

TT Club warns of risks arising from the accumulation of cargo

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TT Club, an independent provider of mutual insurance and related risk management services to the international transport and logistics industry, has noted that the current pandemic had disrupted global supply chains in a wide variety of ways.

In particular, the lag in its effects between the large-scale sourcing regions of China and other parts of Asia and the consuming markets of Europe and North America had caused significant build-ups of goods produced in the former regions but not now required in the later.

Such accumulations included cargo in containers at both transshipment and destination port terminals, as well as import consignments that have been delivered to warehouses and distribution centres (DC). These were primarily non-essential products for which there was little demand at the moment as retail outlets were closed or were supplies for production lines that were either static or at reduced capacity.

TT Club noted that in the UK the latest estimates were that 90% of the country's warehouse capacity was full, with the UK Warehousing Association (UKWA) forecasting no available space within two weeks. One high-street fashion retailer had reportedly leased 40% more storage than it would have under normal circumstances.

"Security is clearly the most dominant of the risk issues as operators seek alternative storage," said Michael Yarwood, Managing Director Loss Prevention at TT Club. "Whether it's taking up buildings not usually used for storage or laden vehicles parked adjacent to a full warehouse, or simply facilities unfamiliar to the operator, the security regime may not be of a similar standard. This concern is not just limited to fencing, lighting, security patrols and CCTV, but also communication with hauliers delivering cargo to the unfamiliar premises. There is also the constant danger of vehicles being diverted into the hands of criminals; so-called round the corner theft".

The physical characteristics of a temporary facility might also be unsuitable in a range of ways, such as weather-tightness, phytosanitary issues, uneven hard standing. Further, consideration needed to be given to the nature of the cargo and the capability to handle and store hazardous materials and specialised commodities correctly (such as high value or temperature controlled). These factors might also extend to inappropriate or substandard handling equipment and the requirement to subcontract labour and security personnel from previously unknown sources. The Club said that, where possible, established standards should be maintained, including undertaking full due diligence.

Yarwood also emphasized the importance of maintaining records and an efficient documentation flow. "In a situation where goods and cargo units are located in unusual facilities, perhaps off-site at some distance, it is vital for accurate records of movements, storage times and potential drawdown requirements to be preserved."

TT Club said that such bottlenecks in the supply chain through the lack of demand for goods might be temporary as diminishing orders start to affect the flow through. However, one of the knock-on effects currently being experienced was that some port terminal

operators, along with their ocean carrier customers, were attempting to help importers by delaying delivery and/or providing temporary storage for containers.

A recent survey by the International Association of Ports & Harbours (IAPH) showed a mixed picture at ports around the world. Peregrine Storrs-Fox, TT Club's Risk Management Director, noted that "35% of ports reported an increase in utilisation of warehousing and distribution facilities for foodstuffs and medical supplies, with some ports reporting capacity shortages. There will be regional variations within these trends of course. As inbound congestion on terminals rises, we are seeing some European ports offering off-terminal storage for undelivered import containers. In the current extraordinary environment, all involved in the supply chain should be taking extra steps to assist in finding solutions. Care must be taken however to ensure that in providing such a facility, operators do not expose themselves to additional liability and risk."