TRANSPORTATION

• Best Practices Manual •

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Canadian Manufacturers & Exporters
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Consultants: Transportation Logistics Experts

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• INTERNATIONAL TRADE SERVICES •

DISCLAIMER

This publication, entitled "Transportation Best Practices Manual" was prepared by PF Collins International Trade Services under contract to Canadian Manufacturers and Exporters Newfoundland and Labrador Division to provide information about transportation considerations for the import, export and domestic trade processes.

The information contained herein was compiled based on the current legislative environment at the time of writing and is subject to change as international trade legislation and procedures evolve. A list of resources is provided on the last pages of this document. It is important for readers to refer directly to this legislation and the supporting materials listed for full and complete information.

Because legislation, legal interpretation and current transportation procedures never remain static, PF Collins cannot warrant or guarantee the long-term accuracy of information contained herein. Neither can we guarantee that following the advice or recommendations contained herein constitutes an absolute assurance that the shipper will be compliant with all current legislation and will encounter no transportation hindrances or negative financial impacts based on the advice herein contained. Shippers are therefore encouraged to exercise due diligence in matters impacting their international trade practices.

TABLE OF CONTENTS

Introduction

If one were to identify a single defining thread linking the commercial world today, it would no doubt be the emerging global approach to commerce. Increased international connections have linked the world electronically and have resulted in an ever-growing demand for businesses to establish and maintain international supply chain networks.

To remain competitive in a global context, careful consideration must therefore be given to import, export and transportation programs as well as supply chain management.

A key component of any logistics program is transportation management and economics - essentially, the logistics and costs associated with the movement of your supplies and products from A to B. Managing your transportation program has never been more crucial to business success. In terms of *logistics*, your competitive advantage depends on an ability to maintain production schedules and the efficient delivery of product to international markets. In terms of *cost*, transportation constitutes the single largest segment of overall logistics cost and must be managed carefully to avoid negative impact on your firm's bottom line.

The aim of this Transportation Best Practices manual is to offer practical guidance to any business operator or individual considering the transportation of commercial commodities. While this Transportation Best Practices Manual was developed with the international trader in mind, its concepts apply equally to anyone moving goods to and from markets domestically or nationally. In particular, the manual will attempt to address the transportation issues particular to Newfoundland and Labrador that result from our unique geography and location.

The "Best Practices" identified in this manual were developed to help you assess your transportation operations towards increased logistics efficiency while discovering opportunities for saving time, expense and hassle.

Overview of Transportation Logistics Considerations

Webster's Dictionary defines "logistics" as:
1 : *the aspect of military science dealing with the procurement, maintenance, and transportation of military materials, facilities, and personnel*
2 : *the handling of the details of an operation*

Today, the strict military definition has been expanded to include commercial logistics, or the operations details, procurement and transportation of commercial goods.

When we talk about logistics, we are essentially dealing with all considerations for the movement of goods to affect timely delivery and facilitate commerce (ie "getting the goods from A to B on time, in one piece, and at minimal cost to the purchaser.")

The key logistics challenges facing business can be broken down into the following major categories:

An Integrated Logistics Approach: Sound logistics practices require a strategic approach to transport goods between suppliers, manufacturing or distribution locations, warehousing facilities and clients and all intermediate points of the supply chain in between. Known in the logistics industry as "supply chain management", your first consideration should be towards establishing the integration of the many links in the supply chain with a view to eliminating duplication of effort and minimizing expense.

Strategic planning in procurement, transportation, receiving, materials management, sales, import and export logistics is therefore the first crucial consideration for anyone planning a transportation logistics strategy. Here, establishing an integrated supply chain network through the services of a third party logistics provider may prove an effective means of developing the right transportation strategy for your particular business.

Carriers, Containers and Transportation Options: In order to maximize efficiencies in terms of both cost and timeliness, businesses must familiarize themselves with the range of transportation options available and attempt to organize the most effective modes, efficient use of equipment, routing, packaging and containerization methods. For some businesses, the freight forwarder, an expert in arranging the movement of freight domestically and internationally, proves an invaluable ally in the negotiation of the most efficient, cost-effective approach to these considerations.

International Trade Regulations- Compliance Issues: International Trade law is constantly evolving. For example, recent initiatives by Customs regulators in Canada and the USA have resulted in a changed approach to customs compliance, from the transaction-by-transaction review to the responsibility of the importer/exporter to maintain self-compliance. Fulfillment of the reasonable care requirement demands vigilance. Importers and Exporters must keep abreast of all developments in the law and must be prepared to adapt their business to a changing trading environment. In order to ensure that your firm minimizes the risk of monetary penalties, seizures and forfeitures that can result from Customs non-compliance, it is vital to adopt a pro-active approach. For goods moving internationally, not only do procedures and legislation imposed through the Canada Customs and Revenue Agency have to be considered, the international trader has to be aware of the requirements of Other Government

Departments, quotas, sanctions and restrictions, and, in many cases, the special regulations imposed by foreign governments to control the movement of goods across their borders. Professional expertise and guidance are available through customs brokers and consultants who can help you navigate the maze of legislation governing international trade.

Manufacturers and Exporters , Rest Assured

While there are certainly myriad regulations and considerations to be made in managing risk and following best practices for your transportation program, exporters and manufacturers should rest assured that assistance is available through wide variety of sources and that venturing into the world of international trade, like all new adventures, can be as complex or as simple as you choose to make it. Good navigatoirs can help you avoid pitfalls and misadventures. Seek help and keep a critical eye. Find out what services will apply to you and then YOU be the judge as to your own requirements.

Once you've begun the process, you will often find "you learn by doing, what you have to do and you learn by going, where you have to go."

Part 1
Transportation Best Practices

Best Practices Logistics- 10 steps

By adopting "best practices" in your transportation operations and supply chain management, your company can uncover savings while realizing synergies in terms of time, energy and the assessment of critical milestones.

Following these 10 steps should set you on the right path towards managing a sound transportation logistics program.

Step 1: Select Key Carriers/ Forwarders and Improve Freight Tariffs
When it comes to the number of carriers you hire to move your freight, reducing and consolidating the number of carriers or selecting a dedicated freight forwarder will benefit overall transport logistics. Using fewer dedicated "key" carriers enables you to:

- reduce the complexity of administration requirements
- establish relationships and liaisons with supply partners
- negotiate more favorable freight tariffs based on higher volumes for lower prices
- transform your carrier/ forwarder into a key partner
- create a "vested interest" for the carrier/forwarder to retain your business
- improve service levels
- lower your overall transportation costs.

This process should also involve the establishment of firm contracts for base rates as well as establishing the most beneficial trade routes for the efficient movement of your goods. Make sure you set the terms for your transportation investment. Many carriers will negotiate freight at *their* terms, not yours, so considerable negotiating skills may be required. Good contracts help you control costs and avoid expensive add-ons.

Step 2: Assess Internal/External Resources for the Transportation Program
The resources and energy your firm expends on the administration of your transportation program must be carefully considered. The costs associated with selecting and communicating with carriers, dispatching shipping instructions, maximizing compliance, controlling costs, paying invoices, assessing efficiency of trade routes, tracking freight, and entering data into your systems can quickly spiral out of control. It is therefore vital to adopt best practices to *control* and *monitor* administrative expenses associated with your transportation program. Take a critical view of your significant expenditures and find out how you can minimize cost, whether through supply or client partners, or by using third party suppliers (some freight forwarders can, through an integrated approach to logistics, handle all of the above-noted aspects of your supply chain on your behalf for

a reasonable fee), hiring dedicated transportation staff, considering automated systems, web-based tracking and tracing options, systems to measure performance, etc.

Another important consideration in assessing resources is to "Get to Know" what information resources, advice and assistance is available through both agencies and online to help guide your processes and decision-making. Please refer to Part 10 of this manual for a list of "strategic partners" who can provide the advice and assistance you may require.

Step 3: Freight Consolidations: Making the Best Transportation Choices
For many small to medium sized businesses moving freight, shipment volumes are not always sufficient to purchase freight in Full Truck Load (FTL) or Full Container Load (FCL) quantities. In terms of freight tariffs, smaller shipments tend to cost more and economies are realized through higher volume. It is therefore vital to consider your options for *shipment consolidation*. Do you consolidate smaller shipments headed the same way? Do you pool small parcels into "zones" and ship in bulk? Less than Truck Load (LTL) and Less than Container Load (LCL) shipments can be pooled through inbound or outbound consolidation hubs or combined into multi-stop truckload shipments. Truckload shipments can be moved intermodally or, in some cases, for Newfoundland & Labrador companies shipping goods across North America, they can be linked to national rail transportation on the mainland.

The savings to be realized through freight consolidations are considerable. As an example, the cost of shipping a single cubic meter crate on its own can exceed 4 times the cost of shipping the same crate within a consolidated container load. Why pay more?

Step 4: The Right Equipment for the Job
If your carriers supply small trailers based on their own "convenience", availability, etc., you may well be paying over 10% more for your freight than you would if a larger trailer were made available to you. Conversely, why ship in a 40' container when half that size would fit your order? Making sure your goods are being moved on the right equipment for the job is crucial to getting the best value for your transportation dollar. By using the right equipment and maximizing cube/weight capacity, you can recover significant cost from your transportation program. Be sure to ask the right questions and get comparative rates for the various equipment options available to you.

Step 5: Freight Bids and Spot Market
While it is certainly beneficial to have negotiated freight tariffs with dedicated carriers, you can complement your consolidated transportation strategy by going to the spot market to get competitive bids or by asking for comprehensive bids for your total annual freight volumes. While this approach may seem incompatible with Step 1 above, it is not. In essence, testing the marketplace not only allows you to best match your transportation requirements with true carrier capacity and reduce costs, but can ultimately provide your dedicated service partners with a better sense of your overall freight requirements and an opportunity to re-assess their own tariffs. It also allows you to take advantage of special one-time options and discounts based on availability, as when a

carrier's urgent need to "fill a container" coincides with your particular volume and timing requirements.

Step 6: Import/Export Considerations- Maximize Compliance
In addition to the cost of transportation, managing and controlling the cost of your import/export program has never been more crucial to success. Ensuring that duties and taxes are maintained at the legal minimum and that you are able to take advantage of any beneficial rebates, refunds, remissions etc. can make a substantial difference to your bottom line and your overall competitiveness.

In terms of risk management and compliance, the potential risk of ignoring customs considerations or carrying penalties is simply too costly in today's enforced compliance environment. The importance of expertise in this key management area cannot be overstated. The Canada Customs AMPS program issues penalties *per infraction*, ranging from $100 to $25,000. Can you afford to absorb these costs, or to be denied access to international markets through the enforcement of customs penalties?

If you do not have the human resources or skills to effect a compliant customs program in-house, find a trade services provider who can help you navigate the increasingly complex regulations associated with global trade.

Step 7: Consider Incoterms 2000 (Shipping Terms) with Suppliers and Clients
Since the cost of freight for goods received from foreign suppliers may be built right into the cost of the goods purchased, you may well have no idea what you pay for inbound freight. Vendors may add freight to your overall bill as an extra charge or, they may make a profit from internal mark-ups on any freight charges that are "included" in the price paid or payable

Incoterms 2000 were established by the International Chamber of Commerce to define the international transaction/shipping terms between buyers and sellers. For example, you can better control your inbound freight costs by choosing to have inbound freight costs negotiated using FCA Vendor Shipping Point Incoterms 2000. Please refer to Part 5 of this manual for complete definitions of the Incoterms 2000 available to you. By controlling this aspect of your procurement operations, you can take advantage of consolidation opportunities and minimize warehousing costs by scheduling optimal arrival times for your shipments.

For the goods you ship out to clients, try to establish Incoterms to meet both your customer's and your own needs. It should be noted, for example, that for many U.S. purchasers, the common attitude towards receiving goods from Canadian suppliers is to presume that the total responsibility for freight, customs clearance, etc. rests with the Canadian firm. (In short, "just get the goods to my door"). Interestingly, the approach is rarely reciprocated when U.S. suppliers ship goods to Canadian importers. Again, the prevailing attitude seems to be "I will ship the goods to you- you take care of customs/ freight/ logistics". A vital "best practice" therefore involves an assessment of your Incoterms to control cost and optimize scheduling logistics. However, we would caution you to confirm the acceptability of Incoterms 2000 with your US shippers/suppliers as experience has proven that many U.S. companies do not always strictly adhere to these terms.

Step 8: Establish Strategic Partnerships

Freight Forwarders and carriers are, as stated above, critical supply chain partners. Establish a "partnering approach" with these suppliers by considering their service potential. Most importantly only contract with service partners whose approach to customer service is exemplary. By creating a strategic partnership, you can work towards your goals as a team. By transforming your forwarder/key carriers into crucial links within your supply chain, you can work together towards reducing administrative obstacles, establishing excellent lines of communication, sharing technologies (such as web-based tracking and tracing) and ultimately, of course, lowering costs.

By being strategic in your approach to these relationships, you can exploit myriad opportunities for improvement and enhancement of your overall transportation program.

Step 9: Optimize Freight- Think Strategically

By pre-planning and conducting early assessments of your overall freight requirements, you can consolidate freight not only in terms of destination, but across divisions and plants within your organization. Be strategic and establish an overall "big picture". Merge carriers where this is efficient. Decide on a management approach and implement it. Identify redundancies in terms of cost and effort. Minimize hassle and get the best "bang for the buck" by thinking ahead - not on a "shipment by shipment" basis. The savings that can be realized through strategic thinking and a pro-active approach are nothing short of remarkable.

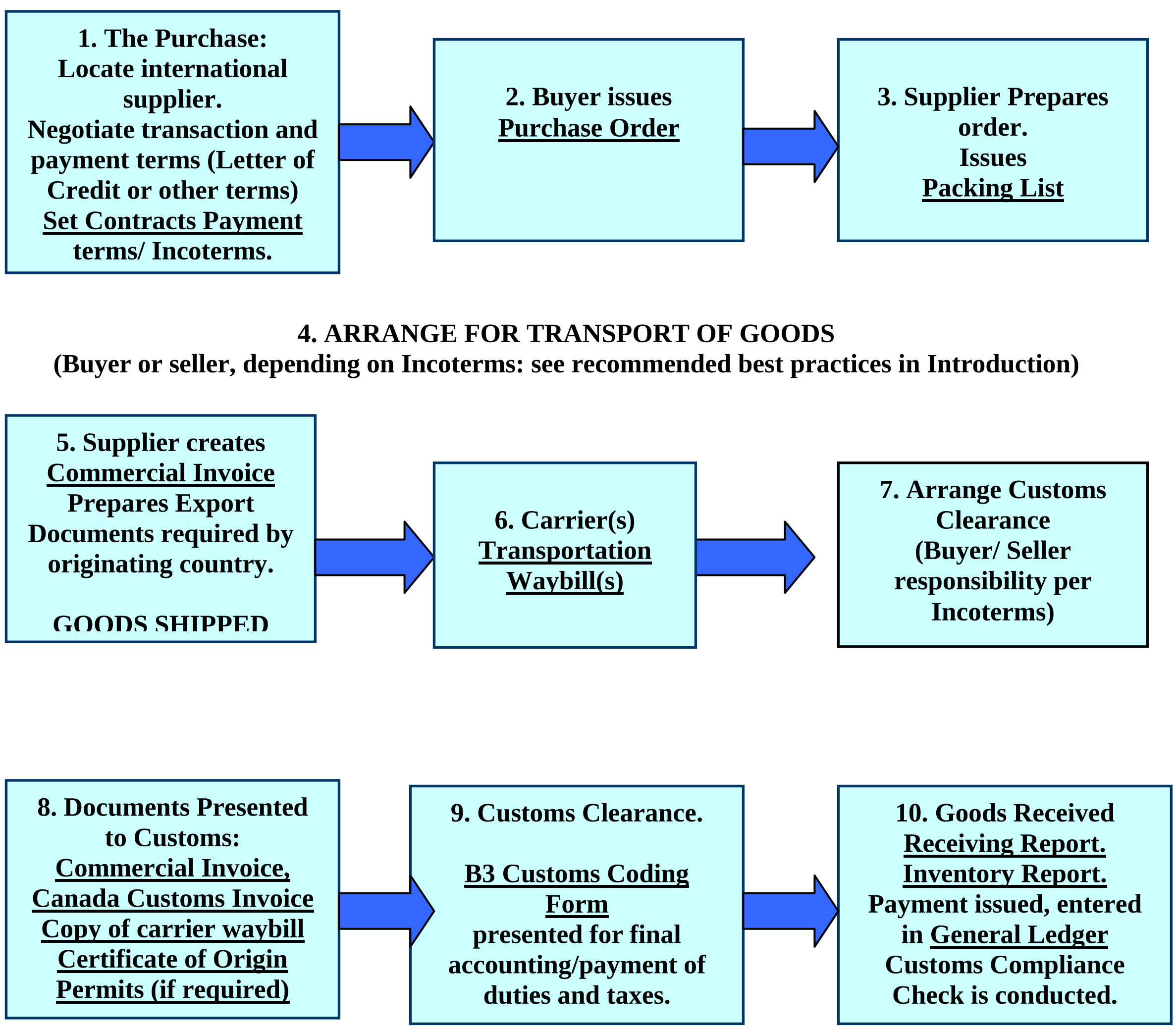
Step 10: Link the Entire Supply Chain

The ultimate step in the establishment of best practices for transportation logistics involves adopting an "inclusive" approach to your total supply chain. For example, by working with your suppliers, you can take advantage of leveraging opportunities and logistics synergies. By approaching your customers to discuss transportation options, you can add value to your products and establish a unique customer service approach to delivering the goods, while also planning strategically to keep costs down and improve your overall competitiveness. A revolutionary approach being adopted by many forward-looking companies is to look outside their own supply chain for partnering opportunities with other shippers. A collective approach can be highly effective by maximizing transportation volumes and minimizing cost. Additionally, there are certainly e-commerce and web-based options available to help businesses forge new links along the supply chain.

Part 2
Considerations For Your Transportation Strategy

An Overview of the Import Process

The following flowchart shows the basic steps and documents involved in a typical import transaction. (Key documents are underlined/ must be retained in records)



ALL RECORDS RELATED TO THE IMPORT TRANSACTION RETAINED FOR 6 YEARS.

An Overview of the Export Process

The following flowchart shows the basic steps and documents involved in a typical export transaction. (Key documents are underlined/ must be retained in records)

1. The Purchase: International buyer orders your goods. Negotiate transaction. Set Contracts/ Incoterms. → **2. Buyer issues Purchase Order** → **3. Prepare your international order. Packing List Commercial Invoice Consider Marking requirements**

4. ARRANGE FOR TRANSPORT OF GOODS.
(Buyer or seller depending on Incoterms: see recommended best practices above)
CONSIDER EXPORT PACKAGING REQUIREMENTS

4. Prepare Export Documents Export Declaration B13a Commercial Invoice Certificate of Origin Permits (if required) → **5. Carrier(s) Transportation Waybill(s)** → **6. Notify Canada Customs within established timeframes**

7. Track & Trace, Monitor Shipment- Clearance at frontier/ Delivery to Destination

8. Foreign Customs: Commercial Invoice Carrier waybill Certificate of Origin* Export Permits Other Foreign Customs Document requirements** → **9. Customs Clearance. Final accounting and payment of duties and taxes.** → **10. Goods Received Proof of Delivery. Payment issued, entered in General Ledger**

ALL RECORDS RELATED TO THE EXPORT TRANSACTION MUST BE RETAINED FOR A PERIOD OF 6 YEARS.

* *Some foreign countries require certificates of origin to be stamped by the local Board of Trade or Foreign Embassy before goods are shipped.*

** *Export Permits may be required for goods being shipped to certain restricted countries of destination or to export certain restricted goods.*

Check with your local supplier of international trade services with respect to permit and other documentary requirements.

SECURITY ISSUES: Exporters should note that since the events of September 11, 2001, the US Customs Service as well as customs authorities in other countries have adopted an increasingly rigorous approach in terms of security. Anticipate increased scrutiny with respect to reporting of goods on the cargo manifest, proper descriptions, packaging and dangerous goods requirements.

Bonding Issues for Exporters

Customs Bonds and Legal Liability

For commercial shippers using a customs broker, exports to the United States were traditionally entered under a customs bond held by the Canadian Broker's US Border Agents.

Essentially, the US Border Agent would maintain a bond with US Customs as a guarantee that all duties will be paid for goods entering the United States on behalf of their clients and those of their Canadian brokerage partners. In essence, through this bond, the customs broker assumes the financial risk for non-payment of duties.

As history, in 1993, the United States introduced the MOD Act to address the liability of importers for Customs compliance and to respond to new trading patterns anticipated under NAFTA. One of the key concepts introduced under this legislation was the US Customs Agency increasing enforced compliance through site visits and verification audits. These efforts have recently heightened, as Canadian duties have been virtually eliminated and US Customs is more focused on enforced compliance than ever before.

As agents for the importer, US customs brokers are facing an ever-increasing risk of liability for non-compliance with customs regulations. Exporters should be aware that the responsibility of US customs brokers for bonded goods does not end once a shipment is entered, but actually extends *indefinitely* after a shipment has been cleared through US Customs.

In addition, in response to the higher volumes of import traffic into the United States, new US legislation now requires brokers to maintain significantly higher bond values. Insurance risk and premiums have also risen under the increased enforcement initiatives of the US Customs Service.

The legal and financial liability for US customs brokers has never been greater.

Changes to Bond Usage Guidelines

In response to this increased liability exposure, US Border Agents no longer enter goods from Canadian Shippers, Brokers or Forwarders under their bond.

Rather, most US Agents now require a Power of Attorney for all Canadian Broker and Forwarder clients and to ask that the Canadian exporter take full responsibility for bonding.

Your Bonding Options for US-Bound Exports

The first order of business is to ensure that all exporters have a signed Power of Attorney agreement with a USA Border Agent. This agreement is required by the US

Customs Service to appoint the agent to deal directly with US Customs authorities on your behalf.

In terms of the requirement for a customs bond, you have two basic options, which are detailed below:

Option #1 Purchase of a Single Entry Bond (also called a transaction bond)

Clients with a signed Power of Attorney can arrange for the purchase of a Single Entry Bond in the Shipper's name. This bond is completed prior to, or at the time of import into the United States, and is presented to US Customs with your entry.

The cost of this bond is generally based on the value of your shipment.

Option #2 Purchase of a Term Bond
(also called a Consumption or Continuous Bond)

Clients shipping large volumes at higher values have the option of purchasing a term bond, which would cover all of their exports for one year, regardless of value. This bond makes better financial sense for companies with high export volumes.

Alternatives As an alternative to having you, the exporter, assume all responsibility for clearing shipments through US Customs, you may wish to review your contracts and purchase agreements with US consignees. In some cases, the United States Importer may agree to assume the expense and make arrangements for the customs clearance of your US-bound shipments.

Negotiating Rates

As stated in Step 1 of the Best Practices identified in the Introduction, establishing contracts with a limited number of "key carriers" is an important aspect of any transport logistics program.

Checklist for Carrier/Mode Selection

Before you consider the nuts and bolts of rate negotiation, you might want to take some time to make sure you're making the right choices in terms of the best carrier(s)/ forwarder(s) and how your goods should be shipped. Freight tariffs, delivery schedules and service quality can differ greatly between carriers. The following checklist will help you to decide if you are choosing the right "key carrier" for your transportation program.

Ask the Carrier About Service:

Does you offer different levels of service?

How does each service level meet my requirements for price, transit times, guarantees and quality?

Do you offer a consolidation service?

Will you review your complete handling and shipment process with me?

Ask the Carrier About Price:

What are the rate categories within your tariff? What weight/dimensions limits apply?

How do categories and maximums differ between countries?

What is the total rate for the package to the destination?

Where is the nearest rate break? Are discounts available?

Do rates include pick up and delivery?

Are there extra costs for customs brokerage, local handling, documentation, pick-up, delivery, etc?

If shipping C.O.D., are there extra charges?

Is insurance included in the rate? What is the cost of extra insurance? What is covered?

What is the maximum value and are there limits imposed by package destination?

Ask the Carrier About Size Limits:

What are the maximum dimensions/ weights permitted?

How do weight/dimension maximums vary by destination?

Ask the Carrier About Transit Time:

How long will the package take to get to its destination?

Will you guarantee a delivery date?

Ask the Carrier About Packaging:

Do you require a specific packaging system to be used?

Can you provide packaging? Can you offer me any guidance on packaging?
If so, what guidance can you provide about export packaging?

Do you keep current with international/federal legislation for export packaging? (For example: Is your packaging facility certified with the Canadian Food Inspection Agency (CFIA) to meet the special packaging requirements established by the European Union for wood packaging?)

Ask the Carrier About Service Quality:

How frequently does your firm lose or damage goods in transit? (May I see your safety/claims records?)

If goods are lost or damaged, what insurance claims process does your firm use?

Do you track changes in foreign regulations that may affect my goods? (documentation packing regulations, etc.)

Are you an ISO accredited company? If not, do you possess any other accredited quality assurance program?

Important Contract Considerations

Following are some important points to consider when negotiating rates with carriers (or freight forwarders) and entering into contracts. It may be useful to create a checklist based on the following considerations prior to contacting your potential supply chain partner(s) to ensure you have "all the bases covered" before the negotiating process begins.

