

# **COST SAVINGS ON CONTAINER IMPORT PROCESS**

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## ABSTRACT

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The object of the process was to develop containerisation and importation process to meet today's requirements by providing the best mix of cost and services. The hypothesis was that by implementing a new container process, cost savings as well as efficiency improvement could be gained. The purpose of the project was also to see the actual benefits from using an E-type bonded warehouse when importing and exporting goods. The assumption was that there cannot be significant savings made by implementing a bonded warehouse. Problems which occurred were the difficulty of gaining information as well as reluctance from the warehouse management. The methods used in this thesis were mainly qualitative however quantitative methods were used to gain calculative information and to prove the hypothesis either wrong or right.

The research of e-type bonded warehouse proved the hypothesis right. The savings gained from implementing bonded warehouse model to Grace Foods were based on interest savings which were £22 000. The cash flow benefits from the duty holiday proved to be one off savings which freed the cash flow at the given moment but had to be paid at later stage. Instead with the more efficient use of labour in container process immediate savings of £30 000 can be achieved and at a later stage an extra £20 000 savings obtained. This was achieved by implementing efficient process of unloading containers which minimised costs and time used.

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Key words: Container import process, bonded warehouse, transportation costs, processing cost

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## 1 INTRODUCTION

Like many companies Grace Foods UK Limited is struggling to meet its profit target. It has taken the strategic decision to always want to own and manage its own warehousing. The importance of well functioning warehouse is too high for a successful food industry business to let it be run by a third party.

One of the tasks of WTF Services is to keep reviewing costs in order to be able to see where the money is spent. Due to the reviewing, in December 2009 Grace Foods UK decided to subcontract their ambient delivery to 3PL provider giving budgeted savings of £180,000 a year. After six months it is on track towards the target. Grace Foods UK still manages its chilled and frozen deliveries to the customers in the UK.

The background of the final thesis lies in a cost review for the year 2010. Grace Foods UK Ltd was seeking alternative options for its current container and importation process which will produce cost and service benefits for the company.

Grace Foods UK Ltd imports on average 1000 containers per year. The main areas of importation are Far East and Jamaica but it also receives goods from Canada, Europe and Latin America. The average amount of containers varies every day but the ideal amount of incoming containers would be four per day. The maximum amount of containers is six per day since there are space and human resource restrictions.

## 2 GRACE FOODS UK LIMITED

Grace Foods UK Limited supplies a wide range of speciality and ethnic food products to the retail, wholesale and foodservice sectors throughout the UK and Europe. The company was established following the acquisition of WT Foods in 2007 by Grace Kennedy, one of the Caribbean leading corporate groups listed on the stock exchange of Jamaica and Barbados.

The company has its headquarters and UK distribution centre in Welwyn Garden City, Hertfordshire. There they have 130 000 sq ft state of the art distribution centre which operates 24\*5 hours per week picking over 8 million cases per year and delivering to over 3000 customer premises via their own fleet as well as 3PL partners. The warehouse premises comprise of ambient, chilled and frozen storage space. In the distribution centre there are also located office facilities where under the umbrella of Grace Foods UK functions three diverse food groups and service sector, each operating autonomously. These trading companies are presented in more detail in below.

### 2.1 Enco

Established in 1933 Enco Products Limited is one of the most experienced and largest importers and distributors of Afro-Caribbean food and drinks in the UK and Europe. Its market leading brands include Encona and Nurishment. Some of its products are developed and produced in Grace Food UK's manufacturing facility in Corwen, North Wales.

## 2.2 Chadha

Chadha Oriental Foods Limited has over 20 years of experience in supplying a wide range of oriental foods throughout the UK and Ireland. It supplies goods for major retail, wholesale, foodservice and industrial customers throughout Europe. It offers a wide range of product under their own brand Silk Road label as well as brands like Yeo's, Renuka and Nissin amongst others. Chadha Oriental imports 99% of its stock from abroad. Most of the stock arrives from Thailand, Singapore and Hong Kong.

## 2.3 Funnybones

Funnybones Foodservice Limited is an importer and distributor of American, Mexican, Cajun and European foods for the UK's food service industry. Funnybones customers are mainly restaurants and pubs in UK. The company has its own fleet of trucks for chilled and frozen deliveries. The amount of imported containers is the smallest of all of the three trading companies. Most of their imported goods arrive from the USA and Europe.

## 2.4 WTF Services

Grace Foods UK also comprises of WTF Services which includes transport, warehousing, IT, telesales and technical department. Services is responsible for warehousing the stock for the three trading companies. Its Board set the issue for this year's review of cost saving possibilities. The issue is handled in this thesis.

### 3 IMPORTANT CONCEPTS

#### 3.1 Logistics

*Ambient* as in ambient delivery or ambient warehouse means that the goods can be stored at room temperature as well as delivered in normal containers or trucks.

*A bonded warehouse* is a Customs and Excise warehouse which can be either a defined location (building or a secured area) or an inventory system authorised by HMRC for storing goods that are chargeable with import duty and or VAT. In the bonded warehouse imported goods can be stored and under supervision by the customs authority undergo manufactured operations without the need to pay duty. With the help of bonded warehouse an organization can delay the payment of duty and VAT from the receiving of the goods for stock to the point of actual sale to the retailer. In this case all of the stock in the warehouse can be classified as duty suspended. Generally the goods can be stored in the bonded warehouse for an unlimited period (HM Revenue & Customs 2010).

When referred to a *3PL* it is meant a third party which provides logistics services for the company. They can take care of company's whole materials management and distribution or some particular area of it. Nowadays the 3PL contract usually involves long term business relationships and often multiple functions or process management (Kaminsky, Simchi-Levi 2004, 116).

*Procurement* is the whole process of preparation from the receiving of the goods or services acquired to the receipt and approval of the invoice for the payment. In short procurement involves every step from supplier sourcing and approval, price negotiation, standards determination, forecasting to inventory control, disposals and other related functions (Purchasing Insight).



### 3.2 Importation

*Duty and levy* are both custom taxes. Levy is a surcharge which is levied only on some particular products. Typically ‘the levy’ is an additional charge that is used to protect EU manufacturers or to protect against dumping.

*Demurrage* exists when a loaded container is stored in the port authorities’ area such as in a port, rail terminal, feeder terminal, inland depot or a container yard. Demurrage is applied once the free time has expired. The demurrage tariff varies and they depend on the shipping lines.

*Free time* is the demurrage and a detention free time allowed for the container to arrive from port of arrival to the organisations door. The free time as well as demurrage and detention are charged by the shipping lines to the agents/importers (Demurrage & Detention Free Time Charges 2011).

*Freight forwarders* are businesses which act on the companies behalf by liaising with suppliers, shipping lines and regulatory authorities. In case of this thesis they provide shipping rates from various shipping lines, assist with documentation needed to import a container and pay freight and duties on the company’s behalf.

*SIVA status* – Simplified Import VAT Accounting scheme means that trader has been authorised to operate SIVA. An organisation has set up a deferment account with HMRC which enables the company to defer the payment of import VAT and duty by an average of 30 days. The goods imported are also cleared for release quicker (HM Revenue & Customs 2010).

*Port health authorities* among other things control imported food cargo under both United Kingdom and European Union food legislation. The controlling of products of animal origin can include documentary checks, identity inspections and sample taking from incoming shipments. All other food imports of non animal origin e.g. cocoa fruit, and nuts are inspected on a risk assessment basis, samples procured being subjected to physical and microbiological checks (Bristol Port Health Authorities 2010).

#### 4 INCOTERMS

Incoterms 2010 developed by The International Chamber of Commerce (ICC), are a globally recognised set of definitions which define the trade terms in international as well as in domestic trade. In more detail they define the risks, obligations and costs which are involved in moving goods from seller to the buyer as well as the mode of the transport used (The International Chamber of Commerce 2011).

There are 11 different Incoterms. Each of them is preference with a three-letter abbreviation e.g. FOB. All Incoterms include a named place, which is extremely important for the agreement. It defines either the loading location or the port of loading or the destination port or the final delivery address. In order to choose the right Incoterm for the delivery or shipment it has to be clear how the chosen term affects to the transportation costs and risks.

