake that the ship is in seaworthy condition at the commencement of the period of hire and that they will exercise due diligence or reasonable care to maintain it in seaworthy condition. This implies that the shipowners are responsible for keeping the ship in a thoroughly efficient state as regards hull, machinery and equipment during the period of the charter agreement.

11.6.3 Bareboat Charter or Charter by Demise

Under this arrangement, the shipowners let out the bare ship for a period of time. The difference between the time charter and bareboat charter lies in the fact that in the latter case the ship in the bare form lies at the disposal of the charterers who have the full right and responsibility of operating the ship. The shipowners have the minimum responsibility and act as if they are 'dead' and have no concern about the ways the ship will be used. Also known as "Demise Charter" the charterers in this case become the disponent owners and are responsible for manning as well as operating the ship as if they are the owners of the ship.

Since the ship is at the disposal of charterers, they have the right to appoint the Master and the Chief Engineer, however, subject to the approval of the owners. They bear all costs and expenses for the operation of the ship. For the time period, the shipowners are paid a fixed sum calculated at a certain rate per ton dead weight on summer free board per calendar month payable in advance. The ship is put at the disposal of the charterers in the seaworthy condition and after the expiry of the time period, it is redelivered to the shipowners in the same good order and condition as and when delivered, minus the ordinary wear and tear.

11.7 AIR FREIGHTING

Notwithstanding the fact that the bulk of international cargo traffic moves by sea, the movement of cargo traffic by air has been increasing. As a result, a variety of cargos, which hitherto was exclusively moving, by sea, are now also being moved by air.

The real fundamental change in favour of air freighting can be traced to four factors. These are:

i) Technological developments in the area of civil aviation;

ii) Technological developments in the field of cargo handling and communications;

iii) Change in the composition of world trade; and

iv) Establishment of the International Air Transport Association (IATA).

Over the years, there has been a marked change in the composition of world trade. We find that high unit- valued products including fashion items and sophisticated machinery which require fast delivery and extra handling and keeping care are able to bear a high incidence of freight cost. Therefore, air carriage has become more suited to carry variety of cargo. The establishment of IATA in 1945 has considerably helped in the development of air freighting. IATA is an organisation of airlines of the world. It was set up to ensure smooth and fast development of air services. For its role, particular mention should be made of:

i) Standardisation in the rate-making;

ii) Standardisation in Documentation; and

iii) Clearing House and other facilities.

Air Freight Rates: Airfreight rates are chargeable either on gross weight or gross volume or volumetric basis (i.e., weight or volume whichever is higher). The rates quoted by the airlines are from one specified airport to another airport in one direction and include two elements, viz., basic rates and transhipment charges. An important aspect of the air rates is that there is a minimum rate for a minimum acceptable weight. In other words, if the cargo offered for carriage is less than the minimum acceptable weight, it will be charged at the stipulated minimum rate. Further, air rates generally provide for concessions at certain weights such that higher tonnage will be carried at the concessional rates. The weights at which these concessions become applicable are known as "break points". For example, there could be a concession of 10% on the rate in a schedule if the cargo offered is 100 kg or more.

Under the IATA agreements, airlines offer specific commodity rates from and to agree ports to the stipulated products or product groups. These are the concessional rates offered to those products, which are available for carriage in large quantities over a period of time. Thus, the airlines agree to provide concessional services in return of regular tonnage. Products, which are not included in this group, are charged, with some exception, either the 'normal rate' or 'quantity rate'. Normal rate is a non-specific commodity rate between two defined airports in one direction of product less than 45 kgs. If the weight of these cargos become 45 kgs and above, a concessional ' quantity rate' is charged. Aircraft's can also be chartered; in which case the freight rate is negotiable which periodically fluctuates depending on the conditions of demand and supply.

Documentation: Airlines all over the world uses a standardised transport document, known as Airway Bill (or consignment Note). Besides functioning a carrier receipt and evidence of contract of affreightment (transport) between airline and shipper, this document also operates as an instruction sheet for the onward carriers. It is not a document of title but can be made one by getting an "order" bill.

Clearing House: IATA provides an important facility to the carriers and the users in the form of the Clearing House. This facility is useful in the inter- line claim settlements, when the cargo is moving through more than one carrier, as in the case of transhipment. Therefore, the shipper may book the cargo through one carrier and pay total freight, a part of which will be paid to the onward carriers.

Check Your Progress B

1. Distinguish between voyage charter and Time charter.

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2. What is bareboat charter?

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3. State whether the following statements are **True** or **False.**

i) In case of Time charter, the ship is hired for a fixed time.

ii) In case of Bareboat Charter, the shipowners have the maximum responsibility of operating the ship.

iii) IATA provides facility to users in the form of the clearing house.

iv) Expenditure-wise, the charterers have greater responsibility under the time charter compared to voyage charter.

