Logistical & Transport Requirements

Rabi Awal, 1431 (March, 2010)
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Logistical & Transport Requirements

As the world economy recovers, opportunities increase for Saudi companies to export their products. International transportation is one area which remains daunting for many new or relatively inexperienced Exporters, particularly small and medium-sized companies. To assist these companies, some guidance about international trade logistics is detailed in this report. The report is in two sections, addressing the subjects of (a) logistical management and (b) transportation requirements and parameters.

LOGISTICAL MANAGEMENT

Logistics is the management and control of the flow of goods and services from the source of production to the market. The process involves the need to plan, implement and control the efficient, effective flow and storage of goods and requires knowledge of communication, transport and warehousing.

THE IMPORTANCE of LOGISTICS

Developing an efficient logistics system for a company’s export business is essential to ensure that the Exporter’s international trade runs smoothly. Being able to deliver the goods the Exporter is selling, on time and in good condition is a major component of any international business. Choosing the right transport method and understanding the logistics process from the warehouse to the ‘goods’ final destination should not be underestimated. If an Exporter builds a sound logistics platform, his international trade will be efficient to manage, and above all it would be profitable.

Logistics Strategy

To manage logistics effectively, a strategy has to be developed which is directed toward three main objectives, namely:-

- Cost reduction
Cost reduction is directed towards minimising the variable costs associated with the movement and storage of goods. The best strategy is usually formulated by evaluating alternative courses of action, such as choosing between different warehouse locations or selecting between alternative transportation modes or carriers. Service levels typically are held constant while cost minimising alternatives are analysed. Profit maximisation is the prime goal.

Capital reduction is directed towards minimising the level of investment in the logistics system. Maximising the return on investment is the motivation for this strategy. Examples include shipping directly to customers to avoid warehousing costs, choosing less expensive external warehousing facilities, selecting a 'just-in-time' stocking approach rather than stocking to inventory, or using third-party providers of logistics services.

Service improvement strategies usually recognise that revenues are a function of the level of logistical services provided. Although costs increase rapidly with increased levels of logistical customer service, increased revenues may offset the higher costs. To be most efficient, the service strategy is developed in contrast to that of competitors, providing differentiating services that customer’s value and that are not provided by competitors.

Forward Thinking

Essentially, export logistics involves planning. Exporters should not only apprise themselves of transportation alternatives but also try to anticipate shipping requirements. Planning tends to reduce costs, particularly if an Exporter can consolidate shipments and select slower modes of transportation. Forwarding companies provide an important array of services that facilitate supply chain management. However, Exporters should shop around before shipping, asking for rate quotes from several forwarders, integrators, or couriers, depending on exporting needs. Exporters will find that generally freight forwarders have the service and expertise to handle many transportation issues more economically, efficiently, and effectively for regular shipping. Therefore, the logistics involved in exporting goods can be complicated and time consuming. Obtaining and correctly completing the relevant documents to facilitate clearance and
delivery of the goods, is a specialised area requiring up-to-date knowledge and expertise.

**Advances in Transportation Management**

The globalisation of trade has presented commercial enterprises with enormously complex transportation needs. Driven by the relentless demands of competition, global companies have turned to increasingly sophisticated technology solutions for transportation management.

Traditionally, many companies managed transportation merely with a view toward cutting costs. Today, however, transportation management not only helps lower costs but also plays an increasingly strategic role in commercial industry. Transportation has become a critical link between suppliers, distributors, manufacturers, and customers, therefore, there is a need to better manage the flow of materials and finished goods within a global trading network. In this respect, better management results in increased visibility, velocity, reliability, and responsiveness to changes in supply and demand.

As companies continue to expand their businesses globally, transportation management and execution require that movements and transactions be managed across international borders. In industries where competitive advantage and profitable growth stem from agile, highly responsive global trading networks, companies seek to turn optimal performance in the management of trade and transportation into a competitive advantage. Managing trade and transportation processes for commercial companies has also become more complex. Factors that contribute to this complexity include:

- Suppliers and customers span the globe.
- Shipments have decreased in size and increased in frequency.
- Orders merge in transit.
- Freight routes, modes, and carrier options have increased exponentially.
- Trade regulations, duties, and tariffs proliferate and change continually, and non-compliance with regulations and duties can often lead to significant penalties that can interrupt the flow of materials and disrupt production schedules.
- Recipients of materials and final goods demand real-time visibility into the status of orders.
Along with increased complexity has come increased risk - especially for sub-optimal performance. Inefficient services can lead to lost customers. Not knowing the status of an order or why there is a delay contributes to poor customer service. Intelligent transportation systems can help with these issues, elevating state-of-the-art global transportation management from competitive advantage to competitive necessity. In business, the context is cost reduction and improved asset utilisation. To meet the increasing demands of transportation management and to put transportation to work strategically, companies have actively sought out and deployed best-of-breed technology solutions, including transport management software.

