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A STUDY ON EXPORT AND IMPORT DOCUMENTATION WITH REFERENCE TO KERALA STATE INDUSTRIAL ENTERPRISES (KSIE)

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Abstract

Kerala State Industrial Enterprises Limited (KSIE) was set up in 1973 as a Holding Company of the Government of Kerala under the Industries Department. KSIE was formed to revive and nurse the sick units under the Industries Department.

In 1979, Government of India took a decision that Air Cargo Complexes should be set up at suitable locations by the concerned State Governments. The Complexes were intended to bring all Export/Import activities under one roof. To begin with Thiruvananthapuram was identified as a suitable location and the Government of Kerala appointed Kerala State Industrial Enterprises Limited as the Operating Agency for setting up and running Air Cargo Complexes in the State.

Thus as a Government of Kerala undertaking, KSIE was appointed as the custodian of the Air Cargo Complexes at Thiruvananthapuram Airport in 1979 by Govt. of India. Later on, KSIE extended its operations to Kochi and Kozhikode Airports during 1985 and 1995 respectively. KSIE had to stop functioning of Cochin Air Cargo Complex during the year 1999 when the Kochi International Airport was commissioned.

Key Words

Export, Import, Documentation, Operating Agency, Air cargo

1.1 Introduction

Export and Import documentation must be precise because slight discrepancies or omissions may prevent merchandise from being exported, may result in nonpayment, or may even result in the seizure of the exporter's goods by your government or foreign customs officials. Collection documents are subject to precise time limits and may not be honored by a bank if the time has expired. Most documentation is routine for freight forwarders and customs brokers, but as the exporter, you are ultimately responsible for the accuracy of the necessary documents.

The number and kinds of documents that the exporter must deal with vary according to the destination of the shipment. Because each country has different import regulations, the exporter must be careful to provide all proper documentation. Remember to contact your local Commercial Service office for up-to-date foreign import information.

1.2 Need And Importance

In effecting Imports as well as Exports, documentation plays a very important role.

Export documentation is important, as it covers all areas of shopping items, from packing and labeling to insuring the goods. Important items are being shipped by random carriers to far-off customers; it's necessary to file accurate paperwork to ensure delivery.

Export documentation is required for goods leaving one country for another to ensure a variety of things.

1. Ensure proper taxation and dues are accounted for
2. Ensuring products don't land in the hands of people banned from receiving goods
3. Ensure public and environmental safety

In effecting Imports as well as Exports, documentation plays a very important role. Especially in case of imports, the availability of right documents, the correctness of the information available in the documents as well as the timeliness in submitting the documents and filing the necessary applications for the Customs Clearance determines the efficiency of the Customs Clearance process. Any delay in filing or non-availability of documents can delay the process and thereby importer stands not only to incur demurrage on the imported cargo but also stand to lose business opportunities.

Customs Clearance process requires set of documents to be submitted by the Importer, By the airline, shipping line or concerned Freight Forwarder as well as the Customs documentation prepared and submitted by Clearing Agent on behalf of the Importer.

1.3 Objectives Of The Study

- To understand what are procedures or process done by a shipping and logistics company during export and import.
- To know what are the documents required before and after Shipment of the cargo.
- To understand the classification of goods for export and import.

1.5 Scope Of The Study

- The scope of this project is to unfold stepwise all complexities involved in the export and import business right from receiving/sending and export/import order to final realization of exim proceeds.
- It gives a detail idea of how different departments in an apparel export/import house work in synchronization so that export/import order is processed.
- The project would be helpful to fulfil many loopholes of documentation of export and import.

1.6 Limitations of the Study

- Limited time was a major constraint.
- As the time allotted for the study was only 60 days, detailed study was not possible.
- Since the managers of different departments were engaged in various projects, the collection of

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data through interviews was a bit difficult.

- Employees were not able to spend time due to their work adjustments.
- Because of official confidentiality, some of the details were not obtained. This made some difficulties during the time of analysis.

3.1 Research Methodology

Research methodology simply refers to the practical "how" of any given piece of research. More specifically, it's about how a researcher systematically designs a study to ensure valid and reliable results that address the research aims and objectives.

A research method is a systematic plan for conducting research. Sociologists draw on a variety of both qualitative and quantitative researc h methods, including experiments, survey research, participant observation, and secondary data. Quantitative methods aim to classify features, count them, and create statistical models to test hypotheses and explain observations. Qualitative methods aim for a complete, detailed description of observations, including the context of events and circumstances. "Research comprises defining and redefining problem, formulation hypothesis or suggested solution, collection, organizing and evaluating data, make deduction and research conclusion and carefully testing the conclusion to determine whether they fit or not". Research purpose is to discover answer to question through the procedure of scientific procedure.

Aims and Objectives of Research Methodology

Develops Better Insight into Topic
Research methodology provides better familiarity with the research topic by properly explaining each concept associated with it. It aims at the proper analysis of every aspect and accurately portrays all findings of the project.

Provides Systematic Structure
Research methodology eases the process of whole research to be done. It clearly defines the tools and techniques to be used for collecting, analyzing and interpreting the data to find out the solutions.

Enhance the Research Quality
It determines the reliability and validity of the whole research work. Research methodology tells accurate sources from where data should be taken for studying purpose which thereby improves the quality of research done.

Derive Better Solutions
Research methodology helps in deriving crucial findings for solving business problems. It performs an in-depth study of various projects, develops a better understanding and detects all problems.

Aids in Decision Making
Decision making is another important role played by research methodology. It supports management in organizing their efforts in generating a new idea. Research methodology by providing direction for various activities of the

project helps managers for efficient decision making

Inculcates Logical and Systematic Thinking

It develops the logical thinking ability of individuals. Research methodology evaluates every element of the project and highlights them in detail. It represents every aspect in a simplified manner which improves logical thinking.

