

SAFETY OF CARGO IN INTERNATIONAL TRANSPORT

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1) Summary

Safety including topics such as security and loss prevention is one of the most challenging factors facing the cargo industry today. The following report discusses the different factors applicable to security and safety with the international transport industry. To do this I have chosen examples of two separate projects, one from Manchester, UK to Tokyo, Japan and one from Manchester to Madrid, Spain. The two separate discussions enabled me to look at varying modes of transport including Roadfreight and Airfreight. The advantages of these recommendations and actual cost benefits are supplied with each example to demonstrate opportunities for securing safe delivery throughout the supply chain.

2) Acknowledgements

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2.1) Bibliography

I have taken information and references from the following:

1) **Title:** Understanding the Freight Business Fifth Edition 2001

Editor: Wilmot, Kevin

2) **Title:** Incoterms 200

Publisher: ICC Publication no. 560

3) Introduction

It may be that only when the shipment is collected from the loading premises that the forwarding agent takes over the responsibility of the goods, however the agent's responsibilities for ensuring safe delivery begin much earlier. As the customers nominated forwarder I must first try to understand their business and appreciate the product they are shipping. This knowledge will enable me to make decisions and recommendations on specific subjects that may enhance their shipping efficiency or highlight available cost savings in their freight forwarding procedures. I have to appreciate the customer's requirements right through from loading at the warehouse of export to the delivery of the goods to their customer at destination. In addition I should look outside of the actual process of shipping the cargo to other aspects such as insurance, terms of sale and other features that may affect the shipment.

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To demonstrate some of the key aspects around this area I have chosen the following customer example to open up this discussion:

4) Temperature Controlled Goods

The goods in question were temperature sensitive pharmaceuticals being shipped from Manchester, England to Tokyo, Japan and from Manchester to Madrid, Spain. The current procedures were proving costly due to the fact that the freight amount of the consignments was large in comparison to the actual quantity of product shipped. The actual product represented only 65% of the total of the packed order volume. This was due to the pallet boxes being lined with specially manufactured polystyrene to hold the temperature of the goods. The goods were also being compromised in transit and my customers clients were receiving between 10 and 25% damage to stock upon arrival.

Given the above, I worked on the basis that we were to find the most cost effective and reliable way of shipping the cargo, whilst preserving the integrity of the product by maintaining the temperature. The specifications from the customer had clearly given two separate problems. Looking at the geographical location of Manchester in relation to Tokyo and Madrid, I have considered the destinations separately.

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5) Discussion 1 - Tokyo

I had to establish the needs of the customer, was it cost, transit time or the loss percentage of product that took precedence. The customer indicated that when the shipments were ordered by his client(s) the delivery would be required in 3 days time at Narita airport, Tokyo. Also, because of the high number of claims being made against the customer's liability insurance, they needed to keep damage to a maximum 10% of stock lost or damaged in transit. As the terms were DDP (Delivered Duty Paid) Tokyo City limits the shipper is responsible for all carriage to the consignee's premises and for the insurance of the product. The shipper was also responsible for clearance, duties and taxes of the product as per Japanese customs regulations.

It was a given that all the shipments for Tokyo had to go via Airfreight due to the time frame of 5 days from customer's door to consignee's warehouse. I investigated the past history to determine the reason behind the 25% damage to stock that the consignee had been experiencing. I was able to determine from the customer that the area of damage was being caused by the outer packaging of the product.

5.1) Controlling the temperature

The two key drivers of the customer was the goods had to be temperature controlled and the delivery had to be made within 5 days from despatch. This meant we had to find suitable equipment to hold the temperature at the required temperature right through the transit door to door.

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5.1.1) Material Selection

With the problem determined I decided initially to look at the materials used to pack the temperature controlled product. The current packaging consisted of pallet boxes including polystyrene, this had been deemed inefficient and so a new packaging method had to be sourced.

I decided to undertake investigations into how to solve this issue by contacting a specialist cold storage company. From my discussions with them we were able to find a compound used mostly in “cold bags”. The material was being used in conjunction with cardboard pallet boxes (appendices fig1 and 1a) and had recently been developed as a way of controlling temperatures during shipping. The material acted somewhat like a thermos flask, keeping the product inside at the same temperature throughout the full period of transit.