**Addressing the Key Transportation Processes**

In many companies the management of transport is undertaken through the use of commercially available transport solutions which address the key business processes in effective transportation management, namely: (a) planning and optimisation, (b) execution, and (c) monitoring and performance measurement. In addition, solutions that enable scenario planning and simulations address strategic transportation planning.

The goal of implementing solutions to support and enable these key processes is not a simply one to automate. The real value comes from optimising the transportation within a given set of user-configurable rules that model the Exporter’s business processes. For example, optimisation determines the best-value carrier based on cost, past performance, and contract agreements. Then the company has the ability to monitor and report on each carrier’s performance based on user-defined criteria. The result is not simply easier transportation management, but better transportation management.

**Planning & Optimisation**

Management of transport movements within the complex environment must be efficiently planned and optimised. Today’s range of transportation management planning and solutions can help, including the selection and use of appropriate ‘transport management software’. Global routings, shipment modes, and carriers should be optimally selected to meet specific operating rules and objectives. It is important to ensure that options for identifying the best transport solutions are set-up to evaluate complex criteria used to determine the best shipping alternative, considering factors such as historical performance, value of the
shipment, criticality to the mission, and transport costs. In addition, the solutions should identify opportunities for consolidation of shipments and routes, which lowers transportation costs and speeds goods delivery. Simultaneous planning of inbound, outbound, and inter-site movements enables greater utilisation of transportation assets and continuous movement of equipment. Transportation planning also provides the basis for more effective carrier management, bidding and contracting processes (where appropriate), budgeting, and long-term resource planning.

Given the global distribution of shipping traffic, the complexity of determining efficient multi-leg routes can be daunting. Transport management can secure much assistance from the development/use of automated solutions which can make operational control much easier.

**Execution & Operation**

Good transport management requires that optimised transportation plans are developed and put into motion with load tendering, assignment of carrier tracking numbers, generation of electronic manifests, and printing of labels, bills of lading, commercial invoices, packing lists, and manifests. Consignees should be issued advanced shipping notifications in a fashion that is certified by the major carriers to their individual standards in each geographic region. Specific routing and carrier rules should support daily executable management activities and decisions. In addition, execution involves updating shipment information for processing and audits of freight bill, analysis, and performance tracking purposes.

Transport management should be able to easily determine the real-time status of shipments, anticipate deviations from planned movements/schedules, and monitor the impact of an event and its effects on the downstream shipment. For example, in a multi-leg shipment:-(a) Exporter's can project the impact of a late pickup at a factory in Riyadh of materials intended for a vessel due to leave Jeddah port in two days, or (b) a shipment of critical material which is being routed from Dammam via a commercial carrier to the port of Jizan to reach a vessel due to dock there in one week.

Meanwhile, it is important to implement alerting capabilities to keep transport performance on track. When an exception occurs (an event that violates the boundaries of established operating rules) an alert should notify users and help
enable quick resolution of the problem. For example, if the materials being routed via commercial carrier are picked up five hours late, which, in turn, would cause the shipment to miss its due date at the port of Jeddah, then a good transport management system should be able to issue an alert down the transportation links to its destination.

The solutions should also generate alerts when there is a lack of information or reporting that is required at a specific stage or time in the shipment. Again, if that shipment arrives at the port of Jeddah and notification of its arrival is expected that day, then an alert should be generated in the event that arrival information has not been received. Superior execution in transport planning also requires collaboration and communication with carriers. Even in today’s technologically advanced environment, the largest of corporations require solutions that are flexible enough to handle multiple modes of communication.

**Monitoring & Performance Measurement**

Monitoring, measuring, and analysing the performance of the Exporter’s transportation management network is critical for enhancing planning, execution, and collaboration activities. Adopting comprehensive performance measures and metrics is required to uncover hidden performance opportunities and problems. The key to addressing such issues is by incorporating data warehousing systems into the transportation management system. This can provide significant benefits in relation to the overall control and delivery of goods.

**Reaping the Benefits Rapidly**

Implementing sensible transportation management solutions and the benefits they generate in a commercial environment can reap rapid rewards. The planning and optimisation, execution, monitoring and performance measurement, and simulation capabilities of transport tracking solutions can provide a broad set of benefits if they are setup properly, including:

- **Lower transportation costs** - the ability to help enable better asset utilisation through optimal routing, mode, load consolidation, and carrier selection, can significantly lower costs.
- **Improved service** - track and trace capabilities, global end-to-end visibility, and intelligent monitoring and exception management help significantly improve service and agility.
Better decision making - transport planners should have system visibility into future movements of materials and goods, which would increase the ability to make dynamic sourcing and delivery decisions.

