

Importances of shipping on indian economy



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Introduction

Shipping has played a huge role in the Indian economy. Geographically, almost half of India's border is covered with sea. Talking in terms of international trade, the amount of trade done by land and air is very limited. Ninety percent of India's in terms of volume and seventy seven percent in terms of value are carried by sea. This shows the amount of India's dependence on shipping. The initial scenario where India's balance of trade mostly showed higher imports as compared to the exports is now changing. India's exports as compared to imports have increased to eight six percent in 2001-02 as compared to seventy five percent in 1990-91. In the year 2002 according to the reports of the WTO, India achieved fifteen percent growth rate in exports of merchandise goods which made it second highest in the world. Over 90% of world trade is carried by the international shipping industry. Without shipping the import and export of goods on the scale necessary for the modern world would not be possible. There are around 50,000 merchant ships trading internationally, transporting every kind of cargo. The world fleet is registered in over 150 nations, and manned by over a million seafarers of virtually every nationality. Ships are technically sophisticated, high value assets (larger hi-tech vessels can cost over US\$150 million to build), and the operation of merchant ships generates an estimated annual income of over US\$380 billion in freight rates, representing about 5% of the total global economy. For a country's economy, the transportation sector is often viewed as an important barometer of growth. As more goods are consumed within a country, the transportation sector must grow accordingly in order to accommodate the transport of additional goods. And as the wheels of commerce turn with ever greater speed, so does

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the volume of passenger traffic. As a corollary, the location of manufacturing facilities and distribution centres can have a major impact on the growth of a country's transportation sector and transportation infrastructure. The relative location of these manufacturing facilities and distribution centres can dictate whether the country becomes a hub within a logistics network or a spoke in the wheel, serving in effect as a transit corridor. Such matters are of particular importance to emerging economies where transport and logistics infrastructure is in process of rapid development.

If we look at the main drivers of Global Trade, they are Profitability i. e. price difference amongst various markets, Risk Spread which reduces the dependencies on one market, Uneven distribution of natural resources, Difference in level of technologies wherein some countries have higher level of technology and some have low, Difference in cost of production because at various places various industrial inputs are comparatively cheaper e. g. labour, electricity, technology, etc.

If we closely look at exports, a country exports a particular thing which it may have naturally, for e. g. oil, or which it produces a lot for e. g. wheat, etc. But the more a country exports, the more foreign income it gains especially in the case of developing countries which increases its foreign reserves and ultimately resulting in the country's more buying power and thus helping it to develop. Thus exports prove to be a boon for a country. If we talk about the total worldwide exports from the year 1980 to 2006, worldwide exports were valued at

Year 1980 1990 2002 2004 2006

Value (Bn.\$) 1, 271 3, 303 4, 071 8,
567 12, 083

Countries have to rely on other countries for some goods which it does not have. So to import these goods, a country needs to have foreign exchange and for that a country relies on its exports. Generally a countries balance of trade should always be positive, i. e. its exports should be more than its imports.

Thus shipping playing a huge role, the flow of cargos in the ports are huge. All the imports and exports of the whole country are being done by 12 major ports. Thus the movement of cargo in these ports is huge. To add on to this, imports and exports have to go through thorough checks and a lot of documentation. All cargo goods imported into the country or exported out of the country by sea, air, land or rail routes are governed by the provisions of the Customs Act, 1962 and other laws of the country related to entry/ exit from the country. Customs ensures that the import and export of goods are in compliance with the Customs Act and other laws in force. Accordingly, customs procedures are intended to provide definite, predictable methods by which the goods can enter the country and get cleared on payment of applicable import duties, fulfilling the requirements of the law of the land. Thoroughly going through all goods that are to be imported or exported requires great deal of time and all this results into congestion at ports resulting into slow movement of the cargo and ships. These bottlenecks prove to be harmful for the country's total international trade. To help

remove congestion at ports, Government supports facilities such as C. F. S (Container Freight Stations) which prove to be dramatically useful in removing congestion at ports. The C. F. S helps a lot in reducing the total dwell time of cargo and its associated costs.

