SYLLABUS

B.Com III Year (FT)

Subject – Shipping, Insurance and Documentation

Unit-I	Shipping: containerization, packing and marketing for export. Mode of transport – Types of ship and shipping, booking of shipping space.
Unit-II	Insurance: Cargo insurance: Meaning need, principals policy, contents feature, types of cover, type of losses. Procedure for filling claim.
Unit-III	Documentation: Need rationale and types of document, obtaining export and import license, processing of an export order.
Unit-IV	Excise and customs clearance of export cargo, Custom clearance of import cargo. Pre-shipment inspection and quality control.
Unit-V	Shipment of goods and port procedure. Post-shipment formalities and procedures. Claiming Duty drawback and other benefits.

UNIT-I
MODES OF TRANSPORT

Air Transport

The air transport of the goods involves sending shipment of goods through one of the international airlines. The exporter need not directly approach the airline for booking of the cargo. This job is done in a cost effective manner by the C&F agents who generally negotiate with the airlines lower freight rates as they provide bulk cargo to them. Some of the C&F agents act as consolidators for the airlines. In practice, the airlines are known to offer huge amounts of discount to the C&F agents for booking of the cargo. Such discounts may not be available to an individual exporter as the total cargo offered may not have the substantial load. While selecting the airline, the exporter should be guided by the considerations of cost and timely delivery of the goods. It should, however, be ensured that the cargo shall be carried in the manner as specified in the export order. The export order may provide for direct shipment or transshipment. Direct shipment means that the same airline should carry the cargo from port of loading to the port of discharge.

Transshipment of the goods permits change of plane on the way to the destination of the cargo. In this case, the loading and unloading takes place at least twice. The exporter may find transshipment attractive as the cost of transportation is generally lower as compared to direct shipment. Against this cost advantage of transshipment over direct shipment, the exporter runs the risk of delay in transportation of goods and possible damage to the goods during loading/unloading at the intermediate ports. The decision should be based mainly on the terms as given in the export contract. Transshipment should not be preferred unless it is permitted by the buyer. There is a delay in shipment or damage to the goods, the importer may not accept the goods or even if he accepts, may raise a claim against the exporter for compensation for the damaged goods. This would spoil the reputation of the exporter which would adversely affect the growth of his business.

Advantages of Air Transport

1. Fastest means of transport: As compared to other means of transport air transport is the fastest. If goods have to reach quickly it is the most suitable means of transport. Vegetables and fruits are sent through air transport in the intentional trade.
2. Time Saving. It saves time to carry goods through air transport as compared to other means of transport.
3. Free from geographical hurdle. Land transport has to face hurdles from rivers, mountains, hills and forest. In the same way water transport faces challenges from storms, tides, rocks etc. Air transport is free from all these hurdles.
4. Suitable for perishable goods. These goods have very short period market, so air transport being the fastest means of transport is the most suitable for it.
5. Helpful in the administration. In order to maintain internal peace and harmony, it is necessary that requisite administrative steps must be taken immediately. Men, material and administration move swiftly to the disturbed areas through air transport.
6. The warehousing costs are reduced to the minimum.
7. The insurance premium in the case of air transport is lower as compared to the sea transport in view of the reduced level of risks.
8. The losses due to rough handling, breakage and pilferage are also reduced to the minimum.

Disadvantages of Air Transport

1. More fright charges. Air transport is the costliest means of transport, so it is very expensive and cannot be availed of by every firm.
2. Seasonal hurdles. Bad weather due to storm, cyclone, etc. prevents air flights.
3. Limited carrying capacity. Load carrying capacity of air transport is limited. Aero planes and helicopters are small and they have to fly in the air, so they cannot carry heavy load.

4. Plane hijacking. The problem of hijacking of plane is causing concern and worry to us. Terrorist hijack planes for their political selfish ends and are danger to passengers.

Sea Transport

Sea transport involves carriage of goods by ship to the port of discharge. The contract of carriage of goods by sea refers to the contract between the shipper and the shipping line (referred to as the carrier) for transportation of goods against payment of remuneration (i.e. freight) to the carrier. The shipper may be the seller (exporter) of goods or a freight forwarder or any other person sending shipment on behalf of the exporter. One who sends the shipment is called the consignor/shipper and the person to whom the goods are shipped is called the consignee. It may so happen that the buyer or a clearing agent or any other person acting for the importer. It may so happen that the buyer may be importing goods on behalf of a customer in his country and in such a case may request the exporter to consign the goods to the customer directly. In this case the consignee would be different from the buyer who placed the export order. The carrier may be the owner of the ship or a charterer. The latter is an agent who books the cargo on behalf of the shipping line. The legal carrier of the goods is the party contracting with the shipper to carry the goods; the carrier may be the actual carrier or may arrange for shipment by another carrier. In the latter case, he is usually responsible for the acts and omission of the other carrier. The amount of freight may be paid by the consignee of the goods.

With the development of combined or multi-modal transport systems, many of the freight forwarders now contract as carriers even though they may not be personally involved in sea transport. Once the goods are packed and their pre-shipment inspection has been completed, the exporter should draw up a logistics plan for the distribution of the goods to the importer to ensure their timely delivery. This involves planning for transportation of the goods. The decision as regards the mode of transport to be used is thus, the essence of distribution logistics. The logistics plan should be drawn up considering the factors such as one, the alternative modes of transport and two, the mode which is optimal from the point of view of the total transportation costs. It may sometimes so happen that there is no direct shipping link between the exporting and the importing country. In such a case, transport of the goods would involve transshipment of goods from an intermediate port in another country. The availability of the transport link between the exporting and importing country is so vital to the distributing of goods that the exporter may not concentrate on a certain market for export even if its advantages outweigh the non-availability of the transport link. The shipment would be sent by air or by sea or road is a matter of negotiation between the exporter and the importer and is specified in the export contract. The exporter has to plan the transport logistics to ensure the timely dispatch of the goods. This requires decision as to which airline or shipping line should be selected for transport of the goods from the port of shipment to the port of discharge.

Inland water transport. Rivers and canals are the two routes of inland water transport. Rivers are the gift of nature. We are not required to incur heavy expenditure in making river routes. Rivers are the most suitable for sending wood from dense forests and hilly areas. We use boats, steamers and motor boats for river transport. This means of transport is useful for carrying wood, stones, sands, lime stones and other raw minerals. Canal routes may also be used in inland routes. Canals are constructed by men to meet its requirements of water for irrigation and transport etc.

Coastal and Oceans shipping: Seas transport has assumed much importance. These ships are built with heavy costs; even then it is cheaper to carry goods through ships, because sea route is natural route and does not require expenditure for constructing routes. Ships are classified as liners and tramps:
Liners: These ships carry cargo and passengers between two ports according to prescribed schedule. These liners are owned by big shipping companies who form shipping ring to regulate freight etc.
Trams: These ships neither have ships regular journey nor scheduled timings for arrival and departure. These ships carry goods only. Larger part of sea transport is routed to them because they are available every time and prepared to go anywhere.

Advantages of Water Transport

1. Cheapest Means of Transport: Water transport is the cheapest means of transport, because heavy capital expenditure for constructing roads and railway lines is not required. Water route is the gift of nature.
2. Growth of Foreign Trade: Three forth part of earth is covered with water. Sea is situated on the banks of many countries. Seas are the connecting link between two countries. It is the water transport which has revolutionized foreign trade with the cheapest means of transport.
3. Suitable for Heavy goods: It has got big ships which can take heavy, huge and specious commodities in large quantities. These ships are the largest means of transport.
4. Suitable for longer distance: Being the cheapest means of transport it is always in the interest of business to send goods through it and save freight charges.
5. More carrying capacity: Ships, being largest in size as compared to other means of transport can carry large quantity of goods from one place to another.

Disadvantages of Water Transport

1. Slow Speed: Water transport is perhaps the slowest means of transport so it takes comparatively more time as compared to other means of transport.
2. Natural Hindrance: Tides and storms are the common features of the sea. Sometimes ships collide with rocks. These natural hindrances made the sea transport difficult, risky and dangerous.
3. Long water routes: Water routes are generally longest. Ships have to cover unnecessary longer distance. It takes more time and increases freight charges.
4. More loading and unloading expenses: Goods are loaded and unloaded many times in different means of transport. It increases loading and unloading expenses. The sender of goods sends through road or rail to the port city where it is unloaded and taken by road transport to ports, where vans and sometimes cranes are used for loading. The same process is prepared after the goods reaches destined port. The lengthy process increases costs.
5. Unsuitable for perishable goods: Perishable goods have very short period market, so the water transport being the slowest means of transport is not suitable for the transportation of perishable goods like vegetables, eggs, milk, fruits, fish, etc.

Surface/Land Transport

Rail Transport: There are two possible ways of sending goods through rail i.e. passenger train & goods train. The sender of goods has to evaluate the utility of passenger and goods train and opt for one of them as means of transport. There are limited bogeys for carrying goods in passenger train. Passenger trains have scheduled timings for arrival and departure, so goods sent through them reach quickly at scheduled time but freight charge by passenger trains are more than the freight charge by goods train. Perishable goods have very short period market so it is always safe and suitable to send these goods through passenger trains. Perishable goods consist of vegetables, milk, fruits, eggs, fish, etc. It will be good to sent non perishable goods through goods train, because of lesser charges and no haste for delivery.

Advantages of Rail Transport

1. Suitable for long distance inland transport: Railways are faster in speed than roadways, so it is suitable to send goods through rails.
2. Safe means of transport for bulky goods: Railways are suitable means of transport for heavy and bulky goods.
3. Helpful in agricultural development: Improved means of transport has been responsible for agricultural development. It helps in the transport of agricultural products, seeds, tools and equipment from one place to another. Green Revolution in Indian agriculture is the result of transportation facilities.

4. Helpful in industrial development: Railways establish link with the different parts of the country. It increases the market of goods. Sales are multiplied. Production is increased to meet the increased demand of goods. All these results in industrial development.
5. Helpful in development of trade and commerce: Transportation is the essential requirement for the development of trade and commerce. It widens market of goods, multiplies consumers, sustains and creates regular demands. Consequently there is development of trade and commerce.

Disadvantages of Rail transport:

1. Railway lines do not reach the godowns of business houses so the cost of loading and unloading goods increases.
2. Rail transport is not elastic. Railway lines are fixed, so they cannot move as per wish and requirements of the business as in the case of road transport.
3. Rail accidents cause heavy losses.
4. Rail transport requires heavy capital expenditure.

Rail transport in India: In India railway services started on April 16th, 1853 when the first train was run between Bombay and Thane. After that rail services have developed a lot. Now Indian railways are first in Asia and fourth in the world. Railway is also the biggest public sector undertaking in the country. Indian railways have total assets of about 8,500 crores and staff strength of about 18 lakhs persons.

Indian railways have a route length of nearly 62,000 Kms. Indian railways run 12,600 trains everyday connecting 7091 railway stations. Electrified tracks amount to 8160 route kms out of 61970 Kms. Shatabadi Express is the fastest train in India with a speed of 140 Kmph. Indian Railways is striving to expand the area of computer application. Freight operations are being computerized. It will definitely bring qualitative improvements in customer services.

Road Transport: Road Transport is the transportation of goods through roads. It is the most popular means of land transport. Road Transport has the capability to reach every corner. It establishes links between cities and remotest villages. It is in real sense connecting link of one part of the country with other parts. Road transport is simple, easy, convenient and the oldest means of transport.

Advantages of Road Transport

1. Delivery of goods from godown to godown: The greatest advantage of road transport is that it picks up goods from godown of the seller and takes it to the godown of purchaser.
2. Safety of goods: There is no need for goods being loaded and unloaded many times, so it remains safe an intact.
3. Small capital: Road transport vehicles are cheaper than rail, water and air transport, Trucks, Tempos, Vans and horses and carts, etc. can be purchased on cheap rates.
4. Time saving: This means of transport is always at the disposal of the business and the goods can be sent immediately. It is the most suitable method for small distance.
5. Suitable for perishable goods: These goods have very short period markets so they must be transported immediately. For sending perishable goods like eggs, fish, vegetable and milk it is the most suitable.

