



## Role of Container Freight Stations In International Trade

**B.Abirami**

Assistant Professor in commerce, PSG College of arts and science Coimbatore

**B. Gayathri**

Research Scholar in Commerce, PSG College of Arts and Science Coimbatore

**ABSTRACT**

Industrialization, advanced transportation, globalization, multinational corporations and outsourcing are having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders. With the growing volume of international trade in India, the need for expeditious clearance of goods at the port within the minimum possible time has been gaining importance. Container Freight Stations (CFS) provides better service and helps exporters in getting clearance for the goods that they export. Hence an attempt is being made to explore the role of CFS in international trade and how a new CFS can be approved and implemented in the present scenario.

**KEYWORDS**

Clearance, Containerization, Standardization

**INTRODUCTION**

CFS 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. CFS is a place where containers are stuffed, de-stuffed and aggregation/ segregation of export/import cargo take place. This is more so when the ports are facing congestion at their premises.

A CFS is an extended arm of Port/ ICD/Air cargo 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.

**PROCEDURE FOR CLEARANCE OF GOODS AT CFS**

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. In respect of import consignment, the Steamer Agents/liners/ Importers desiring to take the consignment to CFS, file Import General Manifests in the port.

After obtaining the permission from the AC/DC, the Container moves to CFS under Customs escort or under bond and bank guarantee. The CFS allows de-stuffing of the goods. The CHA / importer file the Bill of Entry at Customs House and then Customs formalities of assessment, examination and payment of duty are completed. Thereafter, Customs gives "Out of Charge" and the Custodian releases the goods from CFS by issuing a Gate-Pass.

In respect of exports, the goods are brought directly to CFS

under a Shipping Bill. The export cargo in Less than Container Load (LCL)/ Full container Load (FCL) is received by the Custodian of CFS for safe custody. After stuffing of the goods, Container/ Customs Bonded Truck (CBT) is sealed by the Custom Officer and the same is removed from CFS for export through the desired Port.

**FUNCTIONS OF CFS**

- Receipt and dispatch/delivery of cargo.
- Stuffing and stripping of containers.
- Transit operations by rail/road to and from serving ports.
- Customs clearance.
- Consolidation and desegregation of LCL cargo.
- Temporary storage of cargo and containers.
- Reworking of containers.
- Maintenance and repair of container units.

**BENEFITS OF CFS**

- Concentration points for long distance cargoes and its unitization.
- Service as a transit facility.
- Customs clearance facility available near the centers of production and consumption
- Reduced level of demurrage and pilferage.
- No Customs required at gateway ports.
- Issuance of through bill of lading by shipping lines, hereby resuming full liability of shipments.
- Reduced overall level of empty container movement.
- Competitive transport cost.
- Reduced inventory cost.

**REVIEW OF LITERATURE**

**Hubbert (1994)** in his study stated that the container terminal industry is passing over a period of dynamic change. To achieve a change in its business environment, container terminals need to understand its customer needs. One way of satisfying its user is to satisfy the customer's needs. It is crucial in establishing and maintaining a competitive advantage in the market place. Thus, reorganization of the importance of the customer satisfaction has grown in recent years. Customer satisfaction can be considered the essence of success in today's highly competitive world of business. As such, customer satisfaction is increasingly becoming a corporate goal and more competitive organizations strive for quality in their product and services.

**Mooy (1999)** stated that the development of transport and communication technologies has revolutionized production and distribution processes and has created the "global" market. He stressed that it is within this competitive environment that shippers and consignees require efficient transport services that can get their goods at the right place, at the right time, and at the right price. Another issue that has been presented in his statement relates to the importance of strengthening regional linkages among neighboring countries in South East Asia in order to facilitate trade and transport.

### CONTAINERIZATION

Containerization (or containerization) is a system of intermodal freight transport using standard intermodal containers as prescribed by the International Organization for Standardization (ISO). These can be loaded and sealed intact onto container ships, railroad cars, planes, and trucks. The introduction of containers resulted in vast improvements in port handling efficiency, thus lowering costs and helping lower freight charges and, in turn, boosting trade flows. Most goods can be shipped by container.

### ADVANTAGES OF CONTAINER TRANSPORTATION

The Risk of damage (due to pilferage and mishandling) to the goods during transport is reduced substantially.

The cargo arrives in better condition and this creates a better impression about the exporter in the mind of the importer. This perception of delivery of good condition enables an exporter to gain an edge over other competitors.

There are no damages due to mishandling of the cargo at terminal ports in the case of transshipment.

### TYPES OF CONTAINERS

**INSULATED OR THERMAL CONTAINERS** - These are the shipping storage containers that come with a regulated temperature control allowing them to maintain a higher temperature. The choice of material is so done to allow them long life without being damaged by constant exposure to high temperature. They are most suitable for long distance transportation of products.

