ASSIGNMENT MEMORANDUM

SUBJECT : EXPORT ADMINISTRATION I (EA1)

ASSIGNMENT : 1st SEMESTER 2010

QUESTION 1 **[25]**

STUDY UNIT 5, pp. 72-106

1.1
- FOB, CFR and CIF are traditional sea-freight terms for port-to-port shipments, that is, they must be followed by a named sea or river port.
- Durban and Barcelona are seaports but Madrid is inland.
- The type of cargo, that is, containerised (multi-modal), determines the choice of appropriate Incoterm.
- FCA Durban, CPT Barcelona and CIP Madrid, as equivalents of FOB, CFR and CIF respectively, should be used for multi-modal transport.
- Especially with FOB and CFR, the passing of risk at the ship's rail could lead to disputes between the buyer and seller.
- This is as a result of the inability to determine the condition of the goods inside a container when being loaded on board the vessel.
- It would be difficult to apportion the transport costs between the seller and the buyer when the shipping line quotes a through-rate. **(7)**

1.2
- DEQ Felixstowe: bulk cargo by sea, e.g. coal.
- EXW Paarden Eiland: any type of consignment, i.e. bulk, breakbulk and containerised cargo, by any mode of transport.
- FOB Durban: bulk and breakbulk cargo by sea.
- CIP Charles de Gaulle, France: any type of breakbulk cargo by air with restrictions on hazardous goods only. **(4)**

1.3
- Supply goods in conformity with the contract of sale.
- Contract for carriage.
- Clear goods through customs for export from South Africa.
- Deliver goods into custody of first carrier.
- Advise buyer that goods have been delivered.
- Assist buyer (at his/her request and expense) in obtaining any documents issued in South Africa required for the importation of the goods.
- Provide buyer at seller's expense with customary transport document for named destination. **(7)**

1.4 Explain the classification of Incoterms by mode of transport.

- Six of the 13 Incoterms are for use exclusively where the principal leg of the carriage is by sea or inland waterways.
- They consist of four departure terms, namely, FAS, FOB, CFR and CIF, and two arrival terms, namely, DES and DEQ.
- One Incoterm applies exclusively to carriage overland, namely, DAF.
- The remaining six Incoterms apply to all modes of transport and they consist of:
  - two original terms, namely, EXW and DDP;
  - three terms that were introduced in 1980 primarily to overcome the problems of using the sea freight terms for containerised and ro-ro cargo, namely, FCA, CPT and CIP; and
  - one new term introduced in 1990, namely, DDU. **(7)**

QUESTION 2 [25]

STUDY UNIT 4, pp. 57-59

Booking space

- An exporter contacts the road transport company and books space, providing the following information:
  - The type of cargo to be transported
  - The final destination
  - The mass and dimensions of the cargo.
- On the basis of this information, the road carrier usually advises whether the consignment should be transported as breakbulk or in a container.
- As goods may have to be consolidated with those of other exporters, it is advisable to book well in advance of the desired delivery date. **(6)**

Documentation

- The exporter should liaise with the road transporter about the documentation required.
- Whereas most are conversant with the documentary requirements, road transporters will usually expect the exporter to provide all the required documentation.
- The exporter must ascertain not only what documents are needed for export from South Africa but also what documents are required for importation into the buyer's country.
- Most importing countries have requirements such as specific forms, inspection certificates, import permits, and so forth.
- If these requirements are not met, the goods are denied entry into the import country resulting in demurrage charges, fines, and other costs, for which the exporter will ultimately pay. **(5)**

Delivery and collection arrangements

- A time and place for delivery/collection of the cargo is then arranged.
- Some carriers have a local collection facility servicing their international road transport activities. **(2)**

Inspection

- Certain countries – Zambia is one – require that all consignments above a certain value be inspected by an independent inspection authority, such as Société Générale de Surveillance (SGS), prior to shipment.
- This should be ascertained from the buyer in advance. **(2)**

Customs clearance

- Communication with the customs authorities at border posts is frequently poor.
- To avoid unnecessary delays, the exporter or freight forwarder must ensure that all the necessary documentation has been supplied and accurately completed by the time the consignment is collected by, or delivered to, the road transporter.
- Although not the norm, the goods can be cleared at the closest customs office to their place of origin in South Africa, in which case copies of the relevant pre-cleared customs document(s) for export must accompany the goods.
- There is no standard transport document for road transport, and road carriers normally design their own waybills.
- At the border, the documents, namely, the road waybill, the relevant customs document(s) and commercial invoice, are presented to the customs authorities who clear the goods for export if this has not already been done. **(5)**