Disadvantages of Road Transport

1. Slow Speed: Road transport is not as fast as railways and air transport. This is why goods sent through this means of transport takes more time.
2. Seasonal Hindrance: Road transport disturbed in cases of floods, storms, snowfall etc. so it is very difficult to use this means of transport in bad weather.
3. Uncertain of time: Through the facilities of road transport are always available but it cannot be taken as granted as to when good will reach their destination.

4. More chances of accidents: There are large numbers of roads accidents due to heavy rush, rash driving, robbers, wayside hurdles and mechanical defects in the vehicles.
5. Unsuitable for heavy goods: Every vehicles of road transport has limited carrying capacity so heavy, bulky, and specious commodities cannot be easily transported through this means of transport.

Comparison between Railway and Roadways

Points of Difference	Railways	Roadways
1. Distance	The railways are the best means of long distance travelling.	The roadways are the best suited for the short distance travelling.
2. Links	The railways connect the metropolitan cities with each other.	The roadways are the best means of connecting small cities, towns & villages.
3. Hilly area	In the hilly areas, it is difficult as well as expensive to construct railways lines due to the gradient of slope.	The roadways are useful for the plains as well as in hilly area, because less cost and less labour is incurred in constructing roads.
4. Types of goods	The railways can easily transport heavy and specious goods, such as minerals, iron and steel products and minerals etc.	The roadways are helpful in transporting perishable products like fresh fruits, vegetables and breakable commodities like glass, China clay utensils etc.

Pipe Line Transport

It has also been introduced because of its low energy consumption, low transit losses and low overall running cost. Pipelines have been constructed to transport crude oil, petroleum products and natural gases. The Indian Oil Corporation has built an extensive network of pipelines for its product. Every refinery has its pipeline links to its nearest central places. Gas Authority of India was set up in August, 1984, to construct and operate 730 Kms pipeline, the Hazira-Bijapur-Jagdishpur pipeline. We have also been laying pipeline for the movement of iron ore in slurry form (a mixture of fine ore and water).

Selection of Suitable Means of Transport: While selecting the suitable means of transport following factors should be taken into consideration:

1. Distance: It is most important consideration, for long distance water and air transport are suitable. In case of inland trade for long distance railways should be preferably used.
2. Availability of means of transport: Every means of transport is not available for every place, so it is place of forwarding and destination of goods which decides the suitable means of transport. Water and air transport facilities are not available at every place, so the choices has to be made between rail and road transport. If railway station is not available at forwarding and destination place road transport will be suitable.
3. Nature of Commodity: If the commodity to be sent is bulky and heavy, water transport in case of foreign trade and railways in case of inland trade is preferable. Perishable goods should be sent by air transport in case of foreign trade and passengers trains or road transport in case of inland trade.
4. Cost of Transportation: Cost of transportation ads to the cost of production, so means of transportation should be selected taking into consideration the cost factors.
5. Other Consideration: loading, unloading facilities, warehousing, packing, delivery and cold storage facilities etc. are other factors determining the means of transport railways have recently started container services.

NVOCC (None Vessel Owning Common Carriers)
The multimodal transportation has widened the scope of operations of Intermediaries. After the promulgation of Multimodal Transport Legislation, Indian companies including ship agents can operate as MTO's after obtaining a license from the Directorate General of Shipping.

These MTO's need not be ship owners or operations i.e., Vessel Owning Common Carriers (VOCCs) Many ship agents have obtained the requisite license and are thus recognized MTOs. They thus operate as Non Vessel Owning Carriers (NVOCCs).
Containerized transport has opened up this avenue for them and they can function as MTOs even from inland locations. MTOs issue their own multimodal transport document (MTD). Shipping agents by becoming MTOs transform themselves into principals with all the concomitant liabilities of an NVOCC.

STEVEDORES
Stevedores are appointed by the shipping company to receive cargo and to load or to discharge/unload cargo from the ship. The term stevedoring means loading of cargo into and from a ship with the help of cranes and derricks installed in the ship as well as o the wharf containers are handled by huge gantry cranes.

MULTI-MODAL TRANSPORT

Every mode of transport has its own strengths and limitations in absolute as well as relative terms. These strengths and weaknesses put challenges and opportunities before surviving and growing in the competitive environment. That is why, after realizing their limited strengths and emerging challenges, various modes of transport have started cooperating with each other to pool their resources and facilities so as to have a win-win situation to all while meeting the service expectation of their customers. The beginning of the state-of-the-art coordination of two or more modes to transport rather than in competition with each other.
Multi-modal transport is defined as multi-modal transport as the carriage of goods by at least two different modes of transport on the basis of a multi-modal transport contract from a place in one country at which the goods are taken in charge by a multi-modal transport operator to a place designated for delivery.

Advantages of Multi Modal Transport

- Loss of time and risk of loss, pilferage and damage to cargo incidental to the conventional segmented transport are eliminated.
- The movement of the cargo is faster.
- The burden of documentation and other formalities connected with segment transport is reduced.
- The resultant cost saving tend to reduce the through freight rates and the cost of cargo insurance.
- The consignor has to deal with only one agency – the multi-modal transport operator (MTO) – in all matters relating to the movement of his goods including settlement of claims.
- The through rates offered by MTO make it easier for the exporter to negotiate sales contracts with foreign buyers on the basis of delivered prices.

Multi Modal Transport Document
The content of the content of the multi-modal transport document (MTD) or the combined transport document are the same as given in the traditional B/L except that MTD

- Shows the place of acceptance or receipt (taking in charge) and the place of delivery instead of ports of shipment and discharge.
- Confirms that the goods have been "taken in charge" for through-carriage from the place of acceptance or receipts to the place of delivery instead of being loaded on board a named carrying vessel.

- May be issued by an operator who does not necessarily own the ships used to carry out any sea transport involved.
- Necessarily involves transshipment (by transfer from one mode of transport to another).

MTD constitutes title to the goods and it's transferrable by endorsement. The holder of the MTD is entitled to receive or transfer the goods as mentioned in the MTD.

DETERMINATION OF FREIGHT RATES

The determination of the freight rates is different for different forms of shipping. For instance, in the case of liner shipping the freight rates are fixed taking into consideration number of factors such as total volume of cargo. It's share in the total traffic, the regularity with which the item is offered for carriage, the nature of cargo, value of the cargo, storage factor, special characteristics imposing extra responsibility on the carrier, heavy lifts- long lengths, extent of competition etc. Liner rates are generally the administered rates in which the totality of revenues is very important and freight rates are not fixed for individual items. (The storage factor of any cargo is the volume which a certain amount of weight of that cargo occupies. It is normally measured in cubic metric ton. The higher the stowage factor, the lighter will be the cargo and the lower the stowage factor, the heavier the cargo.)

The Conference forms of shipping eliminations the competition among the liners. The member shipping lines in a Conference agree to provide the services on a given route at uniform rates and the terms and conditions of carriage as given in the tariff. The Conference provides various kinds of incentives to the shippers to attract them in order to achieve the exclusive right of carriage on their respective routes of operation. The freight rates charged by the Conference lines are fixed taking into consideration a complex set of factors namely:

1. Nature and volume of cargo
2. Relationship of weight to the measurement
3. Competition from other carriers/conferences
4. Possibility of damage, pilferage, light rage
5. Operational Cost
6. Port charges and dues
7. Possibility of security return cargo

BOOKING OF SHIPPING SPACE

The exporter can book shipping space with a carrier or carrier's agent directly or through a customs broker or forwarder. In practice, it is not uncommon for the exporter to select a carrier and shipping schedule and let the customs broker or forwarder book the space.

Choosing the Carrier

Unless the importer specifies a carrier, the exporter is free to choose a shipping company or airline which offers a competitive rate and can meet the latest date for shipment. Certain importing countries may prohibit the use of flag vessels of a hostile country and any vessels that would make a stopover in a hostile country en route to their territory.

Worldwide Seaports

Please see Seaports of the World. Some port names may be spelled differently, for example, Arkhangelsk in the Russian Federation may appear as Archangels.

The letters after the port names in Australia, Canada and the U.S.A. represent the state or province where the port is located (please see General References---Abbreviations - Provinces, States and Territories).

Checking the Ocean Shipping Schedules

In many countries, the ocean shipping schedules (both outbound and inbound) are published in a major newspaper. In countries where newspapers do not carry shipping schedules, the exporter may contact the carrier, customs broker or forwarder for shipping information. The information is also available from private publishers of shipping schedules.

Carrier - Voyage/Flight No.

The phrase "carrier - voyage/flight no." refers to the name of the carrier and its voyage number (in the case of ocean and land freight) or flight number (in the case of air freight).

In ocean freight, the name of a carrier usually is preceded by letters S/S, SS, S.S., M/V, MV or M.V.. The S/S, SS or S.S. stands for steamship, while M/V, MV or M.V. for merchant vessel. The term steamship is still widely used despite the fact that modern ships are not propelled by steam.

ETD (ETS) and ETA

When booking shipping space, the exporter should know the ETD (ETS) and ETA of the shipment.

The term ETD is the estimated or expected time of departure from the port or point of origin; it applies to all modes of transportation. ETD is shipment on or about.

The term ETS is the estimated or expected time of sailing from the port of origin; it applies to ocean freight. ETS is sailing on or about.

The term ETA is the estimated or expected time of arrival at the port or point of destination; it applies to all modes of transportation.

Stopover En Route to Destination

When booking a shipping space, it is important to verify whether the vessel will stopover in other port(s) to unload and load other cargoes en route to the destination. The stopover in certain ports, particularly congested ones, may extend far beyond the expected time.

Verbal Booking of Space and Dead Freight

In many countries, verbal booking of shipping space is accepted, except for dangerous goods. Sometimes, the space booked is not used and the carrier may levy a charge known as dead freight. The exporter must inform the customs broker or forwarder who booked the space on his/her behalf in advance if the space will not be used, so that other shippers may use the space and to avoid paying the dead freight charge.

Dangerous Goods

When shipping dangerous goods, a written application for shipping space is required. If a shipping order is issued for dangerous goods, it does not mean that the goods will be accepted for loading on board the vessel. When they arrive at the designated customs delivery (closing) location, the goods, shipping order and Dangerous Goods Note are submitted to the ship's master for approval before customs clearance and loading.

Reference –

1) *Export Marketing, B.S. Rathore, P-401-417 for containerization, packaging & Marketing for export.*

PORTS:-

A port is a location on a coast or shore containing one or more harbors where ships can dock and transfer people or cargo to or from land. Port locations are selected to optimize access to land and navigable water, for commercial demand, and for shelter from wind and waves. Ports with deeper water are rarer, but can handle larger, more economical ships. Since ports throughout history handled every kind of traffic, support and storage facilities vary widely, may extend for miles, and dominate the local economy. Some ports have an important military role.

The terms "port" and "seaport" are used for different types of port facilities that handle ocean-going vessels, and river port is used for river traffic, such as barges and other shallow-draft vessels.

The largest ports are Los Angeles in the U.S., Manzanillo in Mexico and Vancouver in Canada. Panama also has the Panama Canal that connects the Pacific and Atlantic Ocean, and is a key conduit for international trade.
For details on all North American ports, see the List of North American ports.
The ports of the United States handle more than 2 billion metric tons of domestic and import/export cargo annually. American ports are responsible for moving over 99 percent of the country's overseas cargo.

Port and starboard are nautical terms which refer to the left and right sides, respectively, of a ship as perceived by a person on board facing the bow (front). At night, the port side of a vessel is indicated with a red navigation light and the starboard side with a green one.

The starboard side of most naval vessels the world over is designated the "senior" side. The officers' gangway or sea ladder is shipped on this side and this side of the quarterdeck is reserved for the captain. The flag or pennant of the ship's captain or senior officer in command is generally hoisted on the starboard yard.

An early version of "port" is larboard, which itself derives from Middle-English ladebord via corruption in the 16th century by association with starboard. The term larboard, when shouted in the wind, was presumably too easy to confuse with starboard[1] and so the word port came to replace it. Port is derived from the practice of sailors mooring ships on the left side at ports in order to prevent the steering oar from being crushed.