Improved management - powerful exception detection, alerting, and intelligent resolution processes help resolve transportation problems quickly, minimising the downstream impact of exceptions.

Pro-active transport management - transportation managers can optimally manage transportation instead of leaving this to external sources to manage.

Greater control - using automated software solutions can help manage the thousands of movements per day that transport planners cannot possibly handle, thereby increasing and improving control over the entire transportation network and its operation.

User flexibility - the ability to localise and manage information allows the implemented transportation management system to be used by a wide number of users at the appropriate level of detail for better and more co-ordinated decision making.

Continuous improvement - a good transport management system would provide comprehensive performance reporting and analysis capabilities, giving the ability for continuous improvements throughout the Exporter's transportation network.

MANAGEMENT PROBLEMS to be ADDRESSED & SOLVED

The most common problems associated with supply-chain/logistical management are identified and these would need to be addressed to ensure a transparent and effective logistical system is implemented:-

Distribution Network Configuration - number, location and network missions of suppliers, production facilities, distribution centres, warehouses, and customers.

Distribution Strategy - questions of operating control (centralised, decentralised or shared):-
  - Delivery scheme - e.g. direct shipment, consolidated shipping, direct store delivery, etc.
  - Mode of transportation - e.g. road, air, sea, or rail.
  - Road transport - e.g. truck, container, etc.
o Railroad - e.g. TOFC (trailer on flatcar) and COFC (container on flatcar).

o Ocean freight - e.g. hold cargo, container, etc.

o Airfreight - e.g. passenger or cargo shipments.

o Replenishment strategy - e.g. continuation of the supply chain for goods delivery to customers.

o Transportation control - e.g. owner-operated, private carrier, common carrier, or contract carrier.

➢ **Trade-Offs in Logistical Activities** - the above activities must be well co-ordinated in order to achieve the lowest total logistics cost. Trade-offs may increase the total cost if only one of the activities is optimised - e.g. full truckload (FTL) rates are more economical on a cost/pallet basis than less than truckload (LTL) shipments. If, however, a full truckload of a product is ordered to reduce transportation costs, there will be an increase in inventory holding costs which may increase total logistics costs. It is therefore imperative to take a systems approach when planning logistical activities. These trade-offs are key to developing the most efficient and effective logistics strategy.

➢ **Information** - integration of processes through the supply chain to share valuable information, including demand signals, forecasts, inventory, transportation, potential collaboration, etc.

➢ **Inventory Management** - quantity and location of inventory, including raw materials, work-in-progress (WIP) and finished goods.

➢ **Cash-Flow** - arranging the payment terms and methodologies for exchanging funds across entities within the supply chain.

Logistical/supply chain execution means managing and coordinating the movement of materials, information and funds across the supply chain. To be fully functional, the flow of information has to be bi-directional.
TRANSPORT REQUIREMENTS & PARAMETERS

A company that spends time preparing its goods before shipping them overseas, will have their products arrive on time and at the right cost. Choosing the right shipping method is vital to a company’s export success.

FACTORS INFLUENCING the CHOICE of TRANSPORT

The following is a list of factors that affect the choice of transport mode to be used for the despatch of goods to customers:

- **Distance** - although the cost of haulage increases with distance, the cost of rail and shipping services does not increase in proportion to distance travelled. Thus, it is more economical to use rail (when it becomes commercially available in the KSA) or shipping services over distances, while road transport is faster and cheaper for short distances.

- **Nature of the goods** - perishable goods need quick delivery and minimum handling. Specially constructed trucks can be used to transport vegetables, fish and milk. In terms of export, air transport can be used to transport perishable goods.

- **Quantity** - bulky goods are normally transported by road or rail in domestic trade and by sea for exports.

- **Value of goods** - expensive goods, which are small and light, are normally transported by air. In domestic markets, road transport is more suitable for expensive goods since the problem of trans-shipment does not arise.

- **Risk of damage** - fragile goods, which are easily breakable and need careful handling, are normally sent by sea or air.

- **Urgency** - goods, which are urgently needed, are sent by air.

- **Convenience** - the most convenient mode of transport is the one most available with the least formality. Road transport is considered to be the most convenient mode of transport, with its door-to-door delivery service.