- ✓ Risk Transfer: at what point will the carrier/forwarder have discharged its responsibilities

- ✓ Sub-contracting: define the entitlement for sub-contracting/ sub carriers and ask for references for any sub-carriers to be used

- ✓ Methods and routes of transportation: define all possible routes and alternatives available

- ✓ Equipment: ask for an overview of equipment available through the carrier

- ✓ Description of goods and packing: provide carrier with detailed product descriptions, including any special instructions for packaging, perishable goods, etc. define responsibilities for crating, packaging, materials handling, etc.

- ✓ Dangerous Goods: if applicable, identify any respective responsibilities for dangerous goods handling. Ensure that carriers are certified/trained in Dangerous Goods handling.

- ✓ Inspection of goods: reserve the right to inspect goods and correct insufficient packaging

- ✓ Trade Regulations: identify responsibilities for duties, taxes, possible fines, expenses or losses resulting from illegal or incorrect carrier operations.

- ✓ Freight Forwarder and Carrier Liability: define and identify maximum liability

- ✓ Delay and Consequential Losses- Identify maximum liability timeframes

- ✓ Notice of loss or damage: identify an acceptable procedure

- ✓ Failure to Notify: establish a clearly defined notification process

- ✓ Hindrances affecting Performance: Specify where possible

Once the appropriate preliminary terms are established, you are ready to start talking about freight and charges. By thinking strategically and looking at your proposed transportation requirements for a set timeframe, you can prepare an accurate assessment of freight volumes, anticipated shipment weights and dimensions, delivery timeframe requirements, etc. In short, the more accurate and complete information *you* can provide to the carrier about *your* specific needs, the easier it will be for the carrier/forwarder to provide "custom tailored" rate schedules based on the volume, value and frequency of your shipments.

Finally, be sure to ask the forwarder/carrier about consolidation opportunities. There may be opportunities to partner with another shipper (please refer to Step 10 in Best Practices) to consolidate loads. There may also be "back haul" opportunities when carriers have trucks delivering to a particular destination and seek to fill them for the return trip, etc. The more knowledge you can demonstrate about these options, the better the deal you can ultimately negotiate.

Insurance and Liability

Another important element to consider as part of your overall transportation strategy is the terms for insurance. Insurance will protect both you and your international customer/supplier in case of theft, loss, or damage to your shipment.

This is particularly important for export shipments since, unlike domestic carriers who are regulated under a variety of federally-imposed regulations, the liability of international carriers is very limited for international shipments.

Additionally, banks usually require proof of insurance under letter of credit transactions. This minimizes the risk to the bank, since the bank is vouching for the buyer's credit.

A potentially helpful resource for exporters in terms of insurance, risk management and liability issues is **Export Development Canada (EDC),** a federal service which provides financing, insurance and bonding services as well as assistance in acquiring foreign market expertise. EDC also provides valuable Accounts Receivable insurance to protect exporters who have difficulty getting paid for their foreign market transactions.

To learn more, call 1-866-376-3469 or visit www.edc.ca online.

Marine Insurance typically provides protection against "all risks" of physical loss from the time the goods leave the warehouse at origin until the goods arrive at the destination warehouse. It protects your goods continually while moved by *ship, air, rail or truck or any combination of these* so does not necessarily refer exclusively to the insurance of marine cargo alone.

Depending on the Incoterms used for your international transactions, either the buyer or the seller can obtain insurance. For example, if terms of sale are CIF, then the seller obtains the insurance and adds the cost to the shipping price of the goods. If for any reason terms of sale, including the purchase of your own insurance, is outside your control, it may be wise to consider default insurance to cover the shipment in case the buyer's insurance does not protect you.

Another important consideration involves ensuring that your insurance coverage is made on a *door-to-door basis*. In many instances, shippers/carriers will request insurance coverage based on the Incoterms used (for example, many goods shipped to St. John's from overseas and booked by international carriers will be negotiated CIF Halifax). In cases where freight is booked CIF Halifax, the cargo insurance policy will *not* cover the portion of the journey from Halifax to St. John's based on the stated Incoterms. It is therefore vital to check your policy coverage to make sure all portions of the journey are covered.

As an exporter, you will benefit from securing your own cargo insurance because:

1. The buyer may neglect to insure.
2. The buyer's insurance may have restrictive insuring conditions resulting in an uninsured loss.
3. The buyer might reject the goods as damaged, leaving you with a financial interest in unclaimed goods thousands of miles away.

You may obtain cargo insurance through:

- Insurance brokers specializing in this coverage
- The insurance agent who handles your other business insurance

For a single or occasional export transaction, freight forwarders will, if requested, purchase insurance for you as part of their service. However, some insurers will directly provide single shipment coverage for exporters.

Insurance Policies to Consider

Generally speaking, there are two basic policy types to consider: The Standard Form Insurance Policy and the Open Cargo Policy, which are explained in further detail below.

Marine Insurance: The Standard Form

The body of a standard cargo (marine) insurance contract does not tell you which losses are recoverable, but states only the perils against which you are offered protection. It is essentially a "named peril" policy paying for losses resulting from specific causes.

Basically, if a loss results from one of the stated perils, the insurance company will reimburse the insured. The onus is on the insured party, therefore, to prove that the loss resulted from a stated peril. Please refer to Appendix "A" for a list of Institute Cargo Clauses which typically apply to Marine Cargo policies.

Basic "perils" covered under most standard policies include:

- Unusual action of wind and waves
- Stranding
- Lightning
- Collision
- Damage caused by seawater
- Fire
- Theft
- War

The Open Cargo Policy

The open cargo policy is the option used by exporters moving goods intermodally as it is designed to insure a continuous movement of goods from Point A to Point B. In Canada, the open cargo policy covers the following from seller's warehouse to buyer's warehouse:

- all foreign trade shipments using overseas vessels
- domestic shipments along the coast
- inter-coastal and Great Lakes vessels
- air shipments, and
- foreign parcel post shipments.

The basic Open Cargo Policy has three types of clause:

- The perils clause
- One or more average clauses

- Additional basic coverage including general coverage

The basic form may be broadened by adding more named perils or by opting for "All Risks" coverage. In short, coverage can range from ordinary marine perils to broad named perils to "All Risks".

Is My Carrier's Insurance Sufficient?

No. Carriers usually limit their liabilities to values, which are often significantly lower than the value of your cargo. The law only requires an insurable amount of $500.00 per package; payable claims are therefore capped. You must also prove that the carrier is liable for the damages to your cargo. In addition, there may be more than one carrier involved in moving your cargo to its point of destination, making it increasingly difficult to prove liability.

Are CIF and FOB Incoterms the Right Incoterms for Exporters/ Importers?

Not Always. As an exporter, you have a maximum interest in the goods, until you have received full payment. Exporting goods under FOB conditions can leave you exposed to loss. For instance, portions of the voyage in question may not be adequately insured or even insured at all by the buyer. If a loss occurs and you have not been fully paid for your goods, you could potentially be in a severe loss situation. Better control is therefore available through CIF terms. Conversely, as an importer, you have a maximum interest in your purchased goods. Importing under CIF conditions can leave you equally exposed to loss. The insurance cost is hidden. The scope and range of the insurance is not always adequate. What is the claims process and how long is the settlement delay? Here, FOB may make more sense since you have maximum interest in your purchased goods and the responsibility of taking care of that interest.

Is my policy sufficient?

You should likely check to make sure you are adopting the right approach. You might want to compare the rates and scope of coverage of your existing insurance with those available elsewhere. As with any insurance consideration, "shopping around " provides the widest possible basis for comparison and enables you to more closely consider the value obtained for your insurance dollar.

Possible Claims Situations

There are three types of loss or damage to which cargo may be subjected, as follows:

> **Particular Average:** which refers to partial loss of or damage to cargo including shortages arising from pilferage and short-shipment.
>
> **Total Loss:** which arises when your goods are destroyed or so damaged as to be irretrievable. In cases where cargo arrives in such poor condition that the cost of repairs exceed sound arrived value, insurers may consider the claim as total loss and pay the total insured value.

General Average: losses arise when certain perils have been encountered in transit and, unless the contract of carriage states otherwise, the following factors are present:

- The existence of rapid approach of a peril common to both equipment and cargo or a necessary expense incurred to allow the carrier to proceed with the voyage

- A voluntary sacrifice of cargo, reasonably made to avert or avoid peril

- Preservation of a part of the venture

- Freedom from fault on the part of the interests making the claim

Following such an occurrence the carrier usually appoints an *average adjuster* to protect all interests. Cargo will not be released until security has been received for the cargo's proportionate part of the estimated cost of general average. The average adjuster will notify all cargo interests and obtain security which will be held until facts have been gathered and a statement of general average has been prepared. Your cargo would have to contribute a proportionate share of losses and expenditures <u>even if it sustained no damage.</u> Security may take the form of a General Average Bond or a general Average Guarantee which may require a cash deposit or an underwriter's guarantee.

Because general average constitutes the most complex area of cargo insurance, it is recommended you refer to your insurance carrier for the details which may pertain to any claims in this regard.

Steps to Take Upon Receipt of Cargo:

1. **Count, weigh, tally and examine BEFORE accepting delivery.**
   Inspection of all packages to determine external condition and notation on the delivery receipt are ABSOLUTELY essential when signing for delivery. Cutting corners on this procedure can be very costly as a clean delivery receipt tells the insurance company and carrier that goods were received "in apparent good condition"

2. **Give an Explicit Receipt**
   Go into detail, such as "one broken, two packages wet" etc.

3. **Keep a copy of the receipt**

If a Claim is to be Made…..

1. **Contact insurance agent who will notify underwriter**

2. **Underwriter will contact cargo surveyor to investigate claim**

3. **Inform the Carrier advising of loss and inviting their inspection**
Forward to the carrier a "Letter of Intent" stating your notice of intent to claim against the carrier for loss or damage per a captioned Bill of Lading and inviting them to attend the survey of damages.

Different Carriers have different rules regarding notice of claim, as follows:
Ocean: immediately call and then write to ocean carriers holding them responsible

Air: Notice must be given within 7 days following receipt of damaged goods and 120 days for non-delivery

Inland: Notice required within 60 days of receipt of damaged goods and 9 months from shipment date for non-delivery

For Export Shipments: The consignee should immediately contact the underwriter's agent in the nearest city. The reverse side of the insurance certificate usually lists such agents. The agent should be asked for instructions and survey requirements. When your goods are insured overseas, you should follow the same procedure.

As with all insurance claims and settlements: PROMPTNESS IS CRUCIAL!

Once the Cargo Surveyors have completed their inspection, recommendations for claims settlement will be forwarded to the underwriter.

E- Logistics and the Internet

The emergence of new electronic technologies and web-based information exchange has resulted in the newly coined phrase "E-Logistics" to describe the application of this technology for transportation and trade logistics or any software which enhances the commercial trading process.

The terms therefore applies to several technologies which are available to companies conducting international transactions. When negotiating with service suppliers for freight and/or customs, be sure to ask about their capabilities with the following E-Logistics options:

- ✓ EDI: (Electronic Data Interchange) involves the transmission of customs and trade information between Canada Customs and between various stakeholders along the supply chain.

- ✓ FFMS (Freight Forwarding Management Systems) which may or may not include an option for web-based tracking and racing of your shipments. Generally used by the Freight Forwarder to best handle complicated international shipments.

- ✓ TMS (Transportation Management System) which are implemented by shippers or large distributors to handle shipments in high volumes for domestic and trans-border traffic. The TMS provides multi-carrier rates, transit times, rate shopping comparisons etc. to help monitor, implement and assess an overall transportation strategy. Because TMS can decide on preferred carriers, based on shipment specifications and destination, calculate freight charges, etc., such systems potentially lower transportation costs by as much as 10 to 15 per cent of annual freight budgets. As such, TMS is considered an emerging "Best Practice" by many industry experts.

- ✓ WMS (Warehouse Management Systems) which can include computerized inventory, receiving reports issuance, etc,

- ✓ Customs Technologies such as:
    - CADEX (Customs Automated data Exchange)
    - ACROSS (Accelerated Commercial Release Operation Support System)
    - RNS (Release Notification Systems, such as FIRST, PARS, EXCAP, etc.)

Industry experts have been monitoring and tracking the success of E-Logistics approaches and have discovered that the use of the Internet and emerging technologies towards logistics solutions may reduce overall logistics costs by 50% with a 15%-25% reduction in transportation costs.

Using E-Logistics to Integrate the Supply Chain

The following core systems must function together, and will ideally be integrated:

EDI should link all aspects of the chain, enabling you to transmit messages not only to carriers, but to your customs broker/freight forwarder, suppliers and clients.

Freight Forwarding Management Systems should enable you to simplify the process for consolidating and deconsolidating shipments, provide a function to track and trace your shipments, issue all required documents, produce approved customs documents, Bills of Lading, Certificates of Origin, etc., fax or email docs to third parties, maintain carrier rate schedules, maintain quotations history and interface with your accounting package.

Transportation Management Systems should be able to rate shop, based on all charges and services, utilize complex formulas top assist in carrier selection, maintain and use carrier rates, generate bar code labels, manifests, Bills of Lading, send and received EDI transmissions and operate in different modes to suit different processes.

Warehouse Management Systems should simplify processes for storage, moves, replenishment, load building, pallet picking, mixed item picking, cycle counts, inventory counts and reporting. It should also be able to search and reference stored goods based on SKU, BIN, ref #, Pick Order No., Order type, Product Type, Supplier, Status, Lot# and Customer.

Ultimately, your WMS should be able to complete the process by passing the completed order information to your FFMS or TMS systems.

Customs Systems ask your customs broker about his/her ability to link the customs process to the foregoing systems towards a fully integrated E-Logistics approach.

Maximum Efficiency

Before your company invests in its E-Logistics program, your IT administrators must be sure to assess the overall strategies with a view to creating systems which will integrate and link all aspects of your supply chain.

Like all considerations for Transportation Best Practices, the key is to think strategically and to attempt to incorporate your transportation logistics practices into the overall processes employed by your firm to maximize efficiently and minimize cost.

Part 3
Import and Export Documentation

Overview of Commercial Documents

Because they are regulated by international trade legislation from around the globe, international commercial shipments require standardized documentation to reflect the commercial transaction and transportation terms for goods moving internationally. Additionally, cargo documents for commercial freight moving in and out of Canada form a statistical basis upon which the federal government assesses Canada's international commercial activities and negotiates agreements with our trading partners.

Commercial cargo moving to and from Canada is therefore generally accompanied by some, if not all of the following documents:

- Commercial Invoice (Canada Customs Invoice for Imported Goods)
- Consular Invoices, if required
- Packing List
- Certificate of Origin (NAFTA or trade agreements/ legislation from other nations)
- Export/ Import Permits, if required
- Revenue Canada Export Documents, if required
- Cargo Control Document
- Other forms, as required

Commercial Invoice:

Commercial goods moving internationally must be accompanied by documentation reflecting the commercial transaction. This information is usually contained on the commercial invoice and will form part of the package presented to Customs at the time goods are released, or provided at the time of final accounting. In respect to export shipments, a commercial invoice is the basic document on which the importer (buyer) pays the exporter (seller). The Commercial Invoice generally serves a dual purpose: it enables exporters to collect monies owed and assists importers in customs clearing the goods. Commercial Invoice requirements can be met by providing either one of the following options:

- A commercial invoice prepared by any means which contains all required data, or
- A commercial invoice prepared by any means which indicates the buyer and seller of the goods, the price paid or payable for the goods and an accurate description of the goods, including quantity,
- For imported goods entering Canada, a Canada Customs Invoice, form C1, containing the balance of information required; or a fully completed Canada Customs Invoice in lieu of the commercial invoice.

Accuracy in the Commercial Invoice is extremely important as mistakes may lead to fines, excess duties, or penalties being assessed against the shipment. Information which must appear on the Commercial Invoice includes:

1. Vendor (a.k.a. seller, sold by, remit to, consignor, shipper) Indicate the name, address and telephone number of the person selling the goods to the purchaser; or the person consigning the goods. (Business Number mandatory for Canadian exporters)

   Exporter's name and address (person or organization *shipping* the goods to the consignee/purchaser, if different from the Vendor.)

   Originator- Where the invoice is completed on behalf of a company, the company's name and address must be indicated. The name of the person completing the invoice may also be indicated. Invoices completed on behalf of individuals must indicate the name and address of the person completing the invoice.

2. Date of direct shipment to/from Canada - Indicate the date the goods began their continuous journey to or from Canada

3. Consignee **-** (a.k.a. ship to, deliver to) - Indicate the name and address of the person to whom the goods are shipped. (Please Note that the IRS # is mandatory for USA Consignees)

4. Purchaser's name and address- (sold to, buyer)- The person to whom the goods are sold by the Vendor, if different from the Consignee.

5. Country of transshipment- The country through which the goods will be shipped in transit to/from Canada under Customs control.

6. Country of origin of goods**-** The country of origin of invoiced goods is the country where the goods are grown, produced, or manufactured. Each manufactured article on the invoice must have been significantly transformed in the country specified as the country of origin to its present form. Certain operations such as packaging, splitting, and sorting may not be considered as sufficient to confer origin. Check with your customs specialist for country of origin regulations.

7. Transportation: Give mode and place of direct shipment to Canada- Indicate the mode of transportation and the place from which the gods began their uninterrupted journey to/from Canada.

8. Conditions of sale and terms of payment- Describe the terms and conditions agreed upon by the vendor and the purchaser.

9. Currency of settlement**-** Indicate the currency in which the vendor's demand for

payment is made.

10. Number of packages

11. Specification of commodities- The following information must be provided:
    (a) Kind of packages- Indicate the descriptive marks and numbers imprinted on the packages (e.g. cases, cartons)

    (b) Marks and numbers- Indicate the descriptive marks and numbers imprinted on the packaged goods. The marks and numbers must be legibly placed on the outside of all packaged goods if possible.

    (c) General description and characteristics- Give, in general terms, a description of the merchandise (eg textiles, auto parts) and show a proper identifying description in commercial terms (i.e. style or code numbers, size, and dimensions) as known in the country of production or exportation.

12. Harmonized System Code (Mandatory), indicate the tariff number of the goods

    Please Note that, **effective May 1, 2002,** Officials of the Canada Customs and Revenue have determined that the correct 10-digit HS code will be a requirement before the release of certain commercial shipments.

13. Quantity- Indicate the quantity of each item included in the description field in the appropriate unit of measure.

14. Unit price- (price per article, item amount) - provide a value in the currency of settlement for each item described.

15. Total Price- Indicate the price paid or payable in the currency of settlement for the number of items recorded when they were sold by the vendor to the purchaser. Where there is no price paid or payable for the items, N/A should be indicated as total price.

16. Net and Gross Weights &Dimensions/ Total Weight

17. Invoice Total- (total value, pay this amount)- The total price paid or payable for goods described on the invoice.

18. Freight, Insurance, Packaging, etc.

19. Terms of Delivery

20. Terms of Payment

21. Certification Clauses

22. Import Licenses, if applicable

Consular Invoices

Certain importing countries may require the issuance of a consular invoice prior to accepting your commercial export shipment. In essence, a consular invoice is an invoice certified by the importer's consul, often situated in Canada.

The consul will assess a fee for performing this certification and, may also charge you for the consular forms themselves as well as charging a percentage of the value of goods being shipped.

Consular invoices may be required to be written in the language of the country to which goods are being shipped, so you may need the services of a translator as well. Additionally, the consul will require a description and tariff classification for the goods in accordance with the regulations of their own country. Ideally, your foreign buyer can assist with this process.

Each country has different requirements for its consular invoices, so the guidelines for completing these forms vary widely in terms of complexity, additional documentary requirements, etc. The forms are also subject to change, so rather than assuming that the format you used previously still applies, it is recommended that you request the current format for each shipment.

The Packing List

The Packing List is a detailed listing of the contents of the shipment and acts as a supporting document. The packing list may provide a means of quickly identifying merchandise required for customs inspection, give a means of determining accurate weights and measurements, and give a means for inspectors to unpack quickly to check a piece count of the contents.

As a supporting document, the packing list is essential in the event of pilferage and/or damage, to support an insurance claim.

Certificates of Origin for Exported Goods

Certificates of Origin are completed when required by the regulations governing the country of import.

The North American Free Trade Agreement (NAFTA) states clearly that a NAFTA Certificate of Origin is a required document for goods destined for NAFTA countries, namely, Canada, Mexico and the U.S.A. in order for such goods to qualify for NAFTA rates of duty and tax.

For shipments destined for non-NAFTA countries, a Certificate of Origin signed and stamped by the local Board of Trade and/or the Consulate or Embassy of the country of import may also be a requirement.

Certificates of Origin for Imported Goods:

Commercial importers seeking NAFTA benefits, either in the USA, Mexico or Canada, must have in their possession at the time of entry a properly completed NAFTA Certificate of Origin pertaining to the imported goods. Although it is not necessary to present the Certificate of Origin with either the interim or final accounting documents, the importer must be able to provide a copy of the certificate to Customs upon request. Failure to provide a Certificate of Origin will result in a re-determination of origin, and in most cases, a request by Customs for any applicable duties and taxes.

Please note that companies who import frequently from a single NAFTA supplier may obtain a blanket Certificate of Origin for all imports of specific goods for a period of one year.

Completing the Certificate of Origin:

Trade agreements generally set out very specific and, oftentimes, complex rules of origin for qualifying goods. As such, it is recommended that you contact an international trade services provider to confirm that the goods you manufacture qualify for the preferential duty rates set out under Canada's various international trade agreements. In addition to NAFTA, Canada has entered into trade agreements with a variety of trading partners, including the following agreements:

- Canada Chile Free Trade Agreement (CCFTA)
- Canada Israel Free Trade Agreement (CIFTA)
- Commonwealth Caribbean Countries Tariff (Caribcan)
- General Preferential Tariff (countries set out in the List of Countries/signatories to GATT)
- New Zealand and Australia (NZ and AU)
- Most Favoured Nation Tariff Treatment (MFN)

Permits for the Export/ Import of Goods

Background:

The Department of Foreign Affairs and International Trade (DFAIT) imposes restrictions on certain goods being imported into or exported from Canada based on the nature of the goods or the particular country of destination or origin. These restrictions are set out under the Export and Import Permits Act (EIPA).

The Export Permit is a document issued by the Special Trade Relations Bureau of the Department of Foreign Affairs and International Trade (DFAIT) granting an exporter permission to export certain restricted goods, or to export any goods to certain restricted countries of destination.

Canada Customs assists in the administration and enforcement of the Export and Import Permits Act (EIPA) on behalf of the Export and Import Permits Bureau of Foreign Affairs and International Trade Canada.

The EIPA states that Customs officers must satisfy themselves that the requirements of the Act have been met before allowing importation or exportation of goods regulated under this Act. Section 25 empowers customs officers with the rights of search , detention, seizure, forfeiture and condemnation over any goods controlled under the EIPA.

The Export Permit

The Export and Import Permits Act, the Export Control List and the Area Control List are the mechanisms by which Canada controls exports.

Below is an overview of the groups of goods and technologies subject to Canadian Export Control. Please note that Export Permit requirements for shipments entering the U.S.A. are waived for all goods included on the Export Control List except for Groups 3 and 4 as well as some goods from Group 5. Additionally, crude oil is not listed as a controlled substance; however export permits would be a requirement for crude oil, or any product being shipped to a country on the Area Control List.

<u>Group 1 Industrial Goods</u>
This group comprises dual-purpose goods and technologies which have both civilian and military applications.

<u>Group 2 Munitions</u>
The group comprises goods and technologies specially designed or modified for military purposes.

<u>Group 3 Atomic Energy</u>

This Group includes goods that are nuclear related.

Group 4 Nuclear Non-proliferation List
This Group includes goods that are nuclear related as well as dual-purpose goods and technologies which have both civilian and military applications that could be used in the proliferation of nuclear explosive devices.

Group 5 Miscellaneous Goods List
Group 5 covers miscellaneous goods that are controlled in order to protect natural resources and to fulfill Canada's commitments to non-strategic multilateral agreements; including forest products, endangered species, medical products, agriculture and food products, US origin goods and automatic weapons.

Group 6 Missile Technology Control Regime (MTCR) List
Includes goods and technologies agreed upon by the MTCR that could be used in the proliferation of systems capable of delivering chemical, biological and nuclear weapons.

Group 7 Chemical and Biological Weapons Non-proliferation List
Any goods that could be used in the proliferation of chemical and biological weapons

Group 8 Chemicals for the Production of Illicit Drugs

The Import Permit

Individual Import Permits issued by the Department of Foreign Affairs and International Trade must be obtained for goods listed on the Import Control List, except in cases where the goods are permitted importation under a General Import Permit (GIP).

General Import Permits allow the importation of goods included in the Import Control List in Specified Amounts and under Prescribed Conditions. A GIP will be applicable to an importation only if all conditions outlined for that permit are met. No actual Import Permit is therefore issued by DFAIT because the GIP constitutes authority for importation.

