

---

The advantages of contracting are numerous. Contracts permit the shipper to exercise greater control over the transportation resource. They assure predictability and guard against rate fluctuations. Shippers can negotiate the service level guarantees that will allow them to use transportation to gain competitive advantage.

In negotiating a transport contract, you should ensure that the following points are adequately covered:

- rates;
- origins and destinations to be served;
- commodities to be transported;
- freight and other documents that will govern the movement and export of goods;
- liability coverage for bodily injury, property damage and cargo loss/damage;
- indemnification for the shipper from the carrier in the event that a third party sues the shipper for damages caused by the carrier (trucking contracts only);
- force majeure (an escape clause that voids the contract in the event of an act of God, act of war, or a strike);
- minimum volume guarantees;
- confirmation of the transport enterprise's status as an independent contractor;
- worker's compensation;
- a schedule of payments;
- a guarantee that the contract will be confidential;
- assignment of the contract (specifying that rights granted under the contract cannot be transferred to another party);
- a termination clause;
- specifications for the "measure of loss" or a statement about the replacement value of damaged goods;
- modification of the agreement;

- specifications for carrier equipment and the transport services to be provided by the transport enterprise;
- severability (specifying that even if one clause is held invalid, the other terms of the agreement will remain in effect);
- the transport enterprise's transit, demurrage and terminal privileges.

### **3. Evaluation**

When evaluating your international transportation network, you should take the opportunity to review your total international marketing and distribution strategy. You should examine the cost and service trade-offs of your transportation network in light of your international market and service objectives. Analyse both how products are being moved to customers, and how they should be moved to increase customer service levels.

Do not hesitate to contact both your domestic and international customers directly for an honest evaluation of your service record and for input into how to meet their needs better.

Your "transportation system audit" should review and evaluate the following factors:

#### *i. Product Considerations:*

- size
- weight
- durability
- value
- freight classification

#### *ii. Customer Service Considerations:*

- present service levels
- service levels of competitors
- input from customers

#### *iii. Distance from Markets*

#### *iv. Modal/Carrier Considerations:*

- frequency of movements
- volume of traffic
- freight handling requirements
- cost of loading/unloading
- special services required
- routes and destinations
- transport equipment