In the figure 1 provided by ODM group, can be seen the obligations and risks of the seller (green) and buyer (blue) concerning Incoterm options.

Incoterms	EXW	FAS	FCA	FOB	CFR	CIF	CPT	CIP	DAT	DAP	DDP
Load to truck	Blue	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Export- duty payment	Blue	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Transport to exporter's port	Blue	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Unload from truck at the origin's port	Blue	Blue	Green	Green	Green	Green	Green	Green	Green	Green	Green
Landing charges at origin's port	Blue	Blue	Blue	Green	Green	Green	Green	Green	Green	Green	Green
Transport to importer's port	Blue	Blue	Blue	Blue	Green	Green	Green	Green	Green	Green	Green
Landing charges at importer's port	Blue	Blue	Blue	Blue	Green	Green	Green	Green	Green	Green	Green
Unload onto trucks from the importers' port	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Green	Green	Green
Transport to destination	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Green
Insurance	Blue	Blue	Blue	Blue	Blue	Green	Blue	Green	Blue	Blue	Blue
Entry - Customs clearance, Duties and Taxes	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Green

Figure 1. Responsibilities of the buyer and seller (ODM Shanghai 2010)

#### 4.1 FOB

FOB – Free On Board. This term can be used only for sea or inland waterway transport. The seller is obligated to deliver the goods into the ocean vessel. The seller has also the obligation to do the export declaration. The seller will bear all the costs and risks of loss and damages of the goods until the goods are loaded. The supplier has no obligation to obtain insurance for maritime voyage.

Once the goods have passed the ship's rail at the named port it means that seller has delivered. From this point onwards the buyer is responsible for all the costs and risks. It is the buyer's responsibility to obtain the space required for the goods from the vessel. In case of Grace Foods UK Limited the freight forwarding agents will provide the space.

#### 4.2 CFR

CFR – Cost and Freight. This term is only for inland waterway or sea transport. As in FOB the seller is responsible for the delivery of the goods to the vessel. When using the CFR –term the seller is obligated to pay for the freight charges as well as all the other costs to the named port of destination. They are also responsible for the export declaration. The seller will bear all risks of loss and damaged goods until the goods are loaded at the port of shipment.

Buyer accepts the goods at the port of destination after receiving the transport documents. However the buyer will bear all risk of loss and damages to the goods from the point of loading at the port of shipment (ICC 2011).

## 5 SHIPPING

### 5.1 Shipping industry

Currently the shipping industry is trying to recover from the economic turmoil which affected the whole globe in years 2008 – 2010. During that time the shipping industry was forced to have a new approach to business. Capacities were cut to a minimum since many shipping companies were struggling to survive through the recession. As Peter Lorange says in his book (2009, 3) shipping companies cannot carry on as a traditional shipping company. They need re-structuring to survive in the fast changing environment.

Many shipping companies have realised the need of new strategies and business models and are therefore gaining new, young blood to their board. In container shipping the type of business has moved from selling the full capacity of a vessel to making the profit. It is not important anymore whether the container ship is sailing on full load or not. The thing that matters is that the ship is making profit even with a less capacity (Lorange, 2009).

### 5.2 Container industry

The economic down turn had its effect on the capacities. According to Simon Parry in year 2009 around 12% of world's container ships were out of use. This resulted in empty containers sitting at the ports doing nothing (Daily Mail, 2009).

As seen in the figure 2 there are several thousand empty containers around US ports waiting to be picked up whereas the demand of containers in routes from Asia to Europe is high (Institut für Seeverkehrswirtschaft und Logistik, 2009). Also the amount of vessels does not yet response to the demand. This has its effects to the rates and space availability. The agents will negotiate the price with shipping lines and the right agent can guarantee a place for the company's containers in the vessels. Therefore the agents are an important factor working in the container industry.

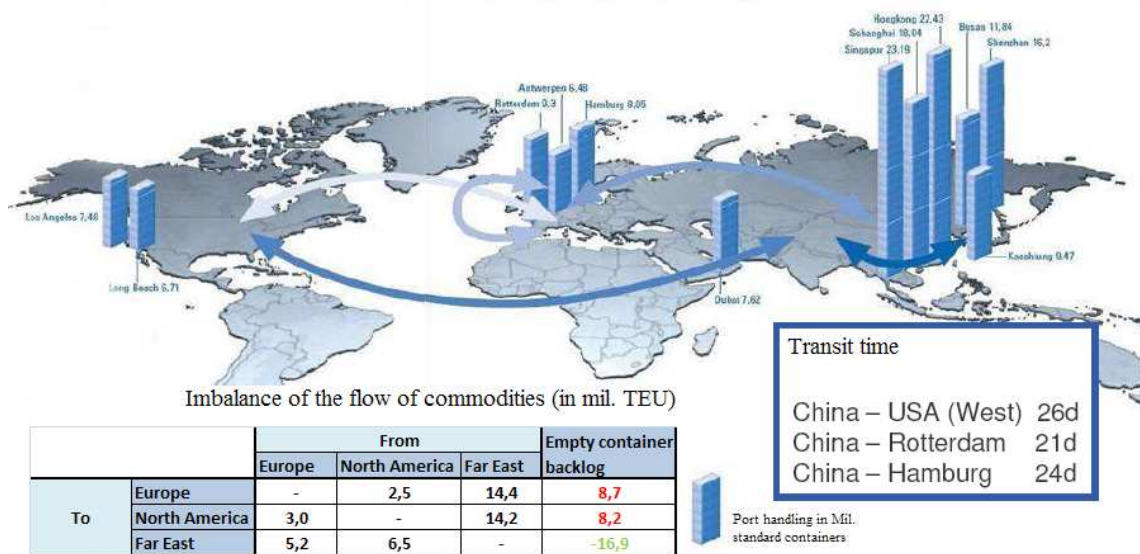


Figure 2. Imbalance of the flow of commodities

### 5.3 Freight rates

The economic situation as well as oil price fluctuations has its effects on freight rates. During economic boom rates go up since the capacity cannot be added quickly enough to respond to the growing demand. Whereas during the economic turmoil we can see the opposite effect – too many vessels are sailing with too little cargo and rates go down. Before mid-fall 2008 the freight rates seen in last four – five years have dropped drastically due to the economic downturn.

At the moment the freight charges are increasing again. The economy is slowly recovering which has its effect to the import and export markets. The spot rates from Asia to Europe have kept increasing over a one year period. The rate increase has exceeded 200% in some cases. In the following figure can be seen the development of the 20ft and 40ft container rates in the leg from China to North Europe (Drewry Publishing 2010).

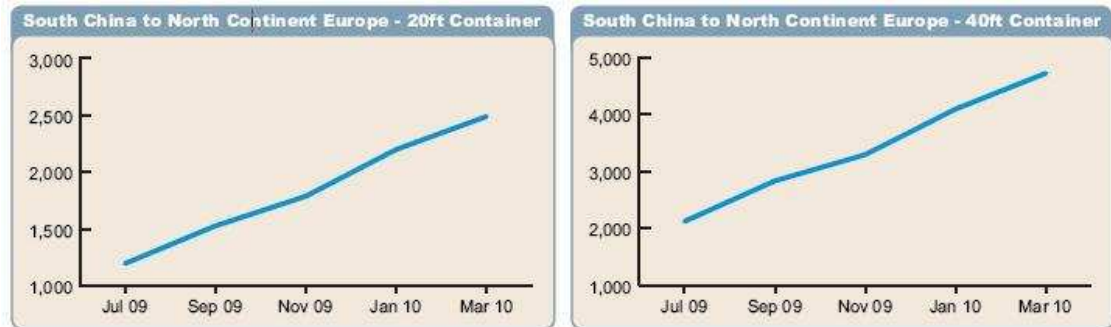


Figure 3. Container Freight Rate Insight

#### 5.4 Ports

The importance of choosing the right ports in importation as well as exportation is severe. The port congestion problems affect demurrage rates. Also the location of port compared to the company affects the choice. The closer the port is situated in relation to the warehouse the less time and money it takes to get the goods to the organizations door once they have left the terminal area.

