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LOGICAL IN LOGISTICS NEWS

NOVEL CORONAVIRUS (COVID-19) - CARGO ACCUMULATION

The next 12-18 months are likely to be difficult for many businesses, including those within the logistics industry.

There are several economists predicting the look of the recovery, when it eventually arrives! Some say it will be “U” shaped or “W” shaped, whilst others suggest its more probable to be a “V” shaped recovery pattern.

Whatever the pattern, recessions are possible as consumption levels will be dramatically impacted on a global basis, including Australia. This could impact the speed to recovery. Expectations vary on the long-term impacts and no one can be entirely sure.

What we do know is that a COVID-19 type of event would not have appeared in many 2020 business plans.

It is hoped that the stimulus packages from federal & state governments will help soften the blow & allow businesses to survive post COVID-19.

JAMES COTIS

Principal at Logical Insurance Brokers

In light of this, we would like to again raise an item we mentioned in our update dated 7th April 2020 relating to cargo building up in warehouses and storage yards due to disrupted supply chains & customers unable to take delivery of goods due to the lockdowns. Generally, these cargoes fall into the non-essential products category, for which there is little demand as retail outlets are closed or supplies for production lines that are either static or at reduced capacity.

Since early April, we have been receiving frequent reports from logistics operators who have noted that their usual warehousing arrangements (both internal & external) are at either near maximum or have reached maximum capacity and they are seeking alternative facilities to store the accumulated cargoes.

Although we fully understand that logistics operators are attempting to assist their importer customers by delaying delivery &/or providing temporary storage for containers & cargo, it is vitally important that they conduct a review of their customer agreements/Standard Trading Terms & Conditions to clarify responsibilities within the warehousing arrangements, particularly if something goes wrong.

This is particularly relevant where logistics operators are tempted to utilise alternative "one off" storage which is potentially not fit for purpose or where they are unfamiliar with the premises to be utilised or people/entities operating them. In these cases, care must be taken to ensure that logistics operators are not exposed to additional liability and risk. Therefore, extra steps should be undertaken to ensure that risk management items including construction, location, storage height(s), trucking docks, fire protection, security arrangements, housekeeping and general building maintenance are all adequate for the type of goods to be stored.

We also mentioned in our previous update that as part of the review process, we believe it would be prudent to undertake a "maximum possible loss analysis" with respect to customers' stock held in warehouses and compare that to the relevant limit(s) of indemnity within the logistics operator's liability policy. Any discrepancy should be reviewed with the relevant insurance provider for their comments and guidance.

We also suggest that customers arrange appropriate insurance coverage for stock held in logistics operators' warehouses.

Finally, there are also issues around the length of time cargo remains in storage. Logistics operators should be mindful to keep in contact with the cargo owners to obtain progress reports as to when cargo can be delivered. Delays in delivery could lead to cargo no longer being required by the customer due to all sorts of reasons, including seasonality problems or an importer ceasing trade/entering administration/liquidation. This may involve the cargo being abandoned.

As many within the logistics industry are aware, abandoned cargo is a troublesome and time-consuming headache, particularly when attempting to recover storage and other fees from importers who have gone into liquidation or tracking down importers who may have left Australia, plus the legal implications/complications of dealing with any liens and eventually disposing of the cargo.

Who we are:

James and the team at Logical Insurance Brokers provide specialist risk management and insurance solutions to the logistics industry. Logical is delighted to be associated with the Freight and Trade Alliance (FTA) and is proud to be their appointed insurance adviser since its inception in 2012. James is also a regular presenter at FTA professional development events.

If you would like more information about how a carefully constructed insurance program and business continuity plans can help protect your business, please feel free to contact James on 02 9328-3322, email jamesc@FTAlliance.com.au or visit the Logical Insurance Brokers website at www.logicalinsurance.com.au/logistics.

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