



**INCREASING OPPORTUNITIES
IN INTERNATIONAL TRADE**

- ARE YOU RISK COVERED ??

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**Shipping Risks – Making the
Right Choice**



**SELECT THE BEST METHOD OF
TRANSPORT APPLICABLE FOR
YOUR TRADE.....**

*All transportation methods have
advantages & disadvantages.....*

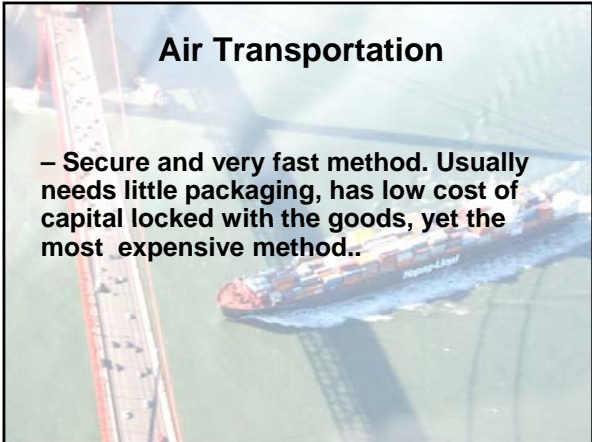
Main transportation methods are :

- Maritime transportation
- Air transportation
- Road transportation
- Rail transportation



Maritime Transportation

- Slow. Cheap. Not the best method when transporting perishable goods of a high value or if it's an urgent delivery.



Air Transportation

- Secure and very fast method. Usually needs little packaging, has low cost of capital locked with the goods, yet the most expensive method..



Road Transportation

- Normally faster & safe. Allows direct transportation from the supplier's to the buyer's warehouse. Assures greatest degree of flexibility.

Rail Transportation

– Slow & flexible. Requires certain number of containers before shipping. safe & secure ,allows an exporter to move large quantities of cargo at relatively inexpensive rates.

International Shipping

The most demanded transportation industry is: international shipping which is responsible for the carriage of 90% world trade and is the life blood of the global economy.

Half the world would starve and the other half would freeze !!!!!

International Shipping

Ships are technically sophisticated high value assets (larger hi-tech vessels can cost over USD 150 million to build), and the operation of merchant ships generates an estimated annual income of over USD 380 billion in freight rates, representing about 5% of the total global economy .

Typical Ocean Freight Costs (Asia-US or Asia-Europe)

Unit	Typical Commodity Price	Shipping Costs
TV Set	1 unit \$700.00	\$10.00
DVD/CD Player	1 unit \$200.00	\$1.50
Vacuum Cleaner	1 unit \$150.00	\$1.00
Scotch Whisky	Bottle \$50.00	\$0.15
Coffee	1 kg \$15.00	\$0.15
Rice units	Tin \$3.00	\$0.05
Beer	Can \$1.00	\$0.01

Different Shipping Markets

Liner

- Involves regular services, provided by shipping cos., between scheduled, advertised ports of loading & discharging & freight rates based on co. tariffs.

↓

manufactured or partly manufactured goods

Tramps

- Call at any port ,to pick up whatever the cargoes;

Bulk Dry

↓

R/M & semi R/M

Bulk liquid

↓

crude oil

Freight rates are negotiated

TRANSPORT PROVIDER - SHOULD IT BE A FREIGHT FORWARDER OR A MAIN LINER ????

WHO IS A FREIGHT FORWARDER ?

- Agents who arrange land, sea and air transportation of goods.
- They complete all procedural and documentation formalities involved in Custom and Port clearance on behalf of the shipper, and
- arrange for warehousing of cargo before shipment of export cargo.

Any danger in hiring a Freight Forwarder who is not an owner or an agent of the carrier to transport your goods to foreign buyers. ??

Advantages of a Freight Forwarder

- Acts on behalf of exporters in arranging transportation Services.
- Facilitates the international movement of goods by providing a wide range of advisory, administrative and physical services to the exporter.
- Specialists in multi-modal transportation; therefore well placed to select the method of transportation best suited for the type of product and at the lowest cost.

**Selecting a Freight Forwarder :
- Not too difficult**

Is the Freight Forwarder a member of the Forwarders Association ?

Obtain recommendations from other exporting firms & trade associations.

Speak with several Forwarders before deciding which one to use.

Consider company's references.

Check on the credit rating.

NVOC OPERATOR

NVOC operations are a particular feature of containerized transport. Freight Forwarders and others contract to carry even though owning no ships or any means of carriage. The NVOC Operator will issue his own bill of lading in which he features as contracting carrier.

What is the advantage in selecting a regular liner for transport of goods ???

Regular liners are ordinarily referred to as Main Lines . Liner shipping consists of services provided by shipping companies or ship operators whereby cargo -carrying ships are operated between scheduled advertised ports of loading and discharging on a regular basis. The freight rates which are charged are based on the tariffs. Companies offering such services are known as liner companies.

Advantages in loading with a main line

- **Space is protected.**
- **Special rates could be negotiated.**
- **Financial stability.**
- **Early settlement of cargo claims.**
- **Ability to track cargo until delivered.**
- **In depth market knowledge.**
- **Could obtain better cut offs.**

Sale & Carriage Relationship

SELLER _____ CONTRACT OF SALE _____ BUYER

(Also called Shipper or Consignee - may employ Forwarding Agent or Freight forwarder to Make contract with Carrier).

(May also be named consignee indorsee of the Bill of Lading and / or receiver of the cargo).

Makes a contract of carriage

No express contract.