11.8 QUALITY CONTROL AND PRE-SHIPMENT INSPECTION

According to the prevailing law in India, a fairly large number of export goods are subjected to compulsory quality control and /or inspection by the agencies authorised by the Government of India before being allowed to be exported from the country. In 1965, the Government enacted the Export (Quality Control and Inspection) Act as a single comprehensive legislation to provide for the sound development of export trade of India. Accordingly, the Export Inspection Council was set up to formulate and supervise the inspection schemes with the help of Export Inspection Agencies, which have a network of offices spread all over the country. These agencies have trained manpower and are equipped with laboratory facilities to carry out inspection tests and issue inspection certificates.

There are three systems for quality control and inspection. These are:

i) Consignment-wise Inspection;

ii) Inprocess Quality Control; and

iii) Self-certification.

11.8.1 Consignment-wise Inspection

Under this system, each and every export consignment is subjected to a detailed inspection by the Export Inspection Agencies based on a statistical sampling plan. If the sample is found to conform to the recognised specifications/standards, an inspection certificate for export is issued to the exporter. The Inspection Certificates carry a specific validity period within which the export consignment must be shipped.

This system is applicable to all the notified products by the Export Inspection Council other than those for which the Inprocess Quality Control system is applicable. Procedurally, for obtaining the Inspection certificate, the exporter has to apply to the Export Inspection Agency well in advance to avoid shipment delays. The application is to be made on prescribed form known as Notice of Intimation alongwith:

i) Crossed cheque or Demand Draft for the inspection fee

ii) Copy of Commercial Invoice

iii) Copy of Export Contract

iv) Importer's Technical Specifications

This application will be registered in the office of Agency, which will appoint an Inspector for carrying out physical examination of the goods.

The Inspector will examine the goods in the exporter's premises with reference to the agreed specifications, which should not be inferior to the notified specifications. Samples may be drawn and sent to the laboratory, if required. Thereafter, the Inspector prepares the Field Inspection Report, which becomes the basis for the issuance of the Inspection Certificate. The original of the certificate is to be submitted to the customs authorities for clearance of goods for export.

11.8.2 Inprocess Quality Control

Under this system, export-oriented manufacturing /processing units are approved as "export- worthy" units because they possess the requisite infrastructure for manufacturing/ processing products of standard quality. Such a unit is allowed to inspect and clear goods for export without an inspection by the Export Inspection Agency. The Agency will issue certificate of inspection on the declaration by the unit.

For the approval of a unit, it is to apply to the Export Inspection Agency on the prescribed proforma. After a preliminary visit by the officer of the agency, a panel of experts will be appointed. This panel thoroughly investigates the quality control facilities of the unit right from the raw material stage to packing. It submits its report to the agency with its recommendations. On the basis of these recommendations, the unit is accorded the status of an export-worthy unit.

For obtaining the inspection certificate under this system, the exporter submits the following documents to the Export Inspection Agency:

i) Application (Notice of Intimation)

ii) Crossed Cheque/Demand Draft for fee

iii) A Copy of Commercial Invoice

iv) Importer's Technical Specifications.

On receipt of these documents, the Agency will issue inspection certificate in triplicate. The original certificate is for the customs authorities.

11.8.3 Self-Certification

With the experience gained over the years in operating the Compulsory Quality Control and Pre-shipment Inspection Scheme in India, there has been a qualitative change in the inspection system also. Recently, self-certification system has been introduced which is based on the concept that a manufacturing unit having established reputation for its products with sufficient in-built responsibility for quality assurance, could be permitted to certify its own products for export. For the purpose of operating this system, a manufacturing unit found qualifying against the prescribed norms, which amongst other include the following:

a) Product Quality

b) Design and Development

c) Raw Materials /Boughtout Components

d) Organisation and personnel for Quality Control

e) Process Control

f) Laboratory

g) Quality Audit

h) Packaging

i) After-sales-service; and

j) House-keeping and Maintenance

The unit approved under this system is recognised by notification under section 7 of the Act as the Agency for Quality Control and Inspection of specific products manufactured in the unit. The system removed the need for the manufacturing unit to seek certificate of inspection from an outside Agency which provides an added advantage in the mechanism of exportation.

11.9 ISO 9000

Quality has become a vital weapon for entering and sustaining in the world market. Quality refers to the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. A quality system aims to integrate all elements that influence the quality of the product or service provided by a firm. Only high quality product or service can win and sustain in the world market. You must be knowing that during the 70s and 80s Japan emerged as the undisputed quality leader on the international industrial scene. The totally shattered economy of the forties got transformed into an economic giant. This was primarily the result of the application of quality management coupled with a commitment to quality and dedication in nation building efforts. The developed countries have been continuously working on the mechanism of the quality improvement. International standards organisation has developed ISO 9000 series for the establishment of quality standards.

