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## RISK AND LOSS CONTROL

As the claims handler progresses in his career, it is clear that he will gradually acquire much knowledge about how losses are caused: he is very likely to develop definite views about how those losses can best be avoided.

He will realise that Risk and Loss are two sides of the same coin: the **risk** is a 'before' concept, and the **loss** an 'after' concept.

The shipper, forwarder, carrier, and importer all run risks - something could go wrong, either involving them in loss or potentially having to compensate that loss. When regularly involved in transportation of goods - sooner or later - a risk is realised and a loss<sup>1</sup> is sustained.

It is undoubted that risk can be reduced to significantly-low levels, although elimination seems impossible.

There is also no doubt that a loss can be controlled, in terms of ensuring no more than absolutely necessary is claimed, whether it be by overseeing repairs, salvage, or other means: the correct term for this process is mitigation, and it is a common law duty placed upon any person suffering a loss.

Indeed, it is clear that the shipper and importer must ensure the loss is as small as can be contrived, because they cannot ever be totally sure the carrier, forwarder, or insurer will compensate them in full, not to mention the time it will take to settle the claim.

They must also put themselves in as good as possible a position to prosecute their claim against the perceived author of the loss.

Conversely, the carrier and forwarder must also place themselves in as good a position as possible to defend the forthcoming claim. Additionally, of course, it is in the carrier's and forwarder's interest to do all possible to assist in keeping the loss as low as can be contrived, because they will probably be called upon to settle the claim.

Specific professional expertise in various loss situations can be obtained, and in general such expertise is required where for instance, a chronic theft problem cannot be solved, or there are inexplicable repeated damages. Before such expertise needs to be contracted in, the cargo owner and carriers and forwarders should be acting prudently and there are many general risk control measures which can be applied easily.

Accordingly, we will look at the various stages of transit, and ascertain:

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<sup>1</sup> Use of the term 'loss' depends on your orientation - insurance-related or freight industry-related. In the insurance world, 'loss' means the financial loss, which a physical loss, damage, delay incident or error or omission may have given rise to: within the industry, one tends to take the meaning narrowly as the disappearance of goods.

- how losses can arise, and what responses there should be;
- how cargo owners' and carriers' and forwarders' actions should be determined in accordance with the situation in which they find themselves; but,
- to begin with, we shall look at general overall measures which can be applied.

### ***General Risk Control Measures***

I am herein setting down various measures which can be taken, but it is clearly understood that each case will be different, and circumstances will determine which measures can be applied and to what extent. Although there are tried and tested procedures to follow, initiative and innovation will always have a pivotal rôle in such work.

In the final analysis, the cargo owner must accept that certain risks must be run, and that perhaps nothing can be done about them - and that is probably where insurance comes in. Some measures will be theoretically possible, but in financial terms not viable.

In each case, it seems that acceptable compromise must be the goal, with a clear and active recognition of the risks involved.

### **Loss**

The first consideration will be: is the cargo **vulnerable** to theft?

Clearly, precious stones, bullion, money, and the like are extremely vulnerable, and in most cases, shipping is carried out by professional organisations specialising in this field. Losses of such consignments are few and far between, but they still happen. Such carriage is normally subject to exhaustive analysis, and strong risk control.

We are more concerned with other commodities which are valuable or desirable, or both: examples are computers, and their components, such as memory modules and processors; and, luxury goods, including designer clothes and shoes. There are many other examples, of course.

### ***Theft of entire packages or complete consignments:***

It must be recognised that if the cargo owner seeks to move his consignment within a consolidation, in order to minimise shipping costs, rather than to move it as a single consignment, subject to one airline AWB, then security for his cargo will not be a priority for either the forwarder or carrier.

It will travel with other goods and be regarded by the carrier as general cargo, and normally not given any specific level of security against theft.

Thus, if the supplier's and buyer's deal will stand for it financially, it is nearly always better to ship the consignment as a single consignment on its own, in which case, much can be done to focus the carriers' and forwarders' attention on security against theft.

### **Packaging**

A positive measure to take is to 'anonymise' the packaging and change the packaging on a regular basis. A potential thief welcomes a package identifying its contents as computers, or the latest trainers, etc. It is placing temptation in the cargo handler's way, and should be avoided.

Anonymity should also extend to labelling and addressing: having deleted the contents description from the outside of the package, there is no point if the consignee is identified as known luxury goods supplier, or a well-known computer operation.