3.2 Research Design

Research design is the based framework, which provides guidelines for the research process. It is a map or blue print according to which the research is to be conducts. The research design specifies the methods for data collection & data analysis determine the source of data. Most specifically it was a kind of "Descriptive conclusive research" who takes care of who, when, where, what, how and why aspects of the investigation further the researcher used the statistical method to serve the purpose of project, it permitted the research to derive more accurate generalization whose reliability could be measured.

Collection of Data

There are several ways of collecting the appropriate data which differ considerably in context of money, cost, time and other sources at the disposable of the researcher.

There are two types of data:

- Primary data
- Secondary data

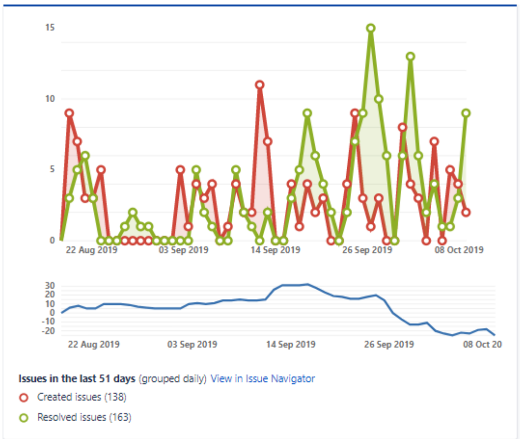
3.3 Data Analytical Tool

Tool used for collecting data was export records and documents from the company, by direct communication respondent and also from the articles.

3.4 Limitation

- The study was conducted only by observing the documents
- Many of the Documents are very Confidential so I cannot refer those documents
- Limitation of time

Data Analysis and Interpretation



1.Registration:

The exporters have to obtain PAN based Business Identification Number (BIN) from the Directorate General of Foreign Trade prior to filing of shipping bill for clearance of export goods. Under the EDI System, PAN based BIN is received by the Customs System from the DGFT online. The exporters are also required to register authorized foreign exchange dealer code (through which export proceeds are expected to be realized) and open a current account in the designated bank for credit of any drawback incentive. Whenever a new Airline, Shipping Line, Steamer Agent, port or airport comes into operation, they are required to be registered into the Customs System. Whenever, electronic processing of shipping bill etc. is held up on account of non-registration of these entities, the same is to be brought to the notice of Assistant/Deputy Commissioner in-charge of EDI System for registering the new entity.

Registration In Case Of Export Under Export Promotion Schemes

All the exporters intending to export under the export promotion scheme need to get their licenses/DEEC book etc. registered at the Customs Station. For such registration, original documents are required.

2.Processing Of Shipping Bill – Non-Edi:

In case of Non-EDI, the shipping bills or bills of export are required to be filled in the format as prescribed in the Shipping Bill and Bill of Export (Form) Regulations, 1991. An exporter needs to apply different forms of shipping bill/ bill of export for export of duty-free goods, export of dutiable goods and export under drawback etc. Shipping Bills are required to be filed along with all original documents such as invoice, packing list etc. The assessing officer in the Export Department checks the value of the goods, classification under Drawback schedule in case of Drawback Shipping Bills, rate of duty where applicable, exportability of goods under EXIM policy and other laws in force. The DEEC/DEPB Shipping bills are processed in the DEEC group. If the assessing officer has any doubts regarding value, description of goods, he may call for samples of the goods from the docks. He may also call for any other information required by him for processing of shipping bill. He may assess the shipping bill after visual inspection of the sample or may send it for test and pass the shipping bill provisionally. Once, the shipping bill is passed by the Export Department, the exporter or his agent presents the goods to the shed appraiser in docks for examination. If the description and other particulars of the goods are found to be as declared, the shed appraiser gives a 'let export' order, after which the exporter may contact the preventive superintendent for supervising the loading of goods on to the vessel.

3.Export Documentation:

In case, the examining staffs in the docks find some discrepancy in the goods, they may mark the shipping bill back to export department/DEEC group with their observations as well as sample of goods, if needed. The export department re-considers the case and decide whether export can be allowed, or amendment in description, value etc. is required before export and whether any other action is required to be taken under the Customs Act, 1962 for miss declaration of description of value etc.

4.Processing of Shipping Bill:

Under EDI System, declarations in prescribed format are to be filed through the Service Centers of Customs. A checklist is generated for verification of data by the exporter/CHA. After verification, the data is submitted to the System by the Service Centre operator and the System generates a Shipping Bill Number, which is endorsed on the printed checklist and returned to the exporter/CHA. For export items which are subject to export duty, the TR-6 challans for cess is printed and given by the Service Centre to the exporter/CHA immediately after submission of shipping bill. The cess can be paid on the strength of the challan at the designated bank. No copy of shipping bill is made available to exporter/CHA at this stage.

5. Octroi Procedure, Quota Allocation And Other Certification For Export Goods:

The quota allocation label is required to be pasted on the export invoice. The allocation number of AEPC is to be entered in the system at the time of shipping bill entry. The quota certification of export invoice needs to be submitted to Customs along-with other original documents at the time of examination of the export cargo. For determining the validity date of the quota, the relevant date needs to be the date on which the full consignment is presented to the Customs for examination and duly recorded in the Computer System. Since the shipping bill is generated only after the 'let export order' is given by Customs, the exporter may make use of export invoice or such other document as required by the OCTROI authorities for the purpose of OCTROI exemption

6. Arrival Of Goods At Docks:

The goods brought for the purpose of examination and subsequent 'let export' is allowed entry to the Dock on the strength of the checklist and other declarations filed by the exporter in the Service Centre. The Port authorities have to endorse the quantity of goods actually received export documentation on the reverse of the Check List.

7. System Appraisal Of Shipping Bills:

In many cases the Shipping Bill is processed by the system on the basis of declarations made by the exporters without any human intervention. In other cases where the Shipping Bill is processed on screen by the Customs Officer, he may call for the samples, if required for confirming the declared value or for checking classification under the Drawback Schedule. He may also give any special instructions for examination of goods, if felt necessary.

