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DATE: February 6, 2009

SUBJECT: SHIPPER CONTRACTS AND AGREEMENTS

Just a few notes to help clarify the salvage and claim expense situations when dealing with Shipper Freight Contracts and Agreements.

Being aware of these items can reduce the possibility of being put in an uninsured risk situation with regards to cargo.

#### CONSEQUENTIAL LOSSES ON CARGO CLAIMS

These are often referred to as out of pocket or economic losses, incidental expenses or other charges which can be for loss of sales, lost business, loss of profit, service fees or administration costs, etc.

Re-packaging, where feasible, is sometimes covered depending on the circumstances. This is negotiated at the time of incident.

A carrier is not liable for any of these losses, rather only for the actual cost of the product lost or damaged, including freight charges, if paid.

This product cost must be the cost of the product at the time and place of shipment and must be substantiated by a copy of the original commercial invoice to that customer.

In the event there is no value stated on the actual bill of lading, a carrier is only responsible to pay \$4.41 per KG (computed on the total weight of the shipment) or the actual value of the product, whichever is the lesser amount.

The owner of the product is obligated to mitigate their losses. By this we mean repackaging where necessary, sorting through product separating the damaged portions from the good portions and doing Quality Audit testing. Then a claim may be submitted only for the labour and the unsaleable portion of the product.

Furthermore, the owner of the product cannot abandon a said shipment onto the carrier.

In the event the product is deemed unsaleable, then that portion of the product is to be returned to the carrier for salvage purposes to help reduce their losses on the damaged product.

If a shipper wishes to retain the damaged product rather than have it sold, then a salvage allowance would be given to Erb Transport in lieu of not receiving the actual product for salvage. This salvage allowance would solely be determined by a qualified insurance adjuster selected by Erb Transport and would be used to reduce the actual total claim amount.

The salvage allowance amount can then be recouped by the shipper through their Brands and Label insurance.