A flight of black swans

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So-called black swan events are meant to be a rarity. Over the past 18 months, those engaged in global supply chains would be forgiven for thinking black swans are more common than their white brethren. Let us then spot the birds and assess some of the consequences of them coming home to roost, also offering a few comments on how to mitigate the expense and risks that result.

Following nearly a year and a half of disruption due to the coronavirus pandemic, the recent Suez Canal blockage was another unwelcome complication for the global supply chain. Port congestion in Southern China, West Coast USA, Europe, and many other places has, in part, been a consequence of both these troublesome birds. However, higher than typical consumer demand has also added to the capacity crunch. The latest figures for global consumer spending show regular year-on-year increases of over 10% for each of the months so far this year (versus a decade-long average of around 4%).

Greater than expected waves of cargo

Whether it's because of delayed ship arrival due to the Suez blockage or awaiting a berth in Yantian, or simply larger volumes of cargo to feed the rapacious appetites of American and European consumers, operational difficulties are widespread across ports and terminals around the world. The arrival of large volumes of laden containers, coupled with the potential challenges of hinterland distribution, will disrupt standard delivery patterns. Therefore, one consequence will be an accumulation of cargo, a complex risk and one that will not affect destination ports and terminals only.

There is a significantly heightened risk of theft, and thus a greater focus on security is required. Whether it simply be an overspill holding/storage area or temporary warehousing, it is more likely to be stolen whenever cargo is not moving. Supply chain actors should be mindful of these security risks and ensure that sufficient consideration is taken to ensure that any third party providers of storage are adequately resourced to meet your security expectations.

Final mile haulage will be another vital factor as greater than expected waves of cargo arrive. As highlighted in the recent **International Road Transport Union (IRU) survey**, driver shortages are expected to soar through 2021. Many countries across Europe already have to grapple with this challenge. In the US, shortages of drivers have also been the experience of trucking companies over recent months. Available last-mile haulage capacity is likely to be stretched when peak demand hits or delayed ships arrive in a more intense sequence. The lack of capacity to move laden containers out of the terminal can create additional challenges. Those seeking to secure road haulage capacity should be mindful of the associated security risks highlighted in the latest **TT Club-BSI joint cargo theft report** and ensure that sufficient due diligence is undertaken when employing new or unfamiliar service providers.

Staying one step ahead

Abandoned cargo is not a new challenge. Every year, delivery delay or failure of the consignee to collect cargo results in substantial storage, container demurrage and container detention costs. These issues are also invariably complex and require expensive management time to resolve. There may be no legal or contractual way to escape liability or recover the costs associated with abandoned cargo, including container demurrage, port storage, disposal costs or fines.

Whilst clearly not a consequence of the pandemic, Suez blockage or increased consumer spending, the explosion in Beirut last August brought into focus, in a sadly horrific way, how both the neglect of cargo storage and lack of owner responsibility can have disastrous effects. Stored ammonium nitrate fertiliser exploded, killing more than 200 people, injuring 6,500 and devastating parts of Lebanon's capital. Following the deadly blast, it was revealed that another 50 abandoned containers filled with hazardous chemicals had been discovered in an open-air storage yard. Some had, apparently, been languishing in at the port for more than a decade.

More common, though in many cases less dangerous, examples will be increasing as a result of congestion and delay around the world. Learning how to identify risks early to help mitigate the inevitable fallout is critical. TT Club recommends establishing effective due diligence procedures and developing specific processes to identify suspect shipments to stay one


Photo: Canva

step ahead. Early detection and proactive management reduce losses. However, in the complex logistics supply chain, such things are not always straightforward; whilst sales pressures should be managed, relationships with partner operators may dictate tolerating certain bookings where assurances are less present.

The simple lesson is that all bookings should be subject to deliberate business decision-making – and procedures should be crystal clear on how to handle all exceptions. Adequate advanced consideration will lead to an informed commercial decision to decline the booking or allocate additional operational attention to the shipment.

Leave nothing to assumption

There are many potential causes of cargo being abandoned at some point in the supply chain – understanding what they are should offer some protection. Most commonly, goods are left at the destination port. Management controls are required to identify problematic commodities, routings and destinations. Other red flags may include uncertainties concerning the nature of the shipper or sanctions issues.

Certain commodities present more risk – and may be influenced by geographical or seasonal conditions. Being alert at the outset of the booking process may reduce exposure. Experience will complete one's list, but here are several commodities commonly presenting higher risk: waste (all kinds, including fabric, paper and wood); scrap (metals, plastics, wood); cargoes intended for recycling (often waste shipments with an alternate descriptor); used computer equipment; old tyres; and personal effects.

While the reasons for uncollected cargo vary, most are relatively low value, high-volume and often not newly manufactured goods. However – and particularly arising from cargo integrity concerns – it is essential to recognise that declarations may also be fraudulent. Dangerous goods screening checks are equally critical.

Knowing your shipper is fundamental in identifying heightened risks. Not all cases of abandoned cargo involve a shipper who intentionally seeks to deceive but conducting careful due diligence will pay dividends. The reliability of the shipper is a crucial consideration to assess any heightened risk. Consider the routing of the cargo being presented for shipment. Deliberately develop knowledge over time concerning usual trade routes for certain commodities.

The underlying sales contract will not usually be visible to the freight operator, but its terms could point to a reason for abandoned cargo. Be alert to factors that may indicate potential problems, not just where freight is "shipped to the order of" but also changes in economic or market conditions.

TT Club has been involved in other instances where dangerous goods have languished in terminal areas until their hazards were exposed. As with many troublesome issues, the reality is that uncollected shipped goods affect a small fraction of transactions, although it will have a disproportionate impact on time, distraction and cost. Whatever the cause – be it a mistake, fraud, insolvency or fiscal issues – the lesson of Beirut sadly needs to be learned the world over.

Even amongst sophisticated and well-ordered operations, it has been known that regulated dangerous consignments have simply been 'lost' in the system. There is no room for complacency, particularly in geographic areas where extreme seasonal temperatures occur, and therefore ongoing, routine physical checks of the yard remain necessary adjuncts to technologies. At an operational level, the simple lesson is – leave nothing to assumption; preparation and practice are key.

Just in time – or case?

It might be time to review the habits prevalent over the last decade at a macro supply chain scale, whereby streamlining and operational efficiencies have been a priority. Such measures have included reducing suppliers, choosing specific routes, and introducing just in time principles to lessen the burden of unnecessary storage costs.

The black swans that have taken flight since the beginning of last year might give practitioners reason to question this bias towards efficiency and cost reduction at the expense of resilience. The new normal might see many actors increase their focus towards contingencies, more 'just in case' than 'just in time.' ■