

A Study on Air and Ocean Freight Forwarding

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Abstract- Logistics is considered to be much unorganized sector in India. Logistics is the planning, implementing and controlling of flow of goods, services and related information from point of origin to point of consumption. Freight forwarding has an important role to play in logistics as it involves organizing shipments for corporations or individuals to get goods from the manufacturer or producer to market to customer or final point of distribution. A descriptive research was carried out by collecting the data. It was concluded that depending upon various factors customers can choose either air freight or ocean freight. It completely depends upon the factors considered by the customer and their requirements.

Keywords: Logistics, Freight, Shipments, Distribution, Customer.

I. INTRODUCTION

Freight Forwarder is a company that organizes shipments for customers by getting goods from the manufacturer or producer to a market, customer or final point of distribution. International freight forwarding includes both ocean freight and air freight. Freight forwarding gained importance in this decade as this sector became popular. Many freight forwarding companies are coming up nowadays. These companies may be domestic or international freight forwarders. These companies act as agents to carriers. Apart from post offices freight forwarders are the people who send shipments, be it a simple document or other goods. According to customer requirements various companies have their own customized services. A study has been conducted to understand the air freight and ocean freight by collecting data about their basic functioning.

II. METHODOLOGY

The objective of the study is to understand the following:

- To know the basics of freight forwarding both air freight and ocean freight and their process of working.
- To understand the difference between air freight and ocean freight by analyzing both.

III. DATA ANALYSIS:

Freight forwarding companies operates as an agent between carriers and customers, because airlines won't directly approach or sell their rates to customers. Airlines will approach the freight forwarding companies. Both airlines and freight forwarding company necessarily is an IATA agent to enter into this business. Airlines have seasons in which they modify their rates structure. Standard rates will be given by airlines to IATA agents, but the variation comes when incentives and commission are paid according to the volume of the business they generate. If the volume is high then proportionate increase and vice versa. Airlines quote their rates based on weight slabs. Weight slabs will be:

Table 1.1

Weight/kg	Rate
-45	Xxx
+45	Xxx
+100	Xxx
+200	Xxx

The weight slab goes up to 500kgs, if the weight goes beyond 500kgs then the agents can negotiate on rates; otherwise they have to go with the fixed rates given by airlines.

Airlines have numbering system for Master Air Waybill. They will issue the MAWB to the agents with a difference of 11 numbers in each bill. Airlines will issue MAWB to the agent every month, if the stock of bill gets completely used up then airlines will issue MAWB again. The payment to the Airline has to be made on fortnight basis. If any uncertainty happens to occur then the liability is only up to 19 SDR/Kg. This rule is created by IATA.

Freight Rate = Basic freight + Fuel Surcharge (FSC) + Security Surcharge + Miscellaneous Charge + Advance Manifest (AMS).

Assumption of consolidation:
House Air Waybill (HAWB)

Parties	No. of Packets	Weight (kg)	Rate /kg (Rs.)	Total Amount(Rs.)
A	3	100	75	7500
B	4	300	48	14400
C	1	75	80	6000
D	6	75	80	6000
E	2	150	70	10500
TOTAL	16	670	-	44400

Table 1.2

Freight rate can be calculated as:

Freight Rate = Basic freight + Fuel Surcharge (FSC) + Security Surcharge + Miscellaneous Charge + Advance Manifest (AMS).

Freight rate = 10+30+8+4+2 =Rs.54/kg.

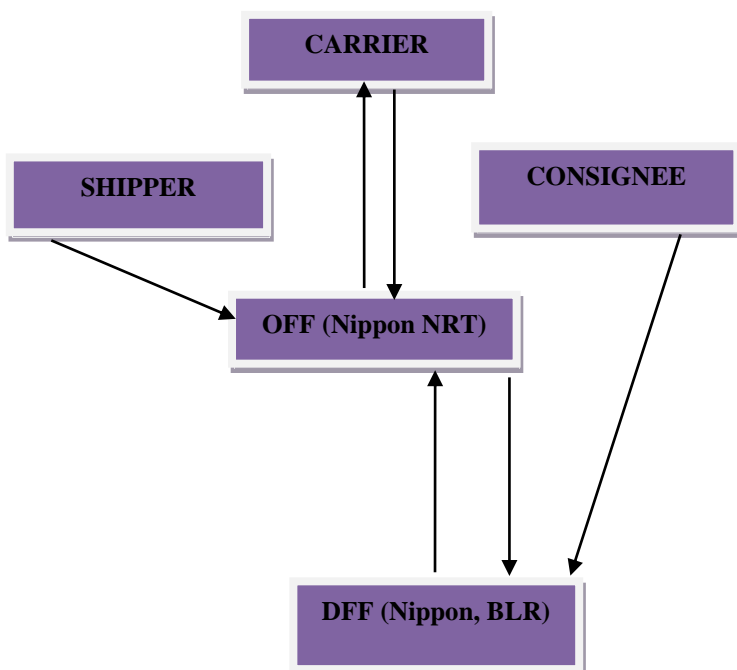
Amount that should be paid to airlines = total weight * freight charges

