

BULLETIN N°1
December 2015

“The growth of the claims arisen from the shipments of flexitanks in Chile”

Dear Sirs,

We would like to point out the recent increase in claims related to flexitanks shipments in Chile.

Indeed, the referred growth of incidents is directly linked to the increase of wine export operations from Chile over the last two years. Lately, both local operators in Chile and international carriers are opting by Flexitanks as non-hazardous bulk liquid transport methods, especially for wine, but also for fertilizers and fruit concentrate. The use of Flexitanks can result in several advantages compared to the traditional ISO tank containers and drums, such as the relative low positioning costs, more dispatching capacity for shippers (in some cases more 50% more than a bottled consignment up to 24,000 litres flexitank positioned in 20 ft container) and a better loading rates compared to drums and IBCs.

The global rise in Flexitanks usage is a well known fact, especially in South American countries.

In this regard, regulations and guidelines issued by the Container Owners Association are unanimously accepted as the main code of practice for Flexitanks handling, along with the specifics guidelines provided by the Flexitank manufacturers.

As any shipping method, Flexitanks shipping has weak points as well and incidents does occur, but we find here the particularity that clean-up costs may be considerable in case of leak of commodity or puncture (depending on the carried product: Sometimes in a range of US\$85,000 cost incurred for the cleanup of a single Flexitank leaking of product). Coming back to the Chilean scene, we have noted a recently increase of claims arisen from loss of product, associated to leakages and even punctures with the subsequent clean-up costs, usually assumed by the carriers, at least in a first instance. In this last year, around twenty-one incidents have took place locally and during the Austral summer months, we expect a potential increase of cases due to the beginning of the wine season exports.



Therefore, and leaving aside the considerations in regards the stability, stowage or potential damages to containers /equipment derived of the carriage of flexitanks, we are here focusing to the

most critical aspects of the handling of the flexitanks. As per our experience, a very relevant part of the incidents are originated from a fault in the proper inspections, previous to stowage of flexitanks into the containers. Most of the claims could have been avoided by conducting a previous standard inspection to the ocean container.



We could provide the following recommendations to the flexitanks operators and carriers;

- Operational notes;

A freight container should be always previously inspected on a detailed manner, as to ensure there are not imperfections on the floor and wall panels before place the flexitank;

- o The container must be free of residues of previous cargoes. The underside of containers must be inspected as to ensure no nails are protruding, and all the cross members are placed firmly affixed to the floor and the side rails (nails/screws/fastenings should not be hammered into the floor). Also is highly recommendable to check whether the weld internal joints are smooth, in order to avoid the wear of the flexitank surface (placing a tape over the weld joints can provide extra protection).
- o Locking mechanism are on sound condition and working properly (it must be checked previous to place the flexitank into the container). This means that the cams on both door position are locking correctly, right handles position and always is recommendable to look fully in their hatches. Same could be recommended for the false bulkhead which is placed in the doorway. Last, it is also important to ensure the lashing fittings at bottom rails and corner posts are no damaged or protruding as to avoid the punctures.

It is always recommendable to cover the inside of the container to protect flexitank's abrading against bare metal. Some different materials can be used like corrugated cardboard, styrofoam sheets and krafts, but again the best practice here is to follow manufacturer's flexitanks guidance, jointly with their standard practice checklist for container selection.

A careful selection of the appropriate freight container is required. Ideally if the container does not meet the criteria laid down the flexitank operator's technical department request that they be notified. Finally, in line with the said before, the container should be properly labelled making reference to the contents carried inside (whether it could 'solidify', 'taint' or 'damage' basically) in order this information can be appreciated by all the operators in the transport chain.



-Legal exposure of the carrier.

Best practice here would be set in the Charter Parties contract, who is to be held responsible for the costs and damages consequent upon a leakage from a flexitank while on board. As well, it should be claused in the Bill of Lading in order to identify the party responsible for positioning and loading the flexitank into the container. However, not always the said is duly followed, and the carrier has a duty to "proper and carefully load, handle, stow, carry and keep, care for and discharge the goods carried" which implies the owners may become a claimed party in a spillage, leakage, damage and tainting event.

On the other hand, the shipper - in a standard bill of lading - is responsible for the "Load, Stow and Count" of his cargo/consignment, and hence if the Shipper intends on using a Flexitank, he has the responsibility to follow the above technical recommendations, specially to comply with the previous inspection to the equipment, and the following of the COA's guidelines thoroughly.

Carriers are entitled to argue improper loading, stowage or lashing of the flexitank or fault in the duly pre-inspection to be undertaken by Shipper/container operators, but this must be always supported with photos and surveyor's comments in this sense. Due to the aforementioned, all parties should be present at the joint inspection.



The Owners have the possibility to place especial liability limitation clauses in their respective bills of lading or request for a special LOI addressed to the shipments of Flexitanks, both of them are a usual practice in the sector. However, it is to be said such limitation liability clauses are not effective under Chilean regulations (Commerce Code), therefore, the carrier would not be entitled to enforce them before the local courts.

Again, the best practice is to ensure all the operators comply with the above technical recommendations

Trusting the above is helpful, we remain at your disposal for clarification additional information that you may require.

Yours faithfully,

SGC Marine Services Team

