PRESS RELEASE:
CURRENCY ADJUSTMENT FACTOR IS INTRODUCED IN T & T

This is a general notice to importers/exporters/manufacturers and persons engaged in the importation of goods, where foreign exchange is required for payment and/or repatriation of funds for freight and associated service charges.

A number of Shipping Lines either directly or through their local agents have introduced a Currency Adjustment Factor (CAF). In real terms, the charge is effectively an increase in the freight rate, if paid in local currency

A CAF is a mechanism used in international shipping to offset/mitigate against losses where cargo and/or freight is payable in foreign currency and this currency is subject to major exchange rate fluctuations (or shortages). It is often charged as a percentage of the basic sea freight.

Given what is now a persistent shortage of foreign exchange, Carriers/Shipping Lines and/or Shipping Agents have been forced to engage in a number of sophisticated financial options (including cross-currency swaps) to acquire the foreign exchange needed for repatriation. Even then, there are now chronic delays in sourcing the foreign exchange resulting in a backlog of outstanding foreign currency payments. . Lines are no longer prepared to absorb the associated costs and risks; hence the introduction of the CAF. The CAF will not be applied when payment is being made in the required foreign currency.

Affected parties can expect to see charges starting at 5% of basic freight rates. The charge will of course be dependent on the cost structure/s faced by the liner or shipping agent.

Importers/ exporters /manufacturers/consignees are encouraged to demand an explanation from their agent where they experience a charge way In excess of his baseline (5%).

It should also be noted that by the very definition, CAF ought not to be charged on the Local Administration Charge (LAC).