CFS is a place where containers are stuffed, de-stuffed and aggregation/ segregation of export/import cargo takes place. With the growing volume of international trade, the need for expeditious clearance of goods at the port within the minimum possible time has been gaining importance. This is more so when the ports are facing congestion at their premises. Further, for optimal utilization of existing infrastructure, space, equipment, goods that are landed at ports need to be evacuated straight away without any loss of time. Accordingly the concept of Container Freight Stations (CFS) has grown in importance along with the development and growth of ports.

A C. F. S proves to be beneficial for the importer, exporter, the port, and the country itself. It is helpful for the importer in terms that when goods arrive, the importer can directly take his goods to the C. F. S and do all the documentation while his goods are at the C. F. S. This helps him in saving paying penalties in terms of demurrage if the clearance of goods takes more time than usual. It helps the exporter in terms that an exporter can stuff his container at the C. F. S premises and thus the container becomes ready to ship as soon as it reaches the port. This can save him from paying extra penalties if the normal stuffing took more time when being stuffed at the port itself. It is helpful for the port because it acts as an extended arm of the port and the regular activities like stuffing and destuffing of containers can be done at the C. F. S. The clearance of goods can be done while the goods

are at the C. F. S and all this results into very low congestion at the port which makes the port functions smooth and easy. The vessels can be loaded and unloaded faster, which increases the total turnaround of the port. At present, when India's total international trade is on boom, if the port can increase its efficiency, then it the total trade can dramatically increase which in turn benefits the country as a whole. Technology plays a huge role. Role of EDI. Exports now account for more than 10% of India's \$ 661 billion economy and the rate it growing continuously.

C. F. S & The Import Export Procedure.

A C. F. S is a common user facility with public authority status equipped with fixed installations and offering services for handling and temporary storage of import/export laden and empty containers carried under customs control and with Customs and other agencies competent to clear goods for home use, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export. Transshipment of cargo can also take place from such stations.

A CFS is an extended arm of Port/ ICD Complex, where import/ export goods are kept till completion of their examination and clearance. The imported goods can be immediately shifted from the port to CFS which also helps in the reduction of port congestion. All the activities related to clearance of goods for home consumption, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export and transshipments take place from such stations. Therefore, clearance of goods from CFS is an important point of consideration for trade in respect of export/ import Cargo as it is the final Customs contact point. The Main function of

CFS is receipt, dispatch and clearance of Containerized Cargo, up-to-date inventory control and tracking system to locate containers/cargo. The goods received at ports are brought to CFS and stacked in CFS after verification of the seal by Customs Officers. C. F. S are bonded and secure areas, strategically located close to container ports, where multiple value added activities can be carried out at all stages of the supply chain logistics of containerized freight. These include container stuffing and de-stuffing, re-assembling in factory units machinery and vehicles which have been broken down into kit parts for shipping, goods labelling and packaging, full container handling and storage, temperature controlled storage, bonded storage, long term warehousing, road and rail transport services, cross docking and cargo handling consultancy.

C. F. S & I. C. D

There is a difference between Container Freight Stations (CFS) and Inland Container Depots (ICD). In both the places, the imported goods or export goods are ordinarily kept before clearance by the Customs and where filing of Customs manifests, the same procedure is followed for the bills of entry, shipping bills and other declarations, assessment and all the activities related to clearance of goods for home consumption, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export, transshipment, etc, take place. Functionally there is no distinction between an ICD/CFS as both are transit facilities, which offer services for containerization of break bulk cargo and vice-versa. These could be served by rail and/ or road transport. An ICD is generally located in the interiors (outside the port towns) of the country away from the servicing

ports. CFS, on the other hand, is an off dock facility located near the servicing ports which helps in decongesting the port by shifting cargo and Customs related activities outside the port area. CFSs are largely expected to deal with break-bulk cargo originating/terminating in the immediate hinterland of a port any may also deal with rail borne traffic to and from inland locations. Thus the main difference between the both is their location. A C. F. S would be strategically located near a port. For a C. F. S to get certified, the first major thing it has to do is to locate itself within 200 kilometers radius to a port. Thus if goods are imported, they can directly be taken to a C. F. S within a short period. Whereas in the case of an I. C. D, it does not have any regulations as to its distance from any port. So a person can open an Inland Container Depot in Delhi but cannot open a C. F. S in Delhi. The only difference between them is the clause of C. F. S being close to a port.