- **Cost** - the consignor would normally choose the most economical mode of transport, unless the factor of urgency arises. Sea and rail (when available) would be the most economical for bulk goods. Air and road would be most economical for delivery of urgent goods.
GENERAL PARAMETERS for TRANSPORTING

Once everything has been arranged, steps need be taken to ensure that the goods are packed, documented and shipped properly. When transporting goods internationally, proper documentation and correct packaging are critical to the export process. One of the main differences between selling domestically and exporting is the documentation required. Providing proper documentation with an Exporter’s shipments is essential. Although the paperwork involved in exporting may be more burdensome and costly than that required for domestic sales, it should not deter the local Exporter.

Rules

Trade and customs regulations abound in all countries around the world. Invariably, in many cases, the foreign rules and regulations are different from the ones in the KSA. So, the local Exporter has to make sure that they obey the target export country’s regulations - e.g. relating to safety standards, packaging, etc. If the company is a ‘service’ Exporter, then this may also mean acquiring professional accreditation in the necessary export markets.

Delivering Products

There are four ways of getting an export company’s products to its customer’s doorstep. Choosing the right shipping method, or combination of methods, is vital to export success - as the company needs to get its products to its destination on time and at the right cost. The various shipping methods are by:-

1. Truck - trucking is popular for shipments within the surrounding countries. Even when a company ships its goods overseas, trucks often deliver the product to its final destination.

As the cheapest form of transport, the road is the most popular method of exporting goods. With a wide-range of goods vehicle types available, the Exporter’s business has a huge choice when designing a transport system for delivery of its goods consignments. Most types of goods can be moved by road, but the Exporter must be careful to assess the type of goods he will be exporting. The road is not the fastest method of transport, so it is not ideal for perishable goods for instance. It is important to always assess the road network in the destination country
for the 'goods' to ensure this it is of a high enough standard to ensure the consignments arrive in good condition and on time.

2. **Rail** - normally this is another option but at present it is not available in the KSA, except on a domestic basis between Riyadh and Dammam. However, once the rail network is established in the Kingdom, it can offer another means of transport. Then rail could be used when shipping from the local company's factory point to the end-user's final destination within the country.

Once the freight rail network is developed in the Kingdom, transporting goods to the KSA ports could be more efficient and cost effective, then transporting goods to surrounding countries by road. However, the Exporter should be aware that the onward journey once the goods arrive at their destination, could take time and may involve the trans-shipment of the goods to several different rail operators in that country. Setting up what could be a complex logistical process is where the services of a freight forwarder can come into its own. The key component of rail transporting is to be aware that it is more cost effective to ship large quantities of goods in a single consignment.

3. **Air** - international air freight is another possibility. Not all destinations are covered, however, and special charters may be required for more exotic markets. Shipping by air is more expensive than surface or sea transport, but the higher costs may be offset by faster delivery, lower insurance, cheaper warehousing and better inventory control.

The transport of goods via air is the most expensive form of transport a business can use it when speed of delivery is required. If the Exporter needs to transport time sensitive goods such as perishable goods, air transport is ideal. It is also important to be aware of the additional costs of airport terminal fees, fuel surcharges and any additional expenses for handling dangerous goods.

Generally, most air cargo is carried in the holds of passenger aircraft using scheduled flights. Freight forwarders can help the Exporter to prepare their goods for shipment via air. It is important that consignments arrive at the airport ready to load onto the aircraft that is expecting them. Special containers are used because of the unique shape
of an aircraft’s hold. The Exporter should be aware of this when packing his goods for transport by air.

4. **Ocean** - goods exported to offshore markets are most often transported by ocean carriers. Shipping large items, bulk commodities and goods that do not require fast delivery is more economical by sea.

There is a wide range of vessels a business can use to move its consignments via sea. From the familiar container ships, to the bulk carriers that move loose cargo such as minerals, there is a ship to accommodate whatever type of goods a business needs to move. It is important to carefully match the type of goods an Exporter want to move via sea and the ship that he would be using. There are for instance 20 different types of container now in use. The services of a freight forwarder can be of assistance in determining which type of container would best suit the Exporters goods. Proper labelling is vitally important to ensure the goods arrive at their final destination intact and on time.

Like road transport, sea transport can use a number of different routes to arrive at the same destination. The Exporter should discuss the various options with his freight haulage company or freight forwarder as cost savings could be made by choosing one route over another.

As well as the route the goods will take, the Exporter should be aware that the cost of shipping containers of goods is based on each container being full. Therefore, to reduce costs always try and ship a completely full container of goods via sea. Normally no discounts are available for containers that are not completely full. If the need is to export relatively small numbers of consignments, the Exporter should talk to his freight forwarder as they have vast experience of consolidating a number of business’s shipments together into one container to save on costs.

**Using Incoterm**

To provide a common terminology for international shipping and minimise misunderstandings, the International Chamber of Commerce developed a set of terms known as Incoterm, which should be used at all times when exporting.