Through testing these were found to hold a set temperature for 7 days, ideal for the job we required, however these cold store blankets whilst efficient were expensive, costing 1500 GBP each. Although this new material would enable us to get an extra 25% more actual product into every pallet box by removing the polystyrene, the movement of between 10 and 30 pallets per week did not make this a financially viable proposition. I felt however the material was the best way of keeping the temperature stable in transit and preventing the least loss.

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I began looking at different ways of utilising the material. What if the goods could be shipped using the cold store blankets in some other container?

The actual volume of product to be shipped every week was between 5 and 12 m³. This enabled us to look at airline pallets and ULD's. (Unit Load Devices)

5.2) Freight Unit Selection

After reviewing the airline pallets and units available I selected an LD9 garment hanging unit, this being the most suitable as this had fixing points already attached. The goal was to design a new cold store blanket on the basis of the material chosen in 5.1 but to fit into a LD9 container. I felt that if we could utilize the space of the aircraft container this would inevitably bring down the freight cost. With the assistance of the specialist cold store company a blanket was created using the same materials as the pallet box blanket but which would fit inside the ULD. A blanket was subsequently designed, the first kind of its type. (Appendices fig 2). There was the added benefit that the ULD, being made from aluminum, could be sealed and locked, making the cargo more secure from theft or damage.

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5.3) Packing

The packaging of the goods is amongst the most important responsibilities undertaken by the shipper, being the seller of the goods (in most cases), then it is in their interest to ensure that the goods are packed safely to arrive at destination in pristine condition and ensure customer satisfaction.

In the particular instance I had recommended new outer packaging for the shipper. The specialist pallet boxes that they had been purchasing were no longer required as the aspect of temperature control was now replaced by the cold storage blanket. The saving made on the pallet boxes could be offset against the additional cost of the blankets. There was also a further saving to be made by using this new technology in cold storage shipping as it would result in better maximisation of space inside the LD9, due to the reduction of volume of not using the polystyrene lined pallet boxes. In order to ensure that the product was secured inside the LD9 I determined that following options were available to my customer.

Option 1) The goods could be packed in their inner packaging into cartons and hand loaded into the ULD.

Option 2) The products could be packed in cartons and loaded onto pallets.

I have recommended to my client that the best option was that the goods be packed on pallets to enable equipment (forklift) to be used for loading and unloading. This would be more time efficient and cost effective than manual handling.

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5.4) Carrier selection

We had decided due to the transit time and risk factor that a direct flight from the UK to Tokyo was the best for trying to achieve the most efficient results. Less handling of the cargo in transshipment would reduce the risk factor. The carrier selected was based on several criteria (detailed below) which needed to be met to ensure the greatest percentage of safe delivery of the product.

- 1) Previous reliability- The carrier had to have a good record with our company when measured under a KPI (Key Performance Indicator) process.
- 2) The carrier needed to have a direct flight from UK Airport to Tokyo, Narita.
- 3) The airline had to have the necessary aircraft and equipment (LD9's) available for shipment on a once every two day basis to be able to meet the consignors criteria of a 5 day door to door transit.
- 4) The airline must be able to offer a reliable tracking & tracing system.

5.5) Haulage

Due to the seven day holding temperature of the cold store blankets, unlike previously with the pallet boxes, the goods did not require any specialised refrigerated vehicles from the customer's warehouse to the departure airport. This allowed our company to keep the entire shipment within our own network and not have to outsource this part of the supply chain. This degree of control from collection in UK through to release to the consignee, meant that we were able to ensure that the cargo was kept known prior to export in accordance with AMSA regulations (Aviation & Maritime Security Act).

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5.6) Security

Security in Airfreight, because a high proportion of freight moves on passenger aircraft, is a very important factor in any cargo shipment. The cargo must be either checked by a listed agent (5.6.2) or come from a known shipper (5.6.3) to satisfy current UK legislation. If neither of these is possible the cargo must be delivered into the airline unknown and be held whilst security status is determined – a slow and costly process.

