

## TECHNICAL INFORMATION PAPER SERIES: TRANSPORTING GOODS



## USE THESE TIPS TO HELP PREVENT THEFT, LOSS AND DAMAGE OF YOUR PRECIOUS CARGO.

Unsavory characters. Unrelenting natural disasters. Unexplained explosions. Are these the elements of the latest action flick? Or the newest best-selling adventure novel?

No. They're just some of the risks businesses may encounter when shipping goods. No matter what type of transportation you use, shipments are exposed to a number of dangers including theft, damage or loss.

Theft continues to be a major source of loss throughout global logistics. While technology provides a better source of protection, crime is testing that technology every day. It's the responsibility of the shipper to determine the best transit, packaging and processing of the shipment in order to prevent theft.

Understanding the entire transit process, from manufacturer to final consignee, will help the shipper determine how best to protect the cargo from theft. In 2010, based on worldwide container statistics provided by the World Shipping Council, the top twenty countries in the world both exported and imported a total of 189.8 million TEU's (Twenty foot equivalent units). While it's more difficult to steal a TEU, there are certain protection guidelines that need to be followed to prevent their theft.

Besides theft, business owners also have to guard their shipments against physical damage. Goods need to be packed properly to protect them from rough handling, such as being dropped from forklifts or loading docks, as well as moisture damage incurred while being transported on ships.

Another exposure that business owners typically overlook is the possibility that a shipment simply gets misplaced – at a loading dock. When this happens, it may take weeks to find it, re-route it and deliver it to its actual destination.

Regardless of what specific goods you ship, loss or damage to them while in transit costs you money, disrupts operations and can ultimately result in unhappy customers.

If companies recognize that things can (and often do) happen to goods in transit, they can take measures to protect their shipments.

Always keep accurate and detailed documentation of what you ship. This way there won't be discrepancies about the condition or the number of items you shipped. That means a faster resolution if there's a claim.

Many carriers may provide only basic protection or limited value per pound. Declare a value of your goods so if goods are damaged, the carrier

should pay a higher amount than if you elected not to declare a value. Of course, this means you'll spend a little more to ship, but this will serve as a signal to the carrier to use extra care when handling your shipment. Once the items are delivered, completely inspect them. Don't sign a carrier release until you've verified that all pieces were delivered and are in good condition. If you see any damage, note it on the shipping documents.

For more tips on how to best protect your property when it's in transit, review the checklist below.

### CARGO CHECKLIST

Here are suggested steps you can take in three general areas to protect your goods in transit.

#### Step 1: Choose Your Transportation Carrier Carefully

- Only use reputable shippers, drivers and warehouses that are experienced at handling valuable cargo.
- Pick a carrier that uses driving teams, which may minimize time your goods will be left unattended.
- Make sure the carrier has adequate security programs and systems in place to protect your goods.
- Confirm that they've done background checks on all their employees.
- Approve any subcontractors who will also handle your goods for any portion of the trip.
- Look for carriers with GPS/satellite tracking if you ship higher-valued commodities.

#### Step 2: Adopt Sound Shipping Practices

- Keep a manifest of what you ship.
- Vary shipping schedules, so thieves can't expect a shipment.
- Don't share shipment information with everyone. And limit what you say about it in shipping documents.
- Use sealed, generic cartons so tampering can be evident - and items can't be seen.
- Cushion easily damaged goods by using Styrofoam® boxes or peanuts.

- Shrink wrap cartons to protect against water damage.
- Avoid sending cargo over weekends to minimize the amount of time it sits (unattended) in terminals.
- Choose direct routes to reduce the number of stops between warehouse and destination.
- Set limits on the value of your shipments to lessen a loss if it does occur.

#### Step 3: Communicate with Everyone

- Use cell phones to keep in touch with drivers. Consider satellite tracking systems to keep track of shipments.
- Train employees on potential risks to your shipments. Provide specific training for staff on cargo security.
- Report any loss or damage to law enforcement authorities and your insurer.






