

How good is your forwarder?

Ask the right questions to mitigate risk

A good freight forwarder assumes responsibility for and effectively carries out services and advice in connection with the transportation of cargo from point of origin to point of destination.

Traditionally, the forwarder acts as agent for the owner of the goods. It co-ordinates with carriers and makes arrangements for the necessary intermediate steps. The forwarder may also act as a principal contractor, arranging the carriage in its own name and/or consolidating the cargoes of several customers into a single container. Here, the forwarder undertakes responsibility to the shipper as a carrier.

Whether the freight forwarder acts as an agent or carrier, it plays an important role in the movement of cargo. If it fails to meet acceptable standards, it can create unnecessary costs, delays, risks and damages to the shipment—all nasty things the cargo owner likes to avoid. By contrast, when the forwarder meets or exceeds the needs of its customer, outstanding results are assured.

So what separates the good from the bad? A good freight forwarder will maintain continuous control over the products being moved. It will provide efficient, reliable and integrated end-to-end freight management services. It reduces the risk you face, and as such is worth its weight in gold.

Is your freight forwarder up to par? You can find out by evaluating it on the professional, operational and corporate levels.

Professional questions

The professional conduct of a freight forwarder should be very important to you as a shipper. Does your forwarder proactively initiate meaningful contact with you? Does it respond to your inquiries? Know and understand your business? Add value to your business by leveraging existing contracts, relationships and networks? Do its industry references check out? Are its representatives of good character, repute and fitness?

Does it exhibit practical judgment, integrity and initiative? Is it a member of the Canadian International Freight Forwarders Association (CIFFA) or other professional organizations?

Operational questions

You should also ask about the inner workings of your freight forwarder.

Is it able to manage operational risks effectively? Does it have a successful management team capable of seizing new opportunities? Does it maintain a solid capital base and robust balance sheet?

Does the company control and minimize risk through insurance and contractual provisions? Is it protected by freight forwarders legal liability and errors and omissions insurance? Will it issue bills of lading describing its liability? Furthermore, will it agree that it and its personnel, sub-contractors and agents will comply with global anti-corruption laws (and to periodically certify such compliance in writing)?

Is it willing to enter into contracts subject to trading conditions? Can it properly explain its role in its documentation? Does it undertake its

operations in ways consistent with its role described in the contract?

Does the forwarder have certification to deal with dangerous shipments? Can it handle high-risk conditions? Can it guarantee cargo security? Does it have the capability to track and trace in-transit shipments? Will it arrange for alternative shipment methods when things go wrong?

Can it maintain control of the cargo at terminals, such as Vancouver and Montreal, where there is no delivery order mechanism? Can it efficiently handle delays in distribution and/or Customs clearance?

Does it engage in preliminary shipment planning and inspections? Crucially, does it ensure that the cargo arrives on time?

Corporate questions

It is also wise to evaluate the forwarder's position as a company. Here, you should assess whether it is equipped to address fast-paced changes taking place in the logistics industry.

Does it have fair and flexible rates and billing options? Is it equipped with EDI capability?

Does the company have experience with your specific cargo? Does it have global capabilities? Finally, does it offer all the services you need?

Evaluating mitigates risk

Evaluating your freight forwarder is a time-consuming but ultimately valuable process. While criteria for evaluation will depend upon specific circumstances and needs, some of the questions above may assist in starting the process.

Although appraisals will not necessarily confer competitive advantage or guarantee success, it is certainly a sign of good management. Because it ensures you are doing your due diligence, it is also an effective tool for minimizing risk.

Besides, wouldn't it be terrific to weigh and measure your forwarder and find it is not good, but rather, great?

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