Previously even though the shipper was known, the haulier operating the refrigerated transport from factory to airport was not rendering the unknown. However, by being able to use our own fleet of approved vehicles, due to the new form of packing, this meant we could move the cargo from the customer warehouse to the UK airport as known cargo, in the LD9 container.

5.6.1) The Aviation Security Act (Air Cargo Agents) Regulations 1993

Since the Lockerbie air disaster in 1988 the Airfreight industry has seen significant improvements in cargo security. The first stage of this was the inception of the above act in 1990. This recognised the need for a regime of some description to be imposed on all air cargo. The Government was forced to bring in legislation covering acceptance of cargo for transportation by air. This legislation brought about the known / unknown customer concept (4.3).

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5.6.2) Listed and Unlisted Agents

Under the legislation each forwarder / agent had the opportunity to become a listed agent. To obtain listed agent status the agent has to comply with certain criteria such as, having a security manager to whom the DTLR (Department for transport, Local Government and the Regions) can relay new information. Only a listed agent authorised by the DTLR may give their own personnel authority to formally identify if the customers can become known. The rules are written to help prevent unauthorised persons tampering with the goods whilst it is in transit.

5.6.3) Known / Unknown customer.

Each shipper in the UK is either “Known or Unknown” from an air cargo perspective. Known cargo is seen to be from a trusted source and is not liable to the same security checks and procedures as unknown cargo. As mentioned above, unknown cargo is subject to additional costs and delay as it must be hand searched, x-rayed or put through a decompression chamber prior to it being accepted by an airline. The customer has the option from their agent to have their premises and procedures vetted to the DTLR (Department for Transport, Local Government and the Regions) standards to see if they comply with the procedures to become a known customer. Once the premises and procedures have been vetted, the agent and the customer enter into a written agreement (see appendices fig 3). Then with each shipment a Consignment Security Certificate must be filled in by the shipper and presented to the forwarder with the shipment prior to despatch. (See appendices fig 4)

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5.6.4) Shipment tracking

As we could now keep the shipments within our company network there was also the opportunity for utilising web tracking. The airline chosen was a preferred carrier and so their system was electronically linked into our in-house system. In effect as the milestones, such as collection time, shipment departed on flight and shipment arrived on flight, were logged then these would automatically be transferred to our own web tracking facility. In this way there was visibility of the shipment at all times which could be accessed by anyone knowing the unique shipment reference. This enabled the consignee in Japan to track the shipment during the hours when either the shipper or their forwarding agent was unavailable in the UK due to the time difference.

5.7) Documentation

To ensure the safe delivery of the goods to the destination, it is important that not only the actual shipping of the goods is carried out correctly but that the documentary requirements are also met. If the documents are incorrect then this may cause delays or problems, which will in turn affect the delivery schedule. The export documents will usually come from two sources, the shipper and/or the forwarding agent. Each has their own part to play in the documentary requirements and each must be accurately complete their part of the paperwork to prevent problems. The shipping documents from the agent will include the Airwaybill which is the master document that covers the transport of the cargo and which includes the name of the consignor, consignee, airport of departure and airport of arrival, gross and volumetric weight and number of packages. Any special requirements or instructions will also be shown on the airwaybill, including temperature

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controlled details or whether the goods are hazardous. The documents provided by the shipper will include form commercial invoice evidencing the transaction between the consignor and the consignee, the value of the goods and the terms of sale. It is imperative that the information is correct, as this is the document that enables customs clearance at destinations and errors can affect on time deliveries and lead to customs penalties in some countries.

5.8) Terms of Shipment

As the terms were DDP the control of the shipment was with the shipper until the haulier had delivered the goods to the warehouse / premises of the consignee and the goods had been signed for. Whilst we were doing all we could to reduce the risk, problems can still arise and as the consignor covered the insurance so then procedures must be in place to allow for this.

If the goods are lost or damaged in transit the customer must raise an intention to claim within 10 days of arrival of the goods with the forwarding agent. Any intent so received would be recorded immediately and within 24 hours we would hold all relevant third parties responsible such as an airline or haulier on behalf of our principal. Should a formal claim be subsequently received, the relevant paperwork would be passed to our UK Claims Manager for completion and if the estimated value of the claim were over 10,000 GBP then a loss surveyor would be appointed to further protect our interests and those of our customer.

