



SNS COLLEGE OF ENGINEERING

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DEPARTMENT OF MANAGEMENT STUDIES

SUBJECT NAME & CODE : 23BAT348 - AIR CARGO MANAGEMENT

YEAR/ SEMESTER : II MBA / III SEMSTER

UNIT 1 : INTRODUCTION TO AIR CARGO MANAGEMENT

Topic : Cargo Rating: General Concepts



Cargo Rating: General Concepts



- Cargo rating refers to the process of determining the cost of shipping goods via different modes of transport (air, sea, road, rail).
- It is an essential aspect of logistics, shipping, and freight forwarding, where cargo carriers and freight forwarders calculate the rate based on various factors.
- Understanding cargo rating is crucial for optimizing transportation costs and enhancing efficiency in supply chain operations.



Key Concepts in Cargo Rating

Weight and Volume

- Actual Weight: The physical weight of the cargo.
- Volumetric Weight: Based on the dimensions of the cargo (length, width, height). Many carriers charge based on the greater of actual or volumetric weight.
- Chargeable Weight: This is the weight used to calculate the shipping rate, which is typically the higher of the actual or volumetric weight.
- Formula:
 - For air freight: Volumetric weight (kg) = (Length × Width × Height in cm) ÷ 5000
 - For sea freight: Based on cubic meters (CBM). 1 CBM = 1 cubic meter = 1000 kg.



Key Concepts in Cargo Rating

Mode of Transport

- Air Freight: Quick but expensive. Used for high-value, low-volume cargo. Rates are based on weight or volumetric weight.
- Sea Freight: Economical for large and heavy shipments. Charged based on container sizes (e.g., 20ft or 40ft containers) or CBM for Less than Container Load (LCL).
- Road Freight: Suitable for domestic or regional shipments. Rates depend on distance, weight, and size.
- Rail Freight: Often cheaper than road freight for long distances. Charged based on tonnage and distance.



Key Concepts in Cargo Rating



Distance and Routes

- The farther the distance, the higher the cost. Rates can vary depending on whether it's a domestic or international shipment, with additional costs for customs clearance, duties, and tariffs.
- Lane Imbalance: When there is more demand for transport in one direction than the other, resulting in higher rates for certain lanes. E.g., importing goods from Asia to North America can be more expensive than the reverse route due to trade imbalances.



Key Concepts in Cargo Rating



Type of Goods

- Perishable Goods: Require special conditions (e.g., refrigerated containers), leading to higher costs.
- Hazardous Goods: Require special handling, documentation, and insurance, raising the cost.
- High-value Items: Often require additional security, tracking, and insurance, affecting the rate.



Key Concepts in Cargo Rating

Service Level

- Express Shipping: Faster delivery comes at a premium.
- Economy Shipping: Cheaper, but slower. Often chosen for less time-sensitive cargo.

Freight Classes (for Road Freight)

- In some countries like the US, cargo is classified into different "freight classes" based on density, stowability, handling, and liability. Each class has a different rate.
- Example: Class 50 (high-density items) has lower rates, while Class 500 (low-density items) has higher rates.



Key Concepts in Cargo Rating



Incoterms

- Incoterms (International Commercial Terms) define the responsibilities of buyers and sellers in international trade, including who pays for shipping, insurance, and duties. Popular terms like FOB (Free on Board) or CIF (Cost, Insurance, and Freight) can impact the total shipping costs.



Key Concepts in Cargo Rating



Surcharges

- Fuel Surcharge: Fluctuates based on fuel prices.
- Security Surcharge: Additional fee for increased security measures.
- Peak Season Surcharge: Rates increase during busy times of the year (e.g., holiday season or Chinese New Year).
- Customs Fees and Duties: For international shipments, additional fees for import/export regulations and taxes.



RECAP

QUESTIONS???

THANK YOU