### **Description**

Turning now to description of the goods on the shipping documents, which are normally seen by several different people, some means of anonymising the shipping documents should also be sought. Of course, false or otherwise deliberately-misleading descriptions must not be given, but there seems no bar to describing computers as electrical equipment, for instance.

Forwarders should always examine the documents in detail, of course, and are likely to always know what is being shipped, because they will have built a good working relationship with the shipper. However, cargo identified on the shipping invoice by a serial or catalogue number must always be better than, for instance, 'gold-plated lighters'.

Carriers must be aware of what they are carrying, but 'electrical equipment' is usually an acceptable description in preference to 'computer processor units'.

These measures should all go to avoid a dishonest cargo handler becoming fully aware of the nature of the goods, so there is every chance of his overlooking your goods, and not being tempted.

However, regular and routine shipping of similar goods will enable that potential thief to become familiar with the goods and pounce. Accordingly, unpredictable routing changes or changes of carrier also should be a standing option.

Those making out AWBs, specifically forwarders, and entering descriptions of the cargo must take particular care in anonymising cargo. Straying too far away from the true description may incur a liability on the forwarder if such a description prevents the carrier from applying the handling regime which the commodity requires, and, consequently, a loss occurs.

### **Shipping arrangements**

The cargo owner must take the view that at all times that goods are vulnerable to theft between collection from him until delivery into the hands of the consignee. This is not to damn the freight industry in general, but simply a prudent working premise for cargo owners.

The general danger times are where cargo remains on hand in carriers' and forwarders' warehouses for periods of time: 'dwell' time is the usual term denoting this. Most thefts of consignments occur at these times.

Accordingly, can the cargo owner arrange for delivery at the last possible moment? Can the cargo be picked up from his premises and taken straight to the airline shed for delivery just before the 'cut-off' time publicised by the airline? If this is possible, then the opportunity for theft at the forwarders' premises is eliminated, and any dishonest cargo handler at the airline warehouse will have no or very little time to effect a theft.

The cargo will not be left unattended for a long period, and there is likely to be significant activity in its vicinity. The activity discourages the thief, who usually needs to be undisturbed and unobserved to effect his theft. There will be weighing, palletising or stuffing into containers, documentary processing, and trucking to the aircraft which should occupy this limited time.

Can the consignee apply for collection at the first possible moment after customs clearance? Will he be able to have his customs broker expedite clearance at the earliest possible opportunity? Aim at reducing the time that the cargo remains in the airline shed to as short as possible.

For similar reasons, can the consignee's agent arrange for trucking direct from the airline warehouse to the final delivery address?

Is there a transshipment point during the carriage? Can the carrier be persuaded to apply special measures at that location?

If dwell time cannot be avoided, then can special arrangements be made with the carrier to provide specific security for a particular consignment? Is there a lock-up in the warehouse? Can the cargo be placed in the strong-room? Will the carrier tally the goods into a container and seal it for the dwell time envisaged?

### ***Pilferage***

A determined and specific attack on a package with a view to stealing some or all the contents is very difficult to counter. However, having done all possible and reasonable to anonymise the cargo, what can be done to discourage or foil an attack?

Pilferage is probably a spontaneous crime, and seldom planned: a petty thief may go equipped with a pocket knife and keeping a look-out for suitable for goods to pilfer, but probably makes a spot decision to carry out the theft. He may contrive to break open packaging, perhaps forcing boxes to split open at corners or seams. He will probably pounce on cargo which arrives in his warehouse with split and broken packaging.

Thus, when it is impractical for a cargo owner to arrange special security to eliminate the chance of pilferage, he must counter it by using appropriate packaging.

There are a sound packaging experts to advise on this subject, but - and again with an eye to the value and desirability of the goods - if you must use cardboard cartons, then the materials from which they are made can be such that they hamper the attentions of a knife. Sealing tape is also available which is termed 'tamper-proof'. Stringing and plumbing - which seems to have fallen into virtual disuse in the developed world, but still routinely used elsewhere - remains a reasonable discouragement.

### ***Mis-routing***

The only type of 'innocent' loss is mis-routing. If the consignment is never recovered, then the chance is that the loss goes unexplained. It is certain however, that a good number of such losses occur.