Incoterm are a uniform set of international rules, disseminated by the International Chamber of Commerce in Paris, for the interpretation of the
terms most commonly used in international contracts for the sale of goods. Incoterms define the obligations of buyer and seller at every stage of an international sale of goods transaction. The Incoterms were first issued in 1953, and they were last revised effective from January 1, 2000.

**FREIGHT FORWARDERS & BROKERS**

An exporting company will need to deal with a lot of documents when delivering products to foreign countries. However, this does not necessarily need to be done by only the exporting company - freight forwarders and customs brokers can be used to support the company’s export documentation requirements.

**Role of the Freight Forwarder**

The services provided by a freight forwarder will help the export company to improve its delivery times and customer service - as the international freight forwarder acts as an agent for the Exporter in moving cargo to the overseas destination. Many specialise in arranging shipments to certain countries, while others concentrate on particular types of products. These agents are familiar with the import/export rules and regulations of foreign countries, methods of shipping, KSA Government regulations and the necessary documents needed in connection with foreign trade.

The freight forwarder can negotiate rates for the Exporter with shipping lines, airlines, trucking companies, customs brokers and insurance companies. If the Exporter wants, freight forwarders can handle all the company's logistical requirements, or the Exporter can just have them negotiate a shipping rate - it up to the Exporter to decide the level of support he requires from the freight forwarder. If the Exporter is arranging financing through Letters of Credit, a good freight forwarder can help the company to clarify the conditions of the transaction.

Freight forwarders can assist with an order from the start by advising the Exporter of the freight costs, port charges, consular fees, costs of special documentation and insurance costs, as well as their handling fees — all of which help in preparing the Pro-forma Invoice and price quotations. Freight forwarders also may recommend the best type of packing for protecting the merchandise in transit - they can arrange to have the merchandise packed at the
port or containerised. The cost for their services is a legitimate export cost that should be figured into the price charged to the customer.

When the order is ready to ship, freight forwarders should be able to review the letter of credit, commercial invoices and packing list to ensure that everything is in order. Freight forwarders can also reserve the necessary space onboard an ocean vessel or the required transportation mode, if the Exporter desires. The Exporter may ask the freight forwarder to make arrangements with the customs broker to ensure that the goods comply with customs export documentation regulations. In addition, they may have the goods delivered to the carrier in time for loading. Freight forwarders could also prepare a Bill of Lading and any special required documentation. After shipment, they can forward all documents directly to the customer or to the paying bank.

In preparing the goods for international transport, the exporting company must first determine what mode of transport it will use. When shipping to the GCC and surrounding countries, land transportation may be the preferred method of transport. Other methods of shipping internationally are by sea and air. Maritime shipping is almost always slower and less expensive than air. However, an Exporter must factor in the additional costs of sea freight, such as surface transportation to the dock. Another factor is the time value of money - payment may not be made until the ship reaches its destination and ocean freight can be significantly longer than air freight. The Exporter's international freight forwarder can assist in weighing the pros and cons of different modes of transportation. Once the Exporter has decided on the best mode of transporting his goods, the company must begin to compile the necessary documents.

**Role of the Customs Broker**

Brokers clear goods through Customs, prepare customs documentation and remit duties owing on exported goods. They are also good sources of information on recent tariff changes and other Customs-related developments in target export markets.

**EXPORT DOCUMENTATIONS REQUIRED**

Export documentation identifies the goods and the terms of sale, provides title to the goods and evidence of insurance coverage, and certifies that the goods
are of a certain quality or standard. Several documents are required for overseas shipping and fall into two categories.

**Shipping Documents**

Shipping documents are prepared by the Exporter or his freight forwarder. They allow the shipment to pass through Customs, to be loaded onto a carrier, and be transported to the destination. Key shipping documents include:-

- A commercial invoice.
- A special packing or marking list.
- A certificate of origin.
- A certificate of insurance.
- A bill of lading.

An ocean Bill of Lading is a negotiable instrument and as such can actually be bought and sold among parties. Whoever possesses the ocean Bill of Lading owns the goods. The other bills of lading, including the Air Waybill, are not negotiable. They are contracts of carriage whereby the carrier identifies terms, conditions and responsibilities to deliver the goods to the consignee without implications for ownership of the shipment.

Shipments also need an insurance document. Goods shipped by sea are typically insured for 110% of their value, to compensate for the extra costs involved in replacing lost goods.

