



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 : Familiarization with Cargo Tariffs



Cargo Tariffs



- Cargo tariffs are schedules or lists of rates and charges applied to the transportation of cargo.
- They detail how much a shipper will pay for moving goods from one point to another.
- Tariffs can include various charges such as freight rates, surcharges, handling fees, and more.



Components of Cargo Tariffs



- **a. Freight Rate:**
- Definition: The basic charge for transporting goods from origin to destination.
- Example: A freight rate of \$500 per 1,000 kg for shipping from New York to London.

- **Handling Fees:**
- Definition: Charges for loading, unloading, and handling cargo.
- Example: \$100 for handling and storing cargo at a port.



Components of Cargo Tariffs



- **Surcharges:**
- Definition: Additional charges applied on top of the base freight rate.
- Examples:
 - Fuel Surcharge: Adjusted based on fuel prices.
 - Peak Season Surcharge: Applied during high-demand periods.
 - Security Surcharge: For enhanced security measures.



Components of Cargo Tariffs



- **Documentation Fees:**
 - Definition: Charges related to paperwork and customs processing.
 - Example: \$50 for bill of lading preparation.

- **Insurance Charges:**
 - Definition: Cost of insuring the cargo during transit.
 - Example: 1% of the cargo value for insurance.



Calculating Cargo Tariffs



- Determine Freight Rate: Based on weight or volume.
- Example: \$0.50 per kg.

- Apply Surcharges: Based on current rates or conditions.
- Example: Fuel surcharge of 10% of the freight rate.

- Add Handling Fees:
- Example: \$100.

- Include Documentation Fees:
- Example: \$50.

- Calculate Insurance Charges:
- Example: 1% of cargo value (\$10,000 value means \$100 insurance).



Calculating Cargo Tariffs



- Suppose you need to ship a 1,500 kg shipment from Mumbai to Singapore.

The rates are as follows:

- Freight Rate: \$2 per kg
- Fuel Surcharge: 12% of the freight rate
- Handling Fee: \$120
- Documentation Fee: \$60
- Insurance: 1% of cargo value (assumed value is \$15,000)



Calculating Cargo Tariffs



- **Calculation:**
- Freight Rate: $1,500 \text{ kg} \times \$2/\text{kg} = \$3,000$
- Fuel Surcharge: $12\% \text{ of } \$3,000 = \360
- Handling Fee: \$120
- Documentation Fee: \$60
- Insurance: $1\% \text{ of } \$15,000 = \150
- Total Tariff: $\$3,000 \text{ (freight)} + \$360 \text{ (fuel)} + \$120 \text{ (handling)} + \$60 \text{ (documentation)} + \$150 \text{ (insurance)} = \$3,690$



Examples of Different Rates and Values

- **Domestic Tariffs in India:**
 - Freight Rate (Per Ton): ₹8,000 (Mumbai to Delhi)
 - Fuel Surcharge: 5%
 - Handling Fee: ₹1,500
 - Documentation Fee: ₹500

- **International Tariffs:**
 - Freight Rate (Per Ton, USD): \$1,200 (New York to London)
 - Fuel Surcharge: 10%
 - Handling Fee: \$200
 - Documentation Fee: \$75



Factors Affecting Tariffs

- **Distance:** Longer distances generally incur higher rates.
- **Cargo Type:** Hazardous or oversized cargo may attract higher fees.
- **Seasonal Demand:** Peak seasons might see higher surcharges.
- **Economic Conditions:** Fluctuations in fuel prices or currency exchange rates.



Factors Affecting Tariffs



Aspect	Domestic Tariffs	International Tariffs
Regulation	Local laws and standards	International agreements and regulations
Complexity	Simple, fewer variables	Complex, includes customs and taxes
Cost Structure	Fixed rate + distance/weight charges	Base rate + customs duty + VAT + fees
Example Calculation	Base rate + distance surcharge	Base rate + customs duty + VAT + handling fee



RECAP

QUESTIONS???

THANK YOU