Import permits

- In many African countries, import permits must be obtained by the buyers in these countries in order to import goods.
- It is usual practice for the party responsible for the transportation of the cargo (either the seller or the buyer) to ensure that the necessary import permit will be available at the border (or other named point of clearance) when the goods arrive.
- Should an import permit not be at the border when the consignment arrives at the customs entry point, the goods will be placed in bond until the necessary permit does arrive.
- Alternatively, due to a lack of facilities at the border, the vehicle with the goods still on board will be denied access to the importing country and this will incur truck delay charges. **(4)**

Final delivery of the goods

- In the country of destination, the goods are delivered to a depot/warehouse or, depending on the freight forwarder or carrier, the buyer can arrange to have the goods delivered to his/her premises or may collect them. **(1)**

QUESTION 3 [15]

STUDY UNIT 6, pp. 124-125

- When deciding on suitable packing, the packer should take into account:
  - The goods will be carried by road to the airport
  - The handling of the goods in terminals
  - The stowage of the cargo in the aircraft
  - In-flight conditions
  - The unloading of the aircraft
  - The transfer of the goods to the terminal

- The final delivery of the goods by road to the consignee.

- The cargo should be packed to withstand the weight of other cargo stacked on top of and adjacent to it, the crushing action of tie-down straps, any manual handling, and exposure to the elements.
- Goods should be unitised where possible.
- Liquid cargoes should not fill their containers completely – expansion space or 'ullage' should be provided to compensate for lowered atmospheric pressure, and all caps, valves and seals should be tightly closed.
- The packer must take into account regulations and restrictions applying to dangerous cargo (the ICAO's Technical Instructions).
- Where large, heavy or awkward cargo is being transported, the carrier should be consulted on the permissible aircraft floor-weight concentrations.
- Cargo dimensions also have to be taken into consideration, as cargo must be able to fit through aircraft loading doors and skids should be provided to make mechanical handling easier.
- Packing must provide protection against water damage.
- Perishable cargoes should be accompanied by appropriate instructions to the carrier(s), delivery and collection should be closely timed with the aircraft's departure and arrival, and provision should also be made for adequate ventilation in the packing, if this is needed.

QUESTION 4 [25]

STUDY UNIT 6, pp. 113-116

Refer to information given in Annexure 1.

NOTE: It is required of the student to use discretion to integrate the information in the annexure with the following information. This question will be marked and points allocated according to the marker's discretion.
It is not expected of the student to cover all information as given below – this is just a guideline for the marker as to information that can be mentioned in the assignment.

Discuss the following, by using the information given in the annexure as well as your study guide.

- **Consumer health and safety**
  - During the last decade, 'consumer health and safety' has become an increasingly important issue in international trade.
  - In the European Union (EU), there are many standards that prohibit the presence of certain chemicals or prescribe the type of information about the conditions of a product and/or production process to appear on product labels.
  - For example the principal legislative body guiding the cosmetics sector, regarding both ingredients and final products, is Directive 76/768/EEC and its amendments. In this directive, requirements have been set for, among others, substances used in cosmetic products and for labelling requirements.

- Its annexes lay down substances which are: prohibited or restricted; indicating maximum concentrations and other limitations and requirements; colorants allowed in cosmetic products; preservatives which cosmetic products may contain; and UV filters which cosmetic products may contain. EU cosmetics legislation is constantly evolving. For example, 46 substances are now being discussed to determine if they should be banned from use in cosmetics. This includes mostly chemical colorants.

- **CE marking**
  - CE stands for 'Conformité Européene'
  - A product carrying the CE mark has market access to the EU and Iceland, Liechtenstein and Norway.
  - In the EU the CE marking includes technical and administrative standards for certain products to ensure safety.

