



APAC & Europe / Marine

# Transport Subcontracting: from vigilance to trust

**According to a study by the TRM Observatory, a significant majority of carriers rely on subcontracting arrangements. Recently, there has been a notable escalation in incidents associated with this practice, underscoring the need for enhanced oversight.**

## **Growing risks associated with outsourcing**

Data from the National Federation of Road Transport (FNTR) indicates that this trend is on the rise. An increasing number of road transport companies are delegating portions of their operations to subcontractors. As outsourcing expands, so too does the incidence of security breaches and operational failures. Effectively managing these risks has become a strategic imperative for shippers and carriers alike.

 Risk Consulting







## Outlined below are key recommendations, categorized by thematic area:

### 1. Risks of fraud and identity theft

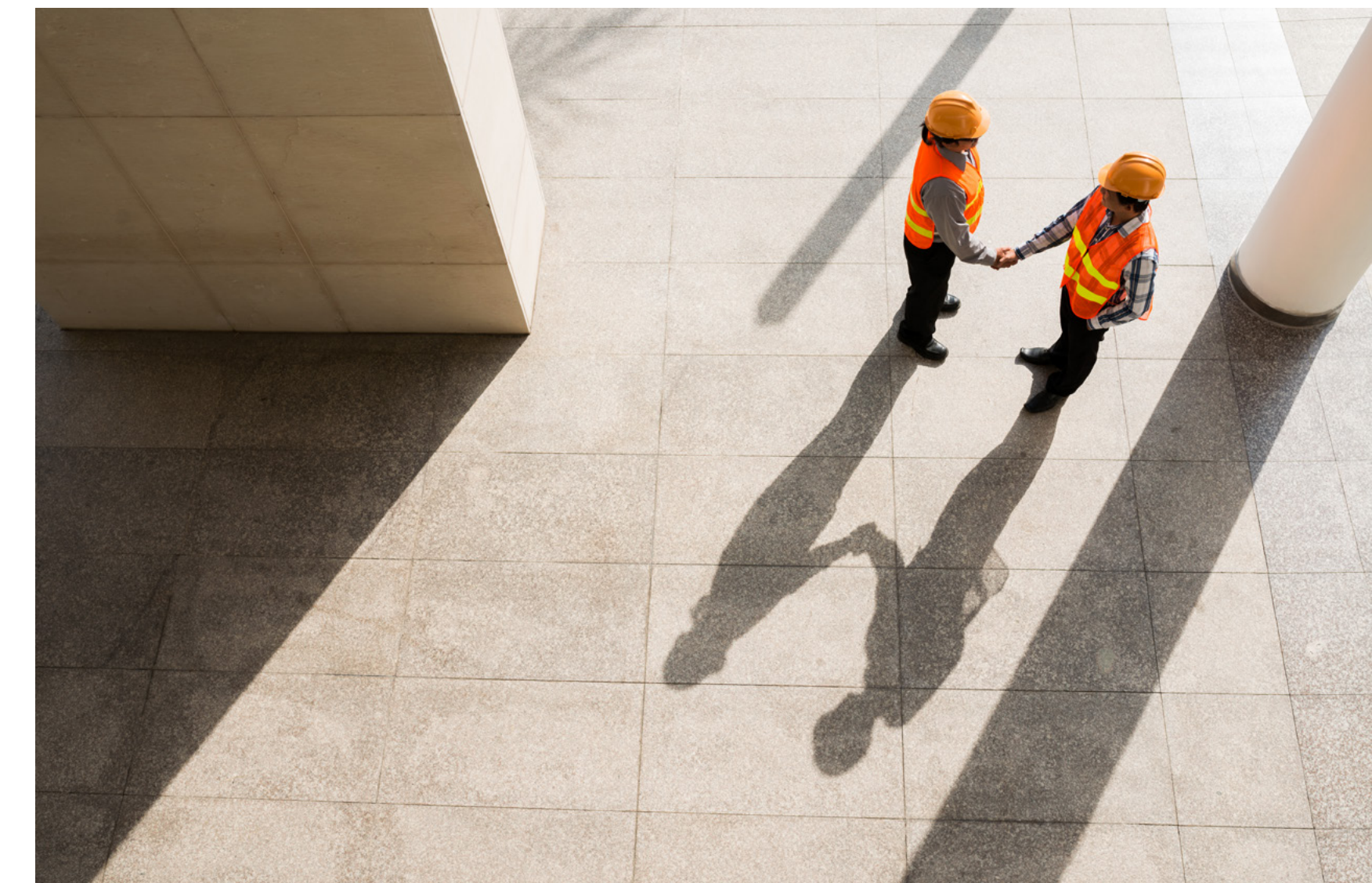
- Conduct comprehensive verification of the carrier's identity, including incorporation certificates, insurance documentation, and licensing, using secure platforms such as ESPRIM or TLF.
- Select well-established providers with a minimum of two years' registration in reputable official registers within jurisdictions known for diligence and regulatory compliance.
- Systematically authenticate transport documentation, employing digital verification platforms capable of detecting AI-altered or falsified documents.
- During pick-up procedures, adhere to strict protocols: verify driver identity, vehicle details (licence plates, tractors, trailers), transport order numbers, provider company, and scheduled timings.
- When in doubt, confirm details by contacting your usual point of contact.
- Implement alert systems for route deviations or delays to enable timely intervention.
- Regularly monitor TAPA alerts for emerging fraud techniques, such as impersonation to gain access to secure sites or document falsification.