If you have any questions or concerns about whether your commercial shipments require export or import permits, contact your trade services provider/ customs broker. A full list of restricted goods is available through the Department of Foreign Affairs at **www.dfait-maeci.gc.ca** or by calling DFAIT Enquiries 1 800 267-8376 (toll-free in Canada)

Revenue Canada Export Declarations (B-13a)

The B-13a is an Export Declaration to be completed on all shipments leaving Canada if their value exceeds $2,000.00. Since Canada obtains information on US-bound exports directly from US import data, exporters *do not* have to report goods destined for USA, Puerto Rico, or the US Virgin Islands, unless the goods are controlled, prohibited or regulated. However, exporters *are* required to file an export declaration (B13A) prior to export for all non-USA shipments.

In terms of the timeframes required to report exports, effective Spring 2003, export declarations must be made either 48 hours or two hours in advance, depending on the mode of transport, as follows:

1. Mail, Aircraft or Rail shipments: at least two hours before loading/mailing
2. Vessel shipments: at least 48 hours before goods are loaded
3. Goods exported by any other mode, exports of animals, perishables, time-sensitive or bulk goods: immediately prior to export.

Cargo Control Documents:

Please refer to the chapters relative to Airfreight, Ocean freight and Land Transportation for full descriptions and completion instructions for the various cargo control documents, bills of lading, etc. required for commercial shipments.

Other Commercial Documents

The following documents are by no means required for every shipment, but constitute some of the more common commercial documents requested in addition to the standard commercial documents already described in this chapter:

Insurance Certificate: this is a vital shipping document for international freight that must accompany your export shipments for proof as to whether the goods are insured.

Inspection Reports: when inspection takes place prior to crating/shipping, there are two types of report generally issued:

General: A licensed authority certifies status, quality, purity, weight, content, etc.

Exceptions: For exports to certain countries, inspections companies are designated to pre-shipment inspections. In such cases, the inspection fee is usually paid by the country of import which has nominated the inspection. The reports are called Clean Reports of Findings (CRF). The requirement for such inspections will generally be indicated in the Letter of Credit as "CRF required". In such cases, great caution must be exercised in preparing your shipments and arranging inspections prior to shipping.

Antique Certificates: issued by a licensed authority to certify date an antique item was created.

A.T.A. Carnet: a customs document facilitating the temporary import of certain goods, such as samples, display goods, etc. which are shipped temporarily for subsequent removal from the country of destination. A single carnet may be issued as the customs document for goods traveling through several countries on a single trip. Contact your trade services provider to find out about the necessity for carnets whenever you are considering shipping goods which are:

- Being exported from and returning to the country of origin
- Entering and departing each country they will visit and
- Passing through countries

In Canada, the Carnet is administered through the Canadian Chamber of Commerce, for other countries it is generally issued through their own Chamber of Commerce or its equivalent. Carnets are valid for one year from the date of issue.

Agricultural and Health Certificates: may be required when shipping certain agricultural products, animals, plants, etc.

FCC Form: required for shipping electronic or radio frequency goods to the USA, this form is a statement regarding the import into the USA of any radio frequency devices capable of causing harmful interference.

Textile Statement: a declaration that textiles being shipped to the USA are wholly the growth, product or manufacture of a single foreign territory or insular possession of the USA.

Toxic Substances Control Act (TSCA) Certification: required for goods destined for the USA to certify that all chemical substances in the shipment comply with this U.S. TSCA regulations.

U.S. Fish and Wildlife Service Declaration of Importation of Fish or Wildlife required for any fish or wildlife shipments entering the USA.

Distribution of Commercial Documents

DOCUMENT	DISTRIBUTED TO:
Supplier/Exporter forwards Commercial Invoice Packing List TO:	**Purchaser (Importer), Commercial Carrier, Customs Broker. Docs must accompany shipment**
Shipper/Carrier(s) Transportation Waybill(s) Insurance Certificates TO:	**Purchaser (Importer) Customs Broker Docs must accompany shipment**
Consular Invoice Import/Export Permits Licenses Export Declarations	**Customs Officials Importer/Broker Customs Broker Docs must accompany shipment**
Certificate of Origin TO:	**Purchaser (Importer) Customs Broker Importer/Broker retain certificate on file**

Part 4
Airfreight

Introduction

Since the late 1940's, the airfreight industry has witnessed steady growth in response to innovations in aircraft design, an increasing demand for speedy transit times and the widespread growth of wide-bodied jets and all-cargo aircraft options for commercial cargo shipments.

With growing industry expectations for quick delivery times and the preference for the kind of personal attention to cargo shipments now offered by air carriers, many companies, large and small, are willing to take on the added expense of air cargo for their international shipments. In fact, increasingly, airfreight can provide a highly economical, cost-effective means of shipping goods to international markets.

Documents

Domestic airfreight shipments are generally accompanied by a packing list and an air waybill.

International Airfreight Shipments may require some, or all, of the documentation set out below*:

- Commercial Invoice (or Canada Customs Invoice for Imported Goods)
- Packing List, if available (not mandatory)
- Certificate of Origin (if eligible for NAFTA or required by foreign legislation)
- Export/ Import Permits, if required
- Revenue Canada Export Documents, if required
- Air Waybill

* *Please refer to Part 3: "Import and Export Documentation" for full details on completing these documents.*

Mistakes in commercial **invoicing** can lead to fines or excess duties; therefore exporters should ensure that export invoicing contains the following details:

- Shipper (Business Number mandatory for Canadian exporters)
- Consignee (IRS # mandatory for USA Consignees)
- Description
- Marks/ Numbers
- Net/Gross Weights & Dimensions
- Unit/Extended Price

- Reason for Export
- Freight, Insurance, Packaging
- Terms of Delivery/Payment
- Certification Clauses, Import Licenses
- HS Code (Mandatory)
- Country of Origin (NOT country of export, but country of manufacture)

NAFTA **certificates of origin** must also be filed for any qualifying goods. For shipments destined for non-NAFTA countries, a Certificate of Origin signed/stamped by the Board of Trade and/or the Consulate/Embassy of the country of import may be required.

Packing lists and **carrier waybills** must also correspond to all other documents accompanying the shipment.

Export Permits are issued by the Department of Foreign Affairs and International Trade (DFAIT) and are required to export restricted goods, or to export any goods to restricted countries. Your trade specialist can tell you more about these permits as serious penalties are assessed for non-compliance.

The Cargo Control Document: The Air Waybill

As the bill of lading for goods being shipped by air, the air waybill is the most important cargo control document issued by the airline, carrier or agent when shipping commercial goods. It serves the following functions:

- to document the contract of carriage
- to prove receipt of goods for shipment
- certificate of insurance (if goods insured under carrier policy)
- it serves as a customs declaration
- it is a waybill (i.e. it guides carrier personnel in the handling and delivery of the goods)

The contract of carriage commences when the air waybill is signed by the shipper and the carrier and expires when the shipment is delivered to the consignee.

It is the Shipper's responsibility to prepare the air waybill. The shipper is ultimately responsible for the correctness of particulars and statements made on the air waybill and will be liable for any damages which might result from inaccuracies therein.

As such, your air waybill should always be prepared carefully and legibly. As a customs compliance issue, you should also check for consistency of the information included on the air waybill against your letter of instruction, commercial invoice, packing lists, certificates, permits, etc. as any discrepancies may result in search and seizure, costly fines or delays.

The shipper's responsibility for providing accurate information for the air waybill is generally carried out by way of a **Shipper's Letter of Instruction**, prepared by the shipper and forwarded to the carrier, which must include the following 17 items:

1. Shipper
2. Consignee
3. Airport of departure
4. Airport of Destination
5. Requested Routing/ booking
6. Marks and numbers
7. Number and kind of packages
8. Description of goods
9. Gross Weight
10. Measurement
11. Air Freight and Charges/ Other charges at origin (i.e.: prepaid or collect)
12. Declared Value for Carriage
13. Declared Value for Customs
14. Insurance amount requested
15. Handling Information and remarks (i.e. notification instructions etc)
16. Date completed
17. Signature

In addition, where required, the following documents should accompany the shipper's letter of instruction:

- Certification for dangerous goods
- Certification for live animals
- Vendor's commercial invoice for any international shipments between IATA zone 1, 2 and 3, as follows

  Zone 1
  North America, South America and Greenland

  Zone 2
  Europe and Africa

  Zone 3
  Asia and Australia

On the following page is a copy of the standard air waybill, detailing key information required for completion by the shipper. The carrier generally completes the balance:

FIG 1: SAMPLE OF AN AIR WAYBILL

3letter code of airport of departure and IATA airline code and serial

YYT 014-12345678 — 014-12345678

Shipper's Name and Address / Nom et adresse de l'expéditeur
ENTER SHIPPER'S NAME HERE
ADDRESS, COUNTRY, TEL #

Shipper's Account Number / Numéro de compte de l'expéditeur

Not Negotiable / Non Négociable
Air Waybill / Lettre de transport aérien: 014-12345678
Issued by / Émise par: Air Canada

Copies 1,2 and 3 of this Air Waybill are originals and have the same validity.
Les exemplaires 1,2 et 3 de cette lettre de transport aérien sont originaux et ont la même validité.

Consignee's Name and Address / Nom et adresse du destinataire
ENTER CONSIGNEE'S NAME HERE
ADDRESS, COUNTRY, TEL #

Consignee's Account Number / Numéro de compte du destinataire

It is agreed that the goods described herein are accepted in apparent good order and condition (except as noted) for carriage SUBJECT TO THE CONDITIONS OF CONTRACT ON THE REVERSE HEREOF. ALL GOODS MAY BE CARRIED BY ANY OTHER MEANS INCLUDING ROAD OR ANY OTHER CARRIER UNLESS SPECIFIC CONTRARY INSTRUCTIONS ARES GIVEN HEREON BY THE SHIPPER, AND SHIPPER AGREES THAT THE THE SHIPMENT MAY BE CARRIED VIA INTERMEDIATE STOPPING PLACES WHICH THE CARRIER DEEMS APPROPRIATE. THE SHIPPER'S ATTENTION IS DRAWN TO THE NOTICE CONCERNING CARRIER'S LIMITATION OF LIABILITY. Shipper may increase such limitation of liability by declaring a higher value for carriage and paying a supplemental charge if required.

Issuing Carrier's Agent Name and City / Nom et ville de l'agent du transporteur émetteur
Test
Montreal, Quebec
CANADA

Accounting Information / Renseignements comptables
B4-000087-AE

Agent's IATA Code / Code IATA de l'agent: 00000000
Account No. / Numéro de compte

Airport of Departure (Addr. of First Carrier) and Requested Routing / Aéroport de départ (Adresse du premier transporteur) et itinéraire demandé
Halifax NS Halifax Internation YYT

To / à	By First Carrier / Par premier transporteur	Routing and Destination	to / à	by / par	to / à	by / par	Currency / Monnaie	CHGS Code	WT/VAL PPD	WT/VAL COLL	Other PPD	Other COLL	Declared Value for Carriage / Valeur déclarée pour le transport	Declared Value for Customs / Valeur déclarée pour la douane
IAH							CDN		P		P		NVD	NCV

Airport of Destination / Aéroport de destination	Flight/Date / Vol/Date	For Carrier Use Only / Réservé au transporteur	Flight/Date / Vol/Date	Amount of Insurance / Montant de l'assurance
Houston TX George	/	/		NIL

INSURANCE – If carrier offers insurance, and such insurance is requested in accordance with the conditions thereof, indicate amount to be insured in figures in box marked "Amount of Insurance".
ASSURANCE – Si le transporteur propose une assurance et que l'expéditeur en fait la demande conformément aux présentes conditions indiquer le montant à assurer en chiffres dans la case "Montant de l'assurance".

Handling Information / Renseignements pour le traitement de l'expédition

SCI

No. of Pieces RCP / Nombre de colis RCP	Gross Weight / Poids brut	kg / lb	Rate Class / Classe du tarif — Commodity Item No. / N° d'article de la marchandise	Chargeable Weight / Poids de taxation	Rate/Charge / Tarif/Montant	Total	Nature and Quantity of Goods (incl. Dimensions or Volume) / Nature et quantité des marchandises (y compris dimensions ou volume)
1	58.51	K		59			1 BOX 10 X 50 X 100 CM SAID TO CONTAIN WIDGETS
1	58.51						

Prepaid / Port payé	Weight Charge / Taxation au poids	Collect / Port dû
	Valuation Charge / Taxation à la valeur	
	Tax / Taxe	
	Total Other Charges Due Agent / Total des autres frais dus à l'agent	
	Total Other Charges Due Carrier / Total des autres frais dus au transporteur	
Total Prepaid / Total port payé		Total Collect / Total port dû
Currency Conversion Rates / Taux conversion monnaie		CC Charges in Dest. Currency / Port dû en monnaie du pays de destination
For Carrier's Use only at Destination / Réservé au transporteur à destination	Charges at Destination / Frais à l'arrivée	Total Collect Charges / Total dû

Other Charges / Autres frais

Shipper certifies that the particulars on the face hereof are correct and that **insofar as any part of the consignment contains dangerous goods, such part is properly described by name and is in proper condition for carriage by air according to the applicable Dangerous Goods Regulations.**

L'expéditeur certifie que les indications portées sur le présent document sont exactes et **que dans la mesure où une partie quelconque de l'expédition contient des marchandises dangereuses, cette partie d'expédition est correctement dénommée et bien préparée pour le transport par air conformément à la réglementation applicable.**

Signature of Shipper or his Agent / Signature de l'expéditeur ou de son agent

10/07/2002 — St. John's — Mr. / Ms. Smith

Executed on (date) / Fait le (date) — at (place) / à (lieu) — Signature of Issuing Carrier or its Agent / Signature du transporteur émetteur ou de son agent

014-12345678

Moving Goods By Air

Some key considerations for your transportation strategy in terms of airfreight shipments are set out below:

The Size of Your Shipment: Before you consider airfreight as an option, you will have to assess the size and weight of the goods being shipped. Due to the obvious limitations of aircraft in terms of loading capacity, the actual size and weight of the shipment is a vital concern. If your shipment is too large or heavy to be placed on the aircraft, it cannot be shipped by regular airfreight. Distribution of weight is of further concern for dense shipments that may need to be palletized so as not to place dangerous stress on the aircraft.

Additionally, the dimensions of your packages will have to conform to the configurations of the Unit Load Device (ULD) employed by the aircraft. "Unit Load Device" describes the full range of air cargo loading equipment used to group shipments together (unitization): containers, aircraft pallets (with nets or igloo-like structures) and specialized containers (e.g. horse stalls). ULDs offer air cargo shippers major advantages when it comes to efficiently grouping, assembling, moving, disassembling and redistributing packages with a wide variety of shapes. Air transport efficiency is greatly improved through the appropriate use of ULDs. Benefits include easier handling of shipments on arrival, in close cooperation with consignees.

The following chart provides the weight capacity and dimensions of standard Unit Load Devices for most aircraft:

FIG 2: Characteristics of Typical ULD's

	Dimensions (inches)			Volume	Capacity (lbs)
Container	L	W	H	(Cu ft)	
108" pallet with net	88	108	78	350	7,500
125" pallet with net	88	125	78	410	9,500
108" igloo	88	108	78	340	7,000
125" igloo	88	125	78	404	9,000
LD7 pallet (lower deck)	88	125	62	340	7,700
LD7 igloo (lower deck)	88	125	62	340	7,200
LD3 container (lower deck	79	60	64	158	2,500

Source: CIFFA Professional Education Course, Volume I

Each aircraft may have unique configurations and requirements, especially in terms of the limitations of dimensions so that packages can pass through cargo doors, so it is recommended that you contact your air carrier for the specific capacity issues you will face for the particular type of cargo aircraft you will have to deal with.

Labeling and Marking: Because the weight of goods is such an important consideration for airfreight shipments, the risk of having your shipment split is highest in airfreight. It is therefore recommended that you label each and every package of airfreight clearly and legibly. Your label should contain the following:

- Air Waybill No
- Destination
- Total No of Pieces
- Total Weight of Consignment
- Weight this piece
- Handling Information
- Transfer stations (i.e. any airport(s) through which the shipment passes en route to its ultimate destination)

Special labels should be affixed for dangerous goods, in accordance with IATA standards. IATA standard labels are also available for special consignments such as live animals and perishables.

Security: Security for air cargo is of increasing concern to airlines and passengers alike. The following security issues must be considered before you ship:

- Unknown Shipper Regulations: since September 11, 2001, airlines no longer accept cargo from what they deem to be an "unknown shipper". If a US shipper/vendor has not contracted to do business with the designated Freight Forwarder in the last twelve months, the shipper/vendor is classified by the airlines and freight forwarder as an “Unknown Shipper.” The cargo tendered cannot be carried on a passenger aircraft from the USA.

- Containers loaded by the shipper (single shipments, not consolidations) should have a non-reusable seal attached by the shipper to verify that the goods have not been tampered with.

- Often, air shipments will be stored in warehouses and transfer docks, increasing exposure to theft, pilferage and handling damage. Always insist on prompt pick-up and delivery of your shipment.

- Be prepared for the increased possibility that air cargo will be subject to x-ray, security searches, etc.

- Security rooms and security areas cannot be used as extended storage areas. Pick-up and delivery times must be scheduled to minimize the length of time your goods remain on airport premises.

- For your own security when shipping valuable goods, advise the airline of valuable shipments and ask what special security measures are available to you.

- Be aware of airline liability limits and what your compensation will be in the result of loss or damage.

Temperature and Altitude Variations

Airlines provide refrigerated storage and, in some cases heated vehicles for delivering perishables in cold weather. Make sure you are aware of any temperature considerations that may affect your shipments and always advise the airline of any special instructions for storing perishable goods.

Additionally, certain liquid cargoes may be adversely affected by changes in cabin pressure. It is therefore vital to ensure that such goods are allowed adequate room for expansion and are properly sealed.

Booking Air Freight

Be prepared to supply the following information to the airline to book your shipment:

- The Air waybill number
- Number of Packages
- Weights, dimensions and volume of the Shipment
- The Nature of the Goods
- Airport of departure/ destination
- Requested Routing
- Special considerations, such as:
    - The presence of restricted goods requiring special marking, docs, load limits, etc
    - Valuable cargo requiring special handling, security, etc
    - Special concerns relative to shipping perishables, live animals, live produce, etc.

Shippers should be aware that **advance arrangements** with the airline will always be required when shipping any of the following:

- Valuable Cargo
- Pieces of Unusual Shape and Size
- Live Animals
- Human remains, other than ashes
- Perishables
- Consignments requiring Special Care
- Dangerous Goods

Aircraft Chartering:

In certain instances where goods must be shipped urgently or cannot be accommodated through available commercial flights, shippers may wish to consider the option of chartering aircraft. In such cases it is recommended that you avail of the services of an experienced air cargo agent or freight forwarder to ensure you are using the right equipment, at the lowest available price, for the job.

Pricing Considerations: Courier vs. Airfreight

When deciding to ship goods via courier or whether it is more economical to use airfreight, you should be equipped with a full listing for the price breaks for each service provider.

You can then conduct a careful assessment about which point at which it becomes more economical to choose one service over the other. This is called a break point analysis and is an important part of your transportation planning.

Types of Cargo Rates:

The following hierarchy of cargo rates applies to the various classes of air cargo rates, with top precedence indicated first, etc
Specific Commodity Rates
Class rates
General Cargo Rates

The only exception occurs when the quantity rate for a certain weight breakpoint is lower than the specific commodity rate, in which case the lower of the 2 rates is applied.

The following describe the types of cargo rates applicable to airfreight:

- Minimum Charges - charges for any shipment shall be no less than this charge

- GCR General Cargo Rates- normally apply to shipments up to 45kg, depending upon country of shipment

- SCR Specific Commodity Rates - lower than GCR, available for specific commodities and specific destinations, points of origin

- Class Rates- exception to GCR offering discounts or surcharges, depending on commodity

- Unit Load Device Rates (ULD)- for shipment loaded by the shipper on the aircraft ULD and delivered by shipper to the airline at airport of departure. Apply only when shipment carried entire journey on ULD

- Basic Rate per Kilogram- available between selected points in Europe

Other rates to anticipate when booking Air Cargo include

- NavCan Service Fees
- Fuel Surcharges
- A.I.S. (Airline Insurance Security)
- Add-on amounts such as terminal fees, etc.
- Airport Improvement Fees

Export Packaging Considerations

The International Air Transport Association for the packaging of air cargo has established the following guidelines:

1. Cargo shall be packed so as not to injure or damage any persons, cargo or other properties and to ensure safe carriage with ordinary care in handling

2. Dangerous goods shall be packed in accordance with the IATA Dangerous Goods regulations

3. Liquids shall be packed in containers strong enough to prevent any leakage or breakage caused by temperature or altitude, filled so as to provide adequate room for expansion and securely closed

4. Valuables shall be packed so that the contents cannot be removed without leaving visible evidence thereof

When preparing your goods for shipment by air, you will likely choose a packaging solution to minimize weight; however you should try to make sure that in so doing, you do not expose your shipment to damage risks during the flight and when the goods are moving overland to and from the airport. Most cargo will be delivered to and from the airport by truck, so it is vital to ensure packaging is adequate. Packaging can only be reduced if you are able to pack the airfreight container and your customer unpacks it.

Your goods must be packaged to prevent deterioration or the potential for them to damage other goods being stowed on the aircraft.

Good packaging practices will marry material handling considerations in terms of load stability with the particular mode of transport chosen.

Assess your cargoes and choose optimal packaging materials, bearing in mind the three levels of packaging used, "from the outside, in", as follows:

1. The Shipping Container: corrugated box, cargo cage, van, container, truck, covered hopper, tank car, etc.

2. Inner containers:
   - Cardboard boxes (solid or corrugates)
   - Nailed wooden boxes*
   - Crates*
   - Wire Bound Boxes or Crates*
   - Cleated Plywood boxes
   - Steel Drums
   - Fireboard Drums
   - Barrels, Casks or Kegs
   - Multi Wall Shipping sacks
   - Bales
   - Alternative storage systems

* *When preparing wooden packaging, exporters should note that the European Union has imposed strict restrictions for coniferous wood packaging. These restrictions require the use of heat-treated or kiln dried wood and are regulated by the Canadian Food Inspection Agency (CFIA). Ensure that your packaging supplier is aware of these regulations and that any wood packaging shipped is prepared by a CFIA certified packaging company.*

3. Insulating materials (consider your needs in terms of shock absorbency, resilience, texture and workability, cleanliness, absorbency, etc)
   - Non Cellular materials, such as fibreboard, cellulose wadding, excelsior fill, corrugated inserts, etc
   - Cellular materials such as Air bubble wrap Polyethylene foam, Polystyrene, loose fill, foam, etc

4. Individual Consumer Packages
   - Packaging materials used for the final consumer product, boxes, plastic wrap, bags, bottles, etc

The optimal export packaging for your goods will combine service, cost and convenience and should always provide for the safest, most efficient means of storing your goods.

Air Cargo Handling and Delivery

Air Cargo Handling Services

When selecting an air cargo carrier to handle your air cargo shipments, consider your requirements in terms of the following services and make carrier selection based on the range of services that will meet your requirements:

Air Cargo Handling Services	
Import Air Freight	**Export Air Freight**
Receipt and check-in of shipments	Receipt and check-in of shipments
Breakdown of unitized cargo	Inspection of shipping documents
Storage of shipments	Certified personnel for accept dangerous goods
Document handling	Cargo labeling services
Collection services	Palletize/unitize shipments for air carriage
Record keeping	Air waybill/ flight manifest preparation
Knowledge of Compliance issues, regulations	Airline equipment storage and inventory maintenance
Ability to handle perishables	Scheduling and interlining considerations
Convenient Scheduling	Ability to handle perishables
Tracking and Tracing	Tracking and Tracing
Consolidation Services	Consolidation Services
Small Parcel Services	Small Parcel Services
Notification upon arrival	Notification to consignees upon arrival

Air Cargo Handling Equipment

A variety of equipment is available through your air cargo carrier for moving and weighing ULD pallets and containers. The following chart demonstrates the range of conveying systems and ramp equipment used to convey goods on and off the aircraft:

Conveying systems

- dock lifts
- powered conveyors
- gravity conveyors
- elevating conveyors
- ball mats
- right angle transfer decks
- turntables
- workstations
- scales
- control systems

Ramp Equipment

- aircraft loaders
- fly-away loader adapters
- cargo trailers
- cargo baggage carts

Cartage and Delivery to/from Air Carrier

Depending on your access to an international air cargo terminal or local airport, your transportation logistics should consider the handling and delivery of air cargo to and from the airports of departure and arrival for the goods.

Types of Vehicles

When considering a carrier to handle and deliver your airfreight shipments to the air carrier's premises, you should consider the range of vehicles at your disposal, such as:

Tractor/Trailers - tractors, combined with closed trailers, plus roller- & flat-bed configurations, provide a highly flexible fleet for the majority of shipments

Straight Trucks - long bodies; may be required if access is too tight for Tractor/Trailers

Cube Vans - may be specified if access too tight for tractor trailers or straight trucks

Mini-Trucks - with caps to handle small parcel runs, especially in downtown areas.

Special Equipment and Service Options:

Power Lift gates - For pickup or delivery of heavy or bulky freight when no truck-height dock or forklift assistance will be

2-Person Crews - For pickup or delivery of heavy or bulky freight when no customer help will be available.

Residential or Inside Service - For pickups or deliveries involving handling beyond the normal truck-to-loading-dock range (includes multi-story office buildings).