**Collection Documents**

Probably the most important collection document is the Commercial Invoice, which describes the goods in detail and lists the amount owing by the foreign buyer. This form is also used for Customs records and must include:-

- The date of issue.
- The names and addresses of the buyer and seller.
- The contract or invoice number.
- A description of the goods and the unit price.
- The total weight and number of packages.
- Shipping marks and numbers.
- The terms of delivery and payment.
- Other collection documents include:-
Certificates of origin.
- Certificates of inspection, used to ensure that goods are free from defect.
- Import and export licences as required.

**DOCUMENTS REQUIRING PREPARATION PRIOR to SHIPMENT**

The documents listed below need to be fully prepared by the Exporter before the goods are shipped from the factory.

**Commercial Invoice/Consular Invoice**

After the Pro-forma Invoice is accepted, the Exporter must prepare a Commercial Invoice. This is necessary for both the Exporter and the importer. The Exporter needs the Commercial Invoice to prove ownership and secure payment. The description of the goods on the Commercial Invoice must correspond exactly with the description in the Letter of Credit or another agreed method of payment. There can be no exceptions.

The importer needs the Commercial Invoice since it is often used by Customs Authorities to assess duties. For this reason, it is common practice to prepare a Commercial Invoice in both English and in the language of the country of destination. The freight forwarder can advise the Exporter when a translated copy is necessary. Similar to a Commercial Invoice, a Consular Invoice is required by certain countries. The Consular Invoice must be prepared in the language of the country where the goods are destined and can be obtained from the country’s Consulate, and often must be “Consularised.” In some countries, the Commercial Invoice must be prepared on a special form known as a “Customs Invoice.” The exporting company’s importer may request this from the company.

**Export License**

Export controls are based on the type of goods being shipped and their ultimate destination. While most exports do not require a license, it is the legal obligation of the Exporter to seek an official determination from the relevant KSA Government authority before exporting certain products.

In this context, there are a number of products in the KSA which are totally banned for exporting, while there are about 47 items which require export licensing. These include crude oil, gases, asphalt, marble and sand - license must be
obtained from the Ministry of Petroleum prior to exportation. A few agricultural products also require a license from the Ministry of Finance - e.g. barley, corn, and wheat flour. Wheat requires a license from the Grain Silos and Flour Mills Organisation (GSFMO), while exportation of medicines also requires a license.

Should the Exporter's particular export be subject to export controls, a license must be obtained. In general, the company's export would require a license if export of the goods would threaten national security, affect certain foreign policies, or create short supply in the domestic market.

**Export Packing List**

An Export Packing List is considerably more detailed and informative than a standard domestic packing list. It itemises the contents of each individual package and indicates the type of package, such as a box, crate, drum or carton. It also shows the individual net, legal, tare and gross weights and measurements for each package - in the metric systems. Package markings should be shown along with the shipper's and buyer's references. The List is used by the shipper or forwarding agent to determine the total shipment weight and volume, and whether the correct cargo is being shipped. In addition, KSA and foreign Customs officials may use the List to check the cargo.

**Certificate of Origin**

A Certificate of Origin is a specific form which identifies the goods being exported, in which the authority or body empowered to issue it certifies expressly that the goods to which the certificate relates, originate in a specifically named country. This Certificate may also include a declaration by the manufacturer, producer, supplier, Exporter or other competent person. It is, therefore, a document, required by certain foreign countries for tariff purposes, which certifies the country of origin of specified goods sold internationally. Subject to a country's regulations, the document sometimes requires the signature of the Consul of the country to which it is destined to verify its authenticity. Certificates of Origin are frequently required by importers.

**Insurance Certificate for Transportation**

An Insurance Certificate is used to assure the consignee that insurance will cover the loss of, or damage to, the cargo during transit. Typically, marine
insurance coverage equal to 110% of the Commercial Invoice amount must be obtained for export shipments. Infrequent Exporters may be able to buy insurance through their freight forwarder.

Cargo insurance is more important in international transportation than in domestic transportation. International carriers assume only limited liability for goods when shipping by air or sea. Terms of sale often make the seller responsible for the goods up to the point of delivery to the foreign buyer. For this reason, it is absolutely necessary for the exporting company to have transportation insurance.

Marine transportation insurance protects both ocean- and air-bound cargo. It also covers connecting land transportation. There are three main types:-

- **Free of Particular Average** (FPA) is the narrowest type of coverage. Total losses are covered, as well as partial losses at sea if the vessel sinks, burns or is stranded.
- **With Average** (WA) offers greater protection from partial losses at sea.
- **All Risk** is the most comprehensive, protecting against all physical loss or damage from external causes. In international transportation, it is important to remember that once the documents transferring title are delivered to the foreign buyer, the Exporter is no longer liable for the goods.