**TANKS** - Container storage units used mostly for transportation of liquid materials, they are used by a huge proportion of entire shipping industry. They are mostly made of strong steel or other anti-corrosive materials providing them with long life and protection to the materials.

**HALF HEIGHT CONTAINERS** - Another kind of shipping containers includes half height containers. Made mostly of steel, these containers are half the height of full sized containers. Used especially for good like coal, stones etc. which need easy loading and unloading.

**REFRIGERATED CONTAINER** - Refrigerated container (Reefer container) is used for transportation of frozen and chilled cargos (eg, fruits, vegetables, meats, seafood and films). It is equipped with refrigeration unit and can maintain the target temperature (from -18 to 20 degrees centigrade).

**FRUIT CONTAINER** - These are insulated containers with internal dimensions slightly longer.

**BULK CONTAINERS** - These containers are design for carriage of dry powders and gran substances in bulk.

**VENTILATED CONTAINERS** - These containers have full length ventilation galleries.

**OPEN SIDED CONTAINERS** - These containers are designed to accommodate specific commodities such as plywood, perishable commodities and livestock

### STANDARDIZATION

The use of container requires the application of precise rules

to meet standard of strength and size when goods are carried by road, rail or sea. In response to the large numbers of different types of service worldwide, a classification system based on use has been developed. All container must comply with international ISO certification can be obtained from AFNOR (Association française de normalization), which issues an "NF CONTAINERS" label to denote compliance with standards.

### PROCEDURE FOR APPROVAL OF ICD/CFS AND ITS IMPLEMENTATION

1. Proposals for setting up ICD/CFS will be considered and cleared, on merits, by an Inter-Ministerial Committee for ICDs/ CFSs, which consists of officials of the Ministries of Commerce, Finance (Department of Revenue), Railways and Shipping. Views of the State Governments as necessary would be obtained.

2. Application 10 copies in enclosed form should be submitted to the Infrastructure Division in the Ministry of Commerce, Udyog Bhavan, and New Delhi. Application must be accompanied by 10 copies of feasibility reports mentioned in the guidelines.

3. The applicant should also send a separate copy of the application to the jurisdictional Commissioner of Customs. The Commissioner of Customs will send his comments to the Ministry of Commerce and the Central Board of Excise & Customs (CBEC) within 30 days. In case, the project is planned in a port town, a copy of the proposal should also be sent to the concerned Port Authority who would furnish their comments within 30 days to the Ministry of Surface Transport and the Ministry of Commerce.

4. The applicants are also requested to familiarize with the statutory Custom requirements in relation to Bonding, Transit Bond, Security Insurance and other necessary procedural requirements and cost recovery charges payable before filing the application.

5. On receipt of the proposal, the Ministry of Commerce would take action to obtain the comments from the jurisdictional Commissioner of Customs and other concerned agencies within 30 days. Wherever necessary, a copy of the proposal should also be sent to Zonal Railway Manager, under intimation to the Ministry of Railways. One copy of the proposal would also be made available to the IMC Members for advance action. The decision of the IMC would be taken within six weeks of the receipt of the proposal under normal circumstances.

6. On acceptance of a proposal, a Letter of Intent will be issued to the applicant, which will enable it to initiate steps to create infrastructure.

7. The applicant would be required to set up the infrastructure within one year from the date of approval. The Ministry of Commerce may grant an extension of six months keeping in view the justification given by the party. Thereafter, a report would be submitted to IMC to consider extension for a further (final) period of six months. The IMC may consider extension or May submitted to IMC to withdraw the approval granted.

8. The applicant, after receipt of approval, shall send quarterly progress report to Ministry of Commerce. Three formats (given as annexure I to III) for sending the quarterly/ annual report shall have to be submitted to Department of Commerce through electronic mode as well as through hard copy.

9. After the applicant has put up the required infrastructure, met the security standards of the jurisdictional Commissioner of Customs and provided a bond backed by bank guarantee to the Customs, final clearance and Customs notification will be issued.

10. The approval will be subject to cancellation in the event of any abuse or violation of the conditions of approval.

11. The working of the ICD/CFS will be open to review by the Inter Ministerial Committee.

### **CONCLUSION**

Container Freight Stations are located near the serving ports, which helps in decongesting the port by shifting cargo and customsrelated activities outside the port area. The operations of CFS (rail siding, container yard, warehousing and gate complex) helps the exporters in clearance of goods, stuffing and de-stuffing which in turn promotes exports from the nation. The performance can be improved by way of giving more powers and proper regulation by the government.

### **REFERENCES**

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