



Australian Government
Austrade

Freight and Logistics





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Freight and Logistics

Aim

The aim of this module is to provide practical advice on organising delivery of your exports to your customer.

Objective

To prepare exporters for the efficient use of transport and logistics services provided by freight forwarders, carriers and other providers.

Learning Outcomes

At the completion of this module you will be familiar with the terminology, conditions and other requirements that ensure the successful delivery of goods, documents and data.

Topics to be Covered

What do forwarders and carriers do?

Carriers and Forwarders

Selecting a forwarder

Shipping your product overseas

Incoterms and Freight Documentation



Freight and Logistics

Overview

The shipping container has made international trade deceptively simple – a single door-to-door function that starts with an exporter placing freight in a container and ends with offloading it at the customer's store. However, it is rarely so simple.

International shipments usually require a combination of carriers, including sea or air carriers, trucks and rail, and a combination of services including packing, warehousing and inspection.

Major international carriers, whether they are shipping companies, airlines, package carriers or specialist freight forwarders, all provide forwarding services that integrate provider services into worldwide door-to-door delivery.

A forwarder dispatches shipments via carriers and books or arranges space for shipments. A forwarder's stock in trade is his or her close relationship with customs, carriers, ports and terminals and a network of agents and warehouses overseas. While the term 'forwarder' is used throughout this guide, forwarder services can be delivered by international carriers including shipping companies, airlines, other specialist transport providers, customs agents and freight forwarders.

Getting your product to your customer is a critical business component that can deliver both cost and service advantages.



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Should you ship your product by sea, air, rail, truck or a combination of methods? There are many considerations when selecting a method of shipping and specifying the handling of your shipment. Ninety per cent of all international freight is moved by sea.

Carriers

International shipments are increasingly made on a through bill of lading under a multimodal contract. The multimodal transit operator (frequently one of the carriers) takes charge of and responsibility for the entire movement from factory to final destination.

The cost of the shipment, the delivery schedule and the accessibility to the shipped product by the foreign buyer are all factors to consider when determining the method of international shipping. The choices are often between small package carriers, sea or air freight.

Small package carriers

For small, high value shipments that need to be delivered promptly, small package carriers such as Australia Post, DHL, TNT or UPS offer guaranteed delivery times.

Flat rates typically apply up to 10 kg and 25 kg shipments, based on the destination.

Delivery time: less than 48 hours.



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Charges to be considered

Sea freight

Container ships carry the bulk of the world's exports of manufactured goods.

A full container load (FCL) is a consignment filling one container normally travelling from the shipper's premises to the consignee's premises, usually on one Bill of Lading and intended to be unpacked by the consignee. FCL's are priced at a flat fee per box.

Less than a container load (LCL) is priced by the weight or the cubic measure (W/M) of the shipment, whichever produces the greater revenue for the carrier.

Other charges to be considered include:

- pre-carriage – trucking to port
- terminal handling charge (THC) – movement within the port
- loading
- bunker adjustment factor (BAF)
- currency adjustment factor (CAF)
- peak season surcharges (PSS)
- unloading
- on-carriage – trucking to destination
- assorted other minor charges.

A standard ISO twenty-foot container (TEU) has a cubic capacity of 33m³ and a maximum load of 24,000kgs including the weight of the container.

Delivery time: measured in weeks.

Because of the efficiencies of scale, sea freight is almost always the cheapest option.

The transport cost element in the shelf price of consumer goods varies, but is ultimately marginal. For example transport costs account for only 2% of a television shelf price and only 1.2% of a kilo of coffee. The cost of shipping a tonne of Australian iron ore to Europe is less than A\$20 per tonne when using a bulk carrier.



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Air freight

The choice of air freight is dependant on the ratio of value to weight and most exporters go by a rule of thumb that says a freight cost of 10–15% of FOB value is acceptable.

The rate (airport to airport) is generally priced on a cost-per-kilo basis except in the case of lightweight bulky cargo which can be charged on a cubic metre basis.

Typically, the higher the weight, the lower the cost per kilo. The most common weight breaks are: minimum, <100 kg, >100 kg, >300 kg, >500 kg, >1,000 kg, >1,500 kg.

Delivery time: 3–5 days worldwide.

Ninety per cent of all air freight is moved in scheduled passenger aircraft.



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Services forwarders provide to the exporter

Forwarders

Your forwarder will advise you on the best methods of shipping internationally so that your goods move from point of origin to point of destination, arriving at the right place, at the right time, in good order and condition and at the most economic cost.

The shortest route may not give the shortest transit time. The cheapest option is rarely the most efficient.

Your forwarder is an adviser and agent, arranging the services of a variety of third-party providers and synchronising the flow of the three components of successful trade: the flow of goods, the flow of documents and the flow of data.

