

## Article: Theft of Container Cargo By: Muzammil Haji Amin President, ALA Group

The recycling industry has been facing a predicament in the form of container cargo thefts. Material theft could potentially harm the trading of valuable commodities on specific routes. In the arena of international trading, criminals take advantage of the loopholes in the global system and the trust of those exporting and importing scrap metals. In the Middle East, like other suppliers, Ala Group too has been receiving weight shortage complaints ranging from 200 kgs to over 10 Mt for the last one year. Ala Group headquartered in Dubai was founded in 1991 and is a well-known company in the Middle East / India / Pakistan with offices and yard in strategic locations of UK, North Africa, West Africa, CIS and is expanding into the USA where it is starting with its own yard. They have their own smelting Lead recycling unit with a capacity of 2000mt p/month. The company is involved in all aspects of trading (importer / trader or indenter) and is continuously expanding in size. Ala Group exports scrap metals from the Middle East, Africa, Pakistan, UK, USA and CIS countries to various countries like China, Korea, Taiwan, Japan, Thailand, Malaysia and Indian sub-continent.



"We deal in ferrous and non-ferrous metals with an annual 72,000 Mt business in non-ferrous alone and plan to increase to 96,000Mt tons this year," says Ala Group president Muzammil Haji Amin. Ala's problems have been solely on the South China route. "The loading ports are always different with materials bound for South China and the shortage always occurs in Hong Kong or at final destination in which Hong Kong is a transshipment port. Moreover, I supply copper, aluminum, brass, and also various low-value materials to China, but only copper is stolen. I wonder how the thieves know exactly which of the container has copper," he exclaims.



Muzammil Haji Amin,  
President, ALA Group

The most alarming fact is that the containers are being delivered at Hong Kong port with their seals intact, but with a consistent shortage of material! "The containers that are loaded in our yard by our own men are short of material at the destination. We cannot blame the buyer, because the seal is intact. And we cannot believe that only a few containers among the hundreds that go from our yard would fall short of material with the weight scale and the transporters being the same," he states.

A company's intention is to protect the material from exit to arrival port. This is scrap material and one assumes that once it reaches the port there is no chance of loss or damage, so it is not insured warehouse to warehouse. Earlier, Ala Group had 'C' Clause insurance which protects against untoward incidents such as explosion, fire, attack, or sinking of ship, from port of exit to destination port only. So one could not make claims for material shortage at this point.

The pertinent questions are – How is the material stolen without the seal being broken? Who is doing it? Where does it happen? How to put an end to it? As per law, the shipping line has to deliver the containers to the customer with the seal intact. A normal container has four handles and the usual practice is to place the seal in the middle of the handle; some people also use locks, while others cover the handle with plastic or paper and then seal it. "But the container can be easily opened without breaking the shipping line seal as mostly it's fixed on the hub bolt seal (in the middle of the handle) of the container door lever," states the president. "Each time I inspected them for shortage issues, I noticed that the seals were intact, but the hub bolts were slightly damaged or were newly painted or had been totally changed. But since they are old containers one cannot challenge or prove it has been tampered with or claim damages from the shipping line, so I had no choice but to pay the customer for the loss."

Citing a recent example, Amin says one of his customers complained of material shortage at Hong Kong. The container was being transhipped to China. The client invited Amin to visit Hong Kong for inspection and he agreed to do so on the

condition that (a) the seal should be intact; (b) they should provide at least two or three weight scales; and (c) the client would open the container in Amin's presence. "Since I have loading photographs, I know how the container was loaded before we closed the doors at the loading point. If the scenario is the same when we open the container, it indicates a scale error at buyer or seller's end. I wanted to ensure that this was not the case. And I was shocked that my customer took me to a scrap yard instead of the Hong Kong port. In fact, he had everything ready for inspection including the labourers. Then I realised here are the answers to all my questions," says Amin.

#### **Actual scenario**

Normally, the shipping line notifies the consignee regarding the shipment. Along with the arrival notice the buyer gets the forwarding agent details appointed by the shipping line to take the shipment onward to China. From this point on, two people are involved – a forwarding agent who transports it from Hong Kong to the specified Chinese port, and a custom broker in China who clears the container from the Customs department. Generally, the buyer has to coordinate with shipping line appointed forwarding agent at Hong Kong who coordinates with him to receive the container in Hong Kong, weigh the shipment and take it onward to China.



