

ARC MARINE CARRIER SELECTION CRITERIA

RISK CONTROL BULLETIN



INTRODUCTION

When it comes to transporting cargo, shippers, their customers, transportation providers (carriers), and insurance companies inherently all want the same result; cargo delivered to end destination free of loss or damage. It is the auxiliary goals of these entities where objectives begin to differ.

Shippers/customers typically search for ways to minimize the time to market and emphasize speed. Carriers seek to maximize equipment and manpower utilization at the lowest expense. Insurers evaluate asset protection and strive for optimal security.

The intention of this document is to provide shippers with selection criteria that should be considered when choosing a carrier base. Preemptive considerations enable shippers more informed choices when selecting carriers and better determine if a carrier's capabilities are compatible with the unique needs of a given cargo. The following are possible metrics which can be used as carrier selection criteria.

Organizational structure: Does the carrier should have a dedicated point-of-contact specifically for your organization? This person should be able to respond to your inquiries while having the authority to immediately take corrective actions on behalf of the carrier; should they be required.

Professional reputation: Is the carrier active in local, regional, national or international trade or industry groups?

Current Clients: Who are the carrier's current customers? Compare the nature of products for their existing clients to your own.

Financial stability: Assess the carrier's ability to not only stay in business but also have the financial wherewithal to make necessary capital improvements.

Pricing/rating structure: Is the carrier's pricing structure in line with similar transportation providers? What has been the recent history of their price/rate? The carrier should have some flexibility in rating based on volume, longevity of contract, etc.

Loss/damage notification: The carrier should be able to immediately contact designated representatives should there be evidence of loss or damage to a shipment. Defined procedures should be in place to mitigate further loss or damage.

Insurance Coverage: The carrier should have liability limits commensurate with the value of the largest shipment you anticipate.

Limits of liability: The carrier should be agreeable to negotiating a recovery rate for loss or damage that takes into account the average value per kilo of your product rather than simply relying on the terms of the standard ocean or air waybill, CMR or similar liability regimes. These are commonly called contingent liability or increased value contracts.

Loss and damage experience: The carrier's actual loss and damage experience should be a determinant factor, in the selection and retention process. Consideration should also be given to reviewing a carrier's safety/violation records.

Quality of carrier and staff: Does the carrier should have pre-employment screening practices? Does the carrier encourage personnel improvements in general business and technical areas?

Workforce: Does the carrier should have a long-term labor contract? The carrier should have an acceptable history devoid of lengthy work stoppages, strikes, disputes, etc.

Geographical coverage: What experience does the carrier have operating in your needed geographic areas? The carrier should be able to handle traffic lanes that you need and with the transport frequency that you require.

Auxiliary Services: Is the carrier able to provide auxiliary services such as assistance with import/export documentation and customs clearance?

Experience in hauling cargo similar to yours: Does the carrier should have specific experience and expertise in handling your equipment/products? The carrier should provide you with the list of products they carry; special attention should be made to any that might pose a contamination potential to your shipments.

Fleet size: The carrier should have enough equipment of the type (dry containers, refrigerated trailers, air cargo freighters, and air-ride suspension trucks) that you require. This equipment should be readily available to you at/near the shipment origin point.

Use of owner-operators and/or sub-contractors: The carrier should use sub-contractors only when/if they provide you with prior notice and you give consent. If a load is subcontracted, the carrier's original contract obligations must remain in place.

Fleet condition and maintenance: The carrier's equipment should be maintained regularly and periodically renewed; the average age of the equipment should be below the industry average. The carrier should have bona fide agreements with qualified repair facilities for emergency road service within the geographical areas they are traveling and defined maintenance schedules for equipment.

Cargo equipment inspection frequency and procedures: The structural integrity and condition of the equipment and security devices should be inspected on a defined, regular basis to verify that they are suitable for use. Inspection and maintenance records should be maintained. These procedures should be subject to periodic audits.

High value cargo handling and transport: The carrier should have documented procedures in place for high value or cargo vulnerable to theft, pilferage and hijacking. Such procedures are often called "Standards of Care (SoC)" and are often incorporated into the carrier's contract. Shippers should ensure that the carrier's standards of care are appropriate for their specific commodities. These procedures should be subject to periodic audits.



Communications capability: The carrier should employ modern tracking technologies such as GPS tracking for both the tractor and the trailer. Carriers which employ/operate command and control monitoring centers should be preferred.

Monitoring & Control: The carrier should have protocols in place to monitor and track key shipment factors. These key factors measured should include, on time delivery, customer satisfaction, non-delivery/theft, shortage & pilferage, and physical damage. Agreed upon metrics should be reviewed at least quarterly.

Cargo security devices: The carrier should use appropriate devices on their equipment, such as high security seals and "kingpin" or 5th wheel locks.

Cargo information security: The carrier should restrict knowledge of the identity and value of your cargo as much as practical. Carrier equipment and/or documentation should not have markings that would indicate that they are carrying your cargo.

Routing: The carrier should provide full transparency regarding potential transit routing. This includes identifying any necessary transshipment points, stoppages at a carrier's terminal/warehouse, or any other prolonged periods of downtime. Two driver teams should be considered and/or available for prolonged carriages of critical cargo.

CONCLUSION

We encourage shippers utilize multiple carriers with each carrier responsible for a reasonable percentages of shipments; such as 80/20%. By doing so, it creates a built in incentive for the carriers to improve their performance in efforts to obtain more market share. This practice also gives the shippers the option to divert a larger percentage of cargo to secondary carriers should the performance of primary carriers decline.

While the selection process is done prospectively, before actual hiring, selected carriers should be evaluated periodically. Performance metrics should be established and recorded during these periodic checks. If a carrier's performance over time trends negatively corrective action should be taken.

Selecting the appropriate carriers can be the difference between your cargo arriving without exceptions or with damages. Carriers should have experience carrying commodities similar to your specific cargo and engage in sustainable business practices. The metrics mentioned above can be used to help prequalify carriers for your shipping needs.



When in doubt, check with industry peers directly or through trade association colleagues for input regarding past experiences with carriers prior to entering any agreements.

For more precise considerations regarding your specific challenges and/or commodities, please contact Allianz Marine Risk Consulting.

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