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5.9) Customer Proposal

The customer reviewed the initial response and was able to authorise a trial from which cost savings and other benefits could be determined.

The thermal blankets were found to be 30 % more effective at maintaining a set temperature than the previous pallet boxes. The potential damage to the product was estimated whilst in transit to be approximately 3%. In utilising an LD9 aircraft we were able to ship 16 pallet boxes worth of stock in 1 ULD container as no polystyrene was required, saving initially 15% of the actual freight cost. The initial outlay of the blankets was a cost of 3500 GBP per blanket. Working from the information previously given by the shipper that they were shipping between 10 and 30 pallet boxes worth of stock this would be 1 or 2 LD9 containers per week. The cost comparisons showed that the 15% saving on the freight would have paid back the initial outlay of 3500 GBP in 7 container shipments and would then run into a bottom line saving to the customer.

These new materials and methods of shipping also brought about benefits to the overseas client as well as due to certain environmental laws governing the recycling of materials such as polystyrene in Japan we could save 1000 GBP per load in waste disposal charges by utilizing different materials.

The customer estimated that once in place the new procedures and material utilized could save them in excess of 850,000 GBP per annum. There were also environmental benefits

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to be gained by reducing the amount of polystyrene being shipped to and having to be disposed of in Japan.

In addition to the initial proposal for recommendation of safe delivery by Air of the cargo I was also able to suggest to the customer regarding a different mode of transport.

If some of the goods were required urgently by the customer in Tokyo or any other worldwide customer then there was also a way of shipping the goods via a courier shipment. The cost would be approx. 300 GBP for a 50cm³ refrigerated cool bag. Considering the benefits of this method compared to the normal dry ice process being utilized for small packages, there were two, namely the bags were could be used many times over and were capable of holding the set temperature for up to 7 days. This gave much more flexibility than the dry ice system.

6) Discussion 2 - Madrid

The goods being shipped to Madrid were the same product as that being shipped to Tokyo, however there were different parameters. The consignee in Madrid has a stock rotation system and would order the goods every Thursday. The stock must then be delivered duty unpaid, DDU (DDP would not be required anyway as Spain is in the EC) by Tuesday at 17:30 at his premises. As the terms of shipment did not cover the insurance it had already been confirmed that this would be covered by the consignee.

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The customer in the UK has been using a direct flight from Manchester to Madrid and then an agent to transport the goods from Madrid airport to the customer premises, this method was considered to be expensive.

Although the consignee had been receiving the stock on time there were problems with both security, i.e. the goods on occasions have been pilfered and with damage to stock through heat variance. Ultimately the consignee was losing between 10 and 20% of stock per shipment. This was affecting the relationship between consignor and consignee as the consignee was claiming against their own insurance

The goal was to provide a solution to the customer of transporting the cargo from shipper's premises in the UK to consignee's warehouse in Madrid. The criteria included cost, security and product integrity.

This enabled me to look at two separate forms of transport, Air and Road.

6.1) Airfreight

As with Tokyo, the same possibilities were present. Could the "cold store blankets enable a more cost effective transport by air? In speaking with the customer I determined that the amount of stock has been between 8 and 9 pallet boxes per week, as this was less than the number of packages being shipped to Tokyo, I had to look at the problem in a different way. The amount of cargo being shipped was insufficient to warrant the initial

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outlay of the cold store blankets as the time frame for returning the costs to profitability during use would be too great. The option considered was;

6.2) Road freight

There are several types of roadfreight services on offer in the international transport industry. Ultimately the customer makes the decision regarding the routing of the cargo, both the method of despatch and who will be the appointed agent. As the chosen agent then it is my responsibility to ensure that the routing is secure whilst still working within their budget. Due to recent losses for this particular customer the security and integrity of the product as well as the reliability of the service was important.

6.2.1) Service Selection

Clearly as the goods were temperature sensitive the service required had to be particularly specialised. As the cold storage bags were found to be too expensive for shipping the cargo via Air or Road I had to look at other options. I discussed the history of similar movements with my customer. It emerged that they had not previously explored the opportunity of a refrigerated vehicle to take the goods directly from Manchester to Madrid, only having used airfreight in order to meet the time scale set by the consignee. This led me on to examining the opportunity of a dedicated refrigerated vehicle from UK customer's warehouse to their client's place of delivery.

