

How to book and negotiate best freight rates

How to establish freight contracts

How to work in partnerships in logistics

How to sell freight effectively

you must learn





Effective and efficient freight manager

What were your past experiences with freight forwarders?

What is the environmental impact?

Which new and/or existing developments require logistical support?

What are your service requirements?

What security aspects are to be considered?

How can flow and processes be optimized in order to run more efficiently?

What levels of control and management do you need?





It is a thousand times better to have common sense without education than to have education without common sense. ~Robert G. Ingersoll

What is freight?

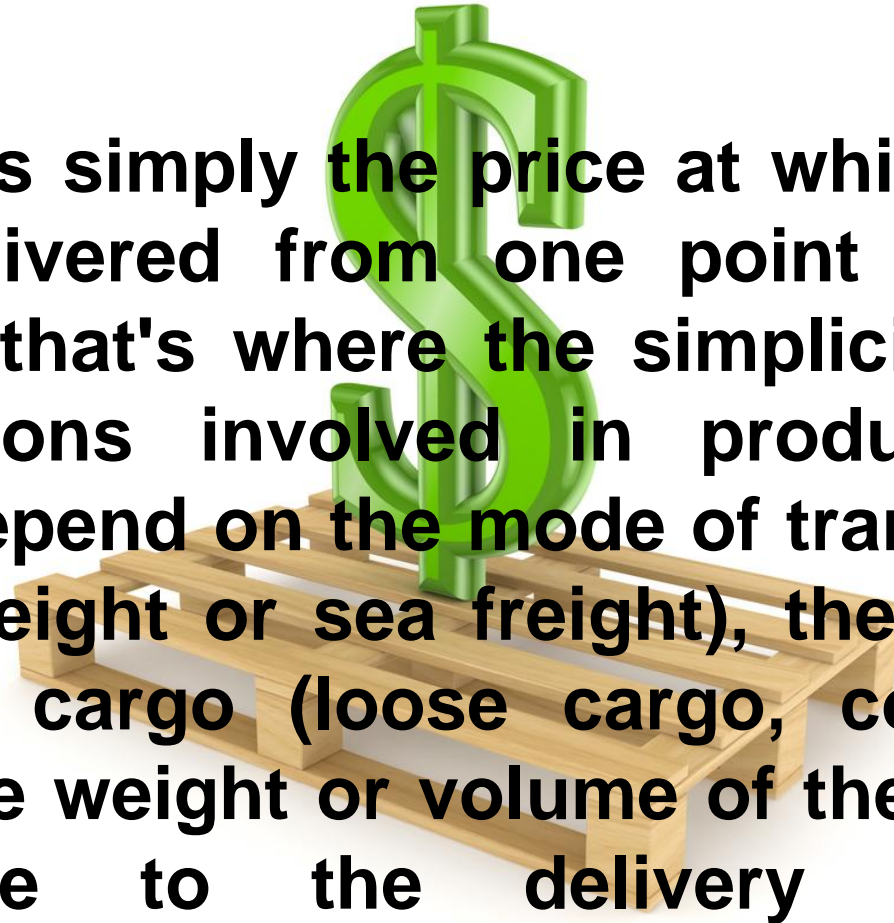
- **Goods transported in bulk by truck, train, ship, or aircraft.**



What is a freight rate ?

What is a freight rate ?

Freight rate is simply the price at which a certain cargo is delivered from one point to another. Traditionally that's where the simplicity ends, as the calculations involved in producing these prices can depend on the mode of transport (road freight, air freight or sea freight), the nature and form of the cargo (loose cargo, containerised cargo etc) the weight or volume of the cargo, and the distance to the delivery destination.





Sri Lanka Exchange Control Tariff 1996

Definition of freight

Chapter 1

Outward and inward containers & transshipment vessel discharging or loading on liner terms

Regulation specifies freight as

"The definition of freight for the purpose of charging agency commission should be " Full freight adjusted for currency adjustment factor(CAF) with no deduction other than bunker surcharges(BAF). All other surcharges should be considered as part of full freight for determining full freight"

Who books freight?

Shipper!