Functions OF CFS's

The primary functions of CFS may be summed up as under:

1. Receipt and dispatch/delivery of cargo.
2. Stuffing and stripping of containers.
3. Transit operations by rail/road to and from serving ports.
4. Customs clearance.
5. Consolidation and desegregation of LCL cargo.
6. Temporary storage of cargo and containers.
7. Reworking of containers.

8. Maintenance and repair of container units.

The operations of the ICDs/CFSs revolve around the following centre's of activity:-

1. Rail Siding (in case of a rail based terminal)

The place where container trains are received, dispatched and handled in a terminal. Similarly, the containers are loaded on and unloaded from rail wagons at the siding through overhead cranes and / or other lifting equipments.

2. Container Yard

Container yard occupies the largest area in the ICD. CFS. It is stacking area where the export containers are aggregated prior to dispatch to port, import containers are stored till Customs clearance and where empties await onward movement. Likewise, some stacking areas are earmarked for keeping special containers such as refrigerated, hazardous, overweight/over-length, etc.

3. Warehouse

A covered space/shed where export cargo is received and import cargo stored/delivered; containers are stuffed/stripped or reworked; LCL exports are consolidated and import LCLs are unpacked; and cargo is physically examined by Customs. Export and import consignments are generally handled either at separate areas in a warehouse or in different nominated warehouses/sheds.

4. Gate Complex

The gate complex regulates the entry and exist of road vehicles carrying cargo and containers through the terminal. It is place where documentation, security and container inspection procedures are undertaken.

BENEFITS OF CFSs

The main benefits from CFS's

1. Concentration points for long distance cargoes and its unitization.
2. Service as a transit facility.
3. Customs clearance facility available near the centers of production and consumption
4. Reduced level of demurrage and pilferage.
5. No Customs required at gateway ports.
6. Issuance of through bill of lading by shipping lines, hereby resuming full liability of shipments.
7. Reduced overall level of empty container movement.
8. Competitive transport cost.
9. Reduced inventory cost.
10. Increased trade flows.
11. In transit storage in a secure environment

Revenue

The revenue model of the C. F. S revolve around the following activities

- * Container H&T
- * Ground Rent
- * Storage Charges
- * Empty Container Storage
- * Other Services.

Container H&T (Handling & Transportation)

The container handling and transportation are the charges that are charged by the C. F. S to the importer/exporter. These are the charges with respect to handling and transportation of the container from the port to the C. F. S in case of import and from the C. F. S to the port in case of export.

Ground Rent

Ground rent is the amount that the C. F. S gets with respect to the number of days a container remains lying at the C. F. S premises. It keeps on increasing with the more number of days the container is lying at the C. F. S. It is earned only in the case of import containers as once the container gets cleared from the C. F. S and gets ' Out Of Charge', it is the duty of the importer/CHA to get the goods removed from C. F. S whereas in the case of export, once the container is sealed and is ready to export, it is the duty of C. F. S to transport the container to the port.

Storage Charges

The storage charges include the warehousing charges that are levied upon depending on the nature and the requirement of the goods. For e. g. some goods require covered storage, refrigerated storage, or can be stored in the yard. In case of refrigerated containers, power outlets are provided and charged accordingly. It is earned in both the cases i. e. import as well as export. The goods are stored in the C. F. S premises and is charged accordingly.

Empty Container Storage

C. F. S also provides the facility of empty container storage for the container leaser company. Once a container is imported, cargo is destuffed and then till the next export consignment is assigned to that particular container, the owner of the container has to take it to some place to store it. He can take it anywhere he wants, for e. g. his own container yard but if it is too far, then he would have to bear huge transportation costs. Instead he could store his empty container in the C. F. S itself and pay its normal empty container rent, and when he receives the next consignment, he can shift his container to that particular C. F. S/ICD or he could even get that consignment in that particular C. F. S itself. If he gets a consignment there itself, then he would have to bear zero transportation cost.