Larboard continued to be used well into the 1850s by whalers, despite being long superseded by "port" in the merchant vessel service at the time. "Port" was not officially adopted by the Royal Navy until 1844 (Ray Parkin, H. M. Bark Endeavour). Robert FitzRoy, captain of Darwin's HMS Beagle, is said to have taught his crew to use the term port instead of larboard, thus propelling the use of the word into the Naval Services vocabulary.

KINDS OF PORTS :-

Inland port

An Inland port is a port on a navigable lake, river (fluvial port), or canal with access to a sea or ocean, which therefore allows a ship to sail from the ocean inland to the port to load or unload its cargo.

Fishing port

A fishing port is a port or harbour for landing and distributing fish. It may be a recreational facility, but it is usually commercial. A fishing port is the only port that depends on an ocean product, and depletion of fish may cause a fishing port to be uneconomical. In recent decades, regulations to save fishing stock may limit the use of a fishing port, perhaps effectively closing it.

Dry port

A dry port is an inland intermodal terminal directly connected by road or rail to a seaport and operating as a centre for the transshipment of sea cargo to inland destinations.[1]

Warm-water port
A warm water port is one where the water does not freeze in winter time. Because they are available year-round, warm water ports can be of great geopolitical or economic interest. Such settlements as Vostochny Port,[2] Murmansk and Petropavlovsk-Kamchatsky in Russia, Odessa in Ukraine, Kushiro in Japan and Valdez at the terminus of the Alaska Pipeline owe their very existence to being ice-free ports.

Seaport
A seaport is further categorized as a "cruise port" or a "cargo port". Additionally, "cruise ports" are also known as a "home port" or a "port of call". The "cargo port" is also further categorized into a "bulk" or "break bulk port" or as a "container port".

Cruise home port
A cruise home port is the port where cruise-ship passengers board (or embark) to start their cruise and disembark the cruise ship at the end of their cruise. It is also where the cruise ship's supplies are loaded for the cruise, which includes everything from fresh water and fuel to fruits, vegetable, champagne, and any other supplies needed for the cruise. "Cruise home ports" are a very busy place during the day the cruise ship is in port, because off-going passengers debark their baggage and on-coming passengers board the ship in addition to all the supplies being loaded. Currently, the Cruise Capital of the World is the Port of Miami, Florida, closely followed behind by Port Everglades, Florida and the Port of San Juan, Puerto Rico.

Port of call
A port of call is an intermediate stop for a ship on its sailing itinerary, which may include up to half a dozen ports. At these ports, a cargo ship may take on supplies or fuel, as well as unloading and loading cargo. But for a cruise ship, it is their premier stop where the cruise lines take on passengers to enjoy their vacation.

Cargo port
Cargo ports, on the other hand, are quite different from cruise ports, because each handles very different cargo, which has to be loaded and unloaded by very different mechanical means. The port may handle one particular type of cargo or it may handle numerous cargoes, such as grains, liquid fuels, liquid chemicals, wood, automobiles, etc. Such ports are known as the "bulk" or "break bulk ports". Those ports that handle containerized cargo are known as container ports. Most cargo ports handle all sorts of cargo, but some ports are very specific as to what cargo they handle. Additionally, the individual cargo ports are divided into different operating terminals which handle the different cargoes, and are operated by different companies, also known as terminal operators or stevedores.

FACILITIES AT PORTS:-
The International Ship and Port Facility Security (ISPS) Code is an amendment to the Safety of Life at Sea (SOLAS) Convention (1974/1988) on minimum security arrangements for ships, ports and government agencies. Having come into force in 2004, it prescribes responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to "detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade."

1. BERTHING FACILITIES
Berth is the term used in ports and harbors for a designated location where a vessel may be moored, usually for the purposes of loading and unloading. Berths are designated by the management of a facility (e.g., port authority, harbor master). Vessels are assigned to berths by these authorities.

Most berths are alongside a quay or a jetty (large ports) or a floating dock (small harbors and marinas). Berths are either general or specific to the types of vessel that use them. The size of the berths varies from 5-10m for a small boat in a marina to over 400m for the largest tankers.
Following is a list of berth types that can be found in a large port:

- Bulk berth: Used to handle bulk cargo. Vessels are loaded using either excavators and conveyor belts or pipelines. Storage facilities for the bulk cargo are often alongside the berth - e.g. silos or stockpiles.
- Container berth: Used to handle 20' and 40' standard intermodal containers. Vessels are loaded and unloaded by container cranes, designed specifically for the task. Alongside the quay there is often a large flat area used to store both the imported and exported containers.
- General berth: Used to handle smaller shipments of general cargo. Vessels using these would usually have their own lifting gear, but some ports will provide mobile cranes to do this.
- Lay berth: (Sometimes designated as "layberth") (1) A berth used for idle (lay-up [1] status) vessels. (2) A berth where no loading or unloading takes place. Lay berth and lay-by berth (below) may be used somewhat interchangeably for intermediate (two to seven day) periods.
- Lay-by berth: A general berth for use by vessels for short term waiting until a loading or discharging berth is available.
- Marina berth: Used to allow the owners of leisure craft on and off their boats. Generally alongside pontoons and accessed by hinged bridges (in tidal locations) to the shore.
- Product berth: Used to handle oil and gas related products, usually in liquid form. Vessels are loaded via loading arms containing the pipe lines. Storage facilities for the products are usually some distance away from the berth and connected by several pipes to ensure fast loading.
- X berth: Suitable for nuclear-powered warships, and part of an operational Naval base or a building and refitting yard
- Z berth: Suitable for nuclear-powered warships, as a location for operational visits or stand offs[2][3]

2. FINANCES

Today, as was envisioned in 1921, the Port Authority is a financially self-supporting entity. It does not receive tax revenue from either state or from any local jurisdiction and has no power to tax, nor does it have the power to pledge the credit of either state or any municipality. The Port Authority relies primarily on revenue generated from facility operations-tolls from its bridges and tunnels between New York and New Jersey, user fees from the airports and the bus terminals, fares on its rail transit system, and rent from facilities, consumer services and from retail stores.
The agency has a long-standing sound financial record and routinely receives high ratings for its debt offerings

3. PORT EQUIPMENTS
4. STORAGE CAPACITY
5. CONTAINER PARKS
6. ANCHORAGE: While awaiting a pilot, vessels may anchor one nautical mile of vigie point in a depth of 22m with good holding in rocks and sand, no shelter.
7. TUGS
8. STEVEDORING: Stevedore, dockworker, docker, dock labourer, wharfie and longshoreman can have various waterfront-related meanings concerning loading and unloading ships, according to place and country.

The word stevedore originated in Portugal or Spain, and entered the English language through its use by sailors. It started as a phonetic spelling of estivador (Portuguese) or estibador (Spanish), meaning a man who stuffs, here in the sense of a man who loads ships, which was the original meaning of stevedore; compare Latin stīpāre meaning to stuff, as in to fill with stuffing.[1] In the United Kingdom, men who load and unload ships are usually called dockers, in Australia wharfies, while in the United States and Canada the term longshoreman, derived from man-along-the-shore, is used.[2] Before

extensive use of container ships and shore-based handling machinery in the U.S., longshoremen referred exclusively to the dockworkers, while stevedores, in a separate trade union, worked on the ships, operating ship's cranes and moving cargo. In Canada, the term stevedore has also been used, for example, in the name of the Western Stevedoring Company, Ltd., based in Vancouver, B.C. in the 1950s.[3]
Stevedore has also become common as an appellation for a person who is over-muscular[4] or foulmouthed.[5]

9. LIGHTING
10. CUSTOM HOUSES
11. SECURITY
12. Portfolio of Facilities

The Port Authority is authorized to plan, develop and operate terminals and other facilities of transportation, economic development and world trade that contribute to protecting and promoting commerce in the Port Distri

SHIPS

"The term ship or vessel includes every description of water craft or other artificial contrivance, except aircraft, used or capable of being used as a means of transport on water, whether or not it is actually afloat."

"Ship means a vessel of any type whatsoever not permanently attached to the sea-bed, including dynamically supported craft, submersibles or any other floating craft, but does include a war ship, a ship owned or operated by a government when being used as a naval auxiliary or for customs, or for police purposes, or a ship which has been withdrawn from navigation or laid up."

A cargo ship or freighter is any sort of ship or vessel that carries cargo, goods and materials from one port to another. Thousands of cargo carriers ply the world's seas and oceans each year; they handle the bulk of international trade. Cargo ships are usually specially designed for the task, often being equipped with cranes and other mechanism to load and unload, and come in all sizes. Today, they are almost always built of welded steel, and with some exceptions generally have life expectancy of 25-30years before being scrapped.

DIFFERENT TYPES OF SHIPS

CONTAINER SHIPS

Container ships are cargo ships that carry all of their load in truck-size intermodal containers, in a technique called containerization. They form a common means of commercial intermodal freight transport.

BULK CARRIER

A bulk carrier, bulk freighter, or bulker is a merchant ship specially designed to transport unpackaged bulk cargo, such as grains, coal, ore, and cement in its cargo holds. Since the first specialized bulk carrier was built in 1852, economic forces have fuelled the development of these ships, causing them to grow in size and sophistication. Today's bulkers are specially designed to maximize capacity, safety, efficiency, and to be able to withstand the rigours of their work.

A bulk carrier's crew participates in the loading and unloading of cargo, navigating the ship, and keeping its machinery and equipment properly maintained. Loading and unloading the cargo is difficult, dangerous, and can take up to 120 hours on larger ships. Crews can range in size from three people on the smallest ships to over 30 on the largest.

TANKERS

A tanker (or tank ship or tank ship) is a ship designed to transport liquids in bulk. Major types of tank ship include the oil tanker, the chemical tanker, and the liquefied natural gas carrier.

FERRIES

A ferry (or ferryboat) is a form of transportation, usually a boat, but sometimes a ship, used to carry (or ferry) primarily passengers, and sometimes vehicles and cargo as well, across a body of water. Most ferries operate on regular, frequent, return services. A passenger ferry with many stops, such as in Venice, is sometimes called a water bus or water taxi.

Ferries form a part of the public transport systems of many waterside cities and islands, allowing direct transit between points at a capital cost much lower than bridges or tunnels. However, ship connections of much larger distances (such as over long distances in water bodies like the Mediterranean Sea) may also be called ferry services, especially if they carry vehicles.

CRUISE SHIPS

A cruise ship or cruise liner is a passenger ship used for pleasure voyages, where the voyage itself and the ship's amenities are part of the experience, as well as the different destinations along the way. Transport is not the prime purpose, as cruise ships operate mostly on routes that return passengers to their originating port, so the ports of call are usually in a specified region of a continent.Cruising has become a major part of the tourism industry, accounting for U.S.$29.4 billion with over 19 million passengers carried worldwide[3] in 2011. The industry's rapid growth has seen nine or more newly built ships catering to a North American clientele added every year since 2001, as well as others servicing European clientele. Smaller markets, such as the Asia-Pacific region, are generally serviced by older ships. These are displaced by new ships in the high growth areas.

SPECIALIST SHIPS

Ships such as anchor handling and supply vessels are considered to be 'specialist' ships, performing a very specific task in support of other activities. Others include: salvage tugs; ice breakers and research vessels.

REFER SHIPS

A refrigerator (or reefer) ship is a type of ship typically used to transport perishable commodities which require temperature-controlled transportation, mostly fruits, meat, fish, vegetables, dairy products and other foodstuffs.

COASTAL TRADING VESSELS

Coastal trading vessels, also known as coasters, are shallow-hulled ships used for trade between locations on the same island or continent. Their shallow hulls mean that they can get through reefs where deeper-hulled sea-going ships usually cannot.

CABLE LAYER

A cable layer or cable ship is a deep-sea vessel designed and used to lay underwater cables for telecommunications, electric power transmission, or other purposes.

TUG BOATS

A tugboat (tug) is a boat that maneuvers vessels by pushing or towing them. Tugs move vessels that either should not move themselves, such as ships in a crowded harbor or a narrow canal,[1] or those that cannot move by themselves, such as barges, disabled ships, or oil platforms. Tugboats are powerful for their size and strongly built, and some are ocean-going. Some tugboats serve as icebreakers or salvage boats. Early tugboats had steam engines, but today have diesel engines. Many tugboats have firefighting monitors, allowing them to assist in firefighting, especially in harbors.