8. Status Of Shipping Bill:

The exporter/CHA can check up with the query counter at the Service Centre whether the Shipping Bill submitted by them in the system has been cleared or not, before the goods are brought into the 36 Docks for examination and export. In case any query is raised, the same is required to be replied through the service center or in case of CHAs having EDI connectivity through their respective terminals. The Customs officer may pass the Shipping Bill after all the queries have been satisfactorily replied to.

9. Customs Examination Of Export Cargo:

After the receipt of the goods in the dock, the exporter/CHA may contact the Customs Officer designated for the purpose present the check list with the endorsement of Port Authority and other declarations as aforesaid along with all original documents such as, Invoice and Packing list, etc. Customs Officer may verify the quantity of the goods actually received and enter into the system and thereafter mark the Electronic Shipping Bill and also hand over all original documents to the Dock Appraiser who many assign a Customs Officer for the examination and intimate the officers' name and the packages to be examined, if any, on the check list and return it to the exporter or his agent. The Customs Officer may inspect/examine the shipment along with the Dock Appraiser. The Customs Officer enters the examination report in the system. He then marks the Electronic Bill along with all original documents and checklist to the Dock Appraiser. If the Dock Appraiser is satisfied that the particulars entered in the system conform to the description given in the original documents and as seen in the physical examination, he may proceed to allow "let export" for the shipment and inform the exporter or his agent.

10. Variation Between Declaration & Physical Examination:

The check list and the declaration along with all original documents are retained by the Appraiser concerned. In case of any variation between the declaration in the Shipping Bill and physical documents/examination report, the Appraiser may mark the Electronic Shipping Bill to the Assistant Commissioner/Deputy Commissioner of Customs (Exports). He may also forward the physical documents to Assistant Commissioner/Deputy Commissioner of Customs (Exports) and instruct the exporter or his agent to meet the Assistant Commissioner/ Deputy Commissioner of Customs (Exports) for settlement of dispute. In case the exporter agrees with the views of the Department, the Shipping Bill needs to be processed accordingly. Where, however, the exporter disputes the view of the Department principles of natural justice is required to be followed before finalization of the issue.

11. Stuffing or Loading of the Goods in the Container:

The exporter or his agent should hand over the exporter copy of the shipping bill duly signed by the Appraiser permitting "Let Export" to the steamer agent who may then approach the Preventive Officer for allowing the shipment. In case of container cargo the stuffing of container at Dock is done under Preventive Supervision. Loading of both containerized and bulk cargo is done under Preventive Supervision. The Customs Preventive Superintendent (Docks) may enter the particulars of packages actually stuffed in to the container, the bottle seal number particulars of loading of cargo container on board into the system and endorse these details on the exporter copy of the shipping bill presented to him by the steamer agent. If there is a difference in the quantity/number of packages stuffed in the containers/goods loaded on vessel the Superintendent (Docks) may put a remark on the shipping bill in the system and that shipping bill requires amendment or changed quantity. Such shipping bill also may not be taken up for the purpose of sanction of Drawback/DEEC logging, till the shipping bill is suitably amended for the changed quantity. The Customs Preventive Officer supervising the loading of container and general cargo in to the vessel may give "Shipped on Board" endorsement on the exporter’s copy of the shipping bill.

12. Drawing Of Samples:

Where the Appraiser Dock (export) orders for samples to be drawn and tested, the Customs Officer may proceed to draw two samples from the consignment and enter the particulars thereof along with details of the testing agency in the ICES/E system. There is no separate register for recording dates of samples drawn. Three copies of the test memo are prepared by the Customs Officer and are signed by the Customs

Officer and Appraising Officer on behalf of Customs and the exporter or his agent. The disposals of the three copies of the test memo are as follows: -

• Original – to be sent along with the sample to the test agency.

• Duplicate – Customs copy to be retained with the 2nd sample

• Triplicate – Exporter's copy.

13. Amendments:

Any correction/amendments in the checklist generated after filing of declaration can be made at the service center, provided, the documents have not yet been submitted in the system and the shipping bill number has not been generated. Where corrections are required to be made after the generation of the shipping bill No. or after the goods have been brought into the Export Dock, amendments is carried out in the following manners.

• If the goods have not yet been allowed "let export" amendments may be permitted by the Assistant Commissioner (Exports).

• Where the "Let Export" order has already been given, amendments may be permitted only by the Additional/Joint Commissioner, Custom House, in charge of export section.

14. Export of Goods Under Claim for Drawback:

After actual export of the goods, the Drawback claim is processed through EDI system by the officers of Drawback Branch on first come first served basis. There is no need for filing separate drawback claims. The status of the shipping bills and sanction of DBK claim can be ascertained from the query counter set up at the service center. If any query has been raised or deficiency noticed, the same is shown on the terminal. A print out of the query/ deficiency may be obtained by the authorized person of the exporter from the service center. The exporters are required to reply to such queries through the service center. The claim will come in queue of the EDI system only after reply to queries/deficiencies is entered by the Service Centre. All the claims sanctioned on a particular day are enumerated in a scroll and transferred to the Bank through the system. The bank credits the drawback amount in the respective accounts of the exporters. Bank may send a fortnightly statement to the exporters of such credits made in their accounts. The Steamer Agent/Shipping Line may transfer electronically the EGM to the Customs EDI system so that the physical export of the goods is confirmed, to enable the Customs to sanction the drawback claims

15. Generation of Shipping Bill:

After the "let export" order is given on the system by the Appraiser, the Shipping Bill is generated by the system in two copies i.e., one Customs copy, one exporter's copy. After obtaining the print out the appraiser obtains the signatures of the Customs Officer on the examination report and the representative of the CHA on both copies of the shipping bill and examination report. The Appraiser thereafter signs & stamps both the copies of the shipping bill at the specified place. The Appraiser also signs and stamps the original & duplicate copy of SDF. Customs copy of shipping bill and original copy of the SDF is retained along with the original declarations by the Appraiser and forwarded to Export Department of the Custom House. He may return the exporter copy and the second copy of the SDF to the exporter or his agent