But it is not all about the location; poor choice of port can incur higher shipment costs, delays either on pick-up or delivery of cargo or even as lost or damaged cargo.

Grace Foods uses mainly two ports in the UK; Felixstowe and Thamesport. The company has experience that the port health authorities in these ports work effectively and GF can clear their goods in relatively fast speed.

## 6 CURRENT CONTAINER IMPORTATION PROCESS (FOB)

The container importation process at the moment is a time consuming activity in Grace Foods UK Ltd. The process is not up-to-date in a sense that shipping department receives information of the movements of containers only once a week. The company do not use online tracking of containers, which makes their arrival planning challenging. A lot of information is stored in Excel and is still handled as paper documents.

Vast majority of the containers imported by Grace Foods UK Limited are imported under the FOB –incoterm. Goods that are imported from USA or Jamaica often arrive under CFR –incoterm. In the figure 4 can be seen the information flow between different parties in the process.



Figure 4. Importation process interaction between different parties

### 6.1 Procurement

Procurement analyzes the procurement market, sources the potential suppliers and negotiates the terms of contracts with them. The operators in the supply chain also forecast their future replenishment orders according to the previous figures and inventory levels. They also consider the safety margin to compensate the lead time.

The monthly supply chain timetable of one of the trading companies can be seen in Enco Supply Chain Timetable (appendix 1).

## 6.2 Suppliers

When the purchase has taken place, the supplier contacts Grace Food UK's agents. Supplier lets the agent know when the goods are ready to be shipped and how many containers they are going to need. The supplier sends the purchase documents to Grace Foods UK's bank to wait for Grace Food's payment. The supplier also has the responsibility to deliver the goods to the port of origin to be shipped.

## 6.3 Agents

Agents act on Grace Foods UK's behalf by liaising with suppliers. They provide containers for shipping goods and liaise with regulatory authorities such as port authorities. Agents provide Grace Food UK's shipping department with data of available shipping lines as well as breakdown of their rates and transit times which shipping lines are offering.

Currently Grace Foods UK's uses three different agents. They assist with documentation and they also pay duties, freight and penalties on GF's behalf. This gives the company possibility to pay duties once a month to the agent instead of having to pay duties of every shipment separately.

With one of the agents GF has managed to negotiate contract with 10 – 14 days freetime. Meaning when ship arrives to the port GF gets 10 to 14 days to get the container in their door with fixed transport charges. Containers can be held at the port because of port health authorities or they may arrive too early and GF is unable to unload the containers due to capacity or human resource problems.



## 6.4 Shipping Department

The Shipping Department liaises with other in-house departments. It also manages containers for all three different companies but it is inevitably favouring one of the trading companies. If there are a group of containers arriving at the same time Chadha has an advantage of getting the best booking slots and getting the containers in first. This is because the shipping department sees themselves as working for Chadha rather than Grace Foods.

One of the Shipping Department's tasks is to process all the necessary importation documents. To get the papers cleared from the bank the shipping department needs to inform accounts about the upcoming event. The payment of the goods is usually done 5 days before the ship should arrive at the port or at the latest when the ship is at the dock.

The Department is also responsible for negotiating service costs and choosing the agents. The current agents have long business relationships with Grace Foods UK providing mutual reliability for the business. When the Shipping Department needs to book a shipping line for GF products it receives shipping information from the agents. They have prepared an offer with different shipping lines and transit times. All the costs are also available. The costs include international freight charges which consist of the freight charges, CAF and BAF –rates. The costs also include the ancillary charges such as customs clearance, terminal handling, documentation fee, ships security fee, port security fee and delivery to the customer's door.

The Shipping Department then makes a summary of the information available and chooses their preferred lines. There are several aspects which affects to the selection of the shipping line. Of course the overall cost is important but also the transit time, the port of arrival and the shipping line offered.

When the containers are on their way shipping department receives a notification once a week of the upcoming vessels and containers. The Departments' task is to schedule a booking list for the containers in GF warehouse with the help of the warehouse supervisor. They also chase the drivers if the containers are late.

## 7 CURRENT CONTAINER HANDLING PROCESS IN WAREHOUSE

At GF warehouse there are five people in the morning shift dedicated to processing containers when they arrive. Their shift starts at 6am and finishes at 2pm.

The arrival of containers is sequenced into two. First two containers are planned to arrive at six o'clock in the morning and the next set at ten o'clock in the morning. This allows the unloading time for each container to be up to 4 hours. All other deliveries into the warehouse and collections from the warehouse are planned around the containers. Containers are served before the other vehicles because of the detention which is 3 hrs.

When the containers arrive at the GF warehouse the container teams' task is to unload these containers within the timeframe given which is up to 4 hours however the unloading normally takes two to three hours. Since majority of the containers arrive as unpalletized, unloading happens by handballing the cases onto a pallet.

The warehouse supervisors' task is to appoint teams to different containers when the containers arrive. He, together with the warehouse manager, will decide the need for agency staff on the previous day. The agency staff are called in if there is more than four containers, or the containers are regarded as heavy ones (amount of case high) or people are on holidays.

Normally there are at least three people on a one container which is regarded as a heavy and the other two people are handballing the other container which normally should be regarded as a light. If there is only one container in then all the staff are working on the same container.

## 8 IMPORTED PRODUCTS

Grace Foods UK Limited imports food products and drinks. The drinks imported are non-alcoholic drinks apart from rice wine which is used in cooking. Most of the imported goods come as an ambient container delivery but there are few occasions where the goods arrive in refrigerated containers e.g. guacamole.

All of the products GF imports are subject to control by port health authorities but some are classified as “high risk” products. One of these products is vermicelli from China (Appendix 2). A “high risk” product is either feed or food that poses either a known, or an emerging, risk to public health. This may be due to the presence of contaminants and/or undesirable substances such as aflatoxins, Sudan dyes, Salmonella, heavy metals or pesticides (Food Standards Agency, 2011).

The crop of some of the goods e.g. pineapple needs to be purchased once a year and the whole year’s harvest has to be imported to Grace Foods UK’s warehouse. There is a danger of supplier re-selling the already sold crop unless the buyer doesn’t move it to its own premises. This inevitably creates more inventory costs and space requirements.

Some of these products need to be warehoused in Mansfield where the company has an empty warehouse space since there is no room at the Welwyn Garden City warehouse. Although the Mansfield warehouse is “dead space” the transportation and labor costs are an extra cost which occurs when moving the excess inventory to and from Mansfield depot.

## 9 CONTAINER VOLUMES

Grace Foods UK Limited receives 70% of its containers as unpalletized. The reason why so vast amount of containers are unpalletized is because the palletized cargo reduces the space by 20 – 25% in container. Wrong size pallets are another issue. Containers arriving from USA are often palletized on North American pallet. These pallet standards differ from the ones used in UK and cannot be unloaded or moved around by using PPT or fitted to the racking system.

Due to the handball issue and the space restrictions in the GF warehouse the maximum amount of containers for each day are 4. Usually each booking slot can be reserved for 10', 20', 30' or 40' containers but two 40' containers should not be booked in at the same time in the morning unless the other one is palletized.

### 9.1 Volumes in 2009

Grace Foods UK has a container log where all relevant information of the inbound and outbound container action can be withdrawn. In 2009 Grace Foods UK Limited received a total of 923 containers from all over the world. Most of the containers arrived unpalletized therefore the goods must be handballed into CHEP pallets on the arrival. The amount of palletized containers in 2009 was 37. The palletized containers arrived from USA as well as from Europe. Goods which arrive from USA as a palletized cargo needed to be re-worked before placed into the racking. In 2009 Grace Foods UK Ltd received in total of 22,870 ft container floor length.

