

CSCMP hottopics

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Slash Fees and Turn Demurrage Into an Advantage

By Vizion

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We've all witnessed demand for ocean freight carrier services decline, sending rates to lows not seen since before the pandemic.

Carriers in turn are responding in a number of ways. They are **blanking sailings**. They are **abandoning trade routes**. And they are **offering new technologies and services** to help them stand out in a commoditized market. For example, carriers are starting to offer:

- Internet-connected devices for better tracking
- Energy-saving technologies for refrigerated containers
- Track and trace with live updates

These new services and technologies are attractive, and shippers, freight forwarders and others in the supply chain space should certainly take advantage of them. But anyone negotiating a contract may have leverage to include a different concession that impacts the bottom line: extra demurrage days.

THE PANDEMIC AND DEMURRAGE CHAOS

Demurrage and related fees have been a reality in the ocean freight industry for decades. But the COVID-19 pandemic overwhelmed the global supply chain as container traffic spiked and ports around the world became **more congested than ever before**.

Carriers started allowing fewer demurrage days while also **increasing demurrage fees** after the last free day. The result was that the cost of shipping skyrocketed for many cargo owners and logistics service providers that rely on ocean freight.

DEMURRAGE FEES ARE TRADITIONALLY HARD TO AUDIT

Further compounding these issues was the challenge of auditing demurrage fees. Carriers pass along fees to shippers and freight forwarders, but there's traditionally been no clear path to auditing demurrage fees to ensure that they are valid.

The audit challenge around demurrage became so bad during the pandemic that the Federal Maritime Commission in the U.S. felt the need to **step in and bring order** to the chaos through OSRA regulations that passed in 2022. **Cargo owners, logistics service providers, carriers** and others started filing complaints and suits against entities charging fees, alleging that those entities were abusing demurrage to bilk customers out of more money.

The OSRA regulations will no doubt be a great help in overcoming the demurrage challenges of the recent past. But there's now data available to shippers, freight forwarders, logistics service providers and others that can help create an authoritative audit trail and a level of visibility that helps them wield demurrage as a tool to be used to their advantage — rather than a significant expense that is difficult to predict or avoid.

That tool is direct port and terminal data connections that can serve as a direct source of truth around demurrage.

THE IMPORTANCE OF PORT & TERMINAL CONNECTIONS

Traditionally, shippers and freight forwarders have spent time visiting carrier websites, sending emails and making calls, all in an effort to get container location updates and ETAs. In many cases, hours upon hours would be dedicated to manual tracking processes each week, and any updates or ETAs received would be documented in a spreadsheet.

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Unfortunately, these manual processes are both time-consuming and prone to error.

The good news is that there's now a way to automate updates from ports and terminals so that shippers get the visibility they need without wasting time and energy. When you connect directly to the ports and terminals most relevant to your business, and when you automate updates from these direct sources, you immediately enjoy access to:

- **Last Free Date Notifications:** Direct connections to ports and terminals give you access to last free date events, which means you know exactly when you need to pick up containers before demurrage fees kick in.
- **Container Available for Pickup Alerts:** Direct connections also give you access to container available for pickup events, which tell you when and where you can retrieve your containers. This allows drayage providers to spend less time waiting and idling — and more time moving containers.
- **An Authoritative Audit Trail:** Direct connections give you an authoritative record of when containers were offloaded so that you can track demurrage days and challenge any fees that you deem unwarranted.

Many carriers have **stopped charging fees** on days when ports and terminals are closed. With an audit trail created by direct connections to port and terminal data, you can know when your container's port or terminal was closed due to holidays, labor stoppages, weather events and other disruptions.

With the right visibility data in place, you can also start using demurrage to your advantage. For example, with last free date and available for pickup events, you can determine when it might be more cost-effective to pay demurrage fees rather than to rush a drayage provider to a terminal to pick up a container. You can also prioritize the containers that need to move sooner in order to incur fewer fees.

ADDING TECHNOLOGY THAT EMPOWERS LONG-TERM EFFICIENCY

The goal of anyone operating in the supply chain space should be long-term efficiency. New technologies that connect shippers and freight forwarders to visibility data are the key to achieving the needed level of efficiency.

Shippers can slash their demurrage fees, better manage warehouse space, and optimize their inventory levels with direct port and terminal connections in place.

Freight forwarders and other logistics services providers can provide fast answers to their customers' questions while providing a level of service that reduces churn and grows their businesses.

It all starts with replacing the time-consuming and error-prone track-and-trace processes with an automated system that delivers the nuanced visibility needed to better manage demurrage fees — and to use them as an advantage whenever possible.