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6.2.2) Carrier Selection

The carrier chosen must be able to meet certain criteria in order to make the service offered to the customer both financially viable whilst also showing service benefits to persuade them to change. I ensured that the chosen haulier was able to meet the following criteria,

- 1) Was to have refrigerated vehicles from Sprinter van to 7.5 tonne carrying capacity vehicles. This would enable us to accommodate the customer's freight volume variances.
- 2) Due to recent security issues the vehicles were to have mobile communications, satellite tracking depending on budget constraint and if required were to be double manned (driver and co-driver).

Not surprisingly only a small number of operators could meet my customer needs.

6.3) Packing

By utilizing a dedicated refrigerated vehicle, we were in effect able to eliminate the need to use expensive polystyrene pallets. As the vehicle itself would keep the cargo at a constant temperature it was recommended that the goods be packed in cartons on standard wooden pallets and placed directly into the vehicle. It was suggested to the customer that this would be more cost effective, as no specialised packing had to be purchased.

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6.4) Security

Although the same legislation does not apply as for movements by airfreight, security in road freight is still of high importance. Valuable goods can be subject to theft and the carrying vehicles to hijacking.

One important need was for the vehicles to be capable of being sealed at point of collection. By only using dedicated vehicles, properly sealed, we could verify that the seal was still intact at the time of final delivery and this would suggest the load had been transported securely. Any evidence of tampering with the seal would enable us to look at the audit trail from time of collection and could help us identify where the problem had occurred.

6.4.1) Satellite tracking

Satellite tracking is a feature that was discussed with the shipper as this would enable the shipment to be monitored from the departure warehouse to the consignee's premises.

Many operators offer this but the service is at a cost. The recommendation to the customer was to trial the dedicated vehicles without the satellite tracking due to budgetary restraints, however if needed this could be utilized In the future.

6.5) Terms of Shipment

As the shipment in question was DDU the shipper covered the cost of carriage from consignor to consignee. However in this instance the insurance was covered by the

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consignee. In the event of a claim it is the consignee who must claim from their insurance. However as the terms were DDU the shipper and myself as the forwarding agent will still have a part to play. The consignee would request a shipment report from the shipper who would in turn request the same from myself. From this information provided to the consignee they would proceed with their claim through their insurance provider

6.6) Customer Proposal

With this response to the customer request I recommended that the goods be transferred completely from one airfreight to roadfreight. The cost benefits are shown below:

	Airfreight	Road haulage
Freight Amount-	568	900
Specialised packing	120	
Origin haulage	135	
Airport handling (Origin + Dest)	75	
Destination haulage	160	
Documents	50	15
Total	1108	915

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The financial benefit was apparent. Equally, we could ensure greater safety of the product. In utilising a dedicated vehicle that was refrigerated we could eliminate all handling of the product thus reducing risk of pilferage and damage during transit.

7) Conclusion

Safety of cargo in international transport is a subject that features heavily in all modes of transport. Whatever the value, type or nature of products the responsibility will always be on the forwarding agent (working closely with the shipper) to maintain control of the goods to ensure they are delivered on time and within the cost budget established at the outset.

In the case studies outlined, I was able to participate in the creation of two solutions to solve my customer's problems.

Through discussion and gaining a full understanding of the product and the issues involved, my company was able to develop in one case, an innovative solution (thermal blankets/LD9 ULD's – Japan). In the other we were able to show a clear financial benefit of using dedicated reefer vehicles instead of sending the product to Madrid by airfreight.

The result has been a much greater regard by our customer as to how we can deliver benefits throughout the supply chain whilst increasing the safety and security of their valuable product to the end user.

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Whilst not all solutions will show cost benefits, where there is a need to get cargo to market without compromising the quality or integrity of the product, any additional cost involved will be more than offset by an increase in customer satisfaction leading to repeat orders and greater loyalty.

