

AN EXPORTER'S BEST FRIEND

by Bob Ronai

Australian SME's engaged in exporting will do well to have a local "best friend." That best friend is an efficient and friendly freight forwarder who looks after the movement of their goods and gives relevant advice when requested. Sometimes exporters refer to them by confusing names like "shipping agent," "freight agent," "export agent" and the like, but in Australia the generally-accepted description is "freight forwarder" or "forwarder" for short.

FORWARDERS, LARGE AND SMALL

There are many hundreds of forwarders in Australia, ranging from massive European-based companies with their own offices around the world even in out-of-the-way locations, through the larger Australian-based forwarders with offices in each capital city and a wide network of international agents, the smaller single-city companies with a basic network of international agents in the more usual locations, to the one-man-bands who simply look after the logistics at this end with the local offices of the airlines and vessel operators. Each exporter needs to assess which kind of operation best suits them, but to do this it is necessary to understand what the forwarder actually does for them.

If the overseas buyer is paying the freight, depending on the Incoterm used in the contract of sale, the choice of freight forwarder will usually be taken out of the exporter's hands. Some exporters feel that it is easier if they work this way, but in reality they lose control over shipment of their own goods which, it can be argued, is not a clever way to export. (Correct Incoterm for most such shipments would be FCA, not the commonly but incorrectly used EXW or FOB — the latter should not be used for airfreight or containerised seafreight and the former simply cannot be correctly used as the overseas buyer is responsible for the export declaration to Australian Customs). So for the purposes of this article the assumption is that the exporter is paying the freight, the cost of which is built into their export price, and choosing their own forwarder to arrange a shipment by sea (correct Incoterms for most shipments would be CPT or CIP, not the commonly but incorrectly used CFR and CIF which should not be applied to airfreight or containerised seafreight).

FULL CONTAINER LOAD

In the first scenario the shipment is a Full Container Load (FCL), that is, of sufficient volume to efficiently fill a 20ft or 40ft shipping container, and the exporter contacts the forwarder just a few days before the goods are ready. The forwarder will often have a preferred shipping line on a particular route and will make a booking on that line's next departing vessel receiving cargo around the date the exporter will be ready to pack the container. The shipping line will advise the forwarder a release number and the location from where the empty container is to be collected, plus where the packed container is to be delivered. Of course there will also be discussion on the freight rates and surcharges to apply. The forwarder will then call their trucking contractor to arrange that side of things including booking time slots at the depots, booking a sideloader truck if the container has to be put on the ground and left at the exporter's premises for a day or two to pack.



Some exporters do not have the facilities to pack containers themselves or might be accumulating goods from different sub-contractors so they will have the forwarder organise packing of the container. Many forwarders however do not themselves have the storage or facilities to pack containers so they will arrange to outsource this to a transport or container depot.

Some forwarders require a request from the exporter in writing before going ahead with the above arrangements, but certainly before the containers are packed the exporter will need to supply the forwarder with a Shipper's Letter of Instruction (SLI), the Commercial Invoice and the Packing List. The SLI can either be a generic document created by the exporter in say Excel or Word, or on a form supplied by the forwarder, and can be considered as being the first leg of entering into a contract of carriage. The Commercial Invoice and Packing List are needed initially by the forwarder for the information to electronically declare the shipment to Australian Customs and obtain an Export Declaration Number (EDN). Without an EDN the forwarder cannot prepare the next electronic document, a Pre-Receipt Advice (PRA), required before the container can move in to the depot. The forwarder will then prepare their own Forwarding Instructions (FI, similar to the exporter's SLI) to the shipping line in order for the line to know what details are required to appear on their Bill of Lading (B/L). If the forwarder has an office or agent at the destination, the shipping line B/L will show the forwarder as the shipper and their overseas people as the consignee, and the forwarder will in turn issue their House B/L showing the exporter as shipper and buyer as consignee. Some forwarders even like to hide the identity of the shipping line from the exporter but savvy exporters can soon work this out from the name painted on the side of the container or the container number's prefix.

If the forwarder issues their house B/L then they need to make their overseas counterparty aware of the transaction. They will usually obtain an express release B/L or sea waybill from the shipping line and email a copy of this along with a copy of their own house B/L and the exporter's Commercial Invoice and Packing List.

LESS THAN CONTAINER LOAD

In the second scenario, the shipment is small, possibly just a pallet or two, and is a Less than Container Load (LCL). This time, in response to the call from the exporter the forwarder will select a consolidator who acts as a wholesaler to many forwarders and combines into a container various small cargos to the same destination. It is the consolidator who books with the shipping line and the forwarder only needs to make the booking with the consolidator, arrange trucking from the exporter to the consolidator and apply to Customs for the EDN. In response to the forwarder's FI the consolidator will issue their House B/L either showing the exporter as the shipper and consigned to their buyer or more often showing the forwarder as the shipper and their overseas agent as the consignee then allowing the forwarder to in turn issue their own House B/L to the exporter. Because most consolidators also act as retail forwarders this latter method is generally preferred by forwarders as it hides the existence and identity of the consolidator from the exporter and vice versa. Some forwarders even like to hide the fact that they are not themselves consolidating the cargo with other exporters' cargo.

The document flow for an LCL shipment will be similar to an FCL House B/L as discussed above. In both FCL and LCL shipments, the exporter should have a B/L in their hands one or two business days after the vessel has left port, but no later than three business days unless there have been unforeseen problems.

THE FORWARDER IS LIKE A SWAN

As can be seen from the above, even for a simple mundane shipment the forwarder can be likened to a swan, appearing to the exporter to be effortlessly gliding across the water with little effort as they look after the shipment, yet below the surface they are rhythmically paddling to keep things moving in the most efficient manner. Good communications between the exporter and their forwarder are vital, and even though the exporter should have a warm and comfortable confidence in their forwarder they should ensure that complacency does not creep in. It certainly doesn't hurt to occasionally check out rates and services from other forwarders whether just by enquiry or even slipping a shipment or two to another forwarder for a more tangible comparison.

© Bob Ronai (JP, AIEEx, AIMM) heads Import-Export Services Pty Ltd, an independent provider of document preparation and consultancy services to exporters. Bob has over 45 years experience in back-office support for exporters and importers. As well as being a member of the Australian Institute of Export since 1975, he is a member of the Australian Institute of Management (NSW) and is on the Banking Technique and Practices Committee of the International Chamber of Commerce Australia. He can be contacted at 02 99863000 or bob@exports.com.au.