Shipper

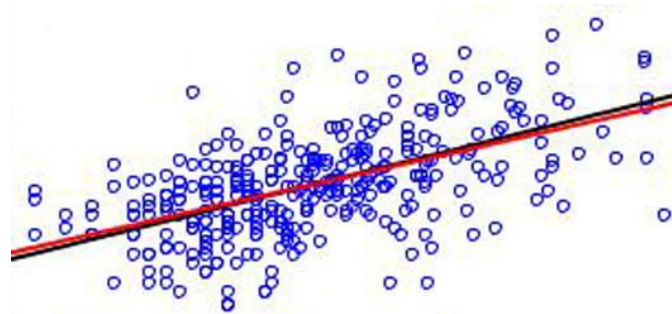
- Shippers represent the owner of goods being transported by any mode of transport, whether consignors (the traditional meaning of shipper) or consignee.
- The definition of shipper has changed in line with the nature of international trade and transport: in today's global economy shippers may contract third party logistics providers or freight forwarders to procure and manage their freight shipments; they will be responsible for arranging and managing that contract.
- A shipper – as owner of the goods will have the ultimate responsibility for the goods in their control or in transit and compliance with the **relevant national** and international rules of trade and commerce
- By virtue of the decisions a shipper makes in choices of service provider, types-length, number and style of contracts, he or she is in effect is a risk manager for the company's supply chain. Decisions made by the shipper could have profound impacts on the business

How to book freight?

Before that....

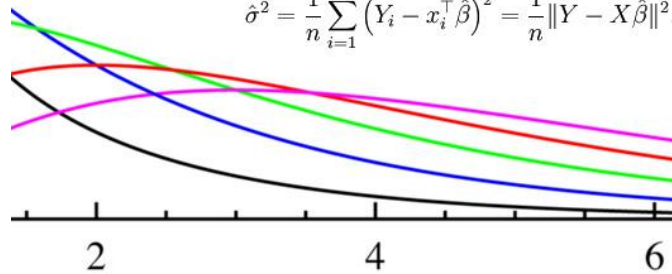


Information



Statistics

$$\hat{\sigma}^2 = \frac{1}{n} \sum_{i=1}^n (Y_i - x_i^\top \hat{\beta})^2 = \frac{1}{n} \|Y - X\hat{\beta}\|^2.$$



**Know your sales
contract**

Sales contract requirements on freight



PURCHASE AND SALES AGREEMENT

Contract Number: AFG012

As amended and approved by CBI on February 2008

PURCHASE AND SALE AGREEMENT dated as of _____ 2008 between:

Cooperative Business International, Inc (CBI) acting as agent for The Islamic Republic of Afghanistan (Ministry of Finance); and

_____, (Buyer), who has an address of: _____ and a telephone number of: _____.

RECITALS

- A. Pursuant to an agreement between the Government of the United States of America (USG) and CBI as agents for The Islamic Republic of Afghanistan, the USG has donated 102,060 cartons of vegetable oil (the Oil) to be sold in Afghanistan. Proceeds from such sales will be allocated to agricultural development projects as agreed to between the USG and The Islamic Republic of Afghanistan.
- B. CBI, a U.S. corporation with an office in Afghanistan and the USG, and will be managing the sale of the Oil on behalf of their principal "The Islamic Republic of Afghanistan, Ministry of Finance".
- C. The Buyer has received a copy of the Bidding Documents dated prepared and distributed by CBI that details certain aspects of these arrangements. These details require that the Buyer certify that the Oil purchased under this agreement will only be used for wholesale, resale or the production of human food consumables in Afghanistan.
- D. The Buyer has agreed to purchase a portion of the Oil, subject to the terms and conditions of this Agreement.

AGREEMENT

NOW THEREFORE, Seller and Buyer agree as follows:

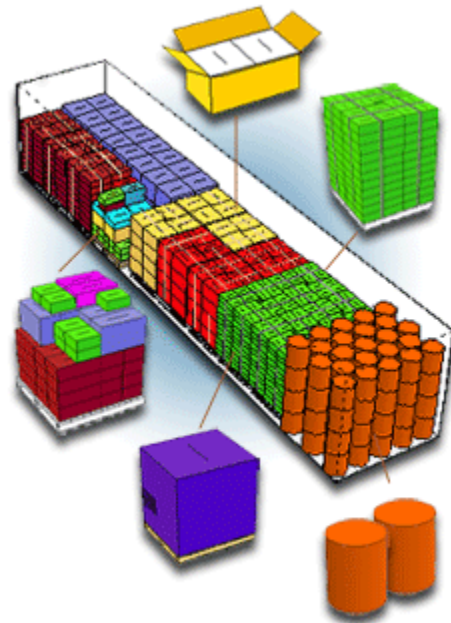
Buyer agrees to buy and Seller agrees to sell the refined U.S. origin vegetable oil (the Oil) as described here below under the terms set forth in this agreement.

1. **Price:** The total purchase price for the Goods shall be US\$ _____.
2. **Delivery period:** The Oil shall be delivered to the Seller's warehouse in Kabul, Afghanistan. Based on the current shipping schedules provided by the shipping companies responsible for delivery of the Oil to Afghanistan under this USG donation, the estimated time of arrival of the Oil in Afghanistan at the Seller's warehouse is (March 1, 2008 and April 15, 2008). *However, the parties mutually agree that the date of the delivery of the Oil under this agreement is the date that the Oil is actually delivered to the Seller's warehouse in Afghanistan. (Delivery delays caused by the weather, by war, by terrorism, by the shipping company or by*



**Know your freight
&
requirements!**

Weight/ Volume, Cargo type, Packing ,etc.