## 9.2 Volumes between January – June 2010

After the first two quarters in 2010 the container volume has gone slightly up from the YTD figure. GF received 505 containers in the January – June period. 8% of the total amount of containers arrived as palletized, the rest of the containers were unpalletized.

## 9.3 Volumes by geographical area

The geographic distribution of the volumes can be looked at either by value or by purchase orders placed. Based on the value of imported goods the top three countries to import were Thailand (32%), Malaysia (22%) and China (18%). Based on the purchase orders raised for year 2009 the top three countries to import were Thailand (20%), Germany (11%) and Singapore (11%).

Overall 46% of the goods imported arrived from Far East region. 28% of the goods arrived from Europe. The rest arrived from USA, Canada, India, Sri Lanka and from South America.

## 10 ALLOCATION OF TRANSPORTATION COSTS

The transportation costs of Grace Foods UK Limited consist of import, export and domestic distribution. The domestic distribution includes distribution from suppliers to the warehouse and from warehouse to the customers.

### 10.1 Importation costs

The importation costs consist of freight charges, duties, levies, demurrage, insurance, clearing charges and delivery charges. The biggest factors are duty and levy costs as well as the demurrage costs.

Going through GF's accounting and invoicing the actual amounts of importation costs can be examined. In year 2009 the importation costs of the containers were £2.5 million. 56% of the costs consisted of duty and levy charges. The breakdown of the costs between sales companies can be seen in a table 1.

Table 1. Import costs 2009

<b>IMPORT COSTS 2009</b>				
<b>Description</b>	<b>ENCO</b>	<b>CHADHA</b>	<b>FUNNYBONES</b>	<b>TOTAL</b>
STOCK ACCRUAL FREIGHT	£154,293.32	£304,970.20	£71,870.30	£531,133.82
STOCK ACCRUAL DUTY	£115,089.78	£638,508.97	£115,462.23	£869,060.98
STOCK ACCRUAL LEVY	£9,301.06	£547,782.57	£2,693.42	£559,777.05
DEMURRAGE	£17,856.88	£34,731.02	£6,869.40	£59,457.30
STOCK ACCRUAL INSURANCE	£0.00	£0.00	£0.00	£0.00
STOCK ACCRUAL CLEARING CHARGES	£39,936.08	£109,106.01	£12,847.10	£161,889.19
STOCK ACCRUAL DELIVERY	£81,545.60	£252,481.40	£26,555.08	£360,582.08
<b>Total</b>	<b>£418,022.72</b>	<b>£1,887,580.17</b>	<b>£236,297.53</b>	<b>£2,541,900.42</b>

January – June 2010 –period the importation costs were £1.8 million which made 39% of the total transportation costs for the given period. 41% of the costs consisted of the duty and levy charges. The breakdown of the costs between sales companies can be seen in a table 2 below.

Table 2. Import costs Jan – Jun 2010

Description	ENCO	CHADHA	FUNNYBONES	TOTAL
STOCK ACCRUAL FREIGHT	£124,558.93	£530,981.23	£46,092.29	£701,632.45
STOCK ACCRUAL DUTY	£27,740.93	£401,300.13	£47,699.55	£476,740.61
STOCK ACCRUAL LEVY	£315.59	£268,231.86	£0.00	£268,547.45
DEMURRAGE	£24,766.54	£34,145.63	£2,266.00	£61,178.17
STOCK ACCRUAL INSURANCE	£0.00	£0.00	£0.00	£0.00
STOCK ACCRUAL CLEARING CHARGES	£23,882.14	£66,103.48	£6,235.49	£96,221.11
STOCK ACCRUAL DELIVERY	£43,560.44	£169,175.34	£14,478.66	£227,214.44
<b>Total</b>	<b>£244,824.57</b>	<b>£1,469,937.67</b>	<b>£116,771.99</b>	<b>£1,831,534.23</b>

At the end of quarter three in 2010 the duty and levy costs were £1.1million. A rough calculation can be made from the occurring costs and the year end costs of duty and levy can be expected to be approximately £1.4million. The problem with this forecast is that GF doesn't order goods in regular intervals during the year. It has it peaks and dips which makes it difficult to predict the actual amount.

## 10.2 Exportation costs

At the moment the exportation costs contribute only 3% of the total transportation costs of the company. Therefore it does not have that much of an impact on the study. If in the future GF decides to expand its business into exporting new research will be necessary.

All three sales companies export their products but only Chadha and Enco export outside EU however the figure is relatively small. 1.5% of the export made by Chadha goes outside EU. For Enco the export figure is 7.3%.

### 10.3 Domestic transportation costs

The largest amount of overall transportation costs are spend on domestic distribution. The domestic distribution costs include 3PL provider costs, courier costs, as well as organizations own fleet costs. The fleet costs include driver's wages, lease, fuel, repairs and insurance. The amount of domestic transport is 58% of total transportation costs of the company. Some of the goods meant for domestic market flow through intermediaries.



## 11 PROCESSING COSTS

### 11.1 Labor cost of unloading containers in 2009

The container handling costs at the Grace Foods UK Limited consist of in-house costs as well as temporary agency staff costs. The handling or in this case the unloading cost per container were ~£136 in 2009 when the amount of containers were 3.7 per day. The breakdown of the costs is shown in the table 3.

Table 3. Breakdown of container handling costs

<b>In-house costs</b>	
Cost of weekdays	£82,409.60
Cost of Saturdays	£3,803.52
10% additional employment costs	£8,621.31
<b>Agency costs</b>	
Cost of agency workers	£30,512.31
<b>Total</b>	<b>£125,346.74</b>

### 11.2 Cost of unloading the containers in May 2010

To be able to verify the cost of unloading per container, the figures from May 2010 were more closely examined. May was chosen because it was one of the busiest and steadiest months when regarding container import in GF warehouse. The amount of containers arriving was 3.9 per day. The unloading costs in May 2010 were ~£110 per container. The breakdown can be seen below in table 4.

Table 4. Breakdown of container handling costs in May 2010

<b>In-house costs</b>	
Cost of weekdays	£4,838.64
Cost of Saturdays	-
10% additional costs employment	£483.34
<b>Agency costs</b>	
Cost of agency workers	£2,824.80
<b>Total</b>	<b>£8,146.78</b>

### 11.3 The actual cost of unloading in 2009

The management at the warehouse thought that unloading takes normally two hours, occasionally more, depending on the product. When the labor costs were calculated using the two hour time and three people per container the cost of labor were on average £46 per container. The result is 60% less than actual spending 2009.

This resulted in the need of finding out for why does Grace Foods pays 60% more? What happens during idle time? Are the warehouse staff efficiently supervised and instructed to do other work when there are no containers? What are the actual unloading times? Is the need for labor to be planned more efficiently? Are the container unloading staff working productively?

### 11.4 Actions to verify the costs and time spend

In order to be able to verify whether the two hours per container was true a solid work measurement exercise was executed. The meaning of this exercise was to define the following;

- The time spend in unloading
- How many people is needed per container
- The time spend in non unloading activity
- What are these activities
- How supervision is executed

## 12 THE CONTAINER UNLOADING EXCERSICE

The situation in Grace Foods UK warehouse has been described in the previous chapters. In short they are spending ~£136 per container to unload them. The time spent in other than unloading activities cannot be clearly defined. The guidance and management of the whole container process in the warehouse is poorly handled.

The purpose of the exercise outcome is to help GF warehouse management to plan the containers as well as the work load efficiently and on a cost saving-manner.

### 12.1 Process

The process of observing the container unloading procedure took place by simply monitoring and timing the staff's actions in the warehouse. First of all it was important to monitor similar groups' i.e. same size and same age. Secondly how they would work together or if there was a problem in team work. By changing the teams it could be seen which people worked well together and which did not. Thirdly to observe how long it takes to unload a container

The unloading action was timed and recorded onto a table developed for this purpose (appendix 3). The table helped monitor the amount of cases, container sizes, products as well as the pallet stacking time and pallet exchanging time. If there occurred some delays those were recorded as well and extracted from the actual unloading time.

