

International Logistics and Transportation 101

July 2020

Agenda



Costs



Logistical Assistance



Storage Options



Trends

Costs

Can you manage the financial demands of exporting?

Besides cost of goods, there are additional costs in transportation, insurance, foreign exchange and other fees that you will have to build into your usual financial plans and cash flow projections.

Transport Charges

- ✓ Freight
- ✓ Outbound brokerage fee
- ✓ Unloading charges
- ✓ Terminal charges
- ✓ Freight
- ✓ Insurance
- ✓ Forwarding agent's fee
- ✓ Returns

Foreign Charges

- ✓ Overseas agent's commission
- ✓ Export packaging
- ✓ Labelling
- ✓ Factory loading charges

Border Charges

- ✓ Customs duties
- ✓ Goods and Services Tax, Excise Tax
- ✓ Customs broker charges
- ✓ Other applicable taxes and fees

“ There are three aspects to exporting. The physical movement of goods across the border; the costs associated with the entire shipment; and, the optimization of the export process. ”

– Logistics service provider

Logistical Assistance

Customs Brokers



Ensure that your goods meet the rules and regulations when crossing borders.

They can advise you on:

- **Tariff Classification:** Ensure the correct product classification # to determine how much duty is collected
- **Marking:** Name of country of origin must be marked on the item.
- **Valuation:** Accurate transaction value declared
- **Free Trade Agreements:** Understand if your goods apply based on where your product is manufactured
- **Documentation:** Tips for preparation
- **Record Retention:** Guidelines

Freight Forwarders



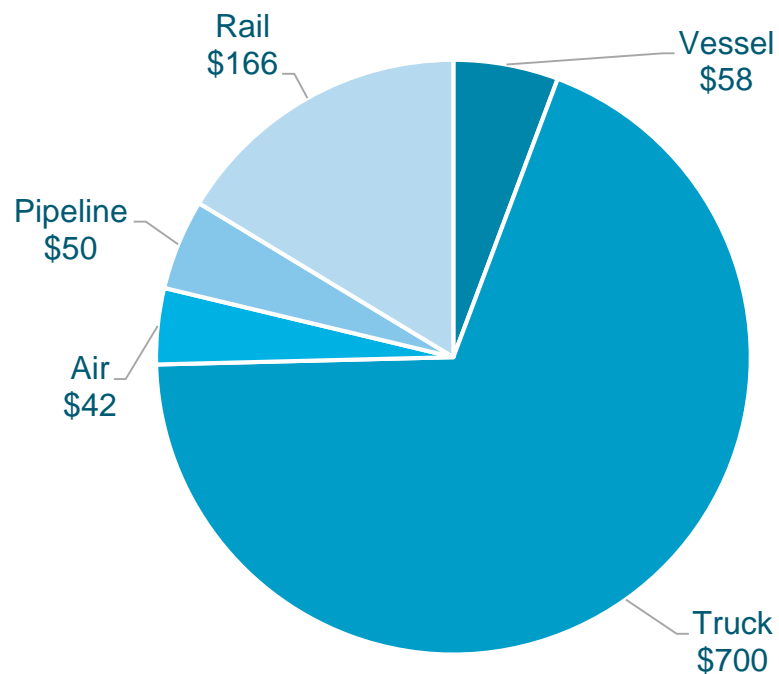
Help you ship your goods.

They can assist with:

- Freight quotes
- Booking space on airlines, ships, rail, trucks
- Consolidating shipments from different suppliers
- Meeting the documentary requirements
- Processing shipping documents
- Handling certification procedures
- Prepare/distribute documents to banks, buyers, suppliers
- Arranging for insurance coverage
- Arranging pre-shipment inspections and customs clearance
- Providing warehouse facilities
- Providing information on hazardous materials

