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OCEAN IMPORT FOR SMALL AND MEDIUM SIZED ENTERPRISES

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ABSTRACT

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Small and medium sized enterprises often lack knowledge of import procedures and requirements. At the same time businesses are increasingly focusing on cost savings. Logistics is one of the biggest costs for imported goods and focusing on optimising logistics processes is efficient way to make savings. Optimising logistics, however, requires understanding of how the process works.

This thesis will explore ocean import from third countries to Finland as a whole door-to-door process. The thesis is written by experienced freight forwarder aiming to provide information for small and medium sized enterprises on how to handle and better their logistics. The purpose of this thesis is to gather all essential information in a convenient, easy to read and easy to apply form.

First job was to outline the process as a whole through written material and experience on the field. Then main problems that small and medium sized enterprises often face were identified and highlighted on the thesis to provide added value to the reader.

As a result of the thesis, a comprehensive package of knowledge was gathered in one covers. With this knowledge small and medium sized enterprises are able to review and better their processes when it comes to ocean import.

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logistics, ocean freight, import

CONTENTS

ABBREVIATIONS AND TERMS

AREX	Safety and Security Declaration Service of Finnish Customs
BL	Bill of Lading
CFS	Container freight station
EUR.1	Certificate of origin
FCL	Full container load
FLEGT license	Forest Law Enforcement, Governance and Trade license
Form A	Certificate of origin
GSP	Certificate of origin
HS code	Harmonised tariff code, customs tariff code
ISF	Import service fee
ISPS	International Ship and Port Facility Security Code, legislation to enhance safety on board and in ports
LCL	Less than container load
MRN	Movement reference number
N.V.O.C.C	Non Vessel Operating Common Carrier
OBL	Original Bill of Lading
SAD	Single Administrative Document for customs clearance
SME	Small and medium sized enterprise
SOP	Standard operating procedure
SWB	Sea Waybill
TARIC	The integrated Tariff of the European Union, database of customs codes
TEU	Twenty foot equivalent, used to measure container size
W/M	Weight or measurement, used in pricing of freight

1 INTRODUCTION

Shipping industry is something that dominates international business, yet it is fairly invisible to consumer and unknown to small and medium sized enterprises (SME's). Behind every item, there is a long chain of logistics functions that has been performed before the goods are on the market or in manufacturing production in Finland. The reason logistics is such unknown territory for SME's is the fact that it is highly developed industry aimed to work seamlessly in order to provide good service to businesses and private persons.

Importing professionally from third countries, however, require knowledge of logistics and shipping to some extent. In the following chapters ocean import from third countries to Finland will be observed in a chronological order. This will help to see "the bigger picture" and improve understanding logistics side of importing as a whole.

1.1 Thesis topic

In today's world where consumption is growing, the role of logistics is essential. Production of many items in both consumer market and in industrial business has been outsourced to lower cost countries in for example Asia. Therefore the importance of understanding logistics side of supply chain management has increased. Importing from countries such as China involves long transit time, costs and customs-related issues that one must take into account.

Importing for SME's may be challenging - there are rules and regulations, a variety of different documents required, timelines and procedures that one may not be familiar with. SME's are not only required to be professionals at their own field of expertise, those who are practicing importing are also required to understand rules, regulations and processes that come with it. At very least they are required to know where to seek the expertise.

Although a lot of import procedures and knowledge can be outsourced to freight forwarding companies, it is the benefit for any importer to fully understand the concept of ocean import. Understanding the import procedures and cost structure can be useful in

ordering processes - for example optimising quantities to order in relation to customer or production demand time- and cost-wise. Understanding the very basics of import customs clearance helps to make the process of import clearance smoother. As a professional of the field of importing, freight forwarder knows what questions to ask for from their client - but naturally the process runs smoother when both parties, freight forwarder and the importer, are aware of the requirements. Importing is not recommended to be approached with “learn by doing” method. At best, by investing in knowledge of import processes, it is possible to reduce costs. Not only by comparing prices, but also by reducing working hours required to manage import. Less working hours tied to logistics coordination means more time to be used to marketing or other things that will bring in the money.

This thesis is written describe the ocean import processes with hands on examples. This information may be utilized by SME’s who may not have the resources to have full-time in-house staff working with import. The thesis will focus on import from third countries (outside European Union) to Finland and will look into the process from the perspective of ocean freight. The import process is reviewed from beginning to end to provide importer a clear picture of what happens on each stage of the shipment and what is required to complete each stage.

The thesis is written by a logistics professional with several years of experience of logistics operations in ocean import - and several years of experience in the most common questions by importers. Many publications about import are focused on a small part of import, or they are too focused on purchasing point of view, or too focused on the logistics side. Navigating through bits and pieces of these publications is not ideal or even necessary for SME’s, whose main field of business may be something other than importing. Gathering information from several sources may cause more confusion than clarification.

Adding to the difficulty for SME’s to keep up with the import, some parts of import, such as regulations, may be fast changing. Year 2018 have brought new changes in import Value Added Tax reporting, transferring more responsibility from customs office to the importer.

1.2 Thesis objective, purpose and research questions

The objective of the thesis is to provide a bigger picture of ocean import process and answer most common questions SME's may have regarding logistics side and cost of ocean import. When starting importing commercially from third countries, the importer may have a variety of questions from how to book and arrange the transport to how to do it most cost-efficient. How long does the transport take? What is required for import customs clearance? Should one purchase freight on collect or prepaid terms? Collect means that the importer pays for the freight and has more responsibility of choosing the transport, and prepaid means that shipper has more responsibilities. As good as it sounds to let shipper do most of the work, it rarely is the most cost-efficient way to handle import. This is one of the most common mistakes done in importing, and one of the things addressed in the thesis.

The research questions have been identified as below. These questions are used in the research to meet the objectives of the thesis.

What does ocean import process include on door-to-door basis?
Why is it important to understand the ocean import process as importer?
How understanding the process will improve SME's business operations?

The purpose of this thesis is to gather all essential information in a convenient, easy to read and easy to apply form. Not all importers are required to be professionals in logistics operations, but understanding the bigger picture helps in many aspects of importing, such as product ordering cycle. Understanding the time and cost of transport makes it easier to optimise stock and reduce in warehousing cost. Understanding the most common import regulations makes the import customs clearance smoother. The smoother the operations run, less working hours it requires, and less costly it becomes.

Glossary will be added to answer sometimes trivial abbreviations and terminology of the industry. Especially for newcomers in importing business, the terminology alone may be a source of confusion.

1.3 Concepts and theory

When it comes to ocean import, there are three different dimensions to approach theory. These dimensions overlap with each other, creating complete picture of import process. Operational side focuses on the actual operative movements and procedures of the ocean freight. Freight forwarding point of view takes into account rules and regulations, documentation and types of services provided by the shipping industry. Concepts of procurement will complete the theory with wrapping the previous mentioned two as a package that can provide a guide for time- and cost efficient transport. All these three dimensions can be bundled under term Supply Chain Management.

Operational side

Big part of questions by importers relate to the transit time of their shipments. Many who are used to fast-paced transport on wheels are surprised by the slow pace of the ocean freight - shipments may not be loaded on board on the next day of ordering, or suddenly the shipment is delayed by a week. In order to be able to prepare for such events, understanding basics of ocean logistics side is useful.

As described by Ulla Tapaninen on Merenkulun Logistiikka, logistics is coordination of material flow from the origin factory to the end customer in a way that the shipment is delivered on time, in the correct place, minimising the additional cost. There is always capital tied in the logistics - wether it is on the transport or warehousing. The best way to reduce capital tied to logistics is to focus on reducing warehousing. Reducing warehousing may end up decreasing service level, which makes understanding logistics essential to prevent that from happening. (Tapaninen 2013, 34, 36)

In addition to time factor, one of the main reasons for SME's to focus on supply chain management is to reduce costs. Reducing capital tied in logistics is directly connected with procurement processes - one must understand both in order to successfully adjust ordering, transport lead times and warehousing. One method that can be used to reduce costs is use of freight forwarder.

Freight forwarding

Buying freight forwarding services in the field of import is a norm, and when done right, it helps to optimise logistics cost. Very few importers are able to handle the whole

door-to-door process with in-house staff because it requires knowledge of the logistics industry as well as contacts within the industry. As per Suomen Huolintaliikkeiden Liitto (Finnish Freight Forwarding and Logistics Association), the benefit of using freight forwarding services is that freight forwarders have large network overseas, under their own name or through subcontractors. Seamless working of the network enables the freight forwarder to arrange the deliveries providing door-to-door service. (Hörkkö, Koskinen, Laitinen, Mattsson, Ollikainen, Reinikainen & Wedermann 2010, 26.)

Use of freight forwarding services comes with benefits such as increased service level and decreased transport cost. The aim of freight forwarding is to make sure to keep importer up to date and to provide services with additional value for the importer. Big global corporations may have their own logistics departments, but even they are turning to freight forwarding services at least in some parts. For global corporations it is more common to agree on standard operating procedure (SOP) on global level and then apply the same SOP and prices on individual countries. The whole range of businesses may benefit from freight forwarding services – no matter the size of business. The benefits for different sized companies may be different though. Bigger corporations may already have the in-house knowledge of the logistics industry, but they benefit of global SOP and same standard level service in each country. Smaller businesses may not have as complex solutions and may not need as detailed SOP, but they benefit from the logistics knowledge that freight forwarders may provide.

Procurement

Portfolio analysis is one way of classifying and analysing procurement. The method invented by Peter Kraljicin in the 1980's is one of the most famous and is in use in many businesses regardless of the industry or the size of the company. (Ritvanen, Inkiläinen, von Bell & Santala 2011, 36-37.) Portfolio can be divided into routine products which need to be handled efficiently and with low cost, high volume products with which purchasing price is important, strategic products which has high impact on profit and critical products which has low impact on profit, but limited availability.

Depending on under what category the product falls in, the most optimal transport method can be determined. As slowest transport mode, ocean freight is most suitable for non-critical products. Ocean import is ideal for routine products that need to be handled with minimised cost compromised with fairly long transit time. Ocean freight is also

ideal for high volume products, due to the possibility to ship large quantities with good price. With larger quantities, a better price for the freight could also be negotiated. With strategic and critical products one may want to have back up option for faster transport. Again understanding the basic characteristics of ocean import helps procurement to determine the most suitable method of transport.

1.4 Research methods

One of the most important research methods when writing the thesis is utilising the practical experience from ocean import. The author of the thesis has several years of experience from freight forwarding industry as a freight forwarder, and therefore is able to focus research on the essentials when it comes to importing by ocean.

The structure of the thesis is outlined based on author's experience in the field of ocean import. Qualitative approach is then taken and the aim of the qualitative research is to provide accurate background information and deepen and analyse the outline of the thesis with facts. Qualitative methods include researching written material from three points of views as mentioned in previous chapter. The points of views are logistics, freight forwarding and purchasing - all of which are relevant to understand importing business.

Since logistics and import regulations are in some parts fast changing subjects, the sources for the research are carefully chosen. Literature can be used for researching more customary practices of the import process, such as terminology, transport documentation and basics of logistics. For faster changing aspects, such as customs regulations, data from trustworthy online sources is used. The online sources include data from Finnish customs office as well as European Union.

2 ADDING VALUE WITH SUPPLY CHAIN MANAGEMENT

For importing companies the majority of supply chain does exist even if there is no actual plan for supply chain management. Understanding the supply chain is the basic need and requirement for any company doing imports or planning to start importing. (Sakki 2014.) Supply chain that is well managed is competitive advantage and it increases profitability (Ritvanen et al. 2011, 180.). In following chapters, the supply chain will be looked into in more detail in the logistics and transport point of view.

2.1 Importance of understanding how supply chain works

Understanding supply chain not only can save businesses time; careful planning and understanding will also save money. Lack of planning and poor management of supply chain on import perspective can lead to costly delays caused by customs and delays in the goods flow, which can lead to poor customer satisfaction. (Branch 2008, 16.) In the world today businesses are optimising all of their processes in order to save money. There are two aspects in transport processes that can be optimised. First one being straight forward purchasing of the freight; aiming for the best transport contracts by comparing transport quotations is crucial. Secondly, time equals money, and reducing time used to control transport related issues saves working hours and money.

Global supply chain consists of several parts; transport, warehousing, packaging, IT-systems and procurement. Reducing logistics cost, improving IT-systems, securing supply and improving transparency of supply chain are the most important areas for development in international business. (Ritvanen et. al. 2011, 170-171.)

