

## **CASE STUDY ONE; HONG KONG TO MELBOURNE 8 CBM**

New importer contacts Stockwell's for a CIF quote. He already has a CIF shipment on the water of 8 CBM from Hong Kong destined for Melbourne.

Keep in mind that at this point the importer would only be aware of the commercial invoice value, which has all costs to the port in Australia; it does not include the costs on the port. I can imagine the importer is thinking how easy this whole import thing is .....and why would you ship any other way!! I just need to find myself a Customs Broker to clear my goods into the country and BAMB my import is done .....WRONG AGAIN!

Under a CIF shipment the customs broker or freight forwarder you approach for a quote, will NOT be able to ascertain what the local costs on the Australian Port will be, why you ask? Because the overseas freight forwarder who organised your shipping on behalf of your supplier has not yet passed the charges onto the receiving agent in Australia, and remember they are not incorporated into your commercial invoice costs. The forwarder may contact you later for payment or just simply pass the local charges on to your nominated broker at the time of clearance. So all the customs broker or freight forwarder can tell you at this quoting stage, are the brokerage charges and transport if it is required.

At the quoting stage Stockwell's staff would offer the CIF quote (less the charges that are unknown at this stage) and probably an FOB quote, because this is the cheaper and easier method of shipping from China and India via LCL. Obviously the CIF quote will always look better due to less charges and the importer generally opts to continue to ship CIF.....but wait!!

This particular importer has chosen Stockwell's to be their broker and we have finally received the "missing" charges from the Chinese companies handling agent and it is not pretty.

In a bid to recoup cheap freight prices in the origin country the port charges are inflated and profits are sent back overseas (either under the table or as legitimate profit sharing). As an example I will show you the difference between the FOB port charges and the CIF charges and the potential savings you can make when flipping your trading terms with your supplier;

***Actual CIF Charges received for this Case Study from the Chinese agent on following page;***

***The below charges do not include the brokerage charges so there would still be yet another invoice to pay which included the customs, duties, GST and delivery.***



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Date: 17 Oct 14

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TAX INVOICE: 87808

BILL TO:

HARHUD

REFERENCE : FAK/TCKU2425303(20GC)

OUR REF : Import Sea 71154 / 2  
GOODS : STC RIGID PAPER BOX  
VESSEL : LUHE /199S  
PACKAGES : 4 PK 600 KG 8 M3 8 CHARGE M3  
FROM : HONG KONG TO: Melbourne

CONSIGNEE :  
OCEAN BILL :  
HOUSE BILL :  
SHIPPER : JINGUAN PRINTING CO  
ARRIVAL : 23/10/14

Item	Amount	GST
Port Service Charge	920.00	S
Terminal Handling Charge	280.00	S
Delivery Order Fee	70.00	S
Sea Cargo Automation	25.00	S
CMR Fee	30.00	S
Terminal Security Fee	30.00	S
Port Licence Fee	44.00	S
Import Processing Fee	200.00	S
China Import Service Fee	391.30	F

\*\*\*\*\*THIS IS A FREIGHT INVOICE MESSAGE\*\*\*\*\*

GST Codes: F=GST Free, S=Standard,

SUB TOTAL: AUD 1990.30  
GST: AUD 159.90  
TOTAL: AUD 2150.20

Now take a look at the FOB quote, which includes the ocean freight. It is still the cheaper alternative because we can control the costs on the port here.

*Please note however that if you are flipping terms from CIF to FOB and your goods have not shipped, you will need to ask for an updated FOB commercial invoice, so the ocean freight costs can be removed from your invoice total.*

## Example Quote

Import Quote ID: I013916 Valid to: 20/10/2014

FOB (LCL) Hong Kong, Hong Kong to Brisbane, Australia

Seafreight Charges	
Freight - 8 cubic metres	440.00 USD
<b>Subtotal:</b>	<b>440.00 USD</b>
<b>Total:</b>	<b>\$527.45 AUD</b>
Australian Port Charges	
Sea Cargo Automation Fee	25.00 AUD
Delivery Order Fee	65.00 AUD
Port Service Fee	680.00 AUD
Terminal Handling Fee	144.00 AUD
Port Security Fee	8.00 AUD
<b>Total:</b>	<b>\$922.00 AUD</b>
Australian Clearance Charges	
Customs Clearance Fee	145.00 AUD
AQIS Barrier Fee	25.00 AUD
CMR Fee	20.00 AUD
<b>Total:</b>	<b>\$190.00 AUD</b>
<b>Quote Total: \$1,639.45 AUD (Ex GST)</b>	