What is ISO 9000? ISO 9000 is a series of international standards for quality systems. These standards have been evolved by the International Standards Organisation. The standards are generic in nature and do not pertain any specific product. They provide models for quality assurance in designing, developing, producing, installing and servicing. These standards set out how a company can establish, document and maintain an effective and economic quality system. The quality assurance covers all the manufacturing activities from conception to designing to the finished products.

Following are the major benefits of ISO 9000 Quality Systems:

i) Better product design

ii) Improved product quality

iii) Reduction in scrap rework and customer complaints

iv) Efficient utilisation of men, machines and materials, resulting in higher productivity

v) Elimination of bottlenecks in production and tension-free work environments, leading to good human relations

vi) Creation of quality awareness and greater job satisfaction among employees, improving the company's quality culture

vii) Improvement of confidence among customers

viii) Improvement of a company's image and credibility in international markets which is essential for success in the export business.

The ISO standards have been accepted worldwide as the norm assuring high quality of goods. The standards have been taken without change into the national standard systems of about 91 countries worldwide. The customers all over the world have started demanding their suppliers to adhere to ISO 9000 or equivalent standards. The British equivalent system is BS-5750. The European Community has developed the EN 29000 series of standards which is technically equivalent to ISO-9000. European Community (EC) is today the largest trading partner of India. Hence, there is a dire need to adopt ISO 9000 for Indian exporters to cater to the vast requirements of European countries.

Export Inspection Council and its agencies are actively engaged in disseminating information on ISO 9000. In order to win the market, Indian Industry should certainly gear itself for adopting ISO 9000. The manufacturers who have acquired the ISO 9000 or any other internationally recognised equivalent certification of quality will be eligible for grant of special import licences. The licences shall be granted for such value or bearing such proportion to the value of their exports for the import of non- prohibitive items included in the Negative List of imports as may be specified by the Government.

11.10 ROLE OF CLEARING AND FORWARDING AGENT

Clearing and forwarding agents are a link between the owners of goods and owners of means of transport. They help the cargo owners in efficient movement of goods to the buyers by completing a number of procedural and documentary formalities. They are experts and knowledgeable in laws and regulations governing shipment of goods through the customs authorities as well as in commercial practices, especially the ones concerning transport. Since they are in constant touch with various government authorities, they keep themselves abreast with the developments in the field of their activity. In addition to these functions, the agents can undertake a number of activities including marking, labelling and packing of goods, arranging internal transport, advising exporters on trade laws and price quotations as well as on developments in the transport field, file duty-drawback claims on behalf of the exporters, etc. In fact, the agents can perform all activities except perhaps selling the goods. Above all, the agents act as trouble- shooters for the exporters in case of movement problems. We may categorise various activities in the following groups:

i) Advising exporters on trade laws
ii) Providing transport and handling cost information
iii) Packing, marking and labelling
iv) Arranging transport
v) Completing customs and port formalities
vi) Preparing and procuring documents
vii) Educating exporters on developments in transport.

11.11 MOVEMENT OF GOODS TO PORT

After the goods have been packed, marked and labelled, they are to be transported to the port of shipment. For this purpose, arrangements are to be made by transporting them either by road or rail. But before this activity is undertaken, the exporter, generally through his clearing and forwarding agent, procures reservation of space on a carrier with suitable sailing schedule. For this purpose, the agent approaches the freight broker who operates as an agent of the shipping company. As soon as space is allotted, the shipping company issues **shipping order**, which becomes a proof of space allotment. If the goods are transported by the rail, export consignments are to be given either B or C priority of the Railway priority schedule as formulated by the Railway Board. There are five priorities in the schedule, ranging from the highest A to the lowest E. Thus, priorities B and C accorded to the export consignments are fairly high priorities.

Check Your Progress C

1. What do you mean by self-certification of export consignment?

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2. What is ISO 9000?

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3. State whether the following statements are **True** or **False**.

   i) Clearing and forwarding agent helps in efficient movement of goods.

   ii) In In-process consignment inspection, Export Inspection Agency need not inspect each and every export consignment.

   iii) In self-certification system there is no need for the manufacturing unit to seek certificate of inspection from an outside agency.

   iv) An expert panel does not investigate the quality control facilities of the unit to accord the status of an export worthy unit.

4. Fill in the blanks.

   i) Clearing and forwarding agents are a ..... between the owners of goods and owners of means of transport.

   ii) Export consignments are to be given either ..... Priority of the Railway Board.

   iii) Export-Oriented manufactured units are approved as export worthy in .... system.

   iv) Air freight rates are chargeable on .....

