

## Welcome to the latest edition of TT Talk, number 68 in the series

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### 1. Club speaks on logistics risks

Speaking at the Terminal Operators' Conference TOC 2005 held recently in Antwerp, Belgium, Alan Wilkins - the Club's Business Development Director - highlighted the risks that transport companies are being increasingly asked to accept in the name of logistics and supply chain management.

Too often companies, under pressure to boost throughput by any available means, were agreeing to take on jobs for which they had inadequate experience, training or even personnel. The growth in outsourcing has resulted in the arrival of businesses offering to provide logistics services although they had no history of supply chain management. Alan warned that companies taking on supply chain activities outside their traditional core business needed to evaluate very carefully and professionally the liability risks in these new areas.

"Although the risks of national and international carriage, warehousing and distribution may not have changed with the development of logistics, the obligations undertaken by the logistics service providers certainly have" Alan said. He warned logistics service providers to ensure both that their customers were providing clear and complete data and setting realistic goals and that their operational competencies were sufficient to fulfil their contract obligations. "Certainly TT Club has seen claims examples involving companies signing contracts that they were either unprepared for or ill equipped to handle," he observed.

Commenting on the current trend towards mergers and acquisitions in the transport and logistics industries, Mr Wilkins said that an impact on risk can arise where the company has not thought through the integration of staff and the slow take up of company procedures by the newly acquired business.

"We have a number of instances where the flow of goods to particular facilities has expanded too rapidly, following acquisition, so that the original staff (adequate for the original volumes) quickly became overloaded. The operation can then get rapidly out of control," he said, "as the company struggles to correct the previous errors while also running and coping with the ongoing and increased cargo flow."

In addition to his cautions to logistics providers to carefully examine their risk profiles, if necessary with professional external help, Alan acknowledged the arguments that the insurance industry needed to "get back into step" with the transport industry's requirements.

"As the supply chain industry looks to eliminate separate profit silos, insurers cannot stand aside from such developments and only offer separate policies for the various different segments of the transport business," he said.

Alan's remarks echoed comments by the Club's deputy chairman Mr Bernd Menzinger, in an interview at the transport logistic symposium in Munich, when he pointed to an integrated logistics operator's insurance cover as the way forward for the industry.

## **2. IMB issues fraud warning**

At a recent seminar in Dubai, Captain Mukundan of the International Maritime Bureau (IMB) commented that his organization had noted a sudden surge in fraudulent documents and spurious shipping transactions in that area. He said that the issue was one of non-existent cargoes, missing vessels and of buyers, sellers and intermediaries colluding to defraud banks and financial institutions and warned transport companies, particularly NVOCs, to be on their guard.

The problem highlighted by Captain Mukundan relates primarily to the financing of trade with Iran. Interest rates in Iran are much higher than elsewhere in the region and consequently there has been a substantial rise in the amount of Iranian trade risk being offloaded to banks in neighbouring countries. This has led to a flourishing secondary market in forfeiting with banks happy to take on the risk because up to now Iranian banks have always fulfilled their obligations. Unfortunately it seems that criminals have moved in and are now abusing the trust on which the system is based.

The trade finance bank deals only with receiving and negotiating documents and is far remote from the actual cargo, and is therefore at risk if the collateral (the cargo) doesn't actually exist. The IMB says it has checked a number of these transactions on behalf of the banks concerned, and has discovered that around two-thirds of them were spurious. It says that a number of other banks which have tried to verify transactions report a similar high proportion of fraudulent deals. According to Capt Mukundan, the purpose appears to be the illegal transfer of currency from Iran and the financing of "other dubious activities".

NVOCs are particularly heavily involved in the trade to Iran, because a very large proportion of cargo going there is transshipped at ports along the southern Gulf coast, or in Pakistan or India. Capt Mukundan alleged that there are many companies who are prepared to issue "shipped on board" bills of lading for cargoes still lying on the quayside at the load port or one of the many transshipment ports, and are thus able to facilitate the frauds against the banks. Speaking at the same seminar, Captain Jitendra Misra, chairman of the Dubai branch of the Institute of Chartered Shipbrokers, called on companies to take the initiative in fighting fraud. He believed that education and awareness of the risk was vital for staff at the customer interface, adding that "by identifying and discussing these issues we make it much more difficult for those intent on manipulating the system".

The Club agrees wholeheartedly with these sentiments.

## **3. Club organises Insight course**

For the last six years Thomas Miller & Co Ltd (the TT Club Managers) has held an "Insight into Transport Law and Insurance" course for executives new to the industry and for those who wish to refresh their knowledge. This is an intensive training programme involving practical case study reviews and discussion. Participants also receive a comprehensive set of course materials.