16. Export General Manifest:

All the shipping lines/agents need to furnish the Export General Manifests (EGM), Shipping Bill wise, to the Customs electronically within 7 days from the date of sailing of the vessel. Apart from lodging the EGM electronically the shipping lines need to continue to file manual EGMs along with the exporter copy of the shipping bills as per the present practice in the export department. The manual EGMs need to be entered in the register at the Export Department and the Shipping lines may obtain acknowledgements indicating the date and time at which the EGMs were received by the Export Department. Keeping in view the above guidelines and procedures, one can successfully export goods from India

Air freight calculation

Airlines that are members of the International Air Transport Association (IATA) are bound by their membership to comply with tariffs issued by IATA. However, since 11th September 2002, airfreight rates now extremely negotiable. Airfreight rates cover transportation from the airport of loading to the airport of discharge. These rates do not include the following:

- Collection of air cargo from the consignor's/exporter's premises
- Delivery of cargo from the airport of destination to the consignee's premises
- Storage of cargo before or after loading
- Customs clearance in the country of destination
- Any duties and taxes that may have to be paid
- Insurance

Chargeable/volumetric weight

Airline freight rates are based on a "chargeable weight", because the volume or weight that can be loaded into an aircraft is limited. The chargeable weight of a shipment will be either the "actual gross mass" or the "volumetric weight", whichever is the highest. The chargeable weight is calculated as follows: 1 metric ton = 6 cubic meters. In order to establish if the cargo will be a weight or volumetric based shipment.

Step 1

Measure the parcel/cargo along the greatest length, width and height of that parcel. For example; 100 cm (L) X 100 cm (W) X 100 cm (H) = 1 000 000 cm3. Next, weigh the parcel; assume it weighs 150kg.

Step 2

Now divide the 1 000 000 cm3 by 6 000 = 166,66 kg. You have now converted the centimeters (cm) into kilograms (kg)

Step 3

Now compare the weight to the volume. If the weight is 150 kg then the airline would base the freight on the higher amount being: 166,66 kg

Air freight calculations

The airline calculates freight based on weight or volume, which ever yields the greatest amount. Airlines quote freight rates based on the following rate structures:

- A basic minimum charge per shipment.
- General cargo rates quoted for per kilogram. This rate applies without reference to the nature or description of the parcel, which is to be freighted.
- Specific commodity rates apply to certain goods of specific descriptions, such as fresh produce. These rates are lower than the general cargo rate, and they provide breakpoints at which the level of the rate reduces further.

Example:

0 - 50 Kg @ R22.00/per kg

50 - 100 Kg @ R19.00 per kg

100 - 150 Kg @ R17.00 per kg

Unit Load Device charges

These rates are charged per container/ULD without reference to the commodity loaded therein. Calculation of freight rates:

Let us assume the following figures:

The freight rate is R18.00 per kg

The weight of the parcel is 300 kg

The dimensions are: 114,6 cm X 120,4cm X 132,5 cm

(round the cm's up or down)

Therefore: 115 cm X 120 X 133 cm = 1 835 400 divide by 6 000 = 305.9 kg (having converted cm's to kg's now round up the kg's to the next half a kilogram 306 kg. As the freight rate quoted by the airline is Rs 18.00 per kg, we calculate the price follows:

306 kg X Rs 18/kg = Rs 508.00

The freight rate will not be calculated on the actual mass 300 kg X R18.00 = R5 400.00 as the airline will always use the greater amount either the kg, or volumetric weight.

Consolidation

Consolidation is an economical method of moving cargo by employing a consolidator. The consolidator receives cargo from a number of suppliers/shippers and then combines these cargoes into one consignment by packing the goods into a Unit Load Device. The consolidator then books the Unit Load Device with an airline. The supplier/ shipper would have a contract of carriage with the consolidator of the cargo and in turn the airline would have a contract of carriage with the consolidator. The airline would issue an air waybill to the consolidator when accepting the Unit Load Device and in turn the consolidator would issue the supplier/shipper with a house air waybill.

The air waybill

The air waybill, unlike the ocean bill of lading is not a document of title to the goods described therein, however it does perform several similar functions these are:

- It is a receipt for the goods
- It is evidence of the contract of carriage between the exporter and the carrier
- It incorporates full details of the consignor/shipper, the consignee/receiver and the consignment/goods
- It is an invoice showing the full freight amount
- It must be produced, be it in an electronic format, at the airport of discharge for clearing purposes

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All copies of the air waybill, together with the commercial invoice, packing list, certificate of origin and any other document which may be necessary for clearing the goods through customs, these documents are carried in the flight captain's bag.

Sea freight calculations

Introduction

Sea freight calculations can broadly be divided into two main components; breakbulk and containerized. In this section we deal with how you should calculate the freight costs of both of these two types of sea freight.

Break bulk cargo calculations

Break bulk cargo, is cargo that is unitized, palletized or strapped. This cargo is measured along the greatest length, width and height of the entire shipment. The cargo is also weighed. Shipping lines quote break bulk cargo per "freight ton", which is either 1 metric ton or 1 cubic meter, which ever yields the greatest revenue.

Example:

A case has gross mass of 2 Mt. The dimensions of the cargo are:

2.5 x 1 x 2 meters. The tariff rate quoted by the shipping line is: USD 110.00 weight or measure (freight ton)

Step 1

Multiply the meters 2.5 X 1 X 2 = 5 meters Compare to the mass = 2 Mt.

Step 2

Calculate the freight with the greater amount either the mass or the dimension. 5 X USD 110.00 - USD 550.00

Freight would be paid on the measurement and not the weight. All shipping lines carrying cargo in a break-bulk form insist on payment based on a minimum freight charge which is equivalent to one freight ton, one cubic meter or one metric ton.