**Inspection Certificate**

Inspection Certificates are often required by foreign customs or businesses for certain regulated products, typically related to agriculture, health or the environment. Inspection Certificates also may be required to ensure that vessels or crates are free of contaminants before entering certain ports, or that those products met the specifications outlined in a contract or purchase order. Depending on the product exported, Certificates may be issued by various agencies, including third party inspection companies.

Documentation must be precise because slight discrepancies or omissions may prevent merchandise from being exported, resulting in non-payment or even resulting in the seizure of the Exporter's goods by the importing government's Customs officials. An important point to remember is that collection documents
are always subject to precise time limits and may not be honoured by a bank if the time limit has expired. Most documentation is routine for freight forwarders and customs brokers, but the Exporter is ultimately responsible for the accuracy of its documents. The number and kind of documents the Exporter must deal with varies depending on the destination of the shipment, because each country has different import regulations, the Exporter must be careful to provide all proper documentation.

**DOCUMENTS USED DURING the MOVEMENT of GOODS**

**Shipper's Instructions**

As an Exporter, the company is responsible for providing its freight forwarder with the necessary information regarding its shipment. The more details that are provided by the Exporter, the greater the chances that the company's goods will move free of problems. The company's freight forwarder can provide it with a commonly used form for noting instructions.

**Inland Bill of Lading**

The Inland Bills of Lading documents the transportation of goods between inland points and the port from where the export of goods would commence its export journey. As a note, rail shipments use “Waybills on Rail”, while “Pro-forma” Bills of Lading are used in trucking.

**Delivery Instructions**

This document is prepared by the freight forwarder giving instructions to the trucking or railway company where the goods for export are to be delivered.

**Dock Receipts**

This document transfers shipping obligations from the domestic to the international carrier as the shipment reaches the terminal.

**Bill of Lading/Air Waybill**

Marine Bills of Lading, but not Air Waybills, provide evidence to title of the goods. However, both set forth the international carrier's responsibility to transport the goods to their named destination. There are two types of ocean Bills of Lading used to transfer ownership:-
- Straight (non-negotiable), which provides for delivery of goods to the person/organisation named in the Bill of Lading and must be marked "non-negotiable," and
- Shipper's Order (negotiable), which provides for delivery of goods to the person named in the Bill of Lading or anyone designated.

The Shipper’s Order is used with Draft or Letter of Credit shipments and enables the bank involved in the export transaction to take title of the goods if the buyer defaults. The bank will not release title of the goods to the buyer until payment is received and will not release funds to the Exporter until conditions of sale have been satisfied. When using air freight, "Air Waybills" take the place of Bills of Lading. Air Waybills are only issued in “non-negotiable” form, therefore, the Exporter and the bank lose title to the goods once the shipment commences. Most Air Waybills also contain a customs declaration form.

**Temporary Export Licenses & ATA Carnets**

An ATA Carnet is a special Customs document that provides temporary, duty-free admission into countries for commercial samples, scientific equipment, education materials, and goods for exhibit. ATA Carnets are made available through the International Chamber of Commerce and associated organisations.

**REGULATIONS for the MOVEMENT of DANGEROUS GOODS**

The transportation of dangerous or hazardous goods is governed by both national and international legislation. Although a freight forwarder might not actually come into contact with the actual goods, they need to recognise them when presented for carriage and understand the necessary documents required and the packaging standards needed.

Due to the number of products which have a danger classification it is not always possible to recognise them from their product name alone. As such it is the manufacturer or shipper who has prime responsibility for the correct classification, packing and documentation of dangerous or hazardous goods. If, however, the freight forwarder is handling the products, then they should be aware of the various classifications and procedures surrounding their movement.

Each different mode of transport will have its own compliance requirements for dangerous goods; as multimodal specialists, freight forwarders need a
professional understanding that the carriage of such goods are subject to compliance with national and international regulations such as:-

- International Maritime Dangerous Goods Code.
- European Agreement concerning the International Carriage of Dangerous Goods by Road.
- European Agreement concerning the International Carriage of Dangerous Goods by Rail.
- Carriage of Dangerous Goods by Road and Transportable Pressure Equipment Regulations (UK) International Civil Aviation Organisation.
- Other relevant international regulations covering the movement of dangerous goods by air, sea, rail or road transportation.