The 2005 course will take place at the Great Eastern Hotel in London from Monday 26 to Thursday 29 September.

Anyone wishing to register their interest in this course should contact Lisa Fletcher on telephone +44 (0)20 7204 2322 or by email to [lisa.fletcher@thomasmiller.com](mailto:lisa.fletcher@thomasmiller.com)  
Further details are in the event section of our website [www.ttclub.com](http://www.ttclub.com)

#### **4 More on Datec v UPS**

Readers will recall that we reported on the outcome of Datec v UPS in TT Talk No. 67. David Martin-Clark has now posted a much more detailed analysis of the judgment than we were able to bring in TT Talk on his website DMC's CaseNotes [http://www.onlinedmc.co.uk/datec\\_v\\_\\_ups.htm](http://www.onlinedmc.co.uk/datec_v__ups.htm)

#### **5. Scotland Yard warns on truck thefts**

The Metropolitan Police service in London has a specialist unit at Scotland Yard dealing with thefts and other crimes relating to the transport of goods. In its latest bulletin, the unit - TruckPol- reports that criminal gangs are using more sophisticated methods to divert loads. Gangs are still using the low-tech but tried and tested methods of diverting loads. The usual form is to have someone with the air of a company official hanging around the entrance to a delivery place who tells the driver that the warehouse is unfortunately unable to take delivery right now but that he should take the load to an "overflow warehouse" address "just round the corner". As drivers are becoming increasingly aware of this scam and checking the information with their dispatcher via their mobile phones, criminals are also moving up a gear.

TruckPol reports on one such attempt to steal two container loads of golfing equipment worth around USD 2 million. Several phone calls were made to the shipping line, the road carrier and the importer, trying to divert the loads from their legitimate delivery point to an address in the east end of London. Fortunately the member of staff who took the calls became suspicious -partly as a result of recent alerts from TruckPol - and alerted her supervisor. During a number of subsequent phone conversations, in some of which the callers pretended to be police officers themselves, the attempt was uncovered and no theft occurred.

Truck theft by diversion is not a problem unique to the United Kingdom. To most criminals, getting their hands on cargoes with this kind of value is much more rewarding, and far less risky, than holding up bank staff at gunpoint (see also the story below). This particular attempt demonstrates clearly that the gang was operating with some "inside knowledge", perhaps obtained by overhearing casual conversations, or perhaps by suborning someone within the transport chain. You should remind all staff, particularly drivers and those employed in transport offices, as well as any sub-contractors to be extra vigilant when discussing freight movements. Any suspect calls, including those from people purporting to be police officers, should be verified by calling back to a landline (on a number which you know to be genuine) or via email. Genuine callers will not object to this.

In addition, drivers must be reminded not to accept instructions to deliver loads to different addresses, or to transship them to another vehicle, from people who approach them in the street, no matter how legitimate they appear. A simple call by the driver to his or her dispatcher is all that is needed to frustrate the attempts of these "round the corner gangs". Readers in the UK are asked to report any suspicious calls to Detective Sergeant Mark Hooper of SCD6 (TruckPol) on (020) 7230 7775 or fax (020) 7230 7774.

#### **6. Gotcha!**

Your editor is not, by nature, a vindictive man but many years of dealing with claims for theft of sometimes very valuable loads have left him with somewhat less than charitable feelings towards those members of our community who regard it as their right to make off with other people's property. He therefore freely admits to a substantial dose of Schadenfreude when he read recently in the New York Post of a man who stole USD 1100 from a bank in Manhattan. The thief was either unaware or had forgotten that banks routinely equip bundles of banknotes with dye packs - devices that explode and splatter both the thief and the money with indelible red dye. Whatever the reason, he was extremely foolish to stuff the cash down the front of his trousers as he made his getaway. Seconds later, the dye pack exploded,

scattering red-tinged banknotes along Sixth Avenue. At that stage, the thief appeared more concerned with his family jewels than with the cash and fled the scene. We understand that the NYPD has alerted hospitals in the area and asked them to report any patients seeking treatment for unusual injuries in the groin area.

## **7. Conclusion**

We hope that you will have found the above items interesting. If you would like to have further information on them, or have any comments you would like to make, then e-mail the Editor at [tt.talk@ttclub.com](mailto:tt.talk@ttclub.com). We look forward to hearing from you.

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TT Talk is a free electronic newsletter published as occasion demands, by the TT Club, International House, 26 Creechurch Lane, London EC3A 5BA, United Kingdom.

You can also read this newsletter and past issues on our website:  
<http://www.ttclub.com>

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