Full Container load calculations and surcharges

Freight rates for containers are based on the container as a unit of freight irrespective of the commodity or commodities loaded therein, (FAK) Freight All Kinds. The shipping lines quote per box (container) either a six- or twelve-meter container. From time to time, abnormal or exceptional costs arise in respect of which no provision has been made in the tariffs. For example, a shipping line cannot predict the movement of the US Dollar or the sudden increase of the international oil price. These increases have to be taken into account by the shipping line in order to ensure that the shipping line continues to operate at a profit. These increases are called surcharges. All shipping lines accordingly retain the right to impose an adjustment factor upon their rates taking into account these fluctuations. All surcharges are expressed as a percentage of the basic freight rate. Surcharges are regularly reviewed in the light of unforeseen circumstances, which may arise and bring cause for a surcharge increase.

Bunker Adjustment Factor (BAF)

"Bunkers" is the generic name given to fuels and lubricants that provide energy to power ships. The cost of bunker oil fluctuates continually and with comparatively little warning.

Example:

Freight rate: Port Elizabeth to Singapore

Freight rate: US Dollar:1 250.00 per 6-M container + BAF

US Dollar 1 250.00 X 5.2% US Add the two amounts

Freight rate: US Dollar 1 315.00

Currency Adjustment Factor (CAF)

The currency adjustment factor is a mechanism for taking into account fluctuations in exchange rates, these fluctuations occur when expenses are paid in one currency and monies earned in another by a shipping company. The currency adjustment factor is a mechanism for taking into account these exchange rate fluctuations. It is always expressed as a percentage of the basic freight and is subject to regular review.

Example:

Freight rate: Port Elizabeth to Singapore

Freight rate: US Dollar: 1 250.00 per 6-M container CAF 6.3% Dollar 1 250.00 X 6.3% US 78.75 Add the two amounts together Freight rate: US Dollar 1 328.75

War Surcharge

The outbreak of hostilities between nations can have a serious effect upon carriers servicing international trade even though they may sail under a neutral flag. Carriers sailing within the vicinity of a war zone may impose a war surcharge on freight to compensate for the higher risks involved and the higher levels of insurance premium, which they may be obliged to pay.

Example:

Freight rate: Port Eliza Beth to Singapore

Freight rate: US Dollar: 1 250.00 per 6-M container + WAR 5%

US Dollar 1 250.00 5% US Dollar 62.50

Add the two amounts together

Freight rate: US Dollar 1 35.50 = All of the above surcharges may be applied to a single freight rate.

Example:

Freight rate: Port Elizabeth to Singapore

Freight rate: US Dollar: 1 250.00 per 6-M container + BAF 5.2% +

CAF 6.3% +WAR 5%

Total amount of surcharge 16.5% US Dollar 1 250.00 X 16.5% US Dollar 206.25 (add to freight rate) US Dollar 1 456.25

Port Congestion Surcharge

Congestion in a port for a period of time can involve considerable idle time for vessels serving that port. When a ship lies idle, this creates a huge amount of loss for the ship's owner. Shipping lines therefore have the right to impose a surcharge on the freight to recover revenue lost.

Another factor which influences port congestion surcharge would be labour disputes. Port congestion surcharges are calculated as a percentage of the freight rate as expressed in the previous examples.

Consolidation services

The consolidator or groupage operator hires a container from a shipping line and then sells that space to his clients/exporters. The benefit for the exporter is that small quantities which, would not fill a full container load, can be shipped by sea freight in a shipping container as an alternative to air freighting the goods. The consolidator would charge per metric ton or cubic meter, which ever yields the greatest. Example: US Dollar 89.00 Weight or Measure. The shipping line would have a contract of carriage with the consolidator and in turn the consolidator would have a contract of carriage with the exporter. The consolidator would be issued with a combined through bill of lading from the shipping line and then present the exporter with a house bill of lading (See bill of lading below)

The bill of lading

The bill of lading performs the following functions:

- A contract of carriage between the shipper of the cargo and the carrying shipping company.
- The name of the shipper and the receiver of the goods the consignee.
- The contents of the packages as declared by the shipper.
- Shipping details such as: port of loading and the port of discharge.
- The bill of lading is a freight invoice and indicates if the freight costs have been prepaid by the exporter or will be paid by the importer, "freight collect".
- The bill of lading states the number of packages, weight and dimension of the shipment.
- It is a document of title to the goods stated thereon.

Every original bill of lading signed by or on behalf of the shipping company is a document of title to the underlying goods. This special function of a bill of lading is achieved by a form of words which state: "In witness whereof the undersigned on behalf of the shipping company has signed three bills of lading all of this tenor and date, one of which being accomplished the others to stand void". "Accomplishing" the bill of lading requires the surrender to the shipping line or its agents in the port or place of destination one of the signed original bills of lading duly endorsed by the consignee/importer. Unless and until one of the original bills of lading as described above is surrendered, the shipping line will not release the cargo to the consignee/importer. Upon surrender of any one of the originals the other originals bill of lading become void.

Endorsed Bills of Lading

Bills of lading can only be issued with the words "shipped on board", if the cargo has actually been loaded onto the named vessel at the port of loading. By insisting that the exporter supplies the importer with a "shipped on board" bill of lading, the importer obtains conclusive evidence that the goods have been loaded on board the intended vessel. Some importers insist that the exporter presents "shipped on board" bills as a condition for payment. "Received for shipment", bills of lading can be issued as soon as the goods have been delivered into the custody of the carrying shipping company or its agent either at the point of receipt or at the port of loading. Thus, a 'received for shipment", bill of lading will only indicate the ship in which the cargo is intended to be loaded on. The risk remains that the loading may, for many reasons delayed or the cargo may not be loaded at all.