Special Service Vehicles /Special Delivery Times for shipment requirements outside normal delivery schedules and scope

Exclusive-Use Vehicles - For expedited, dedicated pickup or delivery of one customer's freight by itself.

Multi-Shipment Assistance - For special logistics requirements such as collecting multiple vendors' shipments (e.g., a combination of import and domestic air import arrivals) for one consolidated delivery to your door.

The Role of IATA

IATA stands for the International Air Transport Association and is the official trade organization for the world's airlines (more than 85 participating nations).

For air carriers, IATA provides a polled resource for scheduling, traffic and routes, standardizing services and the creation of a worldwide public service for the air industry.

For consumers, IATA sets the international standard for services and business practices amongst member airlines.

As an example, the three-digit airport codes used internationally are an IATA convention.

Additionally, IATA aims to achieve the following mandate:

- To promote safe, regular and economic air transport
- To foster air commerce
- To study problems connected with airline industry
- To provide a means of collaborating between air transport companies and agencies
- To co-operate with other international air transportation organizations

Essentially, IATA is airlines working together to standardize and improve service internationally

Due to the vital role played by IATA in air transportation issues, it is recommended that you ensure that your carrier/forwarder is an IATA agent.

Shipping Dangerous Goods By Air

Dangerous goods are articles or substances posing a significant risk to health, safety and property, and are divided into the following categories:

Class 1	Explosives
Class 2	Gases, compressed, liquefied, dissolved under pressure
Class 3	Flammable liquids
Class 4	Flammable solids
Class 5	Oxidising substances, organic peroxides
Class 6	Poisonous or infectious substances
Class 7	Radioactive materials
Class 8	Corrosives
Class 9	Miscellaneous

These goods, depending on their specific risk factors, are divided into the following packing groups:

Packing Group I	Great Danger
Packing Group II	Medium Danger
Packing Group III	Minor Danger

The Shipper is responsible for declaring Dangerous Goods by completing the "Shipper's Declaration of Dangerous Goods" form in English (at least 2 copies, each with an original signature) and ensuring that the commodities are packaged and labeled in accordance with the strict requirements established by IATA. Handling can only be performed by IATA Dangerous Goods certified handling personnel.

It is therefore recommended that shippers advise the airline when booking airfreight consignments containing dangerous goods and arrange delivery at a time when Danger Goods Handling personnel are available a the airline to load the shipment.

Glossary of Airfreight Terminology

Agent: a person of organization authorized to act on behalf of another person or organization

Air Cargo Agent: a type of freight forwarder who specializes in air cargo and acts for airlines. Generally, the air cargo agent is registered with the International Air Transport Association, IATA

Air Freight Forwarder: a type of freight forwarder who specializes in air cargo and performs consolidation of consignments in its own name.

Air Waybill (AWB): A bill of landing that covers both international and domestic flights transporting goods to a specified destination. This is a non-negotiable document of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed and obligates itself to carry the consignment to the airport of destination according to specified conditions. Essentially, the AWB is a document made out by or on behalf of the shipper which evidences the contract between the shipper and carrier(s) for carriage of the goods over routes of the carrier(s).

Break Even Weight: the Weight at which it is cheaper to charge the lower rate for the next higher weight-break, times the minimum weight indicated, than it is to charge the higher rate for actual weight of the shipment

Brokerage: A fee or commission paid to a broker for services rendered.

Bulk Cargo: Loose cargo not loaded in a container (ULD).

Cabotage: Is where cargo is carried on what is essentially a domestic flight and therefore not subject to international agreements that fix set rates. (for example: St. John's to Toronto). Cabotage rates are negotiable between shipper and airline and apply on flights within a country and to its overseas territories.

Cargo Transfer: Cargo arriving at a point by one flight and continuing with a connecting flight from the same or connecting carrier.

Carrier, Common: A public or privately owned firm or corporation that transports the goods of others over land, sea, or through the air, for a stated freight rate. By government regulation, a common carrier is required to carry all goods offered if accommodations are available and the established rate is paid.

Carriers Containers or Shippers Containers: The term Carrier(s) Container(s) or Shipper(s) Container(s) means containers over which the carrier or the shipper has control either by ownership or by the acquisition thereof under lease or rental from container companies or container suppliers or from similar sources. Carriers are prohibited from purchasing, leasing or renting shipper owned containers.

Cartage: Also TRUCKING CHARGE. The charge paid for picking up or delivering goods by surface transportation.

Chargeable Weight: The chargeable weight is either the actual gross weight or volume weight of a consignment or the minimum weight of an applicable rate, whichever is higher. The chargeable weight is used to calculate the weight charge (chargeable weight x rate per kg/lb = weight charge).

Charter: Originally meant a flight where a shipper contracted hire of an aircraft from an airline. Has usually come to mean any non-scheduled commercial service for aircraft operating under a charter contract.

Class Rate: A class of goods or commodities is a large grouping of various items under one general heading. All items in the group make up a class. The freight rates that apply to all items in the class are called class rates.

Combi: Is an aircraft configured to carry both passenger and air cargo on the main deck (pallet or container capacity on its main deck as well as in its belly holds).

Consignee: Person or firm to whom goods are shipped under a bill of landing or the individual or company to whom a seller or shipper sends merchandise and who, upon presentation of necessary documents, is recognized as merchandise owner for the purpose of declaring and paying customs duties.

Consignment: Is the physical transfer of goods from a seller (consignor) with whom the title remains, to another legal entity (consignee) who acts as a selling agent, selling the goods and remitting the new proceeds to the consignor. Also SHIPMENT

Consolidated Shipment: An arrangement whereby various shippers pool their boxed goods on the same shipment, sharing the total weight charge for the shipment.

Consolidation: See AIR FREIGHT FORWARDER. Several individual consignments grouped together and covered under one Air Waybill (Master air waybill) with separate House Air Waybills issued by the forwarder for each consignment.

Containers (Air Cargo) Many types of air cargo containers are offered The containers are designed in various sizes and irregular shapes to conform to the inside dimensions of a specific aircraft.

Courier: The person "accompanying" time-sensitive documents and small parcels through the passenger baggage channels thereby avoiding the more time-consuming customs procedures for freight.

Customs Broker: A licensed professional with expertise in trade legislation who effects customs clearance procedures and maximizes customs compliance on behalf of clientele.

Dangerous Goods: Any article identified as hazardous under IATA's Dangerous Goods regulations.

Declared Value for Carriage: The value of goods declared to the carrier for the purposes of fixing carrier liability for loss, damage or delay

Declared Value for Customs: Value of goods declared by Shipper for customs purposes.

Delivering Carrier: The carrier performing delivery in accordance with the air waybill

Delivery Service: The carriage of inbound consignments from the airport to the address of the consignee or its designated agent or to the custody of the appropriate government agency, when required.

Demurrage: A variable fee charged from carriers to customers for the use of carrier owned ULD's beyond the free time allotment.

Door to Door: an integrated service for which one party takes complete responsibility and for which the customer pays a single tariff.

Express Cargo: Particular time-sensitive shipments, requiring expedited customs clearance. Also defined as traffic requiring reliable, time measured transport, normally on a door-to-door basis, using simple documentation, for an inclusive price with one carrier exercising integrated information control.

FIATA: Federation Internationale Des Associations de Transitaires et Assimiles (International Federation of Freight Forwarders Associations.)

Forwarder: Person expediting goods to the consignee on behalf of the shipper; may be an agent or company who performs services (such as receiving, trans-shipping or delivering) designed to assure and facilitate the passage of goods.

General Cargo Any consignment other than valuable cargo charged at general cargo rates

Gross Weight: Weight of shipment including all packaging, platforms, braces, etc except the ULD.

IATA: International Air Transport Association

IATA Cargo Agent An agent recognized and approved by IATA, appointed by a carrier and authorized to receive shipments, execute waybills and collect charges

Import License: A document required and issued by some national governments authorizing the import of goods into their countries.

In Bond: A procedure whereby customs clearance is postponed until goods are transported in bond to an inland customs point for clearance rather than clearing customs at the first point of entry or arriving gateway airport.

Incoterms: International Commercial terms issued by the International Chamber of Commerce (ICC) in Paris and setting out standard conditions for sales and delivery of goods.

Insurance Certificate proof that and insurance contract for a shipment has been concluded

Interline Carriage over the routes of 2 or more airlines.

Interline Agreement a contract between carriers to expedite exchange of traffic between parties

Joint Charge/Rate Equivalent to an interline charge/rate, meaning a charge or rate applying to carriage over the lines of 2 or more carriers

Letter of Credit: A letter addressed to a bank stipulating that a certain sum shall be paid to the beneficiary named, under clearly stated conditions. There are two types of Letter of Credit: Revocable and irrevocable. For the shipper, the irrevocable letter of credit provides the greatest possible security.

Live Animals regulations: IATA publication with regulations governing the transportation of live animals.

Low Density Cargo: Low weight for a given volume.

Master Air Waybill: An AWB covering a consolidated shipment, showing the consolidator as shipper.

Minimum Charge- lowest amount charged for any consignment between points irrespective of weight or volume.

Net weight: weight of goods excluding all packing

No Show: A person who reserves space on an aircraft but neither uses nor cancels the reservation.

Part Shipment: A shipment which is transported not in total but in two or more parts.

Perishable Cargo: Commodities liable to deteriorate or perish due to change in climate, temperature, altitude or other normal exposure or length of time in transit.

Proforma Invoice: An invoice for the completion of formalities only.

Prorate: A portion of a joint rate or charge obtained by the division of a joint rate or charge between the carriers concerned, on an agreed basis.

Pick-up service: surface carriage of consignments from originator to airport of departure

Quarantine: forced isolation, often to confirm something is not contaminated or infected or to ensure that live animals do not carry disease.

Routing: The designation of a route.

Shipper: the party contracting with the carrier for carriage of goods

Short-Shipped: Cargo indicated in a manifest but not loaded or not arrived at final destination.

Surcharge: An extra charge or addition to a charge

Through Air Waybill: an air waybill covering the entire transportation from point of departure to point of destination

Through rate: total rate from point of departure to point of destination

Trace: to locate a shipment lost or believed lost.

Transborder, Transborder Rates: refers to transportation between Canada and the U.S.A. and the rates for carriage between the two countries

Transferring Carrier: an airline that transfers the consignment to a receiving airline at a transfer point.

Unit Load Device: any type of container in which a consignment can be transported, whether or not considered aircraft equipment

Valuable Cargo: cargo with an actual value of USD $1,000 or more per gross kg. or which contains one or more of the following: gold bullion, dore bullion, gold specie, platinum, alloys, precious gems (diamonds, rubies, sapphires)

Valuation Charge: A Charge for goods based on value for carriage

Volume Charge: a charge for carriage based on volume

Volume Weight: the chargeable weight of a consignment based on volume and calculated by multiplying greatest length by greatest width by greatest height.

Weight Breakpoint: the weight at which the lower rate at a higher minimum weight results in a lower weight charge.

Weight Charge: a charge for carriage based on chargeable weight.

Part 5
Ocean Freight

Introduction

Ocean Freight, for Atlantic Canadians in general, and Newfoundland & Labrador manufacturers and exporters in particular, is an effective transportation option, given our ocean geography.

Today, exporters have access to a variety of ocean transportation service providers with global networks capable of effectively handling cargo shipments of any size to any destination in the world. Full Container Load (FCL) shipments allow ocean carriers to offer lower cost and improved service resulting in overall savings of both time and money. Less than Container Load (LCL) shipments can be consolidated to take advantage of reduced tariffs for your ocean freight consignments. For manufacturers and/or exporters to compete more effectively in the global marketplace, ocean freight can provide a logical transportation solution.

Documents

Like airfreight shipments, the standard package of commercial documentation is required when you ship your goods by vessel. Again, your attention is drawn to Part 3 of this Manual for detailed instructions on the completion of the following:

- Commercial Invoice (or Canada Customs Invoice for Imported Goods)
- Packing List, if available (not mandatory)
- Certificate of Origin (if eligible for NAFTA or required by foreign legislation)
- Export/ Import Permits, if required
- Revenue Canada Export Documents, if required

Two other key documents for ocean freight are known as the **Ocean Bill of Lading and the Ocean Waybill.**

The Ocean Bill of Lading

The Ocean Bill of Lading (OB/L) is evidence of the delivery of goods to the carrier as well as constituting a contract of carriage between the shipper and the ocean freight carrier.

The Ocean Bill of Lading, when fully executed, constitutes the actual deed to the goods being shipped and is an official "document of title". Essentially, this means that the Ocean Bill of Lading can be used to meet banking requirements in issuing letters of credit as the bank may use this document to retain control over the merchandise.

Three Originals: Ocean Bills of Lading are traditionally completed with three signed originals being issued. These are distributed as follows:

2 copies are forwarded to the **Consignee** under separate cover
1 copy is retained by the **Shipper** as a back-up document

The consignee surrenders one original B/L to the **Ocean Carrier** at final destination in order to effect release of the shipment.

There are three possible instructions on an O B/L depending on how the goods are to be transferred from shipper to consignee for the shipment:

Straight Bill of Lading:	States the Consignee's actual name, meaning that the when the consignee or its agent present any one of the original bills of lading, the carrier must deliver the shipment into the consignee's possession.
"To Order" Bill of Lading:	Consigns the goods to the shipper, title of the goods only being transferred through the shipper's (or in some cases, the bank's) endorsement by stamp or signature. Once this O B/L is properly endorsed, the holder or named party becomes owner of the goods.
"The Bearer" Bill of Lading:	This rare option states that the goods must be delivered by the carrier to the party with the original bill of lading. This option might be used in the case of goods sold on a commodity exchange.

It is important to note that the copy of the O B/L first given to the ocean carrier takes precedence from a legal perspective and renders the other two copies null and void.

Due to the complexities of the Bill of Lading as a commercial document, it is recommended that you consult with your freight forwarder or trade services provider to ensure that your documents are prepared to best suit your specific transportation and transaction requirements.

On the following page is a sample Blank Ocean Bill of Lading

Fig 3: SAMPLE OCEAN BILL OF LADING

Shipper		Document No.
		Export References
Consignee		Forwarding Agent
Notify Party		Agent at Destination
Pre-carriage by	Place of Receipt	Bill of Lading No.
Vessel/Voyage	Port of Loading	Point and Country of Origin
Port of Discharge	Place of Delivery	Onward Inland Routing

Container & Seal Number Marks & Numbers	No of Pkgs	Description of Package and Goods	Gross Weight	Measurement
			----------	----------

JURISDICTION AND LAW CLAUSE The contract evidenced by or contained in this Bill of Lading is governed by the laws of Canada and any claim or dispute arising hereunder or in connection herewith shall be determined by the Federal Court of CANADA and no other Court.	Excess Value Declaration: Refer to clause 6(4) (B) + (C) on reverse side
FREIGHT AND CHARGES: Ocean Freight Destination Terminal	RECEIVED by the Carrier the Goods as specified above in apparent good order and condition unless otherwise stated, to be transported to such place as agreed, authorised or permitted herein and subject to all the terms and conditions appearing on the front and reverse of this Bill of Lading to which the merchant agrees by accepting this Bill of Lading, any local privileges and customs notwithstanding. The particulars given above as stated by the shipper and the weight, measure, quantity, condition, contents and value of the Goods are unknown to the Carrier. In WITNESS whereof 0 (zero) bills of lading all of this tenor and date have been signed, one of each being accomplished, the others to stand void. If required by the Carrier one(1) original Bill of Lading surrendered duly endorsed in exchange for the Goods or delivery order. By Date 01/01/1900

The Contract of Carriage: The Ocean Waybill

The Ocean Waybill is a carrier control document governing the movement of goods by ocean freight from their origin to destination ports. Unlike the O B/L, the Ocean Waybill is not a document of title, so no "originals" are issued. Other terminology used to describe the Ocean Waybill is "Data Freight Receipt", "Express Cargo Bill of Lading" or "Sea Waybill".

The format of the Ocean Waybill is identical to that of the O B/L, except for its designation as the document of title for the goods.

The use of an Ocean Waybill provides certain efficiencies as it does not necessitate endorsement, banking, or any of the other legal procedures associated with documents of title. The waybill can therefore move quickly to its destination and, at the point of destination, the Ocean Waybill allows for direct delivery of your goods by the carrier without holding up shipments awaiting receipt of an "Original" Ocean Bill of Lading.

"Clean" and "Unclean" Bills of Lading

A "Clean" Bill of Lading is a formal acknowledgement by the ocean carrier that your goods have been received on board the vessel in apparent good order and condition. The law sees this document as representing to the consignee that the goods were inspected by the carrier and that no fault was found in them. The consignee can therefore hold the carrier liable for any damages to the goods upon receipt.

If, however, the carrier has concerns about packaging or packing having been incorrectly performed, assesses problems with the nature of the goods or finds evidence of damage when the goods are received on board, the carrier may write, stamp or superimpose the bill of lading with a notation indicating the nature of the goods, as received.

Such stamps or marks on the Bill of Lading constitute an "unclean" Bill of Lading and allow the consignee the legal right to refuse the shipment. Should the consignee accept goods with an "unclean" bill of lading, he no longer has the full liability of the carrier for damages.

For you, as the shipper of an ocean consignment, an "unclean" bill of lading may also pose problems with letters of credit, as banks will generally refuse shipping documents with such clauses or notifications.

It is therefore imperative that shippers/ freight forwarders take utmost care to prevent the issuance of "unclean" bills of lading. Such steps may include improving or modifying the packaging used, blocking, bracing, dunnage or other measures that may be required to assure the carrier that the goods have been received in a "clean" state.

Ocean Freight Containers and FCL/LCL Shipments

For exporters, the standard containerization of ocean freight provides greatly reduced risk of damage. Containerization also reduces packing costs and handling requirements and can therefore make ocean freight an attractive cargo option when pricing your overseas shipments.

Shipping by container is also an obvious choice for intermodal shipping, which essentially involves the transfer of cargo form one mode of transport to another. In the case of ocean freight, containers are typically offloaded from the vessel and transferred directly onto trucks for furtherance to inland destinations. At exit and entry ports, shippers should make sure that a variety of road transportation is available for furtherance of your goods. When booking your ocean cargo shipment, make sure to consider not only the ocean portion of the voyage, but the road transport and container services options available at the port of destination. Your freight forwarder or transportation and logistics consultant can offer valuable advice and guidance in this regard.

Ocean freight containers are generally constructed from either aluminum or steel and must conform to ISO standards for quality of construction. Below are listed the typical specifications for the various containers used by ocean carriers.

Standard Container Types

The majority of ocean freight is moves in standard 20' and 40' containers with the following specifications:

	20'	40'
Inner Length	19'5"	39'6"
Inner Width	7'8"	7'8"
Inner Height	7'8"	7'8"
Inner Door Height	7'5"-3/4"	7'6"

Additionally, there are many different container styles and types available to shippers, depending on the specific nature of the cargo you are shipping overseas. Examples are provided below:

Specialized Container Equipment:

Open Top	2 end doors, side hinge, tarpaulin top, generally for heavy lift cargo and over-dimensional pieces requiring crane to lift into container. 8' height.
Interior Dims(L/W/H):	20' container 19'5"x7'8"x7'6"
Door Opening :	7'6'x7'5.5"
Interior Dims(L/W/H):	40' container 39'6"x7'8'x7'5 1/4"
Door Opening :	7'5.5"x7'5 1/4"

High Cube Containers	similar to the standard box container, but with a greater outside height of 9'6" in either 40' or 45' lengths. Intended for volume cargoes and loads which have a greater length or height. These containers require a specialized truck chassis so as not to exceed maximum road heights.
Flat Rack	Have end walls, but no side walls or top. End walls can be folded down (collapsible model). Used for extremely large pieces (project type cargo) which is lashed down, lashed together. These containers are intended for cargoes that exceed standard container door dimensions in height and/or width.
Dims(L/W/H):	20' flat rack 18 8 1/2"x8'x7'7 1/2"
Dims(L/W/H):	40' flat rack 38'9 3/4"x7'5 x 6'10 1/2"
Dims(L/W/H):	40' collapsible flat rack 39' 7 1/2" x6' 11 1/2" x 6'8 1/4"
Platform Containers	Not really a container, but a platform for lashing heavy cargo. Also called "Artificial Tweendeck" and used for cargo that is over length, over width and over height.
Dims(L/W):	40' artificial tweendeck 39' 7 1/2" x 7' 3 1/4"
Bulk Container	Used largely for grains and loaded by special equipment such as a vacuvator.
Tank Container	Used to transport bulk liquids.
Insulated Container	Standard box with insulation to minimize temperature fluctuation. Insulated standard containers that are temperature controlled (either hot or cold) are used in specialized trade lanes.
Refrigerated Container (Reefer)	The reefer is an insulated container with a refrigeration device, generally used for frozen goods or perishables.

FCL vs. LCL Shipments:

FCL is an abbreviation for Full Container Load. Ocean carriers will base FCL rates on a fixed rate per container, depending on the containerization method required.

LCL is the abbreviation for Less than Container Load. Ocean carriers will base LCL rates on the greater of the actual weight or the volume weight of your shipment. The volume weight is determined by the dimensions of the shipments LxWxH in metres.

Due to the obvious savings to be realized by shipping Full Container Loads, consolidating ocean freight shipments is, as with any mode of transportation, a desirable option from a cost perspective.

Handling the Ocean Freight Shipment

Based on the physical nature of cargo being prepared for an ocean freight shipment, various handling options are available to the shipper, as follows:

- Bulk Cargo
- Unit Load Cargo (also called Breakbulk shipments)
- Containerized cargo
- Roll On/ Roll Off

Details relative to each method are provided below.

Bulk Cargo

Bulk cargo describes any cargo generally shipped unpackaged, such as grain, ores, forest products or steel and metal products. In some cases, bulk cargo is loaded directly on board vessels especially designed for the transport of a particular commodity, for example, iron ore carriers; however, bulk shipments can also be loaded into bulk cargo compartments or, in some cases, on deck of other cargo vessels.

Unit Load/ Breakbulk Shipments

Breakbulk, or unit load cargo, describes almost any good which can be bagged, boxed, cartoned, crated, wrapped or stacked and then secured as an entire load or a single unit, on a pallet or a skid, either containerized or not containerized. Breakbulk cargo is stowed on board the vessel and delivered as a single unit, requiring mechanical equipment to move the goods.

Unit Load or Breakbulk cargo is a recommended option to save time and labour and provides security from breakage and/or pilferage by strapping packages together and treating/handling shipments as a single load.

Unit Load Equipment includes pallets and skids. Skids may be fitted with vertical battens for large cases to facilitate slinging of the cargo. Additionally, lifting lugs are devices which should be attached to any pieces of machinery or equipment being loaded on a vessel to facilitate lashing.

Containerized Cargo

Handling techniques for unit load and bulk shipping may include containerized cargo. As such, the applications for this handling method extend across most techniques for ocean freight handling.

It is vital that your cargo handlers exercise great care in stuffing ocean containers, using the equipment provided (rings in the floor, on the walls, etc) to secure the cargo properly and well. They should ensure that cargo is not braced against container walls as the walls are not designed for sustained pressure. All empty space inside the container must be filled to avoid shifting and undue pressure on container doors in transit. Packing lists and documents should be placed in an area from which they can be easily retrieved. Other considerations for container stuffing include:

- Consideration of the loading capacity for both the ocean container and the road conveyance to be used.

- Consideration of any special customs requirements

- Marking hazardous goods with the appropriate international symbol

- Loading hazardous goods closest to the container door and marking the ocean container accordingly

- Loading the ocean container from the back of the container forward and from sides towards the middle, thereby ensuring that no empty space is left against the container wall. Empty space should be in the middle of the container and filled with appropriate air sacs or padding.

- Heavy cargo always goes at the bottom, of course!

- Cargo weight must be distributed evenly

- Gross weights must be marked on packages

When containerization is the handling method chosen, it brings many advantages to the shipper, including:

- Reduced packaging costs (the container is the package)
- Reduced labour costs due to lower handling requirement
- Reduction in pilferage and damages
- Reduction in carrier transit and waiting times resulting in quicker, easier handling

Roll On/ Roll Off Cargo

As indicated by its name (also called ro/ro), this type of cargo is on wheels or tracks and can be driven on and off the vessel along special tracks on board ro/ro vessels especially designed to carry this type of cargo.

Ocean Cargo Marking and Symbols

The cargo loaded on board a vessel must be clearly marked to indicate:

- Shipper
- Consignee
- Weights and measures
- Shipper/consignee control numbers
- Individual piece numbers
- Total number of pieces
- Most importantly- PORT marking (Destination Port) to facilitate off-loading at the right destination
- International Handling Symbols (This Way Up↑, for example)

Load Limits

Another key handling consideration involves the limits to loads that can be accepted by highway carriers in terms of maximum weight and length of the transportation unit. Be sure to check out this important detail when planning for the continuation of your cargo's journey once it reaches the destination port.

Shipping Dangerous Goods by Ocean

Because the improper shipping of dangerous materials can not only lead to severe penalties, but can seriously risk the health and safety of ships' crews, it is vital to follow all proper guidelines for the handling of dangerous goods being shipped by vessel.

