



Tips for Managing Freight Costs

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International Freight Can Feel a Bit Like





1. Common Freight and Ancillary Costs Explained

"If confusion is the first step to knowledge, I must be a genius"

Larry Leissner



No More Smoke and Mirrors

- Freight costs and landside logistical expenses can be consolidated under 3 major headings
 1. **Origin Charges** – Getting your product to the Port Airport
 2. **Ocean / Airfreight** – Port to Port
 3. **Destination Charges** – Out of the port and delivery to final destination.
- All relate to both import and export movements
- Common terms need little explanation but many are clouded in confusion!



1. Origin Charges

Charges to be paid to allow transport to the Wharf or Airport for **loading** PLUS the associated costs which are incurred "*prior to loading on the carrying vessel/aircraft*".

- Examples include:
 - Packing costs
 - Transport to wharf or airport – Can include fuel surcharges, weighbridge fees, export receipt advice etc.
 - Port Service Charges (PSC)
 - Export documentation charges
 - Security fees



2. Ocean/Air Freight

On top of your port to port charges for Ocean and Airfreight, you will see some of the following charges:

- BAF = Bunker Adjustment Factor
 - Surcharge applied by an ocean carrier to ocean freight rates to recover costs associated with Bunker fuel.
- CAF = Currency Adjustment Factor
 - A surcharge or a discount on the freight amount, by the ocean carrier, to provide for fluctuations in exchange rates
- Congestion Surcharges
 - Seasonal fluctuations or industrial action
- ISPS = International Ship and Port Facility Security Code
 - To cover security measures at ports and airports



3. Destination Charges

Getting your product out of port and to the destination

- Destination terminal handling/airport handling charges
- Transport from wharf or airport – Can include fuel surcharges, toll fees, export receipt advice etc.
- Container unpacking costs and container terminal dehire fee
- Clearance charges including:
 - ICS = Import Control System
 - Duty/Taxes – Covered by Russell
 - Customs clearance





2. Choosing the Right Service Provider

"There are no traffic jams along the extra mile."

Roger Staubach



Doing Your Homework Will Pay Off

- No one international freight provider can be a specialist on every trade route or freight category
- Spending the time to research and compare different freight forwarders/carriers will lead to:
 - Increased efficiencies
 - Potential cost savings
 - Peace of mind – *Getting your products to your customers on time and in one piece*



Major Considerations

1. Size:

- Size of service provider should fit your requirements
- Local operators provide higher service level and specialisation
- Large multinationals provide greater network coverage and more integrated service options

2. Services Provided:

- What services are required and whose responsibility (Incoterms)
- E.g. Warehousing, dangerous goods, local transport etc.

3. Market Coverage

- Do you need global coverage or specific trade lane expertise?



Major Considerations

4. Cargo Tracking

- Does the SP have tracking capability to give advance notice of delays?
- Integrated supply chain software

5. Transit Times

- How important are transit times to you?
- Cost savings by using trans-shipment or multi port options BUT will take longer to get your product to market

6. Price

- Ensure you get multiple quotes from a range of service providers
- BUT cheaper is not always better!



Cheapest is not always best!





3. Traps To Avoid

"By failing to prepare you are preparing to fail"

Benjamin Franklin



Know your product

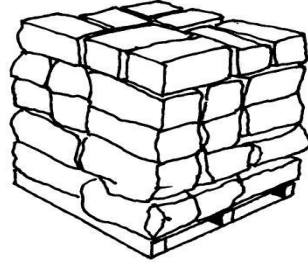
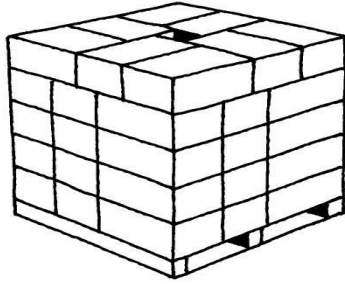
- Once you have packed and delivered your product to port or airport there is ***no turning back!***
- Any changes are virtually impossible to make and **EXPENSIVE** to rectify!
- If you do not fulfil your commercial obligations you may lose all or part of the sale and face **EXPENSIVE** restorative processes.
- Getting your **AHECC** code correct is crucial to avoid unnecessary delays and charges at the other end!
- Is your cargo **dangerous or hazardous**? If so, has it been classified properly? Mis-declaration can lead to cancellation of insurance policies, damage claims by carriers and criminal charges!