Equipment type



DRY VAN



REEFER



TANK o CISTERNA



FLEXITANK



OPEN SIDE



OPEN TOP

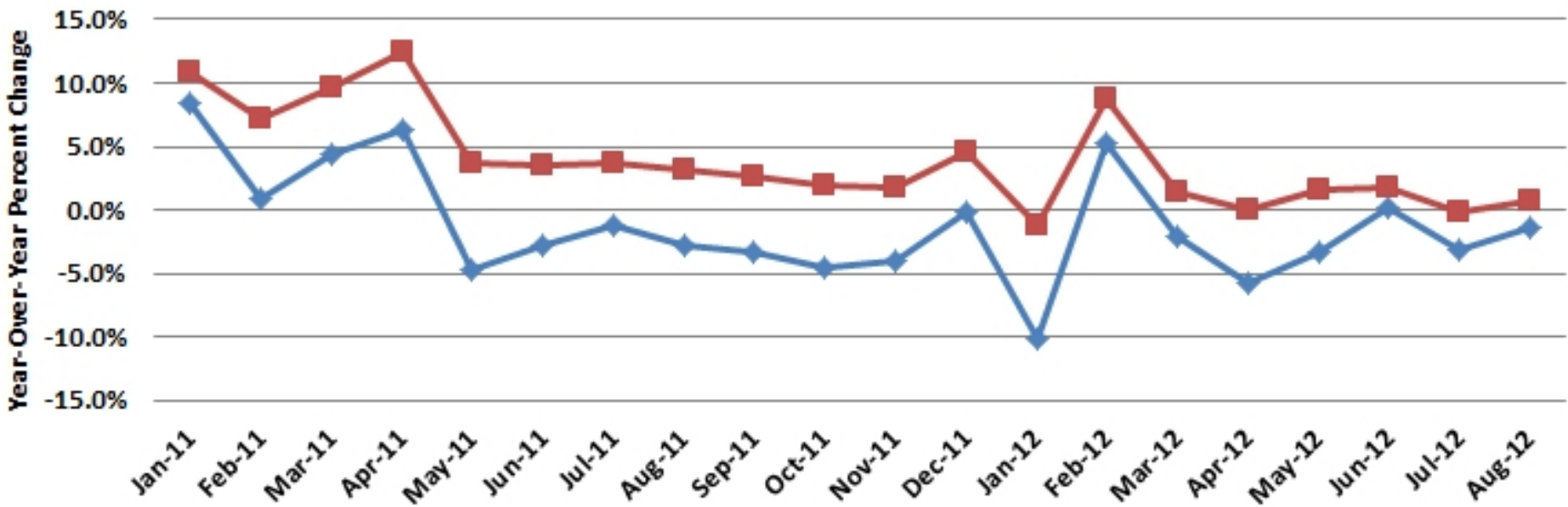


FLAT RACK

Country restrictions/laws



Merchandise demand circle



Choosing a service provider

LCL
CONSOLIDATION



Look at each others (your and his)



Know your Geography



Booking freight



What are you looking for?

**NEGOTIATE
TO**



WIN - WIN

Dealing with a service provider



So how can you avoid paying too much for movers?

Simple — Get free moving quotes. After that, try contacting some companies to see what their prices are. Make sure you ask the right questions, so that you know the price you get is accurate.



Don't be afraid to
ask questions.



Beyond the negotiated freight

Would you accept GRI as and when announced?

Should you accept rate restoration under a free market?

Is a Peak season surcharge justified?

What about BAF/CAF?

Do you know of general average/salvage and the BL?

Shouldn't lines give notice of adjustments?

Booking freight with a service provider

How do you Book?





Spot rate or fixed short term rates

Spot rate

In finance, a spot contract, spot transaction, or simply spot, is a contract of buying or selling a commodity, security or currency for settlement on the spot date, which is normally two business days after the trade date. The settlement price is called spot price. ...in shipping its for voyage, but can go up to 2-3 weeks

Fixed short term

Usually locking a rate on forecast without committing minimum volume
1- 3 months depending on the carrier