Shippers must advise forwarders and carriers the following details about dangerous goods:

- Exact cargo description:
- U.N. Number
- Class Number (IMDG)/ Packing Group
- Flash point, if applicable
- All dangerous goods forms required, including the shipper's declaration

As for dangerous air cargo, only certified dangerous goods handlers may take charge of a dangerous goods shipment. It s therefore vital to pre-alert your forwarder/carrier about the planned loading ties for such cargo to ensure that the qualified personnel are available to handle your shipment.

The Class Number IMDG Code/ Packing Group related to standards established under the International Maritime Dangerous Goods Code and covers the recommended instructions on packaging, marking, stowage, compatibility with other cargoes, etc. for dangerous goods. The main classes of Dangerous Goods are as follows. Please bear in mind that each major class will contain various sub-classes to more accurately reflect the nature of the hazardous material:

Class 1	Explosives
Class 2	Gases, compressed, liquefied, dissolved under pressure
Class 3	Flammable liquids
Class 4	Flammable solids
Class 5	Oxidising substances, organic peroxides
Class 6	Poisonous or infectious substances
Class 7	Radioactive materials
Class 8	Corrosives
Class 9	Miscellaneous

Flash Point is the temperature at which a liquid or volatile solid gives off a vapor sufficient to form an ignitable mixture with the air near the surface of the liquid.

Packing groups:

Packing Group I	Great Danger
Packing Group II	Medium Danger
Packing Group III	Minor Danger

The Shipper's Declaration

Shippers must sign and submit an original Shipper's Declaration for Dangerous Goods detailing all particulars of a given dangerous goods shipment. This form must contain a 24 hour emergency contact name and telephone number and must be signed by the shipper only. The declaration cannot be signed "on your behalf" by your forwarder or agent.

When You Place Hazardous Goods in Containers…

The rules for hazardous goods being shipped break bulk are the concern of the local port authority, stevedores and shipping companies. Where containers are used, the responsibility for strictly adhering to hazardous goods regulations rests with whoever stuffs the container (ie the freight forwarder, warehouse operator, cargo agent or shipper).

The ocean carrier's permission is always required prior to booking hazardous cargo. Detailed descriptions and packing instructions, etc, must be provided to the ocean carrier who will generally take responsibility for distributing this information to overseas ports for further clearance.

The basic rule of thumb for containerizing hazardous goods is "one class is placed in one container" as the mixing of incompatible hazardous materials creates the most danger.

Labelling and Marking rules for hazardous goods will apply to the container itself and a "Declaration of Compliance" will be required to indicate that goods were loaded according to IMO (International Maritime Organization) rules. The party who physically performs the lading and bracing must sign this declaration.

When You Place Hazardous Goods on Deck….

It is often safest to ship hazardous cargo on deck. It is often quite difficult for shippers sending breakbulk hazardous material to even obtain an "under deck" bill of lading from the ocean carrier.

As a result, hazardous goods shipments may be at greater risk of exposure and damage.

With respect to goods shipped LCL, the ocean freight carrier does not have to specify whether they will be stowed on deck or not.

In terms of consolidations, it is often difficult for freight forwarders to arrange consolidations for hazardous materials in light of the special containerizing requirements stated above.

Part 6
Road Transportation

Introduction to Road Transportation

Many advantages are available to manufacturers and exporters by moving their shipments via road transport. One advantage is the availability of a wide variety of trucking options, carriers and specialized equipment, capable of handling many different cargoes. Truck transport links with all other modes, so moving goods intermodally, from truck to ocean to truck (ro/ro, etc.), from air to truck or from truck to rail ("piggy backs") etc. creates a considerable variety of choices for door-to-door shipping. In terms of meeting scheduling demands, trucks are generally available to move your goods with flexible scheduling and fast delivery timeframes. In addition, trucks are able to get your goods to your buyer's door, regardless of whether that destination is served by rail, air or water transport, along a free choice of routes.

While the advantages are certainly considerable, truck transport has some inherent disadvantages, too. These include the fact that licensing and other regulations governing truck transport are imposed differently across North America: from province to province in Canada and from state to state in the U.S.A. Additionally, goods moved by truck are at higher risk of damage and delay resulting from the frequency of highway accidents. Weather is certainly a delay factor, too. Finally, trucks are limited in terms of the size of shipments they can carry and are not generally suited to carry oversized and bulk cargo.

Provincial Jurisdiction: Trucking and Highway Regulations

Since 1954, the regulation of the trucking industry in terms of licensing, road restrictions and overall equipment and highway regulation has been in the hands of each provincial government. As a result, Canada has no unified regulatory control of its trucking industry, unlike the European model, in which one set of rules governs all EU countries. Intra-provincial and inter-provincial truck transport in Canada are controlled by different motor transport authorities in each and every province and territory.

The results can be confusing and frustrating for shippers who have to consider allowable routings, licensing requirements as well as vehicle weight, height and length limitations for each province, en route to the ultimate destination. For example, in Ontario there are numerous different licensing requirements for commercial truckers, meaning you might need a trucking company with a separate license to move heavy duty machinery through Ontario. Due to variations in allowable weights and lengths, a trailer loaded in B.C. for example, might be allowed to unload in Ontario, but not allowed to pass through Alberta, Saskatchewan and Manitoba.

To address some of the inconsistencies and legislative obstacles placed on Canadian shippers using our highway system, a National Task Force on Vehicle Weights and Dimension Policy was established by the Council of Ministers Responsible for Transportation Highway Safety in 1984. This Task Force, comprised of officials from all jurisdictions, reporting to the Council of Deputy Ministers Responsible for Transportation and Highway Safety, is responsible for developing strategies for pursuing greater national unity of weight and dimension standards. The Task Force reports annually to the Council of Ministers and recommends changes wherever consensus has been developed.

Increasing Canada-USA trade has also created focus on establishing uniformity and harmonizing transport regulations internationally between the two trading partners. In an effort to ally themselves more closely with their American trade partners, all ten Canadian provinces have joined the "IRP", which stands for the International Registration Plan. The IRP is a special plan for registering commercial vehicles, traveling in two (2) or more IRP jurisdictions. The IRP was developed by several states with the assistance of the trucking industry. IRP Inc. administers the plan with the advice of the motor carrier industry. Every state in the continental United States must join the IRP or forfeit the ability to register commercial motor vehicles used in interstate commerce.

In Canada, an Memorandum of Understanding (MOU) has been reached under which all provinces and territories have adopted a "minimum standards" approach. Please refer to www.comt.ca/english/programs/trucking/MOU99.PDF for summary information about these standards in Canada.

Road transport regulations are constantly evolving; therefore, it is highly recommended that you contact your trade services specialist to ensure that your truck shipments are compliant with all applicable provincial legislative limitations and regulations for axles, oversized loads, licensing, weights and lengths, etc. Permits may be required to move oversize loads, trucks may be prevented from moving under or over certain bridges, vehicles may be stopped at weigh scales or truck inspection stations along the highway and serious delays may result from non-compliance in this regard.

If you have questions or concerns about Inter-Provincial Jurisdictions or the Canada/USA Border issues highlighted in the following section, rest assured that most reputable carriers and freight forwarders will possess adequate expertise help you prevent delays. Your main concern should be with ASKING the right questions BEFORE you ship. As a new exporter, you cannot be expected to know ALL the details. It is most important to have an understanding of the concepts then rely on the available sources of advice and guidance when booking road transport.

Canada/ USA Border Issues: FAST

Canada /USA bilateral trade is the world’s largest exchange of goods involving some 20 million people crossing the border each year. As the pressure mounts to tighten security, prepare efficiency programs and regulate trade in a heightened security environment, Canada and the USA are developing several joint or harmonized programs for border traffic. In an attempt to respond specifically to border security and trade issues between Canada and the USA since September 11th, 2001, the Canada Customs and Revenue Agency and U.S. Customs Service have implemented FAST (Free and Secure Trade) which will see Canada and the USA operating one common program for clearing goods at the border. Throughout the implementation of FAST, CCRA plans to consult with industry to make sure that implementation makes sense. However, stakeholders have been advised *not* to expect the kind of consultation usually anticipated for the implementation of such a far-reaching program. FAST rolled out in December 2002, although many details are yet to be worked out, not only between the Canadian and US governments, but also with importers, brokers and carriers directly impacted by the new program. Meanwhile, program objectives have already been established, although the requirements on either side of the border are "asymmetrical" meaning that requirements for trucks entering the USA are more stringent than those for traffic flowing into Canada.

FAST is intended for low-risk cargo moving between Canadian and US trading partners who have been pre-approved for the program. Eligible importers, carriers and drivers will be processed at border crossings through “FAST” lanes with no necessity to account to Customs at the border. Under FAST, electronic tracking and reporting systems will enable participants to report/duty pay goods monthly. To find out more about your eligibility under this program, contact your trade services specialist and ask your carriers.

Documents

Like air freight and ocean freight shipments, the standard package of commercial documentation is required when you ship your goods internationally by truck. Again, your attention is drawn to Part 3 of this Manual for detailed instructions on the completion of the following:

- Commercial Invoice (or Canada Customs Invoice for Imported Goods)
- Packing List, if available (not mandatory)
- Certificate of Origin (if eligible for NAFTA or required by foreign legislation)
- Export/ Import Permits, if required
- Revenue Canada Export Documents, if required

The other key document for truck transport is the **Truck Bill of Lading.**

The Truck Bill of Lading

As stated above, there are many different provincial licensing laws which regulate not only licensing, but the form and content of Truck Bills of Lading (TB/L) as well. While each T B/L issued by different carriers may look somewhat different, the following sample T B/L contains all required fields. The T B/L constitutes a receipt of goods for shipment and a contract of carriage. Unlike the Ocean Bill of Lading, however, the T B/L does not confer title of ownership. Additionally, due to the higher liability factors faced by the trucking industry, the T B/L will differ from the Ocean Bill of Lading and the Air Waybill in the standard terms and conditions of carriage and other liability considerations. One vital best practice for shippers involves closely reviewing the terms of truck transport contracts to ensure adequate protection from liability risk.

TRUCK BILL OF LADING - NON NEGOTIABLE

Book Date: 07/02/2003 (dd/mm/yyyy)	Origin: NL, CA	Pickup Date:
Service:	Destination:	Delivery Date:

Shipper:	PO No.:	Consignee:
3rd Party Billing:	Custom's Broker to beNotified:	Agent:
COD Amount:	Paid By:	Collect Fund:

Terms : Prepaid

Clause:

RECEIVED, from shipper named herein, the perishable property described below, in apparent good order and condition, except as noted below (contents and condition of contents of packages unknown), market, consigned, and destined as indicated below, pursuant to an agreement, arranged by truck broker, if any, whereby the carrier shown below (the word carrier being understood throughout this contract as meaning any person or corporation in possession of the property under the contract), in consideration of the transportation charges to be paid, agrees to carry it to its usual place of delivery at said destination, if on its route, or otherwise to deliver to another carrier on the route, said property to the cosignee, subject to the terms and conditions of this contract printed or written on the face andback hereof, which are hereby agreed to by the carrier, the shipper, and the truck broker, if any.

Special Remarks:

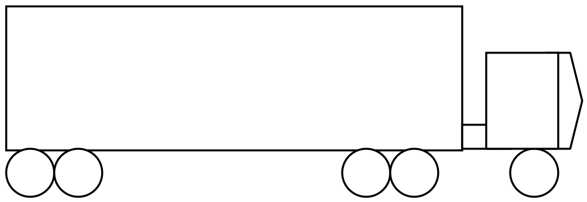
Shipper's Signature:	Date: Time:	Forwarder's Signature:	Date: Time:
Consignee's Signature:	Date: Time:	Trailer No.:	
Carrier:	Date: Time:	Location of Goods: Shipper's Door	

Page 1 of 1

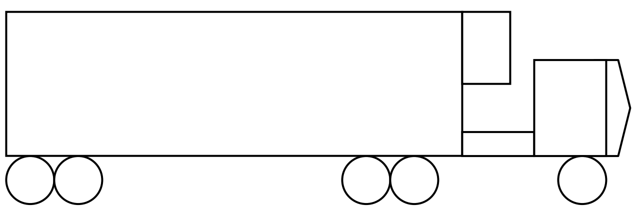
Standard Trucks

For standard truck shipments, most carriers offer one, some or all of the following six basic trailer types:

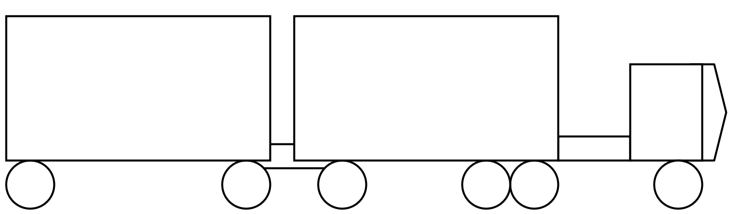
Dry Van
Tandem axle L 45 ' x W 8'6"
Smallest inside dimensions L 44'xW8'2"xH8'5"



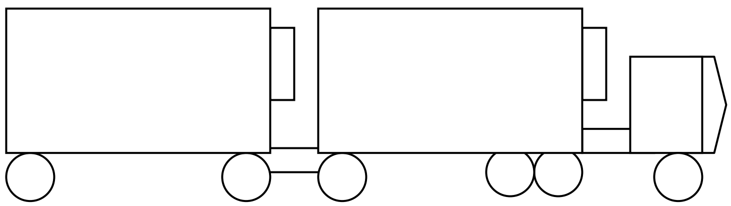
Refrigerated or Heated Van
Tandem axle L 45 ' x W 8'6"
Smallest inside dimensions L 43'3"xW7'8""xH7'8"



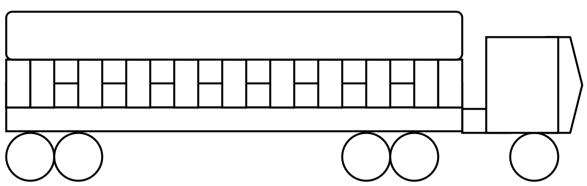
Pup Dry Van
Single axle L 26' x W8'6"
Smallest inside dimensions L25'5"xW8'1"xH8'5"



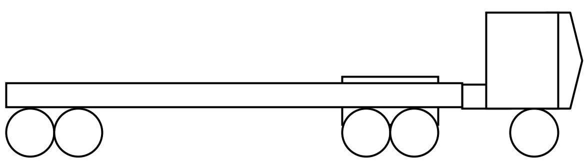
Pup Refrigerated or Heated Van
Single axle L 26' x W8'6"
Smallest inside dimensions L25'5"xW7'10"xH8'4"



Flat Deck Stake and Rack Trailer
Tandem axle includes tarpaulins and hoops (bows) sides are78" High
L45'xW8'6" 54" off the ground- Removable sides and top.



Drop Deck Trailer
Tandem axle L46', 40" off the ground
Extends to 10 feet wide and 65 feet long



Specialized Trucks

A variety of specialized trailer and truck types are also available ot meet the particular demands of specific cargo types.

For example, low flat beds, tank trailers, high cube containers, 27' tandem dry vans.

Shippers should consider fitting the particular equipment to your specific needs. For instance, if you are handling a high cube container, you will require a special low bed trailer to keep height within maximum headroom requirements.

Other Trailer Types

Ocean Carriers' Chassis: some ocean carriers provide their own chassis to correspond to their particular containers for inland transport, thereby converting the marine container into its own trailer. Otherwise ocean containers are placed on a flat bed.

Railway Carriers' Trailers: railway companies may offer trailers, known in the industry as "piggyback" trailers for their ability to move from rail to road.

Service Options for Truck Transport

Highway carriers in Canada provide a variety of service options, depending on your particular freight requirements. Here are some examples:

Specialty Shipments: Some carrier companies will have special departments dedicated to the movement of specialized cargo which is unusual in size, requires heavy lift, or has awkward handling requirements.

Expedited or Rush Deliveries: offers a speedy service for urgently required cargo or "rush" shipments. (For example, some trucking companies will offer a 24 hour service from Halifax to St. John's.) Rates for these services are usually based on weight with fair minimum prices to enable the trucking company to compete with air courier services.

Small Parcel Service: To create competition with courier companies, some trucking companies offer small parcel service and will use either expedited ground freight or a combination of ground and airfreight for small packages and parcels.

In Newfoundland & Labrador: your carrier's connections with ferry service at Argentia or Port aux Basques to and from North Sydney are a crucial service component, especially when shipping perishable or time-sensitive goods. Make sure to factor in ferry scheduling, seasonality and waiting times when scheduling your truck shipments.

Shipping Dangerous Goods by Truck

As is the case for dangerous goods being carried by air or ocean freight, the responsibility for identifying, classifying and documenting dangerous goods shipments rests with the Shipper. When arranging carriage of dangerous goods, the Shipper MUST:

- Prepare all documentation for dangerous goods, including:
    - Shipper's Dangerous Goods Declaration
    - Material Safety Data Sheet

    - Emergency Response Form
- Pre-alert carrier that dangerous goods are being shipped
- Sign and date the Truck Bill of Lading
- Supply dangerous goods placards*
- Ensure all cartons, packages, etc are marked, labeled and packaged properly in accordance with Dangerous Goods regulations

* *Generally, the trucking company will supply placards, but the shipper must pay associated fees.*

LTL/ FTL Shipments

LTL (Less than Trailer Load) shipments and FTL (Full Trailer Load) shipments will be priced differently under carrier's tariffs, with greater savings to be realized by shipping higher volumes. Wherever possible, exporters and manufacturers are encouraged to consolidate truck shipments to take advantage of the significant savings that may be realized. By consulting with a freight forwarder, you may be able to avail of consolidation opportunities. Less than Truck Load (LTL) shipments can be pooled through inbound or outbound consolidation hubs or combined into multi-stop truckload shipments. Truckload shipments can be moved intermodally or, in some cases, for Newfoundland & Labrador companies shipping goods across North America, they can be linked to national rail transportation on the mainland. As stated in our Top 10 Best Practices, the savings to be realized through freight consolidations are considerable. As an example, the cost of shipping a single cubic meter crate on its own can exceed 4 times the cost of shipping the same crate within a consolidated container load.

By consulting with your trade services specialists prior to booking, you may be able to take advantage of special one-time options and discounts based on availability, as when a carrier's urgent need to "fill a trailer" on an empty truck returning to or leaving Newfoundland coincides with your particular volume and timing requirements.

Trucking Rates and Tariffs

Truck rates can be negotiated in either of two ways, as follows:

The One-Time Freight Rate, in which you call your freight forwarder or trucking company and request a rate for a specific shipment moving to a specific destination at a specific time. Your rate will be provided, together with a written quotation, if required.

Freight forwarders will generally quote a comprehensive, start-to-finish price for the overall freight movement, whereas carriers will generally quote one-time freight rates in cents per cwt over 500 lbs and broken down into the following weight breaks, with rate per cwt decreasing as the volume being shipped increases.

Standard Weight Breaks for Truck Shipments, in lbs:

500
1,000
2,000
5,000
10,000
20,000
30,000
40,000

For shipments of up to 20 feet of trailer length, rates are usually based on 10lbs/cu ft . For shipments over 20' of trailer length, rates are based on 1,000 lbs per lineal foot of trailer.

The Published Tariff: Highway Carriers will generally have a published tariff outlining specific routings, weight breakdowns and commodities. Each commodity will be assigned its own commodity number and different areas of the country will have different tariffs. Calculating costs through this method can be quite complicated, so exporters are advised to consult their freight forwarder or trade services partner to obtain the most competitive rate in this regard.

A Checklist of Trucking Considerations

- Ensure Truck/ Ferry Schedule/ Airline Schedule/ Ocean Freight Scheduling compatibility (ie- all lined up and ready to move with minimal wait times)
- Carrier is authorized to move goods to destination (ie meets all provincial/ inter-state licensing and regulatory requirements)
- Highway regulations will allow shipment to move along desired routing (ie no bridge restrictions, weight/ height restrictions along proposed route)
- All required equipment is available for loading, offloading, etc. and is scheduled to be available as required along the route.
- Trucking company image reflects my company's image (ie My consignee will receive an acceptable level of service from this trucking company upon arrival of the goods at their destination?)
- Investigate all international highway requirements for ocean freight or airfreight being forwarded to ultimate destination by trucking company in foreign country.
- Advance notice has been given relative to dangerous goods

Border Security Issues

Please refer to Appendix "B" for a Cross Border Checklist identifying key border security issues facing road transport operators moving between Canada and the U.S.A.

Part 7
Rail Transportation

Introduction to Shipping Goods by Rail in Canada

For manufacturers and exporters on the island of Newfoundland, rail transport is a rarely used option due to the lack of a provincial railway service. For Labrador companies, the Quebec North Shore and Labrador Railway runs from Sept Iles Quebec to Wabush Mines, Labrador City and Schefferville Quebec.

In general, rail transport is an option used more frequently for commodities such as wheat and grains, coal, potash, sulphur, copper, nickel and iron ores, sand and stone, piggyback and container traffic.

CN, CP and Other Railway lines

CN (Canadian National) is Canada's largest railroad linking the Atlantic, Pacific and Gulf of Mexico. Having established alliances with US and Mexican rail lines, CN is able to serve a number of NAFTA markets for Canadian exporters.
For overseas shipments, CN serves the West Coast through the Port of Vancouver and Price Rupert and the East Coast, serving Saint John, Quebec City and the Port of Halifax. On the Gulf of Mexico, CN provides access to ports in New Orleans and Mobile. With hubs and satellites near most major urban centres, CN is well positioned to provide an intermodal service.

CP (Canadian Pacific) rail serves all Canadian provinces except Newfoundland & Labrador and Prince Edward Island. It operates 34,000 km of track extending from Atlantic to Pacific and through its subsidiary, the Soo Line, in the USA it operates in 12 states. CP Rail has also established special agreements with several US railroads to reach USA southwest, south and west coast markets.

In **Eastern Canada**, some examples of smaller railroads include:

- The Quebec North Shore and Labrador Railway (QNSL) which runs from Sept Iles Quebec to Wabush Mines, Labrador City and Schefferville Quebec.

- The Ontario Northland Railway (ONR) which runs from North Bay, ON to Moosonee on James Bay

In **Western Canada**, some examples of smaller railroads include:

- The Northern Alberta Railway (NAR) from Edmonton to Waterways, Ft MacMurray to Tar Sands

- The Great Slave Railway (GSL) connecting with NAR at Roma Junction then going north to Pine Point from which various barge services serve Arctic regions

- The Alberta Resources Railway (AR) running from the CN line near Hinton, AB to connect with NAR at Grand Prairie

- The British Columbia Railway (BCR) from North Vancouver to Fort Jon BC, connecting with NAR at Dawson Creek, BC.

The Railway Bill of Lading

Railways may not move cargo to/ from the island of Newfoundland on a single rail freight bill of lading, but normally provide service based on a separate bill of lading for the water and land portions of the move.

Major railways now offer services enabling shippers and forwarders to complete the Bill of Lading online. The following fields must be completed in this document:

Shipper	Consignee
Description of goods	HS Tariff Code
Piece Count	Package type
Hazardous Goods	Weights and Dimensions
Unit Price	Value
Intermodal service type	Origin
Destination	Routing

Shipment pick-up date and time
Equipment initial/ number (ID number for railcar, trailer, container, etc.)
Contract # tariff quotation # steamship booking # (to ensure you pay the right charges)
Bill of Lading or Shipper's reference number
Bill Freight Charges to: Prepaid or Collect

For Customs Purposes:

Importer Name	Broker Name
Country of Origin	Port of Exit
Currency	Destination Port and Country
Manifest from/ Manifest to	IRS# for US Consignee
Revenue Canada Business Number	C4 or Bar Code #

Customs Entry Type:

For USA:

Clear at first point of entry

Foreign goods transiting through USA for export to third country
Foreign goods moving from first port of entry to a point in the USA

For Canada:
Clear at first point of entry
Clear inland
PARS, INPARS
Foreign goods transiting through Canada for export to third country

Signature of Shipper/ exporter
Signature of railway agent

Rail Equipment

The following provides a brief summary of rail equipment available:

Box Cars: ranging in length from 40' to 52' can be insulated, heated, refrigerated, compartmentalized or special use.

Gondolas: top loading containers from bulk cargo

Hopper Cars: enclosed bulk and liquid cargoes

Stock Cars: for live animals

Automobile Cars: usually double or triple deckers

Trailers: (Trailers being loaded on Flat Cars or TOFC): usually 20' to 45' long with racks, open tops and special use available. This equipment is used for intermodal transport in which trailers units are lifted, complete with wheels and placed "piggyback" on a flatbed trailer.

Flat Cars: (for Container on Flat Car or COFC movements) wherein a marine container is stuffed at the exporter's premises, shipped overland by road or rail to the port of exit, shipped overseas to Canada then moved by rail to an inland depot. Flat Car equipment may include machinery, bulkhead, log carriers and special use equipment as well.

Moving Dangerous Goods by Rail

In light of the obvious hazards of moving chemical shipments and other dangerous goods by rail, CN and CP have heightened hazardous goods handling requirements. Dangerous goods moving by rail must travel in cars especially designed and coded to carry dangerous goods.

In addition to internal company regulations imposed by the railroads, two sets of government regulations now control the shipment of dangerous goods by train. Railway employees are extensively trained in documentation and handling requirements for dangerous goods and railway inspectors are experts in decontamination and emergency response.