There are 11 terminals at Hong Kong port, and the containers bound for South China via this port are first moved to River Trade Terminal (RTT), a purpose-built container terminal for handling river trade cargoes in Hong Kong. This terminal is run by private operators. The forwarding agents have 5-6 days to move them to the River Trade Terminal from the main port and there is a possibility that in transit the containers are discretely moved to certain scrap yards in an area known as 'New Territory'. It is believed that the theft takes place in these yards as the thieves have the time and expertise to break the hub bolt or rivet without breaking the original shipping line seal. Once the required quantity of copper is removed, one can fix the handle with a new hub bolt or rivet. The container is then sent to the weight scale in RTT and the forwarding agent informs the buyer of the weight shortage with supporting weight slip from RTT. Finally the shipper is informed of the shortage. The shipper assumes the weight slip is from Hong Kong main port, but the container is actually weighed at RTT.

Amin states, "My question was: how did it come to the scrap yard in the first place? The buyer told me there was no need for customs clearance at RTT as this container is headed for China. Generally, the port is responsible for the safety of the containers. But it seems there is easy movement of containers out of this port, which could be because it is considered a storage house and it could not have arrived or move onward to final destination without permission. I realised that if a person could get a container in transit out of the port or terminal into the scrap yard with such ease, anybody could do anything and a number of people in the supply chain could be involved. But we need proof to support our claims and as mentioned, the seals are all intact so we cannot hold anyone responsible."

Another critical point, he explains, is the loading photos that Ala Group's clients have to compulsorily send to the forwarding agent of the shipping line. "I assume the pictures indicate certain things like the type of packaging inside the container, the quantity of material, the type of container; and with closed door photos you know if the seals are fixed in the middle or bottom, which gives an idea about access to that container, the type of equipment required to offload the material, and whether the material can be easily removed from the container or not."

When the shortages kept occurring, Ala Group started paying high premium insurance as per 'A Clause' that guarantees protection of goods from the company's warehouse to that of the buyers'. He says they were paying almost six/seven times higher than the normal rate in premium. In about one-and-a-half months they faced three major shortages, so the insurance company too gave up. "We have been in this industry for 22 years and our reputation is more important than money. We "have worked hard to build a rapport with our clients and I cannot lose respect and money because someone else is stealing material. I have paid compensation for various losses from 200 kgs to 10 Mt. So we stopped supplying to South China a few months back."

#### **The way forward**

Currently, in this region the thefts are limited. But they have to be contained before the situation gets out of hand. The president feels it is a loss to the industry as many others in this region are also facing this problem. In his opinion, the buyers are not guilty; the government is also innocent and they are offering a facility at their port to store the containers; the system itself needs to be improved and the issue should be brought to the attention of the Hong Kong government so they provide necessary security to the containers in transshipment.





"One of the suppliers once complained of 4 tons shortage in copper. Everyone is aware that there are loopholes in the system, but are reluctant to act. Some people with high-volume businesses ignore the problem as losing one out of 100 containers seems insignificant to them; some remain silent, others raise their voices but soon give up; some people are fortunate enough to have insurance cover. We are planning to approach BIR to discuss the issue and ask them to take positive action to protect our business and industry. BIR, ISRI and CMRA are strong bodies that governments would be willing to listen to," he emphasises. On a positive note, Ala Group has come up with an immediate solution and is recommending it to business associates and other regional suppliers in the hope that it will effectively help reduce incidents of theft. In the containers being manufactured over the past decade,

there is a hub bolt at the bottom called the 'Cam Keeper' and suppliers should insist on the seal being fixed on the bottom cam keeper. This will prevent thieves from tampering with the container as they would have to break the seal to access it; and if they do so, one can hold the shipping line responsible. "In certain cases, customs officials could break the seal to check the contents. By law, the shipping line has to then fix the seal again, and the supplier has no control over this. It happens only in 10% cases, but in the agreement with the shipper there could be a clause stipulating that in such cases they fix the seal on the cam keeper.

So it is 80% risk free. Since we are dealing in scrap, shipping lines do prefer to use old containers. While booking a container the customer should, as a policy, insist on a new one. Ala Group wishes our recycling industry be protected from unreasonable losses and have tried their best to give workable solutions to save their partners from thefts. We urge everyone to join hands to raise our voices against these unscrupulous acts of theft to avoid further financial loss and most importantly maintain good relations," Amin concludes.