Banks responsible for the payment of funds in payment for goods under letters of credit will not release the funds if the bill of lading has been endorsed "received for shipment"

Import process documentation

Import trade refers to the purchase of goods from a foreign country. The procedure for import trade differs from country to country depending upon the import policy, statutory requirements and customs policies of different countries. In almost all countries of the world import trade is controlled by the government. The objectives of these controls are proper use of foreign exchange restrictions, protection of indigenous industries etc. The imports of goods have to follow a procedure. This procedure involves a number of steps.

The steps taken in import procedure are discussed as follows:

(i) Trade Enquiry:

The first stage in an import transaction, like any other transaction of purchase and sale relates to making trade enquiries. An enquiry is a written request from the intending buyer or his agent for information regarding the price and the terms on which the exporter will be able to supply goods.

The importer should mention in the enquiry all the details such as the goods required, their description, catalogue number or grade, size, weight and the quantity required. Similarly, the time and method of delivery, method of packing, terms and conditions in regard to payment should also be indicated.

In reply to this enquiry, the importer will receive a quotation from the exporter. The quotation contains the details as to the goods available, their quality etc., the price at which the goods will be supplied and the terms and conditions of the sale.

(ii) Procurement of Import Licence and Quota:

The import trade in India is controlled under the Imports and Exports (Control) Act, 1947. A person or a firm cannot import goods into India without a valid import licence. An import licence may be either general licence or specific licence. Under a general licence goods can be imported from any country, whereas a specific or individual licence authorises to import only from specific countries.

The Government of India declares its import policy in the Import Trade Control Policy Book called the Red Book. Every importer must first find out whether he can import the goods he wants or not, and how much of a certain class of goods he can import during the period covered by the relevant Red Book.

For the purpose of issuing license, the importers are divided into three categories:

(a) Established importer,

(b) Actual users, and

(c) Registered exporters, i.e., those import under any of the export promotion schemes.

In order to obtain an import licence, the intending importer has to make an application in the prescribed form to the licensing authority. If the person imported goods of the class in which he is interested now during the basic period prescribed for such class, he is treated as an established importer.

An established importer can make an application to secure a Quota Certificate. The certificate specifies the quantity and value of goods which the importer can import. For this, he furnishes details of the goods imported in any one year in basic period prescribed for the goods together with documentary evidence for the same, including a certificate from a chartered accountant in the prescribed form certifying the c.i.f. value of the goods imported in the selected year.

The c.i.f. value includes the invoice price of the goods and the freight and insurance paid for the goods in transit. The quota certificate entitles the established importer to import upto the value indicated therein (called Quota) which is calculated on the basis of past imports. If the importer is an actual user, that is, he wants to import goods for his own use in industrial manufacturing process he has to obtain licence through the prescribed sponsoring authority.

The sponsoring authority certifies his requirements and recommends the grant of licence. In case of small industries having a capital of less than Rs. 5 lakhs, they have to apply for licences through the Director of Industries of the state where the industry is located or some other authority expressly prescribed by the Government.

Registered exporter importing against exports made under a scheme of export promotion and others have to obtain licence from the Chief Controller of Exports and Imports. The Government issues from time to time a list of commodities and products which can be imported by obtaining a general permission only. This is called as O.G.L. or Open General Licence list.

(iii) Obtaining Foreign Exchange:

After obtaining the licence (or quota, in case of an established importer), the importer has to make arrangement for obtaining necessary foreign exchange since the importer has to make payment for the imports in the currency of the exporting country.

The foreign exchange reserves in many countries are controlled by the Government and are released through its central bank. In India, the Exchange Control Department of the Reserve Bank of India deals with the foreign exchange. For this the importer has to submit an application in the prescribed form along-with the import licence to any exchange bank as per the provisions of Exchange Control Act.

The exchange bank endorses and forwards the applications to the Exchange Control Department of the Reserve Bank of India. The Reserve Bank of India sanctions the release of foreign exchange after scrutinizing the application on the basis of exchange policy of the Government of India in force at the time of application.

The importer gets the necessary foreign exchange from the exchange bank concerned. It is to be noted that whereas import licence is issued for a particular period, exchange is released only for a specific transaction. With liberalisation of economy, most of the restrictions have been removed as rupee has become convertible on current account.

(iv) Placing the Indent or Order:

After the initial formalities are over and the importer has obtained the licence quota and the necessary amount of foreign exchange, the next step in the import of goods is that of placing the order. This order is known as Indent. An indent is an order placed by an importer with an exporter for the supply of certain goods.

It contains the instructions from the importer as to the quantity and quality of goods required, method of forwarding them, nature of packing, mode of settling payment and the price etc. An indent is usually prepared in duplicate or triplicate. The indent may be of several types like open indent, closed indent and Confirmatory indent.

In open indent, all the necessary particulars of goods, price, etc. are not mentioned in the indent, the exporter has the discretion to complete the formalities, at his own end. On the other hand, if full particulars of goods, the price, the brand, packing, shipping, insurance etc. are mentioned clearly, it is called a closed indent. A confirmatory indent is one where an order is placed subject to the confirmation by the importer's agent.

(v) Dispatching a Letter of Credit:

Generally, foreign traders are not acquainted to each other and so the exporter before shipping the goods wants to be sure about the creditworthiness of the importer. The exporter wants to be sure that there is no risk of non-payment. Usually, for this purpose he asks the importers to send a letter of credit to him.

A letter of credit, popularly known as 'L/C or 'L.C is an undertaking by its issuer (usually importer's bank) that the bills of exchange drawn by the foreign dealer, on the importer will be honoured on presentation upto a specified amount.

(vi) Obtaining Necessary Documents:

After dispatching a letter of credit, the importer has not to do much. On receipt of the letter of credit, the exporter arranges for the shipment of goods and sends Advice Note to the importer immediately after the shipment of goods. An Advice Note is a document sent to a purchaser of goods to inform him that goods have been dispatched. It may also indicate the probable date on which the ship is expected to reach the port of destination.