**WEIGH THE BENEFITS OF DIFFERENT TRANSPORTATION METHODS**

What is the “safest,” most efficient way to get your goods to their destination?

There’s no answer that’s right for every company and every shipment. Depending on what you ship – and how far you’re shipping it – one method may offer certain advantages over another.

But each method also comes with specific risks you should consider. Since your cargo is often out of your control for a period of time no matter which method you use, it’s best to evaluate transportation carefully and focus on minimizing as many risks as possible. The chart below lists key modes of transportation – and key factors to consider.

| TYPE OF TRANSPORTATION  | FACTORS TO CONSIDER   | CARGO   |
|---|---|---|
|  <p><b>Motor Freight</b></p> | <ul style="list-style-type: none"> <li>• May be least expensive method.</li> <li>• Exposed to rough handling, vibration and crime; most vulnerable to crime while waiting to be loaded onto the truck or sitting in warehouses.</li> <li>• Consider specialized carriers, with satellite tracking for highly valued goods, like computers.</li> <li>• Common carriers are only liable for values declared in your bill of lading if a loss occurs.</li> <li>• Contract carriers transport goods only for customers with an ongoing contract; the contract dictates their liability for losses.</li> </ul> | <p>Durable, low-value goods</p>   |
|  <p><b>Air Freight</b></p> | <ul style="list-style-type: none"> <li>• Not handled as many times as motor freight.</li> <li>• May not always go by plane for the entire route, so packing must be secure.</li> <li>• Has high fluctuation of air pressure.</li> <li>• Most expensive, but typically takes the least amount of time.</li> </ul>  | <p>Valuable, fragile or time-sensitive goods</p>                                |
|  <p><b>Ocean</b></p>       | <ul style="list-style-type: none"> <li>• Ocean freight involves “perils of the sea.”</li> <li>• Weight allowances for cargo are substantially more than air transport.</li> <li>• May be economical, but you may also have to pay for transport from dock to destination.</li> <li>• Be prepared for delays, which can be as long as four weeks.</li> <li>• Risk of moisture damage.</li> </ul>   | <p>International freight; large bulky items that don’t need speedy delivery</p> |

**LOOK FOR C\_TPAT CARRIERS TO INCREASE SECURITY**

Increased customs regulations. More stringent inspections. Added security measures. Enter C\_TPAT, the Customer-Trade Partnership Against Terrorism. C\_TPAT encourages businesses and governments to work together to enhance security procedures. C\_TPAT-compliant companies are committed to monitoring their own activities and

adhering to programs led by the U.S. Bureau of Customs and Border Protection.

So what does this mean for your company? When shipping goods internationally, look for a carrier that is C\_TPAT-compliant. These carriers may experience fewer delays at U.S. Customs compared to others who don’t comply. As a result, your products may keep moving – and be less susceptible to theft or other losses.

## INSURE YOUR CARGO FROM ORIGIN TO DESTINATION

How do you best protect your products, whether you're importing servers from Malaysia or exporting computers to China?

One way is to make sure you have insurance that protects your goods from point of origin to point of destination.

For instance, if you regularly use trucks provided by a common carrier, shipper's interest coverage protects you if your goods don't arrive in the same condition or as specified in your bill of lading. It's good protection because you never know what happens to your goods once they're driven out of sight.

For companies that regularly ship goods internationally by air or sea, an open ocean cargo policy is a must-have. It offers protection from perils of the sea as well as other exposures to which goods in transit are typically exposed. Like a home equity line of credit, business owners pay a premium for how much or how little they use every month.

Ocean cargo insurance has historically addressed risks of loss that are also of particular concern today.

- **War coverage** insures against damage or loss to your cargo caused by a variety of hostile acts instigated by a sovereign power.

- **Strikes, riots and civil commotion coverage** may protect against losses that are directly caused by terrorists or anyone acting with political motives.
- **Customs damage and detainment coverage** pays for direct physical damage to your goods caused by customs officials while performing their inspections.

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