



BILL OF LADING

A **bill of lading (BL** - sometimes referred to as **BOL** or **B/L**) is a document issued by a carrier to a shipper, acknowledging that specified goods have been received on board as cargo for conveyance to a named place for delivery to the consignee who is usually identified. A through bill of lading involves the use of at least two different modes of transport from road, rail, air, and sea. The term derives from the verb "to lade" which means to load a cargo onto a ship or other form of transportation.

A bill of lading can be used as a traded object. The standard short form bill of lading is evidence of the contract of carriage of goods and it serves a number of purposes:

- It is evidence that a valid contract of carriage, or a chartering contract, exists, and it may incorporate the full terms of the contract between the consignor and the carrier by reference (i.e. the short form simply refers to the main contract as an existing document, whereas the long form of a bill of lading issued by the carrier sets out all the terms of the contract of carriage);
- It is a receipt signed by the carrier confirming whether goods matching the contract description have been received in good condition (a bill will be described as clean if the goods have been received on board in apparent good condition and stowed ready for transport); and
- It is also a document of transfer, being freely transferable but not a negotiable instrument in the legal sense, i.e. it governs all the legal aspects of physical carriage, and, like a cheque or other negotiable instrument, it may be endorsed affecting ownership of the goods actually being carried. This matches everyday experience in that the contract a person might make with a commercial carrier like FedEx for mostly airway parcels, is separate from any contract for the sale of the goods to be carried; however, it binds the carrier to its terms, irrespectively of who the actual holder of the B/L, and owner of the goods, may be at a specific moment.

The BL must contain the following information:

- Name of the shipping company;
- Flag of nationality;
- Shipper's name;
- Order and notify party;
- Description of goods;
- Gross/net/tare weight; and
- Freight rate/measurements and weighment of goods/total freight

While an air waybill (AWB) must have the name and address of the consignee, a BL may be consigned to the order of the shipper. Where the word order appears in the consignee box, the shipper may endorse it in blank or to a named transferee. A BL endorsed in blank is transferable by delivery. Once the goods arrive at the destination they will be released to the bearer or the endorsee of the original bill of lading. The carrier's duty is to deliver goods to the first person who presents any one of the original BL. The carrier need not require all originals to be submitted before delivery.



It is therefore essential that the exporter retains control over the full set of the originals till payment is effected or a bill of exchange is accepted or some other assurance for payment has been made to him. In general, the importer's name is not shown as consignee. The bill of lading has also provision for incorporating notify party. This is the person whom the shipping company will notify on arrival of the goods at destination. The BL also contains other details such as the name of the carrying vessel and its flag of nationality, the marks and numbers on the packages in which the goods are packed, a brief description of the goods, the number of packages, their weight and measurement, whether freight costs have been paid or whether payment of freight is due on arrival at the destination. The particulars of the container in which goods are stuffed are also mentioned in case of containerised cargo. The document is dated and signed by the carrier or its agent. The date of the BL is deemed to be the date of shipment. If the date on which the goods are loaded on board is different from the date of the bill of lading then the actual date of loading on board will be evidenced by a notation the BL. In certain cases a carrier may issue a separate on board certificate to the shipper.

Main types of bill

Order bill of lading

This bill uses express words to make the bill negotiable, e.g. it states that delivery is to be made to the further order of the consignee using words such as "delivery to A Ltd. or to order or assigns". Consequently, it can be indorsed (legal spelling of endorse, maintained in all statute, including Bills of Exchange Act 1909 (CTH)) by A Ltd. or the right to take delivery can be transferred by physical delivery of the bill accompanied by adequate evidence of A Ltd.'s intention to transfer.

Bearer bill of lading

This bill states that delivery shall be made to whosoever holds the bill. Such bill may be created explicitly or it is an order bill that.

Surrender bill of lading

Under a term import **documentary credit** the bank releases the documents on receipt from the negotiating bank but the importer does not pay the bank until the maturity of the draft under the relative credit. This direct liability is called Surrender Bill of Lading (SBL), i.e. when we hand over the bill of lading we surrender title to the goods and our power of sale over the goods.

A **clean bill of lading** states that the cargo has been loaded on board the ship in apparent good order and condition. Such a BL will not bear a clause or notation which expressively declares a defective condition of goods and/or the packaging. Thus, a BL that reflects the fact that the carrier received the goods in good condition. The opposite term is a **soiled bill of lading**, which reflects that the goods are received by the carrier in anything but good condition.



Other terminology

A sea or air *waybill* is a non-negotiable receipt issued by the carrier. It is most common in the container trade either where the cargo is likely to arrive before the formal documents or where the shipper does not insist on separate bills for every item of cargo carried (e.g. because this is one of a series of loads being delivered to the same consignee). Delivery is made to the consignee who identifies himself. It is customary in transactions where the shipper and consignee are the same person in law making the rigid production of documents unnecessary.

The UK's Carriage of Goods by Sea Act 1992 creates a further class of document known as a *ship's delivery order* which contains an undertaking to carry goods by sea but is neither a bill nor a waybill.

A straight bill of lading by land or sea, or sea/air waybill are not documents that can convey title to the goods they represent. They do no more than require delivery of the goods to the named consignee and (subject to the shipper's ability to redirect the goods) to no other. This differs from an "order" or "bearer" bill of lading which are possessory title documents and negotiable, i.e. they can be endorsed and so transfer the right to take delivery to the last endorsee. Nevertheless, bills of lading are "documents of title", whether negotiable or not, under the terms of the Uniform Commercial Code.

Multi-modal Transport Documents

The advent of unitisation in air and sea transportation brought about many innovations in international transportation of goods. Multi-modal or combined transport is one such innovation. Cargo today can be moved from an inland freight station in the exporting country to an inland destination in the importing country. Goods may be picked up and transported using different modes of transport. E.g. a consignment of garments may be containerised at a factory in Mysore, customs cleared at ICD Bangalore, moved by rail to Cochin, by sea to Dubai, by air to Frankfurt and road to Düsseldorf, all under a single transport document. In such an operation, involving one or more land legs and/or air or sea legs, one carrier makes itself responsible for the entire transport operation. The contracting carrier is referred to as a multi-modal or a combined transport operator (MTO). He is liable in contract to the shipper if the goods are damaged at any stage of the carriage. The multi-modal transportation document may be issued either in non-negotiable or negotiable form. The multi-modal transportation document (MTD), whether negotiable or non-negotiable, is prima facie evidence of the MTO taking charge of the goods for transportation. MTDs are of two types, the COMBIDOC evolved by the Baltic International Maritime Council (BIMCO) and FBL or FIATA MT Bill of Lading evolved by the International Federation of Freight Forwarders' Associations (FIATA). This document (FBL) has been approved by the International Chamber of Commerce (ICC) for the purpose of documentary credit. FIATA has evolved specific norms for the use of FBLs. Having seen what is covered by sea, air and multimodal transport let us look at other modes including courier and charter movements. The ICC has a publication called the Uniform Customs and Practices, UCP 500 (UCP 400 was the



earlier edition) which among other things deals with various transport documents, including those we have already looked at. Articles 23 to 33 of the UCP 500 deal with these documents.