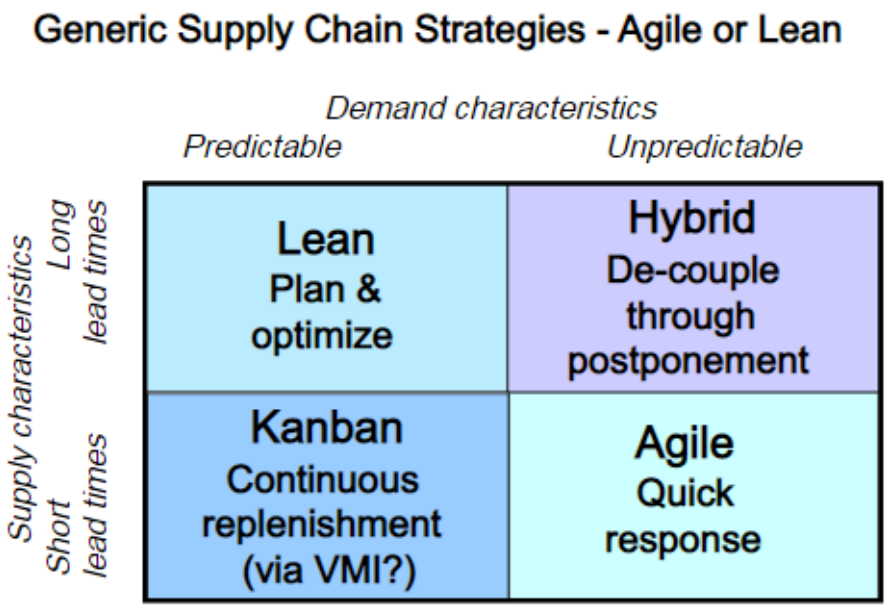
Global supply chain also contains more risks than domestic equivalent. Global procurement lengthens supply chain and makes it more complex, and increases risks for delays in supply for example due to political situations or pandemics. Delays in supply could be avoided by keeping higher stock levels, but it also means capital would be tied to stocks, which is directly connected to business profitability. (Ritvanen et. al. 2011, 170-171.)

Importing from Shanghai for example takes around six weeks by ocean. It is not uncommon that sailings are delayed by forces of nature such as typhoons. Typhoon could easily add extra week to the transit time. When the container is arriving to Finland, another risk for delay is at the transshipment port for example in Hamburg. A slight delay in Hamburg could cause another week of delay to Finland. In very rare and unfortunate case there may be delays in both origin and destination, and there is very little that can be done when the container is on board of ocean vessel. These risks need to be taken into account when entering into global procurement and global supply chain management.

Another good example of political risks is potential trade war between USA and EU. In 2018 president Donald Trump of USA has imposed import duty for steel and aluminum products from EU. In return, EU has imposed import duty for goods of USA origin. (Soisalon-Soininen 2018.) This means that importing from USA gets more expensive for Finnish customer due to increased import duty payments. This has direct impact on business profitability.

In logistics and ocean import perspective, to prevent above risks affecting business, precautionary methods should be considered. It is always good to have back up plan, for example using air freight instead of ocean freight in cases of urgency, or have back up supplier in case of production delay or increased production cost. Understanding the supply chain and risks is crucial for businesses in order to keep their service level and customer satisfaction level good in all situations.

There are different strategies for supply chain management (PICTURE 1). Choosing which one to use depends on supply and demand of the product in question. (Ritvanen et.al. 2011, 138.)



Christopher M., Logistics & Supply Chain Management, Pearson, 3rd edition, 2005, p 119

PICTURE 1: Supply chain strategies (Kirkaldy N.d.)

Agile approach is used when demand cannot be predicted and the transport time is short. **Lean** approach is taken when transport time is long, but the demand is predictable. If demand cannot be forecasted and the transport time is long, **hybrid** approach should be taken. Hybrid approach is combination of lean and agile, for example warehousing semi-finished goods that are easy to assembly into a finished product when the demand occurs. In de-couple point certain amount of buffer stock is kept to meet unpredictable demand. After de-couple point agile approach is used. **Kanban** is used if the demand can be predicted and the transport time is short and it means continuous replenishment. (Ritvanen et al. 2011, 138-139.) In ocean import perspective, the use of agile approach is out of question. For goods shipped by ocean, lean and hybrid approaches to supply chain are recommended.

Efficient management of supply chain is a competitive advantage. The end customer does not necessarily see the difference between parts of the supply chain, yet all parts of supply chain have impact on customer satisfaction and the reputation of importing business. All parts of the supply chain must work seamlessly in order to maintain good image in the eyes of the end customer. (Ritvanen et al. 2011, 188.) Customer satisfaction and reputation is directly connected to sales, so the importance of supply chain management cannot be highlighted too much.

2.2 Establishing business relationship with freight forwarder

Logistics service providers can be the solution and add value to the supply chain by making logistics faster and more cost efficient. The advantage and added value of logistics service provider is the professionalism they can provide as well as the reduced operational cost due to high volumes of handling shipments from their customers. Service provider can provide a variety of services such as warehousing, transporting and freight forwarding. (Sakki 2014, 7, 41.) It may be worth it to consider using service provider when in-house expertise is limited and hiring a full-time professional is too costly.

It is also worth it to consider updating purchasing strategy for transport. Should one ask individual “spot” quotations from service provider and pick and choose the cheapest one each time or should one choose just one service provider and create transport contract for a fixed time period. The downfall of asking spot quotations is the working hours consumed to do that. In addition to that, many service providers may not be willing to provide their best price for importer who does not guarantee transport volumes for the future. If you are going to save couple of hundred of dollars by comparing spot quotations - consider how much time you use to do so and how do you value your own time? It may be more profitable, in the long run, to establish a good relationship with one or two service providers with fixed time period transport contracts. When there is mutual trust between service provider and the importer, not only shipments run smoother and require less working hours as everyone is on the same page regarding practicalities, but also service provider is more likely to provide better price if the volume requirements are met. Commonly used strategy for regularly importing companies who use freight forwarding services is to use one specific service provider for a time period of one year and then after each year run a quotation round and choose the provider who meets all criteria for the next year.

Turku School of Economics together with World Bank conduct a logistics survey on regular basis. The survey looks into the logistics industry at the current state. In the research conducted in 2014, the conclusion was that there has not been remarkable difference compared to previous survey in 2012 in outsourcing within importing and exporting companies, but the attitudes have turned from optimism to more careful realism. The reason behind outsourcing is not as much the cost as much it is the improvement of company service level. The fear of loosing control and deteriorating service levels are

the main reasons for companies not to outsource many of their logistics services. (Solakivi, T. Ojala, L. Laari, S. Lorenz, H. Töyli, J. Malmsten, J. & Viherlehto, N. Turku School of Economics 2014, 149-153.) In order to avoid deteriorating service levels, one must focus on creating a business relationship with the service provider - wether it is a warehousing solution or a freight forwarding agency. As stated above, mutual trust and a good business relationship between service provider and the importer is the key to success.

As per the survey conducted by Turku School of Economics, international trade businesses have more wide range of outsourcing compared to industrial businesses - as much as 87% of businesses in the field of international trade have outsourced part or all of their logistics operations. 80% of the businesses have outsourced their freight forwarding. So even though the attitudes have turned somewhat reserved towards outsourcing, it is widely used in the business these days.

3 INTRODUCTION TO OCEAN FREIGHT

In following chapters ocean freight is looked into in several viewpoints. Each point is summarised as a list of recommendations in the Appendix 3 for quick reference.

Most of the Finnish import and export is shipped by ocean. In 2016 total of 43,5 tonnes with total value of 46,7 mrd. euros was shipped by ocean, totalling 84,4% of all import value (Tulli Ulkomaankauppa 2016 Taskutilasto N.d.). This is mostly dictated by the remote location of Finland.

The most common types of ocean freight is the liner service[1] and tramp service[2]. The basic difference between the two are that liner service works under a fixed sailing schedule and routing, whereas tramp service there is no schedule or pre-defined routing, and it is arranged based on needs of a customer. (Kansainväliset kuljetukset, merikuljetukset N.d.) Out of these liner service is what this thesis will focus on. More specifically the thesis will focus on container shipping as it is the most used form of transport in importing business.

Big and global liner service carriers sell container shipping services directly to importers and exporters, but the capacity of the liner service is also sold by N.V.O.C.C (Non Vessel Operating Common Carrier) - carriers that do not operate or own the ocean vessels. In addition to that freight agencies and freight service providers sell container shipping services provided by liner service carriers. (Merikuljetus, linjaliikenne N.d.) So in short, it is possible to buy container shipping services directly from vessel carrier, or from freight agencies. It can be questioned what is the logic of purchasing something from freight agency, when you can get it directly from carrier? The benefit of purchasing from freight agencies is that they provide additional value added services to the import process, and as customer to the vessel carriers, they are able to have competitive freight pricing due to high volumes shipped compared to a single importer.

There are two basic forms of container shipping: FCL (full container load) and LCL (less than container load). Big ocean vessels from far East arrive to Central European ports, where the containers are unloaded and reloaded onto smaller vessels - feeder ves-

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[1] Finnish linjaliikenne
[2] Finnish hakurahtiliikenne

sels - to be transported to Finland. (Kansainväliset kuljetukset, merikuljetukset N.d.) No ocean vessel is small enough to be able to sail all the way to Finland.

3.1 Full container load - FCL

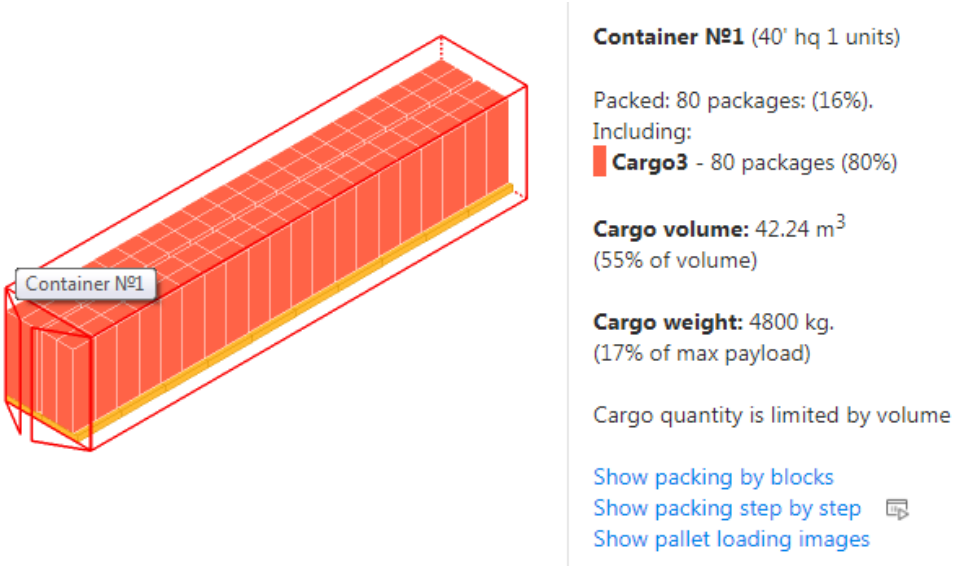
Full container load is self explanatory - a full capacity of the container is used for one customer (PICTURE 2). There are several sized containers out of which few are standardised and most commonly used. The most common types are 20 foot and 40 foot containers. In logistics business, container unit is TEU. 20 foot container equals one TEU, and 40 foot container is 2 TEU. In addition to standard 20’ and 40’ containers, there are range of containers for special uses. (Kansainväliset kuljetukset, merikuljetukset N.d.)

20’ Standard (20DC): Capacity 33,2 cbm, max payload 30150 kg
40’ Standard (40DC): Capacity 67,7 cbm, max payload 28750 kg
40’ Standard High Cube (40HC): Capacity 76,3 cbm, max payload 28600 kg
45’ Standard High Cube (45HC): Capacity 86 cbm, max payload 27700 kg
20’ and 40’ flatrack - a container without side walls and roof, for special sized cargo, max payload 42100 kg and 49100 kg
20’ and 40’ open top and hard top containers - with removable roof out of tarpaulin or hard metal - for special sized cargo, max payload 30030 kg and 28450 kg
20’ and 40’ reefer - temperature controlled containers: Capacity 28,1 cbm / 67,7cbm, max payload 29140 kg / 29580 kg
(Container types Hapag-Lloyd 2017)

Capacity and payload may vary slightly between different carriers. Above examples are from Hapag-Lloyd. Usually seller knows best the size of the container needed in order to ship the goods, but there are also online-based container load planning tools. The tool will calculate the load plan and the size of the container needed based on the cargo dimensions.

Full container is usually loaded by the shipper or the factory, and then sealed. This seal will only be broken by the importer when receiving the container. In some cases the seal may be broken by customs officials due to customs inspection. Shipper is responsible for loading the container on seaworthy condition. This means, that in case there is any

damage during the transport caused by loose cargo inside of the container, it is the responsibility of shipper.