DREDGER

Dredging is an excavation activity or operation usually carried out at least partly underwater, in shallow seas or fresh water areas with the purpose of gathering up bottom sediments and disposing of them at a different location. This technique is often used to keep waterways navigable.
It is also used as a way to replenish sand on some public beaches, where too much sand has been lost because of coastal erosion. Dredging is also used as a technique for fishing for certain species of edible clams and crabs, see fishing dredge.
A dredge is a device for scraping or sucking the seabed, used for dredging. A dredger is a ship or boat equipped with a dredge. The terms are sometimes interchanged.

UNIT-II

CARGO INSURANCE

Cargo or Marine insurance in India is subjected to the following legislations:

- The Insurance Act, 1938; and Insurance Rules, 1939
- Marine Insurance Act, 1963

In India, cargo insurance cover is provided only by the nationalized insurance companies i.e. General Insurance Corporation of India or its four subsidiaries in India. These companies operate within the standard rules and regulations including those which are provided in the 'All India Marine Cargo Tariff' in India.

Marine Insurance Contract

Article 3 of the Indian Marine Insurance Act, 1963 defines marine insurance contract as follows:

"It is an agreement whereby the insurer undertakes to indemnify the assured in the manner and to the extent thereby agreed, against marine losses, that is to say, the losses incidental to marine adventure."

There are two parties to the agreement-insurer and insured. The insurer is the insurance company, also known as underwriters, which assumes the liability when the loss takes place. On the other hand, the insured is the one who either procures an insurance policy or becomes a beneficiary through it.

These include fire, storm, collision, pilferage, leakage and explosions. Goods travelling from the country must be insured against loss or damage at each stage of their journey, so that whatever mode of transport is being used, neither the exporter nor the customer suffers any loss.

Either the exporter or his customer will be liable for the goods at any one point in the journey. The liability laid down in terms of delivery normally conforms to when the title of ownership to the goods passes from the exporter to the customer. This is known as the passing of risk.

FOB where the goods pass over the ship's rail. In theory the exporter inures the goods up to that point and the customer takes responsibility from then on. The whole journey in FOB, FAS and C and F contracts, from the exporter's warehouse to the final destination.

Under a CIF contract, the exporter takes out ocean insurance even though this ownership and responsibility for loss or damage and when the goods have been placed on the vessel. He takes out cover against the risks customarily covered in his particular trade. He is not require to do more unless both parties have agreed to it. These rules are of course subject to local usage. Whatever allocation of responsibility is agreed on, it must be absolutely clear and any emergency.

Even when an exporter's responsibility ends when he leaves the consignment at the dock (FAS), it may be wise in many cases for him to take an insurance for the whole voyage, because his financial stake in the 'venture' continues up until he is actually paid for the goods. If the goods are damaged in transit the customer may be unwilling or unable even, to pay for them.

To avoid any such risks, the exporter should make it a general policy that his conditions of sale make him responsible for providing marine insurance-even in FOB contracts. If this is not possible due to local customs, an exporter can purchase special contingency insurance which will make up any shortage in claims paid by the customer's insurance which will make up any shortage in claims paid by the customer's insurance. It should be noted that marine insurance is a misleading term and can be extend to cover transportation over land or on inland waterways.

How to Insure

Insurance can be arranged by an insurance broker or an insurance company. An insurance policy is issued when the goods are insured, but it is also usual to use a 'certificate of insurance' which is used as an evidence of insurance. A policy is a contract, a legal document, and principally, it serves as an evidence of the agreement between the insurer and the person taking insurance. The marine insurance policy or certificate forms part of the shipping documents. A policy is also used as collateral security when an exporter gets an advance his bank credit.

Individual policies for a single shipment are seldom used by companies regularly engaged in foreign trade. Exporters normally insurer under long time or indefinitely until cancellation. As evidence of insurance of each shipment, the insured or his insurance broker can issue a certificate of insurance, which gives all the information contained in an insurance policy. The open cover gives the exporter automatic, continuous coverage. It also saves him the trouble of having to arrange for protection every time he makes a shipment, and he always knows his exact insurance costs. This makes it easier for him to quote a landed sales price.

On a CIF contract the exporter sends the certificate of insurance to the customer, for him to claim at the port of destination if the goods have been damaged on the ship.

It is a common practice to insure for 10% above the CIF value of the goods, in order to allow for problems involved in replacing the goods, waiting for the money etc. The goods may be insured for even higher amounts – for example, to cover loss of import duty paid on products which have subsequently disappeared.

Kinds of Coverage

In buying insurance, the object is to buy as much protection as is necessary or prudent, at as low a cost as possible. To do this, one has to know what risks can be covered, and to decide how much coverage is needed.

An insurance defines its coverage in terms of the nature of the loss or damage, the extent of the loss or damage, and the conditions under which it occurred.

For example, sea-water damage is a major risk and is covered to some extent by all marine policies. But one policy may pay for sea-water damage only if the loss is total or if the vessel has been stranded, sunk, burnt, or in a collision. Another policy may be more inclusive, and pay for partial sea-water damage caused not only by such calamities, but even by heavy weather (a storm etc.).

Generally, th specific risks or perils covered by a policy are not consolidated in a single paragraph, they ar listed in several clauses set into various places in the policy. In the case of raw materials, policies sometimes do not fully define the coverage, and claims are settled according to prevailing customs in the trade.

Kinds of Perils

The events which lead to loss or damage to the cargo are the perils against which insurance cover can be obtained. These perils may be categorized into four groups:

- Marine Perils (Act of God-natural calamity)
- Extraneous Perils (Faults in loading, unloading, breakage, leakage, etc.)
- War Perils (War, civil war, revolution, rebellion etc.)
- Strike Perils (Strike, lockouts etc.)

Kinds of Losses

Losses are of two types. There are

- Total loss
- Partial loss (also known as Average)

Total loss, in turn, can be of two types. There are

- Actual total loss
- Constructive total loss

Partial loss or Average is also of two types. There are

- General Average
- Particular Average

Types of Insurance

The extent of possible insurance coverage that may be purchased varies: there is a wide variety of standard types of coverage.

Three important ones are Free of Particular Average, with Particular Average, and all Risks.

FPA (free of particular average) This is the minimum coverage in general use. It covers losses due to ship or aircraft being totally lost. Partial loss is not covered, except to a limited extent and in particular circumstances. Which partial losses are covered and under what conditions very according to national practice.

WPA (with particular average) Insures against the goods being damaged in transit, but not because the ship was in danger. Partial loss is normally covered with a percentage franchise. That is, losses above a stated percentage of the value of the insured cargo are paid for, in practical terms. The additional coverage one gets with WPA terms, compared with EPA, is protection against damage from sea water caused by 'heavy weather'.

All risks Insures against most risks **except risk of force majeur (war)** unless the exporter has specifically asked for this to be included.

Additional specific risks may be covered by addition to the FPA and WPA Clauses. These include not only maritime perils, but such risks as damage from hooks, oil, rain, bilge or fresh water, theft, shortage or non-delivery, sweat, contact with other cargo, leakage or breakage.

Types of Policies

The contract of cargo insurance in international trade transaction takes three forms. It comes into being when either a Specific Voyage (and Time) Policy or an Open Cover, an Open Policy is procured,

Specific voyage policy A voyage policy covers the risks that may rise during a journey from one specific place to another.

The terms and conditions of the insurance are set out in the appropriate ILU (Institute of London Underwriters) and other clauses. These clauses cover mainly the perils covered under the policy as well as conditions related to the insurable value and claims according to the Indian Stamp Act. Each policy must be stamped. The stamp duty is recoverable from the insured. For creating transferability, the policy is required to the assigned by blank endorsement by writing for and on behalf of followed by the name of the insured (e.g. exporting firm and the signature of the director or partner).

The insurance policy comprises of the "MAR" Policy form, which contains no insurance conditions and the Institute Clauses (A, B or C and War and Strike Clauses) which contain insurance conditions. It must be noted that Duration Clauses, which provide warehouse to warehouses cover, are part of the Institute Cargo Clauses. Hence, unless specifically related, the warehouse-to-warehouse covers are deemed to be effective. In this way as Voyage Policy also becomes a Time Policy.

Open cover Open Cover is an insurance arrangement designed specifically to meet the needs of those firms which have substantial import/export turnover and frequent transactions. Such firms are spared the inconvenience of negotiating insurance contracts every tie the transaction is to be made. Main features of an Open Cover arrangement are as follows:

i) Unlike an insurance policy, Open Cover is not an enforceable contract. Instead it is an agreement under which the insurance company would honour and accept declarations of shipment of cargoes and issue stamped specific certificate of insurance against each declaration.
ii) Under an Open Cover arrangement, agreement between the insured and the insurer is reached about the subject matter (e.g. goods) insured, packing conditions, voyages, risks covered, rates and other conditions of the cover. The insured can obtain insurance cover within these agreed conditions.
iii) No premium is charge when an open cover is issued, but the insurance companies unusually require the insure to furnish either a bank guarantee or cash deposit towards payment of premium against each declaration, as the declarations are made.
iv) The validity period of an open cover is twelve months.

v) It is customarily to make an Open Cover agreement subject to two limitations clauses, per bottom and per place clauses. The effect of these clauses is to limit the liability of the insurance company to an agreed amount. Thus, if the loss in an accident is more than this amount, the loss will be partly recoverable up to this agreed amount. For example, in an open cover, if the limitations clauses is for Rs. 10 lakh and the loss is Rs 20 l,akh, the insurance company will pay only Rs 10 Lakh.
These two limitations are imposed to reduce the risk of the insurance company. In the case of the Per Bottom Clause, cargo of the value exceeding the agreed amount should not be carried in one carrier. Similarly, under a Per Place clause (also known as Location Clause), cargo exceeding the agreed amount should not be accumulated at one place. It must be understood that according to Indian insurance proactive, the effect of the Per Place Clause is not confined only to pre-shipment accumulation of risk; it applies also to similar accumulations at the destination.

vi) An Open Cover may be cancelled by either party by giving 30 days notice in writing. This stipulation does not cover War and Strikes risks for ocean voyage. For ocean voyages other than from/to US the notice period for cancellation of War and Strike risks as seven days and for shipment from/to US it is 48 hours.

vii) When the loss takes place, claim will be awarded with reference to insurable value calculated on the basis of CIF plus ten per cent

viii) The duty of the insured is to declare each and every shipment as soon as known. Unintentional failure to export shipment will be condoned by the insurance company. However, if the insured does not willfully report shipments, the insurance company may hold the Open Cover null and void for all subsequent shipments.

Open policy Also known as floating policy, it has much in common with the Open Cover. This policy benefits clients with a substantial turnover and a large number of dispatches. Thus, it covers a series of consignments with all stipulations of the Open Cover, except that:

i) Open Policy is an enforceable contract of insurance and is hence duly stamped.

ii) Open Policy is for an agreed amount, against which a series of consignments may be dispatched and declared as a result of which the sum insured will gradually diminish by the mount of each declaration until it is finally exhausted.

iii) Even through the open Policy ceases on expiry of one year from the date of its issue, the sum insured may exhaust prior to the expiry of the policy.

iv) Open Policy is subject to cancellation by either party after giving 15 days notice of cancellation in writing.

Claims Procedure

The cardinal point about claim adjustments is that the insured has clearly defined responsibilities when there is a loss. If he does not fulfill these responsibilities, the insurer can refuse to pay.
In the event of loss or damage it is important to claim quickly, usually within one month. All relevant documents must be held by the person claiming, and insurance company procedures must be followed. The insurance companies themselves will advice.

Generally, the exporter endorses the insurance policy or certificate on a shipment over to the buyer at the same time he endorses the bill of landing – before the ocean voyage starts. Then the customer becomes the insured party, and if loss or damage occurs from then on it is his responsibility to file the claim. However, the exporter does have a real financial interest in the shipment until he has been paid. Payment may not be forthcoming until the voyage is completed, so the exporter may cover the shipment with his own contingency insurance and then claim if there is a loss.

Procedure and Documentation when a Loss Arises

(a) Give immediate notice of loss to the insurance company and/or their agents mentioned in the policy, giving the details of loss.

