Abandoned Cargoes – Does "Liberation Day" matter?

By JAMES COTIS, Principal – Logical Insurance Brokers

Media reports about the trade & tariff policies introduced by the USA government in early April 2025 (so called Liberation Day) have filled many column inches in printed and on-line articles and opinion pieces. It seems that with each new week there is a change in stance.

Liberation Day has created an environment of geopolitical tensions and ongoing trade uncertainty between the USA and many countries, including Australia and China. As a result, many within the shipping industry are having sleepless nights.

Given the economic & trade uncertainties, many economists are opining there is a heightened risk of a global recession in the near term.

The impact of USA tariffs on the Australian economy is expected to be largely negative, with economists remaining cautious.

Any downturn within the economy and an increase in the retail cost of goods is likely to have deleterious effects for importers due to the potential for declines in consumer demand.

In these scenarios, importers may conclude that it is "too hard" to continue and simply walk away from cargoes landed in Australia (and other destinations), i.e. abandon their cargoes, perhaps shuttering their operations for a period, or worse, entering administration or bankruptcy.

What does this mean for Freight Forwarders (Forwarders)?

Cargo abandonment has always been problematic for Forwarders, and we may see a surge in this phenomenon given the predicted downturn in the economic climate.

The potential liabilities for Forwarders dealing with abandoned cargoes include substantial storge, container demurrage and container detention costs. Over the years, we have been involved in many instances assisting Forwarders who have been contending with these liabilities, which are typically complex requiring extensive management resources to resolve.

In these cases, generally Forwarders have not been at fault or negligent, they simply have a contractual liability as a "booking party" under Bills of Lading. Unfortunately, there may be no legal or contractual way for Forwarders to escape these liabilities or recover the costs associated with abandoned cargoes, including container demurrage, port storage, disposal and possible fines.

These costs can be quite significant.

For example, recently we have been assisting a Forwarder who is facing costs in excess of AUD1.5 million. The Forwarder has sophisticated and well-organised operations in place, however, the cargoes had simply been "lost" in the system and not monitored. The Forwarder didn't have specific processes in place dealing with abandoned cargoes. Further, the shipper / cargo owner disappeared, so there is little likelihood the Forwarder will be able to obtain recovery from them.

Would Forwarders' liability insurance policies cover these types of incidents?

Cargo Liability and Errors & Omissions (also known as Professional Indemnity) insurance policies respond where there have been allegations of negligence or breach of duty arising from an act, error or omission on the part of the insured entity (the Forwarder) and the shipper/consignee suffers financial loss. The cover would respond in relation to a mistake which is fortuitous, such as an error (negligence) in operations by the insured entity (the Forwarder), subject to the relevant policy terms and conditions.

Therefore, it follows that without fault or negligence attaching to Forwarders, Cargo Liability and Errors & Omissions cover can't respond.

Insurers/underwriters who specialise in the provision of liability/indemnity insurances to the logistics industry recognise this coverage gap and offer additional specific cover for abandoned/uncollected cargoes, however, the amount of cover is usually very limited.

The commercial risk is real, isn't going away and needs to be carefully managed. Therefore, it is critical for Forwarders to learn how to identify these risks early to help mitigate any potentially high-risk customers and/or cargoes.

We suggest that Forwarders establish effective due diligence procedures and develop specific processes to identify suspect customers and shipments, to support identifying any "red flags".

These procedures might include maintaining management controls to monitor cargo arrival, collection and any associated free periods; when to advise/correspond with shippers/consignees about shipments awaiting collection; explore if lower costs storage options are available; obtaining Letters of Indemnity from shippers/consignees where appropriate and when to notify liability insurers.

Further, Forwarders should take all reasonable steps to know the shipper.

Forwarders should consider bringing all team members together to understand the issues and consequences surrounding abandoned cargoes, including participation in continual development of procedures to assist identify red flags. This, coupled with preparation and practice of procedures are crucial elements to enhance risk management / control strategies.

We are not suggesting that all cases of abandoned cargoes involve shippers who intentionally seek to deceive Forwarders. There could be issues of mistake, fraud or insolvency, but the simple lesson is that all bookings should be subject to deliberate decision making and procedures need to be clear about how front-line team members handle all exceptions. With adequate advance knowledge, management teams will be able to quickly determine if bookings should be accepted.

Like many troublesome issues, abandoned cargoes typically represent a small percentage of Forwarders' overall transactions, however, they usually cause significant impacts on management time, including the distraction and associated costs.

What are the key takeaways?

- Review all shipping documentation to identify potential exposures;
- Exercise Due Diligence when onboarding new shippers/customers and accepting shipments / bookings to determine if any red flags are raised;
- Well documented procedures and good record keeping is critical;
- Take immediate action to mitigate exposure to costs;
- Approach stakeholders' early regarding payment of costs and collection of cargoes;
- Review insurance programs to determine the coverage on offer;
- Notify insurers early when abandoned cargoes are suspected.

Who we are:

James and the team at Insurance Logic Pty Ltd t/as Logical Insurance Brokers (ABN: 44 002 859 252; AFSL #: 237633) 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 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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