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Measures to augment safe and secure transportation of goods by sea route

Overview

Shipping via Ocean Transport is one of the oldest industries in the world. Cargo has been transported via the world's rivers and oceans for hundreds of years. But, even in the modern day, ocean transportation continues to play an important role as ever. The modern containerised method of transporting goods which we witness today, changed from a concept to an industry in the 1960's, with the movement of the first container. From that point of time, the world's economies were transformed. Today, ocean transportation remains the most eminent mode of transporting cargo worldwide, since it provides a cost effective way of moving large volumes of goods. Additionally, ocean transportation is environment friendly as it has a substantially small carbon foot print compared to road or rail transportation.

We at Liberty Videocon General Insurance value the safe carriage of your consignment by sea; and intend to suggest some useful measures to ensure safe and proper ocean transportation of goods. We sincerely hope that the measures suggested in this document will help in moving goods by the sea route in a safe and secure manner.



Source: <http://www.drt-int.com/wp-content/uploads/2013/01/LNG.jpg>

Types of Ships

Various types of ships are used to transport different types of cargo around the world. Some of the different types of ships are summarised below:

Containers Ships: Carry cargo packed into standard 20'40' metal box containers that are stacked both on and below deck of the ship.

General Cargo Ships: Carry loose packaged cargo of all types.

Bulk Carriers: Carry unpacked goods, usually huge volumes of single commodity such as coal, fertilizers, grains, etc.

Tankers, LPG/LNG Carriers: Carry bulk cargo such as oil & gas of various forms.

Passenger Vessels: Carry Passengers

Ro/Ro Vessels: Carry mainly completely built road vehicles.

Standard containers are not the only option for moving goods via ocean freight. Other container types in ocean transportation include:

- LCL (Less than Container Loads)
- 20/40 GP (General Purpose)
- Open Top Containers (Contain a removable top to allow for crane loading or to accommodate cargo that fits within the horizontal constraints of a standard container but not vertically due to its height)
- Reefers (Used for goods that require constant temperatures)
- Flat Racks (Used for cargo that is too large for a standard container. Flat racks are transported on container ships and allow oversize cargo to move to destinations where RoRo and Breakbulk vessels are not necessarily available or to shorten transit times).

Key International Shipping Routes

Shipping routes reflect world trade flows. Sailings are maximum and most frequent on routes where trade volumes are largest and demand is therefore greatest.

- Liner vessels operate on fixed routes, to fixed schedules and usually with a standard tariff. Liner trades are dominated by container ships, roll-on / roll-off carriers and general cargo ships.
- Few of the busiest routes are between Europe and the Far East (especially China and Japan) passing through the Mediterranean, the Suez Canal and the Malacca Straits. The North Atlantic route, linking Western Europe and the USA and Canada, is also a busy route, and there are well-established routes to the Middle East, India, Australia and New Zealand, Central and South America, as well as to East and West Africa.

- If cargo is destined for a smaller port in a country with little trade with the originating country, there may not be a direct sailing available - in which case, the cargo will need to be transhipped to another local sailing at the end of the ocean voyage.
- In case of bulk trades, routes reflect the places of origin and consumption of the commodities carried. For example, many of the main oil routes begin in the Middle East and end in developed countries where demand for oil is the greatest.

The various options available can be found by directly contacting those shipping companies that advertise sailings to destination ports, or by engaging freight forwarders for making arrangements.

Tips for Safe Transportation of Goods by Sea

When shipping a product overseas, the exporter must be aware of packing, labeling, documentation and insurance requirements for that merchandise.

Packing

Buyers who are more familiar with the port systems in their country can specify packaging requirements. If the buyer does not specify this, be sure that the goods are packed correctly so that they withstand the rigors of ocean journey and reach the destination in good condition. Additionally, you should be aware of the demands that international shipping puts on packaged goods or product specific requirements.



Labeling

Consignment should be labeled and marked correctly to ensure that the goods are handled properly and arrive on time at the right place. This helps in meeting shipping regulations and enables the receiver identify shipments. Customs regulations regarding freight labeling must be strictly enforced. Most freight forwarders and export packing specialists can supply the necessary information regarding specific regulations.



Documentation

The number and kind of documents the exporter must deal with varies depending on the destination of the shipment as each

country has different import regulations. Hence the exporter must take due care to provide all proper documentation. Ocean transports are handled by Bill of Lading which is a contract between the owner of goods and the carrier. Most exporters rely on freight forwarders to handle the formidable amount of documentation that exporting requires as they are specialists in this.



Insurance

In the event of any unfortunate event or piracy, hijacking during ocean transport, damage to the cargo may cause a major financial loss to the buyer / seller. Hence, shipments are usually insured against loss or damage in transit by marine insurance governed by Institute Cargo Clauses, which is voluntarily adopted as standard terms by all international marine organisations / insurers. For cargo, arrangements for insurance may be made either by the seller or the buyer, in accordance with the terms of sale. Usually cargo insurance is covered for 110 percent of the CIF (Cost, Insurance and Freight) component.



Tariffs

It is very important to consider the effects of tariffs, port handling fees, and taxes when determining the product's final cost as they can be high. These costs will influence how much the customer is willing to pay for the product.



Trivia

- World's Largest Container Ship: The Triple E Class Vessels built for Maersk. One of the vessel's name: M/V Mogens Maersk with capacity to carry 18,000 TEU. Others in line for the battle over the title of **world's biggest Containership** are:
 - China Shipping Lines' CSCL Globe, which can carry 19,000 TEU and is currently embarked on its maiden voyage from China to Europe.
 - Mediterranean Shipping Company's MSC Oscar, which can carry 19,224 TEU and is expected to be inaugurated during the first week of January 2015.

Value of such vessel is approx. USD 200 million (INR 1,200 crore). If we consider, average value of cargo per container as INR 50 lakh, then approximate total value of cargo in the vessel would be INR 9,000 crore. Indian Marine Cargo Premium (FY 2013-14): INR 2,000 crore.

- Ocean Transport / Shipping is one of the first industries to adopt widely implemented international safety standards.
- Ocean Transport / Shipping industry is extremely big and constitutes about 90 percent of the world's trade.
- The world's most unsafe seas are those of Southeast Asia. Southeast Asia was the location of 41% of the world's pirate attacks between 1995 and 2013. The West Indian Ocean which includes Somalia accounted for app. 28% and the West African coast around 18%.
- There are roughly 20 million containers crossing the world.
- There are approximately 55,000 merchant ships carrying cargo around the world.
- Around 95 percent of India's trade by volume and 70 percent by value takes place through ocean transport.



Source: http://upload.wikimedia.org/wikipedia/commons/9/9f/M%C3%A6rsk_Mc-Kinney_M%C3%B8ller.jpg

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