8) Appendices

Fig 1) Thermal blanket used in pallet box



Fig 1a) Thermal blanket used in pallet box



Fig 2) Thermal blanket used for loading cargo in LD9 container



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Appendices Fig 3)

KNOWN CUSTOMER AGREEMENT

Security Agreement between a Known Customer and an aircraft operator or security approved air cargo agent

1. I, the undersigned, on behalf of the company named below, and in relation to all business tendered for despatch by airfreight, agree to inform all aircraft operators or security approved air cargo agents with whom the company has a Known Customer Agreement of any alterations to the air cargo security procedures agreed during the validation inspection relating to the company's operations and security measures at the premises detailed.

2. I also confirm that, unless otherwise stated, all consignments tendered by the company, will have been prepared in accordance with the requirements of the UK National Aviation Security Programme covering the following:

(a) Staff preparing goods for carriage by air will be supervised to ensure that they have not inserted in the consignment any prohibited article. Where possible, each consignment of cargo will be checked and made tamper evident.

(b) Premises used for the preparation of cargo will be secured and access controlled.

(c) Prepared consignments of cargo will be held within a secure environment until ready for transport to the aircraft operator or security approved air cargo agent.

(d) Staff engaged in preparing consignments for carriage by air will be provided with training sufficient to enable them to understand and carry out their security responsibilities.

(e) Staff employed in preparing cargo for carriage by air will be recruited in accordance with criteria agreed with the validating aircraft operator or security approved air cargo agent.

(f) The cargo compartment of any vehicle used to transport "Known Cargo" will be secured. The driver delivering "Known Cargo" will identify himself to the aircraft operator or security approved air cargo agent with a valid security pass which should incorporate a photographic image of the person concerned.

3. A Known Customer Consignment Security Certificate will be completed by an authorised signatory of the company for each shipment confirming that the goods have been prepared in accordance with the UK National Aviation Security Programme governing known cargo procedures.

Signed:..... Date:.....

Name:..... Position:.....

Company:

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Fig 4) Consignment Security Certificate

Please copy onto your company letterhead.

This document to be completed and issued with each air freight consignment tendered to a Listed Air Cargo Agent as Known Freight.

UNIQUE CONSIGNMENT IDENTIFIER:

DESTINATION:

CONSIGNMENT SECURITY CERTIFICATE

On behalf of the above named company, I, the undersigned, certify that to the best of my knowledge:

The consignment to which this document refers has been prepared in accordance with the requirements of the UK National Aviation Security Programme governing Known Customer procedures and can be considered to be 'Known Cargo'.

I understand that a false declaration may lead to legal action being taken.

SIGNED: _____

NAME (BLOCK LETTERS): _____

DATE: _____

POSITION IN COMPANY: _____

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Fig 5) Claim Acknowledgement

7th February 2002

Without Prejudice

Xx
Xx
Xx
Xx

For the attention of: xx

Dear xx,

Forwarder ref xx HAWB xx

We refer to your claim against the above mentioned consignment and acknowledge safe receipt of your claim of xx

We wish to advise you that this claim will be processed by our XXXX office and that any future correspondence regarding this claim should therefore, be submitted to the following address.

XXXXXXXXXX
XXXXXXXXXX
XXXXXXXXXX
XXXX
XXXX
PA3 4EA

Contact: (UK Claims Manager)
Tel. No. 0123-45678910

Please accept our sincere apologies for any inconvenience caused by this unfortunate incident and be assured of receiving our best attention at all times.

Yours sincerely,

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Fig 6) Intent to Claim against third party

Company name and address

Our Ref:

Date:

Dears Sirs,

Mawb:

Shipment Ref:

Flight:

Pieces/Weight

Origin:

Destination:

We have been informed by our principals that the status of the above mentioned consignment is:

___ Piece remains unlocated

___ Piece(s) missing out of a total ___ piece(s)

___ Pieces declared on the airwaybill

___ Has contents from ___ package(s)

___ Piece(s) in a damaged condition.

In the circumstances we are obliged to serve notice of our intent to claim against you for the losses incurred in respect of the above mentioned shipment.

We ask that you investigate this matter and provide us with a copy of the signed delivery note with, if possible, a handling report.

Your acknowledgement of receipt of this notice would be appreciated.

Yours faithfully

Name

Position

Company Name