## 12.2 Observation feedback

### 12.2.1 Lack of team work

The work measurement exercise resulted in several observations. It was clearly seen that there was a lack of team work. The members of the team unloading a container didn't help each other. They clearly had their own side of the pallet and they stacked it. When finished they waited for the slower team member to finish, rather than helping him on the way.

There were clear dysfunctional and functional teams. Concrete example of this was when there was a 40ft container full of Rice Vermicelli. Team A worked in a dysfunctional way, working individually – producing time 1h 18 min. Team B worked as a team helping each other with steady pace. With same product, same size container they made it in 1h 2 min.

### 12.2.2 The “team leader” affects the speed

There were stronger characters who took the place as the unofficial team leader. If they worked quickly, others tried to keep up. But if they worked with slower speed, other members followed this lead.

To prove that the team leader affects the speed two different teams were timed when unloading the same product. Team A stacked 6 pallets in 24 min whereas Team B stacked 6 pallets in 15 min. Team A and Team B had both two team members, the “leader” was different but the co-worker was the same guy in both teams.

### 12.2.3 Safety aspect

The safety aspect was ignored. The team members didn't wear helmets although there were occasions where cases fell off from the containers. Nor did the warehouse managers or supervisors advise the container staff to wear them. Occasionally new agency workers were instructed to wear helmets.

## 12.3 Timing feedback

### 12.3.1 Productivity rate

One of the most important findings was that more people doesn't mean better productivity rate. If there were three people or more working on a container, usually one stood waiting and chatting while the remaining two stacked the pallet.

At some point there were 6 agency workers plus one regular staff working on a 40ft Rice Vermicelli container. They produced time 58 min for unloading the container. This was then checked against a team of two people. They managed to finish the container in 1h 2 min. Labor costs for these teams were 7hrs versus 2hrs producing demonstrating a clear loss in efficiency.

### 12.3.2 Times

It quickly became clear that the average pallet change would take 30 seconds. However this operation might take several minutes if done inefficiently.

In table 5 can be seen a set of times recorded while observing the work in the warehouse. While recording each pallet, every delay was also recorded.

Table 5. Timing results

Size	Product	Time – Hours.minutes	Number of people
20FT	Pineapple	1.40	3
20FT	Prawn Crackers	1.20	2
20FT	Noodles	1.23	3
20FT	C/Nut Milk	3.20 - of which 15 min spent chatting	3
20FT	C/Nut Water	2.55	3
20FT	P/nuts and Peas	2.00 - problems with labels	3
20FT	H.B Sauces	2 hrs - of which 15min spent chatting	2

### 12.4 Feedback of supervision

#### 12.4.1 Lack of supervision

Lack of supervision resulted in stacking problems. There was a lack of instructions when new products arrived or new agency guys showed up. When there was no clear example shown how to stack unfamiliar boxes to a pallet it increased the time spent unloading the container.

At the time there were agency guys as well, the container staff divided the extra workers rather than supervisor doing it. This helped to form the dysfunctional teams.

#### 12.4.2 Language problems

Because GF has a multicultural working environment sometimes there occurred language problems. There were situations where the instructions were only given in Polish although there was at least one non-Polish speaker in the team.

There were also a few occasions where container staff had a severe disagreement due to language, cultural and behaviour problems. In the end this resulted in the dismissal of two people which delayed the whole container timing and re-organizing process.

## 13 IDEAL WAY OF UNLOADING

As a result from the timing exercise an ideal way of unloading containers was introduced to the managers. The ideal way of unloading meant that there would be two people per container, both trained to use at least PPT. Empty pallets made ready before the container arrives at the bay. While unloading, the supervisor will keep an eye on the pallets and will get more once the empty ones are nearly used.

There will be team work, once one has finished his side, he will help his team member. There will be two PPT's in use per container. While one takes the full pallet out the other brings empty pallet in and starts working. The fifth guy of the whole container team will do the wrapping and booking on. This position will be rotated.

When there are new workers, clear instructions are given by supervisor. When there's only one container due, the other staff are instructed to do other work. The written procedure can be seen in work instruction form (appendix 4).

### 13.1 Implementing the new unloading procedure

After the feedback given to the GF Services Board about the timing observations and the next step proposals, the date of the implementation as well as the date for re-timing the container work was agreed.

The plan was that there would be two people working in each of the two containers, all using PPT's. The fifth team member would take pallets to be shrink wrapped and this task would be rotated every 30 minutes as it was recognised as an easier task.

Also it would be emphasised the job is a shared task not an individual task. Additional training to use PPT's as well as forklifts would be given where needed.



### 13.1.1 Problems occurred

From the beginning it was clear that the GF warehouse management didn't stand behind the new procedure. When the implementation started their behaviour affected the staff. They let the workers do as they wanted, not providing clear instructions on how to proceed. The implementation of the new procedure was done in few minutes by the supervisor.

The warehouse failed to use two people per container due to holidays, sick leaves and other work demands or any other excuses that could be found. The biggest problem was the absence of supervision. There was only little guidance and management from the supervisors, which resulted in excess workforce and supervisors doing the work that could have been done by the people working on the containers – e.g. unloading and loading other deliveries. The whole report regarding the staff training and implementation of the procedure can be seen in container report (appendix 5).

### 13.1.2 Corrective actions to be made

In order to finally achieve well managed and efficient container unloading procedure, corrective actions needed to be taken. The biggest contributor to the implementation failure was the mindset of the management.

Changing the view of the warehouse management took a few meetings where the procedure was gone over again. The potentiality and benefits of this exercise were pointed out and what was expected from supervision. They brought into the meetings what they saw as staff's view, although it was their view of what the staff would think as they had not actually asked the staff. It was said the staff were worried that the work would not be divided equally. Later we went directly to the teams to show that the workload was split equally since it is rotating teams and the supervisor should form the teams accordingly.

One of the actions to be taken was the timing. Containers needed to be timed when the new procedure was in place. With this the standard unloading time for each product type could be agreed. The time would help out in the future to plan the incoming containers more efficiently. Therefore the management has to move away from the fixed time planning i.e. 6.00am and 10.00am. This builds in downtime which is wasted time.

Once the implementation was in place, its functionality needed to be tested in order to be able to see whether the staff were working according to the procedure or not. For measuring purposes an evaluation form was created (appendix 6).

## 14 OPERATIONAL AND COST ADVANTAGES

From the container unloading exercise clear advantages could be gained. Once the process has fully been implemented the company will have 5 team members who all are able to function in the unloading and loading as well as picking and put away activities.

Since there's only five people needed in the container unloading activities, Grace Foods can give the use of agency workers gaining immediate savings of £30 000.

The efficient planning of arriving containers will cut down the wasted time. Containers can be finished earlier the workers can be moved to the picking and unloading or loading other deliveries. This would free time for the management. Instead of them doing the unloading and loading actions they can actually perform managerial tasks.

## 15 TYPE E BONDED WAREHOUSING

At the beginning of the thesis research the UK government was in the middle of creating an emergency budget. One of the debates was whether to raise the VAT of zero rated food. The possibility of the VAT increase was one the drivers behind the bonded warehousing research. With bonded warehousing the duty and VAT payments could be deferred until the point of despatch instead of the arrival.

From the beginning it was obvious that the type-E bonded warehousing was the only bonded warehouse model which would be considered. It would be the easiest option to implement. The stock would be kept on their premises, the inventory control and stock keeping would be similar as it is at the moment. Excess inventory movement would be cut out when using E-type bonded warehouse model.

### 15.1 Warehouse distribution centre

Grace Foods UK Limited has its own warehouse which can be regarded as its distribution centre. Grace receives goods from manufacturers which are then stored. As orders arrive from customers the goods are picked and sent in either groupage delivery through 3PL provider or via their own fleet.

Once the imported goods arrive to the dock the duties and levies are paid via SIVA account. The goods are immediately available for the free circulation.

Warehouse DC has a better response time whereas for example when warehousing at the port of origin. Nearly all urgent or unplanned orders can be fulfilled and they can be fulfilled fast because the warehouse is close to the customers. Being able to response to sudden demand means higher facility costs as well as higher level of inventory.