Transport Canada and the Canadian Transportation Commission (CTC) classify about 3,400 commodities as dangerous goods and regulate packaging, handling and documentation for this group. When arranging carriage of dangerous goods, Shippers must co-ordinate the transport with the specialized Dangerous Goods handlers at the railway line well in advance of arranging the shipment.

Over Dimensional and Heavy Lift Cargo by Rail

If you have to ship loads that are exceptionally high, wide, long or heavy, such as special offshore rig components, turbines or other oversized or heavy lift project cargoes, railways have special "Dimensional Loads" departments to accommodate this kind of equipment. Your transportation services provider or rail carrier can offer solutions to plan the best routing, consideration of safety and special handling requirements and all government and regulatory restrictions to accommodate such shipments.

Part 8
Intermodal Transport

Introduction

Intermodal transport is the combination of at least two modes of transport - by road, rail, sea or air - in a single transport chain. Typically, when you book freight with a single carrier or forwarder, your service supplier will arrange for all legs of the journey, from start-to-finish and will facilitate the co-ordination of all intermodal requirements on your behalf.

Shipping Goods Intermodally:
To and From Newfoundland and Labrador

The most common forms of intermodal transport for Newfoundland businesses would involve moving goods by sea for subsequent road transport to their ultimate inland destination. Similarly, for some shippers to North American markets, the long distance is covered by rail, whereas the distribution from the terminal to the final destination takes place by road.

Unaccompanied Shipments:
The following example illustrates an intermodal freight movement that is "unaccompanied":

- A full truck load is driven to a terminal for intermodal transhipment.
- The loading unit - a container, a swap body or a semi-trailer - is put on the train or ocean carrier
- The unit travels by rail or ocean to the destination terminal.
- At the destination terminal, it is unloaded and picked up by a traction vehicle.
- The truck travels by road to final destination.

Accompanied Transport
Some carriers offer the option of accompanied transport, wherein entire trucks or articulated vehicles are transported by rail on special low-loader wagons. The drivers travel on the same train in a sleeping car.

Documentary Considerations:

Individual Bills of Lading will normally be issued by the carriers for the portions of an intermodal shipment; however, the goods will move on a master document known as a

"Through Bill of Lading" which is a single bill of lading covering both the domestic and international carriage of an export shipment. An air waybill is essentially a through bill of lading used for air shipments. However, ocean shipments usually require two separate documents -- an inland B/L for domestic carriage and an ocean B/L for international carriage. Through bills of lading are insufficient for ocean shipments.

Other Considerations:

Moving goods intermodally requires some forethought in terms of scheduling and equipment compatibility. It is important to ensure that ocean containers, for example, are compatible with truck capacities and weight restrictions and, to avoid costly delays for demurrage, or downtime, between the various legs of an intermodal journey, shippers should allow for optimal scheduling for delivery and pick-up to minimize waiting times and inherent storage fees and maximize efficiency of the movement.

Part 9
Incoterms 2000

What Are Incoterms?

The International Chamber of Commerce (ICC) established Incoterms as the official rules for interpreting trade terms. Incoterms clearly define, for both parties involved in an international transaction, the point at which risk and responsibility pass from the seller to the buyer.

Incoterms 2000 are the latest version of the ICC official rules for the interpretation of trade terms.

Incoterms deal ONLY with the relationship between buyers and sellers under the contract of sale. Although they are often construed to do so, Incoterms do not apply to the contract of carriage.

As an exporter or manufacturer, you will have to consider best practices for a variety of contracts surrounding your international sales transactions, including your contracts of carriage (contracts between the shipper and carrier for the transportation of goods), contracts of insurance and contracts of financing.

When setting your international transaction terms, Incoterms will relate only to the contract of sale and are a vital consideration in your import/export process.

That being said, Incoterms will often have some implications for other contracts. For example, a seller who has agreed to ship goods CFR or CIF *must* use ocean transport for the contract of carriage since these Incoterms require presentation of an ocean bill of lading or other maritime document to the buyer and *cannot* be used for any other mode of transportation.

Transfer of Liability

The point at which responsibility passes from one party in a transaction to another is known as the "liability point". Each Incoterm will define the liability point for three main activities:

- Carriage: the Incoterm will identify which party is responsible for arranging carriage of the goods
- Risk: the Incoterm will identify the point along the journey where responsibility for risk to the goods will pass from the seller to the buyer.

- Cost: the Incoterms will identify the point at which cost transfers from the seller to the buyer.

For some Incoterms the liability point will be the same for all three areas. For others, the Incoterm may state a different point at which liability passes from seller to buyer for each of these three activities (for example, risk liability may be transferred at a different stage than liability for cost).

Incorporating Incoterms into the Contract of Sale

Because Incoterms are updated and subject to change form time to time, when you want to include Incoterms in your contracts of sale, be sure to indicate the version you are using. (i.e. cite Incoterms 2000 to use the current version).

Failure to make reference to the version being followed can result in disputes and misunderstandings between buyers and sellers.

How are Incoterms Structured?

Incoterms are divided into four categories, each of which describes the basic form of agreement between sellers and buyers. These four categories are defined in further detail in the following section:

The "E" terms (Departure)
describe terms under which the seller only makes the goods available to the buyer at the seller's own premises

Ex Works (….named place)

"E" terms provide the absolute minimum obligation to the seller of the goods. The seller literally has to make the goods available at its (the seller's) premises. While that is the theory behind EXW terms; however, in real practice, the seller will generally assist the buyer in loading the goods onto the buyer's vehicle. However, under international trade law, EXW terms protect the seller from being *obliged* to perform this function and the seller literally provides such assistance at its own discretion. If the buyer wants more service form the seller under these trade terms, the buyer will have to indicate its requirements explicitly in the contract of sale.

The "F" terms (Main Carriage Not Paid by Seller)
describe cases in which the seller is called upon to deliver the goods to a carrier appointed by the buyer:

FCA Free Carrier (…named place)

FAS Free Alongside Ship (… named port of shipment)

FOB Free On Board (…named port of shipment)

"F" terms require the seller to deliver goods for carriage, as instructed by the buyer.

Exporters should note that the FCA term has posed certain difficulties resulting from the wide variety of circumstances which may surround this term. Under the FCA term, either of the following two scenarios might be played out:

- goods might be loaded on a conveyance sent by the buyer for pick-up at the seller's premises
- goods might be unloaded form the seller's vehicle at a terminal named by the buyer

To cover these alternatives, Incoterms 2000 state that delivery is complete when the goods are loaded on the buyer's vehicle if the delivery place is the seller's premises and, in other cases, delivery is complete when goods are placed at the disposal of the buyer, not unloaded from the seller's vehicle.

With the FOB term, even though created for ocean transport, using the terms "across the ship's rail" to define the delivery point, the widespread use of these terms for a variety of modes is widely accepted and the delivery point is understood to apply across a variety of available loading facilities. That being said, FOB is incorrectly used by many merchants merely to indicate ANY point of delivery (FOB Factory, FOB Plant, etc) thereby failing to acknowledge the fact that the abbreviation means Free on Board and should relate to a conveyance, as opposed to a delivery point. Such use of FOB terms should be avoided as it creates confusion and the term should be reserved only for use when goods are shipped by sea or inland waterway transport.

With the FAS term, Incoterms 2000 have shifted the obligation for export clearance from the buyer to the seller, which is the direct REVERSE of all previous Incoterms versions. Under Incoterms 2000, FAS terms require the seller to clear goods for export. Please note this critical change when using FAS terms.

The "C" terms (Main Carriage Paid by Seller)

describe cases wherein the seller has to contract for carriage, but without assuming the risk of loss or damage to the goods or additional costs due to events occurring after shipment dispatch

CFR Cost and Freight (…named port of destination)

CIF Cost, Insurance and Freight (…named port of destination)

CPT Carriage Paid To (…named place of destination)

CIP Carriage and Insurance Paid To (…named place of destination)

"C" Terms require sellers to contract carriage at their own expense. Like "F" terms, they are "shipment contracts". Therefore, after each C-term, a named point up to which the seller pays for transport costs must be indicated right after the term (for example CFR St. John's). Under CIF and CIP terms, the seller also bears responsibility for insurance costs.

Since the named port of destination is used for the division of transportation and insurance costs, C terms are often mistaken for "arrival contracts", in which the seller bears all risk and cost until the goods have arrived at the agreed point. This is not the case, however. The risk of loss or damage to the goods, as well as additional costs which may result *after goods were appropriately delivered for carriage,* fall upon the buyer.

"C" terms are therefore distinguished from all other terms because they contain two "critical" points:

Firstly, "C" terms indicate the point to which sellers must arrange and bear costs for the contract of carriage

Secondly, "C" terms allocate the critical point at which risk transfers from seller to buyer. Sellers should beware of attempts to extend sellers' responsibilities under "C" terms into the vital area of risk. It is the very nature of "C" terms that the seller is relived of liability for risk once he has arranged and paid for carriage and insurance and handed the goods over to the carrier.

The "D" terms (Arrival)

wherein the seller has to bear all cost and risk associated with bringing the goods to the place of destination

DAF Delivered At Frontier (…named place)

DES Delivered Ex Ship (…named port of destination)

DEQ Delivered Ex Quay (…named port of destination)

DDU Delivered Duty Unpaid (...named place of destination)

DDP delivered Duty Paid (…named place of destination)

Under each of the Incoterms listed, the respective obligations of the parties are grouped under 10 headings in which each heading on the seller's side is mirrored by the buyer's position with regard to the same risk, liability, obligation, etc.

"D" Terms differ from "C" terms since the seller is responsible for the *arrival* of goods at the point of destination inside the country of import. "D" terms therefore constitute "arrival contracts"; whereas "C" terms are "shipment contracts".

Under all "D" terms, except DDP, the seller does not have to deliver goods cleared for import in the country of destination.

In former Incoterms under DEQ , the seller had to clear goods for import; however, since customs procedures have generally changed, it is now more appropriate for the party abiding in the country of import to affect customs clearance and pay duties and other charges. Hence, the obligation for customs clearance under the DEQ terms has been completely reversed in Incoterms 2000.

The DDU Incoterm was added in 1990 to allow for instances wherein the seller has to deliver goods to the country of destination without import clearance, duty or tax payment.

How Does Mode of Transport Relate to Incoterms?

The following chart summarizes the Incoterms which are appropriate to various modes of transport:

Mode of Transport	Incoterm from **Group E**	Incoterm from **Group F**	Incoterm from **Group C**	Incoterm from **Group D**
Any Mode of Transport can apply to:	EXW	FCA	CPT CIP	DAF** DDU DDP
Maritime and inland WATERWAY TRANSPORT only		FAS FOB	CFR CIF	DES DEQ

** primarily used for rail transport

Incoterms 2000 In Detail

The following outlines each of the Incoterms 2000 in terms of three critical factors:

- Transport Obligations
- Costs
- Risks

Incoterms 2000 will not apply unless incorporated into the contract of sale by clearly specifying that the contract is governed by Incoterms 2000.

The "E" terms (Departure)

EXW Ex Works (…named place)

- **Carriage** arranged by buyer
- **Risk** transfer from seller to buyer when goods are at buyer's disposal
- **Cost** Transfer from seller to buyer when goods at buyer's disposal

The "F" terms (Main Carriage Not Paid by Seller)

FCA Free Carrier (…named place)

- **Carriage** arranged by buyer or seller on buyer's behalf
- **Risk** transfer from seller to buyer when goods have been delivered to carrier at named place
- **Cost** transfer from seller to buyer when goods have been delivered to carrier at named place

FAS Free Alongside Ship (… named port of shipment)

- **Carriage** arranged by buyer
- **Risk** transfer from seller to buyer when goods have been placed alongside ship
- **Cost** Transfer from seller to buyer when goods have been placed alongside ship

FOB Free On Board (…named port of shipment)

- **Carriage** arranged by buyer
- **Risk** Transfer from seller to buyer when goods pass the ship's rail
- **Cost** Transfer from seller to buyer when goods pass the ship's rail

The "C" terms (Main Carriage Paid by Seller)

CFR Cost and Freight (…named port of destination)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods pass the ship's rail
- **Cost** Transfer at *port* of destination, buyer paying such costs as are not for the seller's account under the contract of carriage

CIF Cost, Insurance and Freight (…named port of destination)

- **Carriage and Insurance** arranged by seller
- **Risk** Transfer from seller to buyer when goods pass the ship's rail
- **Cost** Transfer at *port* of destination, buyer paying such costs as are not for the seller's account under the contract of carriage

CPT Carriage Paid To (…named place of destination)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods have been delivered to the carrier

- **Cost** Transfer at *place* of destination, buyer paying such costs as are not for the seller's account under the contract of carriage

CIP Carriage and Insurance Paid To (…named place of destination)

- **Carriage and Insurance** arranged by seller
- **Risk** Transfer from seller to buyer when goods have been delivered to the carrier
- **Cost** Transfer at *place* of destination, buyer paying such costs as are not for the seller's account under the contract of carriage

The "D" terms (Arrival)

DAF Delivered At Frontier (…named place)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods have been delivered at the frontier
- **Cost** Transfer from seller to buyer when goods have been delivered at the frontier

DES Delivered Ex Ship (…named port of destination)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods are at buyer's disposal on board the ship
- **Cost** Transfer from seller to buyer when goods at buyer's disposal on board the ship

DEQ Delivered Ex Quay (…named port of destination)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods are at buyer's disposal on the quay
- **Cost** Transfer from seller to buyer when goods at buyer's disposal on the quay

DDU Delivered Duty Unpaid (...named place of destination)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods are at buyer's disposal
- **Cost** Transfer from seller to buyer when goods at buyer's disposal

DDP delivered Duty Paid (…named place of destination)

- **Carriage** arranged by seller
- **Risk** Transfer from seller to buyer when goods are at buyer's disposal
- **Cost** Transfer from seller to buyer when goods at buyer's disposal

Part 10
International Payment Terms

Settlement

There are four standard modes of settlement for international commerce. Your decision as to which methods is most suitable will depend upon your relationship with your foreign buyer and your level of comfort and confidence about the ability to effect timely collections.

In your mutual negotiations when setting international contracts for the sale of your goods you may wish to consider one of the following settlement modes:

- Open Accounts
- Payment in Advance
- Documentary Collections
- Letter of Credit

Each of the foregoing shall be set out in greater detail below.

Open Accounts

By choosing to settle your international sales using open accounts, you are placing complete trust in your buyer that the invoice will be paid under the agreed terms. This mode of settlement is generally used for well-established business relationships where mutual trust has been established.

For the buyer, open accounts allow you to receive and inspect goods prior to payment. For the seller, open accounts place you completely at the mercy of the buyer, having faith that your buyer will uphold his end of the agreement and pay you as previously agreed. When shipping goods on open account, the exporter will assemble all documents required by the buyer and will generally fax the buyer a copy of the commercial invoice and the waybill.

In considering Open Accounts, exporters are cautioned however, that certain situations make such transactions inadvisable, such as:

- Currency restrictions (Open accounts are only possible when foreign currency can be freely bought or traded in the buyer's country)
- Quotas or Import Permits are required in the country of import
- Certain countries may not permit open account transactions
- When the political/economic situation in the buyer's country is unstable
- Insurance restrictions

For the seller to be confident of adequate security in such cases, the letter of credit transaction is recommended.

Advance Payment

If the seller is dealing with a first-time buyer or is not confident about the buyer's ability to pay, he/she may opt to request advance payment terms, usually effected before the goods are shipped and, in certain cases, before the goods are even manufactured.

This mode of settlement offers the greatest security to the seller and the least to the buyer, who makes payment up front, having faith that the seller will deliver on the goods, as promised.

Some forms of advance payment appear within other forms of collection. For example, a vendor may demand an irrevocable letter of credit prior to production of the goods and may use this form of credit as collateral to secure monies required to purchase raw materials, etc. In so doing, the vendor is effectively securing advance payment from the buyer.

Documentary Collections

This mode of settlement enables the seller to produce, supply and ship goods ordered by the buyer while retaining some control over the release of the cargo until the buyer pays or agrees to pay.

This is achieved by presenting a shipping document containing a document of title through the seller's bank to a collecting bank. The collecting bank agrees not to release title of the goods until payment or promissory note is received from the buyer.

While the Ocean Bill of Lading constitutes a document of title, thereby making documentary collections fairly straightforward for ocean freight shipments, exporters can still use this mode for air shipments by having the Air Waybill indicate that the exporter has consigned the goods to the collecting bank or to the exporter's agent at the port of destination; alternatively, your freight forwarder can be instructed to collect a bank draft upon arrival of the goods.

Documentary collections can pose a problem in certain countries, which hold restrictions on remitting foreign currency or have controls or import quotas. The international departments of most Canadian Chartered banks can offer guidance and assistance in this regard, as can most reputable freight forwarders.

Documentary collections pose obvious risks for the exporter who must proceed with manufacturing and shipping and will only be paid through release of funds from a bank abroad. Therefore, there should be mutual trust between exporters and their foreign buyers before entering into this type of transaction settlement.

Letter of Credit

Because the Letter of Credit constitutes the most complex mode of settlement, it is outlined in some detail below.

Definition and Purpose: A Letter of Credit (LC) (also called a documentary credit) is essentially an engagement made in writing by a bank on behalf of an applicant (usually the BUYER) addressed to a beneficiary (usually the SELLER/EXPORTER) undertaking to pay the seller of goods within a prescribed timeframe for the settlement of international trade transactions. The LC is essentially a commitment on the part of the issuing bank to pay an agreed amount to the seller of the goods under precise terms and conditions agreed upon in advance. When these terms and conditions are complied with, the issuing bank undertakes to pay the seller at a stipulated time.

The purpose of the LC is to provide a more secure means of settlement between parties residing in different countries. When the buyer and seller enter into contracts under which neither advance payment or open accounts/ credit situations are possible, the bank essentially acts as intermediary between the buyer and the seller.

Benefits: When a seller receives a letter of credit, he is assured that he has the undertaking of a bank to effect payment once he has shipped the goods and delivered the prescribed documents to the bank. Equally, the buyer is assured that the agreed funds will only be released upon receipt of the documents the buyer has specified.

Drawbacks: A Letter of Credit is an undertaking by a bank to make payment against specific documentation. In practice, this provides little protection if the supplier presents documents, which later prove fraudulent. From a buyer's perspective, therefore it is prudent to check the credentials of your supplier prior to issuing a letter of credit.

Letters of Credit come in various types, including:

Revocable Credit, which may be cancelled any time without notice to the beneficiary. This is an unsatisfactory and risky mode of settlement for any exporter and is rarely seen in practice.

Irrevocable Credit, which can only be amended or cancelled with the consent of both parties. This is the standard document for international transactions.

Confirmed Irrevocable Credit is recommended when dealing with countries with potential economic instability or foreign exchange issues. Essentially, the seller's bank has the buyer's bank confirm the credit, constituting a definite undertaking by the releasing bank.

Transferable Irrevocable Credit enables the exporter to make the credit available in whole or in part to one or more third parties (second beneficiaries).

Revolving Credit can be irrevocable or revocable and provides for continuous drawings for specified amounts within a stated period of time. This is used to replace a series of LC's to the same beneficiary with similar requirements or to control size of shipments at any one time.

Standby Letter of Credit, which plays a different role from the LC used for international transactions as it insures payment under another agreement, contract or guarantee. Shippers and exporters, rather than requesting a standard Irrevocable LC may be prepared to ship on open account provided they are issued a standby letter of credit upon which they can draw in the event that the buyer does not pay in accordance with the stated contract of sale.

Negotiating Contracts using the Letter of Credit

For international export transactions, the two preferred forms of LC are the Irrevocable Letter of Credit or the Confirmed Irrevocable Letter of Credit .

Your international contacts should ideally be negotiated in such a way that no difficulties will arise later with respect to the nature, terms and settlement of the credit. Before signing the contract, ascertain the following:

1) The name of the buyer's bank. (The LC is usually issued through the buyer's own bank. If not, find out the name of the issuing bank.
2) The standing business practices of the buyer
3) The regulations and foreign exchange restrictions in the buyer's country
4) The documentation required by the buyer to clear the goods. While such documents will be listed in the LC, it is advisable to find out IN ADVANCE if you will be able to comply with the buyer's requests for special documentation
5) That the sales contract covers the most important particulars to be incorporated into the credit, including
    - (a) Amount of credit and currency
    - (b) Expiry and shipping dates
    - (c) Incoterms 2000
    - (d) For whose account are freight and insurance costs and bank charges
    - (e) Description of goods, markings and prices
    - (f) Payment at sight or on deferred basis
    - (g) Routing of shipment
    - (h) Whether partial or total delivery is required
6) The date of the credit will be opened after the signing of the sales contract (elapsed time should be taken into consideration when advising buyer of delivery dates)
7) If the credit is to be confirmed, this should be made clear in the contract.

Letter of Credit Checklist for Exporters

When letters of credit are received, please check that the following information is in good order:

1) Correct name and address for buyer and seller
2) Type of Credit
3) Amount and Currency
4) Amount is sufficient to cover terms
5) The name of the party upon whom drafts, if required, are to be drawn
6) Whether drafts are at sight or of a particular term
7) Shipping and expiry dates (make sure time frames are sufficient)
8) Description of merchandise = sales contract description
9) Insurance is provided in accordance with terms of sale
10) Trade terms (Incoterms) agree with terms of sale
11) Points of shipment and destination stated as agreed
12) Partial shipments or complete shipments
13) Transshipments (permitted or prohibited)
14) The incidence of costs not taken into account such as bank or interest charges
15) That all required documents can be supplied
16) If there are unacceptable provisions, such as an expiry date for the credit in an overseas centre, it may be difficult to ensure that documents reach such a place before the credit expires.

It is vital that you closely proof-read all documentation to ensure consistency throughout, right down to the way names and addresses are spelled, as discrepancies can lead to misinterpretation or nullification of the letter of credit. Be sure to immediately request an amendment if any errors are found.

Documents:

Most financial institutions and freight forwarders will offer Export Letter of Credit Document Preparation as a service to clients doing business globally. Your trade services specialist will work with your bank to make sure you export documents are prepared quickly and expertly to minimize discrepancies and ensure prompt payment from your buyer's bank and can usually generate, submit, and track all documents required for presentation.

There are certain documentary requirements generally required for the issuance of Letters of Credit. Exporters and their freight forwarders will negotiate which party will provide/ issue documents for each step of the process. The following is provided as a guideline only. It is recommended you speak directly with your freight forwarder to delineate these responsibilities:

The Exporter will typically provide:

- Accurate Valuation for goods sold
- Assurance that delivery can be effected to the point and date specified by the forwarder
- Inspection reports, certificates of analysis or quality etc.
- Commercial invoice
- Packing lists
- Certificate of Origin

The Freight Forwarder will typically provide

- Transportation documents, Bills of lading (O/ BL, AWB, etc)
- Certificates of Origin requiring authentication by Boards of Trade, consulates, etc
- Certified commercial invoices, if required by Board of trade, consulate, etc.
- Checks for documentary consistency

Other documentary requirements may include:

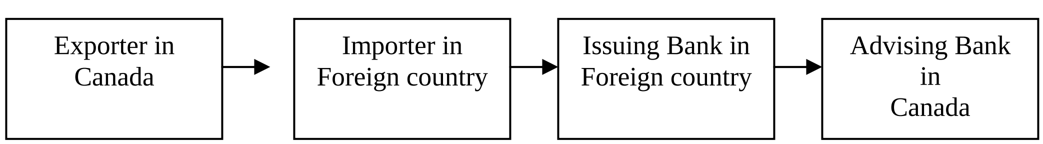
- Insurance Policy or certificate
- Canada Customs Invoice
- Inspection certificate
- Consular Invoicing
- Health certificate
- Certificate of analysis
- Weight lists

In essence, your freight forwarder should be knowledgeable about Letter of Credit Transactions and be able to provide advice and assistance in the preparation of any and all documentary requirements set out by the buyer.

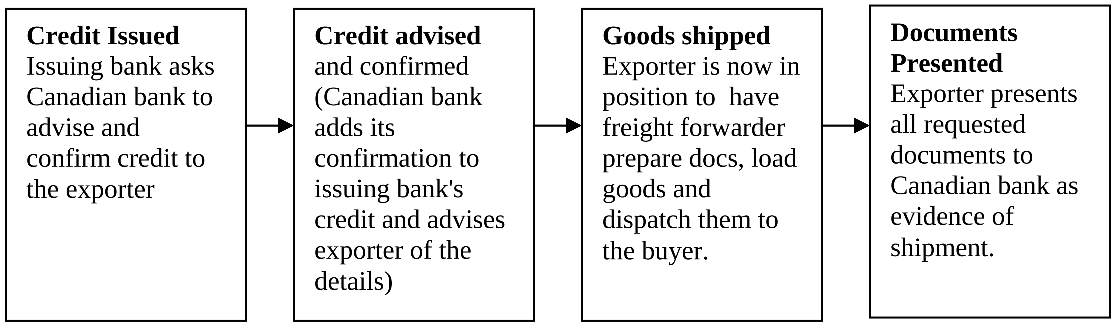
The Letter of Credit issued by the paying bank will specify all requirements for the above-noted documents as well as indicating the date by which presentation is required as well as an expiry date for the credit itself. The presentation of these supporting documents can never come later than the expiry date of the credit.

