Importing your goods using sea freight

Shipping containers were developed from the railway's iron boxes that were initially used to transport coal on and off barges in England in the late 1780s. However, it wasn't until after World War II when American Liberty ships used in combat were refitted as container carriers that use of shipping containers found wider appeal. The larger, inter-modal containers reduced docking, unloading and loading times, effectively reducing wharf fees. In Australia, the first purpose-built container ship, the *MV Kooringa*, was constructed in 1964 by the NSW State Dockyard. Today containerised shipping remains the most common method of shipping manufactured goods.

Simplistically, shipping containers allow goods to be shipped sealed from one shipper to one consignee. However, there are government requirements, regulations, cost and weight options for importers to consider. This guide outlines those with regard to importing goods into Australia.

Shipping containers

In the 1970s sea freight container sizes were standardised by the International Standards Organisation (ISO). There are two basic container sizes used in worldwide shipping: they are the 20' and 40'containers. They come in various configurations, but the basic footprint is 20'or 40' long by 8' wide and 8'6" high. Freight rates are generally determined as a rate per container.

The table below indicates the most common containers, their dimensions and maximum weight capacities:

	20' DRY CARGO CONTAINER*		40' DRY CARGO CONTAINER*		40' DRY CARGO HI-CUBE CONTAINER*	
SPECIFICATIONS	8'6" STANDARD		8'6" STANDARD		9'6" HI-CUBE	
Inside Cubic Capacity	32.8cbm		67.2cbm		75.9cbm	
Cargo Capacity	21,640 kg		26,500 kg		26,330 kg	
Tare weight	2,360 kg		3,980 kg		4,150 kg	
	OUTSIDE:	INSIDE:	OUTSIDE:	INSIDE:	OUTSIDE:	INSIDE:
Length	6.05m	5.90m	12.19m	12.01m	12.19m	12.01m
Width	2.44m	2.35m	2.44m	2.35m	2.44m	2.35m
Height	2591	2380	2591	2381	2.90m	2.69m
DOOR SIZE:						
Height	2.28m		2.28m		2.58m	
Width	2.33m		2.33m		2.35m	

* Typical dimensions only. Dimensions vary slightly depending on carrier and construction materials.

There are also containers purpose-built to carry frozen foods and bulky or over-sized goods.

Refrigerated containers: As the name suggests, these containers keep goods frozen or chilled from the supplier's door to the importer's premises.

Open Tops: These roofless containers transport cargo too bulky or big to fit through the container door or to be handled by forklifts, opentops allow the cargo to be loaded by crane through the container's top.

Flat Racks: Where cargo is too wide or high to fit into a standard container, it is strapped onto a flat rack.

Full, less than full, or consolidated loads

When shipping containers, some of the options are:

Full Container Load (FCL) the container is packed by one supplier to one consignee

Full Consolidation (FCX) cargoes from different vendors are consolidated into one container for delivered to one consignee.

Less than Container Load (LCL) where your shipment doesn't fill a container, a consolidator will group cargoes for various consignees into a Full Container Load.

LCL freight and ancillary charges are based on the greater of gross weight (kg) or the volume in cubic metres (CBM). The volumetric conversion is 1cbm = 1,000 kg.

The most time-effective and secure method of shipping is by FCL. Freight shipped via FCL is packed with the supplier's goods, either at a depot or at the shipper's premise and delivered directly to the consignee, whereas LCL shipments are delivered to a loading station at point of origin, then containers pass through a licensed Customs Bond in Australia who unpacks and then the goods are delivered to consignees (multiple handling).

To determine the most cost-effective shipment method for your volume of cargo, calculate the "Breakeven Point". This is the volume at which you can financially justify shipping FCL, even though the container is not filled.

Breakeven point = Total FCL costs / total LCL costs = breakeven point.

A breakeven point is calculated by taking all FCL costs vs LCL costs. Magellan can assist in determining the maximum cubic metre volume to ship (The Breakeven Point) as LCL before converting the shipment to FCL. For example, for a 14 cbm shipment from Hong Kong, the freight for LCL might be a lot cheaper than the freight for FCL, but when you add up all the domestic charges it could be more cost effective to ship as an FCL.

Another option for shipments that won't utilise the full volume available in a standard container is to use a reefer container for General Cargoes. As reefer containers have refrigeration units built into the container, the internal capacity is less than a normal standard container. As some countries are net importers of frozen and refrigerated goods, the shipping lines will find that they have reefer containers they want to redeploy but cannot find any refrigerated cargoes for the return journey, so they will sometimes offer discounted freight rates on Non Operating Reefers (NORs) for General Cargoes so they are not shipping them empty when they reposition them. There are some restrictions on cargo types and availability dates of NORs. Check with Magellan for rates and services available.

When you engage Magellan Logistics you can also consolidate LCL shipments from various suppliers into a single FCL.

