Understanding Ocean Freight

Terminology of Contracts, Tariffs & Charges

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COMMON CARRIAGE v. CONTRACT CARRIAGE

OSRA 1998 Changes (amends the Shipping Act of 1984)

- Introduced <u>Confidential</u> Service Contracts

- Limited the scope of antitrust immunity

- Changed rate setting practice away from the conference system

- Created alternate <u>tariff filing requirement</u> with online availability

- Required USA OTI's to be licensed and bonded – others, foreign registered

- Effectively changed the system from Common Carriage to Contract Carriage

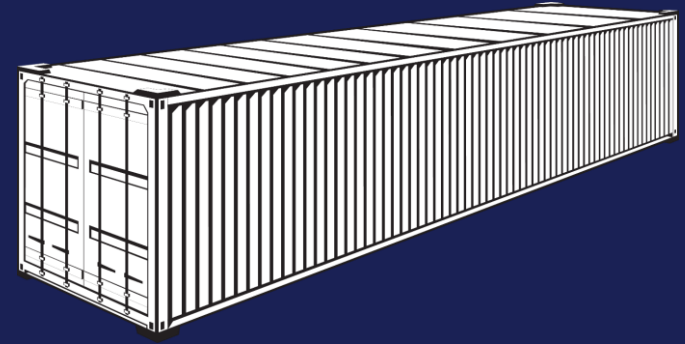# FMC Oversight of Tariffs & Other Rate Mechanisms

VOCCs (Ocean Common Carriers)

- post rate/rules tariffs for common carriage

- negotiate Service Contracts with BCOs or NVOCCs

  - File essential terms with FMC

  - 30-Day notice required for rate increase

NVOCCs – also sell to BCOs

- post rate/rules tariffs for common carriage

- May use NVOCC Service Arrangement (NSA) in lieu of tariff (30-day notice)

- May use Negotiated Rate Arrangement (NRA) in lieu of tariff (no 30-day notice)

FCL Rate Types

VOCCs sell:

Fixed Rates – subject to MQC & Penalty Clause

FAK or Spot Rates – based on market level / rate tariff
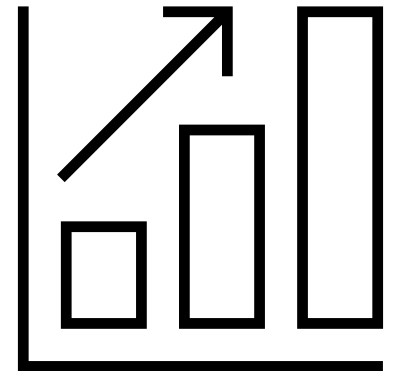
NVOCCs sell:

Named Account Rates – fixed or floating – NRA or NSA

FAK Rates – market level by tariff or NRA

When are Fixed Rates not Fixed?

Service Contracts Rates:

- Base Rates – Subject to Surcharges
- May point back to underlying Tariff
- GRI – General Rate Increase
- Limited by 'No New Surcharges' Clause
- Subject to Mutual Agreement
- Force Majeure
- Nuisance Surcharges

In a Perfect World…

Base Rate **+** **Fuel** **=** **Freight Charge**

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Most Common Surcharges added to Base Rates:

Fuel Surcharge (BAF, FAF, EFS, FRC, MFR, LSF, VLSFO, FS, FSC, EFF…)

PSS - Peak Season Surcharge

GRI - General Rate Increase

Other Surcharges You May See

ACC/ACS	Alameda Corridor Surcharge		DOC	Document Fee
AGS	Aden Gulf Surcharge		EMF	Equipment Maintenance Fee
ARB	Outport Arbitrary		ISPS	Security
CAF	Currency Adjustment Factor		IT Fee	In-Transit Bond fee
CC	Container Compliance		OOG	Out of gauge - oversized
CUC	Chassis Usage Charge		PCC/PCS	Panama Canal Charge
CSC/CSF	Container Security Charge		PP	Pier Pass (CA)
CTF	Clean Truck Fund (CA)		THC	Terminal Handling (origin or dest)
DDC	Destination Delivery Charge		TSC	Terminal Security Charge (origin or dest)
DG	Dangerous Goods / Hazmat		WFG	Wharfage

LCL Rating

Consolidated LCL cargo:

Rated by W/M - weight (m.tons) or measure (cbms) – whichever is greater*

- Light cargo is rated by $$$ / Cubic Meter

- Dense cargo is rate by $$$ / Metric Ton (1000 Kilos)

* Common conversion is 1 cubic meter charged for every 1000 Kilos.

LCL Charge Schedule

CFS Handling Fees

- Terminal In/Out
- DAD
- Doc Handling Fee
- FSC
- Equipment (Chassis)
- Wharfage
- Admin Fee
- Facility Window
- Import Wage/Labor/Transport
- IT Fee
- Pallet
- Hazmat
- Overlength
- Warehouse Insurance

Anatomy of a New Surcharge

- Houthi rebels attack merchant fleet in Red Sea (October)
- Ocean Carriers begin diversion around Africa (Nov/Dec)
- Increased cost to carriers is significant (adds 2000-4000 miles)
- Normally 30-Day notice required for new/increased rate
- Waiver Applications sent to FMC (end of December)
- Some lines declare Force Majeure

Anatomy of a New Surcharge

The Resulting Red Sea Diversion Charges…

CMA-CGM:	**RS**	Red Sea Charge
Hapag-Lloyd:	**OCR**	Operations Cost Recovery
HMM:	**OCC**	Operation Continuity Charge
Maersk:	**TDS**	Transit Disruption Surcharge
MSC:	**CAC**	Contingency Adjustment Charge
ONE:	**RDS**	Red Sea Diversion Surcharge
YML:	**CR**	Cost Recovery Charge

In Summary

- ✓ Fixed Rates are not always fixed.
- ✓ Look to tariffs as the source of surcharges.
- ✓ Nuisance charges are likely to appear.
- ✓ Terms & Acronyms lists are never exhaustive!

Thank you!

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