<u>Flowchart > Letter of Credit Process for Export shipments</u>

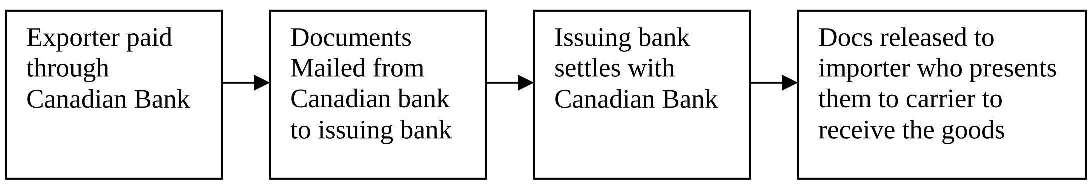
Parties to the transaction:



Issuance of Credit and Presentation of Documents:



Payment Issued:



Importer then pays the Issuing Bank and the transaction is complete.

Other Resources for the Settlement of International Transactions

A very helpful resource for settling and mitigating risk in your international contracts is now available to Canadian exporters through **Export Development Canada (EDC),** a federal service which provides financing, insurance and bonding services as well as assistance in acquiring foreign market expertise.

EDC also provides valuable Accounts Receivable insurance to protect exporters who have difficulty getting paid for their foreign market transactions.

To learn more, call 1-866-376-3469 or visit www.edc.ca online.

Part 11
Your Supply Chain Partners

Canadian manufacturers and exporters have access to advice and professional assistance from a range of sources, within government, non-governmental organizations and the private sector. Following are some sources of service and expertise you may find useful as you venture into the global marketplace. Your particular requirements for any of these partnering opportunities will, of course, depend on the volume of transactions and the placement of your international markets; however, by thinking strategically and locating the right partners, you will be well-poised to plan the best transportation practices for your particular business, regardless of the volume and complexity of your trading activity

Your Freight Forwarder

The services offered by freight forwarders are intended to facilitate logistics for any business, large or small, moving cargo domestically or internationally. By developing a relationship with a reputable freight forwarder, manufacturers and exporters can take advantage of the expertise of a service partner who knows their business and can help them make cost-effective and time saving decisions about their overall transportation strategy.

As a value-added service provider, your freight forwarder should ideally offer a recognized quality standard and established Health, Safety and Environmental policies.

When planning your transportation strategy, it is certainly beneficial to have the support of a logistics company able to provide a full range of services. A single source of supply for these services brings knowledge of your total transportation program and allows you to take advantage of integration for your customs and freight programs, if your forwarder can also provide customs brokerage services.

Some freight forwarders offer a full start-to-finish service which will, in fact, include the pick-up of goods from your warehouse right through to loading the goods at your purchaser's location with all logistics/transportation services provided for in-between.

Your freight forwarder's job is to ensure that your goods reach their destination reliably, efficiently and in a cost-effective manner. In order for you to keep track of your shipments, look for a freight forwarder whose software allows you to track your shipments via the Internet.

Additionally, check out your forwarder's network of worldwide agents and ensure that all Freight Forwarding options are explored, whether via air, ocean, rail or road or inter-modally.

Air Transportation

The following service offerings should be available through your forwarder's air cargo agents for regular freight movements or urgently required goods:

- Consolidations
- Free Domicile
- Dangerous Goods
- Air Charters
- Insurance

Ocean Transportation

With well-established networks including the major carriers of the world, your freight forwarder should be able to provide you with a full door-to-door delivery with all the loopholes covered:

- FCL / LCL Container Service
- Breakbulk
- Consolidations
- Marine Insurance
- Intermodal transport, ocean to rail or ocean to truck

Surface Transportation

In arranging the movement of your freight throughout North America, your forwarder should be able to handle:

- FTL or LTL services
- Dimensional Load Service
- Hot Shot Delivery
- Insurance
- Inter-modal rail to truck (Piggy-backs)

Other specialist service offerings available through your freight forwarder may include:

- Air freight and sea freight tariff route advice
- Pre-plan loading and discharging
- Supervision of loading and discharge
- Chartering air and sea transport
- Customized status reports
- Global logistics support
- Insurance
- Surveys

Your freight forwarder should maintain membership in national and international associations such as the Canadian International Freight Forwarders Association (CIFFA) and International Air Transport Association (IATA) and you will want to ask about whether staff have adequate training in the area of Freight Forwarding, Air Cargo and Dangerous Goods.

The right combination of training, experience and expert knowledge of transportation systems will provide you with a highly valued service partner through your freight forwarder.

Your Customs Broker

Your customs broker provides regulatory and legislative expertise when you move goods globally. Essentially, the role of the customs broker is to facilitate the smooth movement of goods through Canadian international customs, while maintaining your duty and tax exposure at the compliant, legal minimum.

The knowledge required to effect compliant trade practices requires a commitment on the part of customs brokers to maintain current expertise in all legislation surrounding importing and exporting. Your customs broker should pay close attention to customs compliance issues as well as considering the need for prompt movement of your goods. Knowledge of the correct tariff classification for your commodities will help minimize your duty and tax exposure.

For exporters, your customs broker can help you ensure that you follow compliant export reporting requirements in terms of both the manner and timing of export reporting to the Canada Customs and Revenue Agency. Your customs broker will also facilitate the accurate completion of all documentary requirements, including permits, invoicing, bills of lading, certificates of origin and other special certification, such as consular invoices. Additionally, your broker can offer valuable advice and assistance in meeting the requirements for security and bonding for USA-bound shipments as well as advising on the special requirements of other foreign destinations around the globe.

Look for a broker who can provide computerized clearance systems to facilitate Customs release at any port of arrival in Canada, for any mode of transportation. Ask about your broker's ability to release your shipment through direct EDI links with Canada Customs as well as Canada Customs automated ACROSS, CADEX, and PARS systems to get your goods moved across borders expeditiously. Participation in Canada Customs Courier Imports program can assist with smaller shipments arriving via couriers like UPS, Fed-Ex, Purolator, etc. being quickly released at the first port of arrival in Canada.

In addition to prompt clearance systems, your broker should have qualified and accredited staff (Canadian Society of Customs Brokers Customs Certified Specialist designation) and proven tariff expertise as well as some knowledge of the particular demands and commodities associated with your industry to ensure:

- Correct classification and application of end use tariff provisions
- Determination of accurate value for duty
- Requirements of other government departments
- Issuance of import and export permits
- Expedited release of your shipments
- Compliance under the Canada Customs AMPS program

By using the resources of a customs broker, small businesses are well positioned for international trade that is fully compliant with all Canadian and international customs regulations.

Customs Consulting

When you encounter more complex commodity tax and import issues, your customs broker should be able to provide consultants to work on your behalf in all areas of tariff research and the regulatory procedures of Canada Customs, The US Customs Service and other foreign customs as well as the requirements of other government agencies to ensure timely, creative and informed solutions to the most complicated situations. Since international trade law is complex and ever-changing, make sure your customs consultants maintain their knowledge by reviewing legislative changes to ensure that client import and exports are in compliance with the latest Customs legislative requirements and that your duty and tax exposure is maintained at the legal minimum. Consulting services include:

- Harmonized Tariff Classification
- Tariff and Valuation Rulings
- Duty Relief Programs, (Remission Orders, Tariff Codes, Drawback)
- NAFTA Origin Review
- Customs Compliance Verification Reviews
- Temporary Imports
- Exports for repair and return
- Special Import Measures Act (SIMA) Appeals
- HST Consultation
- Vessel Coasting Trade Applications

In today’s fast-paced trade environment, it is vital that your trading activities are correct and in compliance with all Customs and other government departments laws and regulations and that your customs specialist can assist in all import or export concerns.

Your Carrier

Your carrier's role is to provide the most, safe, efficient and, hopefully, cost-effective methods to transport of your goods utilizing a range of modes and routings for shipments of various size and weight, arriving at destination points anywhere in the world.

Your carrier can provide advice and guidance about the best equipment for the job, the most efficient routings and how to maximize value for your dollar in your freight buy.

Carriers should also provide different levels of service tailored to your specific cargo needs, meeting requirements for price, transit times, guarantees and quality. Additionally, your carrier should offer the option of consolidation services to provide savings opportunities.

Other services and qualities to look for in your carrier include:

- pick up and delivery services

- customs services
- documentation services
- local handling
- Dangerous Goods Handling
- C.O.D. deliveries
- Insurance
- Effective transit times
- A range of scheduling choices
- Guaranteed delivery
- Packing and containerization services
    - -specific packaging systems
    - -provision of packaging materials
    - -guidance about export packaging
- Good safety/claims record
- Acceptable insurance claims process
- Knowledge of foreign regulations
- Knowledge of transportation restrictions

Always think strategically when choosing your carrier by assessing proposed transportation requirements, freight volumes, anticipated shipment weights and dimensions, delivery timeframe requirements, etc. By selecting a carrier willing to tailor its services to suit your special requirements, you can take advantage of preferential rate schedules based on the volume, value and frequency of your shipments.

Your Warehouse Operator

The primary role of a warehouse operator is to provide for the safe storage of your goods pending customs clearance, pick-up, delivery, scheduled repairs, or for any other reason you may require your goods to be stored. In addition, many warehouse operators will also provide breakbulk and consolidation services for goods flowing through the warehouse en route to global destinations.

Look for the following range of services from your warehouse operator:

- ❖ Temporary or permanent storage
- ❖ Receiving of goods, including
    - ▪ Unloading
    - ▪ Inventory records
    - ▪ Inspection
    - ▪ Verification of count
- ❖ Transfer of goods, including
    - ▪ Movement of products into warehouse for storage
    - ▪ Movement to consolidation hubs
    - ▪ Movement to loading docks
- ❖ Customer Order Selection

        - Regrouping products according to customer demand
- Shipping
    - Moving goods onto carrier's equipment
    - Adjusting Inventory records
    - Checking orders to be shipped
- Packing and Marking
    - Preparing your goods for shipment
- Container stuffing and destuffing

Make sure your warehouse operator is aware of the special storage packaging and movement requirements of your goods and seek certification with the Canadian Food Inspection Agency if you ship goods to the European Union.

Your Financial Institution

Specialized information and advice about international financing and other trade -related services is available through the international banking centres at most chartered banks or accredited financial institutions. For exporters and manufacturers, your bank can often provide valuable assistance about documentary letters of credit, selected trade terms and other international banking services and, as such, makes a crucial supply chain partner for the settling of international accounts.

Government Agencies and Other Trade Resources

The following government departments and agency websites can be used as a resource for information and assistance for Canadian exporters:

Government of Canada

Foreign Affairs and International Trade Canada
www.dfait-maeci.gc.ca

Export Development Corporation
www.edc.ca

Team Canada: Information for Exporters
www.exportsource.ca

Transport Canada
www.tc.gc.ca

Trade & Transportation Corridors
www.corridors.gc.ca

Industry Canada
Strategis.ic.gc.ca

Canada Customs & Revenue Agency
www.ccra-adrc.gc.ca

Atlantic Canada Opportunities Agency
www.acoa.ca

Department of Finance
www.fin.gc.ca

Citizenship & Immigration Canada
www.cic.gc.ca

Canadian Food Inspection Agency
www.inspection.gc.ca

Government of Newfoundland and Labrador

Government of Newfoundland Resources for Exporters
www.gov.nf.ca/business/exporting.html

Canada Newfoundland & Labrador Business Service Centre
http://www.cbsc.org/nf/

Industry Trade and Rural Development Regional Economic Development Boards
http://www.gov.nf.ca/itrd/economicboards.htm

Links to Regional Economic Development Boards and Services
http://www.linkproject.nf.ca/

Industry Resources for Manufacturing

Canadian Manufacturers and Exporters Association
www.cme-mec.ca

Manufacturing Development: A Strategy for Small-Scale Manufacturing in Newfoundland and Labrador, May 1999
http://www.gov.nf.ca/releases/1999/drr/strategy/strategy.htm

Rural and Regional Economic Development

Canadian Rural Partnership
http://www.rural.gc.ca/

Capacity Building for Regional Economic Development- locally developed resource materials
http://www.cedresources.nf.net/

Women and Rural Economic Development
http://www.wred.org/

Boards of Trade and Chambers of Commerce

World Wide Chamber of Commerce Guide
www.chamberfind.com/canada/ Chamber_Canada

St. John's Board of Trade
www.boardoftrade.nfld.net

Mount Pearl Chamber of Commerce
www.mtpearl.nf.ca/ComProfile/page87.html

Gander Chamber of Commerce
www.ganderchamber.nf.ca

Corner Brook Chamber of Commerce
http://www.cornerbrook.com/business/dnonprofit.html

Labrador West Chamber of Commerce

www.chamberlabrador.com/wilderness.htm

Labrador North Chamber of Commerce
www.chamberlabrador.com/wilderness.htm

Clarenville Area Chamber of Commerce
www.stemnet.nf.ca/CAP/east/Clarenville/mainpage.htm

Bay St. George Chamber of Commerce
www.bsgcc.ca

Stephenville Chamber of Commerce
c/o www.town.stephenville.nf.ca

Baccalieu Trail Board of Trade
http://www.baccalieutrail.org

Exploits Valley Chamber of Commerce
www.grandfallswindsor.com/business/

SOURCES OF INFORMATION AND ADVICE FOR EXPORTERS

Risk Management and Insurance

ACOA Trade Toolkit - Export Financing and Risk Management Services
www.acoa.ca/e/business/trade/toolkit/toolkitfinancing.pdf

Canadian Board of Marine Underwriters
http://www.webcom.com/cbmu

Export Development Canada - Insurance Services
http://www.edc.ca

RISKMail
http://www.riskmail.org

Risk Assessment and Risk Management
www.mc2consulting.com/riskpage.htm

Intellectual Property

Canadian Intellectual Property Office
http://strategis.ic.gc.ca/sc_mrksv/cipo/welcome/welcom-e.html

GATT - Agreement on Trade-Related Aspects of Intellectual Property Rights
http://www.ladas.com/BULLETINS/1994/NAFTAGATT.html

Industry Canada's Intellectual Property Policy Information Page
http://strategis.ic.gc.ca/SSG/ip00001e.html

Intellectual Property - World Trade Organization
http://www.wto.org/english/tratop_e/trips_e/trips_e.htm

Federal Trade Missions

Team Canada and Business Development Missions
http://www.infoexport.gc.ca/busdev/menu-e.htm

CanadExport
http://dfait-maeci.gc.ca/canadexport/menu-en.asp

Market Information by Country

The following web sites contain market information on over 200 countries across the world and cover opportunities, contacts and business advice for Canadian exporters:

Agri-Food Trade Services - Market Information
http://ats.agr.ca/info/mkinfo-e.htm

Country E-thologies
http://www.e-thologies.com/en/default.asp

Canadian International Development Agency - Country Profiles
http://w3.acdi-cida.gc.ca/CIDAWEB/webcountry.nsf/index.html

Central Intelligence Agency (CIA) - World Factbook 2002
http://www.odci.gov/cia/publications/factbook/

Department of Foreign Affairs and International Trade: Market Reports
http://www.infoexport.gc.ca/ie-en/EServices.jsp

Export Development Canada - Market Research($)
http://www.edc.ca/prodserv/economics/index_e.htm

Strategis - Trade and Investment - Market Research (By Country)
http://strategis.ic.gc.ca/sc_mrkti/ibinddc/engdoc/1a1.html

ExportHotline - Country Research
http://www.exporthotline.com/index.html

Market Information by Sector

The following web sites contain market information by industry sector:

Trade Team Canada Sectors
http://ttcs.ic.gc.ca/epic/internet/intfas.nsf/vwGeneratedInterE/home

Department of Foreign Affairs and International Trade - Market Research Center and Other Market Reports and Contacts in Your Sector
http://www.infoexport.gc.ca/ie-en/IndustrySector.jsp

Strategis - Business Information by Sector
http://strategis.ic.gc.ca/sc_indps/engdoc/homepage.html

Solutions for Advanced Manufacturing (SAM)
http://strategis.ic.gc.ca/sc_indps/sam/engdoc/sam_hpg.html

Federal Financing programs

Explore the range of financing options to meet your export business needs ranging from counseling to pre and post shipment financing, and more.

Atlantic Canada Opportunities Agency (ACOA) - Business Development Program
http://www.acoa-apeca.gc.ca/e/financial/business.shtml

Canada/Atlantic COOPERATION Agreement on International Business Development
http://www.acoa-apeca.gc.ca/e/ibda/index.shtml

Export Financing Services
http://www.edc.ca/prodserv/financing/index_e.htm?Ad_ID=HPfine
Provides export financing to buyers of Canadian capital goods and services. With their export financing in place, you can offer your international buyers flexible financing and payment options to increase your competitive advantage. Direct loans, lines of credit, and equity investments available.

BDC Consulting Services
http://www.bdc.ca/en/business_solutions/consulting_group/projects/exporting.htm

Go global and increase profits with BDC. An export specialist can help your business become export-savvy: assess global opportunities, increase your production capacity, establish international trade contacts and distribution, and conform to international regulations.

Program for Export Market Development (PEMD)
http://www.dfait-maeci.gc.ca/pemd/menu-en.asp

A repayable grant made to companies to meet the costs of developing a new foreign market.

Progress Payment Program
http://www.ccc.ca/eng/images/content/publications/ppp.pdf

The program facilitates access to commercial sources of pre-shipment financing. This is a publication available on the Canadian Commercial Corporation's web site. (PDF)

International Financing Institutions (IFINet)
http://www.infoexport.gc.ca/ifinet/menu-e.htm

IFInet is your gateway to procurement business with the International Financial Institutions (IFIs) and United Nations (UN) agencies markets. These agencies spend millions each year to assist developing countries enhance their physical and social infrastructure.

Industrial Cooperation Program (ICP)
http://www.acdi-cida.gc.ca/inc

Provides financial support and advice to Canadian businesses planning sustainable business activities in developing countries in a variety of sectors.

Canadian International Development Agency (CIDA) - Obtaining Funding
http://w3.acdi-cida.gc.ca/gettingfunding.htm

Industrial Cooperation Program (CIDA-INC); CIDA's Renaissance Eastern Europe (REE) Program; Development Information Program (DIP); Canadian Technical Cooperation Trust Fund; Guide to CIDA's Bilateral Responsive Mechanism; and funding sources for: Multilateral and International Organizations, Canadian Non-Governmental Organizations, Canadian Universities and Colleges, Canadian Private Sector, Consultants and Individuals.

Trade Routes
http://www.canadianheritage.gc.ca/progs/ac-ca/progs/rc-tr/index_e.cfm

Trade Routes will facilitate access to international business opportunities for the arts and cultural sector. Additionally, organizations that have international business development projects in the performing arts, visual arts, film/video, television, sound recording, publishing, design, crafts, heritage restoration and preservation, and new media can submit applications to be considered for funding.

Farm Credit Corporation
http://www.fcc-sca.ca/english/index.shtml

FCC offers: On-farm processing of loan applications; extensive choice of interest and repayment terms, open or fixed, or long-term financing up to 29 years; repayment plans that fit your operation; optional life insurance; access to agricultural experts who can do a complete financial analysis of your business at your request.

1/1/82

(FOR USE ONLY WITH THE NEW MARINE POLICY FORM)

INSTITUTE CARGO CLAUSES (A)

RISKS COVERED

1 This insurance covers all risks of loss of or damage to the subject-matter insured except as provided in Clauses 4, 5, 6 and 7 below. Risks Clause

2 This insurance covers general average and salvage charges, adjusted or determined according to the contract of affreightment and/or the governing law and practice, incurred to avoid or in connection with the avoidance of loss from any cause except those excluded in Clauses 4, 5, 6 and 7 or elsewhere in General Average Clause

3 This insurance is extended to indemnify the Assured against such proportion of Liability under the contract of affreightment "Both to Blame Collision "Clause as is in respect of a loss recoverable hereunder. In the event of any claim by shipowners under the said Clause the Assured agree to notify the Underwriters who shall have the right, at their own cost and expense, to defend the Assured against such claim. "Both to Blame Collision" Clause

EXCLUSIONS

4 In no case shall this insurance cover General Exclusions Clause

4.1 loss damage or expense attributable to willful misconduct of the Assured

4.2 ordinary leakage, ordinary loss in weight or volume, or ordinary wear and tear of the subject-matter insured

4.3 loss damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject-matter insured (for the purpose of this Clause 4.3 "packing" shall be deemed to include stowage in a container or liftvan but only when such stowage is carried out prior to attachment of this insurance or by the Assured or their servants)

4.4 loss damage or expense caused by inherent vice or nature of the subject-matter insured

4.5 loss damage or expense proximately caused by delay, even though the delay be caused by a risk insured against (except expenses payable under Clause 2 above)

4.6 loss damage or expense arising from insolvency or financial default of the owners managers charterers or operators of the vessel.

4.7 loss damage or expense arising from the use of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

5 5.1 In no case shall this insurance cover loss damage or expense arising from Unseaworthiness and Unfitness Exlusion Clause

unseaworthiness of vessel or craft,
unfitness of vessel craft conveyance container or liftvan for the safe carriage of the subject-matter insured,

where the Assured or their servants are privy to such unseaworthiness or unfitness, at the time the subject-matter insured is loaded therein.

5.2 The Underwriters waive any breach of the implied warranties of seaworthiness of the ship and fitness of the ship to carry the subject-matter insured to destination, unless the Assured or their servants are privy to such unseaworthiness or unfitness.

6 In no case shall this insurance cover loss damage or expense caused by War Exclusion Clause

6.1 war civil war revolution rebellion insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power.

6.2 capture seizure arrest restraint or detainment (piracy excepted), and the consequences thereof or any attempt thereat

6.3 derelict mines torpedoes bombs or other derelict weapons of war.

7 In no case shall this insurance cover loss damage or expense Strikes Exclusion Clause

7.1 caused by strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions

7.2 resulting from strikes, locked-out labour disturbances, riots or civil commotions

7.3 caused by any terrorist or any person acting from a political motive.

DURATION

8 8.1 This insurance attaches from the time the goods leave the warehouse or place of storage at the place named herein for the commencement of the transit, continues during the ordinary course of transit and terminates either Transit Clause

8.1.1 on delivery to the Consignees' or other final warehouse or place of storage at the destination named herein.

8.1.2 on delivery to any other warehouse or place of storage, whether prior to or at the destination named herein,

8.1.2.1 for storage other than in the ordinary course of transit or

8.1.2.2 for allocation or distribution or

8.1.3 on the expiry of 60 days after completion of discharge overside of the goods hereby insured from the oversea vessel at the final port of discharge,

whichever shall first occur.

8.2 If, after discharge overside from the oversea vessel at the final port of discharge, but prior to termination of this insurance, the goods are to be forwarded to a destination other than that to which they are insured hereunder, this insurance, whilst remaining subject to termination as provided for above, shall not extend beyond the commencement of transit to such other destination.

8.3 This insurance shall remain in force (subject to termination as provided for above and to the provisions of Clause 9 below) during delay beyond the control of the Assured, any deviation, forced discharge, reshipment or transhipment and during any variation of the adventure arising from the exercise of a liberty granted to shipowners or charterers under the contract of affreightment.

9 If owing to circumstances beyond the control of the Assured either the contract of carriage is terminated at a port or place other than the destination named therein or the transit is otherwise terminated before delivery of the goods as provided for in Clause 8 above, then this insurance shall also terminate *unless prompt notice is given to the Underwriters and continuation of cover is requested when the insurance shall remain in force, subject to an additional premium if required by the Underwriters,* either. Termination of Contract of Carriage Clause

9.1 until the goods are sold and delivered at such port or place, or, unless otherwise specially agreed, until the expiry of 60 days after arrival of the goods hereby insured at such port or place, whichever shall first occur,

or

9.2 if the goods are forwarded within the said period of 60 days (or any agreed extension thereof) to the destination named herein or to any other destination , until terminated in accordance with the provisions of Clause 8 above.

10 Where, after attachment of this insurance, the destination is changed by the Assured, *held covered at a premium and on conditions to be arranged subject to prompt notice being given to the Underwriters.* Change of Voyage Clause

CLAIMS

11 11.1 In order to recover under this insurance the Assured must have an insurable interest in the subject-matter insured at the time of the loss. Insurable Interest Clause

11.2 Subject to 11.1 above, the Assured shall be entitled to recover for insured loss occurring during the period covered by this insurance, notwithstanding that the loss occurred before the contract of insurance was concluded, unless the Assured were aware of the loss and the Underwriters were not.

12 Where, as a result of the operation of a risk covered by this insurance, the insured transit is terminated at a place other than that to which the subject-matter is covered under this insurance, the Underwriters will reimburse the Assured for any extra charges properly and reasonably incurred in unloading storing and forwarding the subject-matter to the destination to which it is insured hereunder. Forwarding Charges Clause

This Clause 12, which does not apply to general average or salvage charges, shall be subject to the exclusions contained in Clauses 4, 5, 6 and 7 above, and shall not include charges arising from the fault negligence insolvency or financial default of the Assured or their servants.

