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Project Cargo Risk Management

Even in difficult economic times, the development of oil and gas terminals, offshore installations, mineral export and processing terminals, port development and Greenfield projects continue apace. The modules and specialist components for these projects are typically manufactured vast geographical distances away from project sites and need to be shipped to site as project cargo. It is important that these high value, often very heavy, oversized and damage susceptible project cargoes arrive at their destination on time and undamaged. This allows the end user to realise on time and on budget project execution. There are a number of stakeholders involved in such specialised project shipments, including: the end user, main contractor, sub-contractors, freight forwarder, insurance broker, lead cargo insurer and cargo surveyors. With a lack of training and investment in expertise over preceding years, we find that even amongst established marine contractors, there is an ever increasing lack of marine expertise available or involved in the shipment of these high value project cargoes. It should be a key consideration for any party engaged in the shipment of high value project cargoes that specialist, independent marine personnel or insurer's in-house experts are engaged early on in the project schedule to ensure that the end user and insurers interests are protected. The risk during transit is most prevalent when an item is being lifted, moved or shipped in an open seaway. There is a need for all involved in a project to be aware of this and then to lower the risk to a reasonable ALARP (As Low As Reasonably Possible) level without incurring unacceptable cost.



Discharge from ship to SPMT's on a barge

Methods of loss prevention and control

There are at least three methods of carrying out loss control for a project. They are:

1. Survey 'cradle to grave' i.e. everything from the project planning phases, to the manufacturing facilities, the packaging and preparation phase, during the land and sea logistics and all the way until the arrival at final destination and even installation.
2. Insurer to review the list of items to be shipped and with the help of his appointed specialised experts choose which items to survey, when and where.
3. Insurer to provide a one page 'Risk Control Notification' (RCN) to the client, so that for notifiable shipments a RCN is completed and sent to the loss control specialist.

I will address the third option as I believe that this is the most cost effective and pro-active method of approach. It is also the approach that I adopted during my nine years as a major cargo insurers in-house loss control specialist.

Set up of contracts



Nakika platform on board MIGHTY SERVANT 1

Initially the client will decide on which main contractor will carry out the work, normally on an EPIC basis (Engineering, Procurement, Installation & Commissioning). The main contractor will usually sub-contract with specialist companies that are required for the project execution, which will include the insurance broker. The broker will be requested to acquire the best quote for either cargo cover or cargo & DSU (Delay in Start Up) cover. The insurer who offers the best quote is normally accepted as the lead insurer. The lead insurer will then use his in house loss control specialist or contract in an independent loss control specialist.

Initial role of the loss control specialist

The loss control specialist will liaise with the broker and project team. Two issues will be addressed at this stage. The first will be to arrange a 'kick-off' meeting at a mutually convenient location and for this meeting to be held prior to any cargo being shipped. The second is to forward to the assured guidelines such as 'Cargo Securing', 'Cargo Marking', 'Towing' and 'Container Stuffing & Internal Securing'. I would encourage the assured to use these guidelines, where appropriate, within their contracts. It will then ensure that all parties are at least adhering to a reasonable standard during the transportation of the cargo.

'Kick-Off' (KO) meeting

When a KO meeting has been arranged the loss control specialist will typically chair the meeting. Normally a representative from the main contractor and freight forwarder will be present. The agenda for the meeting will be generic and sent out beforehand. It will cover everything from the beginning of the project to the end of the project i.e. all shipments of all shapes and sizes and not just the items that are of interest to the insurer. Action points following the KO meeting will be cleared out ASAP.

After the KO meeting a finalised RCN will be sent to the assured so that the loss control specialist can be notified of relevant shipments. Upon receipt of a completed RCN, these will be received intermittently throughout the project, the loss control specialist will carry out one of three options:

1. Appoint a surveyor at some, or a number of points, during the transport.
2. Ask further questions about the transportation.
3. Respond to the sender advising that no surveyor will be appointed (after reading a good method statement, knowing the port and knowing the vessels' working arrangement this is sometimes carried out as a surveyor would add minimal added value).



960 mt vacuum column being discharged

Success

Ideally for a project to succeed I would like to see the following:

1. Clear and concise insurance policy wording which includes action to be taken by the assured if damage occurs.
2. A 'Kick Off' meeting.
3. An agreed RCN pro-forma.
4. Guidelines and checklists to be used throughout.
5. RCN's to be used when there is a notifiable shipment
6. Surveyors to be clearly instructed
7. Close co-operation and good communication between all stakeholders.

Common problems

Apart from non-compliance with the above seven points the more common problems during a project tend to be:

1. Inadequate pre-planning of the shipment.
2. Adverse weather.
3. Lack of procedures.
4. Commercial bias by one or more stakeholders.
5. Crews and 'specialist' shippers with limited and minimal experience.
6. Breakdown of hardware.
7. Lack of control by the client.
8. Inexperienced or ineffective Warranty Surveyors.



Crane hook on SSCV HERMOD; Mexico

Claims

During the following instances I have seen claims occur in the past:

1. Deck cargo either due to insufficient seafastening or inadequate packing (majority).
2. Under deck cargo due to insufficient seafastening and/or lack of dunnage.
3. Inadequate lifting appliances and associated slings.
4. Damage during the short movement of cargoes to and from the dock and ship side, typically from inadequate securing arrangements or overloading of and associated stability of the load on the trailer system.
5. Whilst being moved from the port to final destination due to poor ground stability and/or insufficient cargo securing.

In conclusion, engaging a loss control specialist, with extensive industry experience in the shipment of high value project cargoes greatly minimises the logistical risks involved. The associated costs fade into insignificance when set against material damages, delays and late execution (or even possible cancellation) of a project.

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