

# Importer international trade risks and costs

## background

The Customs Brokers and Forwarders Council of Australia Inc (CBFCA) as the peak industry body representing Australian service providers to international trade logistics and supply chain management has developed this compendium of commentaries for importers and clients of CBFCA members to foster a better understanding of the way the supply chain operates in order for the trading community to maximise benefits, ensure the efficient flow of goods in the international trade process and awareness of their regulatory compliance.

### Importer trade risks and costs

It should be noted in the international trade process that the risk(s) associated with trade are to the account of the parties to the contract of sale (buyer and seller). These risks relate to, inter alia:

- the goods
- transport arrangements
- regulatory requirements
- banking/financial arrangements applicable to the goods, and
- activities associated with the goods.

The inherent risk(s) of international trade while clearly understood and, in most instances referenced to clients, are not the responsibility of service providers involved in the international trade logistics and supply chain management process.

### What is the role of a service provider?

The international freight forwarder / customs broker is/are service provider(s) contracted to clients to ensure internationally traded goods move from the point of origin to the point of destination so as to arrive:

- at the right place

- at the right time
- at a price commensurate with the service level required noting the seller/buyer contract arrangements, origin, destination, mode of transport, regulatory compliance, importers arrangements as to customs duty and GST, cost as to consignment logistic movements and, always subject to carrier terms and conditions (ship, air, road, rail) including but not limited to weather, general average and acts of God.

To achieve these objectives requires expertise across a wide variety of processes, including:

- international freight forwarding (import and export)
- barrier clearance - customs and quarantine
- transportation and its security - all modes (sea, air, rail, road and post)
- warehouse / distribution, and
- supply chain management.

### Issues which are outside the service providers control

In many cases contractual issues as to the supply and delivery of goods are undertaken by the importer without consultation with service providers and the outcomes of these arrangements

are, in the main, outside the control of service providers. Additional costs created which may result from such arrangements are not as a result of, or indeed the responsibility of the service provider who may only be charged with the task of facilitating the import consignment through the barrier process on the client's behalf.

The under mentioned issues impact on the cost effective and cost efficient process of cargo management:

- overseas supplier's incorrect documentation or information
- late receipt of document (s) from the importer, supplier, their forwarder or other third party resulting in delayed regulatory clearance and inherent additional costs
- importer failing to provide disbursements (freight charges, port service charges, customs duty and GST etc) for financial / cash flow requirements prior to cargo release from regulatory control (which may incur additional logistic costs)

### The role of the service provider is not to finance importers logistic costs.

- increased border security and introduction of the Australian Customs and Border Protection Service (ACBP) x-ray and

An initiative of:



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- physical inspection processes
- increased biosecurity (Department of Agriculture) interventions and external container cleanliness examination
- mismatch of operating hours between stevedores, transport / logistics service providers, empty container parks, regulatory authorities, importers, exporters and other stakeholders involved in the international supply chain
- delays experienced in the international supply chain due to unexpected changes in shipping and airline schedules
- damaged cargo (issues contributing to that damage) requiring insurance oversight
- ship, airline, stevedore and bonded cargo terminal operations, unpack and freight availability date
- terminal operations, road, rail and weather conditions, and
- late or incorrect e-cargo manifest reporting by shipping line, airline or forwarder.

### Common costs which are outside the control of the service provider

Government fees such as customs and quarantine (customs duty, other taxes, import declaration fees, inspection fee etc)

- port infrastructure fee
- port license fee
- port service charges
- stevedore storage fee
- time slot booking fee
- empty container park booking fee

- empty container detention fee
- transport costs including fuel levy, truck detention fee, futile trip fee etc
- shipping line fees such as (freight, CAF & BAF, port service charges, security fee, documentation fee etc)
- financial credit card fees
- registration with ATO for GST deferral (your customs broker or accountant can advise on this issue)
- payment of your customs duty directly to the ACBP (your customs broker can advise on EFT security and accountability)
- infringement of copyright, trade-mark, intellectual property or commerce marking
- non-disclosure of information effecting; transport and handling, tariff classification valuation, prohibited and restricted goods or those requiring permits or a licence

### The role of the importer and mitigation of risk in international trade

Operating in the international supply chain is a difficult and complex task which requires extensive knowledge of how the supply chain operates and parties interact. It is important for importers to partner with their service provider(s) and work collectively to improve cost efficiency in the supply chain.

The following points highlight some key issues for importers to consider as to:

- legal advice being sought

before entering into international trade contracts

- advice from your service provider(s) involved in international trade facilitation
- understanding of Australian regulatory (and documentary) requirements before importation (or exportation) of goods
- appropriate insurance cover to minimize international trading risks
- being aware in time inventory has inherent risk as delays can occur in the international supply chain
- providing **ALL** necessary documentation early to allow ACBP clearance (and other statutory requirements) before freight arrival
- flexibility for the receipt of containers, (extended operating hours to align with stevedores and logistics service providers) and the timely return of the container by notification to the transport operator

**The referenced issues are outside the control of your logistics solution provider. Additional costs created by the compounding effects of lack of awareness of the requirements in the complexity of the supply chain are NOT as a result of, or indeed, the responsibility of your logistics solution provider.**