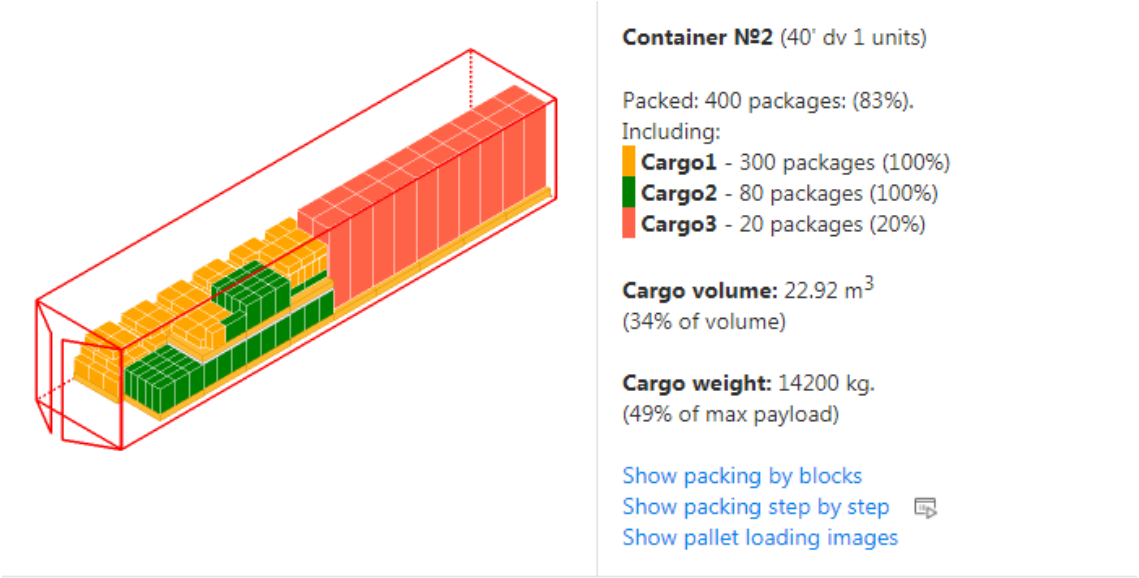


PICTURE 2: Example of full container for one customer (Searates stuffing N.d.)

3.2 Less than container load - LCL

Several LCL shipments for different customers are gathered to freight service provider's terminal (container freight station, CFS) to be consolidated and shipped in one full container (PICTURE 3). The container is shipped to the destination CFS, unloaded and the goods delivered to the customers. (Merikuljetus, linjaliikenne N.d.)

LCL is cheaper way of importing small volumes at a time. The break point which one is cheaper, LCL or FCL, depends on many things such as the weight of the shipment, current freight price levels, the port of departure, the port of destination and routing. Usually for normal weight shipments it starts to get cheaper to choose FCL when cubic meters are 17-18 or above. For heavy goods the break point is lower. One must also take into account that most of the LCL shipments arrive via Helsinki port, whereas FCL may be booked directly to other ports such as Kotka, Rauma or Oulu.



PICTURE 3: Example of LCL container (Searates stuffing N.d.)

3.3 When to use ocean freight

Ocean freight is considered to be the slowest, but also the cheapest way of transporting. It is especially suitable for high-volume shipments. Compared to air freight, also timeliness of arrival is more uncertain with ocean freight, due to long sailing distances and varying weather conditions, port congestion, public holidays, and such things that may affect on the sailing schedule. Ocean vessel from Asia visits several ports on the way to its final destination, and any delay in just one of them will highly likely cause delay in final destination as well.

When importing various kinds of items and considering method of transport, ABC analysis can be used. ABC analysis originates from Pareto 80/20 principle, and as per Pareto 80/20 principle can be assumed that 80% of products only bring 20% of turnover, and vice versa; 20% of products bring 80% of turnover. According to Sakki (2014) the Pareto principle can be monitored through ABC analysis, product A being the first 50% of sales or consumption, B being next 30% of the sales or consumption and C being next 18% of sales and consumption. As per Sakki, more letters can be added to the analysis for more marginal products or products that don't generate sales or consumption at all. The most important is to analyse individual products instead of product categories.

Product A is the most critical one, and depending on the stock levels, orders need to be placed frequently. (Sakki 2014.) The trade-off between high inventory and cost caused by stock out need to be determined. Using ocean freight for product A, a certain level of inventory must be maintained due to the long and sometimes unpredictable transit times. Careful order planning is required to avoid stock out or shutdown at production. On the contrary products B and C are more ideal to be shipped by ocean due to smaller impact on sales in case of stock out.

3.4 How to book ocean freight

There are more than one ways of booking ocean freight. What you need to do depends on what kind of service you want – do you want to be in control of the shipment from the beginning, paying for all cost of transport, or do you want shipper to handle all or most of the process.

3.4.1 Prepaid shipments

When the seller is paying for the ocean freight, the shipment is called prepaid. Depending on the agreement, the shipment can be prepaid up to the port of destination or all the way to the warehouse of buyer. With prepaid shipments seller books the ocean freight with their own contract carrier of choice. Seller will give buyer sailing details and the carrier will send buyer arrival notice once the shipment is arriving. Carrier bills ocean freight from shipper and shipper bills it from buyer directly or indirectly in the price of the product. Prepaid freight is in many ways convenient for buyer, but not the most cost-effective at all times.

If the freight is paid only up to the port or terminal, buyer is responsible for handling the rest of the import and cost related to that. Buyer can arrange the import on their own or they can buy freight forwarding service. Buying freight forwarding service at this point is common. Once the carrier sends arrival notice to the importer, they will also ask who is taking care of customs clearance. At this point importer should have a freight forwarding company in mind whose details they should give to the carrier. Carrier then

releases the shipment to the freight forwarding agency for processing import customs clearance and final delivery.

3.4.2 Collect shipments

Collect shipment means that buyer is paying for the freight. This shifts the responsibility of choosing the carrier from seller to buyer. Seller will book the freight with the carrier appointed by buyer, and the ocean freight is billed by carrier to buyer directly.

To book collect shipment buyer needs to contact shipping line or freight forwarding agency and book the freight from them. Prior to booking it is recommended to ask for freight quotations from several providers and compare the freight cost. If the business is continuous, lower freight rates may be possible to be achieved.

3.5 Freight forwarder

Freight forwarding is one of the most unknown parts of the supply chain. The most traditional forms of freight forwarding are customs clearance services, international transportation and pickup and delivery services related to international transportation. (Ritvanen et al. 2011, 121-122.)

In addition to these, freight forwarder provides variety of different services in material flow, information flow and cash flow. In addition to carrying and delivering the goods, material flow can include consolidation, quality control, sorting, return logistics, packing, project logistics and warehousing. Information flow does include data transfer between parties included in the transport, such as with offices in the origin country and with customs. Information flow can include additional services such as shipment reporting and electronic tracking services. Cash flow may include insurance payments, customs payments such as freight forwarder paying for the customs duty and VAT on behalf of buyer, providing that buyer does not have contract with customs. (Ritvanen et al. 2011, 123.)

Use of freight forwarding services can be an asset for buyer because of international transport is their core business. Freight forwarder is able to provide knowledge and consultancy that especially beginner importer might not have about transport related issues. Freight forwarder, however, is not the expert on the items imported by the buyer and buyer has the responsibility to find out about possible import licenses and other documentation required for the import. Based on the information provided by buyer, freight forwarder is able to provide consultancy regarding the paperwork as well.

Freight forwarders provide international transport in full containers (FCL) and as consolidated cargo (LCL). The transport can be restricted to one transport mode only, or it can be done by several transport modes. Using more than one transport mode is called multimodal transport; one leg of the route may be done on a ship and another leg by a truck. This is one of the benefits of using freight forwarder - door to door transport can be handled and controlled by one party. Freight forwarder has the expertise to plan the most cost-efficient routing, and since only one party is involved in the transport, the risk of unexpected cost is reduced. Freight forwarder may use subcontractors to provide its services, but for the buyer the freight forwarder is the only point of contact. Because of the high volumes of shipments handled by freight forwarders, the shipping price remains competitive even though subcontractors may be involved.

3.6 Bill of Lading, Sea Waybill and telex-release

Bill of Lading[3] (PICTURE 4), abbreviated BL or OBL, is a document that symbolises the physical goods (Hörkkö et al. 2010, 216). The one who has the possession of Bill of Lading, also has the legal possession of the goods. There are variations of Bill of Lading today, and depending on the purchase contract between seller and buyer, other, less formal documents can be issued.

Purpose of Bill of Lading

- Proof of transport contract
- Receipt of cargo shipped on board
- Agreement to deliver the cargo to the final destination

[3] Finnish: konossementti, merirahtikirja

- Agreement to release the cargo to the party who presents the original Bill of Lading

(Hörkkö et al. 2010, 216.)

Often times businesses may not completely understand the importance of Bill of Lading. The one who has the possession of original Bill of Lading also has the rights to the goods shipped. In case the Bill of Lading gets lost, there are letters of indemnity to be issued and bank guarantees to be set up. Let's assume that mail service lost the documents that shipper mailed to the importer. There is always a slight chance, though almost non-existing, that the originals may end up in wrong hands and some other party may claim the goods to themselves. To avoid this, shipping companies and service providers have strict procedure when originals go missing. The legal aspect is the reason why shipping companies will not release the shipment to you in case you lost your originals.

Payment term often dictates if the original Bill of Lading is needed. The growing trend is to arrange paperless release with Sea Waybill or telex-release.

Parties on Bill of Lading

- Carrier: the party responsible of arranging ocean transport
- Shipper: usually seller, or factory who releases the goods for transport
- Consignee: the named receiver of cargo

(Hörkkö et al. 2010, 216.)

Bill of Lading is usually created as per shipper's instructions. Therefore it is important for buyer to provide accurate information to the shipper when ordering goods. This comes increasingly important if more complex commercial transaction is behind the purchase. If you act as an agent for imported brand, but your customer is in Sweden and you would want to ship container directly from China to Sweden and not Finland at all. In those cases, you may not want your Swedish customer to know who the manufacturer actually is in China, and instead you may want to show your company as shipper on documents and the Swedish company as consignee on documents.

Bill of Lading in practice

- Shipping agency or ocean carrier will create Bill of Lading as 3 original documents and deliver them to shipper

- Shipper will deliver the document to buyer once all payments have been settled ac-cording to payment term. This may be via bank in case Letter of Credit is used as payment method, or by post / courier
- Buyer will either collect the Bill of Lading from bank or they will receive it via mail. Buyer needs to deliver the originals to the local agent of the shipping agency or ocean carrier in the country of destination. Freight can only be re-leased once the local agen-cy has the possession of originals

Sea Waybill (SWB) is similar to Bill of Lading, but it is not created as original docu-ment. In many ways Sea Waybill is the simplest form of transport document. The pur-pose and parties on Sea Waybill are same as on Bill of Lading, with only exception that the origi-nal is not needed, therefore paperless release is possible. Shipper will most likely agree to create Sea Waybill in case goods are fully paid in advance, before ship-ping.

Telex-release is used when shipper requires original Bill of Lading to be issued, due to payment term for example. Once the payment is settled, and in case the shipper has not yet delivered the original to consignee, the original may be telex-released. This means that shipper will return the original to the shipping agency or carrier, and apply for pa-perless release called telex-release. When telex-release is done, no originals are needed to be sent. Compared to Sea Waybill, telex-release gives more time for consignee to settle payment with shipper; shipment may be shipped and consignee may settle pay-ment during sailing time but before arrival.

From importer point of view, either Sea Waybill or telex-released Bill of Lading is ideal - neither requires additional time, cost and work of sending documents by mail. It is worth it checking with shipper if they agree to either of the two.

CARRIER
Finnlines Plc
P.O.BOX 197 FIN-00181 HELSINKI,FINLAND
Business ID FI02011539- Telephone +358(0)1034350

BILL OF LADING
FOR PORT TO PORT SHIPMENT
OR COMBINED TRANSPORT

Shipper Ref#
JOHN FERGUSON LTD
TEOLLISUUSTIE 198

33000 TAMPERE, FINLAND
FINNBL

Booking No. SF00550744
Ref. No.
Bl. No.
SF00550744

Consignee
MINING & MANUFACTURING
REDMOSS ROAD 60

ABERDEEN AB99 8AA, UNITED KINGDOM

Notify

Pre-carriage by
Place of receipt
Vessel FIC16057
FINNCARRIER
Port of loading
HELSINKI
Port of discharge
HULL
Place of delivery

9 000005 507444

PARTICULARS AS FURNISHED BY THE SHIPPER

Marks and Nos	Quantity	Kind of packages; description of goods	Weight kg.	Measurement CBM
CHASSIS NOS : JOFE46GCEAA080306	1	JOHN FERGUSON TRUCK Customs: EU Length: 10.81 Width: 3.1 Height: 3.9 Terms: W/W Total # of Packages : 1 Total weight : 22,220.00 KGS Total volume : 130.693 CBM	22,220.00 KGS	130.693 CBM

CARRIER'S RECEIPT
Total No. of Units: 1

RECEIVED the goods as specified above according to Shipper's declaration in apparent good order and condition - unless otherwise noted herein – weight, measure, marks, numbers, quality, contents and value unknown for carriage from the place of receipt or port of loading to the port of discharge or place of delivery, whichever is respectively applicable. One original of this Bill of Lading must be surrendered duly endorsed to the Carrier in exchange of the goods or delivery order.

