

TRANSPORTATION

Transportation is very important in exporting due to the great distance between buyer and seller, especially where the buyer is overseas. Transportation costs can hurt. The potential buyer will compare your product to similar domestic products on the basis of their delivered cost. This means you must control your transportation costs, while ensuring that your merchandise is delivered promptly and in good condition.

When dealing with transportation of goods to foreign markets, there are two things to consider. First, you must select a mode (or modes) of transportation such as ship, rail, road or air keeping in mind:

- the cost of shipping
- transportation time required
- importers' preference
- competitors' prices

Second, you must work out in detail all the major and minor costs involved in transporting to arrive at the price to be quoted on a C.I.F., F.O.B. or some other basis.

MODES OF TRANSPORTATION

Ocean Shipping

Freight is carried by three types of ocean carriers:

- conference carriers,
- the independent shippers, or
- the "tramp" vessels

Most exporters of manufactured products use shipping conference carriers. Conference carriers charge standardized rates, eliminate freight-rate competition among member companies and provide exporters with stability in both price and routes.

Non-conference lines consist of two groups. First, there are independent shippers, which regularly serve the major routes, accepting reservations on a first-come, first-served basis. Their rates are lower than conference shippers. Then, there are the tramp lines, which do not offer regular service. Instead, they offer very low rates to obtain cargo on a return trip. The contract shipper is prohibited from using tramp vessels; a fine or loss of conference membership could result.

The three major types of cargo service are containers, break bulk and bulk commodities. Containers provide door-to-door service in that they can be taken from your company, lifted

onto the ship and taken off again at the point of destination. Break bulk refers to the practice of breaking a railcar load or truck load down into small units for ocean shipment. The shipment of commodities in bulk may require the charter on an entire vessel.

Ocean freight rates are rated per weight or measurement ton at the carrier's option. The shipping agent will know how a particular product is charged. Recently, there has been a trend toward a flat rate per container, which greatly simplifies freight cost calculations. You should remember to enquire whether the amount charged per ton refers to short, long or metric ton. A short ton weighs 2 000 lb., a long ton 2 240 lb., and a metric ton 2 204.68 lb.

Air Shipment

Air cargo is steadily increasing, with regular services from most Canadian airports to destinations worldwide. In addition to using scheduled services, exporters can charter an entire aircraft.

Air freight charges are higher than surface or sea transport charges, but this is offset by advantages such as: (a) quick delivery; (b) better, tighter inventory control; (c) reduction in the cost of expensive regional warehousing; and (d) reduction in insurance costs because of reduced exposure to theft and vandalism.