The clearest possible labelling is always the priority - I would suggest that whether printed or hand-written on the carton, or labelled, the destination airport or city be shown in the boldest possible print. This measure alone promotes correct routing. If labels are used, then they should be stuck on the package in such a way as cannot be removed without considerable effort.

A carrier or forwarder loading a pallet or stuffing a container will occasionally load an incorrect package and once it is hidden by other cargo that package does not surface until the Unit Load Device (ULD) is unloaded at its destination. There is little that can be done, except for carriers and forwarders to be ever-vigilant against this error.

However, the boldness of the destination shown should facilitate correction of the error.

Mis-routing can sometimes result from re-use of old packaging, unless all old labels are removed or permanently covered, and all old markings are obliterated

### **Damage**

Again this is an expert field, well-served by sound packaging consultants, who for the appropriate cost could protect cargo from all risk of wetting and physical deformation. Seldom is packaging that good, as - again - all interested parties must adhere to their budget for the deal in hand.

The packing of perishables is also a well-developed discipline, but can seldom guard against a delay<sup>1</sup> in transit which allows the goods to deteriorate.

### ***Wetting***

There is no sound reason to expect goods to be wetted during transit by air, because there is no excuse for exposing cargo to weather.

There is no need to use open trucks to transport cargo from the shipper's premises to the airport, and from the airline warehouse to the aircraft: nor for the rest of the transit. However, some carriers use open vehicles still.

However, at times of peak traffic, both airlines and forwarders will store goods outside, and take little or no care to protect them from precipitation.

A cargo owner should keep this in mind, and if his cargo is vulnerable to wetting, and due to practicality or cost it has not been totally protected, then he should be instructing his agent and the carrier not to expose the goods to weather unnecessarily.

### ***Physical Deformation***

This term is intended to denote all types of physical damage, caused by impact, crushing or penetration by fork tines, and so on.

Packaging experts or even common-sense on the part of the cargo shipper will eliminate most damage risks, but careless fork-truck operators, inadvertent over-stowage with heavy cargo which crushes, incorrect stacking, and heavy landings and turbulence can take their toll.

Little can be done to avoid a fork-truck driver making an error - even the most experienced do so. Also, heavy landings and violent turbulence cannot be predicted.

However, avoiding over-stowage, and correct stacking can be promoted by the giving of specific instructions to the carrier.

### ***Delays***

Air cargo by its nature and relatively high cost in relation to other carriage modes is time-sensitive. Clearly some cargoes are more time-sensitive than others, such as perishables<sup>2</sup>, exhibition goods, machine parts for repair of plant breakdowns in manufacturing operations, and so on.

(Documents are seldom carried as simple cargo nowadays, but as 'courier' items: since the courier companies are dedicated to speedy carriage already, there are few facets of transit which they have not looked at in order to avoid delays.)

When setting up carriage of urgent cargoes, shippers will have already given significant thought to speedy carriage, although it is not unknown for a shipper unaccustomed to regular air carriage to assume it will be speedy and thus take no specific precautions.

The central principle should be that simple routings with all parties alerted to the need for speedy carriage, clearance and delivery should be sought.

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<sup>1</sup> Delay to perishables is a two-fold problem: often perishables must reach a market on a specific day, because there are probably only two days a week when prices are high; delay also causes deterioration, which is properly to be considered physical damage, usually caused by omission of the carrier to cool store during the delay. This idea is developed below.

<sup>2</sup> see the preceding footnote

There is no substitute for all interested parties receiving written or FAXed instructions on their part in the transit, and additionally, for them to be alerted in simple terms to consequential losses which delay will cause, and to insist on each party confirming in writing, or by fax or telex, that they can play the part demanded of them.

The measures urged above concerning clarity of destinations marked on the package apply as strongly here as anywhere, of course.

### ***Loss Control Measures***

There are a finite number of stages in transit when loss becomes apparent, and it follows that measures to deal with losses can be standardised reasonably.

Since we are considering losses which arise in transit, it naturally follows that loss control measures will fall mainly in the province of the carriers and forwarders - however, there is a general word for cargo owners on this matter.

The sooner you act following discovery of cargo having gone missing, the better are the chances of locating the missing consignment. Delay in acting allows the 'trail to go cold', and in the event of theft, for the 'waters to become muddied'.

If damage is noticed, then the sooner it is dealt with the less the potential damage to customer-relations.