The contract evidenced by this Bill of Lading is subject to the terms, conditions, exceptions, limitations and liberties hereof including the Standard Conditions of Carriage applicable to the entire transport covered by this Bill of Lading and operative on its date of issue. Except for live animals, and goods which are stated herein to be carried on deck and are so carried, the Standard Conditions of Carriage incorporate, insofar as no provisions contained in any international convention or mandatory national law apply to the carriage by sea, in respect of the sea portion of the transit, the Hague Rules contained in the Brussels Convention dated 25th August 1924 and any compulsory applicable national enactment of either the Hague Rules as such or as amended by the Hague-Visby Rules contained in the Brussels Protocol dated 23rd February 1968 and the protocol in relation to SDR's signed at Brussels on 21st December 1979.
The Standard Conditions of Carriage are available at http://www.finnlines.com/freight/customer_support and will be supplied on request. By accepting this Bill of Lading the Merchant expressly confirms having read the Standard Conditions of Carriage and accepts and agrees to all its stipulations and all stipulations stated herein. The Shipper accepts the Standard Conditions of Carriage on his own behalf and on behalf of the Consignee and/or the Owner of the goods and warrants that he has authority to do so. The rights and liabilities arising in accordance with the terms hereof shall become binding in all respects between the Carrier and the Holder as though the contract contained herein or evidenced hereby had been made between them.
In the event that the goods are not collected or are abandoned by the Receiver/Consignee, or detention/hire charges are not paid by the Receiver/Consignee, the Shipper shall be jointly and severally liable for the payment of detention/hire charges and any other charges including warehousing costs, fines and all other incidental expenses.
IN WITNESS whereof the number or original Bills of Lading stated herein have been signed, all of this tenor and date, one of which being accomplished the other(s) to be void.

Bill of Lading - DRAFT

Place and date of issue
Helsinki - Finnlines 27-NOV-2016

Ocean freight payable at
Helsinki -

No of original B/Ls
Three(3)

Signature
Finnlines PLC

Note: The Merchant's attention is called to the fact that according to Clauses 10 to 14 and Clauses 24 to 27 of the Standard Conditions of Carriage, the liability of the Carrier is, in most cases, limited in respect of loss of or damage to the goods and delay.

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PICTURE 4: Example of Bill of Lading (Logistiikan Maailma Konossementti Bill of Lading, N.d.)

3.7 Incoterms 2010

Seller and buyer agree about the delivery term when creating the sales contract. In ocean freight, the most common delivery terms used are the Incoterms 2010. Understanding the delivery terms is essential for importing companies.

Incoterm may even affect the purchase price of the goods between seller and buyer. When seller is paying for the freight, they may include shipping cost in the price of the goods rather than as a separate cost line. This may make it hard for buyer to compare the cost of delivery between prepaid (freight paid by seller) and collect (freight paid by buyer) Incoterms. The comparison, however, is essential in order to optimise logistics related cost. In some cases it can be more cost-effective to let shipper utilise their high volume freight contracts with carriers and use prepaid term - and in some cases collect term is more beneficial for buyer. For example if buyer has several factories around China from which they regularly import, buyer may want to negotiate a freight collect term contract with carrier or freight forwarder.

Incoterm also divides the responsibilities between seller and buyer (PICTURE 5). On the other hand any agreements on the sales contract will override the Incoterms (Branch 2008, 48-51).

SPECIFICATIONS	Departure from ware-house	Main transportation not paid by the seller			Main trasportation by the seller				Shipping charges paid by the seller until reaching destination point		
Incotern / Cost	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAT	DAP	DDP
Packaging	S	S	S	S	S	S	S	S	S	S	S
Loading from warehouse	B	S	S	S	S	S	S	S	S	S	S
Pre-carriage	B	S	S	S	S	S	S	S	S	S	S
Export customs clearance	B	S	S	S	S	S	S	S	S	S	S
Handling at departure	B	B	B	S	S	S	S	S	S	S	S
Main transportation	B	B	B	B	S	S	S	S	S	S	S
Transportation insurance	B	B	B	B	B	S	B	S	S*	S	S
Handling at arrival	B	B	B	B	B	B	B	B	S	S	S
Import customs clearance	B	B	B	B	B	B	B	B	B	B	S
Post-carriage	B	B	B	B	B	B	B	B	B	B	S
Unloading into warehouse	B	B	B	B	B	B	B	B	B	B	S

S: Cost paid by the seller
B: Cost paid by the buyer
* Non-mandatory

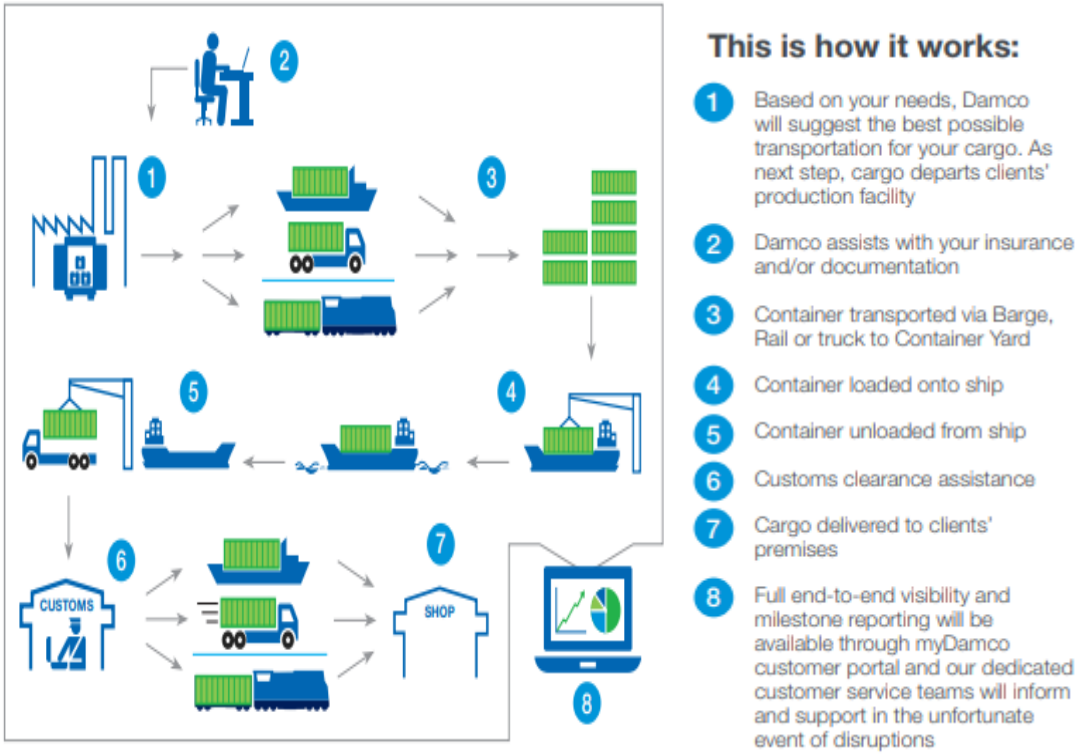
PICTURE 5: Chart of responsibilities based on Incoterms 2010 (Searates Incoterms 2010 N.d.)

Incoterms are listed in more detail in the Appendix 4. For more information and any updates, Incoterms 2010 are updated by the International Chamber of Commerce and the updates may be found from their website.

4 OCEAN FREIGHT DOOR-TO-DOOR PROCESS

This chapter describes the ocean import process and risks within the process. The process is looked into on door-to-door basis for both FCL and LCL shipments. Please see Appendix 1 and Appendix 2 for simplified process charts of import process. The charts are based on process charts by Logistiikan Maailma (Olen ostamassa N.d.).

The door-to-door process (PICTURE 6) may be arranged by freight forwarder completely or it can be broken down to legs handled by different parties such as freight forwarder, and importer's appointed trucking company. Below is picture of the process as a whole by Damco, one of the biggest service providers in freight forwarding.



PICTURE 6: Door-to-door process (Damco Global full-container-load, N.d.)

Incoterm used determines if a single freight forwarder will handle above process as a whole or if it will be broken down to several legs. With Incoterm EXW, the whole process will be handled by importer's freight forwarder, whereas with Incoterm DDP the whole process is handled by shipper's freight forwarder. Any other Incoterm used will break down the chain into legs that are performed by different freight forwarders or transport companies.

4.1 Before shipping

Before shipping, seller and the importer will draw a sales contract. On the sales contract shipper and importer will clarify following issues:

- The product and the quantity to be ordered
- The size of individual shipments if ordered larger quantities over a longer time period
- Type of packaging
- Delivery term (preferably as per Incoterms 2010)
- Payment term
- Possible discounts
- Delivery time
- Making sure the product meets the laws and regulations of the destination country

(Hörkkö et al. 2010, 28)

Importer is also responsible for checking if the product requires import licences or any other special import documentation (Hörkkö et al. 2010, 29). For example foodstuffs when of animal origin require veterinary inspection upon arrival, and health certificates issued in the origin country are required. Wooden products of certain origin countries require FLEGT license to make sure that they are legally produced. Importer has the responsibility to find out about these requirements prior to ordering. Failing to meet the laws and regulations of the destination country may lead to extra cost and major delays delivering the shipment, or in worst case discarding and destroying the goods under customs supervision upon arrival.

Importer should also find out if it is possible to have certificate of origin for the products (Hörkkö et al. 2010, 29). With certificate of origin, depending on the type of goods and the country of origin, reductions on customs duty payment may be available. In order to utilise this benefit, certificate of origin must be presented as original document upon arrival when doing the import customs clearance. One way of checking if the goods are entitled to duty reductions with certificate of origin is to check from TARIC online database. To do this one must know customs tariff code for the products. TARIC is looked into more in detail later in the customs section. In case tariff code is not

known or importer is unsure, they may ask from Finnish Customs customer service or their contract freight forwarder for expertise.

The responsibilities of the importer also include making sure that the intended transport method is possible, that the goods will be ready for shipping at the intended time and that the letter of credit is done on time, if it is required by the payment term (Hörkkö et al. 2010, 29). Intended transport method may not always be possible - for example air freight has understandably many requirements to be met. Generally speaking when importing from long distances such as Far East, ocean freight is the most allowing when it comes to loading restrictions. But even in ocean freight for example hazardous cargo has to have proper documentation in order for it to be allowed on board.

Once the sales contract and import requirements are done, the shipping process may begin. In case delivery term was agreed to be on prepaid terms, shipper will start arranging the delivery. In case the delivery term is collect (freight paid at destination), importer needs to contact shipping line or freight forwarding agency for transport contract.

Below is a checklist that importer needs to provide shipping line or freight forwarding agency in order to reach transport contract.

- Information and quantity of the goods, special requirements such as if it's hazardous cargo
- The size of the shipment. For ocean freight the most relevant measurements are cubic meters and weight of the shipment. Packaging size is important when the goods are of unusual shape.
- Type of packaging
- Delivery term
- Pick up address or intended port of loading, depending on the delivery term
- Delivery address in the country of destination
- If looking for long-term contract, the amount and volume of shipments yearly

(Hörkkö et al. 2010, 29.)

It is possible to request spot quote, which concerns only one shipment, or a quote which is valid under certain period of time. The benefit of long-term contracts is that with large enough volumes shipping line or freight forwarder is able to offer lower prices. Another benefit is that using only one freight forwarding agency for all imports

strengthens the relationship between the importer and the shipping line or freight forwarder. The requirements and procedures become familiar for both parties, hence making import processes faster and more cost-efficient when less working hours are required to keep control on individual shipments.

Once the freight quotation is accepted, importer may order the freight from the shipping line or freight forwarder. Shipping line or freight forwarder will contact shipper to start arranging shipment and keep the importer updated about the status and schedule of the shipment.

4.2 Loading at the origin country

The process of loading the shipment in the country of origin depends on the shipping method chosen. In the bigger picture, the process is same for full containers as well as for less than container loads, but less than container loads will have more deadlines to be met and the process is slightly longer.

4.2.1 Full container load - FCL

Space on ocean vessel needs to be reserved. The situation with available vessel space is fluctuating with things like public holidays and other seasonal factors affecting it. The earlier you book, the more secure the space on the vessel is. Good rule of thumb is to book the vessel space around two weeks before the desired sailing date to avoid the risk of missing vessel space. When the space on ocean vessel is reserved, the shipping line or freight forwarder can start arranging empty container for loading at the pickup location.