Bid Management



MAKE
THE
RIGHT
DECISION



Service Contracts

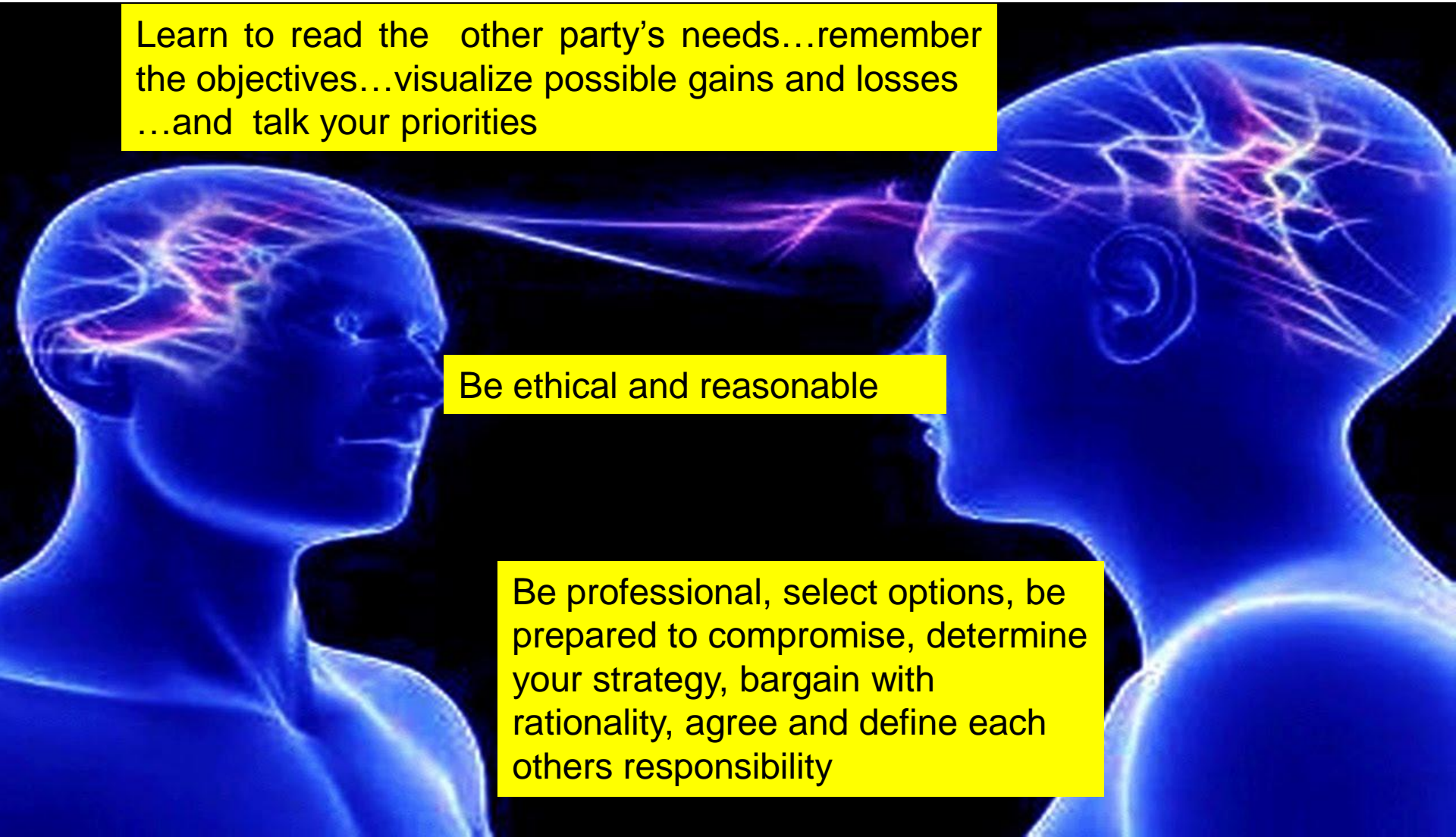
SERVICE CONTRACT RISK EXPOSURE TO THE PARTIES

To become a good negotiator

Learn to read the other party's needs...remember the objectives...visualize possible gains and losses ...and talk your priorities

Be ethical and reasonable

Be professional, select options, be prepared to compromise, determine your strategy, bargain with rationality, agree and define each others responsibility



Issue Four

Oil Gas & Shipping

market

KTV GROUP

Health & Safety: Safe systems of work Keep it simple

PORTS HARBOUR

IHS Dredging at Port Construct

Comp comm

IHS Safety at Sea

IHS Fairplay Solutions

IHS Fairplay

Time is money for ship suppliers

Seatrade

MONTHLY ROYALTY AT SEA

Famous ships sponsored by kings and queens

Naval designer Celebrating 75 years of Knud Hansen ship designs

Port profile Immingham celebrates its centenary

Lloyd's List

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Growing secondary market for shipping loans

Ship-based mortgages are a major trend in the secondary market for shipping loans, but lenders are still looking for assurance on the sector, says David...

Ship-based mortgages are a major trend in the secondary market for shipping loans, but lenders are still looking for assurance on the sector, says David...

FREIGHT focus

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KEY MESSAGES

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