### **Cargo Owners**

If your consignment is insured and it is lost or damaged, then urgently reporting the matter to your insurers (backed up in writing) is absolutely vital.

Do not allow yourself to be lulled into not doing so by a carrier or forwarder who tells you that the cargo is bound to turn up shortly. Insurers could go so far as to deny settlements if late reporting of the claim to them creates difficulties in relation to the insurance policy, or jeopardises a subsequent recovery claim against the defaulting party.

In some cases, the insurer - or rather the loss adjuster, or specialist investigator appointed by him - will take the matter over. He will investigate the loss, or oversee repairs, whilst maintaining contact with you as necessary.

However, at all times, you are required to act as a 'prudent uninsured', which means that, to the extent that your insurer or its adjuster has not taken over the matter, you must act as if you had no insurance, which brings us to the subject of mitigation.

#### **MITIGATION:**

Mitigation is the process of ensuring a loss is no greater than can be avoided.

You are required to take all practical and reasonable measures to remedy the loss. If your consignment is damaged, then you cannot simply abandon it and claim for the complete value if there is something you can reasonably do to salvage or repair it.

If you fail to mitigate your losses, then under your insurance policy it is possible you will not obtain settlement. If you have no insurance, then the carrier or forwarder against whom you claim is entitled to repudiate the claim, or to reduce any settlement in line with an amount which could have been saved if you had mitigated the loss.

#### **CLAIM NOTICES:**

Notices of claim must be given in writing immediately. In some contexts, you are obliged by law to

give a notice in writing, in the absence of which you lose your right to claim. In other contexts, contract conditions may require a notice or may not: the best principle to follow is to issue your written claim notice to all parties who had anything to do with the transit. 'Overkill' is better than loss of claim rights.

### **Carriers and Forwarders**

In recent years, cargo handling companies (known as 'GHA's or simply 'handling agents') have come more to the fore, and self-handling for airline cargo operations has reduced.

Regrettably, the forwarding community seems to hold a general opinion that handling agents do not achieve high standards. Nevertheless, handling agents should be expected to accommodate their client companies' wishes concerning handling procedures and standards.

Until legislation concerning the hiring of personnel working with air cargo was introduced, hiring policy was lax, and the curriculum vitae of a good number of staff employed by handling agents prior to this legislation would not stand close scrutiny; and, a number of such questionable employees remain employed by handling agents who are unable legally to discharge them without proven cause. (Perhaps some sympathy should be felt for senior executives in handling companies who experience this problem.)

Accordingly, standards may rise only slowly, and at the time writing there seems to be no reduction in the losses reported within the possession of such handling companies.

### ***Documenting incidents***

It cannot be stressed too strongly that claims situations are always worsened by failure to document loss, damage, and delay incidents.

To illustrate the point, there is no substitute within an airline for a timed and dated statement made out by a warehouseman, wherein he reports discovering damage to a package, or a shortage from a particular flight load on checking it in, followed by notes by a supervisor about conversations with cargo owners about the incident.

Equally, documenting efforts to resolve a delay situation and get the cargo to the destination will save later wasteful and frustrating efforts by claims staff to ascertain why a delay occurred and what was done about it.

Documentation of this nature tends to put matters beyond dispute, and enables a claim to proceed with minimum fuss and uncertainty.

Compare the discovery of damage or loss at the time of collection by the consignee's agent, or unexplained delay. A claimant who may otherwise be a good customer will be most unimpressed by your inability to explain problems, but you retain the chance to retain his custom, if you can give a good account of how the mistake was made, so that you can ensure such an incident can be avoided in the future.

This point is developed further when we come to deal with physical damage to cargo.

### ***Loss***

TALLYING:

It is apparent that many truck drivers do not tally goods onto their trucks, and it is this circumstance which causes the greatest proportion of losses, and masks earlier unnoticed losses.

It cannot be stressed too strongly that drivers must be encouraged to tally goods diligently. No laxity on this rule should be permitted.

However, it is understood that there are circumstances where such tallying is onerous and undesirably time-consuming. Special arrangements should be made to deal with situations where a driver is collecting a very large number of pieces.

Suppose a busy airline at Heathrow has received many consignments during the day for Prestwick. A driver collecting that evening is faced with (say) twenty consignments each comprising twenty or thirty pieces of different dimensions and appearance: it is self-evident that the driver should tally the pieces instead of allowing the cargo warehouseman to simply fork a number of stillage pallets on to his truck, and the driver sign for the goods effectively 'unseen'.