To do this, the forwarder needs to be expert in logistics, statutory compliance, risk management and finance and payment.

Forwarders provide a range of services to the exporter, including:

- air/sea rate quotes
- recommended carrier/routing
- space bookings
- packing and labelling advice
- container loading
- pick-up and delivery
- documentation/customs, etc
- Australian quarantine inspection facilities and advice
- destination import services.



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What your forwarder wants to know

Selecting a forwarder

Many companies offer international forwarding services, and whether they are an independent operator, part of a large multinational, or an international carrier such as a shipping company or airline, their quality is dependant on their network of worldwide agents. Selecting a forwarder is one of an exporter's most important decisions.

Your forwarder will first want know what your product is and the ability of the packaged product to withstand the normal hazards of transportation.

You should be able to advise:

- number of pieces
- weight (kgs)
- dimensions (cms)
- commodity (for customs classification)
- whether they are dangerous goods
- where goods are to be collected from
- if charges are payable at the origin/destination
- whether insurance is required
- if delivery to door at the final destination is required
- payment terms.

They are best able to deliver a service when they know their shipper's needs, character, objectives and purpose as much as the nature of the product.

Customs duty and trade statistics are collected using a standardised system of product classifications called the HS Harmonised System.

The Australian Harmonised Export Commodity Classification is an eight-digit number. The first six digits are part of the international system and the final two are specific to Australia.

You will need to obtain the Australian HS codes from customs for each product.



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Packing your products for shipment

Labelling

Packing Lists

Insuring your shipments

Freight Costs

Shipping your product overseas

Packing your products for shipment

To save on handling time and labour most exports are moved in unit loads –either pallets or freight containers. Exporters should keep four potential issues in mind when designing an export shipping crate: breakage, moisture, pilferage and excess weight , as well as packaging rules and technical requirements in their export markets.

Labelling

Correctly labelling your shipments insures they get where they need to go.

Packing lists

Packing lists are often a mandatory requirement for customs and banks, especially for containerised cargo. They accompany the goods and the carrier's documents (bill of lading, air waybill) and provide details of shipping marks, container numbers, weight and/or volume of the merchandise and details of the goods, including all consignment and packaging information.

Insuring your shipments

Damaging weather conditions, rough handling by carriers and other common hazards to cargo make insurance an important protection for exporters . Marine insurance is a specialised area and exporters should seek professional advice from their insurance brokers or underwriters.

Freight costs

Competition between carriers sets rates. The published tariffs for shipping containers from port to port are often the least expensive element of international transport. The extra costs are made up of surcharges and charges and penalties for additional services, particularly those relating to internal transport – that is, getting it to the dock. They all add to freight bills and need to be anticipated, monitored and negotiated with your forwarder.

For example if your shipment requires two men to deliver to the eighth floor of an office building with no elevator, you should expect an additional cost.



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Compliance

Compliance

Your forwarder will deal with most of the compliance issues involved, dealing with a range of statutory measures and export reporting requirements at the time of the shipment's export and arrival at its destination.

You must provide an adequate description of the goods you are shipping. For example 'a bunch of parts' is not a sufficient description for your forwarder to advise customs for commodity classification purposes.

Finance and payment

Finance and payment

Your customers' prompt settlement is dependant on accurate and timely production of documentation by your forwarder.

Your forwarder needs a commercial invoice and a packing list as a minimum for the document flow.



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Freight speak

Using the correct legal terms associated with the movement of freight is an important element of the purchase and sales process. They establish the relationship between you, your buyer and your carrier and every related event thereafter will rely on these terms to satisfy the relationship.

Correct terms, presented properly:

- are the full and complete representation of how the parties agree to do business
- establish the basis of the relationship
- drive satisfaction, payment and collection
- function as the basis for all decisions regarding any disagreements or disputes among the parties
- can drive down costs and improve operations.

You cannot quote accurately without consulting with your forwarder on likely dock and cartage fees, forwarder's fees, marine insurance, ocean freight costs, duty charges, consular invoices fees and packing charges. Your customers will expect a price to include all charges up to and including delivery to their door.

Freight terms identify who is responsible for the payment of freight. See Incoterms for more details

Bills of Lading convey freight terms and act both as a contract for carriage and receipt for the freight. An air waybill is not a document of title.



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Incoterms
defined

Incoterms

Incoterms (international consignment delivery terms) are a uniform and standardised set of terms of delivery. Agreement on Incoterms does not constitute a contract – a separate contract for the sale of goods is always necessary.

Incoterms define:

- the mode of delivery
- who has to arrange for customs clearances and licences
- passage of title
- transfer of risk and insurance responsibilities
- the delivery terms
- allocation of transport costs
- when delivery is completed.