The exporter then draws a bill of exchange on the importer for the invoice value of goods. The shipping documents such as the bill of lading, invoice, insurance policy, certificate of origin, consumer invoice etc., are also attached to the bill of exchange. Such bill of exchange with all these attached documents is called Documentary Bill. Documentary bill of exchange is forwarded to the importer through a foreign exchange bank which has a branch or an agent in the importer's country for collecting the payment of the bill.

There are two types of documentary bills:

(a) D/P, D.P. (or Documents against payment) bills.

(b) D/A, D.A. (or Document against acceptance) bills.

If the bill of exchange is a D/P bill, then the documents of title of goods are delivered to the drawee (i.e., importer) only on the payment of the bill in full. D/P bill may be sight bill or usance bill. In case of sight bill, the payment has to be made immediately on the presentation of the bill. But usually, a grace period of 24 hours is granted.

Usance bill is to be paid within a particular period after sight. If the bill is a D/A bill, then the documents of title of goods are released to the drawee on his acceptance of the bill and it is retained by the banker till the date of maturity. Usually, 30 to 90 days are provided for the payment of the bill.

(vii) Customs Formalities and Clearing of Goods:

After receiving the documents of title of the goods, the importer's only concern is to take delivery of the goods, when the ship arrives at the port and to bring them to his own place of business. The importer has to comply with many formalities for taking delivery of goods. Unless the following mentioned formalities are complied with, the goods lie in the custody of the Custom House.

(a) To obtain endorsement for delivery or delivery order:

When the ship carrying the goods arrives at the port, the importer, first of all, has to obtain the endorsement on the back of the bill of lading by the shipping company. Sometimes the shipping company, instead of endorsing the bill in his favour, issues a delivery order to him. This endorsement of delivery order will entitle the importer to take the delivery of the goods.

The shipping company makes this endorsement or issues the delivery order only after the payment of freight. If the exporter has not paid the freight, i.e., when the bill, of lading is marked freight forward, the importer has to pay the freight in order to get green signal for the delivery of goods.

(b) To pay Dock dues and obtain Port Trust Dues Receipts:

The importer has to submit two copies of a form known as 'Application to import' duly filled in to the 'Lading and Shipping Dues Office'. This office levies a charge on all imported goods for services rendered by the dock authorities in connection with lading of goods. After paying the necessary charges, the importer receives back one copy of the application to import as a receipt 'Port Trust Dues Receipt'.

(c) Bill of Entry:

The importer will then fill in form called Bill of Entry. This is a form supplied by the custom office and is to be filled in triplicate. The bill of entry contains the particulars regarding the name and address of the importer, the name of the ship, packages number, marks, quantity, value, description of goods, the name of the country wherefrom goods have been imported and custom duty payable.

The bill of entry forms are of three types and are printed in three colours-Black, Blue and Violet. A black form is used for non-dutiable or free goods, the blue form is used for goods to be sold within the country and the violet form is used for re-exportable goods, i.e., goods meant for re-export. The importer has to submit three forms of bill of entry along-with Port Trust Dues Receipt to the customs office.

(d) Bill of Sight:

If the importer is not is a position to supply the detailed particulars of goods because of insufficiency of information supplied to him by the exporter, he has to prepare a statement called a bill of sight. The bill of sight contains only the information possessed by the importer along-with a remark that he is not in a position to give complete information about the goods. The bill of sight enables him to open the package and examine the goods in the presence of custom officer so as to complete the bill of entry.

e) To pay Customs or Import Duty:

There are three types of imported goods:
(i) Non dutiable or free goods,

(ii) Goods which are to be sold within the country or which are for home consumption, and

(iii) Re-exportable goods i.e. goods meant for re-export. If the goods are duty free, no import duty is to be paid at the custom office. Custom authorities will permit the delivery of such goods after usual examination of the goods. But if the goods are liable for duty, the importer has to pay custom or import duty which may be based on weight or measurement of goods, called Specific Duty or on the value of imported goods Ad-valorem Ditty.

There are three types of import duties. On some goods quite low duties are levied and they are called revenue duties. On some others, quite high duties are charged to give protection to home industries against foreign competition. While goods imported from certain nations are given preferential treatment for the levy of import duties and in their case full protective duties are not charged.

(f) Bonded and Duty paid Warehouses:

The port trust and custom authorities maintain two types of warehouses- Bonded and Duty paid. These warehouses are situated near the dock and are very useful to importers who do not have godown of their own to store the imported goods or who, for business reasons, do not wish to carry them to their own godown.

The goods on which the duty has already been paid by the importer can be kept in the duty paid warehouses for which a receipt called 'warehouse receipt' is issued to him. This receipt is a document of title and is transferable. The bonded warehouses are meant for goods on which duty has been paid by the importer. If the importer cannot pay the duty, he may keep the goods in Bonded warehouses for which he is issued a receipt, called 'Dock Warrant'. Dock Warrant, also like warehouses receipt, is a document of title and is transferable.

The bonded warehouses are used by the importer when:

(i) He has no godown of his own.

(ii) He cannot pay the duty immediately.

(iii) He wants to re-export the goods and thereby does not want to pay the duty.

(iv) He wants to pay the duty in instalments.

A nominal rent is charged for the use of these warehouses. One special advantage of these warehouses is that the importer can sell the goods and transfer the title of goods merely by endorsing warehouse receipt or dock-warrant. This will save the importer from the trouble and expenses of carrying the goods from the warehouses to his godown.

(g) Appointment of clearing Agents:

By now we understand that the importer has to fulfill many legal formalities before he can take delivery of goods. The importer may take the delivery of the goods himself at the port. But it involves much of time, expenses and difficulty. Thus, to save himself from the botheration of complying with all the complicated formalities, the importer may appoint clearing agents for taking

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the delivery of the goods for him. Clearing agents are the specialised persons engaged in the work of performing various formalities required for taking the delivery of goods on behalf of others. They charge some remuneration on performing these valuable services.