Signing unseen this way will mask the fact that a loss of cargo may already have taken place: by the time the loss is noted in Prestwick, the following day, things have already moved on in the warehouse from where the cargo came, and opportunities to resolve the loss are fast disappearing.

The truck operator may seriously resent the extra time spent by the driver tallying, but the loss of one piece containing (say) clothing worth £1,000 is a powerful argument in favour of such tallying.

INSURERS:

Value of the goods will be the criterion in deciding whether to notify the company's insurers, and the policy on this point should be set by management who should seek guidance from their insurance broker. If reporting to the insurer is required, then you may find the insurer taking over the situation, with an appointment - in major losses - of a specialist investigator to look into the disappearance: the insurers will, of course, want the missing cargo found in order to avoid having to pay out a settlement.

### **Missing on Receipt**

The carrier or forwarder always receives cargo from a truck which has carried it from another party, from another depôt within the same organisation, or from the inbound aircraft.

Obviously, tallying is of paramount importance, and the following measures should be taken.

#### ***From another party***

If tallying shows up a shortage on receipt then the best action to take is to immediately call the office of the company delivering the goods, following a thorough checking of the delivery vehicle if there is cargo left on board with which the missing item(s) could have been mixed up.

Such prompt action will ensure the best chance for locating missing goods left behind at the previous location.

Some receivers will simply sign the delivery note as 'short', taking no other action. But, calling up the delivering office will not only perhaps solve the problem, but will raise your professional profile with the delivering trucker, and perhaps with the shipper - all likely to promote customer relations.

In some cases, of course, the missing piece(s) will not be found: signing for and accepting short loads may be the only option, but make sure the fact of the shortage is carefully documented.

It is not unknown for consignments delivered short to be rejected in total by the receiver: circumstances may make this the only option.

By taking these measures, you will have prevented your company becoming embroiled in a claim situation, and if fortunate, will have enabled the finding of missing goods with reasonable ease.

### ***From another Dépôt in the same Company***

A shortage at this point is a serious matter for the receiver, since it is now not possible to avoid being involved in a claim situation.

Urgent contact with the previous location of the goods is required, and you would hope to see positive co-operation from fellow company employees there in carrying out appropriate searches.

If however the lost carton(s) cannot be found, the right and proper action is to advise the shipper or consignee immediately. You may already be in trouble with your customer for the loss, but to allow it to surface at the final destination without warning will be the worse way for your client to learn of the loss, and will not endear you further to him.

### ***From the inbound aircraft***

Loads from wide-body aircraft can be extensive, posing quite difficult problems of checking-in.

The routine is for warehousemen to be supplied with a copy of the aircraft manifests, and for them to check the cargo against the lists thereon. As cargo is checked in, it is removed from the check-in point and stored in the shed, with the shed location being placed on the copy manifest. When the task is finished, the information now marked on the manifest is input to the central computer record.

Loss noticed at this stage, subject to double-checking the warehouse, can only have arisen from the cargo having been left off the aircraft at origin, mistaken offload at a preceding station, or not having been offloaded before the aircraft carried on to the next destination.

Positive tracing to each station must take place. Airline operatives often complain about out-stations not responding to their tracers, and airline executives must come to grips with this problem.

Again, notification of the loss to the customer at the earliest opportunity, rather than hoping the lost cargo will turn up, is the best customer-relations oriented action. Consignees who learn of the loss when their trucker collects from you, will be all the more incensed if you have known about the loss for several days, and did not tell him.

### **Missing during Bond-Check**

Most operations of integrity carry out a regular check of what is in their warehouse: this is routinely known as a 'Bond Check'. Some operations do it twice a week, others less often, and some never, but, frankly, it is indispensable and resolves many queries that would otherwise never be resolved.

Bond checks simply list what is on hand in the shed. It is seldom that the warehouse operative matches his list against what should be in the shed, so complete consignments disappearing are not always noticed immediately. In such circumstances, and in retrospect, it becomes possible only to determine the latest date on which the missing consignment was present in the shed.

The term 'UTL' arises at this point, and means 'Unable to Locate'. Again, it is wiser in the long run to notify the cargo owner or his agent quickly of the shortage.