(b) Ensure that all rights against carries, bailees or other third parties are properly preserved and exercised.
(c) If the packages show any outward sign of loss or damage, the insured and/or their agents must call for a detailed survey by ship surveys on such packages and also lodge a proper monetary claim on the shipping company for loss or damage found.
(d) If the ship survey is time barred then the insured and/or their agents must call for an insurance survey on such packages before effecting delivery. If the packages are found in apparently sound condition but on unpacking any loss or damage is found, the insured and/or their agents must immediately inform the insurance company and obtain an insurance survey. Insured should keep the goods as well as the contents with its packing materials intact for inspection by the surveyors for proper acknowledge from them.
(e) In case of packages which are found to be missing, the insured must lodge a proper monetary claim for the full value of the missing packages, with the shipping company and also with the bailees, and obtain a proper acknowledge from them
(f) In terms of Carriage of goods by Sea Act, 1925, the time limit for filing suits against shipping companies in one year from the date of discharge.

Documents to be accompanied The claims on the insurer should be submitted duly supported by the following documents:

i) Original insurance policy or certificate of insurance duly endorsed by the insured.
ii) Full set of Bill of Landing in respect of total loss claims. Otherwise receipt, etc. as applicable;
iii) Copy of invoice with packing/weight list;
iv) Insurance Survey Report or other documentary evidence to substantiate causes and extent of loss;
v) Joint Ship Survey/Discrepancy Certificate issued by the carriers;
vi) Port Authority Landing remarks certificate;
vii) Casual Report when a vessel is missing or lost;
viii) Ship Master's Protest or an authenticated copy of extract from ship's Long Book, in case the vessel encountered heavy weather or other casualty during the voyage;
ix) In the case of short landing claims, a Short Landing Certificate issued by the carries or Port authority;
x) A landed but Missing Certificate from the Port Authority in case the package had landed but is missing;
xi) In the event of General Average claim for refund of GA Deposit, the GA Deposit Receipt and Bank Counter Guarantees;
xii) Triplicate copy of Bill of Entry (in case of India);
xiii) Copies of letters lodging claims on the carriers, Port Authority etc.;
xiv) Letter of Subrogation duly stamped and signed; and
xv) Any other document as may be asked for by the insurers.

Documents needed under rail/road policies The following documents, as applicable, are required to be submitted to insurers in support of claims under Rail/Road Policies:

1. Original Policy or Certificate of insurance duly endorsed
2. Original Railway Receipt (Non-delivery cases)
3. A copy of the Railway Receipt (damage claim)
4. Original Consignment Note (Non-delivery cases – Road Transit Claim)
5. A copy of the Consignment Note (damage claim – Road Transit)
6. Invoice (Original or copy)/packing list/weight specification
7. Non Delivery or Partial Delivery certificate from the Railways/Road Transport Operations.
8. Open Delivery/Assessment Delivery Certificates (Rail/Road)
9. Certified copy of the Remarks in the Railway Delivery Book (damage Claims)
10. Certified copy of the Remarks in the Delivery Challan (Road Transit Claims)

11. Independent Surveyor's Report, if any.
12. Copy of
    (a) Notice of claim lodged on the carriers (Rail/Road)
    (b) Relative Postal Registration Receipts and A.D. Cards
    (c) Subsequent correspondence with the carriers
13. Letters of Subrogation
14. Special Power of Attorney (Rail Transit Claims)
15. Letter of Authority (Rail Transit Claims)

UNIT-III
PROCESSING OF AN EXPORT ORDER

Step.1. The examine the terms and condition of export order. To verify the quantity & Quality Of goods to be supplied, payment conditions, documentations etc. In case, there are certain points to be amended the request to be sent to buyers. On receipt of L/c, the exporter starts processing the order.

Documents to be sent by the seller

1. Introductory letter
2. Purchaser order
3. Proforma Invoice
4. Letter of credit (L/c)
5. Work Order

Step.2- Export department issues a work order containing the specification and other details of the order to be executed. Copies of work order are circulated to various department within the organisation.

Various department to be informed.

1. R & D department
2. Instrument department
3. Finance department
4. Purchase department
5. Production department
6. Sales department

Step.3. As soon as goods are ready for dispatch the following formalities are completed.

(a) Prepared an application to the export inspection agency for conducting pre-shipment & quality control inspection. The EIA will inspect the consignment and will issue the certificate of inspection of the goods confirm to the prescribed specifications.
(b) Secure the clearance of export consignment under bond from excise authorities
(c) Dispatch the consignment to Bombay by truck/rail.

Step-4 Dispatch of the following documents by export department to C & F agent.

1. Lorry receipt
2. Excise invoice & ARE from
3. Certificate of inspection
4. Invoice
5. Packing list
6. GR-I from (Guaranteed-Remittance from)
7. Copy of marine insurance Policy
8. Copy of letter & credit/purchase order.
9. Form for octroi clearance

Step-5. On receipt of the documents C & F agent in Bombay secures port permit, prepares documents for custom clearance and completes octroi formalities.

Step-6. for obtaining custom clearance C & F agent prepares "shipping bill" & Presents it along with the above mentioned documents to the custom house. The custom appraises examines the document with regard to:-

(a) Value & quantity declared in the shipping bill is the same as in L/c
(b) Formalities regarding exchange control, pre-shipment and quality control etc have been duty competed.

After this customs appraiser endorses the shipping bill and directs the dock appraises about the extent of physical examination of the cargo to be conducted at the dock.

Step-7. The Dock appraiser conducts physical examination and allows the cargo to be loaded an board the vessel.

Step-8. As soon as the goods are loaded on board the vessel the captain of the ship issues a receipt called make receipt. C & F agent then pays port charges and obtain bill of lading from shipping company.

Step-9. C & F agent sends the following documents to the exporters

(a) Copy of invoice attested by customs
(b) Shipping bill
(c) Full set of an board Bill of Lading
(d) Copy of L/c
(e) Duplicate copy ARE-1 form.
(f) Duplicate copy of GR-1 form.

Step-10. On receipt of the above documents the exporter completes the remaining formalities.

(a) Obtains a certificate or origin from chamber of commerce.
(b) Send shipment advice to the importer.
(c) File a claim with Maritime collector of Central excise for getting excise refund.

Step-11. The exporter presents the following negotiation to his Bank.

1. Commercial invoice
2. Packing list
3. Certificate of origin
4. GR-1 form
5. Full set of clean-on-board bill of lading
6. Marine Insurance Policy
7. Bill of exchange.

DOCUMENTATION

Classification of Documents: (Used in International Trade)
The international Trade documents may be classified as under.
Commercial documented. Official documents.
Insurance documented.
Transport documents.
Financial and financing documents

Commercial documents:

- **Invoice**: An invoice is a commercial document issued by a seller to a buyer, indicating the products, quantities and agreed prices for products or services with which the seller has already provided the Buyer. An invoice indicates that, unless paid in advance, payment is due by the buyer to the seller, according to the agreed terms. Invoices are often called Bills.
    - **a) Proforma Invoice:** It is a memorandum of the terms of a contract of sale wherein the seller gives the quotation to the potential buyer. If the buyer approves its terms, he sends a definite order for supply. Such an invoice is marked with the word “Proforma Invoice”.
    - **b) Commercial Invoice:** A commercial invoice is a bill for the goods from the seller to the buyer. Commercial invoice are utilized by customs officials to determine the value of the goods in order to assess customs duties and taxes.
    - **c)Certified Invoice**: An invoice bearing a signed statement by someone in the importer’s country who has inspected the goods and found that the goods are in accordance with the specific contract of the proforma and that the goods are of a specific country of origin.
- **Certificate of origin**: It is a specified document certifying the country of origin of the merchandise required by certain foreign countries for tariff purposes. This certificate is issued by Chamber of Commerce, Trade Association or another authorized body of the exporting country and it sometimes requires the signature of the consul of the country to which it is destined.
- **Weight notes or certificates:** This certificate indicates the weight of the goods issued by a public agency. It can be evidenced by means of a separate document, or by a

weight stamp/declaration of weight superimposed on the transport document by the carrier or his agent.

Packing List: The exporter must prepare a packing list showing description of items, number of containers/boxes with specification of net weight & gross weight etc. to enable the importer of the goods to check the shipment.

Quality or Inspection certificate: This is a certificate declaring that the goods have been examined and found to be in accordance with the contract of sale. It is signed by the manufacturer or supplier or any recognized independent inspection body as required by the importer.

Official documents:

- **Consular Invoice:** It is an invoice made out in a specially printed form of the exporter and is shown before the consul of importing country stationed in the exporter's country as being correct in all respect. The consular of the importing country then certifies the invoice. A consular invoice enables the importer country to have all accurate record of the merchandise shipped.
- **Legalized Invoice:** Some Middle East countries require that the commercial invoice should be countersigned and stamped by the authorized officer in their Embassy or the consulate in the exporter's country instead of consular invoice.
- **Black-listed Certificate:** Under this certificate, the exporter has to provide a Black-listed certificate evidencing that all parties involved including the bank and shipping line are not black-listed. Due to strained political relation or other reasons some countries do not allow transactions with some particular countries. These countries and the exporters are treated as Black-listed.
- **Health, Veterinary and Sanitary Certificate/Photo Sanitary Certificate, Certificate of Analysis**: This certificate is generally needed in purchase of foodstuff, hides and livestock and in the use of packing materials. It is issued by the recognized health authorities in the exporting countries. The certificate confirms that the shipment meets the required health, veterinary and sanitary standards.
- **Transport Documents:** This document indicates that the goods, which are delivered to the named shippers, airlines or transporters, must be carried to a named port, airport or place of delivery. Following transport documents are being used at present in the international trading.
- **Airway Bill/Air consignment Note:** This document confirms the delivery of goods to an airline or its agent for transportation by air to a named consignee according to the defined and agreed terms.
- **Mate's Receipt:** It is a prima facie evidence of the quantity and condition of the goods received. When the goods are delivered to the shipping company for transportation, at first a temporary receipt is issued by the ship's Chief Officer acknowledging the delivery of the goods alongside the carrying vessel which is known as Mate's Receipt. On the basis of Mate's receipt, the shipper has to pay the port dues and other charges.iii)
- **Bill of Lading:** A bill of lading is a document which is issued y the transportation carrier to the shipper acknowledging that they have received the shipment of goods and that they have been placed on board a particular vessel which is bound for a particular destination and states the terms in which these goods received are to be carried. Normally a bill of lading contains the port of shipment and of destination, the name of consignee, the number, contents and identification marks of the goods shipped and the amount of freight "paid" or "to pay"

LETTER OF CREDIT

In international marketing, while there are very few sales on barter basis, cash and carry transactions are almost non-existent. Credit is inherent to some extent in all export sales and has assumed such importance that completion is no longer confined to quality. Price or delivery schedule of products but on the term and period of credit granted to foreign buyers. There are various methods of payment or methods of financing which exporters should know before deciding on the term for receiving payment against exports.

The best and the most prevalent system of receiving payment against exports is through the method of Letter of credit (L/c). It is an instrument issued by a bank in favour of the exporter (known as beneficiary) whereby the issuing bank undertakes to pay to the beneficiary a certain amount of money against delivery of specified documents within a said period of time. Hence, it is also known as documentary credit. Letter of credit is more commonly referred to as the most appropriate and currently adopted practice in international transactions.

L/c is an signed instrument containing an undertaking by the importer bank to pay to seller, the stipulated amount on shipment of specifying goods and subject to compliance with the stated terms and condition.

L/c in one of the most common instrument for setting payment between buyer and seller.
A L/c is demanded by the seller as a guarantee of the payment before affecting shipment

Definition: -"Letter of credit is a payment assurance from the issuing bank to the beneficiary which guarantees the payments to the beneficiary provided he fulfills all the conditions mentioned in the contract in right order and at the right time"
"Among all the international documents letter of credit is considered as the most essential one. It is also very important document for custom clearance of export and import consignment."