Other Services

Apart from the above mentioned services, C. F. S provides with services like stuffing/destuffing of containers, charges for custom examination, palletisation, shrink wrapping, repair and maintenance of containers, cleaning the containers, etc. Due to the container's usage, it may get

damaged as it is involved in activities like stuffing and destuffing, transportation and handling in the vessel and by road transportation. So it is common for containers to get damaged which involve minor dents to major cracks. These issues are taken care in the C. F. S and are repaired. Many times heavy cargo is loaded in the container which is very solid in nature, to prevent the container taking damage from it, plywood sheets are fixed inside the floor of the container. This is being done at the C. F. S too.

THE BILL OF ENTRY

The document on the strength of which clearance of imported goods can be effected is known as the Bill of Entry (B/E), the form of which has been standardized by the Central Board of Excise and Customs. The Bill of Entry should be type-written.

TYPES OF BILL OF ENTRY

All goods discharged from a vessel, from foreign or coastal ports, are cleared on Bills of Entry in the prescribed forms presented under the Bill of Entry Regulations, 1971.

- * Goods entered for home consumption are cleared on ' White' Bills of Entry.
- * Goods entered for warehousing are removed into bond on ' Into Bond' Bills of Entry (' Yellow' Bills of Entry).
- * Goods cleared ex-bond for home consumption on payment of duty on ' Ex-Bond' Bills or ' Green' Bills of Entry.

WHEN TO PRESENT BILL OF ENTRY ?

It should be presented for 'noting' in the import department of the Customs House after the Import General Manifest which gives a detailed description item-wise of the goods brought by the concerned vessel is filed by the ship's agent. A facility has been afforded to the ship's agents to lodge this manifest 14 days in advance prior to arrival of the vessel. This concession has been given to facilitate the importer's Custom House Agent to keep the documents ready so that immediately on arrival of the vessel and landing of the cargo, the same could be cleared on examination and payment of duty thereon without any loss of time. The date of presentation of the Bill of Entry is very important as the rate of duty applicable to the imported goods will be the rate which is in force on the date of presentation.

FEATURES OF THE BILL OF ENTRY

Salient features of the Bill of Entry which is to be presented for clearance of goods for home consumption are mentioned below :

(1) Origin & Vessels Particulars: The importer or his Clearing Agent has to give relevant particulars of the origin of the consignments and the vessel e. g. port of Shipment, country of origin (and country consignment if different), vessel's name and rotation number and also Bill of Lading date.

(2) Particulars of the Goods: In regard to the goods covered by the Bill of Entry, certain basic information has to be furnished by the importer which includes (i) Number and description, as well as marks and numbers of the packages; (ii) weight/volume/or number in so far as quantity is concerned; (iii) Description of the goods imported – details to be given separately for

each separate class of goods; (iv) Gross weight and total number of packages have also to be given.

(3) Value: The importer has also to indicate assessable value in terms of Section 14 of the Customs Act, 1962. For arriving at this assessable value he has also to give further break-up of invoice value, freight, insurance, exchange rate, loading and local agency commission, miscellaneous charges and landing charges (taken into consideration for the assessable value)

(4) Duties Leviable: The form has separate columns for indicating Customs tariff heading and exemption notification No. if any applicable. For purposes of contravening duty, there is separate column indicating the value, the rate and amount and the total amount of duty on the goods both in figures and words to be indicated by pin-point typewriter.

(5) Codes: For certain statistical purposes (which is the basis of Foreign Trade Statistics), certain code numbers have also to be indicated by the importer while filing the Bill of Entry which include Port Code, Custom House Agent Code, Importer Code, Country of origin/Consignment Code, Unit Code, Currency Code, etc.

