

# Inside Freight Forwarding

Enhancing Customer/Forwarder Efficiency

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Due to the inherent flexibility of non-asset-based freight forwarders, they are able to perform almost any transportation logistics function, ranging from storage to door-to-door movement of cargo. Forwarders function as middlemen; they organize transportation of goods among air, land, and sea carriers; pickup and delivery agents; customs brokers; and even financial institutions. Forwarders help exporters choose and manage transportation options.

Exporters will find many advantages in working with forwarders. Since a forwarder exports a much larger volume of cargo than an individual shipper, the forwarder will benefit from better rates obtained from the actual carriers of the freight. In addition, forwarders have networks all over the world and experience working with other transportation agents.

Exporters can maximize their relationships with forwarders by understanding what it takes to ship goods. At its most basic level, each relationship between a forwarder and an exporter ensues from a discussion of services and rates.

## ESSENTIAL INFORMATION

One of the best ways to sample a forwarder's services is to call for a price quote. When doing so, it is important

to provide substantial information for an accurate quote.

The first information needed is about the parties involved: the shipper (from whom the freight will be picked up), the customer (you), and the consignee (the recipient of the freight). Full address information is pertinent. Usually, the shipper and customer are the same party. However, the shipper may in some cases be a supplier of the party instigating the shipment.

After the forwarder has determined the origin and destination of the shipment, the next information needed regards the actual freight: the pieces, weight, dimensions, value, and description of the commodity. An air rate quote is based upon either the actual weight or the chargeable weight (cubic centimeters divided by 6,000), whichever is greater. It is important to provide dimensions for any quote request, since some oversize cargo may limit the forwarder's flight options. As a general rule, the maximum allowable dimensions for freight moving on a standard cargo or passenger aircraft are 317 x 223 x 162 (L x W x H in cm). Certain cargo aircraft will accept freight with greater dimensions than these, although the costs involved may be significantly higher.

Ocean freight rates for less-than-container load (LCL) cargo are also based upon weight (kilograms divided by 1,000) or measure (cubic meters), whichever is greater. Shipping

containers also have dimensional limitations. The standard width and height for most ocean containers (20-, 40-, and 45-foot containers) are 235 cm and 240 cm respectively. Out-of-gauge LCL freight transportation may be available, but the costs will be greater than ordinary LCL shipping.

## COMMODITY RULES

Commodity type and use are important, because any shipment that travels internationally must comply with export and customs regulations. Every good that is exported will be classified with a Schedule B number. This 10-digit code is required on multiple documents for each export shipment. Each commodity in a consolidation of freight will have its own Schedule B number. (For more about Schedule B numbers, see "Classifying Your Products for Export," *Export America*, January 2003.)

Some goods may be considered hazardous substances, which are subject to additional rules and regulations. Every hazardous shipment requires a hazardous declaration. There are different hazardous declaration requirements for air and ocean freight, and both air and ocean declarations must be prepared in accordance with worldwide standards. The International Air Transport Association (IATA) provides guidelines for hazardous air cargo; the International Maritime Organization (IMO) sets standards for hazardous ocean cargo. Both the IMO and IATA specify the hazardous goods training

needed for anyone responsible for the shipping of hazardous substances. A forwarder may also request a Material Safety Data Sheet (MSDS) for a hazardous shipment.

You will also need to apprise the forwarder of other handling requirements. For instance, cargo may be top heavy or need special loading. Additionally, some commodities have short shelf lives, are perishable, or have particular temperature requirements.

The forwarder needs to know the value of your shipment, because any commodity with a value exceeding \$2,500 must be reported to the U.S. Census Bureau on a Shipper's Export Declaration. (There are a few exceptions to this rule, including all U.S. exports to Canada that do not require export licenses.) It is the shipper's responsibility to report this value to the government; however, the forwarder may take over this duty if given permission by the shipper in a power of attorney.

#### TRANSIT AND DELIVERY

A forwarder is especially interested in the time demands of your shipment. Air transit times are obviously considerably shorter than ocean transportation. A forwarder needs to know when you want the freight picked up, and when you wish it released to the consignee. Ensuring that all of your documentation is in order is paramount in meeting desired transits. A good forwarder will always ensure everything is in order, but even the best ones cannot accomplish this without cooperation from their customers.

The final steps to a quote entail sales terms and customs clearance of the freight at the destination port. Sometimes a shipper will ask the forwarder to provide true door-to-door service, providing clearance and eventual delivery directly to the consignee—something any established forwarder should be able to provide with a network of foreign agents. Quite often,

the customer or consignee will wish to arrange the clearance and recovery of the freight themselves. This is logical, since the consignee exists locally and, if working with imports often, should have his own customs brokerage contacts. When this is the case, the forwarder looks to the customer to dictate the method and routing of transportation.

Sales terms ensue from Incoterms, which define the roles of the buyer and seller in the arrangement of transportation, as well as clarify when the transfer of ownership of the merchandise takes place. Your forwarder can help you determine the Incoterm that best suits your situation. (For more information, see "Incoterms: Rules for Trade Logistics," *Export America*, September 2002.)

Once the forwarder has the information described above, he will begin to map out your shipment. He will take many factors into consideration, including but not limited to:

- Which carriers travel between the desired origin and destination ports?
- Can those carriers perform the transportation within the desired time frame?
- Do you have specific routing and/or carrier preferences?
- If freight is hazardous or of extraordinary dimensions, are those carriers equipped to handle it?
- Is there enough time to meet the carrier's requirements for tendering of freight?
- Are there any financial issues (e.g., insurance, letters of credit, special payment arrangements, etc.)?
- Are there additional requirements or noteworthy issues in terms of licensing, handling, or service?

#### PUTTING THE PIECES TOGETHER

The forwarder will create a shortlist of potential carriers and select the primary one according to a combination of

reliability and cost. Then the forwarder will check for space availability with the carrier. When available space is confirmed, the forwarder will be able to provide you with a quote. After you have done a sufficient amount of business with a forwarder, chances are that both parties will want to work from a tariff (rate schedule), eliminating the need for the quoting process.

A customer needs to be aware that while schlepping freight is surely not brain surgery, there is a need for roughly the same level of precision. The threat of terrorism has caused government agencies to create security programs that are strictly enforced. This has an enormous effect on transportation, as the margin for error has been reduced to zero. The only way to ensure the flow of goods is for shippers to be very forthcoming and to cooperate fully with their transportation providers. ■

The author has extensive experience in forwarding operations, including trucking, warehousing, and worldwide transportation. CGL (Concert Group, LLC) is a non-asset-based forwarder with a head office in Downers Grove, Illinois, just outside Chicago. Eric W. Petersen, a former Chicago-based forwarder, contributed to this article. For more information about global transportation, see "Trade Logistics 101: An Introduction to Forwarding," *Export America*, August 2002. Past articles from *Export America* are available online (<http://exportamerica.doc.gov>) as both PDF and HTML files.