Global Services Contracts - Going to Market with the Best Strategy for Your Case

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Global transportation and logistics services can amount to some of the largest expenses, and even the largest single contracts by spend, for enterprises with high traffic volumes. Among mature buyers and sellers of goods the common practice is to contract for services rather than buying on the spot market under ad hoc supplier paperwork. Contracting under one's own templates is both permitted under the applicable legal regimes and also a sensible approach to supply chain management. It allows the buyer of the transportation or logistics services to tailor terms to company policy and the precise needs of its inbound or outbound supply chain. The structure used in approaching global and domestic service can also vary widely based upon each particular use case.

Single-Service or Jurisdiction Contract Structures - Some procurement fact patterns benefit from single-use contract structures specific to a particular mode, geography, facility, or other unique practical application. For example, it is common that ocean carrier service contracts stand alone due to the degree of regulation for that mode and historic industry practice. An ocean contract can be incorporated in a Master Services Agreement ("MSA") although doing so may be cumbersome for negotiation and contract administration over its lifecycle. In the United States the same can be said for rail carrier agreements. Sensitive cargoes such as the transportation of temperature-controlled goods or bulk hazardous materials, hazardous waste, or dangerous goods are other common examples. The degree of regulation for those movements and the need for special handling often require targeted terms not suitable for broad-based contracts.

Multiple-Service or Jurisdiction Contract Structures - Other procurement fact patterns instead benefit from more complex contract structures. It is increasingly common to go to market with regional or global MSAs that establish the enterprise-wide terms for transportation and logistics services in a largely mode-agnostic fashion. The immediate benefit in doing so include achieving harmony of terms across the portfolio of service providers and facilitating ease of adding or removing services, modes, and regions subject to the MSA. Those unique expressions of service often take the form of Scopes of Work ("SOW"), Service Schedules, and similar contractual tools that can be added to or removed from an existing MSA. Ancillary services may be easily added as well such as supply chain consulting or web-based transportation management system licenses. Enterprises with high degrees of vendor management often add Service Level Agreements or Key Performance Indicator terms under the MSAs.

Bridging Disparate Legal Regimes - The legal regimes that developed over centuries in the transportation and logistics sectors are as varied and nuanced as the modes and geographies they serve. Each mode, whether air, ocean, surface, or warehousing operates under distinct legal liability regimes, often influenced by international treaties, national regulations, and industry practices. By clearly defining liability terms and conditions in transportation contracts, shippers and carriers can mitigate risks, ensure proper coverage, and establish clear protocols for claims and compensation. This contractual clarity helps parties navigate the complexities of different liability schemes, enhances predictability, and protects interests in the event of loss or damage. It can be accomplished with confident global contracting strategies that lower friction when negotiating during bid processes, allow for harmony of terms, and facilitate ease of updating services.

Developing the Best Contract Structure - There is no one-size-fits-all supply chain. The same principle stands true for supply chain contracting. Despite the factually intensive nature of transportation and logistics procurement, particularly on a global scale, the various applicable legal regimes allow for negotiating most terms and for developing new and novel structures in support of strong administrative practices. Those factors may weigh in favor of singular contract templates on a service, mode, or geographic basis (or even, as we mentioned, on a facility-by-facility basis) or they may instead weigh in favor of a global transportation and logistics MSA style approach. Firmly understanding the industry-specific legal landscape across the geographic territories is the first step to unlocking the creativity required for dynamic contracting structures.

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