

Transportation and Logistics
Summary
In this session we will discuss transportation and logistics, including the different modes of shipping goods, logistics service providers, and how to secure your supply chain. Our goal is to introduce exporters to the shipping process as well as requirements to ship your products with integrity.
Introduction
Welcome to the LA Export Series podcasts brought to you by the El Camino College Center for International Trade Development. Each podcast will focus on a specific export topic presented by an industry expert. Our complete series will walk you through the trade process from getting started to getting paid and delivering the goods.
In this session we will discuss transportation and logistics, including the different modes of shipping goods, logistics service providers, and how to secure your supply chain. Our goal is to introduce exporters to the shipping process as well as requirements to ship your products with integrity.
Presenter: Shawn Levsen
Our Presenter is Shawn Levsen, an International Account Executive for UPS covering Central Texas. Formerly, Mr. Levsen was the International Sales Operations Manager for a global technology company. He also has years of experience as an International Trade Specialist and Export Policy Analyst at the U.S. Department of Commerce in Washington, D.C.; Mr. Levsen is also a former Army Intelligence Officer. He holds a Master's degree from American University in Washington DC and a Bachelor's degree from the University of Iowa. Mr. Levsen also teaches international business topics as an adjunct professor at Austin Community College. He has been awarded the Certified Global Business Professional designation from NASBITE International.
Logistics Defined
International supply chain management involves the planning, implementation, and coordination of moving goods between international points. There are legal requirements, processes, tools and resources involved particular to international movements.
Modes Of Transport
Because of distances and international borders there are several ways products are shipped. While most domestic and cross border freight is shipped by surface means including truck and rail services. Most items from other countries have no other option but to go by sea or air. The majority of freight goes by ocean because it's the most cost effective. Higher valued items, perishable items or time-sensitive shipments will move by air. Smaller or urgent parcels generally go by courier service. The varied needs of any company go into determining what method, or mix of methods best suits their needs.
Types Of Shipments
Again, most common are the containerized freight moves. Standard ocean containers come in 20 and 40 foot lengths. There are also variations for specialized shipments. Some shippers require refrigeration or special loading access. Smaller shippers can move shipments as small as a pallet through LCL, or less than container-load shipments.
Logistics Service Providers
Within the International Logistics community, there are many service providers. Depending on your business needs, you may contract with a variety of them. Packaging companies, warehousing and fulfillment companies and consolidators store and prepare your products for export. Freight forwarders arrange for moving goods from one point to another. Third Party Logistics firms combine warehousing and transportation services which can be scaled and customized to different needs. Most likely, when you contract for ocean transport, you will work with an NVOOC or a Non Vessel Operating Common Carrier. Those companies don't own a vessel, but contract for space on a ship to re-sell to their customers. Insurance and surety companies offer protection against loss or damage as well as post bonds so a shipper doesn't have commit funds up front.. There are also companies can help you recover your customs fees for re-exports through a duty-drawback process. Customs brokers help with proper classification and valuation of a product for presentations to customs officials.
Industry Classification
At one time, we in the US used The Standard Industrial Classification system. It has been replaced with the North American Industrial Classification System, or NAICS, so that communication among NAFTA countries is easier to understand; it is a numeric system that describes the type of business activity such as manufacturing of a specific good. NAICS codes consist of six digits.
There is no relationship between NAICS codes and Schedule B codes. Schedule B numbers are used when exporting from the US and match all products with a ten digit number. For imports, the US uses a similar numbering system - The Harmonized Tariff Code.. Harmonized Codes, sometimes called Tariff Numbers, Commodity Codes, Harmonized numbers are used to determine duties. The first six digits of the 10-digit HS code are the same in all countries. The last four digits can and do vary country by country based on each country's needs and regulations. Yet another important classification is the Export Control Classification Number or ECCN. This code is different from the previous codes and will be discussed in the trade compliance podcast.
Forecasting Costs
With so many classifications and variables, anticipating cost is difficult and comes with many surprises. One that catches many shippers is that freight forwarders charge on both weight and volume. A shipper pays the greater of either the weight or if a shipment is very large but light, they will pay on they size of the pallet, crate or package. There are also costs for duties, taxes, transportation charges, foreign customs fees, port fees, brokerage fees and surcharges for security and fuel. When you request a shipping quote, request the "all-in" price for an accurate reflection of the total transportation cost. Add any fees, duties and miscellaneous charges and

you get the “Landed cost”: or total charge to deliver a product to its destination.