### 2. Legal and contractual risks

- Document all commitments with service providers in writing, including detailed technical specifications—even for ad hoc services.
- Ensure subcontractors comply with applicable legal regulations within the jurisdictions where they operate.
- Limit cascading subcontracting to a maximum of two levels by contractual agreement, thereby maintaining visibility over the supply chain. This is only effective if your freight forwarder has conducted due diligence and provided written confirmation.
- Incorporate clauses allowing for immediate termination should legal or regulatory obligations not be met. • Include confidentiality clauses to safeguard sensitive data.
- Conduct annual reviews of your providers' social and regulatory compliance status.

### 3. Operational and technical risks

- Ensure that the primary carrier fully understands the operational specifications of each shipment and communicates these clearly, formally, and in accordance with compliance standards to any subcontractors.
- Assess the technical capabilities of prospective providers prior to engagement.
- Establish a formal approval process with your main carrier for subcontracting activities.
- Perform equipment inspections before loading, utilising standardised checklists.
- Require suitable equipment that supports real-time tracking and safeguards high-value or sensitive cargo.
- Conduct quarterly performance evaluations, incorporating audits and shared dashboards for transparency.
- Anticipate peak periods and restrict engagement to approved providers to mitigate operational risk.
- Promote preventive maintenance and eco-efficient driving practices.
- Collaborate with carriers to develop a feedback mechanism for operational issues and compliance monitoring, thereby enabling proactive resolution of potential problems.







While subcontracting remains an indispensable element of logistics operations, it requires a structured approach combined with rigorous controls. Although implementing preventive measures involves time and effort, such diligence is vital to securing and maintaining a resilient supply chain. Advances in digital technology present promising opportunities to enhance transparency and reliability within subcontracting frameworks.

#### 4. Financial and Insurance Risks

- Review the financial stability of your providers biennially.
- Incorporate contractual clauses stipulating minimum criteria for subcontractor approval.
- Obtain an annual insurance certificate detailing coverage limits and exclusions.
- Request an annual liability insurance certificate from all direct service providers, not solely carriers.
- Establish financial guarantees proportionate to the value of goods and contractual obligations.

Please note that these recommendations serve as a general guideline and should be tailored to your organization's specific context. In this perspective, AXAXL Risk Consulting Teams would be happy to provide adequate support.

**To learn more, reach out to your local  
AXA XL Risk Consulting contact.**

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