

IT'S A SMALL WORLD



GLOBAL FREIGHT LOGISTICS
Established 1983

NEWSLETTER

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Editors Note

The big story at the moment has to be the alarming decline of the rand in recent months. In fact since the beginning of the year it has depreciated by about 20%.

Many believe that the rand needed to weaken to improve our exports, but the huge and widening trade deficit suggests that our competitiveness would need more than just a devalued currency. With overseas markets being depressed, soaring labour demands and too much reliance on commodities, this deficit on our current account does not look like narrowing in the very near future.



Which Incoterm?

One of the decisions that importers face when negotiating with overseas suppliers is that of the shipping term, which, amongst other things, defines which party pays for the freight charges. It may be tempting to ship on CFR or CIF terms in the belief that the cost of the goods paid to the supplier will include the cost of carriage and would therefore eliminate the bother of having to arrange it yourself.

However, there are very sound reasons to negotiate terms such as Ex Works (EXW) or Free On Board (FOB), not least those that were recently raised by FTW magazine.

In an article, published in May, Mike Walwyn, a director of the South African Association of Freight Forwarders SAAFF, revealed that many importers are being forced to pay hidden charges before their LCL cargo is released locally. Kickbacks to groupage operators (especially in China) disguised as spurious surcharges that were not disclosed to the buyers are extracted from them before they can get their goods. "We see 'China surcharges', foreign exchange fluctuation fees, grossly inflated unpack and cargo dues charges and many other similar 'laundry list' items", he says. These sorts of specious charges result in the unwitting buyers having to pay more for LCL consignments than they would an FCL shipment and in some cases even airfreight would have cost less.

This is just another point in the argument for buying Ex Works or FOB, where the importer has control over, not just the freight costs (from suppliers factory on Ex Works or the port of loading on FOB) but also costs of risk.

Suppliers are only obliged to provide a somewhat limited marine insurance cover by Incoterms. To receive cargo, consignees have no option but to pay for unknown insurance costs in the CIF purchase price. Also, there are countless stories illustrating the difficulties and frustrations of having to lodge a claim with an unknown overseas insurer with concomitant language and business practice differences being difficult to negotiate.

Bimesh Ugarchund of Eikos Risk Applications warns importers to look beyond one-dimensional insurance solutions and to look to more holistic cover that can be tailor made to their specific profile and requirements. Such customised cover ensures importers are well informed of their risk exposure and management as well as the total costs involved.

Our best advice is to consult with your agent on the best possible term on which you should agree with your supplier, ensuring that you are acquainted with all advantages or disadvantages of the options available.

Risk & Marine Insurance Cover

On the subject of risk and marine insurance cover, Berry & Donaldson, as a mandated juristic representative of Eikos Risk Applications, offers marine insurance to our clients, as part of our complete logistic solutions services.

Please be aware that Eikos has advised that, effective 01 March 2013, the insurance facility offered by B&D is underwritten by Marine Underwriting Managers (Pty) Limited on behalf of Guardrisk Insurance Company Ltd. Cover was previously placed with Astra Maritime Underwriting Managers (Pty) Ltd on behalf of Holland Insurance Company Ltd. The reason for the change is to streamline administration procedures, as well as the fact that Marine Underwriting Managers (Pty) Limited is in a position to provide additional cover and flexibility of cover, which is to the ultimate benefit of the Berry & Donaldson's clients.

For the full Notification and Disclosure and more details visit our Marine Insurance page on our website: www.berrydon.co.za

Basis of Valuation of the Insured Value of Goods

The Insured Value of a shipment needs to be calculated correctly to ensure that you are adequately indemnified by the insurer in the event of a recoverable claim and you are not in a situation where your goods are under-insured or where certain costs have not been insured or that you are "out of pocket". The current norms for the Basis of Valuation of the Insured Value (i.e. how to arrive at or calculate the insured value) on an Import is "Delivered/Landed Cost + 20%" and on an Export is "Cost, insurance and freight + 20%". Clients insured via the Berry & Donaldson facility are insured per these Bases of Valuation, unless otherwise requested or specified by the client at the "Insurance Quotation" stage or thereafter. The Insurance Quotation will specify your requested basis of valuation and once accepted by you, the insured value and the premium amount due, will be calculated at the accepted premium rate for your shipments and submitted to the Underwriter. *Note, Insured Value x Premium Percentage rate = Premium Amount.

B&D's Customs Liaison department advises all clients are welcome to contact them should they ever be directly contacted by SARS. As your agent we are entitled to represent you in dealings with SARS which are often complicated, laborious and bureaucratic and should you feel your best interests are served by having us deal with Customs, do not hesitate to contact your account manager who will take matters up within the correct procedures.

Importers and exporters who do not have a Customs code are able to clear their goods under a general code, that being 70707070. This general customs code has been allowable under certain conditions for quite some time.

In May Customs amended the conditions (or threshold) of goods that may be cleared under this code. And they are:

- The goods have a value of less than R 50,000 per consignment, subject to a limitation of three such consignments per calendar year;
- The goods are declared for home consumption (ie, consumption or use in South Africa) or temporary import or export;
- The importer or exporter is a natural person located in South Africa; and
- The importer or exporter states its identity number or taxpayer reference number on the customs declaration form.

Traders should not confuse the above with the withdrawal of the General Registration Code from use by Importers and exporters at land borders, which occurred during the course of 2012.

Importance of Clearing Instructions

As we have done many several times before, we would like draw attention to the importance of Clearing Instructions as this is a requirement of the Customs and Excise Act of 1964.

As Customs have said in a written communiqué:

Importers are required to give written clearing instructions to their agents in an effort to avoid careless mistakes by importers and to place clearing agents in a better position to avoid - and wrong clearances and thereby eliminating unnecessary work at a later stage. It is mandatory for importers to provide their clearing agents with standardised Customs entry instructions in an approved form.

The standardised Customs entry instruction should be signed, as indicated by a senior employee of the importer, their name and position must also be indicated on the instruction.

Airfreight: Due to the very nature of airfreight being urgent, it would be impractical to require prior written instructions for all clearances and therefore will only be insisted upon in instances where the customs value of the consignment exceeds R50000,00.

Should an importer desire to amend the purpose code or original instruction under which a consignment was originally cleared, a fresh clearing instruction must be issued. Clearing documents presented without a clearing instruction could be rejected by Customs.

Also, where a permit or a certificate is required for the clearance, this must also be endorsed on the clearing instruction indicating the number of the permit or certificate.

Where merchandise is to be cleared under industrial rebate, this must be clearly indicated. Any TDN (Tariff Determination Number) or VDN (Value Determination Number) that has been obtained by the importer must also be reflected on the clearing instruction on the related consignments.