Parties to a letter of credit:-
1. Importer / Applicant: - Applicant basically is a person who applies for letter of credit in the bank, he is the opener on whose behalf the letter of credit is issued by bank. Applicant is the importer and his credibility is very necessary in the bank.
2. **Applicants / Importers Bank./ Issuing Bank: -**Issuing bank is the Bank, which is in the importers country and issues or opens the letter of credit on behalf of the importers.
3. **Exporter / Beneficiary: -**Exporter is the Beneficiary of the Letter of credit who is entitled to receive the payment of his bills according to the terms of credit.
4. **Exporters Bank:-**The bank who negotiates with exporter and provide him payment of shipment.
5. **Confirming Bank: -**It is the bank usually a branch or correspondent of the opening bank through which the credit is advised to the exporter. If it merely forwards the credit without any obligation on its part, it is called the Advising or Notifying Bank.
6. **Negotiating Bank: -**The Bank, which negotiates the Beneficiary bill under the credit and pays for it is known as paying / negotiating bank.

Contents of Letter of Credit
1.Correct and complete name and address of the beneficiary (exporter)
2.Correct and complete name and address of the applicant (importer)
3.Type of the L/C
4.Amount of L/C
5.How the credit shall be available, i.e By sight payment, deferred payments, acceptance or negotiation.
6.Name of the nominated bank, which shall make the payment to the beneficiary.
7. The name of the drawee on the draft and the tenor of the draft.
8.Term of delivery: FOB, CFR, CIF etc.
9.Description of goods, quantity and unit price.
10.List of documents required to be submitted by the beneficiary.
11.Port of discharge and place of final destination.
12.Status of transshipment; whether allowed or not.
13.Status of partial shipment; whether allowed or not.
14.Last date of sending shipment.
15.Date and place of expiry of the L/C

16.Time period for the presentation of the documents for negotiation by the beneficiary after the dispatch of the shipment.
17.Transfer of the L/C; whether allowed or not.
18.Mode of advice of the L/C; by mail or teletransmission.

PROCEDURE/STEPS INVOLVED IN L/C

1. Importer(opener) has concluded a purchase contract for buying of certain goods with his overseas supplier who wants payment by a letter of credit. The importer asks his bank to open a letter of credit in favour of his overseas supplier (exporter).
2.After the request from the importer, bank consider the proposal his bank open its letter of credit in favour of the overseas supplier (exporter).
3.The advising bank can be intermediary bank in exporters country which receives credit from the opening bank and after satisfying itself about the authenticity of the credit, it forwards the same to the beneficiary.
4.After receiving the credit form the advising bank the exporter checks it to ensure that it confirms to the terms of sale of contract and if necessary, asks the importer to effect amendments to the credit then proceeds to effect the shipment of the goods.
5.After the shipment is effected the exporter prepares the documents and draws his bill under the letter of credit for obtaining payment from the negotiating bank.
6.After getting the documents and bills from the exporter the negotiating bank checks them with letter of credit terms and condition and if in order, negotiates the bill payable to the exporter.
7.The importer's bank receives the bill and documents from the negotiating bank(exporter's bank) checks them and if found in order, reimburses of, if reimbursement is obtained already confirms it to the negotiating bank. The importers bank presents the bill for acceptance / Payment to the importer.
8.The importer receives the bill, checks the documents and then accepts/ pays the bill. On acceptance/payments importer gets the shipping documents covering the goods purchased by him.

TYPES OF L/C

1. **Revocable L/C:-** A revocable letter of credit can be amended or cancelled by the issuing bank at any moment without prior notice to the beneficiary. The credit does not constitute a legal binding between the bank or banks concerned and the beneficiary because such a credit may be modified or cancelled at any moment without prior notice to the beneficiary.
2. **Irrevocable Letter of Credit:** - An irrevocable Letter of credit constitutes a definite undertaking of the issuing bank for the payment of the bills drawn under it. This type of credit can neither be modified nor cancelled without prior approval of the beneficiary concerned and it is, therefore, widely accepted.
3. **Confirmed L/C:** - When an issuing bank authorises or request another bank to confirm its irrevocable L/C. A letter from the confirming bank added its confirmation. Such a confirmation constitutes a definite undertaking/guarantee of the confirming bank to pay against proper documents. Once the payment is made by confirming bank, then it cannot claim to the exporter if issuing bank fails to give the payment.
4. **Unconfirmed L/C:-** Unconfirmed letter of credit is one, which is not supplemented by additional guarantee from a bank in exporter's country.
5. **With Recourse L/C:-** In the case of this L/C. if the overseas buyer fails to make payment within a specified period then the negotiating or paying bank can ask the beneficiary/exporter for the refund of the payments made under the L/C.
6. **Without Recourse L/C:-** In this L/C the paying bank cannot ask the exporter to refund the payments made to the exporter, if realization of payment from importer has become impossible.
7. **Revolving L/C: -** In a revolving letter of credit, the credit is renewed automatically for the same amount and for the same period made available to the beneficiary again after a period of time on the advice of payments by the applicant or merely the fact that shipment has been made.

8. **Restricted and Unrestricted L/C: -** Credit which do not specify any particular bank who is authorised to negotiate etc. is termed as unrestricted credit or open or general credit. If a specified bank is designated to pay accept or negotiate the credit it is termed as restricted or special credit.
9. **Back to Back L/C: -** When the exporter uses his export letter of credits as a cover for opening a credit in favour of the local suppliers this credit is called back to back letter of credit.
10. **Anticipatory (letter of credit) (Red clause & green clause):-** The anticipatory credit provides for advance payment or at least part payment to the beneficiary against his undertaking to effect the shipment and submit the bill and/or documents in terms of credit with in the validity. **Red Clause:-** Red clause credit bears a clause in red authorising negotiating bank to make on advance to the seller prior to shipment and tender of the documents. The advance will be liquidated from the proceeds of the bill negotiated. This advance is granted against exporters undertaking to tender documents in terms of credit with the validity. **Green Clause:-** The green clause is an extension of the Red clause . In addition to pre shipment finance, it provides credit to the exporter to cover the period of storage of goods at the sea port.
11. **Deferred Payment L/C: -** In this sort of credit the exporter supplies plant and Machinery, capital goods etc. on deferred payments terms to an importer and no draft is drawn and payments by the opening bank is determined in accordance with the terms laid down in the credit.
12. **Transferable credit:-** In a transferable letter of credit, the amount of credit may be transferred either in full or in part to a second beneficiary at the request of first beneficiary. This kind of credit is very useful in those cases where the importer is making imports through agent in the exporting country.
13. **Transit Credit:-** It is issued in one foreign country with the beneficiary in another but it is advised through and usually confirmed by a bank in London.
14. **The Sight L/C: -** In this credit the amount is payable as the prescribed documents have been presented and the bank has checked them, so the proceeds are normally immediately disposed of to the beneficiary. In case of unconfirmed credit situations can arise where the advising bank delays payments to the beneficiary until it has received the amount specified by the documents from the issuing bank.
15. **Usance L/C: -** In addition to presenting the documents, the beneficiary is required to draw a time draft on a specific bank (issuing, advising.). After the documents have been found to be in order, the exporter received the draft back after it has been accepted by the importers bank. It is possible to discount this bank acceptance, so the draft can be cashed in immediately by the seller while the draft amount will be charged by the buyer only upon maturity.
16. **Acceptance Credit:-** An acceptance credit stipulates that the beneficiary must draws a bill of exchange for a particular tenor e.g. 60, 90 or 120 or 180 days sight and that the draft will be accepted by one of the following parties e.g. :- (i) The applicant (ii) The advising bank (iii) The negotiating bank. But these credit are regarded as unsecured credits and therefore opened for the first class customers of undoubted standing who are considered capable enough to provide funds at maturity of the bill.
17. **Fixed L/C: -** This L/C is used for a fixed amount only, which may be utilized in one or more drawings. The validity period is usually restricted and when the period expires or the total amount stands drawn, the facilities terminates.

Advantage of L/C To exporter

1. Prevents Blockage of finance
2. Prevents Bad Debts
3. Fulfillment of import regulations
4. Importer's Obligation
5. Help to procure pre- shipment Finance.
6. Security against exchange control regulation of other country.

7. It forms more strong binding between seller and buyer.

Limitation of L/C to exporter

1. Conditional undertaking:- quality quantity change bank will stop our payment.
2. Govt. Restriction:- In certain circumstance L/C can't protect you to govt. action and it may become difficult to negotiate. It any policy is change in one country the payment is stop or delivery is stop so in some govt. restriction in L/C is limited.

Advantage of L/C to Importer

1. Better Terms of Trade: Better negotiation of the terms of trade is possible.
2. Guaranteed Shipment.
3. Delivery in time
4. Overdraft facility: On the basis of overdraft facility extended to the importer by the issuing bank, helps the importer to get the possession of goods without making actual payment against the L/C.
5. No advance payment is required.
6. Assurance about the quality.
7. Full scope of objection in case of slight non compliance with any condition and he will deliver the goods.

Limitation of L/C to Importer

1. It involves various banks so more charges has given to the bank.
2. If confirm L/C is demanded it puts a question mark on credibility of importer and his bank.

Need of L/C

Assurance of credibility of exporter:-

a) Before opening the L/C importer should check whether the exporter could be able to execute the project within the specified time period given in L/C or not.
b) Before opening the L/C the importer should check the past performance and record of the exporter.
c) As per the term and condition of L/C whether the exporter could be able to give right quality and quantity of goods.

Assurance of Payment: -

a) Before opening of the L/C the exports should check the past performance of the importer
b) Exporter should check the credibility of importer through his bank, embassy yellow pages or from relevant agents.

OBTAINING EXPORT IMPORT LICENSE

India's import and export system is governed by the Foreign Trade (Development & Regulation) Act of 1992 and India's Export Import (EXIM) Policy. Imports and exports of all goods are free, except for the items regulated by the EXIM policy or any other law currently in force. Registration with regional licensing authority is a prerequisite for the import and export of goods. The customs will not allow for clearance of goods unless the importer has obtained an Import Export Code (IEC) from the regional authority.

Import Policy

The Indian Trade Classification (ITC)-Harmonized System (HS) classifies goods into three categories:

- Restricted
- Canalized
- Prohibited

Goods not specified in the above mentioned categories can be freely imported without any restriction, if the importer has obtained a valid IEC. There is no need to obtain any import license or permission to import such goods. Most of the goods can be freely imported in India.

Restricted Goods

Restricted goods can be imported only after obtaining an import license from the relevant regional licensing authority. The goods covered by the license shall be disposed of in the manner specified by the license authority, which should be clearly indicated in the license itself. The list of restricted goods is provided in ITC (HS). An import license is valid for 24 months for capital goods, and 18 months for all other goods.

Canalized Goods

Canalized goods are items which may only be imported using specific procedures or methods of transport. The list of canalized goods can be found in the ITC (HS). Goods in this category can be imported only through canalizing agencies. The main canalized items are currently petroleum products, bulk agricultural products, such as grains and vegetable oils, and some pharmaceutical products.

Prohibited Goods

These are the goods listed in ITC (HS) which are strictly prohibited on all import channels in India. These include wild animals, tallow fat and oils of animal origin, animal rennet, and unprocessed ivory.

Export Policy

Just like imports, goods can be exported freely if they are not mentioned in the classification of ITC (HS). Below follows the classification of goods for export:

- Restricted
- Prohibited
- State Trading Enterprise

Restricted Goods

Before exporting any restricted goods, the exporter must first obtain a license explicitly permitting the exporter to do so. The restricted goods must be exported through a set of procedures/conditions, which are detailed in the license.

Prohibited Goods

These are the items which cannot be exported at all. The vast majority of these include wild animals, and animal articles that may carry a risk of infection.

State Trading Enterprise (STE)

Certain items can be exported only through designated STEs. The export of such items is subject to the conditions specified in the EXIM policy.

UNIT-IV
PRE-SHIPMENT INSPECTION AND QUALITY CONTROL

quality of the product is one of the vital factors for penetration and sustenance in foreign markets. It is imperative for the exporter to ensure that the goods of the quality desired by the importer are dispatched to him. This involves proper inspection of the goods before their dispatch. The job of pre-shipment inspection should be taken up once the goods have been produced and are ready for their packaging and packing. The present chapter explains the various forms of pre-shipment inspections procedures and documentation formalities of different agencies conducting pre-shipment inspection.

