

# **Bills of Lading and Other Sea Transportation Documents**





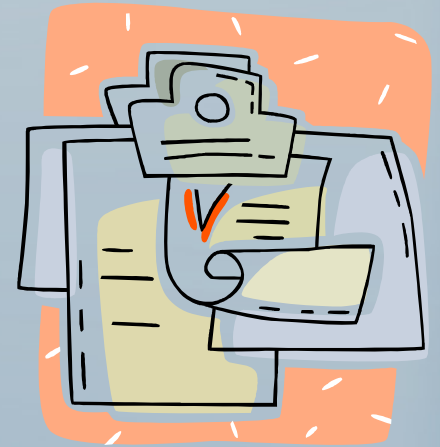
# Module Objectives

- On completion of this module you should be able to:
  - Define a Bill of Lading
  - Describe the three main functions of a Bill of Lading
  - Identify the different bills of lading used for different transport modes



# Functions of the Bill of Lading

*The B/L is often described as “the key to the warehouse”. It enables the holder to receive the goods or to transfer and deliver the goods*



- The B/L has 3 main functions



## a) B/L as a receipt for the goods shipped



- The bill of lading is *prima facie* evidence that the goods indicated therein (quantity, condition, marks) have been shipped. This means that it would be difficult for the carrier to later dispute the quantity or condition of goods loaded.
- If the Hague-Visby Rules apply, the shipper is legally entitled to demand a “Shipped onboard” B/L from the carrier after the cargo is loaded onboard the vessel.



## b) Written evidence of the contract

- the bill of lading is excellent evidence of the terms of the contract between the carrier and the shipper, but is the **only** evidence of the terms of the contract with regard to the carrier and the sale agent holder (consignee) of the B/L





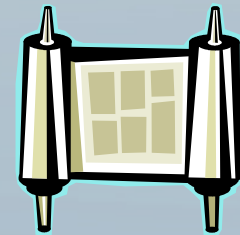
## c) Document of title

- A “negotiable” B/L means that title to the goods may be passed from one party to another by **endorsement** of the B/L. One of the main values of a B/L is that merchants may buy and sell the goods whilst it is in transit and without even taking actual possession of the goods.
- A B/L is only negotiable if it is marked “**To Order**”. A “straight-consigned” B/L is **not** negotiable in that title to the goods cannot pass by endorsement. A straight consigned B/L is therefore not strictly evidence of title in that title to the goods cannot pass from one seller to another by endorsement.



# The original B/L

- The B/L has been used for hundreds of years, and in a bygone era more than one original [sic] B/L was issued. All original B/Ls were despatched to the discharge port so that at least one would arrive safely to enable the consignee to collect the goods.





## What if more than 1 party, each holding 1 original B/L, tries to claim the goods?

- This is **not** a case of “first come, first served”.
- If every party appear to hold properly endorsed B/Ls, the prudent course of action would be for the freight forwarder to seek legal advice and to interplead in court.







# Delivery of cargo without production of the original B/L

- In respect of negotiable “To Order” B/Ls, the freight forwarder should **never** release cargo without production of the original B/L. To do so will amount to **misdelivery** and the freight forwarder will be liable for the **value of the goods** to the lawful holder of the B/L. He **cannot** limit liability.



- Some times in order to keep the customer happy business decision are made to release the cargo without the original B/L, in such circumstances it would be prudent for a freight forwarder to:
  - a) Ask the carrier/principal for instructions;
  - b) Inform shipper and ask for clarifications/instructions; and
  - c) Obtain a **Letter of Indemnity** and/or a **Bank Guarantee** from the person claiming the cargo.



# Letter of Indemnity (LOI) for issuing clean B/Ls



- Shippers may offer to give the carrier an LOI in return for issuing clean B/Ls (often because they would otherwise not be paid by their buyer) even though the goods are in some way defective.
- Whilst the issuance of LOIs by the shipper to the carrier is not *per se* illegal, the LOI will be unenforceable if the carrier had been deceitful in that he knew the goods were not in good order and condition but nonetheless issued a clean B/L.
- Courts have held that this is tantamount to fraud on the receiver and the court will therefore not assist the carrier in enforcing the LOI against the shipper.





# Mate's Receipt

- This is a temporary receipt issued for goods, which have been delivered to the vessel. The ocean B/L is issued in exchange for the Mate's Receipt.



# Sea Waybill

- Sea waybills are commonly used where:
  - a) the sea voyage is short and the B/Ls may not get to the consignee in time; and
  - b) when delivery is to a named party
- A sea waybill is a promise by the carrier to the shipper to deliver his cargo to the person identified by him as entitled to delivery. The shipper retains the sea waybill and delivery is made upon appropriate proof of identity being furnished by the party seeking delivery. It is **not** a document of title and is non-negotiable.



# Air waybill

- The air way bill like the sea way bill consists of three original parts. It allows airline and customs authorities to keep a record of the goods being shipped as well as proving evidence of a contractual agreement between the shipper and the carrier. It is **not** a document of title and is non-negotiable.



# Combined Transport Bill of Lading/Multimodal Transport Document

- This document provides for the carriage of goods through more than one mode of transport in one unit load.
- The FIATA multimodal B/L is commonly used by shipping lines and multimodal transport providers where the voyage involves more than one mode of transport. In his new role as MTO the freight forwarder promises to either carry the cargo, or get the cargo carried as principal.



# Conclusion



- Understanding the documents and the appropriate procedures leads to a more efficient service to the customer, more business and more profit.