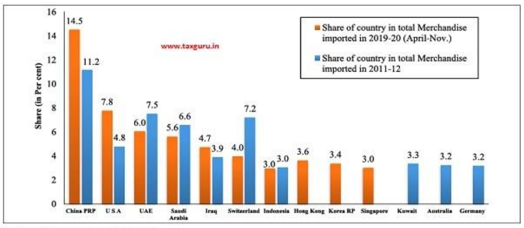
(viii) Making the Payment:

The mode and time of making payment is determined according to the terms and conditions as agreed to earlier between the importer and the exporter. In case of a D/P bill the documents of title are released to the importer only on the payment of the bill in full. If the bill is a D/A bill, the documents of title of the goods are released to the importer on his acceptance of the bill. The bill is retained by the banker till the date of maturity. Usually, 30 to 90 days are allowed to the importer for making the payment of such bills.

(ix) Closing the Transactions:

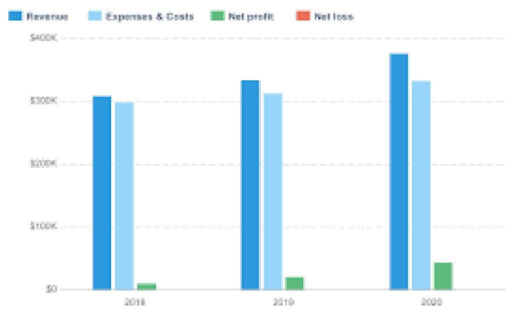
The last step in the import trade procedure is closing the transaction. If the goods are to the satisfaction of the importer, the transaction is closed. But if he is not satisfied with the quality of goods or if there is any shortage, he will write to the exporter and settle the matter. In case the goods have been damaged in transit, he will claim compensation from the insurance company. The insurance company will pay him the compensation under an advice to the exporter.

EXTERNAL SURVEY



Source: Department of Commerce.

IMPORT AND EXPORT (2018-2020)



INTERPRETATION

Mandatory Documents Required for Export of goods from India

- Bill of lading
- Commercial invoice
- Shipping bill
- Packing list
- Export license

Others documents required are

- Insurance certificate
- Inspection certificate
- Fumigation certificate etc.

The Term on which business deals are done

FOB {+the named port of origin}

FREE ON BOARD:
The delivery of goods on the board the vessel at the named port of origin (Loading) at seller's expense. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks. In the export quotation, indicate the port of origin (loading) after the acronym FOB, for example FOB Vancouver and FOB Shanghai.

CIF {+named port of destination}

COST, INSURANCE AND FREIGHT:
The cargo insurance and delivery of goods to the named port of destination (discharge) at the seller's expense. Buyer is responsible for the import customs clearance and other costs and risks.

FCA {+the named point of departure}**FREE CARRIER**: The delivery of goods on truck, rail car or container at the specified point (depot) of departure, which is usually the seller's premises, or a named railroad station or a named cargo terminal or into the custody of the carrier, at seller's expense. The point (depot) at origin may or may not be a customs clearance center. Buyer is responsible for the Main carriage/freight, cargo insurance and other costs and risks:

In the air shipment, technically speaking, goods placed in the custody of an air carriage are considered as delivery on board the plane. In practice, many importers and exporters still use the term FOB in the air shipment. The term FCA is also used in the RO/RO (roll on/roll off) services

In the export quotation, indicate the point of departure (loading) after the acronym FCA, for example FCA Hong Kong and FCA Seattle. Some manufacturers may use the former terms FOT (Free on Trucks) and FOR (Free on Rail) in selling to export traders.

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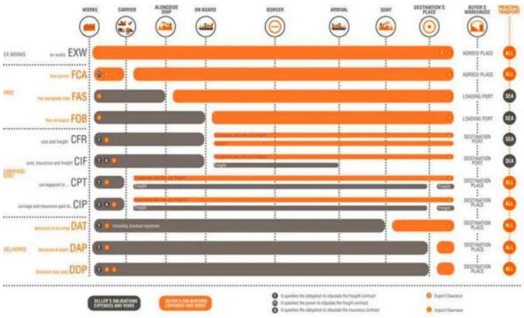

5.1 Findings

• A minor mistake in filling documents will cause a huge loss so only well experienced member should fill the documents.

• Sending the documents, the person in charge must take care to send all the necessary documents otherwise the goods cannot be released.

• Drafts are presented after letter of credit has expired (or) after time for shipment has expired.

• Invoice value or draft exceeds amount available under letter of credit.

• Charges included in the invoice are not authorized in the letter of credit.

• Not all documents required by letter of credit are presented

• Invoice does not specify shipment terms (CPF, CIR, FOB etc.,) as stated in letter of credit.

• There are numerous procedures in "customs clearance" for documentation.

• The customs brokerage charged for documentation is high competition in the market for export.

• Certain countries documents are very difficult to prepare

• The documentation process gets delayed in case of agents and agent delay working

Suggestions

- Trained personnel's can be appointed for preparation of documentation
- For looking after the "customer clearance" there can be separate persons.
- As far as possible only one bank can be used to avoid confusion
- Transportation can be made early itself to avoid late shipment.
- Country wise documents can be distinguished to avoid confusion
- Alternatives can be made for transport strike.
- During customs holiday the goods can be sent early itself to avoid delay.

CONCLUSION

Documentation plays a vital role in International trade.Documentation facilitates the smooth flow of physical goods and payment thereof across national frontiers. The complexity of documentation can be eliminated when prepared by experienced staffs. The document required differs from country to country before filing. Care must be taken while filling the documents as minor error may result in huge loss the company. Most of the companies have trained personals to fill in such documents to avoid complexities later. While sending copies of certain documents the original is however retained for further verification on a later date. Though it is a complex process in plays an major role in the International trade.

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