$$= 670 * 54 = \text{Rs.}36180$$

Amount that should be paid by customers to agents = **Rs.44400.**

The amount received from customers will be more than amount paid to the airlines by freight forwarders.

Suppose the consignment is from Narita, Japan to Bangalore, India. There are mainly five parties – shipper, OFF (Origin Freight Forwarder), DFF (Destination Freight Forwarder), Consignee and carrier. This can be further explained with the help of a diagram.



If the consignee has chosen CIF then the OFF (Origin Freight Forwarder) will be collecting all the charges as it is Cost, Insurance and Freight and has to be paid by the shipper. Some delivery charges will be collected when it has been delivered to the consignee by DFF (Destination Freight Forwarder).

In case of FOB, the consignee will have to contact the DFF (Nippon, BLR). DFF will contact the OFF which is situated in Narita. They will contact the carrier and request for the quotation, the carrier will provide the OFF with quotation. Then the OFF will add their commission into that and further it will be sent to DFF. DFF will add their commission and margin and the final quotation will be sent to consignee. Consignee have to agree upon the terms and conditions mentioned in the quotation and he have to contact the shipper for delivery of goods to the OFF as it is a FOB.

The payment will be given by the consignee to DFF. DFF will take his margin and remit the amount to OFF. OFF will take his part of the payment and finally it will be received by the carrier. Airline will give a 30 days credit period with in which the freight forwarder has to pay the money. This rule is put forwarded by IATA. Any failure in payment can be considered as a violation of rule.

Ocean freight model is slightly different from air freight model. In ocean freight, no particular governing bodies are there which can regulate the functioning of both the liners and agents. FIATA (International Federation of Freight Forwarder Association) is the association existing for ocean freight transportation. Every agent and forwarder should be a MTO (Multimodal Transport Operator) and NVOCC (Non – Vessel Operating Common Carrier). If you are not an MTO then you are not allowed to make Bill of Lading of your own i.e. House bill of lading. In ocean freight the decisions will be taken by liners. The terms and

conditions will differ from liners to liners. In case of ocean freight the liners will sell their rates to NVOCC. Bill of Lading will be given when the customer accepts the rates and the agent books the liner. Bill of Lading will differ from shipment to shipment and liners will not be providing stock of bill of lading which is there in case of air freight.

The Ocean freight rate will be always in US dollars except the other charges such as BAF, THC.

Freight rate can be calculated as:

$$\text{Freight rate} = \text{Basic freight} + \text{Bunker adjustment factor} + \text{Terminal handling charges} + \text{Inland haulage charges} + \text{manifestation charges} + \text{currency adjustment factor}.$$

Liners will give rates for FCL only. It is the decision Of the freight forwarder that whether he want To consolidate the shipments to make it as FCL or LCL only. When we talk about air and ocean, the procedures are the same. The only difference is the rate structure, mode of transport and different names by which the documents are known.

All of these are the important aspects of a company which is doing freight forwarding through both air and ocean.

CONCLUSION

This study helped us in understanding the basic aspects of both air freight and ocean freight forwarding with its working model and other aspects. While analyzing the data we got to understand the basic differences of both air freight and ocean freight. Even though its 60% of working model is similar to each other but it has differences. From the data collected we got to know about that air freight is more preferred by the customers unless they have a bulk shipment to send or they doesn't have urgent requirement of the shipment. The data analysis of variables such as cost of shipping the consignment and urgency of the consignment to be reached in the destination are the important factors which decide whether to go with air freight or ocean freight.

REFERENCES

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 [3] World Atlas

Basis of difference	Ocean	Air
• Ports	Sea ports/ ICDs	Air ports
• Transportation	Ship/ Vessel	Air craft
• Loading on board	Container/ bulk	Pallets/ containers/ bulk
• Documents	Bill of lading	Air waybill
• Rate	Cubic Meter (CBM) or Metric Ton(MT)	Charge per Kg
• Advantage	Slow and Inexpensive	Fast and Expensive

Table 1.3