## 15.2 Warehousing at the port of origin

Warehousing at the port of origin is one option to be considered when talking about deferring duties. Goods could be warehoused at the port of origin and orders could be consolidated and shipped when necessary.

It is a cost related solution since the warehousing and labouring costs are relatively cheap when compared to the UK. The down sides are that you have less control over your inventory, and the transit times are long which can cause problems with unexpected increases in demand. The importance of a reliable warehousing partner is big when your inventory is located in another country.

Since the transit times are long to UK all unexpected orders and shortages in the GF warehouse should be fulfilled by air freight which would increase the cost of the products and the overall importation costs.

The other option to think about would be to store the goods in free port area closer to UK e.g. in Malta. Malta is part of European Union but in the free port/zone area the goods could be stored without paying the taxes. The warehousing and labor cost would still be cheaper compared to UK but the biggest advantage is the transit time to UK which will be relatively shorter than the time from Far East which is over 20 days.

## 15.3 Pros and cons of type-E bonded warehousing

### 15.3.1 Operational and cost advantages

Bonded warehousing solution assists in deferring the payment of import duty and VAT on the organizations goods which are imported outside EU. With the help of E-type BW model an organization can pay the duties and VAT at the point of sale/invoice of an individual product rather than at the arrival of the whole shipment. This operation will free company's cash flow.

With bonded warehousing model organization can facilitate the re-exporting of non-community goods. In this case the duty and VAT may not be payable at all.

If in the future the company decides to expand its export the bonded warehouse model should be revisited. In that case the benefits of bonded warehousing when re-exporting goods outside EU, might change drastically. In the case of re-exporting the duties don't need to be paid when the goods are stored in bonded warehouse and exported back outside EU.

### 15.3.2 Operational and cost disadvantages

One of the disadvantages the E-type bonded warehouse model has is the information infrastructure. GF IT communication systems should be altered in order to convey compatibility with HMRC.

When considering bonded warehouse option a company must set a bond aside. This is a set of money which is a guarantee in the event of default or delinquency.

Cash flow benefits are not big; the BW option will only delay costs which still need to be paid. The actual savings come from interest savings.

## 16 BONDED WAREHOUSE MODEL

### 16.1 What If –quantifier

From the bonded warehouse cost analysis model can be seen the calculations and savings that occur when using E-type bonded warehouse. The figures are based on GF UK's accounting.

Currently their estimated landed cost value is £17,500,000.00. Their number of inventory turns per annum is 6.3. Average product dwell time in the warehouse is 72 days Average delivery time for a product from a port to warehouse is 7 days. According to their accounting their cost of internal capital (interest) is 5,75%. Average duty costs are 10% and average VAT costs are 2%. The amount of duty holidays is 79. Cash flow benefits from the duty holiday can be seen in the What If –quantifier (table 6).

## 16.2 Findings on the Bonded Warehouse cost analysis

The What If –quantifier revises the cost analysis by exploring different variations. From the table 6 can be seen the effects when UK imported inventory raises at the GF. As said before, the BW model will only delay costs by freeing the cash flow until the point of selling the actual product. The annual interest savings are the only real saving gained from this model. With the current figures, the savings created with the BW are ~£22,000.00/annum (table 6).

If the average product dwell time in the warehouse is decreased to 53 days the interest savings will also decrease approximately £5,500.00 because the amount of duty holidays will also decrease (table 6).

Table 6. What If -quantifier

		<b>What if</b>	<b>What if</b>
UK imported inventory	£17,500,000.00	£17,500,000.00	£20,000,000.00
Stock turns per year	6.3	7	7
Average time in WH (days)	72	53	53
Average port to WH time	7	7	7
Cost of internal capital	5.75%	5.75%	5.75%
Avg. Duty Cost	10%	10%	10%
Avg. VAT Cost	2%	2%	2%
Duty holiday	79	60	60
Cash flow benefits from duty holiday	£378,767.12	£287,671.23	£328,767.12
Annualised interest savings from duty holiday	£21,779.11	£16,541.10	£18,904.11
Customs entry	891	900	1030
Service provider charge	£8.50	£8.50	£8.50
Total bureau charge	£7,574	£7,650	£8,755



## 17 CONCLUSIONS

### 17.1 E-type bonded warehouse

It was clear that E-type bonded warehouse was not appealing enough solution for Grace Foods UK at this stage. With the use of SIVA the company could defer the point of duty payment which inevitably freed the cash flow. The actual savings came from the interest rates. Implementing the bonded warehouse the actual cost savings were £22,000.00/annum.

If using the bonded warehouse model the company should have changed their IT-system to be compatible with HRMC systems. This would have cost more money which is not included in the saving calculation.

### 17.2 Future

During this project the government increased the VAT rate to 20% for non food items. Most likely at some stage there will be a political case that the food cannot be excluded or that so called ‘junk food’ should be included in VAT and that will include a lot of Funnybones, Chadha and Enco food – due to high salt content. Table 7 shows the effects of E-type bonded warehouse when VAT rise is 5% or 10% on food and drink.

If VAT would be 5% the BW – model produces total potential cash flow improvement benefit of £568,150.68. Total potential savings are £32,668.66 (table 7).

If VAT would be 10% the BW –model produces total potential cash flow improvement benefit of £757,534.25. Total potential savings are £43,558.22 (table 7).

Table 7. VAT change effects on E-type bonded warehouse model

<b>E-Type Bonded Warehouse Model - VAT Change</b>	<b>What if</b>	<b>What if</b>
UK imported inventory	£17,500,000.00	£17,500,000.00
Stock turns per year	6.3	7
Average time in WH (days)	72	72
Average port to WH time	7	7
Cost of internal capital	5.75%	5.75%
Avg. Duty Cost	10%	10%
Avg. VAT Cost	5%	10%
Duty holiday	79	79
Cashflow benefits from duty holiday	£378,767.12	£378,767.12
VAT holiday	79	79
Cashflow benefits from VAT holiday	£189,383.56	£378,767.12
Annualised interest savings from duty holiday	£21,779.11	£21,779.11
Annualised interest savings from VAT holiday	£10,889.55	£21,779.11
Total potential cash flow improvement	£568,150.68	£757,534.25
Total potential savings	£32,668.66	£43,558.22

When the VAT rises the model should be revisited as depending on the VAT % because the amount of potential cash flow benefits as well as the potential savings increases.

### 17.3 Container unloading project

Creating the container unloading procedure was a change project and people are resistant to change. As the manager and the supervisors were the ‘owners’ of the existing situation they both felt criticised by the need for the change.

The new procedure put pressure on the supervisor who did not supervise this aspect of the job and he may have needed help to see the change through. The warehouse manager had difficulty delegating to the supervisor and he tried to do too much on his own rather than coach the supervisor through the process.

The scope of the project could have been introduced better. The possible savings and benefits seen at the beginning should have been explained more clearly. People should have been invited to suggest means of helping achieve that.

#### 17.4 Savings from container unloading procedure

With efficient implementing of the container unloading procedure the company could immediately come up with working capital savings of £30,000.00. This is achieved by not needing to use the agency workers as an extra hand in unloading (table 3). In order to be able to achieve efficient procedure the managers has to train their staff accordingly.

There also occurs more savings once the container procedure has been fully implemented. Once the container staff has fully been trained into picking, their work effort will ease up the pressure from the mid-shift. Eventually a vacancy is going to come free in the mid-shift but there is no need to fulfil it because of the remodelling of the work in morning shift. This will create further cost savings of £20,000.00 to the company.

This project proved the hypotheses set in the beginning to be correct. The savings and benefits from the E-type bonded warehouse model were not attractive enough when compared to the results from container unloading exercise. Based on the savings as well as the functional process at the warehouse, the container unloading procedure was the chosen project for year 2010 cost saving focus, as it created cost and service benefits for the company.