Full containers will in most cases be loaded by shipper or the factory, if different from shipper. Some days before port cut-off, the empty container is sent to the shipper for loading. Port cut-off is the time when the container needs to be at the port ready to be loaded on board of the ocean vessel. After the container is loaded, it will be sealed and the seal will only be taken off by the importer or the warehouse at the receiving end. In some cases the seal may be broken during the shipping due to customs inspection.

Below (PICTURE 7) is an example of cut-off schedule by shipping line CMA-CGM. For a shipment with sailing time of April 22nd from Shanghai the cutoff is on 19th April. This may vary between different shipping lines and ports.

	Schedule 1
Transit Time	38 Days
From	**SHANGHAI, CN** YANGSHAN DEEP WATER PORT PHASE3 TER
Departure VGM Cutoff Port Cutoff	**Sunday, April 22, 2018** Thursday, April 19, 2018 Thursday, April 19, 2018
Service Vessel Voyage Ref. Local Voyage Ref.	French Asia Line 3 (FAL3) APL VANDA 0FM0BW1MA -
Arrival	**Wednesday, May 23, 2018**
To / From	**HAMBURG, DE** BUKAI HAMBURG
Departure VGM Cutoff Port Cutoff	**Wednesday, May 23, 2018** Friday, May 18, 2018 Tuesday, May 22, 2018
Service Vessel Voyage Ref. Local Voyage Ref.	SSLEUR St-Petersburg Shuttle Service C CONMAR AVENUE 401PVE -
Arrival	**Tuesday, May 29, 2018**
To	**HELSINKI, FI** STEVECO OY

PICTURE 7: FCL sailing schedule from Shanghai to Helsinki (Routing finder CMA-CGM N.d.)

4.2.2 Less than container load - LCL

Booking LCL shipment and getting it moving may take some less time than FCL container. This is because the consolidator, usually a freight forwarder or shipping agency, already has container space reserved on ocean vessel for weekly departures. Individual LCL shipments will be combined into one FCL container at port terminal with shipments for several customers in it. The benefit of potentially faster booking, however, is short-lived because cutoff times for LCL tend to be longer than for FCL. LCL requires more handling at the port terminal, and the load planning requires time on top of the FCL cut off. LCL shipments need to be at the port terminal around 5-7 days prior to the sailing date.

Below (PICTURE 8) is LCL sailing schedule from Shanghai to Helsinki from shipping company Panalpina. CFS (Container freight station) cutoff means the time when the shipment needs to be at the port terminal and DOC cutoff means the time when the export documentation needs to be presented to the shipping line. For April 28th sailing, the cutoff therefore is on April 23rd. In case the shipment misses the cutoff on 23rd even by one day, the shipment will be rolled to the next sailing on May 5th.

Direct/ Transship.	Vessel	Voyage No	CFS Cut-off	DOC Cut-off	Origin CFS	Port of Loading	ETS
Direct	TO BE NOMINATED	TBN	Mon Apr 23rd 09:00	Mon Apr 23rd 09:00	CNSHA	CNSHA	Sat Apr 28th
Direct	TO BE NOMINATED	TBN	Mon Apr 30th 09:00	Mon Apr 30th 09:00	CNSHA	CNSHA	Sat May 05th
Direct	TO BE NOMINATED	TBN	Mon May 07th 09:00	Mon May 07th 09:00	CNSHA	CNSHA	Sat May 12th
Direct	TO BE NOMINATED	TBN	Mon May 14th 09:00	Mon May 14th 09:00	CNSHA	CNSHA	Sat May 19th
Direct	TO BE NOMINATED	TBN	Mon May 21st 09:00	Mon May 21st 09:00	CNSHA	CNSHA	Sat May 26th

Port of Discharge	ETA	Destination CFS	Deconsol. date	Transit Time Port/Port	Transi Time CFS/(
FIHEL	Wed May 30th	FIHEL	Thu May 31st	32	38
FIHEL	Wed Jun 06th	FIHEL	Thu Jun 07th	32	38
FIHEL	Wed Jun 13th	FIHEL	Thu Jun 14th	32	38
FIHEL	Wed Jun 20th	FIHEL	Thu Jun 21st	32	38
FIHEL	Wed Jun 27th	FIHEL	Thu Jun 28th	32	38

PICTURE 8: LCL sailing schedule from Shanghai to Helsinki; estimated sailing dates in Shanghai on first chart, continued with estimated arrival dates to Helsinki on second chart (LCL sailing schedules Panalpina N.d.)

4.3 Sailing and transshipment

Once the shipment is on board on ocean vessel, the shipping company or the freight forwarder will keep the importer updated about the arrival and possible delays of the shipment. As can be seen for FCL and LCL sailing schedules in previous chapter, the container does not sail all the way to Helsinki on one vessel, but there are minimum of one unloading during the sailing time to Finland. This unloading in called transshipment. Ocean vessels are simply too big to reach Finnish ports, so containers must be transshipped into smaller vessels in main European ports such as Hamburg, Bremerhaven or Rotterdam.

Transshipment increases the risks of delays, because the European ports have similar cutoff times compared to the ones in origin ports. If the ocean vessel is late in its schedule, the containers may not make it to the planned connection, but they may be rolled into next connection. Most shipping lines only have one connection per week to Finland, so a delay of one week is not unusual when speaking about ocean freight. Long distance ocean vessels are prone to be affected by weather conditions making delays not so unusual. Another cause of delay may be port congestion - ocean vessel stops at several ports on its way, and delay in one of them will very likely cause delay in the rest of the ports. These are the things that must be kept in mind when choosing ocean freight as method of transport. Ocean freight is not suitable for just-in-time logistics.

Usual transit time for example from port of Shanghai to port of Helsinki is around six weeks. Sailing schedules provided by shipping companies online are very often very optimistic, sometimes even unrealistic. The best estimation of the transit time comes with experience, and one can always ask about it from shipping company or freight forwarder who has the practical experience about the issue. Freight forwarders today also have their own electronic tracking services where importer may follow their shipment. Some of these services are available online without registration and some require registration. Those that require registration tend to cover more detailed in-formation about your shipments, providing reporting tools and even CO_2 emission levels of the transport.

During the sailing time shipper will provide importer all documentation needed for import customs clearance. Depending on the payment term between shipper and the im-

porter, there may be original Bill of Lading to be sent by courier either directly to the importer or to their bank, in case letter of credit is used as payment method. It is, however, more and more common to arrange paperless “telex” release for Bill of Lading when the payment term allows it. To avoid unnecessary cost and time from mailing original documents, it is useful to ask shipper for a telex-release. In case original Bill of Lading is issued, importer must mail the original to their local shipping line or freight forwarder in order for them to release the shipment to importer. Mailing such documents is recommended to be done during the time of sailing in order to import run smoothly upon arrival.

4.4 Arrival

When the vessel is arriving destination port in Finland the shipping line will notify either importer or freight forwarder about arrival. In case there is freight forwarder in between, then freight forwarder will further inform importer about the arrival. At this point latest importer should have all documents ready for import customs clearance. Once the vessel arrives port of destination, it is possible to customs clear the shipment. Importer may do the clearance on their own online, however using freight forwarders to do it on behalf of the importer is a norm. Import customs clearance will be handled in more detail later in chapter 6.

When the shipment arrives Finland, what you need to do depends on the type of shipment you have on your hands. Below are mentioned options.

Collect shipments booked from freight forwarder

In case importer has booked the freight from freight forwarding agency, the import process will run as agreed on the freight contract. Most commonly freight forwarding agency will also do the customs clearance and arrange delivery, but variations may be depending on the contract. You may want to do customs clearance on your own or you may have preferred trucking company who you want to be used.

Prepaid shipments and shipments booked from shipping line directly

In case importer or shipper has booked the freight from shipping line directly, shipping line will ask importer who will do the import customs clearance. At this point importer

must inform either to do it themselves or use a freight forwarder to do it on behalf of them.

After customs clearance the final delivery can be made. On average it is good to plan 2-3 working days for the import procedures after arrival. Import procedures for basic FCL include customs clearance, port release documentation and delivery planning. In urgent cases delivery planning may be done even before the container arrive at port of destination, but it is not recommended since there are variables that might cause delay and destroy the planned delivery. For LCL shipments import process is similar, but it also includes container unloading at terminal before the shipment being delivered to the importer.

Once the importer has unloaded the FCL container, the empty container will be returned to the port. Usually ocean containers are unloaded with diver waiting through the unloading, however it is possible to leave the container for unloading overnight. To do so may involve extra cost due to the driver having to return collect the empty container.

5 COST STRUCTURE AND PRICE FLUCTUATION

Ocean freight cost structure may seem like a jungle at first sight, but it makes sense after looking into it. When unsure which costs from the freight quotation will be included in the actual freight, it is worth it to ask shipping line or freight forwarder for all-in quotation with all expected standard costs summed up as one. Ocean freight is also prone to price fluctuations due to many reasons such as the current state of economy or public holidays.

5.1 Ocean freight pricing

Ocean freight constitutes of three main sections as discussed in more detail below.

Pre-carriage costs

- pick up costs
- export customs clearance
- terminal handing charges

(Hörkkö et al. 2010, 397)

Pre-carriage cost is determined by local agency in the country of origin. Shipper may have their own freight forwarder, whose pricing suits them best, or importer can ask for quotation from their own import freight forwarder. This depends on the Incoterm used; in case the Incoterm is for example FOB Shanghai (shipper will pay freight up to Shanghai port), shipper will deliver the goods to Shanghai port with their own contract carriers. In case the Incoterm is EXW (importer will pay all freight from shipper's facility), importer will need to check with their freight forwarder how much they charge for the pre-carriage cost.

Main freight

- ocean freight
- ocean freight additionals
- transport equipment

Main freight consists of ocean freight and particles that come with it. Factors in affecting main freight are weight, possible special equipment needed, value of goods, capacity of ocean vessels. (New to international trade - ocean freight MSC N.d.)

For FCL shipments carrier may determine weight limit. If the weight exceeds the limit, an overweight charge is applied. This depends on the carrier and their pricing policies, not everyone has the overweight charge.

For LCL shipments both weight and volume affect the main ocean freight price. With LCL W/M (weight or measurement) is generally used when quoting LCL freight. One cubic meter is equivalent of one ton in kg. For example freight from Shanghai to Helsinki is USD 40 per cubic meter. With a shipment of 1 m^3 and 500 kg, the price is straightforward 1 m^3 *USD 40 = USD 40. With a heavier shipment of 1 m^3 and 2000 kg, 2000 kg = 2 m^3 and therefore overrules the actual measurement, so the price is higher 2m3*USD40 = USD 80.

Need of special equipment naturally raise the price. There are certain container types that can only be loaded on top of the vessel with limited space available. There may also be temperature controlled containers that needs to be plugged in the electricity during the shipping. Value of goods can sometimes affect on the price as well. This mainly applies to highly specialised, expensive equipment.

Capacity of the ocean vessels (physical space for the containers on the ocean vessels) affect on the main freight price with the supply and demand principle. When available capacity is low, but demand is high, the prices go up and vice versa. For example Asia - Europe lane has plenty of competition in regards of carriers, which on the other hand keeps the price lower. (New to international trade - ocean freight MSC, N.d.)

Main freight and pre-carriage cost are quoted in USD even in Finland. This is common practice in the ocean freight industry. In case you ask for breakdown of charges from your freight forwarder, ocean freight and origin costs are displayed in USD even though they may be converted to Euros on freight invoice. Local charges occurred inside EU are usually quoted in Euros. This means that breakdown of charges most likely will include some USD lines and some EUR lines.

Destination costs

- terminal handling charges
- import customs clearance
- delivery cost

Destination cost generally consists of container handling and import customs clearance related costs. Container handling includes container lifts at port, harbour fee, ISPS (International Ship and Port Facility Security Code) and AREX (customs related) fees. Container handling also includes delivery related cost.

Depending on Incoterm, all of the above may not apply for all shipments. For example when shipping on FOB terms, only main freight and destination costs will be billed to the importer, and pre-carriage cost is covered by shipper. When shipping with CFR Helsinki term, shipper is responsible for pre-carriage and main freight, leaving only destination cost to the importer.

For FCL it is possible to evaluate case by case whether it is more cost-efficient to buy freight on prepaid or collect basis. The difference in container handling pricing either way is not radical, but there still is room for optimisation. One of the most important questions to ask is what can be achieved by centralising FCL shipments under one freight forwarding company, compared to letting shipper(s) to choose the carrier(s). Generally if one has bigger volumes from several different shippers, it may be worth it to negotiate volume based contract with freight forwarder to secure better price for ocean freight. Therefore, buying freight on collect terms is better option. In addition to savings of centralising, also time used to coordinating shipments is reduced, as there is only one point of contact instead of many. In case there is only one factory and not much other import activity, it may be more convenient to let shipper book the FCL freight as prepaid terms.