(6) Declaration of Importers/Clearing Agent: Besides the information of the type referred to above, certain declarations have to be furnished by the importer and his authorized Custom House Clearing Agent wherever the Bill of Entry is processed through a Clearing Agent. Some of these declarations have to be signed by the importer himself. These specifically include declaration about correctness of the contents of the goods described in the Bill of Entry (being in accordance with the invoice and other documents),

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corrections of the price/value. Declaration whether the goods have been purchased on outright purchase/consignment basis and whether the importer has any connection with the supplier/manufacturer.

Importer's declarations are furnished and signed by him on the reverse of the Bill of Entry. In cases when an importer clearing his goods through a Custom House Agent, does not have his office at the port, the declarations may be signed by the importers on a separate sheet of paper which may be attached to the reverse of the bill of entry. The Appraiser may make the final assessment after the C. H. A pastes the declaration on the reverse of the Bill of Entry.

Bill of Lading

The Bill of Lading is the document which proves that the goods are being loaded at the P. O. O (Port Of Origin). In case of imports, the importer has to show the Bill Of Lading which proves that the goods were actually loaded in the vessel. The Bill Of Lading is signed by the master of the ship who represents the vessel's owner.

The main function of the B/L is that it proves that an actual valid contract is being carried out and that the vessel owner knows about the cargo that is loaded in his vessel.

Import Procedure with respect to C. F. S

The import procedure for containerized cargo is done in two ways. They are

1. Doc. Destuffing
2. Factory Destuffing

Doc. Destuffing

In Doc. Destuffing, the destuffing of the containerized cargo happens at the C. F. S premises.

* The Importer/Exporter/CHA first submits copies of IGM (Import General Manifest) & OBL to the C. F. S authorities along with a request for movement of Imported(Loaded) Containers in advance.

* After the arrival of the containers, permission is taken from the AC/DC (Assistant Commissioner/Deputy Commissioner) and then the goods are allowed to be moved to the C. F. S.

* Then the C. F. S will arrange for transportation of the Imported Containers from the Customs area in the port. If the container seals are found to be broken, then first the port authorities check it and only after their permission, the goods are allowed to be dispatched from the port to the C. F. S. All the Custom formalities that include the physical examination of goods are then carried out at the C. F. S premises.

* After this, the B/E (Bill of Entry) is being filed, the Assessing Officer in appraising group assesses the duty liability, notes any exemption if any and checks whether there are no restrictions on the goods being imported.

* Then the containers are destuffed. It is being done in the presence of the Custom Officer after verifying the Container number and the seal number. Then a destuffing sheet is prepared which verifies the cargo in the container with the IGM and it is being signed by the Custom Officer, the Importer/CHA, and the C. F. S representative as a legal proof.

- * Then the B/E is again presented to the Shed Appraiser for physical examination of the goods.

- * After destuffing the cargo, the goods will be stacked in the import warehouse or the container yard wherever they are to be kept as per the request of the importer.

- * Then the importer/CHA pays the duty on the imported goods according to the rate of duty of the goods. If the Importer/CHA fails to pay the duty within 7 days period (from the date of of Bill of Entry to him). The Importer/CHA shall obtain freshchallanof payment of duty along with interest accrued there on. For the dispatch of the goods from the C. F. S, the importer/CHA has to clear all the custom duties and the charges of C. F. S.

- * After all the payment is made, the Appraiser/Superintendent endorses the Out Of Charge. From here the importer can take his goods from the C. F. S and can have it delivered. He can have the cargo delivered to him loose or can have the cargo loaded in the container while being delivered to him as per his wish. For the cargo to come inside the container, he has to pay extra charges to the owner of the container.

- * The empty containers arising out of destuffing can be stored in the C. F. S and can taken out once the container owner/container leasing companies produce the proof of export of the container and can thus take their containers to other C. F. S or ICD's for stuffing.

Assessing Officer

The basic function of the assessing officer in the appraising groups is to determine the duty liability taking due note of any exemptions or benefits claimed under different export promotion schemes. They have also to check whether there are any restrictions or prohibitions on the goods imported and if they require any permission/license/permit etc and if so whether these are forthcoming. Assessment of duty essentially involves proper classification of the goods imported in the customs tariff having due regard to the rules of interpretations, chapter and sections notes etc., and determining the duty liability. It also involves correct determination of value where the goods are assessable on ad valorem basis. The assessing officer has to take note of the invoice and other declarations submitted along with the bill of entry to support the valuation claim, and adjudge whether the transaction value method and the invoice value claimed for the basis of assessment is acceptable. He also takes note of the contemporaneous values and other information on valuation available with the Custom House.