It is certainly feasible to check off shipments listed against the inventory revealed from the central cargo computer records, although you would suppose that to do so in operations of great size - mainly flag carriers' home bases - would be a very daunting task.

However, it is usual for a bond-check to show up parts of consignments missing, and there is no reason to not try to deal with these.

Searches of the warehouse and double-checking of receiving documents to see if any irregularities show up should be carried out. Consideration of mis-delivery should be investigated, and if possible

contact should be made with all parties collecting between the last date the cargo was known to be in the shed, and the date it was missed.

The possibility of mis-loading to a departing aircraft is also a possibility, and should be considered.

All such actions should again be carried out as quickly as possible.

(In the event that theft is assumed, please refer to the section on theft below.)

#### **Missing on Picking-out**

Eventually the cargo is picked out for making up into an aircraft load, or for delivery to the collecting trucker. If a loss becomes evident at this point, then actions should be very similar to those in the preceding section.

Searches of the warehouse should be made and double-checking of receiving documents should be carried out to see if any irregularities show up.

Consideration of mis-delivery should be investigated, and if possible contact should be made with all parties collecting between the last date the cargo was known to be in the shed, and the date it was missed.

The possibility of mis-loading to a departing aircraft should again be considered., and tracing action carried out accordingly.

Speed is essential as always, and certainly assumption of theft should be made with care.

(In the event that theft is assumed, please refer to the section on theft below.)

#### ***Damage***

Damage can be observed at any time, but commonly is noticed on receipt into the shed, during the bond check, and at the time of delivery out.

##### **CAMERAS:**

Firstly, it is wise to keep an instant camera on hand at all times, charged with film: if it is the type of camera which prints date and time on the photograph, then even better. When damage is noticed, it is always worth taking a picture or two, which tends to eliminate various questions at a later stage.

##### **DAMAGE REPORTS:**

Secondly, it is common for carriers and forwarders to have a standard form for reporting damage. This form is often only partly filled in by warehousemen, and their superiors should encourage them to be diligent in completing it. In the absence of a standard form, staff should be ready to make a short written statement about the damage, giving as much detail as possible, and identifying thereon the goods in question.

Whereas gross and obvious damage to what may be an expensive machine may not require much judgement about whether to report it or not, there is also an unavoidable need for the person noticing the damage to exercise significant judgement in some situations. For instance, when noting a loose sealing tape, if it is on a box of lamp parts it is superfluous, but if it is on a package of designer clothing, then it is vital since it may indicate stealthy pilferage.

There is no easy way to decide how to set the guidelines for staff to report damage, and much will depend on motivation of staff in general, and the alertness of supervisory staff in particular.

##### **INSURERS:**

Value of the potential claim will be the criterion in deciding whether to notify the company's insurers, and the policy guidelines on this point should be set by management who should seek guidance from

their insurance broker. If reporting to the insurer is required, then you may find the insurer taking over the situation, and appointing a surveyor/loss adjuster to handle things.

If the claim is one which falls below a certain amount set in your insurance policy (known as the 'excess' or 'deductible'), the insurer may have no interest in dealing with it. Since the excess can be a considerable amount - perhaps US\$ 10,000 or more - then it may be prudent to instruct a surveyor yourselves.

Such people are expected to be skilled in examining damaged goods, and liaising with claimants to ensure repairs are carried out or replacement is made in as economical manner as possible.

### **Damage on Receipt**

#### ***From another party***

If you are handed a damaged consignment, then the choices are to reject the consignment or to hold the driver there, while you call up his office to report the problem and ask for instructions from them.

They may require you to hold the cargo for inspection or may simply instruct you re-load the cargo to the truck for return.

Circumstances may require you to accept the cargo in a damaged condition, and the delivering party may appear not to want to deal with the damage problem. In this case, you must ensure that the delivery note is clearly and properly annotated with details of the damage - if you accept the cargo with a 'clean' signature you may well be held liable for the damage.

A photo or two is often prudent, together with a short written note by the warehouseman or supervisor to further avoid the possibility of a later accusation of damage occurring in your possession at or after the time of delivery.

If you are instructed to accept the cargo in a damaged condition, then photos and a clear statement and description about the circumstances become vital, of course.

#### ***From another Depot in the same Company***

Again, you are already into a claim situation which is unavoidable.

Photos should be taken and a short written note about the circumstances should be made. Urgent contact with the previous location should follow, and they should obtain instructions from the cargo owner or his agent.