11.12 LET US SUM UP

In international trade, goods are properly packed to protect them, to keep a consignment together, to protect the goods from damaging the environment and be affected by it. Unitisation assists the process of cargo handling through reducing the handling frequency of each cargo unit. These days containerisation has become a predominant form of unitised transport. It enables the through transportation of cargo from the warehouse of the exporter to that of the importers.

The nature of the transport services is determined by the nature of goods traffic in international trade. These goods can be grouped into three broad categories on the basis of their marketing requirements. These groups are Rush Cargo, Bulk Cargo and General cargo. Bulk cargo requires such kind of shipping services in which large quantity of one type of cargo can be carried. These services are called Tramp shipping services. On the other hand the carriers, which are used to carry heterogeneous cargo, are called Liner Shipping Services.

The shipping conference is an association of independent shipowners which is organised to restrict or eliminate competition in the trade by regulation and rationalising sailing schedules and ports of call. The basic aim of shipping conference is to minimise losses or to maximise profits by combating competition among shipowners.

A tramp carrier may be chartered in a number of ways. These include i) voyage charter; ii) time charter; and iii) Bareboat charter. In voyage charter a ship may be chartered either for a single voyage or for consecutive voyages. Whereas in time charter the ship is chartered for a fixed time period for operation within the defined territories. On the other hand, in bareboat charter the shipowners let out the bare ship for a period of time. With the rapid technological development and the establishment of the International Air Transport Association (IATA), the movement of cargo traffic by air has been increasing. IATA, helps in smooth and fast development of air services. The role of IATA includes
i) standardisation in the rate making; ii) standardisation in documentation; and
iii) clearing house and other facilities.

A large number of export goods are subjected to compulsory quality control and /or inspection by the agencies authorised by the Government of India before being allowed to be exported from the country. There are three systems for quality control inspections. They are: i) Consignment-wise inspection; ii) Inprocess quality control; and iii) Self-certification. In consignment-wise inspection each and every consignment is subject to a detailed

inspection by the Export Inspection Agencies. Whereas in in-process quality control units are approved as export worthy units because they possess requisite infrastructure for manufacturing the standard quality product. On the other hand, in self-certification inspection the manufacturing unit having established reputation and sufficient in built responsibility for quality assurance are permitted to certify their own products for export. ISO 9000 series of quality standards have been evolved by the International Standards Organisation. They provide model for quality assurance in designing, developing, producing, installing and servicing. A clearing and forwarding agent is appointed by the exporter. He helps in the efficient movement of goods to the buyers by completing a number of procedural and documentary formalities. The clearing and forwarding agents undertake a number of activities including marking, labelling and packing of goods, arranging internal transport, advising exporters on trade laws and price quotations as well as on developments in the transport field, file duty drawback claim on behalf of exporters, etc. In order to expedite the movement of the goods, Railway Board provides B or C priority for the export consignment.

11.13 KEY WORDS

Bareboat Charter: Chartering of bare ship for a period of time. Here, the charterers have the full right and responsibility of operating the ship.

Intermodal Transportation: The movement of cargo from one location to another location via more than one mode of transportation.

IATA (International Air Transport Association): An organisation of airlines of the world which was set up to ensure smooth and fast development of air services.

Liner Shipping Service: The shipping services which carry heterogeneous cargo.

Time Charter: Chartering of a ship for a fixed time period for operation within defined territories.

Tramp Shipping Service: The shipping services which carry large quantity of one type of cargo.

Unitisation: Consolidation of a number of bags, boxes, packs etc. in a single cargo unit.

Voyage Charter: A chartering of a ship either for a single voyage or for a consecutive voyages or for a round voyage.

11.14 ANSWERS TO CHECK YOUR PROGRESS

A 3 i) True ii) True iii) False iv) False v) False

B 3 i) True ii) False iii) True iv) True

C 3 i) True ii) False iii) True iv) False

4 i) Link ii) B or C iii) Inprocess Quality Control iv) Volumetric basis

11.15 TERMINAL QUESTIONS

1) What are the advantages of containerisation?
2) Distinguish between Liner and Tramp shipping services.
3) What are various forms of chartering of the shipping services? Explain.
4) What are the needs of shipping conference? How does it help in export business?
5) Why cargo traffic by air has been increasing in recent years? What are the roles of IATA in air services?
6) What are various systems of quality control? Explain.
7) What are the roles of clearing and forwarding agents in export trade? Discuss.
8) What do you mean by ISO 9000? What are benefits of these standards? Discuss.
9) Write short notes on:
   1) Bulk Cargo
   2) General Cargo
   3) Rush Cargo