Cargo not taken by importers

After notice to importer and approval of customs for valuation, cargo not removed within 60 days is sold through public auction and proceeds are used to recover costs of auctions, customs duty and company's charges.

Factory Destuffing

Factory Destuffing is a procedure wherein the importer wants to unload the cargo from the container at his own premises. In this, the container can be brought directly to the importer's premises to unload. For factory destuffing, the importer has to take prior permissions from the CEDC and from the port

authorities. In this, the procedure is same as to Doc. Destuffing till its being brought to the C. F. S. Once inside the C. F. S, the Custom authorities verify the container seal number. Generally, the seal is not broken here but if the Custom authorities have any doubt, then they can open the container and verify. After this, the container is being transported to the importers premises and can be opened there. But it can be only opened in the presence of a CEDC authority. A CEDC representative personally goes to the importer's premises and then only in his presence, the seal is verified and then it is broken. Then destuffing happens and the CEDC personnel signs the destuffing document along with the importer. Here the C. F. S's role is to transport the container from the port to the C. F. S and then all the documentation and the payment of duty is done there and the Seal verification by the Customs is also done there itself. Thus the C. F. S charges the importer accordingly. Various permissions have to be taken by the importer for Factory Destuffing and has a lot of regulations involved in it even when the cargo is being loaded at the port of origin. It is useful for cargo that is delicate, that requires special care when it is loaded/unloaded and gets damaged when frequently shifted.

In the case of factory destuffing, the importer after taking prior permissions from the customs, files the line D. O with the port authorities. He has to file the B/E accompanied by all necessary documents including invoice, packing list, bill of lading, import license, declaration under rule 10 of the customs valuation rules 1988, OGL declaration, chartered engineers certificate etc. One separate set of essential documents like invoice, packing list, bill of lading, importer declaration under rule 10 of customs valuation rule 1988

etc. shall be pasted on the reverse of original Bill of Entry. He has to file the Bill of Entry for Home Consumption.

Export Procedure with respect to C. F. S

* First the exporter files Shipping Bills to the port authorities, and to the C. F. S authorities as well.

* The shipping bill is submitted in the system and is marked by the Superintendent(Exports)

* After verifying the value of the goods that are being exported, AC/DC call in for the samples that are being exported and if being felt necessary, then they will put those samples to test.

* After checking and approval of samples by AC/DC, export documents are to be filed i. e. invoice, packing list, quality certificate, buyer's order, etc. to the Noting Clerk and he will then assign a serial number to the Shipping Bill.

* Then the Shipping Bill is passes on the Appraiser. The Appraiser notes down the content of goods being exported and if any benefits are to be provided to the exporter under any scheme. For e. g. DEPB.

* Then the shipping bill is presented the Examination Officer/Inspector who examines the goods that are to be exported in presence of the CHA/Importer with their packing list. First the loose cargo is brought into the C. F. S and on the receipt of Goods, the Shed in charge records landing certificate on the Shipping Bill itself.

- * After examining the goods, the ' Let Export' order is given to the shipping line and goods are allowed to be stuffed in the container.

- * Then cargo is stuffed into the empty containers. The empty containers can be lying inside the C. F. S which could be of any container leaser or can be brought inside the C. F. S. The stuffing of container is known as carting. The carting takes place in the warehouse or the container yard depending upon the nature of cargo.

- * After the stuffing has taken place in front of the Custom Officer, the container is sealed with Customs One Time Keyless Bottle Seal. This seal is key less and the seal has to be broken to open the container to maintain safety. After this seal has been put on, the container is ready to be exported and the C. F. S arranges for the container's transportation to the port.

- * On arrival of the container at the port, if the seal is found to be broken, then again the container has to be taken back to the C. F. S and again cargo verification is