13 No claim for Constructive Total Loss shall be recoverable hereunder unless the subject-matter insured is reasonably abandoned either on account of its actual total loss appearing to be unavoidable or because the cost of recovering, reconditioning and forwarding the subject-matter to the destination to which it is insured would exceed its value on arrival. Constructive Total Loss

14. 14.1 If any Increased Value insurance is effected by the Assured on the cargo insured herein the agreed value of the cargo shall be deemed to be increased to the total amount insured under this insurance and all Increased Value insurances covering the loss, and liability under this insurance shall be in such proportion as the sum insured herein bears to such total amount insured. Increased Value Clause

In the event of claim the Assured shall provide the Underwriters with evidence of the amounts insured under all other insurances.

14.2 **Where this insurance is on Increased Value the following clause shall apply:**
The agreed value of the cargo shall be deemed to be equal to the total amount insured under the primary insurance and all Increased Value insurances covering the loss and effected on the cargo by the Assured, and liability under this insurance shall be in such proportion as the sum insured herein bears to such total amount insured.

In the event of claim the Assured shall provide the Underwriters with evidence of the amounts insured under all other insurances.

BENEFIT OF INSURANCE

15 This insurance shall not inure to the benefit of the carrier or other bailee. Not to Inure Clause

MINIMISING LOSSES

16 It is the duty of the Assured and their servants and agents in respect of loss recoverable hereunder

16.1 to take such measures as may be reasonable for the purpose of averting or minimising such loss, Duty of Assured Clause

and

16.2 to ensure that all rights against carriers, bailees or other third parties are properly preserved and exercised and the Underwriters will, in addition to any loss recoverable hereunder, reimburse the Assured for any charges properly and reasonably incurred in pursuance of these duties.

17 Measures taken by the Assured or the Underwriters with the object of saving, protecting or recovering the subject-matter insured shall not be considered as a waiver or acceptance of abandonment or otherwise prejudice the rights of either party. Waiver Clause

AVOIDANCE OF DELAY

18 It is a condition of this insurance that the Assured shall act with reasonable dispatch in all circumstances within their control — Reasonable Despatch Clause

LAW AND PRACTICE

19 This insurance is subject to English law and practice. — English Law and Practice Clause

NOTE:-*It is necessary for the Assured when they become aware of an event which is "held covered" under this insurance to give prompt notice to the Underwriters and the right to such cover is dependent upon compliance with this obligation.*

THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Security and the Business Community – a Cross-Border Checklist

Why should business care about security?

Within hours of the World Trade Center attacks, traffic flows at the Canada-U.S. border came to a halt, disrupting the largest two-way trading relationship in the world. Unpredictable wait times and inspection delays continued to put just-in-time delivery schedules at risk, threatening production lines. Some plants were forced to reduce or stop production.

A valuable lesson learned from the events of September 11 was that enterprises are interdependent and, therefore, vulnerable -- a single event in one part of the world can impact firms operating thousands of miles away.

Countries do not trade – businesses do. It is the sum of business activity that makes up a country's trade and investment patterns. Given this, business has a crucial role to play in assuring security, as secure business operations are a critical part of the solution. Business must not be seen as the problem. It is not solely a government responsibility to ensure security.

Following September 11, 2001, the business community worked closely with the Canadian and U.S. governments to strengthen border security and ensure efficient trade access. With the implementation of the *Manley-Ridge Smart Border Declaration* and its 30-point action plan, a smart border is being built, using state of-the-art-technology to expedite the flow of low-risk people and goods, while providing effective security.

Today, some eighteen months after 09/11/01, Canadians find themselves in an environment of growing uncertainty and conflict. While businesses cannot protect themsleves from every potential threat, they can (and must) lessen its risks considerably. Each business and company knows its own operations best and hence can take steps appropriate to its own situation. Outlined below are some general points and approaches that you may find useful to safeguard your operations and employees, as well as contributing to a higher level of Canada-U.S. security.

A CHECKLIST FOR YOUR BUSINESS OPERATIONS

- **Securing Business Networks**

✓ Review the security of company facilities and operations, especially the security of loading facilities and transportation vehicles. An audit of security practices throughout the supply chain may be worthwhile.

✓ Discuss with your supply chain partners (Canadian & US customs brokers, U.S. customers/partners), strategies for minimizing business vulnerabilities and maximizing security.

✓ Ask your customs broker to clarify your responsibilities versus theirs for cross-border movement of goods.

✓ Upgrade software/hardware to prepare for an era of electronic manifest documentation.

✓ Use reputable freight forwarders and transportation companies and regularly review with them their security procedures when carrying your company's goods.

✓ Ask your carrier and your purchaser if they are enrolled in C-TPAT/FAST. Through these programs, carriers and importers are offered expedited clearance processes at the busiest border points.

✓ Reevaluate geographic location - consider if all employees and IT infrastructure need to work in one location.

- **The Role of Employees**

✓ Know your employees - government programs and many customers will demand thorough security checks for all employees. Ensure that employees have the proper documentation for crossing borders.

✓ Educate your employees about the security imperative and every individual's role in ensuring that security is assured at all stages of production and transportation.

✓ Train your employees - schedule periodic training and drills in crisis response, including protection and evacuation procedures.

✓ Ensure employees understand the need for carefully completing customs documentation and its role in assuring security.

✓ Empower people to be part of the risk-management system – set up an employer-employee committee to

Checklist cont'd

deal with all aspects of security and have a company and facility-specific security plan, with responsibilities clearly defined for all employees.

- ✓ Implement crisis communication capabilities – set up a system that will allow the firm to be able to quickly deploy messages to all employees in order to deal with or prevent a security threat.
- ✓ Inform employees about the risks of travelling and doing business abroad.
- ✓ Report suspicious events or irregular activities to the local police and Canadian Customs and Revenue Agency (CCRA) staff.

- **Preparing for Disruptions**

- ✓ Have a backup plan for border crossings, including options for other transportation modes.
- ✓ Validate any rumours about long border delays by checking the CCRA or U.S. Customs Web sites (*see following*).

Key Contacts and Programs to Help with Pre-Clearance

There are a number of pre-clearance services available to help get products across the border. In the event of a border slowdown those shipments that are registered through pre-clearance programs will be processed first and faster. Shipments that have not been pre-cleared become second priority and end up in long lines, regardless of timelines or spoilage. To minimize disruptions to your business, it is strongly recommended that companies register for the program(s) that best suit individual business needs. Not all programs are yet available in every region of the country. Following are links to pre-clearance and border related Web sites that provide program explanations, cost structures and implementation schedules.

NEXUS

The NEXUS program is designed to simplify border crossings for pre-approved, low-risk travellers. *For more information, call toll free: 1(866) NEXUS 26 (1-866-639-8726) or see the following Web site:*
http://www.ccra-adrc.gc.ca/customs/individuals/nexus/menu-e.html

Customs Self Assessment Program

Approved participants enjoy the benefits of: a streamlined accounting and payment process for all imported goods; and a streamlined clearance process for eligible goods when an approved carrier and driver registered with the *Commercial Driver Registration Program* (CDRP) are involved.
http://www.ccra-adrc.gc.ca/newsroom/factsheets/2003/jan/csa-e.html

Free and Secure Trade (FAST) Program

FAST supports moving pre-approved eligible goods across the border quickly and verifying trade compliance away from the border.
http://www.ccra-adrc.gc.ca/customs/business/importing/fast/menu-e.html

CANPASS Private and Corporate Air Programs

Enhanced customs services for pre-approved, low-risk travellers whose flights originate in the United States.
http://www.ccra-adrc.gc.ca/newsroom/factsheets/2002/mar/canpass-e.html

Border wait times

For up-to-the-minute reporting on traffic levels at border crossings across Canada and the U.S.

- ***Canada***

http://www.ccra-adrc.gc.ca/customs/general/times/menu-e.html

- ***United States***

http://nemo.customs.gov/process/bordertimes/bordertimes.asp

Identification Requirements

It is important to carry appropriate travel documents when crossing the border.
http://www.ccra-adrc.gc.ca/E/pub/cp/rc4044/rc4044-e.html#P144_3730

Please note: Given the changed nature of travel since 09/11, the Canadian Chamber of Commerce advises all of its members to plan ahead when travelling to the U.S. - even for short periods of time. All travellers should carry proper documentation for border purposes. Travellers will find the site www.voyage.gc.ca useful for all kinds of travel information and advice.

The Canadian Chamber of Commerce is Canada's largest and most representative business association. It speaks for 170,000 members in over 350 local chambers of commerce.

As a strong advocate for business, the Chamber has been, and continues to be, active on border security and trade efficiency issues.

For further information on this issue or to join the Canadian Chamber of Commerce Border Working Group, contact Alexander Lofthouse, (416) 868-6415, x234.

THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Appendix "C" Glossaries

<u>Glossary of International Trade Terms</u>

Exporting is more complex than selling in a domestic market. It is helpful to familiarize yourself with key trade expressions and techniques. Among other areas, you should understand some or all of the following aspects:

- the laws, regulations and practices governing your product or service in your target market;
- export documentation, including invoices, bills of lading, certificates of origin, and health and safety certificates;
- tariffs, customs duties and processing fees as well as taxes payable on your shipment;
- export-related services offered by brokers, trading houses, agents, freight forwarders and insurance companies;
- how to label, pack, transport and store your products;
- payment options such as letters of credit, bills of exchange and open account transactions.

General Terms

International trade carries its own particular terminology. The following are general trade expressions that new exporters will encounter in published sources and trade discussions.

<u>Anti-dumping Duty</u>: A special duty imposed to offset the price effect of dumping that has been determined to be materially to domestic producers. (See also Dumping.)

<u>Countertrade</u>: A general expression meaning the sale or barter of goods on a reciprocal basis. There may also be multilateral transactions involved.

<u>Countervailing Duties</u>: Additional duties imposed by an importing country to offset government subsidies in an exporting country, when the subsidized imports cause material injury to domestic industry in the importing country.

<u>Dumping</u>: The sale of an imported commodity at a price lower than that at which it is sold within the exporting country. Dumping is considered an actionable trade practice when it disrupts markets and injures producers of competitive products in the importing country. Article VI of the General

Agreement on Tariffs and Trade permits the imposition of special antidumping duties against dumped goods equal to the difference between their export price and their normal value.
Export Quotas: Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain exports designed, for example, to protect domestic producers and consumers from temporary shortages of the goods affected or to bolster their prices in world markets.
Export Subsidies: Government payments or other financially quantifiable benefits provided to domestic producers or exporters contingent on the export of their goods and services.
GDP/GNP (Gross Domestic/National Product): The total of goods and services produced by a country.
Subsidy: An economic benefit granted by a government to producers of goods, often to strengthen their competitive position. The subsidy may be direct (e.g. cash grant) or indirect (e.g. low-interest export credits guaranteed by a government agency).
Surcharge or Surtax: A tariff or tax on imports in addition to the existing tariff, often used as a safeguard measure.
Tariff: A duty (or tax) levied on goods transported from one customs area to another. Tariffs raise the prices of imported goods, thus making them less competitive within the market of the importing country. Under the North American Free Trade Agreement, most tariffs on Canadian goods and services to the United States and Mexico have been eliminated.

INCO Terms

Shipping terms set the parameters for international shipments, specify points of origin and destination, outline conditions under which title is transferred from seller to buyer, and determine which party is responsible for shipping costs. They also indicate which party assumes the cost if merchandise is lost or damaged during transit. To provide a common terminology for international shipping, the following INCO terms have been developed under the auspices of the International Chamber of Commerce.
All Risk: This is the most comprehensive type of

transportation insurance, providing protection against all physical loss or damage from external causes.

Cost and Freight (C&F): The exporter pays the costs and freight necessary to get the goods to the named destination. The risk of loss or damage is assumed by the buyer once the goods are loaded at the port of embarkation.

Cost, Insurance and Freight (C.I.F.): The exporter pays the cost of goods, cargo and insurance plus all transportation charges to the named port of destination.

Delivered at Frontier: The exporter/seller's obligations are met when the goods arrive at the frontier, but before they reach the "customs border" of the importing country named in the sales contract. The expression is commonly used when goods are carried by road or rail.

Delivered Duty Paid: This expression puts maximum responsibility on the seller/exporter in terms of delivering the goods, assuming the risk of damage/loss and paying duty. It is at the other extreme from delivered ex works (see below), under which the seller assumes the least responsibility.

Delivered Ex Quay: The exporter/seller makes the goods available to the buyer on the quay or wharf at the destination named in the sales contract. There are two types of ex quay contracts in use: ex quay duty paid, whereby the seller incurs the liability to clear the goods for import, and ex quay duties on buyer's account, whereby the buyer assumes the responsibility.

Delivered Ex Ship: The exporter/seller must make the goods available to the buyer on board the ship at the location stipulated in the contract. All responsibility/cost for bringing the goods up to this point falls on the seller.

Delivered Ex Works: This minimal obligation requires the seller only to make the goods available to the buyer at the seller's premises or factory. The seller is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears all responsibility for transporting the goods from the seller's place of business to their destination.

Ex Works (EXW): The price quoted applies only at the point of origin and the seller agrees to place the goods at the disposal of the buyer at the specified place on the date or within the period fixed. All other charges are for the account of the buyer.

Free Alongside Ship (FAS): The seller quotes a price for the goods that includes charges for delivery of the goods alongside a vessel at the port. The seller handles the cost of unloading and wharfage, loading, ocean transportation, and insurance are left to the buyer.

Free Carrier...(named port): Recognizing the requirements of modern transport, including multimodal transport, this principle is similar to Free on Board (see below), except that the exporter's obligations are met when the goods are delivered into the custody of the carrier at the named port. The risk of loss/damage is transferred to the buyer at this time, and not at the ship's rail. The carrier can be any person contracted to transport the goods by road, sea, air, rail or a combination thereof.

Free of Particular Advantage (FPA): This type of transportation insurance provides the narrowest type of coverage - total losses, and partial losses at sea if the vessel sinks, burns or is stranded, are covered.

Free on Board (FOB): The goods are placed on board the vessel by the seller at the port of shipment specified in the sales contract. The risk of loss or damage is transferred to the buyer when the goods pass the ship's rail.

Free on Board Airport (FOB Airport): Based on the same principles as the ordinary FOB expression, the seller's obligation is fulfilled by delivering the goods to the air carrier at the specified airport of departure, at which point the risk of loss or damage is transferred to the buyer.

Free on Rail and Free on Truck (FOR/FOT): Again, the same principles apply as in the case of ordinary FOB, except that the goods are transported by rail.

With Average (WA): This type of transportation insurance provides protection from partial losses at sea.

Transportation and Delivery Terms

The following are common terms used in packing, labelling, transporting and delivering goods to international markets. They are in addition to the above INCO terms.

Area Control List: A list of countries to which any export (except humanitarian items) requires an export permit.

Bill of Lading (Ocean or Airway): A contract prepared by the carrier or the freight forwarder with the owner of the goods. The foreign buyer needs this document to take possession of the goods.

Certificate of Origin: A document that certifies the country where the product was made (i.e. its origin). A common export document, a certificate of origin is needed when exporting to many foreign markets. It must be used for Canadian-made goods to qualify for preferential tariff treatment under the North American Free Trade Agreement.

Commercial Invoice: A document prepared by the exporter or freight forwarder, and required by the foreign buyer, to prove ownership and arrange for payment to the exporter. It should provide basic information about the transaction, including description of goods, address of shipper and seller as well as delivery and payment terms. In some cases, the commercial invoice is used to assess customs duties.

Consular Invoice: A statement issued by a foreign consul in the exporting nation describing the goods purchased. Some foreign governments require Canadian exporters to first obtain consular invoices from their consulate in Canada. A fee is usually charged.

Customs Declaration: A document that traditionally accompanies exported goods bearing such information as the nature of the goods, their value, the consignee and their ultimate destination. Required for statistical purposes, it accompanies all controlled goods being exported under the appropriate permit.

Customs Invoice: A document used to clear goods through customs in the importing country by providing documentary evidence of the value of goods. In some cases, the commercial invoice (see above) may be used for this purpose.

Dock Receipt: A receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities. (See also Warehouse Receipt.)

Ex Factory: Used in price quotations, an expression referring to the price of goods at the exporter's

loading dock.
Export Control List: A list of goods and technologies that require export permits to be exported from Canada, pursuant to the Export and Import Permits Act.
Export Permit: A legal document that is necessary for the export of goods controlled by the Government of Canada, specifically goods included on the Export Control List (see above) or goods destined for countries on the Area Control List (see above).
Freight Forwarder: A service company that handles all aspects of export shipping for a fee.
Insurance Certificate: A document prepared by the exporter or freight forwarder to provide evidence that insurance against loss or damage has been obtained for the goods.
Landed Cost: The cost of the exported product at the port or point of entry into the foreign market, but before the addition of foreign tariffs, taxes, local packaging/assembly costs and local distributors' margins. Product modifications prior to shipment are included in the landed cost.
Packing List: A document prepared by the exporter showing the quantity and type of merchandise being shipped to the foreign customer.
Pro Forma Invoice: An invoice prepared by the exporter prior to shipping the goods, informing the buyer of the goods to be sent, their value and other key specifications.
Quotation: An offer by the exporter to sell the goods at a stated price and under certain conditions.
Warehouse Receipt: A receipt identifying the commodities deposited in a recognized warehouse. A non-negotiable warehouse receipt specifies to whom the deposited goods will be delivered or released. A negotiable receipt states that the commodities will be released to the bearer of the receipt.

Financial Terms

The following are the most commonly used terms in international trade financing.
Cash in Advance (Advance Payment): A foreign customer pays a Canadian exporter prior to actually receiving the exporter's product(s). It is the least-risk form of payment from the exporter's perspective.
Confirmed (or Irrevocable) Letter of Credit: A

Canadian bank confirms the validity of a letter of credit issued by a foreign bank on behalf of the foreign importer, guaranteeing payment to the Canadian exporter provided that all terms in the document have been met. An unconfirmed letter of credit does not guarantee payment so, if the foreign bank defaults, the Canadian exporter will not be paid. Canadian exporters should accept only confirmed/irrevocable letters of credit as a form of payment.

<u>Confirming House</u>: A company, based in a foreign country, that acts as a foreign buyer's agent and places confirmed orders with Canadian exporters. They guarantee payment to the exporters.

<u>Consignment</u>: Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pay the Canadian exporter. The seller retains ownership of the goods until they are sold, but also carries all of the financial burden and risk.

<u>Document of Title</u>: A document that provides evidence of entitlement to ownership of goods, e.g. carrier's bill of lading.

<u>Documentary Collection</u>: The exporter ships the goods to the foreign buyer without a confirmed letter of credit or any other form of payment guarantee.

<u>Documentary Credit (sight and term)</u>: A documentary credit calling for a sight draft means the exporter is entitled to receive payment on sight, i.e. upon presenting the draft to the bank. A term documentary credit may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

<u>Draft (Bill of Exchange)</u>: A written, unconditional order for payment from one party (the drawer) to another (the drawee). It directs the drawee to pay an indicated amount to the drawer. A sight draft calls for immediate payment. A term draft requires payment over a specified period.

<u>Export Financing House</u>: A company that purchases a Canadian exporter's foreign receivables on a non-recourse basis upon presentation of proper documentation. It then organizes export arrangements and provides front-end financing to the foreign buyer.

<u>Factoring House</u>: A company that buys export receivables at a discount.

<u>Open Account</u>: An arrangement in which goods are shipped to the foreign buyer before the Canadian

exporter receives payment.

Partnership, Alliance, and Market Entry Terms

The following expressions define the various types of partnership or alliance arrangements as well as methods of market entry common in international trade.

Agent: A foreign representative who tries to sell your product in the target market. The agent does not take possession of - and assumes no responsibility for - the goods. Agents are paid on a commission basis.

Co-marketing: Carried out on the basis of a fee or percentage of sales, co-marketing is an effective way to take advantage of existing distribution networks and a partner's knowledge of local markets.

Co-production: This arrangement involves the joint production of goods, enabling firms to optimize their own skills and resources as well as to take advantage of economies of scale.

Cross-licensing: In this form of partnership, each firm licenses products or services to the other. It is a relatively straightforward way for companies to share products or expertise.

Cross-manufacturing: This is a form of cross-licensing in which companies agree to manufacture each other's products. It can also be combined with co-marketing or co-promotion agreements.

Distributor (Importer): A foreign company that agrees to purchase a Canadian exporter's product(s), and then takes responsibility for storing, marketing and selling them.

Franchise: This a more specific form of licensing. The franchise is given the right to use a set of manufacturing or service delivery processes, along with established business systems or trademarks, and to control their use by contractual agreement.

Joint Venture: An independent business formed co-operatively by two or more parent firms. This type of partnership is often used to avoid restrictions on foreign ownership and for longer-term arrangements that require joint product development, manufacturing and marketing.

Licensing: Although not usually considered to be a form of partnership, licensing can lead to partnerships. In licensing arrangements, a firm sells the rights to use its products or services but retains

some control.
Trading House: A company specializing in the exporting and importing of goods produced or provided by other companies.

Legal Terms

The following are some of the more common legal terms encountered in international transactions.
Contract: A written or oral agreement which the law will enforce.
Copyright: Protection granted to the authors and creators of literary, artistic, dramatic and musical works, and sound recordings.
Intellectual Property: A collective term used to refer to new ideas, inventions, designs, writings, films, and so on, protected by copyright, patents and trademarks.
Patent: A right that entitles the patent holder, within the country which granted or recognizes the patent, to prevent all others for a set period of time, from using, making or selling the subject matter of the patent.
Trademark: A word, logo, shape or design, or type of lettering which reflects the goodwill or customer recognition that companies have in a particular product.

Appendix "D" Current Issues

Transportation Issues of Special Concern to Newfoundland & Labrador

The following examination of transportation issues is based on results of a study commissioned by Industry Canada with funding provided by the Economic Renewal Agreement between the Government of Canada & the Government of Newfoundland and Labrador. The study results were officially released by CME (Canadian Manufacturers and Exporters (Newfoundland and Labrador)) on November 12, 1998 based on research conducted during the fall of 1997 & the spring and summer of 1998.

Several key transportation issues were identified by shippers, carriers and other industry stakeholders as being of concern to Newfoundland and Labrador in particular:

Rail Rates and Service

With the discontinuation of a dedicated provincial railway in Newfoundland & Labrador, shippers in the province have absorbed the added cost of moving overland shipments via highway transport/ ferry service, to get goods off the island. Newfoundland & Labrador businesses are charged the standard motor carrier rates by the ferry service whereas other Maritime provinces have access to the much lower railway rates. The inconsistency of access to comparative rates has been called into question as contravening the Terms of Union which state that "for purposes of railway rate regulation, the Island of Newfoundland will be included in the Maritime region of Canada and through traffic moving between North Sydney and Port aux Basques will be treated as all-rail traffic."

Newfoundland shippers should be aware that CN has made a commitment to honour its constitutional obligation under the Terms of Union by providing rail access to CN in Port aux Basques. Many shippers are unaware of their access to this trade lane and its potential for through service to the North American continent. Shippers are further encouraged to access the Canadian Transportation Agency in an attempt to ensure the continued availability of this shipping option.

Privatization Issues- Airports and Marine Ports

The implementation of the Federal National Airport Policy in July 1994 and the subsequent passing of the Canada Marine Act in 1996 saw the federal government divesting much of its direct interest in the administration of airports and marine ports in favour of leasing arrangements with port authorities.

Airports
St. John's and Gander airports, which are owned by Transport Canada, are now leased by their respective airport authorities. Regional and local airports were sold/ will sell upon conclusion of transfer negotiations with local commissions. Airstrips on the coast of Labrador were included in a special agreement and will continue under this arrangement.

These privatization initiatives have been an important factor affecting the cost of air travel and the service levels available to shippers in Newfoundland and Labrador, necessitating support from the provincial government in negotiating optimal arrangements for taking over this important responsibility from the federal government.

Marine Ports
The 1996 Canada Marine Act provided for the establishment of Canadian Port Authorities for ports considered vital to domestic and international trade. From 1992 to 2002, the Federal Government divested itself from financial and managerial responsibility of all ports in Canada. As approximately 60% of inbound and outbound shipment to Newfoundland and Labrador are via water, the cost effects of this divestment has implications for the day to day functioning of shippers and carriers.

Marine Atlantic

The report cited concerns amongst Newfoundland and Labrador industries about the privatization of Marine Atlantic, as this service, at that time, represented 50% of the freight moving into or out of Newfoundland and Labrador. Also noted, were concerns about rates, service availability and deregulation.

Navigational Aids

User fees for navigational Aids and ice breaking were cited as being of concern to stakeholders and shippers using marine transport, especially in light of the impact such fees may have on demand for services.

Quebec Spring Weight Restrictions

Weight restrictions for trucks are typically imposed during the spring season to mitigate damage to road infrastructure. The Province of Quebec imposes weight restrictions on all highways during the spring thaw period, including many of the major routes used to move freight in and out of Newfoundland and Labrador. The impact of these restrictions has a detrimental effect with up to 20% losses in maximum payloads for roughly 2 months of the busiest shipping season in and out of the province. LTL shippers have little recourse but to bear this legislative obstacle to road transport. However, since the study was issued, ongoing discussions towards a mutually satisfactory resolution to the issue have been held between representatives from Atlantic Canada and Quebec.

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