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Enco Supply Chain Timetable

Date: 12th November 2009

Week	Day	Activities	Output	Information Circulated	Key Review Meetings	By Who
1	Mon	Download new NAM Forecast Review latest NAM Plan by product against history	History vs Forecast analysis by brand vs Enco business Forecast (£ and cases)	History vs Forecast analysis, by brand vs Enco forecast. Variance report highlighting major skus and large variances		CB
	1st day of the month	Calculate Opening stocks on the first day of the calendar month	Opening stocks to put into demand profiles			CB/JW
1	Tues	Agree sales forecast sales to be used for planning and procurement (Paying special attention to key skus in current month)	Agreed forecast by month by sku. Monthly total of sales by sku equals total business projection	Sales Plan in cases by sku by month (inc simple analysis)	Enco Forecast review showing NAM Plan and recommended plan based on history	CB/GP/JW/AP
1	Tues	Calculate skus with less than 3 months of life	Clearance plan to exit short dated products from inventory	Clearance list for products with < 3 months of life remaining	Enco Clearance Meeting (in week 1 depending on TS availability) Unresolved issues to be taken forward to the Sales and Marketing Meeting	CB/AP/GP/TS
1	Wed (or 2nd day of month)	Confirm expected deliveries during the month	Confirmed deliveries for current month input into demand profiles			CB/JW
	Tues	Calculate monthly closing stocks based on latest plan and confirmed deliveries	Monthly closing stock valuations	Month end stock forecast (based on monthly sales, deliveries, opening stocks by sku)		CB/JW
1	Fri	Grant target spend for month 2 to achieve agreed stock targets by end of month 2	Target spend for month 2. Forecast stock targets for month 2	Target spend for month 2. Forecast stock targets for month 2	Monthly Enco stock review identifying M40 closing stock, monthly purchases and SS but on M+1 cash requirements	CB
2	Mon	Develop Nurishment plan (assuming monthly production runs to plan)	Requirements plan sent to Premier	Premier Plan for M+1	Telephone meeting to discuss with Premier	CB
	Mon			Stock holding plan for end of month + estimate of month +2 based on spend plan	Working capital meeting	CB
2	Tues	Feedback to NAMS variance between Forecast and plan	NAMS taking actions to revised forecasts against identified lines	Variance report highlighting major skus and large variances (from mtg in Week 1)	Enco Sales Meeting	CB/JW (this activity is on held)
2	Wed	Develop Encona Sauce, Powders and Pulses plan	Requirements plan sent to Conwen	Conwen Plan for M+1		CB
	Wed	Complete procurement plans for orders for next month	Requirements plan / POs sent to suppliers	Supplier Plan for M+1		JW/CB
2	Fri	Develop procurement plan for orders for month plus 2	Requirements plan / POs sent to Suppliers	Supplier Plan for M+2		JW/CB
	Fri	Telephone conference with GFI to discuss plan sent on Wednesday	Understanding of forecast requirements and assumptions about outstanding deliveries	Actions from Meeting	Telephone Conference with GFI	JW/CB
	Fri	Present proposed production plan to Conwen for M+1	Production requirements to Conwen by month with preferred running order if needed	Conwen Plan for M+1	Conwen Monthly Production Planning Meeting	CB/JM/ER
	Fri	Present proposed rework plan to WGC M+1	Production requirements for WGC by month with preferred running order if needed	Conwen Plan for M+1	Rework Monthly Planning Meeting	CB/JM/DH
3	Mon	Conwen and Premier confirm production quantities and finished goods phasing		Plan from Conwen and Premier showing what is to be made by week against monthly requirement	Telephone conference to confirm plans for following month	Premier & Conwen
3	Tues	Confirm deliveries with suppliers for M+1 and M+2	Raise / amend POs to match supplier confirmations	POs sent to suppliers		JW/CB

Continues

3 Fri	Create stock forecasts for following month and balance of the year	Stock forecast by brand (looking for closing stocks in excess of target)	Stock forecast in value for end of month M+1 and M+2 based on actual orders	CB
4 Mon	Confirm M+0,1,2 forecast closing stocks		Month end forecast stocks	
4 Fri	Review forecast accuracy by NAM		Forecast accuracy by NAM based on actual sales in Month	Working capital meeting To be reviewed in NAMS meeting in following week 2
4 Fri (Last Fri of Month)	NAMS submit plans for M+1 for 12 months (next 6 are key)	New NAM Plan for M+1	Lynx auto upload	CB/GP NAMS / DM
5 Mon				
5 Tues				
5 Wed				

#### Information potentially needed or generated

NAM Plan information automatically put into monthly Lynx demand profiles

Ability to show forecasts in volume or cash

8 Week (or order lead time) demand profiles generated for all skus with actual opening stocks and forecast deliveries to check for shortages

Conven weekly production schedule showing plan against actual

Processes requiring action or input by Sales Team

Processes not yet in use

## APPENDIX 2 : 1 (2)



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28 November 2011

For the attention of all Shipping Agents / Importers  
 Further to our previous communication -

**Revision of Commission Regulation 669/2009 amending the list of “high risk” products subject to control (along with percentage sampling rates) together with the requirement to pre-notify by submission of a CED (common entry document).**

**Date of entry into force 07 Oct. 2010.**

Further to our previous communication of 26 August 2010 we have been advised by the FSA today that the legislation has been delayed and will now be coming into force on Thursday 07 Oct 2010. Consignments arriving in port after midnight on 06 Oct.2010 will be affected by the changes

The EC Commission has recently reviewed the list of High Risk Products contained in Annex 1 to Regulation (EC) No 669/2009 as amended by CR 212/2010.

The revision will see some products removed from the list and the frequency of sampling for some products remaining on the list reduced; there are however some new products added to the list which are summarised below.

Please note that a CED or common entry document will still need to be submitted for all consignments currently listed under Commission regulation 669/2009 with the exception of Dominican Republic bananas and Indian Basmati rice. The amended regulation 669/2009 will **add** the following high risk products to the list which will require the submission of a CED from 07 Oct 2010 -

- Dried noodles/ vermicelli from China (note this excludes noodles processed or packed in Hong Kong)
- Specified frozen vegetables from the Dominican Republic
- Fresh or dried oranges, peaches, pomegranates, strawberries, green beans from Egypt.
- Fresh curry leaves from India
- Dried whole or crushed or ground chilli from Peru
- Fresh coriander, mint or basil from Thailand
- Specified frozen vegetables from Thailand

Continues



- Specified frozen vegetables from Turkey

Note that a CED will be required to be submitted for each consignment. This may be one CED for multiple containers or multiple CEDs for different classes' of products, or different descriptions of products, within the same container.

### **How CED may be submitted to SCPHA**

Suffolk Coastal Port Health Authority has prepared a version of the CED for electronic submission.

This will be available on a dedicated, secure website –[www.PHILIS.co.uk](http://www.PHILIS.co.uk) -which will allow for individual registration and access for agents/importers to submit the required pre-notification. Hard copy submissions will be accommodated as an alternative however the long term aim is to receive all submissions electronically. A signed hard copy of the CED will also be required to be submitted with commercial documents and any required health certificates.

Release of a consignment into free circulation is subject to presentation by the food/feed business operator or their representative to the customs authorities a CED or its electronic equivalent duly completed by the competent authority following favourable results of checks completed.

*Further help on how to complete the CED on line is available at - [www.PHILIS.co.uk](http://www.PHILIS.co.uk).*

### **How may fees be submitted to SCPHA**

*The requirements attract the collection of **fees** for official controls by member states. The criteria within the legislation include the salaries of staff, provision of facilities, tools, equipment, training, travel and associated costs together with laboratory and sampling costs which are the same cost recovery requirements levied for POAO.*

Fees will be split with a **standard documentary check fee for all consignments** subject to checks (currently £50) and an **additional fee for those consignments subject to random sampling and analysis at the prescribed percentage sampling rate.**

Importers will be advised of any products selected for sampling which will attract additional fees.

Fees will be required to be paid before release of consignments following completion of checks which is in line with what currently happens for the products of animal origin. Payment options available are an account system and a card payment system. Please contact the port health office should you require further clarification on methods of payment.