For LCL shipments difference between freight collect and freight prepaid terms is more radical. LCL shipments are recommended to be bought as freight collect terms in order to keep transparency to the pricing. Ordering freight prepaid term may sound easy and convenient because shipper handles everything. This means that shipper chooses the most low-cost carrier for them, not for you. Main ocean freight may cost close to zero to the shipper with a good contract, but the price naturally must be compensated at some

point, as there are actual transport costs that needs to be covered, and are not covered by close to zero freight paid by the shipper. This results in high destination costs that may surprise the importer. The destination costs are non-negotiable because the freight was booked by shipper with shipper's own contract. Freight for one cubic meter of goods may end up costing thousands of Euros to the importer, even though being seemingly prepaid by the shipper. Buying on collect terms (EXW, FCA FOB) may reduce shipping cost dramatically with LCL shipments, so it is worth it to check quotations with local LCL service providers.

5.2 Price fluctuations - public holidays and ocean vessel capacity

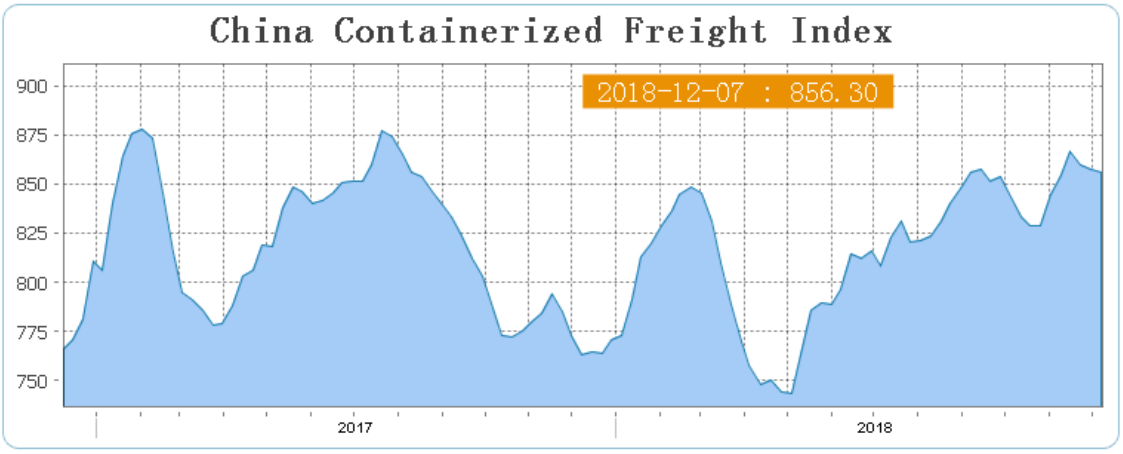
When prices for LCL shipments are fairly stable, the price of FCL is constantly changing. There is a periodical pattern to FCL prices throughout the year, especially in Asia-Europe lanes. This is because of several public holidays in China and surrounding countries, the main ones being Chinese New Year and Golden Week. These holidays not only cause huge port congestions around Asia, and most likely delays in transport, but they also affect on the price of ocean freight. When possible, it is recommended for importers to plan ahead and take these holidays into account when ordering goods from Asia.

Shipping lines reducing the capacity around the public holidays causes blank sailings, meaning cancelling entire sailings. Because there are no sailings during the holidays, the demand in ocean freight services exceeds the supply. When the demand is higher than supply, the prices will go up.

Chinese New Year is usually around February, so the importer who wants to have most value for their money in transport should want to ship their order in early January. Golden Week is a 7-day public holiday in China and some Asian countries typically in the beginning of October.

Shanghai shipping index (PICTURE 9) is widely applied in pricing of the ocean freight. Shanghai shipping index is sponsored by Ministry of Transport in China, and it is a collection of freight information formulated by committee including big freight service

providers such as CMA-CGM, Hapag-Lloyd and Maersk. Shipping index is available for everyone online and main trends of price fluctuations may be observed from them.



PICTURE 9: Fluctuation in ocean freight price (China Containerized Freight Index N.d.)

Chinese New Year in 2018 took place at the end of February. It can be observed from above index that freight prices have gone up already in January.

Ocean freight price fluctuate also with the state of global economy. Few years ago freight carriers invested in lots of new capacity, bigger ocean vessels. When the global economy slowed down, there was huge overcapacity in the ocean freight business, leading to prices to go down dramatically in 2015. Due to this drop in prices, some ocean carriers struggled, resulting to carrier Hanjin to file bankruptcy and therefore removing some of the overcapacity. Since then ocean carriers have created alliances and the prices have gone up again. (Pöysä 2017.)

5.3 Additional costs

There are many additional costs to ocean freight in both shipping methods, FCL and LCL. Some additional costs are due to contractual issues, such as if the freight is prepaid or collect, and some additional costs are due to overtime. Logistics industry is a machine planned to run smoothly and timely. Naturally things don’t always turn out as planned, and some extra time may be required to solve problems or simply you may not be able to receive container for unloading on certain time. This extra time does not

come for free because carriers and warehouses naturally would want to reuse their containers and warehouse space as fast as possible to ensure best profit. Therefore in case you need to unload your container for several days, be prepared to pay for it.

5.3.1 Co-loader fees, China additionals, ISF (import service fee)

These charges apply to usually prepaid LCL shipments and often come as a surprise to the importer. These charges will be paid by importer because shipper had such low freight price on prepaid shipment, that it needs to be compensated with high destination cost to the importer, even though technically with prepaid shipments importer would not be responsible for ocean freight related charges.

Co-loader is a term used with prepaid shipments. Co-loader is the party who forwards the shipment to freight consolidator or freight carrier. These charges as well as China additional are normal handling and freight charges occurred during shipping, however, they should be included in the freight paid by the shipper. (International Chamber of Commerce 2018.) The practice is usually different and co-loader charges usually fall for the importer to pay. The only way of getting rid of these charges is to negotiate with shipper or to buy freight on collect basis.

ISF stands for Import Service Fee, which also should be covered by the shipper on prepaid LCL shipments, but very often is billed to the importer instead. ISF fee occurs on all shipments from China to Europe. (C-lausekkeet ja kustannusvastuun jakautuminen N.d.)

5.3.2 Demurrage and detention - FCL

Demurrage and detention[4] is cost from the shipping line who owns the container. For each full container there is limited free time upon arrival. After this free time, demurrage and / or detention will occur in case the empty container has not been returned to port on time. The free time and how much the demurrage cost is vary between different

[4] Finnish: konttivuokra

freight carriers, mainly depending on different kind of freight contracts. Typical free-time for containers is from three to seven days.

Demurrage is the charge that occurs when the container is in the port area for a time period that exceeds the free-time. Detention is the charge that occurs when the container is out of the port area, but still not returned to the port. Usually free-time for demurrage and detention are same. The demurrage / detention cost varies between providers, but it usually is 30-50 euros per day after free time exceeds. The exact amount is mentioned on freight contract or it can be found out by asking the carrier / freight forwarder.

5.3.3 Field rent - FCL

Field rent[5] is cost from the port operator for a container that has not been picked up from port on time. Field rent is usually based on port operator's own tariff, and therefore it depends on which port the container arrives. In Helsinki and Kotka, most common port operator is Steveco, in Rauma Euroports and in Oulu Herman Andersson. Their free times and prices are available online.

For example in Helsinki port with containers operated by Steveco, the free time is 4 days. After the 4 days has passed, the billing starts from the day 1. For example if you have container arrived on 28.3.2018, but you pick it up from port only on 12.4.2018, there will be field rent for 16 days. Pricing is per TEU. One TEU equals 20' size container, so in case on 40' container the amount is multiplied by two.

Below is an example of Steveco pricing in the port of Helsinki.
1-4 days, 0 euro / TEU/ day
5-8 days, 0,53 euro / TEU / day
9-16 days, 5,07 euro / TEU / day
17-31days, 6,03 euro / TEU / day
over 31 days, 7,25 euro / TEU / day
(Palveluhinnasto Helsinki Steveco N.d.)

[5] Finnish: kenttävuokra

5.3.4 Chassis fee - FCL

Chassis fee[6] may occur by the trucker. Ocean container is required to be placed on a certain type of chassis on the truck. In case the unloading at the final delivery address of the container takes longer than usual, trucker may charge chassis fee. This is because the chassis is tied in one place and therefore trucker is unable to use it for other deliveries. Chassis fee may occur if the container is left for unloading for several days.

5.3.5 Extra unloading time - FCL and LCL

Extra unloading time occurs by the trucker. Typically in Finland the FCL container delivery includes one hour of free unloading time, after which extra unloading time is charged. Extra unloading time may also occur on LCL shipments in case the delivery is challenging and time consuming, or if the driver needs to wait unreasonable time before the unloading takes place.

5.3.6 Storage rent - LCL

Storage rent[7] for LCL equals container rent (demurrage) for FCL. LCL shipments are unloaded in terminal after arrival, but if they are not picked up on time, there will be storage rent. There is limited free storage time in terminals, after which terminal rent starts to occur. Typical free time in terminals is three days.

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[6] Finnish: alustavuokra
[7] Finnish: varastovuokra

6 IMPORT CUSTOMS CLEARANCE

This chapter looks into the customs clearance process with some basic knowledge that is required from importing companies. The focus is in the very basic process without going into specific requirements of individual industries. More specific information about the import regulations can be requested from the Finnish Customs and / or from the authorities of the specific industry. Import customs clearance is not just something that happens at the time of arrival - it is something that needs to be prepared for and something that might be inspected afterwards by customs.

6.1 Preparations

Preparations for import customs clearance should be started even before ordering the goods by checking the customs commodity code (also known as HS code[8]). Every item has its' own commodity code. The commodity code database "TARIC" is available online and it's updated by European Commission. TARIC commodity codes are valid in all Member States of EU in both import and export. Often shipper has the knowledge of the commodity code, but it is also possible to check it from TARIC or from Finnish Customs customer service. (Aloittelevat yritykset tuojana toimiminen N.d.; TARIC N.d.)

Commodity code should be checked before ordering, because there may be import restrictions for certain commodity codes. Some commodity codes may need import permit that needs to be applied from the authorities in advance, and some products such as food may require physical check upon arrival by Finnish Food Safety Authority, Evira. (Ennen maahantuonnin aloittamista N.d.) Failing to check the commodity code prior to arrival may result in delays and extra storage cost upon arrival. The database of commodity codes is extensive, and nuances such as what material the product is made of or how it is made of does affect on the commodity code.

Import duties and taxes are also determined by the commodity code, which is useful information when calculating the retail price for the imported products or the total price

[8] Finnish: tullinimike

of the manufactured product. Importer is responsible for providing accurate information about the commodity code, safety of the product as well as the appropriate labeling. Commodity code is mandatory information in import customs clearance. (Ennen maahantuonnin aloittamista N.d.)

Documents and information required for the import clearance

- Commercial invoice for commercial transactions or pro forma invoice for free of charge goods
- Commodity code and additional codes, if required by the commodity code used
- Possible permits required for import, licenses, and surveillance documents
- Possible certificates of origin
- MRN number (Movement reference number) from the carrier's arrival notice either importer or freight forwarder receives when the shipment arrives

(Mitä tuonti-ilmoituksen tarvitaan Tulli N.d.)

When using freight forwarding services, out of above the absolute minimum that importer must provide are commercial invoice and other documents relevant for import. Freight forwarder is able to determine commodity code based on the detailed description of goods given by the importer. Freight forwarder also knows where to look for the MRN number on arrival documentation.

Information the commercial invoice should include

- Name and address of seller
- Name and address of buyer
- Invoice date, invoice number and order number
- The amount and type of packages, gross weight of the shipment, marks and numbers
- Name and amount of goods ordered
- Price for individual products and the total price
- Currency
- Reason and conditions for possible discount
- Delivery term and payment term
- Country of origin
- Method of transport (e.g. ocean)

(Miten tullausarvo selvitetään Tulli N.d.)

One might question that in the era when customs clearance is done online, is it really necessary to have all this information on the commercial documents? Yes it is, Finnish customs holds the right to check the documents at random at the time of import or even after the time of import. It is not uncommon for customs to take a random selection of shipments from the past years and require seeing shipping documentation. Documentation that do not meet the requirements may need to be looked into in more detail. For example if it turns out that commodity code used in customs clearance does not match the products on the invoice, adjustments to the customs clearance must be done afterwards and depending on the duty percentage, one may need to pay additional duty.

6.2 Arrival

Upon arrival the carrier sends arrival notice to the consignee (importer) or to the freight forwarding company, if the freight is booked through freight forwarder. This arrival notice contains information required for the customs clearance as stated above in the documents section. Consignee may choose to use freight forwarding company to do the clearance on behalf of them.