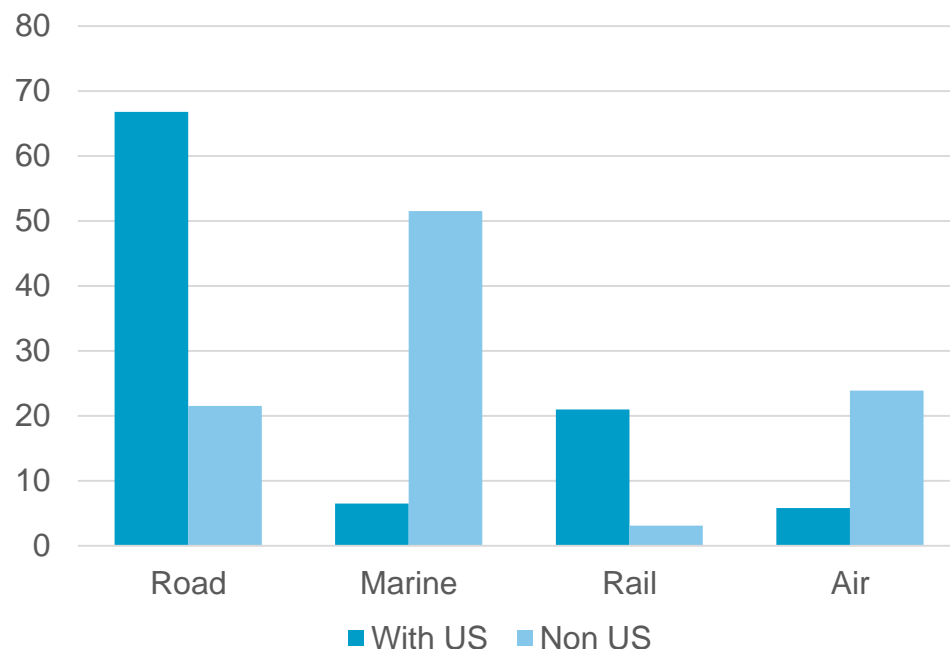
Current State: Modes of Transportation and Freight

North American Freight (\$ billions) on Major Modes of Transport



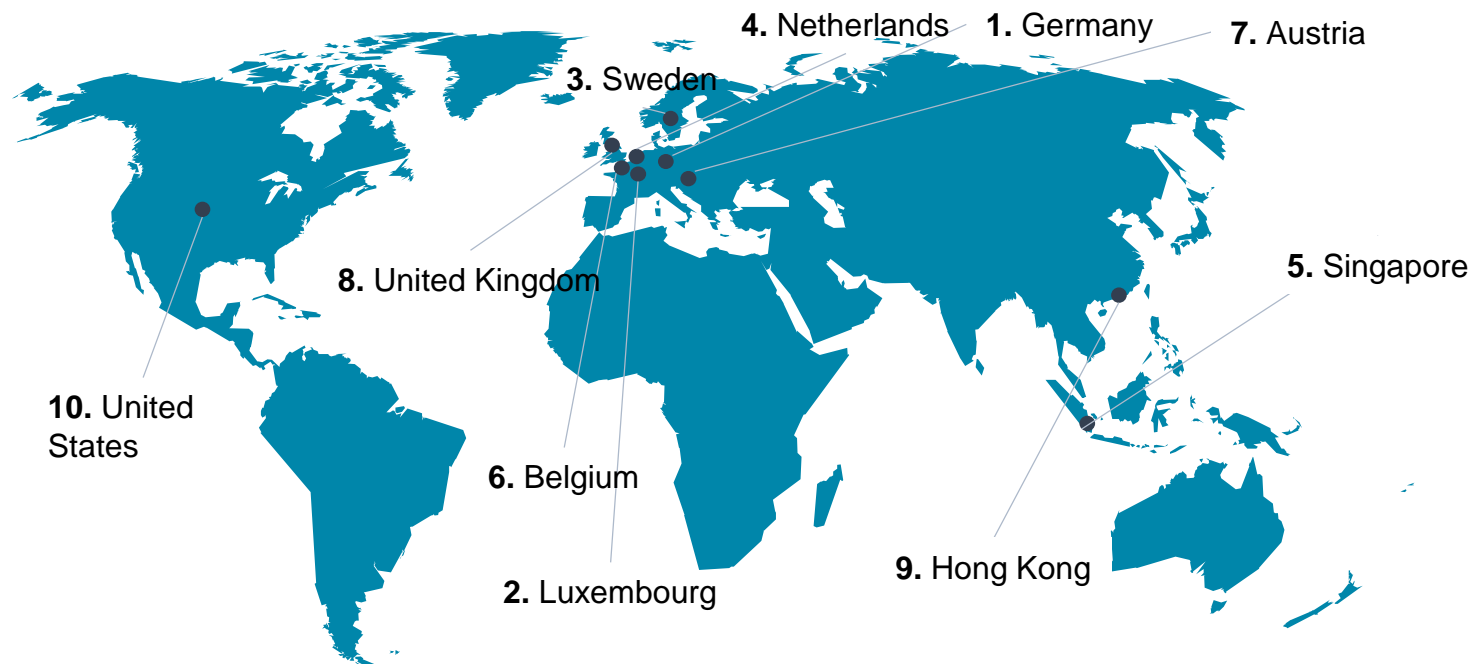
- The majority of exports in North America are carried by trucks, followed by rail, air and marine.