PACKING, MARKING & LABELLING

Packing Goods

Goods shipped for export require substantially greater handling than domestic shipments. The Exporter must pack the goods to ensure the weight and measurements are kept to a minimum, breakage is avoided, the container is theft proof and that the goods do not suffer from the stresses of ocean shipment, such as excess moisture. Since an exporting company wants its products to arrive at its customer’s door on time, in one piece and free of legal tangles, the Exporter needs to take special care in packing, marking and labelling the goods. Listed below are some points to consider:-

- Assume that the exported goods will have a bumpy ride, particularly if they are being shipped overseas with repeated loadings and unloadings. The goods should be packed to survive rough-and-ready cargo handlers and poor roads.
- During transit, handling and storage, the goods may have to endure bad weather and extreme temperatures. If they need special temperature controls or other protective measures, it is necessary to ensure that they are suitably protected.
- The type of shipping may determine the kind of packing that a company should use e.g. if the goods are carried by ship, the Exporter needs to know whether they will be placed above or below deck.
- Proper packing can reduce the risk of theft during transit.
Markings

In addition to proper packing, the Exporter should be aware that certain markings are necessary on goods transported internationally. Some countries require that the country of origin be marked on the outside of the container and even have regulations as to how the mark of origin should appear.

Marking distinguishes the company’s exported goods from those of other shippers. Marks shown on the shipping container must agree with those on the Commercial Invoice or Bill of Lading, and may include some or all of the following:-

- The buyer’s name or some other form of agreed identification.
- The point/port of entry into the importing country.
- The gross and net weight of the product in kilograms and/or pounds.
- Identification of the country of origin, e.g. “Made in KSA”.
- The number of packages.
- Appropriate warning or cautionary markings.
- A Packing List, plus one additional copy in each container, itemising the contents.

As stated above, markings on containers must identify the buyer, the port of entry, gross and net weights, the country of origin, and any cautions. The Exporter must also include a Packing List identifying the contents of each container, and all markings must agree with those on the Bill of Lading or other shipping documents.

Labelling

The second type of marking the Exporter should be familiar with, is product labelling. It is essential to ensure that the exported goods are properly labelled. Food and drugs must often carry special labelling as determined by the laws of the country of destination. Certain “shipping marks” must appear on the outside of the package. The weight and dimensions should be visible and any special instructions should be shown. The exporting company may want to repeat these instructions in the language of the importer’s country.

If the Exporter’s business is not equipped to package its goods for export, there are export packaging companies which can perform this service. For more
information, the Exporter can ask the company's international freight forwarder for a list of export packaging companies in the area.

If labelling, packaging or advertising restrictions apply to the exported goods, then they must be taken seriously. The Exporter's products may not clear Customs if labels don't conform to local requirements for things like product weight or electrical standards. It should be noted that the European Union and China have adopted legislation that requires 'labelling' for many products sold there.

DELIVERING of 'SERVICES' to EXPORT MARKETS - THE DIFFERENCE

The challenges related to the delivery of 'services' to a foreign market are just as complex as those of delivering products. There are different challenges, though, and often depend on factors in the Exporter's target market such as the:-

- Extent and reliability of telecommunications links.
- Existence of a reliable infrastructure for computers, faxes and modems.
- Frequency and convenience of air links between the KSA and the concerned market.
- Technological sophistication, receptivity and flexibility of customers.
- Potential support through official channels, government departments and international development agencies.
- Ability to satisfy legal regulations governing work permits or professional certification.

It may, therefore, be possible to deliver the Exporter's 'services' by one of the following methods, or a combination of them:-

- **Export 'Service' Provider visits client/customer** - this is the method most commonly seen as an export activity. The 'service' Exporter will probably need to meet the client repeatedly, often at the site.
- **Client/customer visits Export 'Service' Provider** - the classic example is tourism. Every year, thousands of local businesses earn good income by meeting the needs of foreign visitors - e.g. during the Hajj and Omra periods.
➢ Establishment of a presence in the export market - large companies are most likely to use this method, but it's an important possibility if the 'service' Exporter wants to become a major player in a market. Legal and accounting companies and major banks are examples of businesses that establish their presence abroad.

➢ Electronic delivery - electronic delivery has expanded dramatically with the availability of modern communications technology such as the internet. An obvious example is the increasing global importance of e-business.

It should be noted that certain types of 'services', including software, could be treated as the Intellectual Property (IP) of the inventor or owner. As such this would be covered by the international laws on Intellectual Property Rights. In general terms, the concept of intellectual property, treats certain intangible products similarly to physical things. In most countries, IP laws grant certain kinds of exclusive rights over these intangibles in a similar manner to property rights - some expiring after a set period of time and others can last indefinitely.

Intellectual Property laws vary from jurisdiction to jurisdiction, such that the acquisition, registration or enforcement of IP rights must be pursued or obtained separately in each territory of interest. However, these laws are becoming increasingly harmonised through the effects of international treaties such as the 1994 World Trade Organisation (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), while other treaties may facilitate registration in more than one jurisdiction at a time. Certain forms of IP rights do not require registration in order to be enforced.