The advantages of consolidating loads include:

- The shipments are charged as one FCL rather than multiple LCL shipments (please note though, that a consolidation handling fee applies.)
- Goods are delivered together, rather than in multiple LCL deliveries.
- Your shipments are in one exclusive container, rather than sharing a container with unknown importers.
- You receive your goods more quickly because FCL containers are delivered directly to you, while LCL containers pass through a customs bond.

You can also choose to ship your goods directly or with a trans-shipment service. With a direct shipment, your cargo stays on the same vessel from the port of loading until the port of discharge. This type of shipment is quicker but carries a premium price. A trans-shipment occurs when your cargo is carried from the port of loading to a third country where it is loaded onto another vessel for carriage to the port of discharge. While this option is less expensive, shipments can be delayed if they miss the connection, so it is best used when delivery is not time crucial.

Purchase terms

Another potential pitfall for importers is the terms under which you purchase your goods. The table below gives a basic list of international purchase terms and what they mean to both the importer and the shipper. A complete list of International Commercial Terms (Incoterms) is available at https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/

ACRONYM	MEANING	EXPLANATION
CFR	Cost & Freight	Supplier pays the cost of goods and freight.
CIF	Cost, Insurance & Freight	Supplier pays the cost of goods, insurance and freight.
DDP	Delivery Duty Paid	Supplier pays the cost of goods and all charges up to consignee's door, including duty.
ACRONYM	MEANING	EXPLANATION
DAP	Delivered At Place	Supplier pays the cost of goods and all charges up to consignee's door, excluding duty.
EXW	Ex Works (suppliers in USA may use FOB ex works as a term)	Consignee pays for all charges from supplier's door to your premises.
FCA	Free Carrier Arrival	Supplier pays for delivery of the goods to a nominated forwarder at the port of origin. Then the consignee pays all export customs & handling charges at origin and freight charges to destination.
FOB	Free On Board	Supplier pays all charges at the port of origin including delivery to nominated forwarder, export customs & handling charges.

Most shippers sell goods on a Free-on-Board (FOB) basis. This means you, as the importer, are liable for Ocean Freight and any ancillary charges at the port of discharge; however it gives you, the importer, greater control over costs and shipping methods.

Ancillary charges to freight rates

Bunker Adjustment Factor (BAF) – This surcharge covers the fluctuations in fuel costs. It moves up or down depending on world oil prices and can be reflected as a % of the freight rate or as a fixed charge.

Currency Adjustment Factor (CAF) – Additional to freight costs, this charge accounts for costs carriers incur when changing exchange rates between the US dollar and other foreign currency.

Peak Season Surcharge – To recover the operational costs of the low seasons, carriers incorporate a Peak Season Surcharge, usually on cargo shipped between 1st August up until to 31st December of each year from Asia.

Domestic charges

Port of Discharge fees – At the Port of Discharge, port, terminal, security and documentation fees apply.

Customs agency fee – When you use a customs agent to facilitate clearance of your goods through Australian customs, you will pay their professional fee plus government import duties and taxes.

Government import duties and taxes – Once a customs agent has classified your cargo, this will determine if duty is payable to the Australian Customs Department. Import GST is also payable , for further details on Import Duty and GST, please refer to our guide: How to Avoid Delays with Australian Border Force.

Delivery Charges - Once your goods are cleared by customs, your customs broker will arrange for a transport company to deliver them to your premises.

Required documentation

For smooth clearance of customs and to facilitate quick delivery of your goods you require the following documents:

- Bill of Lading
- Commercial invoice
- Packing declaration
- Delivery order

For detailed information on documents required and customs processes, please contact Magellan for our guide: How to Avoid Delays with Australian Border Force.

Ground handling process

The process and time frame of FCL / LCL shipments to be delivered from the vessel's arrival time are:

MODE	PROCESS	ESTIMATED DELIVERY TIME TO CLIENT FROM VESSEL ARRIVAL
FCL	Vessel – Terminal – Client	2-3 business days
LCL	Vessel – Terminal – Bonded Warehouse for Unpack – client	3-5 business days

Generally you have 3 days to pick the container up from the wharf before wharf storage is charged. There are 3 main ways to get you FCL cargoes delivered:

Standard Delivery: Truck with container on a trailer that waits whilst consignee unpacks.

Drop Trailer: Truck leaves trailer with container on at consignee's premises for unpacking

Sideloader: Truck with specialised trailer that has its own lifting equipment which will drop the container on the ground at consignee's premises.

Certain time and weight restrictions apply to each method of delivery. Please check our guide: How to Avoid Delays with Australian Border Force.

LCL shipments are delivered by van, utility vehicle or truck depending on the size/cubic metres of the shipment.

Factors that can hold up the availability and delivery of container include:

- X-Ray hold
- Steam clean
- Fumigation
- Random customs hold

More questions? Contact Magellan Logistics for answers.

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