1. CONCEPT OF QUALITY

Quality of the product is defined as a set of attributes or specifications including packaging specification in relation to a given product. It is the manufacturer who first decides the quality of the product before introducing it in the market. This may be done in keeping view the national or international standards of quality as laid down by the respective national or international standard bodies. The level of quality - high, medium or low depends upon how rich or poor these specifications are. if the specification are of very high order, the level of quality would be high: on the other hand, if the specification are of poor or weak, then the quality would be termed as low quality. between the high and low quality lies the medium range of quality. these quality specifications may then be modified during negotiations with the foreign buyer to suit his/her requirements. finally the quality of the export product is determined with reference to the specifications as laid down by the buyer. thus quality should be understood in its relative sense and not in the absolute sense of the term.

2. NEED FOR PRE-SHIPMENT INSPECTION

An exporter faces competition not only from the fellow exporters from his/her own country but also from others countries, he should formulate a proper quality strategy to gain a competitive edge over others in the market, the goods should be properly inspected to ensure that the quality of the export goods is maintained as desired by the buyer goods of poor quality spoils not only their own market but also brings bad name to the image of the country itself. it is ,thus, in the business interest of the exporter to send shipment of the right quality to the buyer. this would also facilitate effective penetration and sustenance in the export markets by improving the brand image of the goods. The government of india had also recognised the need for effective pre-shipment inspection long back in 1963 itself when the export (quality control and inspection) act 1963 was enacted
to provide for sound development of the export trade through quality control and pre-shipment inspection

3. TYPES OF PRE-SHIPMENT INSPECTION

Pre-shpiment inspection can be broadly classified into two categories as given below :,
3.1. voluntary inspection
3.2 compulsory inspection

4. VOLUNTARY INSPECTION

The following are the different forms of voluntary pre-shipment inspection of the export shipment:
4.1. by the exporter himself
4.2. by the buyer's representative
4.3. by the buying agent in the exporter's country
4.4. by the inspection agencies in the private sector

5.COMPULSORY INSPECTION

compulsory pre-shipment inspection is conducted by the following agencies of the government of India:
5.1. export inspection council through its export inspection agencies

5.2. central silk board

VOLUNTARY INSPECTION

1 INSPECTION BY THE EXPORTER HIMSELF

The primary responsibility for inspection of the goods rest with the exporter himself. He should conduct the inspection of the goods during the process of manufacturing ,at the stage of finished product and also in regard to the packaging and packing materials. It is essential that the manufacturer should install proper quality control system in the factory to check the quality at all stages of manufacture of the goods. the merchant exporter should enter into an arrangement with the suppliers of goods to provide for inspection during the process of manufacture as well as for the finished product. If needed, the services of qualified quality personnel should be taken for this purpose.

2. INSPECTION BY BUYER'S REPRESENTATIVE

Many a time, the foreign buyer may arrange for inspection of goods through his own representative in the exporter country before the goods are dispatched by the exporter. the exporter can send the shipment only when the buyer's representative issues a satisfaction report to the exporter. the advantages to the exporter is that the buyer cannot raise the question of substandard quality or the poor quality of the goods once his representative clears the shipment of the goods.

3. INSPECTION BY BUYING AGENT

In cases where the export order is placed with the exporter through a buying agent in his country, the goods can be dispatched only after the buying agent has issued satisfaction report to the exporter, buying agent conduct inspection at different stages to ensure that the shipment conforms to the quality requirement of the of the exporter. the buying agent conduct inspection of the quality at the time of purchase of the raw material, during the manufacturing process; at the finished product stage and finally before packaging and packing of the goods. the exporter can send the shipment only after getting this certification of inspection from the buying agent.

4. INSPECTION BY PRIVATE SECTOR AGENCIES

Sometimes, the buyer may satisfy an inspection agency in the exporter's country to satisfy himself as regards quality of the goods. in such a case, the exporter should approach that agency in his country and get the pre-shipment inspection completed. In India, one of the leading agencies in the private sector is the SGS India LTD. with its head office in Mumbai, the exporter should ascertain the procedure and documentation formalities of the agency concerned so that the inspection of goods can be arranged to ensure timely shipment of goods.

5. COMPULSORY INSPECTION

compulsory pre-shipment inspection is carried out by various agencies of the government in accordance with the regulations framed by the government of India from time to time, the most significant legislation to provide for sound development of the export trade through quality control and pre-shipment inspection is the export (quality control and inspection) act 1963, under this act, the central government is empowered to

a. Notify commodities which shall be subject to quality control or inspection or both prior to export;
b. Specify the type of quality control or inspection which shall be applied to a notified commodity;
c. Establish, adopt or recognize one or more stands specifications for a notified commodity; and
d. prohibit the export in the course of international trade of a notified commodity unless it is accompanied by a certificate issued under section7 that the commodity satisfied the condition relating to quality control or inspection, or it has affixed or applied to it a mark or seal recognized by the central government as as indicating that it conforms to the standard specification applicable to it under clause (c) under this act, the government of india have established the export inspection council to advise the government regarding measures for the enforcement of quality control and inspection in relation to

commodities intended for export. the council, established on 1.1.1964 is a statutory body corporate with its own seal the government of India has established five export inspection agencies one each at Mumbai, Kolkata, Coachin, Delhi, and Chennai under sec 7 of the export (quality control and inspection)act 1963 w.e.f. 1.2.1966. these agencies work under the administrative and technical control of the export inspection council. besides, the export inspection council has also recognized number of private agencies to act as inspection agencies to issue pre-shipment inspection certificate

6. ESSENTIAL REQUISITES FOR EXPORT INSPECTION SYSTEM

An effective system for the inspection of quality of the export goods should provide for the following;

1. standards for quality of export product
2. testing facilities and
3. procedural details

7. STANDARD FOR QUALITY OF EXPORT PRODUCT

It is essential that the standard of quality of various export products should be clearly laid down so that the same could form the basis for conducting pre-shipment inspection. the basic principle for prescribing the standards for export is to meet the specifications stipulated in the export contract. the product should also meet the phytosanitary, environmental, public safety and public health regulation of the importing country. The standards so far notified in relation to various commodities may fall either in one or more of the following categories:

1. International/National standards;
2. Standards drawn up by public utility bodies recognised by the export inspection council;
3. Contractual specifications subject to;

i. Approval by council/panel of expert constituted by the council; or
ii. Minimum specifications formulated by the council;and

4. Contractual specification/approved samples for which no minimum specification has been laid down. Certain products for which minimum specification have been prescribed are sometimes sought to be exported as per specifc requirements of the foreign buyers, the inspection agencies consider these specific requirements and permit export provided the specifications stipulated in the export contract ensure satisfactory performance of the product for the purpose for which it is intended.

TESTING FACILITIES

The inspection agencies should have adequate testing facilities for effective and successful implementation of any quality control and pre-shipment inspection programme. Well equipped laboratory facilities thus, form the backbone of all quality control systems. Testing is carried out at different stages of processing, right from the receipt of raw material to the finished product stage. besides, facilities are also necessary for individual commodity or group of commodities at the level of pre-shipment inspection thus success or failure of a pre-shipment inspection scheme depends on the time taken for sampling and analysing the product.

PROCEDURAL DETAILS

The procedure for pre-shipment inspection of the export products as notified under the export(quality control and inspection)act,1963 has been prescribed for each of the different system of inspection under which export inspection agency conducts pre-shipment inspection. besides, central silk board also conduct pre-shipment inspection in respect of export of goods under duty exemption scheme. these agencies have laid down procedures for the conduct of pre- shipment inspection which have been discussed in the following sections.

PRE-SHIPMENT INSPECTION BY EXPORT INSPECTION AGENCY

The export inspection agency (EIA) provides for compulsory pre-shipment inspection of export goods in respect of notified items under the export(quality control and inspection)act 1963

PRODUCT COVERAGE

The Government of India has notified 1057 items so far for compulsory pre-shipment inspection. these items relate to the product groups of:

a. Engineering products
b. Chemical and allied products
c. Food and agriculture products
d. Jute and jute products
e. Coir and coir products
f. Footwear and footwear components
g. Cashew
h. Fish and fish products.
i. Miscellaneous products

The standards of quality of the notified items are periodically reviewed and upgraded with a view to creating better demand for Indian goods in the overseas markets.

SYSTEMS OF INSPECTION

The export inspection agency provides for pre-shipment inspection under the following three different systems of inspection as stated below:

I. consignment-wise inspection
II. In-process quality control(IPQC)
III. self-certification scheme.

CONSIGNMENT-WISE INSPECTION

Under this system, each export consignment is inspected and tested by the recognised inspection agency. the agency caries out the sample check to determine wheather the goods conform to the quality specifications. the selection of sample is made at random following the stratified sampling technique. after inspection,the recognised inspection agency issues the pre-shipment inspection certification to the exporter. the list of export inspection agencies (EIA)along with their jurisdiction and product coverage is given at annexure I to this chapter.the application for pre-shipment inspection (in duplicate)in prescribed form called intimation for inspection should be made by the exporter giving the details of the shipment to the inspection agency along with the following documents at least seven days in advance of the expected date of shipment/dispatch:

a) copy of export contract/export order
b) copy of letter of credit, (if any)
c) details of packing specification.
d) commercial invoice giving evidence of the FOB value of export consignment.
e) crossed cheque/demand draft/postal order/deposit a/c pass book for the amount of prescribed inspection fee. presently the fee is0.4% of the FOB value of the shipment.the SSI units are allowed a rebate 10% in the payment of the inspection fee. the inspection agency will depute one of its officials to conduct the pre-shipment inspection at the exporter's factory or warehouse, after the satisfactory completion of the inspection, a certificate of inspection is issued to the exporter, which he has to submit to the export department of customs for the clearance of export cargo.

REJECTION OF GOODS

If the consignment is not approved for export, the concerned EIA will issue a rejection note. an exporter can file an appeal against rejection within 10 days of the receipt of 'rejection note' to the EIA. the EIA will convene the meeting of the appellate panel to examine the matter, the panel will review inspection report, hear the exporter, and examine the consignment, if deemed necessary. the decision of the panel shall be final and binding on both the parties i.e. EIA and the exporter

VOLUNTARY INSPECTION

On the specific request of the exporter, the export inspection agency also arranges for carrying out voluntary pre-shipment inspection of the commodities which have not been notified by the government. such inspection is particularly required for hand woven goods of cotton/yarn mixed yarn for export to the member countries of the European union and USA.

IN -PROCESS QUALITY CONTROL (IPQC)SYSTEM

This system emphasizes the responsibility of the manufacturer in ensuring quality during each stage of production by exercising adequate quality
controls. The controls to ensure quality are exercised in relation to the following stages under this system:

a. Raw materials and bought out components control
b. production process control
c. finished product control
d. metrological control
e. preservation control; and
f. packing control

It is essential that the standards of quality are laid down for each of the stages of quality control and should be properly documented for the guidance of the quality control staff, the unit having IPQC system can get themselves approved from the concerned export inspection agency. once approved, such units are known as export worthy units or adequacy of IPQC units.

The manufacturer exporter desirous of approval as an IPQC or export worthy unit should apply to the EIA as per the procedure given below:

a. submit an application on a plain paper to the concerned EIA, giving details of the product and full particulars of the quality control measures
adopted.

b. Fill the questionnaire sent by the EIA. this questionnaire seeks detailed information about the quality controls in relation to each of the
six different areas of quality control as stated above as well as the system for the handling of the quality complaints.

c. units is inspected by a panel of experts appointed by the EIA. the panel includes senior officials of the export inspection agency and other
connected organisations such as bureau of indian standards, small industries service institute, marine products export development authority
and so on.

d. The manufacturing unit is approved as export worthy unit on the recommendation of the panel of experts. In the case of fish and fishery products processing units,the minimum sanitary and hygienic conditions have to be fulfilled.

Export inspection agencies periodically review the working of the approved IPQC units and make suggestions for their improvement. Export consignments are also spot checked to ensure compliance with the prescribed norms.

The recognisation is granted for a period of three years but the same may be withdrawn if the unit is found to be compromising with the required level of quality control during inspection of the unit during periodic reviews.

