WHAT IS A FREIGHT FORWARDER? TYPES AND FUNCTIONS

The freight forwarder or forwarding agent is an indispensable member of the international trade and transport community; the freight forwarder arranges for the international shipment of merchandise. Like travel agents – but dealing with cargo rather than passengers – freight forwarder use their knowledge of varying freight rates to offer the shipper the best "package deal".

In addition to booking freight, freight forwarders may also handle export and customs documentation, insurance and port and terminal charges. Small exporters often consult with their freight forwarders before quoting a price in a tender for a particular international transaction.

The terms “freight forwarder” and “forwarding agent” are generic terms encompassing a variety of specialized functions, within the profession. Some forwarders offer a wide range of these functions, whereas others restrict themselves to a single speciality or particular geographical coverage. These various functions are summarized below. In addition, it is important for traders to understand that forwarders may act as either agents or principals, with differing legal consequences.

Freight Forwarders main functions

Following the sequential order of international trade operations, the freight forwarders perform the following functions:

- Advice on export costs, including freight costs, port expenses, consular fees, special documentation costs, insurance costs and merchandise costs.

- Planning the most appropriate route for a shipment, taking into account the perishable or dangerous nature of the goods, cost, transit time and safety.

- Reservation and contracting of the necessary cargo space on a ship, aircraft, train or truck.

- Advising and contracting insurance for transportation of the merchandise on behalf of the client and, if applicable, assistance in the event of an accident.

- Advice on the most appropriate way to transport cargo and carry out the procedures for packing, stowing and loading the merchandise.

- Preparation and presentation of Transport and Trade Documents required for export and import, such as the CMR, Bill of Lading, Airway Bill, etc.
• Handling with customs agents abroad to ensure that goods and documents comply with customs regulations.

• Acting as an intermediary in customs negotiations around the world to guide the cargo efficiently.

• Use of e-commerce, Internet technology and satellite systems to allow real-time tracking of the transport of goods.

• Advice on legislation affecting international trade, political and social situations (strikes) as well as other factors that may affect the movement of goods.

Freight forwarders as agents or principals

A freight forwarder acts as an agent when he performs functions on behalf of, and under the instructions of, the principal (the exporter or importer). As an agent, the forwarder will procure the services of third parties who will perform the packing, storage, transport, handling and customs clearance of the goods. The agent thus acts as an intermediary, “introducing”, in a manner of speaking, the principal to the service providers. The principal then enters into direct contractual relations with the service providers. Consequently, the forwarders are generally not liable for the errors or breaches of the service providers. As with other agents, the forwarder owes the principal various duties, including the duty to inform and the duty of diligence (see Chapter 5 on agency law).

When the forwarder acts as a principal, it contracts directly the exporter or importer (the “customer”). The customer will deal only with the forwarder, who will issue a single bill to the customer for the total amount of services rendered. As a principal, the forwarder is generally liable for the errors or breaches of the sub-contracted service providers.

It is also possible for a forwarder to enter into “hybrid” arrangements, acting as agent for certain functions and as principal for others.

Types of freight forwarders

There are different types of freight forwarders, depending on the activities they carry out and also the title they have that allows them to be accredited in certain Official Registers, which is obligatory to carry out certain activities. From the highest to the lowest level of services, the following types of operators and agents can be distinguished as freight forwarders:

a. Consolidators/NVOCC (Non-Vessel Operating Common Carriers)

This function involves grouping or assembling diverse shipments from various customers so as to make up full container loads, thus obtaining lower freight rates. Some consolidators
offer regular shipments on seagoing vessels that they do not own; these are referred to as NVOCCs.

b. Multimodal (or intermodal) transport operators (MTO’S)

A multimodal transport operator offers “one-stop shopping” for traders. This enables traders to completely outsource or sub-contract their export logistics to a single service provider. Multimodal transport operators typically offer “door-to-door” transport, with coverage of all related functions such as insurance, customs, warehousing, etc.

c. Customs brokers

These parties act as the agents of exporters and importers in order to process customs declarations and other formalities and pay duties and taxes. Because they may be liable for very large payments of duties or fines, customs brokers are usually bonded by banks or insurance companies. Traders should take care to give precise directions and limits to customs brokers to avoid incurring liability in the event that an unexpectedly high tariff or fine makes it uneconomical to process a particular shipment.

d. Port (sea port, airport or cargo terminal) agent

This agent represents the shipper at the point where the goods are transferred from one transport mode (typically, from a truck or lorry) to another (as to a seagoing vessel or airplane).

e. Air freight agent (air waybill agent)

These agents process shipments for airlines and may have the authority to issue air waybills. Frequently, the air freight agent also handles custom clearance.

f. Road haulage brokers

Road transport is characterized in many countries by the proliferation of small service providers. Road haulage brokers acts as intermediaries between road carriers and shippers and are usually paid by commission.

g. Loading brokers

These brokers act as the agents of ship owners to obtain and process cargo shipments. Commonly, a freight forwarder will represent the shipper while a loading broker represents the ship owner, so that there are two intermediaries between the customer and the transport provider.
At international level, freight forwarders are grouped in FIATA (Fédération Internationale des Associations de Transitaires et Assimilés), whose headquarters are in Switzerland. Each country has its own association that groups the transport companies that can act as freight forwarders: in United Kingdom, the British International Freight Association; in Germany Deutscher Speditions und Logistikverband; in France, Union des Entreprises de Transport et Logistique; in USA, Transportation Intermediaries Association; etc.

To search for freight forwarders in a particular country it is advisable to use the World Wide Cargo Directory which includes 23,000 freight forwarders in more than 200 countries.

To obtain Trade and Transport Documents used in export and import, ready to use, click on:

International Trade and Transport Documents