Incoterms 2010

Incoterms, short for International Commercial Terms, are sales terms defined by the International Chamber of Commerce (ICC). They are usually agreed upon when signing sales contracts and clarify responsibilities between international buyers and sellers. The latest version came out in January of 2011. Some of the most common are EXW-Ex Works; FCA-Free Carrier, FOB-Free on Board and DDP-Delivered Duty Paid.

Incoterms Chart

This chart shows the Incoterms listed out. Those at the top of this slide put more responsibility on the buyer. As you move down, the shipper takes on more responsibility. When dealing with an international buyer or seller, it makes sense to consult the list. Different Incoterms can change the profitability of a transaction.

Product Packaging

There are also some changes when packaging for international shipments. Not only do US requirements apply, other countries frequently have different or additional labeling requirements. Longer distances and different climates might warrant additional packaging. More exposure to theft might require stronger packaging or discreet labeling. As most countries are now concerned with insect infestation, non-wood packaging or heat-treated pallets have become the norm.

Export Documentation

Documentation is one of the most vital aspects of international shipping. The core export documents include the commercial invoice, the packing list, the bill of lading or airway bill, and in the US, the electronic export information (EEI) filing. Other documents may be applicable to meet country or product-specific requirements. These could include a consular certificate, health certificate, an export or import license, certificate of free sale or a certificate of origin among many others

Most of these documents are now filed electronically. Brokers file customs entries electronically. U.S. Customs now uses a system called the Automated Commercial Environment (ACE). Electronic documentation increases speed and efficiency as well as helps in easier recordkeeping. The SED has been replaced with the EEI through the AESDirect system. Chambers of Commerce are starting to use electronic issuance as well as services like e-Certify.

Free (aka Foreign) Trade Zones

Foreign trade zones or free trade zones are not considered part of the U.S. Customs territory and thus goods have not yet “cleared customs” when they enter the zone. FTZs are located throughout the US and can be as simple as a secure corner of a warehouse or as large as a business park. They are beneficial for numerous reasons—They can delay the entry into the US and defer paying duties. They can also be used to rework imported parts into new products (called tariff shift, or a change in harmonized code) and lower potential duty costs.

Supply Chain Planning

What we’ve talked about here are just a few of the considerations in making a supply chain more efficient. Companies often react to problems rather than create a supply chain plan. Employees need to be trained so they are aware of the downstream impacts of what they’re doing. Practices and procedures need to be documented with benchmarking so weaknesses can be discovered and improved upon. On the financial side, companies need to regularly audit bills to review costs and check for savings opportunities. These plans should include the entire company; supporting employee buy-in, ownership of responsibilities, and a greater communication between departments. And as the only constant is change, companies should continually adapt as needed to ensure an efficient operational environment.

Resources

As part of those plans, companies should consult government websites to check for international requirements and developments.

Customs and Border Protection has established several cargo security programs for in-bound freight.

C-TPAT is the Customs-Trade Partnership Against Terrorism and is a voluntary government-business initiative to build cooperative relationships that strengthen and improve overall international supply chain and U.S. border security. Importers can ease the process by getting certified.

There is also an online guide “Importing into the United States” that assists in planning.

For export assistance, the Department of Commerce offers consulting in their Export Assistance Centers located in most major cities. The Department of Commerce also maintains offices in foreign countries to provide information on local business conditions.

There are also some non-profit organizations for the international transportation and logistics industries. A few of the more prevalent organizations are the National Customs Brokers and Freight Forwarders Association and their local chapter, the Los Angeles Customs Brokers and Freight Forwarders Association, the Propeller Club and the Air Cargo Association. Another is the Council of Supply Chain Management Professionals. These organizations can assist you in identifying service providers in your area that can accommodate your needs and are a valuable resource offering training on the latest developments in global logistics.

Credits

Thank you for listening and special thanks to Shawn Levsen for sharing his valuable time and international business insights. Check

out our full line of LA Export Series podcasts on our website www.Export Assist.org where you will find information on additional export topics with complementary tools and resources.

This podcast is brought to you by the El Camino College Business Training Center, a trusted resource delivering high-quality training and assistance to help meet your need for a more productive and competitive workforce. The Business Training Center is part of the El Camino College Community Advancement Division and is proud to be part of the state's economic development mission to advance California's economic growth and global competitiveness through quality education and services focusing on continuous workforce improvement, technology deployment, and business development. Funding for this podcast was provided by the El Camino College Center for International Trade Development and a Statewide Collaborative for Business Computer Information Systems Education mini-grant from Coastline Community College.

Copyright © 2010, El Camino College Business Training Center. All Rights Reserved.