

### Unit 6: Logistic: Quota/Import/Export/Shipment method

#### Objective:

- . Revision of the quota/import/export/shipment method
- . Demonstration of errors
- . Planning technique in error trapping and error avoidance.

#### Outcome:

- . Capable to minimize problem in logistic.

#### Introduction

##### 1. Revision of logistic

The logistic aspect is an important for apparel industry, because majority of apparel business in Hong Kong SAR is exporting in nature. If anything happen to the shipment, all the efforts are wasted. Hence, it is very important to make sure things go right all the way to the retail shops.

##### 1.1 Revision of quota system

Quota system is a protective device that a country implements to protect her own local industry from external competition. There are two general types of quota: (1) import quota and (2) export quota. If the country controls the amount of goods to be imported through the local importers, she is using import quota. On the other hand, if the country controls the quota through the external exporters, she is using export quota. There are different pros and cons for each type of quota.

The management of import quota is rested in the local country. Example is Australia. Each year, the importers have to apply for the import quota before the importers can import the products. In such system, the administration of the quota is handled by the local government. There can be tight control on the use of quota.

In the case of export quota, such as USA and EU, the administration of quota is handled by the exporting government. So, in the beginning, the importing country has to negotiate with the exporting country to decide how the arrangement should be done. Then, the exporting country will arrange the distribution of quota to the exporting factories/companies. In Hong Kong SAR, the USA quota was allocated to the exporting factories according to their performance. As long as the factories can utilize the quota properly, the allocation of quota continues. However, if the utilization drops below a threshold, the exporting factory will be penalized! Since there are fluctuation in demand of different types of garment or different material, quota are grouped into different categories, where exchange can be allowed within the same group. Moreover, quota can be transferred from one factory to another factory, either for one year (Type A) or for permanent (Type B).

The importance of quota in the clothing industry cannot be underestimated. There are times when the price of quota was higher than the labour cost, fluctuated as dramatically as stock quotes, turned profits into loss, and drove business away.

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### 1.2 Revision of import regulation and procedure

The importation of samples and shipments are two different activities, yet they are very closely related. Many years ago, the US custom did allow the entrance of sample without any quota. Later on, there were cases when importers took advantage of the regulation. Then, the US customer modified the regulation to ensure that all samples must either be accompanied by quota, or be mutilated. When the US custom found out that there were still holes in the regulation, they modified the rules again to specify the position and sizes of holes on the sample before the samples could be called mutilated.

The importation of shipments is very straight forward. Valid documentation including declaration of country of origin, export licenses, quota, transportation documents, etc. are needed to clear the custom. The importer can hire a broker to clear the custom on her behalf. If there is anything wrong, the custom officer takes the shipment into custody. The importer must clarify with the custom and pay for the penalty fee, plus the storage fee, before the custom releases the shipment.

### 1.3 Revision of transportation methods

There are many different modes of transportation: (1) by land (i.e. truck, train, etc.), (2) by sea (i.e. vessel, etc.), (3) by air (i.e. cargo plane, etc.). Different modes have different pros and cons. Transportation by land is economical. However, it takes a longer time. Transportation by sea is also economical. Similar to land transportation, it takes a longer time. The fastest way is by air. Of course, it is the most expensive way. Air transportation is the popular mean for the high fashion product.

## 2 Potential problem in quota system

There are many different possible problems that are out of our hands. One major problem happened many years ago, when fake quota filled up the total amount and the US custom closed the door for any further shipment. Another major problem happened when the price rocketed high in a week. There is no effective defensive act that we can suggest, except keeping an eye on the utilization report and the latest market news.

## 3 Potential problem in import/export

Several types of disasters could happen. For example, when the classification of the garment and the quota category do not match, that is a major disaster! Even if the importer could manage to replace the quota in time so that the custom releases the shipment, the importer surely loses money on this shipment. Another example is when an importer forgot to report sample to the custom when returning to his/her own country. The importer was caught and was black listed. Yet another sample is when an importer faces unexpected political turbulence in the countries where he/she purchases the shipment. The shipment is interrupted and cannot be delivered.

## 4 Potential problem in transportation methods

Temperature change and water are the two most crucial factors in the transportation. A container of wet cotton can be self-igniting under high temperature. The morning dew can be dangerous if the dye stuff or the garment is water philharmonic. The boxes may be thrown away from the truck, if it is not securely fastened. The box may be

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crushed if there is not sufficient protection against pressure. Therefore, the packing of the product is very important in protecting the shipment from the environment. Multi-layer carton boxes are useful in two ways: (1) the air within the layers acts as thermal isolation, (2) the wavy material acts as pressure isolation.

For hanging pack, hanger is the most important part of the packing, because if the hanger is weak, it breaks during the transportation. The broken hanger may damage the garment. On the other hand, a strong hanger may be very heavy, which will increase the transportation cost. A good balance of strength, weight and cost must be achieved.

### 5 Potential problem with hand delivery

Small quantity of samples that require urgent delivery is typically transported by hand delivery. There are four factors to consider.

(1) The cost of delivery must be handled carefully, because the quotation may not include such expense. (2) The delivery can be made by staff or by courier service. (3) The urgency of the delivery. (4) The delivery is an attachment to a regular travel trip.