There are three ways of doing the import clearance

- Online customs clearance - the most straight forward way of clearing the shipments as an individual
- Clearance with SAD-document (Single Administrative Document) - manual document to be physically delivered to the closest Customs office
- Electronic clearance through EDI data transfer - this option is mostly used by freight forwarding companies as it requires set up with Customs

(Miten annan tuonnin tulli-ilmoituksen N.d.)

When clearing customs, the clearance type must be decided. In addition to regular customs clearance, there are other options such as inward processing for items to be processed and re-exported duty free, temporary imports (e.g. for exhibition goods), end-use clearance (for goods used for very specific purposes) and outward processing (opposite of inward processing). (Mitä tarkoitusta varten tavara tuodaan N.d.)

The cost of the customs clearance is determined by several factors - commodity code, the value of goods on commercial invoice or pro forma invoice, and freight cost. In order to calculate the duty, let's say the duty percentage as per commodity code is 5%, the value of goods as per commercial invoice is 3500 eur, and freight cost from Ningbo up to Helsinki port is 1100 eur. The base for customs duty is "the value of goods" + "freight charges", so duty is following:

Duty (3500 eur + 1100 eur)*0,05 = 230 eur.

In order to calculate VAT, let's assume it is general goods with VAT percentage of 24%. The base for VAT calculation is "base for duty" + "duty amount" + "domestic handling and delivery charges". Let's assume that the ocean container is delivered to the final destination by truck, and the total import related charges that are known at the time of clearance are 400 eur. The VAT is following:

VAT (3500 eur + 1100 eur + 230 eur + 400 eur)*0,24 = 1255,2 eur

With some commodity codes it is possible to get lower or zero percentage of duty by presenting customs a certificate of origin (GSP, Form A, EUR.1). This is called preferential treatment[9] and can be checked form the TARIC database of commodity codes for individual tariff codes.

Sometimes shipper sends free samples of the products. As per customs, the samples have to be customs cleared separately from the rest, with their actual commercial value, even though they are free of charge for the importer. This means that even if the product is free of charge, commercial invoice should show the actual value with notification "for customs purposes only".

When importing regularly from outside of EU it can be useful to consider of registering as customer with Finnish customs and apply for National guarantee[10]. National guarantee is 2500 eur minimum and the deposit can be a bank guarantee or a bank account pledge agreement. The amount of guarantee determines customer's credit limit with customs when it comes to paying duty and taxes. Authorisation for deferment of pay-

[9] Finnish: etuuskohtelu
[10] Finnish: tullivakuus, yleisvakuuslupa

ment[11] can also be applied. With authorisation for deferment, around 5 weeks of payment term can be attained, and you can receive your shipment before paying the duties and taxes. (Vakuudet Tulli N.d.)

When using freight forwarding company for customs clearance, the companies who do not have national guarantee or authorisation for deferment can still receive their shipment before paying the duties and taxes, providing that the importer has credit with the freight forwarding company. The freight forwarding company will pay for the duties and taxes on behalf of the importer, and then bill them to the importer with payment term agreed between the two. Freight forwarding company then usually charges a small fee[12] for using their payment service with duty and taxes. The fee is usually a small percentage of the amount of duty and taxes, so if you import regularly and goods with significant value, it is recommended to register as a customer with customs.

When the customs clearance is done, two official documents are received:

- Customs clearance decision [13]
- Customs release document [14]

Sometimes before these documents are received, customs may want to do physical inspection to the products. In these cases customs will inform either freight forwarder or the importer, in case they are performing the clearance. In these cases customs further instructions must be followed.

6.3 VAT reporting

Both import duty and taxes have been traditionally billed by customs at the time of import. From the beginning of 2018 this will change as the Tax Administration[15] will take over the responsibility of import taxes. This means that only import duty will be billed by customs at the time of import. The importing company will be responsible to inform Tax Authority about their import taxes. This will make the taxation process lighter, be-

[11] Finnish: maksunlykkäyslupa
[12] Finnish: maksupalvelupalkkio
[13] Finnish: tullauspäätös
[14] Finnish: luovutuspäätös
[15] Finnish: Verohallinto

cause importers do not need to pay the taxes to customs and then wait for the tax refunds for several months. This applies to commercial businesses only. Customs will still charge VAT from private persons and foreign businesses who are not VAT registered in Finland. (Maahantuonnin tulliverotuksen arvonlisäverotus siirtyy verottajalle 2017.)

Importer must on their own initiative perform VAT reporting to the authorities. This means that the importer is responsible for calculating and informing VAT to the authorities on their own. Many freight forwarding companies have started providing additional service for regularly importing companies providing monthly list of imports with all the numbers needed for the VAT reporting. For a company who is importing once or twice a year, this kind of additional service is not realistic. The numbers are easy to calculate, it can be done by the importer or it can be passed to professional accountant to do.

As per Verohallinto:
"If the taxpayer's tax period is one calendar month, the deadline for the payment of VAT is the 12th day of the second month following the tax period (§ 147, VAT Act).

The VAT return form has two sections for reporting VAT on imports:

- The taxable amount of VAT on imports is reported under "Imports of goods from outside the EU"

- The VAT on imports is reported under "Tax on imports of goods from outside the EU"

In certain situations, VAT is not payable on imports which take place in Finland (Articles 94–96 and 72 h of the VAT Act). This applies to the import of investment gold, for example. These types of imports are reported in the VAT return as follows:

- The taxable amount of VAT on imports is reported under "Imports of goods from outside the EU".

- No payable VAT is calculated on exempt imports. The amount to be reported under "Tax on imports of goods from outside the EU" is EUR 0.00.**"**

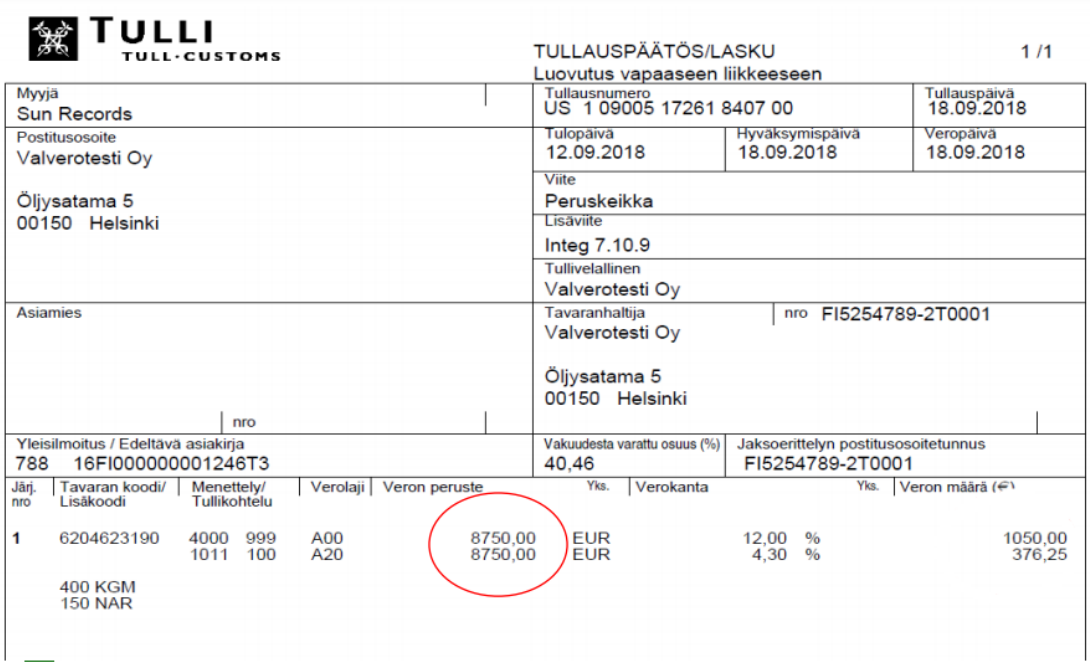
(Value added tax procedure for importation… 2017)

The taxable amount of VAT can be calculated based on customs clearance decision and freight invoice of the carrier or freight forwarder by calculating sum of below amounts.

- Customs value[16], found from customs clearance decision (PICTURE 10)
- Duty amount and other customs payments, found from customs clearance decision
- Domestic delivery and handling charges (found from carrier / freight forwarder's freight invoice)

(Value added tax procedure for importation… 2017)

From this taxable amount, VAT can be calculated.



TULLI
TULL·CUSTOMS

TULLAUSPÄÄTÖS/LASKU 1 /1
Luovutus vapaaseen liikkeeseen

Myyjä Sun Records	Tullausnumero US 1 09005 17261 8407 00		Tullauspäivä 18.09.2018
Postitusosoite Valverotesti Oy Öljysatama 5 00150 Helsinki	Tulopäivä 12.09.2018	Hyväksymispäivä 18.09.2018	Veropäivä 18.09.2018
	Viite Peruskeikka		
	Lisäviite Integ 7.10.9		
	Tullivelallinen Valverotesti Oy		
Asiamies nro	Tavaranhaltija Valverotesti Oy Öljysatama 5 00150 Helsinki	nro FI5254789-2T0001	
Yleisilmoitus / Edeltävä asiakirja 788 16FI000000001246T3	Vakuudesta varattu osuus (%) 40,46	Jaksoerittelyn postitusosoitetunnus FI5254789-2T0001	

Järj. nro	Tavaran koodi/ Lisäkoodi	Menettely/ Tullikohtelu	Verolaji	Veron peruste	Yks.	Verokanta	Yks.	Veron määrä (€)
1	6204623190	4000 999	A00	8750,00	EUR	12,00	%	1050,00
		1011 100	A20	8750,00	EUR	4,30	%	376,25
	400 KGM 150 NAR							

PICTURE 10: Example of customs clearance decision (Maahantuonnin arvonlisäverotus 2017)

Above is an example of customs clearance decision. Red circle is the customs value. Customs amount is mentioned at the end of the document (not shown on the picture).

If business fails to file VAT reporting, there may be consequences. Tax administration may put company under a "special procedure". Special procedure has maximum length

[16] Finnish: tullausarvo

of 36 months and it means that importer has to report VAT to Tax authority at the time of customs clearance. This means that it is not possible to get customs release for the shipment before the VAT is reported and filed. (Value added tax procedure for importation… 2017)

6.4 After arrival

As a result of customs clearance, importer will receive customs clearance decision and customs release documents. Importer is responsible for archiving these and the documents used to support customs clearance for six (6) years. The documents can be archived electronically, with few exceptions such as original certificates of origin, if applicable. (Arkistointi Tulli N.d.) The customs holds the right to inspect the documents even after the import is completed.

7 FINAL CONCLUSION AND DISCUSSION

Ocean import, or any form of import, is like a global ballet. It is well coordinated chain of actions that result to goods being transported from place A to place B – the better each leg works, the smoother the dance is. Importer is one leg of this dance, and their input in the process is crucial. Therefore it is useful for importer to know a little bit of everything that involves in import logistics. As we have learnt in previous chapters, if left undone on time, many legs of the import process may occur extra cost or delay.

The role and benefits of using freight forwarder was also discussed, and the conclusion is that especially for more inexperienced importers help and expertise that freight forwarding agencies hold is vital. It is benefit of both, freight forwarder and the importer to establish trusting business relationship to achieve best possible result in logistics.

As a logistics professional it was easy for the author to identify the biggest blind spots that importers often times have. Some things that are obvious and everyday-like for a freight forwarder are not so much for the importer. Highlighting those blind spots made the thesis a valuable tool for any company planning to start importing or deepen their knowledge on import by ocean.

The most pressing questions that importers tend to have relate to documentation; what is the difference between Bill of Lading, Sea Waybill and telex-release? The sky rocketing cost of prepaid LCL shipment most of the times come as a surprise for the importer. Sailing schedules also raise questions especially with those who are used to more fast paced transport by truck. It may come as a surprise that ocean container is not available for loading the next day from booking the freight. The thesis provides answer to questions like these and therefore is a valuable tool for any importer.