IPQC units are allowed to inspect and clear the goods for export. the inspection of the goods is not done by the EIA. rather it issues the certificate of inspection on the formal request of the unit on the basis of a declaration by the unit that the goods have been manufactured/processed as required under the prescribed regulations, such units have to submit a statement in respect of various shipments during a month. However, periodic sample checks may be carried by the EIA official. the inspection fee is 0.2% of the FOB value of each consignment and is to be remitted along with monthly statements.

SELF CERTIFICATION SYSTEM

Under the system of self certification, the manufacturing unit which have proven record of maintenance of quality are given the facility of self certification so that can issue pre-shipment inspection certificate themselves. the unit should be well equipped with testing facilities and the required quality control systems.

The self certification system is based on the philosophy that a manufacturing unit having established reputation for its product with sufficient in built system for quality assurance could be permitted to certify its own product for export. these essential condition is that the unit had not received any complaint during the last three years from the foreign buyers. the applicant unit should have introduced the system for quality assurance in regard to the following aspect;

Procedure for Clearance of Imported and Export Goods

Import Cargo

1. Bill of Entry – Cargo Declaration:

Goods imported in a vessel/aircraft attract customs duty and unless these are not meant for customs clearance at the port/airport of arrival by particular vessel/aircraft and are intended for transit by the same vessel/aircraft or transshipment to another customs station or to any place outside India, detailed customs clearance formalities of the landed goods have to be followed by the importers. In regard to the transit goods, so long as these are mentioned in import report/IGM for transit to any place outside India, Customs allows transit without payment of duty. Similarly for goods brought in by particular vessel aircraft for transshipment to another customs station detailed customs clearance formalities at the port/airport of landing are not prescribed and simple transshipment procedure has to be followed by the carrier and the concerned agencies. The customs clearance formalities have to be complied with by the importer after arrival of the goods at the other customs station. There could also be cases of transshipment of the goods after unloading to a port outside India. Here also simpler procedure for transshipment has been prescribed by regulations, and no duty is required to be paid. (Sections 52 to 56 of the Customs are relevant in this regard).

2. For other goods, which are offloaded importers, have the option to clear the goods for home consumption after payment of the duties leviable or to clear them for warehousing without immediate discharge of the duties leviable in terms of the warehousing provisions built in the Customs Act. Every importer is required to file in terms of the Section 46 an entry (which is called Bill of entry) for home consumption or warehousing in the form, as prescribed by regulations.

3. If the goods are cleared through the EDI system no formal Bill of Entry is filed as it is generated in the computer system, but the importer is required to file a cargo declaration having prescribed particulars required for processing of the entry for customs clearance.

4. The Bill of entry, where filed, is to be submitted in a set, different copies meant for different purposes and also given different colour scheme, and on the body of the bill of entry the purpose for which it will be used is generally mentioned in the non-EDI declaration.

5. The importer clearing the goods for domestic consumption has to file bill of entry in four copies; original and duplicate are meant for customs, third copy for the importer and the fourth copy is meant for the bank for making remittances.

6. In the non-EDI system alongwith the bill of entry filed by the importer or his representative the following documents are also generally required: -

- Signed invoice
- Packing list
- Bill of Lading or Delivery Order/Airway Bill
- GATT declaration form duly filled in
- Importers/CHA's declaration
- License wherever necessary
- Letter of Credit/Bank Draft/wherever necessary
- Insurance document
- Import license
- Industrial License, if required
- Test report in case of chemicals
- Adhoc exemption order
- DEEC Book/DEPB in original
- Catalogue, Technical write up, Literature in case of machineries, spares or chemicals as may be applicable
- Separately split up value of spares, components machineries
- Certificate of Origin, if preferential rate of duty is claimed
- No Commission declaration

7. While filing the bill of entry and giving various particulars as prescribed therein the correctness of the information given has also to be certified by the importer in the form a declaration at the foot of the bill of entry and any mis-declaration/incorrect declaration has legal consequences, and due precautions should be taken by importer while signing these declarations.

8. Under the EDI system, the importer does not submit documents as such for assessment but submits declarations in electronic format containing all the relevant information to the Service Centre. A signed paper copy of the declaration is taken by the service centre operator for non-repudiability of the declaration. A checklist is generated for verification of data by the importer/CHA. After verification, the data is submitted to the system by the Service Centre Operator and system then generates a B/E Number, which is endorsed on the printed checklist and returned to the importer/CHA. No original documents are taken at this stage. Original documents are taken at the time of examination. The importer/CHA also need to sign on the final document after Customs clearance.

Export Cargo:
For clearance of export goods, the export or his agents have to undertake the following formalities:
(a) Registration:
35. 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 authorised foreign exchange dealer code (through which export proceeds are expected to be realised) 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 in the system.

(b) Registration in the case of export under export promotion schemes:
All the exporters intending to export under the export promotion scheme need to get their licences/DEEC book etc. registered at the Customs Station. For such registration, original documents are required.

(c) Processing of Shipping Bill-Non-EDI:
Under manual system, shipping bills or, as the case may be, bills of export are required to be filed in format as prescribed in the Shipping Bill and Bill of Export (Form) regulations, 1991. The bills of export are being used if clearance of export goods is taken at the Land Customs Stations. Different forms of shipping bill/bill of export have been prescribed 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, AR-4, 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/cess where applicable, exportability of goods under EXIM policy and other laws inforce. The DEEC/DEPB Shipping bills are processed in the DEEC group. In case of DEEC Shipping bills, the assessing officer verifies that the description of the goods declared in the shipping bill and invoice match with the description of the resultant product as given in the DEEC book. 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 present the goods to the shed appraiser (export) in docks for examination. The shed appraiser may mark the document to a Custom officer (usually an examiner) for examining the goods. The examination is carried out under the supervision of the shed appraiser (export). 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.

In case the examining staff in the docks finds 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 mis-declaration of description of value etc.

(d) Processing of Shipping Bill-EDI:
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 Center 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 cess, the TR-6 challans for cess is printed and given by the Service Center 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.

UNIT-V
SHIPMENT OF GOODS AND PORT PROCEDURE

Post Shipment Formalities

In this article, you will learn step by step procedures and formalities of export customs clearance procedures and formalities in India.

Export customs clearance formalities are so simplified now days. Export clearance procedures are as simple as local sales procedures. After the member of GATT – General Agreement on Tariff and Trade, India has liberalized its import and export procedures and formalities very much. Before globalization till 1992, all procedures and formalities on export and import procedures are too complicated. Introduction of software system to file documents electronically made simple to handle export and import procedures for both government and traders in export import. The fast grown electronic and telecommunication industry worldwide contributed in large way in all sectors to boost simplification of procedures and formalities in export import trade also.

Here, let us discuss present export customs clearance procedures and formalities in India. Shipping bill is the legal document to be filed mandatory for moving goods outside India by an exporter.

How to apply Shipping bill electronically?

Once after preparing invoice and packing list, based on purchase order or Letter of credit, you need to arrange export customs clearance procedures, well in advance of time of shipment mentioned in export order. You can appoint a Customs broker or you your self can complete export customs clearance formalities. Normally, a customs house agent is appointed for smooth and fast clearance procedures under export. Invoice, Packing list, SDF declaration and other specific required documents are sent to customs house agents for completion of necessary export customs formalities.

After receiving documents from exporter, Customs broker files shipping bill through customs online software system electronically. This can be done at home, office or private EDI (electronic data information) centers appointed by government, as the filing software can be downloaded from ICEGATE electronically. The generation of shipping bill number is as per serial order all over the country, as the said software is a centralized one. ICE GATE is the software service provider for Customs department of Government of India for import and export customs clearance procedures and formalities. ICE GATE opens their software system 24 hours a day to support export import trade for smooth clearance procedures in India. So the shipping bill number – the serial number of export shipping bill - generated by software is obtained by customs broker or exporter who files online on a queue basis.

The goods read for export is moved to airport, sea port or container freight station and unloads in to the respective yard of shipping carrier. The location yard is decided by carrier who places the vessel/aircraft at the allocated place where in loading of goods makes easier. Export customs procedures and formalities for inspection of goods are completed with customs officials and enter the details of examination of goods in to software system online for the approval of higher officials of customs. The assessment of value of goods and other information are verified by the customs officials with necessary documentary supports if required. Customs department is also alert on the export benefits schemes filed by you (exporter) for claim by verifying with necessary supporting documents if required.

Let Export Order under export customs clearance procedures

After verifying all required information, customs authorize the assessment and inspection procedures and issue 'Let Export Order' as a proof of completion of export customs procedures and formalities. Then, the prints of shipping bill are generated. There are three type copies of shipping bills release this time, one for exporter's copy, second one exchange control copy which has to be submitted with

Reserve Bank of India through exporter's bank, and third one for shipping carriers to move the cargo to port of final destination.

Export General Manifest – EGM

After obtaining the prints – hard copy - of said original shipping bills, the respective customs officials involved in the said process signs on the shipping bills and return to the exporter or their appointed Customs House Agent. Once after movement of goods from exporting country, the shipping carrier files necessary export general manifest (EGM) with customs and based on the same, customs department issue proof of export – Export promotion copy of shipping bill.

Claiming Duty Drawback and other benefits

DOCUMENTS FOR CLAIMING EXPORT ASSISTANCE

1. APPLICATION FORM FOR REGISTRATION-

The exporter, whether manufacturer or merchant exporter if wants to avail the facilities and benefits in the EXIM Policy have to get themselves registered with the concerned jurisdictional licensing authorities, EPCs, Commodity board, Chief controller of EXIM, New Delhi for the Subordinate Licensing Offices.

A Bank certificate regarding the financial status of the exporter must accompany the registration form.

In case, there are various branches, the application should be made by the Registrar Office only.

If the registration authority is satisfied, then it issues the registration certificate to the exporter.

2. IMPORT LICENSE FOR RAW- MATERIALS, INTERMEDIARIES, COMPONENTS AND SPARES-

The registered exporter must make the application for the grant of import license only be it a manufacturer exporter or merchant exporter having jurisdiction over the area in which the head office is located in a prescribed format.

The registered exporter must make one consolidated application form for the import license, against all the goods exported by him.

It should include the particulars about the nominees in different formats. The import license application has to be filed within one month from the date of the exports. The IL is based on the preceding year's exporters along with the following documents:-

1. Treasury Challan
2. Customs attested copy of S/ B
3. B/L
4. Invoices attested by the negotiating banks
5. The actual user condition licenses

3. ALLOTMENT OF INDEGINOUS RAW- MATERIAL ON PROCUREMENT BASIS-

The manufacturer exporter or manufacturers, who sells to the registered merchant exporter for further exports, may apply to the director of exports promotion, ministry of commerce for the replenishment of the indigenous material used for manufacturing the exportable items.

The products could be supplied on priority basis if the exporter has received an export order for another consignment.

4. DRAWBACK OF IMPORT DUTY OR EXCISE DUTY-

The GOI has extended the facility of claiming drawback for the import duty and the excise duty so as to make the products competitive in the international markets.

5. GENERAL SECURITY/ GENERAL SURITY FOR EXECUTION OF BOND (FORM B- 1)

The exporter has the facility of exporting the goods against rebate or bond. The rebate is claimed when the duty has been paid in advance and is claimed back after the export has been effected.

6. AR 4 FORM-

Before the goods are removed from the factory's warehouse, it has to go through the Excise Clearance. For this purpose so as to claim for rebate, the AR- 4 form is made and sent to the jurisdictional excise officer.

One copy of AR 4 form is given to the customs controller as a proof of exports of goods. The excise officer seals the Triplicate copy of AR-4 form and sends it to the rebate sanctioning office.

7. DRAWBACK SHIPPING BILL-

in case the goods are being exported on the payment of import duty, the drawback S/B is being prepared clearly mentioning the claim under drawback. This is registered for claiming the duty after the exports.

8. DRAWBACK BILL-

The application in the form of drawback bill is being prepared for claiming the duty back. The value of duty claimed should not exceed the rate of duty as mentioned on the date of presentation of Bill of Entry.

Reference –

1) *Shipment of goods & Port procedure "How to export", P-100-103.*
2) *Port shipment formalities and procedures "Export-Import Procedure & Document", P-141-153.*
3) *Claiming Duty drawbacks and other benefits, "Export-Import Procedure & Document", P-229.*