Apologies for the late notification however this information has been circulated as soon as it has been made available.

Should you require any further clarification or advice regarding the proposed changes please contact the port health office.

Regards

Martyn Jones – Port Health Service Manager

## APPENDIX 3

## EXAMPLE OF TIMING LIST

Starting time: \_\_\_\_\_ Ending time: \_\_\_\_\_

Date: \_\_\_\_\_ Product: \_\_\_\_\_

Level of difficulty: \_\_\_\_\_ Order nro: \_\_\_\_\_

Size: 20ft / 40ft Team: \_\_\_\_\_

Cases: \_\_\_\_\_

TASK	START TIME	END TIME	DELAY	DELAY DURATION
Break seal				
Open doors				
Pallet to the floor				
Load 1. plt				
Exchange pallet				
Load plt				
Exchange pallet				
Load plt				
Move last plt out				
Close doors				
Paperwork to Goods-In				
Shrink-wrapp				
Book-on				
Tidying work area				

Grace Foods UK Ltd (Welwyn Garden City)	
<b>WORK INSTRUCTION: CONTAINER UNLOADING</b>	

**Copies to: Warehouse Manager, Warehouse Supervisors, All warehouse staff working with containers, Goods-In**

## **1.0 PURPOSE**

- 1.1 To detail the procedure for unloading containers in a productive and risk free environment

## **2.0 SCOPE**

- 2.1 All containers will be unloaded in accordance with this procedure
- 2.2 The successful outcome is best achieved by working as a team rather than individual
- 2.3 All members of staff will be trained unloading containers, picking and re-work. This ensures flexibility when there are no containers to unload or there is a lack of resources
- 2.4 Norman practise is for two containers to be unloaded at the same time. Two people per container and one person for shrink wrapping the stacked pallets

## **3.0 RESPONSIBILITY**

- 3.1 The Warehouse Manager and Warehouse Supervisor will be responsible for ensuring the implementation of this procedure
- 3.2 If the load is in any way considered unsafe, Warehouse Staff must inform the Warehouse Manager or Warehouse Supervisor
- 3.3 The Warehouse Supervisor will be responsible for providing clear instructions of stacking products for new workers

## **4.0 DEFINITIONS**

None

Continues

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Grace Foods UK Ltd (Welwyn Garden City)	
<b>WORK INSTRUCTION: CONTAINER UNLOADING</b>	

## 5.0 PROCEDURE

- 5.1 Ensure that the containers are unloaded in a manner that does not pose a Health and Safety risk
- 5.2 At the start of the shift a team member will bring empty pallets onto the bay
- 5.3 Ensure the use of two PPT's per container
- 5.4 Open container doors following the risk procedure/risk assessment
- 5.5 Check from the receipt manifest how to stack the product<sup>1</sup>
- 5.6 One team member will bring an empty pallet into the container while other team member will take the full pallet out
- 5.7 The team will rotate the shrink wrapping position every half an hour
- 5.8 The supervisor will keep an eye on the pallets and brings empty ones when needed
- 5.9 The team will clear up the empty container from card board etc
- 5.10 When container is empty close both container and warehouse doors
- 5.11 The Warehouse Supervisor assigns new tasks for the staff after the containers are finished<sup>2</sup>
- 5.12 At the end of the shift unused pallets are moved away by Warehouse Supervisor

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<sup>1</sup> Goods-In makes a note to the receipt manifest how many layers per pallet, how many cases on a layer, ***how many cases on a pallet of each product***

<sup>2</sup> These tasks may include: booking on, picking, unloading/loading, re-work etc.

## APPENDIX 5: 1 (3)

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## CONTAINER REPORT

23.09.2010

**Purpose of container staff training**

1. To establish efficient process of unloading containers which minimizes costs and time used
2. To train all container staff on picking activity and some on FLT activity to maximize flexibility of labour

**Recommended procedure**

- 5 people on a team
- Two people per container
- Fifth member of the team to shrink wrap – position to be rotated every half an hour
- Two PPT's in use per container

**Introduction of the process**

Supervisors were introduced to the procedure and the purpose behind it was explained. Their task was to implement the plan in the warehouse.

My task was to be at the warehouse and assist in the implementing – giving advice for the staff when ever needed.

**Observations of the training and carrying out the procedure**

The implementation of the procedure was done in few minutes by the supervisor.

The warehouse failed to use two people in a container due to:

- Holidays
- Sick leave
- Other work demand
- Containers in different bays (ambient – chilled)
- Absence of supervision

Continues

There was only little guidance and management from the supervisors, which resulted in:

- Excess workforce – e.g. 4 people on a container and 2 waiting instructions – only needed 2 people overall
- Supervisors doing the work that could have been done by people working on the containers – e.g. unloading and loading deliveries
- Agency staff waiting for instructions to do something

### **The reasons why the procedure is not efficient**

Based on the observations a conclusion can be made – the implementation of the unloading procedure has failed.

The prime reason of the failure was the lack of management. That led to the following:

1. Often procedure was overruled and too many people were placed on the containers. This was due to insufficient planning of work load. There were too many agency people called in and we ended up with 3 or 4 people per container. Sometimes the excess of staff was seen when the agency guys waited for something to do while our own staff unloaded the container (4 people).
2. There were excess staff working on the containers while the supervisor was doing unloading/loading activities.
3. Staff were advised to take own PPT's to the bay but especially the new ones didn't remember what to do with them. This affected to the time used in pallet change -> longer time to unload.
4. Advise/training I gave at the beginning was immediately overruled. I didn't have the authority to put my foot down and correct the mistakes.

### **Corrective actions to be made**

In order to finally achieve a well managed and efficient container unloading procedure the following needs to be done:

1. The mindset of the management needs to be changed.
2. The warehouse management needs to train the people and follow the procedure that is in place.
3. Containers need to be timed to agree standard unloading time for each product type.

Continues

4. We have to move away from the fixed time planning i.e. 6.00am and 10.00am. This builds downtime which is wasted time.
5. Supervisors need to recognise the potential for using container staff on picking and FLT activities.

### **Ideal future**

1. Unloading the containers is a task that requires supervision. It will be achieved if the staff follow the agreed working practices.
2. We move into active planning where the next container is planned to arrive when the previous one is finished.
3. When the last container has finished the staff is instructed to perform other activities i.e. picking.

## APPENDIX 6

<b>Grace Foods UK Ltd (Welwyn Garden City)</b>	
<b>WORK EVALUTATION FORM: CONTAINER UNLOADING</b>	

Date: \_\_\_\_\_

Evaluator: \_\_\_\_\_

## Container Unloading – Task Evaluation Form

Use this form to evaluate how well container unloading is handled and supervised

1. Were there two person working on a container? Yes ☐ No ☐  
 a) If no, how many people were there? \_\_\_\_\_
2. Was there two PPT's in use per container? Yes ☐ No ☐
3. Was there one person to shrink wrapping the pallets? Yes ☐ No ☐  
 a) If yes, was the shrink wrapping position rotated? Yes ☐ No ☐  
 b) If yes, did every member of the team rotate? Yes ☐ No ☐
4. Did team members help each others? Yes ☐ No ☐
5. Did the supervisor bring empty pallets when needed? Yes ☐ No ☐
6. Were there any unnecessary breaks kept? Yes ☐ No ☐  
 a) If yes, why? \_\_\_\_\_  
 \_\_\_\_\_
7. Was there work assigned for the group when they finished? Yes ☐ No ☐  
 a) If yes, what was it? \_\_\_\_\_  
 \_\_\_\_\_
8. If there were new workers, were instructions given how to stack the product?  
 Yes ☐ No ☐  
 a) If yes, who gave the instructions? \_\_\_\_\_
9. Other observations: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



## APPENDIX 5

## ABBREVIATIONS

GF	Grace Foods UK Limited
HMRC	HM Revenue & Customs
SIVA	Simplified Import VAT Accounting
3PL	Third party logistics provider
YTD	Year to date
PPT	Powered pallet truck
FLT	Forklift truck