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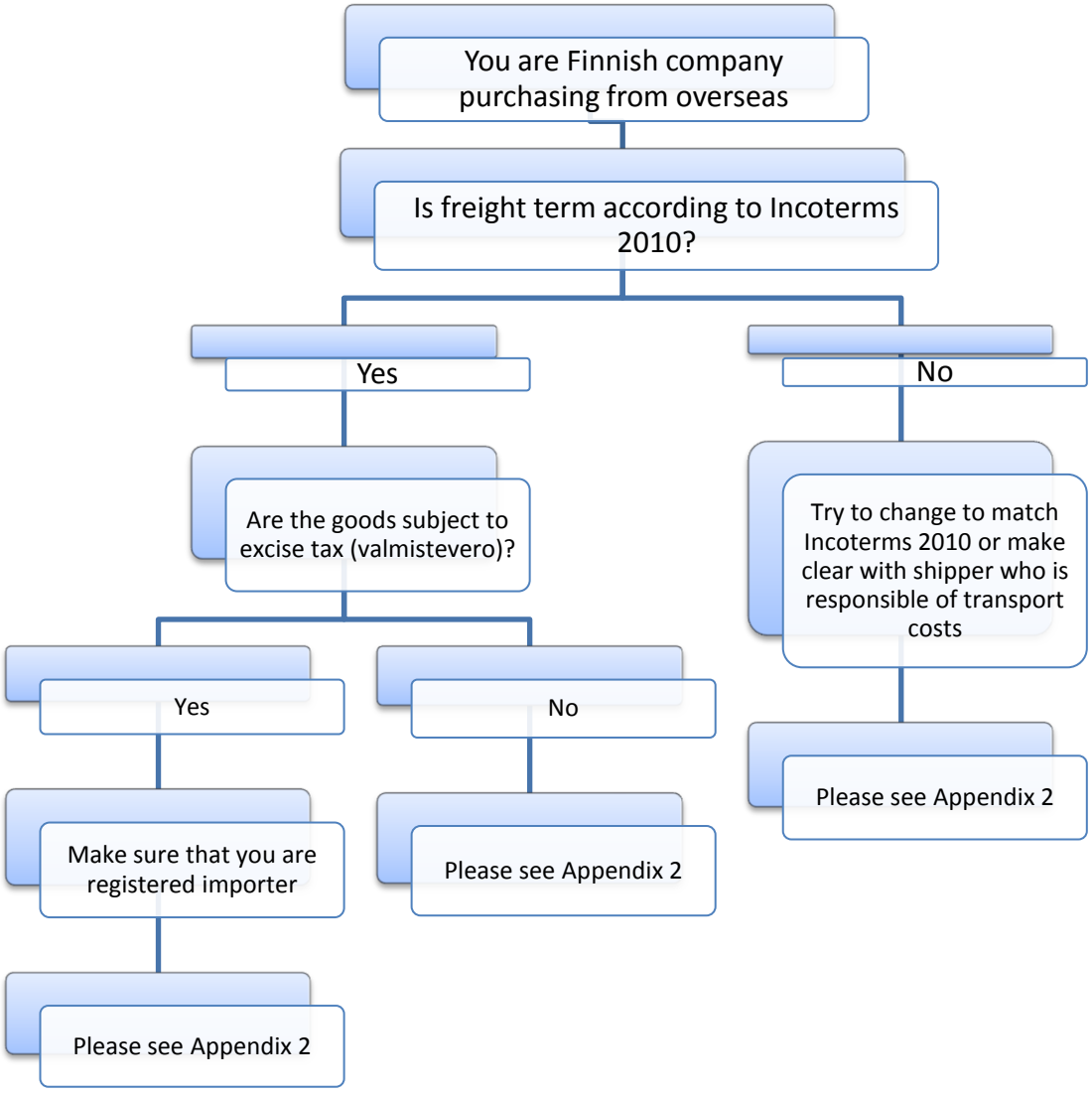
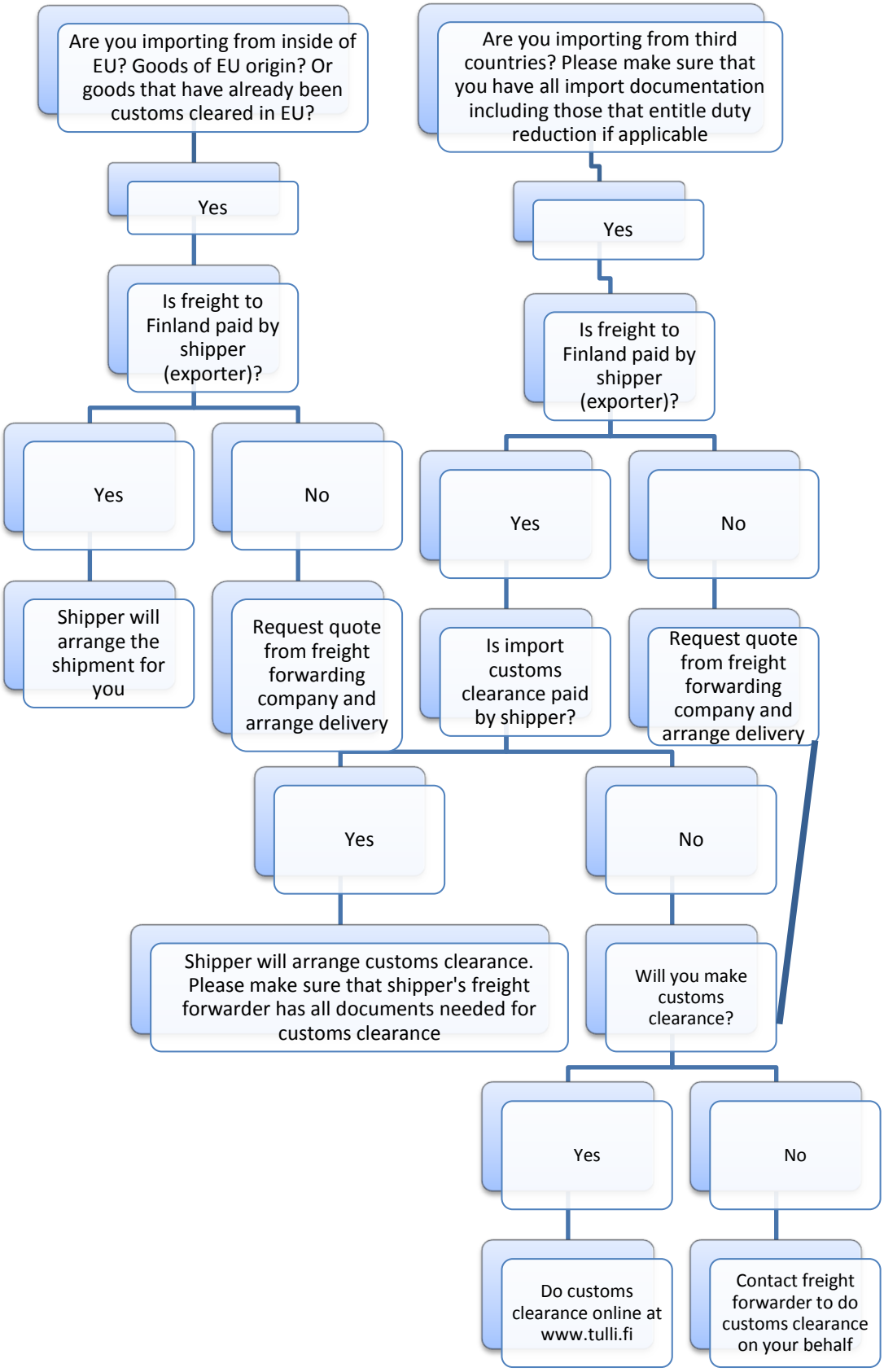
APPENDICES

Appendix 1. Road map for importer, part 1



Appendix 2. Road map for importer, part 2



Appendix 3. Quick recommendations

Introduction to ocean freight

Checklist
○ Be on top of your ordering process stock levels - ocean freight is the slowest but cheapest method of transport that may not work well with all products
○ Consider purchasing freight on collect or prepaid basis, see chapter 6 for financial arguments about the issue
○ Determine Incoterm on purchase order in order to avoid misunderstandings
○ Check with shipper if they agree to issue Sea Waybill of telex-released Bill of Lading for paperless release.

Ocean freight door-to-door process

Checklist
○ Check before ordering in case there are any import restrictions or special documentation needed for the products
○ Deliver the customs clearance documents on time while shipment is still sailing, in case using freight forwarder for import customs clearance
○ Be realistic about the transit time - a delay of one week is not uncommon in ocean freight

Cost structure and price fluctuation

Checklist
○ Consider carefully between prepaid and collect shipments. Especially LCL shipments are recommended to buy as freight collect due to eliminating unexpected cost.
○ Take into account public holidays in the origin country and mind the fact that they will affect on the freight price and space availability.
○ In order to avoid extra charges, make sure that all import customs clearance documents are in order before the shipment arrives to destination. In case there is original Bill of Lading or other documents needing to be mailed, do it before arrival.

Import customs clearance

Checklist
○ Be prepared for customs clearance before the goods arrive to avoid delays when the shipment has already arrived
○ Make sure that the documentation meets customs criteria mentioned in earlier chapters
○ Make sure that any free products, samples, has value on the commercial invoice. Value is needed for customs purposes.
○ Consider registering as a client with customs if you have regular import. This may save money in processing fees billed by freight forwarders
○ Make sure to file VAT reporting on time

Appendix 4. Incoterms 2010

Description of Incoterms 2010 as per Logistiikan Maailma (2017) are as per below.

EXW - Ex Works (named place)
Buyer takes responsibility of all transport from shipper's facility. The cost and the risk will transfer to the buyer once the shipment has been picked up from the named place (shipper's facility). Buyer is responsible for both export and import practices and choosing the carrier. Ownership of goods transfer from seller to buyer at the time of pick up from the named place

FCA - Free Carrier (named place)
Buyer is responsible for choosing the freight carrier, but the shipper will bear the cost of delivering the goods to the carrier's facility. Seller is also responsible for export procedures. Buyer bears the cost and the risk after the goods have been delivered to the carrier's facility. Buyer is responsible for import procedures. Ownership of goods transfer from seller to buyer when shipper delivers the goods to the carrier

FAS - Free Alongside Ship (named port of shipment) by seller
Seller is responsible for delivering the shipment next to the ship, where the transfer of cost and risk will take place. Seller is responsible for export procedures. The buyer is responsible for choosing the carrier and for the loading of the shipment. Buyer is responsible for import procedures. Ownership of goods transfer from seller to buyer when the goods are newt to the ship

FOB - Free on Board (named port of shipment)
Seller delivers the goods to the vessel / carrier chosen by buyer. Seller will bear the cost and risk until the goods are on board. Seller is responsible for export procedures. Buyer is responsible for choosing the carrier and bears the cost and risk after the goods have been loaded on board. The buyer is responsible for import procedures. Ownership of goods transfer from seller to buyer when the goods are loaded on board

CPT - carriage paid to (named place of destination)
Seller is responsible for choosing the carrier and bears the risk up to the carrier's facility. Seller pays the freight up to agreed place in destination and is responsible for export

procedures. The risk transfers to buyer already when the seller delivers the goods to the carrier, even though seller bears the cost of freight to the agreed point in the actual destination. The “named place of destination” with CPT term means the carrier’s facility where the risk and the ownership transfers. It is not necessarily the real destination of the goods. Buyer is responsible for import procedures.

CIP - Carrier and Insurance paid to (named place of destination)
Similar to CPT, with addition seller taking insurance for the shipment. The insurance covers damages to the goods, but as the risk transfers from seller to buyer already when the seller delivers the goods to the carrier, the buyer is responsible for claims of possible damage.

CFR - Cost and Freight to (named port of destination)
Seller is responsible for choosing the carrier and the cost to the port of destination. The risk transfers from seller to buyer when the seller delivers the goods to carrier. Seller is responsible for export procedures. Buyer is responsible for import procedures and cost except for the freight up to port of destination. Ownership of goods transfer from seller to buyer when the goods are loaded on board of the vessel

CIF - Cost, Insurance and Freight (named port of destination)
Similar to CPT with the addition shipper taking insurance for the shipment. Seller is responsible for choosing the carrier and bears the cost up to the port of destination. The difference between CIP and CIF is that with CIF term seller bears risk up to the port of loading, and up to when the shipment is loaded on board. With CIF term the ownership of the goods transfer when the goods are on board, and with CIP term the ownership transfers when the goods are delivered to named place, for example carrier’s facility. Buyer is responsible for import procedures.

DAT - Delivered at Terminal (named place of delivery)
Seller is responsible for cost and risk up to the terminal at the destination. Seller is responsible of choosing the carrier and the export procedures. The ownership of goods transfer at the destination terminal. Buyer is responsible for import procedures.

DAP - Delivered At Place (named place of delivery)

Seller is responsible for cost and risk up to the named place of delivery, that can me customer's warehouse. Seller is responsible for choosing the carrier and arranging the delivery as a whole, except for import formalities (customs clearance). Buyer is responsible for arranging customs clearance. The ownership transfers from seller to buyer at the time of delivery at destination.

DDP - Delivery Duty Paid (named place of delivery)

Seller is responsible for everything. Seller bears the cost and the risk all the way to the named place of delivery, that can be customer's warehouse. Seller is responsible for both export and import procedures, including import customs clearance. The ownership of goods transfer once the goods are unloaded at the buyer's warehouse.