Reporting to your insurers should be considered.

#### ***From the inbound aircraft***

If damage is discovered at the time of checking-in, then photos and a statement again should be made.

Contact with the consignee or his agent should take place, again seeking instructions about what to do with the cargo.

Reporting to your insurers should be considered.

### **Damage noted at other times**

Damage may also be noted for the first time during bond-check or at delivery out.

Photographs and written records again are essential, of course.

If noted at the time of bond-check the better customer-related choice is to tell the client without delay, and request his instructions.

If the delivering warehouseman and/or collecting driver notes the damage, then judgement comes to the fore. Perhaps a supervisor should be called to make a decision on whether to simply accept a 'claused' signature from the driver if the damage is not serious, or to make contact with the driver's company to determine what action is required.

Reporting to your insurers should be considered.

### ***Delay***

Delays tend to be brought to the notice of a particular office of the carrier or forwarder by consignees and shippers already anxious and possibly irate. At that time, it is not often unclear if it is loss or delay, in fact.

In the airfreight industry, it is usually the airline which is responsible for the delay: either an aircraft has experienced a mechanical problem, or a weather situation, or an unexpected reduction in available cargo capacity has occurred, or the carrier has simply made an error in loading.

If you know where the cargo is, you may find there is little you can do to get the cargo to destination quickly, but what you must not do is nothing. Failure to try may negate a potential defence that the delay was beyond your control, a situation known properly as *force majeure*.

Claims for delay often result in damages classed economic, indirect or consequential losses, viz., losses suffered not as a direct result of damage or loss to the cargo itself. These can be very high, often much higher than the intrinsic value of the cargo itself. Since at that stage, it is not possible to know if your company can defend itself against such a claim, you must do all you can to minimise the loss by cutting the delay as much as possible.

In any case, the better customer-relations response is to do all possible to resolve or ameliorate the problem.

You may need to see if you can re-accommodate the cargo on another carrier whose flight will reach destination earlier: although this seems bizarre when you are competing with other carriers for cargo, there is significant legal precedent for it, and cases have been lost by carriers who did not try this option.

### **Perishables**

A special word about delayed perishables is required.

This involves two different possible claims: not only for delay in reaching a wholesale market on a particular day, but also potentially for damage. Combined or alternate, the cargo owner may sustain losses from both damage and missed markets.

Again, it is not possible at an early stage for cargo staff to know if such a claim can be successfully defended, and thus measures to be taken not only involve resolving or ameliorating the delay, but also safeguarding the condition of the goods.

The principle is that if you as a carrier are prepared to carry perishable goods, you accept that you must do all possible to safeguard their condition. You are presumed to be aware generally of the requirements of perishables in transit, and thus in a delay situation, if you fail to put the goods in cold store overnight when they require it, you have no defence against a claim for damage to them brought about by that failure to cool store.

Many airports now have cool stores: do your best to use them. If unavailable, then a good option is the urgent hiring of a reefer truck for the period of the delay.

### ***Theft***

If theft is suspected, carriers and forwarders have little choice but to try and solve the problem, but determining the effort to be put into it is not always simple.

If you have a security department, bring them in at the first opportunity.

Strong and good administration of claims will be a discouragement to a thief anyway, because he usually wants to operate in an environment where little fuss is made about losses.

Value of goods will always be a significant factor in your decision on how to treat a particular loss. After all, if a pair of shoes has gone from a box, and it is an isolated and single incident over a long period, then you would need to consider carefully to what extent you need to act.

However, the disappearance of a valuable consignment in circumstances indicating theft should always be reported to the police. It is not uncommon for carriers and forwarders to fail to do so, and even fail to take any action at all. It may be impossible to catch the thief, but leaving a thief in place without stirring things up significantly by making a clear and positive effort to resolve the problem, will signal to that thief that his way is clear to try his luck again.

### **Pilferage**

Pilferage tends to occur in warehouses overnight, and at weekends when there is a significant reduction in people moving about the warehouse. The pilferer requires undisturbed time to broach packages unobserved and take his pick.

Old dimly-lit warehouses without security guards patrolling are the most inviting targets: well-lit warehouses with patrolling guards or Closed Circuit Television (CCTV) are the least inviting.