Packaging and Labelling

- **Packaging**
 - For smaller shipments (LCL) make sure packaging is robust. What is OK for domestic may not be OK for international!
 - Use clear plastic shrink wrap, proper inner packing (i.e. Styrofoam, bubble wrap) and corner protectors/reinforcing to avoid damage in transit
- **Labelling**
 - Ensure addresses, descriptions, shipper and consignee are labelled correctly and clearly.
 - Clearly mark any fragile/dangerous/heavy cargo.
- **Pallet Size**
 - Avoid “Australian standard” pallet size, use ISO standards.
 - Ensure treated or ISPM15 standard stamped to avoid additional quarantine charges.
 - Ensure that items do not exceed pallet edges.
- **Dimensions & Weights**
 - Calculate dimensions and weight correctly





Heavy Equipment - Packed too high
for carton weight and NO bolsters =
weight and multiple (LCL)
movements crushes the boxes



Demurrage/Storage and Detention

Detention, demurrage and overtime storage often mixed up

- **Demurrage**
 - Used to describe penalty charges applied for container storage beyond nominal “free time” at terminal.
 - **Detention** – Two types:
 1. Where containers are released by shipping lines for packing or unpacking and held beyond “free time” allowances – generally 7-10 days.
 2. Vehicle detention – Covers unexpected delays at packing location, container yards or wharf.
- ❑ Check container detention allowances, negotiate extra days if needed prior to shipment, understand when meter “starts ticking”!



Documentation

- **Import/Export licensing requirements**
 - Ensure you have all of the correct licences and permits for your products
- **Quarantine protocols**
 - Be aware of quarantine protocols
 - It is not just food and Johnny Depp's dogs that get held up!
- **Commercial invoices**
 - Ensure that commercial documentation is completed accurately
 - Payment terms



Insurance

- Better safe than sorry!
- Shop around for Marine Cargo insurance for the loss and/or the damage of goods while in transit
 - Covers the transportation of goods from one place to another
 - Mode of transport can be by sea, air, rail, road, parcel post or courier
- Rule of thumb – Marine and transit insurance is 110% of C&F value of goods.





4. Freight Tips

"We can not solve our problems with the same level of thinking that created them."

Albert Einstein



What are your priorities?

- Determine priorities before getting quotes
 - What is the most important factor?
 - Transit time/frequency/bottom line cost
- Cheapest is not always the best solution!



Cost Efficient Shipping Methods

- Typically shipping by ocean is cheaper than shipping by air, but this is not always the case.
 - Airlines bill by 'chargeable weight'; calculated from a combination of size and weight of a shipment.
 - Ocean carriers generally charge per container rates. Mainly based on the size of the shipment.
 - When shipping less than a container load, price is often determined by cubic metre.
- Working out the most effective shipping method should also factor in:
 - Transit/shipping time, budget and condition of shipment (dangerous goods, perishables etc.).



Paying For Freight

- Consider all payment options and terms for goods and freight/clearance
- Consider currency of payment, security of payment method and exchange rate margins charged by banking institutions
- Companies like OzForex provide a great service



Cross Docking vs. Container Delivery

- Often cheaper to use a load/destination port facility for packing/unpacking containers rather than your own facility or factory.
 - This way you are freighting on the way instead of transporting containers to your facility empty, and then freighting back to the port.
- Trucks will charge additional lift fees and waiting time if a “load while they wait” option is chosen.





- ✦ **CargoHound** is the first true online marketplace for international freight.
- ✦ This revolutionary tool connects exporters and importers with reliable freight forwarders and carriers reducing the **time, cost and risk** of shipping products internationally.
- ✦ CargoHound allows you to:
 - ✓ Compare quotes from multiple “rated” service providers.
 - ✓ Quickly identify the freight service that best suits your requirements and budget.

All at the click of a mouse!

To register for **FREE** go to: www.cargohound.com



Contact any of us for more information or advice on your freight requirements!

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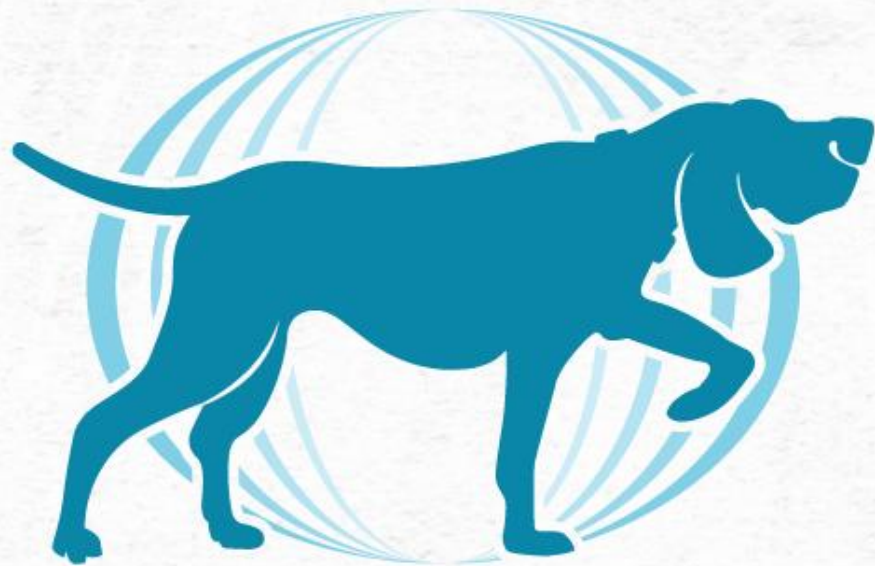
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