- **Environmental issues**
  - Due to growing industrialisation in the world, the need for natural resources has grown enormously. At the same time the production of waste and emissions in the atmosphere has increased. Environmental problems such as the greenhouse effect, depletion of the ozone layer, extinction of species and the pollution of air and surface water have been recognised as serious environmental problems for some time.
  - As a result of the increasing need to preserve the environment, countries worldwide have committed themselves to the concept of sustainable development.
  - The preferred approach for dealing with global environmental problems is cooperative, multilateral action under a Multilateral Environmental Agreement (MEA).
  - The EU has incorporated several conventions and protocols in its legislation, for example the Montreal Protocol and CITES, as South Africa has done.
  - Environmental issues can be both product- (product legislation and labels) and process-related (such as process labels and management systems).
  - In the EU, for example, there is legislation to reduce the negative environmental impact of products, in the form of standards on the use of pollutants such as hazardous substances in products. This is of special importance for companies exporting to the EU because this legislation controls all products traded in the EU, regardless of their origin.
  - With cosmetics, EU directives ban or restrict the use of other substances such as chloro-1-ethylene (monomer vinyl chloride) as an aerosol propellant, or nonyl phenols and ethoxylates.
  - Cleaner production concepts focus on the production process in order to

prevent and reduce the risks of environmental damage caused by industrial activities. Cleaner production has a bearing on cleaner products because product standards sometimes can be met only through changes in the production process. Cleaner production is strongly related to occupational health and safety and both issues are concerned with improving the production process in an environmentally and/or socially sound way.

- Management systems such as ISO 14000 have a direct impact on cleaner production measures.
- Other important tools are codes of conduct and environmental labels. These are 'voluntary' instruments adopted as a response to market forces and are not required by law or regulation. However, several labels are becoming important market requirements.

- **Quality Standards**
  - The International Standards Organisation (ISO) promotes the development of international standards and related activities, including conformity assessment, to facilitate the exchange of goods and services worldwide. ISO is composed of member bodies from many countries. The member body and the national standards marking body for South Africa is the South African Bureau of Standards (SABS). ISO's work covers all areas except those related to electrical and electronic engineering.
  - The European Union (EU) uses ISO/IEC standards where they exist. Where a standard is not available, a new standard is written or an existing national standard is adopted. The EU standards are known as the CEN (European Committee for Standardisation) standards.
  - ISO developed the ISO 9000 standard series of which each standard addresses a different aspect of quality assurance management, depending on the need of the user.
  - ISO 9000 is a guidance document and ISO 9001, 9002 and 9003 describe distinct quality system models of varying stringency for use in different applications. Common elements include the need for:
    - An effective quality system
    - Ensuring that measurements are valid, with the measuring and testing equipment calibrated regularly
    - The use of appropriate statistical techniques
    - Having a product identification and traceability system
    - Maintaining an adequate record-keeping system
    - Having an adequate product handling, storage, packaging and delivery system
    - Having an adequate inspection and testing system as well as a process for dealing with non-conforming items
    - Ensuring adequate personnel training and experience.

- The ISO 14000 series relates to the environment and sustainable development, and is an environment management system (EMS). The structure of the series is similar to that of the ISO 9000 series.
- Neither the ISO 9000 and nor the ISO 14000 standards are imposed by law in any country but they are becoming a mandatory requirement, in regions such as the EU, as minimum standards to follow.
- Quality certification comprises systems certification such as ISO 9000, ISO 14000, and product certification. A certificate of conformity to a certain standard is increasingly an absolute requirement of many importing countries. This certificate must be issued by an accredited international certification body that must validate systems, products and personnel against the required standards.

- **Product Standards**
  - Product standards are usually developed to protect consumers and the environment.
  - In the EU the issue of product standards is complex and cosmetics are one of the products most affected by standards.
  - Many products are covered by EU standards as a minimum requirement common to all member states.
  - Where individual standards apply, there is a difference from one EU country to another.
  - Both locally produced and imported products in the relevant export market or country have to be tested against the required standards. For a number of products this can be done in South Africa by an accredited testing laboratory.
  - For example, with cosmetics, aspects which should be mentioned in product profiles, and which are required by buyers, are an analysis of the qualitative and quantitative composition of the product and of the physico-chemical as well as microbiological specifications and the toxicological profile of the raw materials used.
  - The legislation for the testing of cosmetic products is laid down in several directives. The legislation is, strictly speaking, only applicable to producers and importers within the EU. However, it guides ingredients suppliers, as it specifies the ingredients which are not allowed in the EU and lays down the technical and safety data that need to be provided, so that EU buyers can meet their product portfolio requirements.

PRESENTATION [10]