Unfortunately, CCTV is not always managed properly: it tends to be well-monitored at its installation and for a while thereafter, but interest wanes, and when an incident occurs and a review of recordings is required, it is not uncommon to find the vital camera has been repositioned or switched off for some time. Any operation using CCTV must ensure a means for checking the operation of the system on a daily or more frequent basis.

The answers to regular pilferage are not easy. If such a culture exists amongst warehouse staff it is difficult to root out. The Police will advise and take action if the problem is serious enough or there is a real chance of catching thieves, but their co-operation cannot be guaranteed, unless you show real commitment, and do not hesitate to prefer charges against an individual who is caught.

Complete changes of warehouse staff have been made to solve such problems, but such options are open only to companies with significantly large operations to be able to absorb the considerable costs involved.

With the advent of the Aviation Security Act, hiring programmes now have real teeth, and this brings hope for the gradual improvement of levels of reliability and honesty of staff as natural wastage and retirement removes older and longer-serving un-vetted staff.

### **Whole packages or consignments**

This type of loss needs to be treated separately from pilferage, because there is often an element of conspiracy involved in the stealing of whole packages and consignments from a warehouse.

The warehouseman cannot be seen to walk out with the cargo, and usually requires the co-operation of a collecting driver, appearing to act innocently in collecting goods, in order to achieve the theft. Whilst the driver is receiving his proper load onto his truck, it is often possible for the attending warehouseman to pass him other stolen boxes: unless there is a security guard or supervisor checking the loading then no suspicions are aroused, except by chance.

Again, the quality of staff lies at the root of the problem, and perhaps the application of well-maintained and monitored CCTV on the delivery doors is a strong discouragement to such theft. It is seldom financially viable to routinely provide a security guard to monitor deliveries, but random monitoring several times a day could be a reasonable measure.

### **The Police and Insurance Investigators**

#### **THE POLICE:**

In general terms, the majority of policemen in the UK are keen to do their job well but those who have little interest will be encountered, and it must be recognised that any Policeman will act purposefully only if he sees a chance of a result, and if the matter is sufficiently serious.

They must be convinced a crime took place in the UK, so, if you report a loss from a warehouse, they may consider after investigation that the missing item never arrived from overseas in the first place, so they will then conclude no crime took place in the UK, and will close their investigation. (Sadly, it does appear that less enthusiastic policemen will seize occasionally on an apparently unjustified assumption of no crime in the UK in order to avoid taking up a possibly difficult investigation.)

A loss of computer processor units worth many hundreds of thousands of pounds will attract their attention and effort, but a small pilferage incident may be worthy of note, but pointless to investigate.

Some elements in the Police in the UK have little sympathy for an industry which - in their view - seems to take few precautions to protect itself. Carriage of very valuable consignments as general cargo within consolidations do not encourage them.

In recent years, one of the worst incidents was the arrival at Heathrow Airport of seven tons of gold bullion without any pre-arrangements for security or even pre-advice from the sending station. Adroit but irregular negotiations ensured an armed but unofficial police presence nearby, but their anger over the incident was evident.

#### **INSURANCE INVESTIGATORS:**

Insurance investigators will arrive on the scene regularly: many of these are ex-Policeman with varying levels of ability and understanding of the transit world. They are normally instructed by cargo insurers, who want the missing cargo found, or require to understand how the loss occurred, so that they can prepare their case against the culprit company for reimbursement of the settlement which they have to make.

Little or nothing within the carriers' file is allowed legally to be withheld, but only a court can finally force a carrier to yield up its records in full. Few documents can be classed as 'privileged', but if you are being pressured hard by the 'other side' to produce some document or other, which you do not wish to, then speak to your insurance broker or solicitor if appropriate.

Whilst carriers and forwarders should co-operate fully with investigators, there is often a real fear that revealing too much information will seriously damage a company's interests - it is often true, but to counter this risk by simple non co-operation and refusal to talk to investigators can bring about serious problems when and if claimants take legal action.

***Liability Insurers***

The reporting of losses and damage incidents by carriers and forwarders to their liability insurers depends on the potential seriousness of the claim, and guidance must be obtained from the broker on what procedure to adopt.

Carriers and forwarders must co-operate fully with insurers, and regard them as wholly on their side. The relevant insurance policy will require such co-operation, in the absence of which the insurer is entitled to dispute a claim, and leave the carriers or forwarders to deal alone with the claimant.