



# BILL OF LADING

A bill of lading is a contract of carriage between an exporter and a service provider, such as an airline, steamship line, freight forwarder or shipping company. It serves as a receipt to the consignor for the goods, as evidence of the contract of transport containing the conditions of transport, and may act as a document of title by which possession of the goods can be transferred.

## The Ocean Bill of Lading

Ocean Bills of lading may be issued as Negotiable or Non-Negotiable. The B/L identifies the parties to the transaction and their responsibility for payment of transportation and other accessorial fees, such as transfers and delivery.

### *Negotiable Bill Of Lading*

- A negotiable bill of lading may be consigned directly to the buyer (OR TO A THIRD PARTY). The buyer, once in control of the Originals bills of lading, may make the necessary endorsement and receive the goods. Some control by the shipper is still possible. The shipper may hold the Original Bills of lading until he is paid or he may require the buyer provide a letter of credit – in which case the Bank controls the Bills of Lading.
- A negotiable bill of lading may be consigned “to order”. Whereas once the Bill of Lading is endorsed in blank (signed on the reverse), it becomes negotiable and the carrier will deliver the goods to the party that presents it. While all original bills of lading (*full set* of 3 copies) are negotiable, one alone is sufficient to obtain the goods. On the other hand, if bills are drawn to order of the consignee, only their *endorsement* makes it negotiable. The endorsement itself can be made to a specific third person or firm, a bank, or in blank.

### *Non Negotiable Bill Of Lading*

- A Non-Negotiable bill of lading means that the document itself does not give title to the goods. The Non-Negotiable Bill of lading is not endorsed and the named consignee may take receipt of the goods immediately after Customs formalities and the payment of any collect freight or accessorial fees.

## The International Air Waybill

The air waybill is the contract for carriage (bill of lading) for shipments made by airfreight. The air waybill is normally issued by a freight forwarder acting as the agent for the airline who transports the goods, or an airfreight consolidator, who may use the airline to transport the goods of several companies under its own master bill of lading. The airline air waybill is known as the “master air waybill” or “Mawb.” If your shipment is consolidated with other cargo, the forwarder will issue his “house” air waybill. The house bills are then consolidated into the master air waybill.

The most important things to know about the air waybill are:

- If you consign the air waybill directly to the buyer in the foreign country, the buyer can clear the goods immediately upon arrival at the destination port. If the air waybill is consigned to a third party (normally the buyer’s bank), you can control possession of the goods until the buyer pays or signs a promissory note, or time draft, to pay at a later date.
- Options for declared value for carriage are best discussed with the freight forwarder who is handling your shipment. A minimum cost per kilo will be charged based on either weight or volume, depending on the density of the cargo. (Density is calculated as the amount of pounds per cubic foot. The higher the density usually means more attractive pricing for the shipment.)

### Differences between Air Waybills and Ocean Bills of Lading

The primary difference between the air waybills and ocean bills of lading (other than the obvious) is that ocean bills of lading can be made negotiable and air waybills cannot. Negotiable bills of lading are a common practice in international trade, designed to protect the seller by allowing them to consign the document to their “order,” instead of the consignee, or buyer. In this case, the seller may transfer the document to or through a third party, usually a bank, who then would collect the funds from the buyer before turning the documents over to them. The transit time in ocean freight may allow the bill of lading to be bought and resold, which in a sense, gives the document a distinct value. If you consign a bill of lading to the buyer directly, you have in a sense turned title to the goods over to them, which is not advisable unless you have been paid already or have assurance you will be paid. A negotiable bill of lading is most often used when a letter of credit is the payment mechanism. In other cases, ocean bills of lading may be consigned to the buyer’s bank, if not negotiable, in order to control title to the goods.

An air waybill is not negotiable, and is mostly consigned directly to the consignee. It is not negotiable or transferable because of the rather limited transit time. There is no time to transfer the title between parties in the limited amount of time it takes for the goods to arrive.