Freight Shares (%) by Transportation Modes, with US and non-US countries



- The majority of exports to countries other than the EU travel by marine, followed by air, roads and rail.

Logistics Performance Considerations



World Performance Indicator 2016 – Canada Ranked 12th of 160

- Efficiency of customs clearance and security measures
- Quality of transport/communications infrastructure
- Ease of arranging competitively priced shipments
- Ability to track and trace consignments
- Frequency shipments reach destination within scheduled
- Competence and quality of logistics services

Selecting Your Mode of Transportation

	Road	Rail	Air	Marine
Attributes	<ul style="list-style-type: none">• Quick, common in North America• Less than truck load, consolidate or truck load	<ul style="list-style-type: none">• Cheaper than road, 2nd most common in North America• CN/CP account for 94% of rail industry in Canada	<ul style="list-style-type: none">• Expensive, fast, common outside the U.S	<ul style="list-style-type: none">• Cheapest for large quantities• Common outside North America
Goods (Examples)	<ul style="list-style-type: none">• Equipment, machinery, vehicles	<ul style="list-style-type: none">• Raw materials, agriculture, chemicals, auto	<ul style="list-style-type: none">• Pharma, fresh goods, high tech, aerospace	<ul style="list-style-type: none">• Oil, grains, potash, vehicles
Challenges	<ul style="list-style-type: none">• Congestion, high energy, shortage or drivers	<ul style="list-style-type: none">• Adjusting capacity, congestions in urban areas	<ul style="list-style-type: none">• Limited connections to Asia, fees, Canadian market limited	<ul style="list-style-type: none">• Climate change, weeks to the US

When selecting transportation, consider: volume, weight potential for damage, transit time, costs, fuel efficiency and safety.

Warehouse Options

In-house Warehouse:

Space permitting, benefits to packing and shipping your own orders include flexibility and lower costs which helps with cash flow.

Third party logistics providers (3PLs):

