

## **Border Holds, Detention & Demurrage – Explained**

The purpose of this document is to shed some light on some of the darker areas of sea freight imports, areas that can often cause additional unexpected costs.

This document will explain in simple terms for each of the three areas in the title;

- What it is
- What it means
- What it can cost

The intention after reading this document is to provide a clearer picture of why these things happen and make importers aware upfront of why additional expenses can *sometimes* be incurred.

Excalibur Logistics always has the best interests of its clients at the forefront of our operations when handling your shipments, we will on all occasions keep clients advised of their shipment status, there are though situations that do arise that are beyond our control. Every recommendation and/or decision we make when handling your shipments is made with two main considerations;

- How Quickly can we get this delivery to the client
- Which is the best way to keep costs minimised

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## **Border Holds**

You might sometimes hear these referred to as 74A's, which is the old terminology, the term border hold came about in Oct 2006, when customs introduced their new IT system, the interactive cargo system (ICS).

To understand border holds, we need to first explain wharf Availability;

The Cargo Terminal Operators (Referred to as CTO's), of which there is only two in Sydney (Patricks & DP World), are charged with unloading cargo vessels (Referred to as Seaside operations) and making those same containers available for transport companies to pick up (referred to as Landside operations).

CTO's Make containers available for pick up, and allow three *free* days in which to collect import containers. After the expiration of these three days, storage charges are applicable.

Customs is charged with the responsibility of X-Raying a certain % of import containers for two main reasons;

- Checking the integrity of the clearance process as a whole
- Preventing the importation of prohibited goods into Australia.

Customs will flag selected containers in their ICS System to be X-Rayed prior to release from the wharf. This is the **Border Hold**.

Customs move the container from the wharf to their X-ray facility (At no charge to the importer) in order to have the X-Ray completed.

Customs are only able to get access to these containers on the 1<sup>st</sup> free day of availability, just like a transport company.

The Time it take customs to complete the X-Ray can vary, **but typically these take a full 72hrs**. There are also often occurrences of longer time periods.

The time it takes customs to complete the border hold (X-Ray) is what can lead to additional charges being incurred. There are NIL charges for the X-Ray itself.

There is no advance notice from customs on when the border hold will be completed / lifted, we get notification of this only on the day of completion.

To understand how additional charges can be incurred, we need to briefly explain the Slot booking process at the wharf.

A Transport company cannot simply arrive at the wharf and request to pick up a container. A transport company **MUST** book a time slot.

With the wharves generally running at or near operational capacity, slots are booked 48-72hrs in advance, and these are one hour windows in which the transport provider must arrive at the wharf, and **Penalties apply** for:

- Slot Cancellation
- Slot No Shows (Not using your slot)

Sometimes slots are obtainable on short notice, this is generally where slots have been cancelled and another carrier can then book that slot, in those cases, the original booking does not incur a cancellation charge.

Therefore when border holds apply to a container, Excalibur Logistics must make an educated assessment of the situation and do one of the following;

- Choose to book a slot on last day of availability in the hope that the border hold will be lifted, though if it's not lifted a slot cancellation or no show fee may be incurred, likewise a futile trip charge from the transport provider, as they have allocated a truck to complete the job.
- Choose to wait until the Border hold is lifted and then book a slot, which will generally result in one or two days storage charges from the wharf, but no Cancelled / No Show slot fees or futile trip charges will apply.

Clients may experience frequent or rare occurrences of Border holds, and this can be due to that fact that customs selects containers in two ways.

- 1 – Random selection
- 2 - Targeted Selection

Targeted selection is where customs may be targeting specific import origins and/or specific commodities; targeted selection is where clients may experience more frequent occurrences.

In summary, Border holds

Cause:

Delays in receiving your import shipment

Can Cost:

Wharf Storage

Slot Cancellation / No Show Fees

Futile Trip Fees

We trust that this has assisted you in understanding Border holds and the processes behind them.

## **Detention**

Detention charges are applied by the shipping lines, and are applied for late return of shipping line containers.

When importing FCL's, the freight rate you are charged includes amounts for not only the actual movement of the container, but also the hire of the shipping lines equipment, being the container.