Incoterms do not:

- define contractual rights
- define liabilities and obligations between the parties
- specify transport details such as transfer and/or delivery of the merchandise
- dictate how the title of the merchandise will pass
- dictate obligations with regard to the merchandise
- protect a party from risk of loss.

See the International Chamber of Commerce website for more information on Incoterms:

<http://www.iccwbo.org/incoterms>



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Freight speak: Export documentation

Documentation requirements for export shipments vary widely according to the country of destination and the type of product being shipped. Much documentation can be lodged electronically, however, incorrect documentation can lead to frustrating delays, so professional assistance from banks and forwarders is essential. There are also a number of software programs and documentation specialists available to manage export documents.

Overseas banks regularly reject the initial presentation of documents covered by a letter of credit due to discrepancies. Banks often charge penalties for each discrepancy.

Some specialised documents are:

Export license

- **Export license**
Some primary products where orderly marketing and commitments under marketing agreements apply, for example meat, wheat and wine, still require export licences. However, export licences are generally no longer required, with the exception of certain goods prohibited either absolutely or conditionally, such as firearms and narcotics.

Export declaration

- **Export declaration**
All goods for export worth more than A\$2000 require electronic or manual lodgement of a one-page Export Declaration form (officially known as a B957) with the Australian Customs Service's Integrated Cargo System (ICS).

Electronic Export Documentation System (EXDOC)

- **Electronic Export Documentation System (EXDOC)**
This is the AQIS Electronic Export Documentation System that processes and produces government-to-government export documentation (sanitary or phytosanitary certificates) accepted by all current trading partners. EXDOC is available for dairy, fish, meat, grain and horticulture exports.



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Certificate of origin

- **Certificate of Origin (CO)**
COs certify the place of growth, production or manufacture of goods and are required when exporting to specific countries, when requested by the consignee for customs clearance, or when stipulated in a letter of credit.

The CO identifies goods and contains an express certification by a government authority or other empowered body, often a chamber of commerce. Many overseas importers insist upon a CO when dealing with Australian exporters and they have become more common since the introduction of bilateral FTAs with the USA, Thailand, Singapore, etc

Evidence of origin (copies of the invoice, a bill of lading, a letter of credit, or a statutory declaration) must be supplied.

ATA Carnet

Temporary imports: ATA carnet

Companies have three options when considering temporary importation of trade samples or exhibits for trade shows, etc. – an ATA carnet, Temporary Importation under Bond (TIB) or a consumption entry with duty drawback.

The carnet, an international customs document that permits duty-free and tax-free temporary import of goods for up to one year, is the most user-friendly and structured system of temporary importation. ATA carnets are available through chambers of commerce in Australia.

Chambers provide an online service for COs, carnets, etc.



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Australian
Federation of
International
Forwarders

Useful websites

AFIF – Australian Federation of International Forwarders Ltd,
Sydney
Tel: +612 9314 3055 (CEO), +612 9314 3094
Fax: +612 9314 3116
e-mail: afif@afif.asn.au
Website: www.afif.asn.au

Australian
Institute of
Export

Australian Institute of Export Ltd, Sydney
Tel: +612 9350 8172
Fax: +612 9262 3262
e-mail: ianmurray@aiex.com.au
Website: www.aiex.com.au

Airfreight Export
Council of NSW

Airfreight Export Council of NSW Inc, Sydney
Tel: +612 9350 8117
Fax: +612 9350 8199
e-mail: julie.dryden@aldslirect.com.au

Australian
Logistics Council

Australian Logistics Council, Sydney
Tel: +612 9266 9922
Fax: +612 9268 0230
e-mail: info@austlogistics.com.au
Website: www.ozlogistics.org

Air Freight
Council of
Queensland

AFCQ – Air Freight Council of Queensland Ltd, Brisbane
Tel: +617 3860 5244
Fax: +617 3860 5249
e-mail: afcqeo@powerup.com.au
Website: www.australianairfreight.com

Customs Brokers
& Forwarders
Council of
Australia

CBFCA – Customs Brokers & Forwarders Council of Australia
Inc Tel: +617 3252 1348
Fax: +617 3252 1159
e-mail: cbfca@cbfca.com.au
Website: www.cbfca.com.au

Australia Post
Customs

Australia Post: www.auspost.com.au

AQUIS

Australian Customs Service: www.customs.gov.au

Australian Quarantine & Inspection Service (AQIS):
www.aquis.gov.au

ATA Carnets
Incoterms

ATA carnets: www.iccwbo.org/ata/id2965/index.html

Incoterms: www.iccwbo.org/incoterms/id3045/index.html