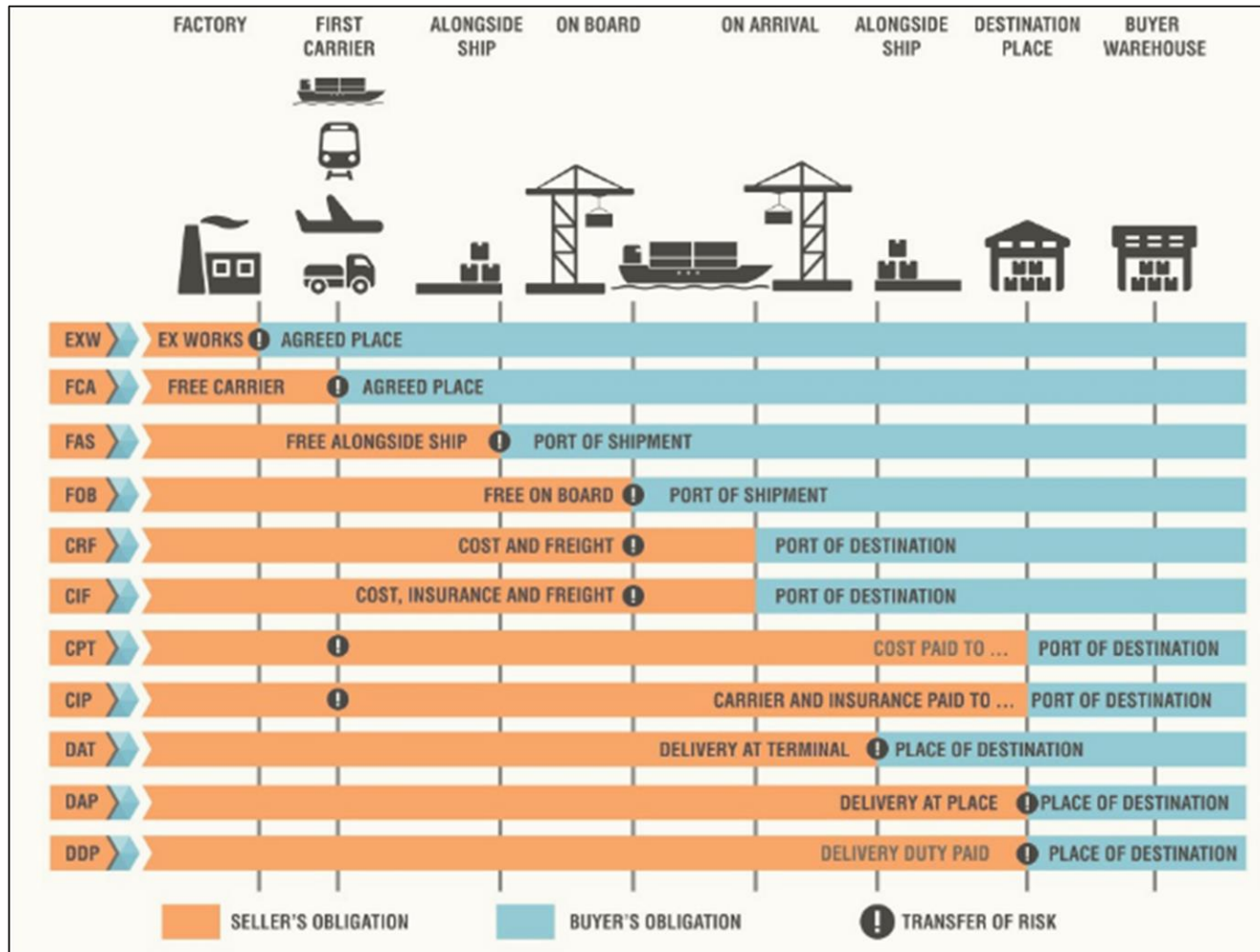
If your business is growing quickly and you have the cash on hand to outsource, you may be interested in exploring third-party warehousing and fulfillment including: Pick and pack services, distribution, track and trace, packaging, security.

Benefits of 3PLs:

- Avoid long leases and pay month to month
- Staff management outsourced
- More effective: more time to devote to business growth
- Save on in-house warehousing costs, employee costs and taxes, lower shipping costs received because logistics companies leverage their combined shipping volume to obtain lower overall rates



International Commercial Terms (Incoterms)



- Developed by the International Chamber of Commerce, three-letter trade terms that are common terminology for global shipments.
- Define buyer's and seller's obligations, costs and risks involved in the delivery of goods

Sources of information

Canadian Society of Customs Brokers: <http://cscb.ca/>

Canadian International Freight Forwarders Association: <http://www.ciffa.com>

Canadian Sailings: Transportation and Trade Logistics: <http://canadiansailings.ca/>

Journal of Commerce Sailings: <http://www.jocsailings.com>

Ontario Trucking Association: <http://www.ontruck.org>

Toronto Trucking Association: <http://www.torontotrucking.org>

Railway Association of Canada: <http://www.railcan.ca>

International Air Transport Association: <http://www.iata.org/Pages/default.aspx>

International Chamber of Commerce / Incoterms2020: <https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/>

Thank you!