When a container is made available from the wharf for pick up, the shipping lines begins counting what is called **Free Time**, this refers to the amount of time that is free (not charged) to use the shipping lines equipment, the container.

Different shipping lines allow for different amount of free time, this free time also varies by container type.

Generally Speaking (and this is a guide only and does vary)

20ft / 40ft General Purpose Container = 10 Free Days

20ft / 40ft Refrigerated Container = 5-7 Free Days

Remember that this free time starts from the 1<sup>st</sup> day of wharf availability, NOT the day the container is picked up from the wharf. And ends only when the container is delivered back to the shipping lines nominated depot (This is called De-Hiring the container)

As your service provider, it is the responsibility of Excalibur Logistics' Transport staff to monitor these free days and remain in contact with our clients to ensure that containers are unpacked and de-hired within the allotted free time.

Containers that are not de-hired before the expiration of this free time **will incur additional charges** levied by the shipping lines, and just like the length free time, the charges vary by container type and size, and are applied per day. These charges also **increase** over longer periods

As a general guide, these charges can be at minimum:

20ft GP – +\$50.00 P/Day

40ft GP – +\$100.00 P/Day

20ft Refrigerated – +\$100 P/Day

40ft Refrigerated – +\$200 P/Day

In Summary, Detention

Is Caused:

Upon non-return of the shipping lines container within an allotted time frame

Will Cost:

At a minimum \$50.00 p/day, and up to A\$200.00 p/day

Can be avoided:

Through prompt unpacking of imported containers and notifying Excalibur Logistics for us to arrange de-hiring.

It should also be noted, that when an importer advises the transport carrier that their container is empty and available for de-hire, the industry standard is as 24-48hr turnaround time.

We trust that this has assisted you in understanding detention charges and the processes behind them.

## Demurrage

Demurrage, put simply is: Waiting Time for transport services.

Waiting time is not; Driving time, or Time in traffic. It is Stationary Time.

Heavy Vehicles (Trucks) only make money when they are moving, though obviously a part of any transport job does require a certain amount of waiting.

When you receive rates for transport services, a part of that rate will always be there to cover an allotted amount of waiting time, that waiting time allotment varies by equipment type.

As a general guide, the following are typical waiting time allotments

Sideloader: 90mins (1.5hrs)

Standard Trailer: 180mins (3.0hrs)

There are three segments to ALL Transport services, these segments are where waiting time can occur

- Wharf, Picking up container
- Customer, Delivering or waiting for container to be unpacked
- Depot, De-Hiring the container

Different transport companies calculate and bill this waiting time in two different methods, these are:

- Total Time
- Time per Point

Total time; Adds the waiting time at each point to come to a total, if that total exceeds the total allotment, **Demurrage Charges apply**. With this method, you can get one larger type lump sum of demurrage

Time per point; Reviews that time at each point, if any point's waiting time exceeds the allotment for that point, **Demurrage Charges apply for that point**. With this method, you can potentially get three smaller amounts of demurrage charges.

In the same way that waiting time allotments vary by equipment type, the demurrage charges per equipment type also varies;

As a general Guide:

Sideloader = A\$110-130.00 P/Hr

Standard Trailer = A\$90-110.00 P/Hr

These amounts are billed in 15min increments.

At Excalibur Logistics, our Transport staff's role is to keep you updated with the status of your delivery, and make you aware of circumstances that may warrant demurrage.

We trust that this has assisted you in understanding Demurrage charges and the processes behind them.

## **Billing**

The three sections above, which can have associated charges, are not upfront charges and are best referred to incidental charges and as such, very rarely are they billed on the same invoice as the normal, Freight & Destination charges.

As invoices for these incidental charges do come at a later date, more often than not after the goods are already delivered, we can understand that they can be frustrating for clients who may have already run landed costing reports and the like on their systems.

Unfortunately there is in reality no other way to better handle the billings that need to be issued.

Though as indicated in each section above, Excalibur Logistics' role is to monitor, manage and minimise all possible occurrences at each stage of the import process.

Kind Regards,

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