Carrier contracts with the Shipper and issues Bill of Lading.

Functions of a bill of lading

- **Receipt for goods**

Booking No.	B/L No.
COMBINED TRANSPORT BILL OF LADING	
<small>RECEIVED in apparent external good order and condition, except as otherwise noted the total number of Containers or other packages, or units enumerated below ("") for transportation from the Place of Receipt to the Place of Delivery subject to the terms hereof.</small>	
<small>One of the original Bills of Lading must be surrendered duly endorsed in exchange for the Goods or Delivery Order unless otherwise provided herein.</small>	
<small>In accepting this Bill of Lading the Merchant expressly accepts and agrees to all its terms whether printed, stamped or written, or otherwise incorporated, notwithstanding the non-signing of the Bill of Lading by the Merchant.</small>	
<small>All UNCLASIFIED and/or the members of original Bills of Lading stated below have been registered, one of which being accomplished, the other(s) to be void.</small>	
(Terms of Bill of Lading continued on the back hereof)	
<small>Shipper's Declared Value</small>	<small>US\$ subject to clause 6(2) overleaf. If no value declared, liability limit applies as per clause 5(2)(C), 6(1), or 29 as applicable.</small>
<small>Also Notify</small>	<small>(For Merchant's reference only)</small>
Final destination for the Merchant's reference	

Functions of a bill of lading

- **Evidence of a contract of carriage**

regarded as the best evidence of a contract of carriage

Functions of a bill of lading

- **Document of title**
 - * it enables the holder of the bill of lading to claim for delivery of goods at the port of discharge.
 - * It permits the holder of the bill of lading to transfer the title of the goods during transit by endorsement.
 - * It can be used as security for payment.


Transport Documents

- **Marine/Ocean Bill of Lading**
- **Non- Negotiable Sea Waybill**
- **Charter Party Bill of Lading**
- **Multimodal Transport Document**
- **Air Transport Document - Air Waybill**
- **Road, Rail or Inland Waterway Transport Document**
- **Courier & Post Receipts**
- **House Bill of Lading issued by Freight Forwarders**



Shipping risks - Maritime frauds

- Shipping business, depends on high degree of trust. Taking this advantage ;it is the perfect vehicle for a number of fraudulent practices.



Shipping risks - Maritime frauds

Documentary frauds

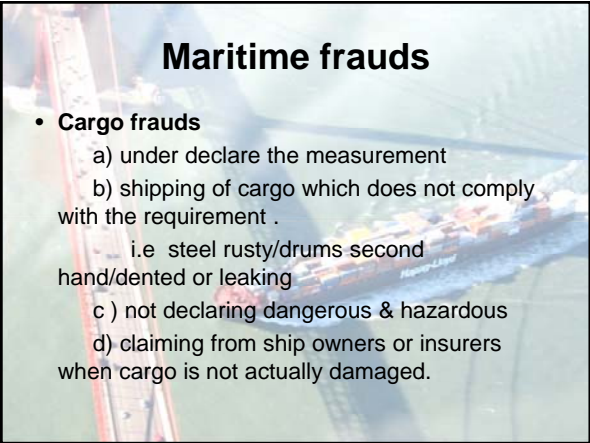
- a) Bills of Lading :
 - pre –dating or post dating
 - /submission of forged bills of lading.
- b) False Certificates
- c) Back Letters/indemnities



Maritime frauds

- **Insurance frauds**
 - a) exaggerate damage for cargo
 - b) scuttling - deliberately sinking a ship by allowing water to flow in to the hull

celebrity case – “ salem”



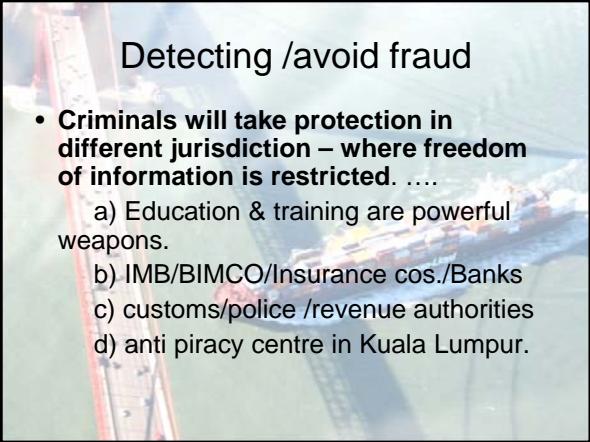
Maritime frauds

- **Cargo frauds**
 - a) under declare the measurement
 - b) shipping of cargo which does not comply with the requirement .
 - i.e steel rusty/drums second hand/dented or leaking
 - c) not declaring dangerous & hazardous
 - d) claiming from ship owners or insurers when cargo is not actually damaged.



Maritime frauds

- **Other criminal activities**
 - a) smuggling
 - b) Illegal immigrants
 - c) piracy



Detecting /avoid fraud

- **Criminals will take protection in different jurisdiction – where freedom of information is restricted.**
 - a) Education & training are powerful weapons.
 - b) IMB/BIMCO/Insurance cos./Banks
 - c) customs/police /revenue authorities
 - d) anti piracy centre in Kuala Lumpur.

RELEASE OF CARGOES AGAINST ORIGINAL BILL OF LADING

most important functions performed by a ship agent..

The following checklists are designed :-

- * Is it consigned to the order of the shipper or a bank ?
- * Is it a sea waybill ?
- * Is it a straight/non negotiable bill of lading ?
- * Did it arrive care of the master in the ship's bag ?
- * Is it an NVOC/house bill of lading ?

Cargo release without taking an original bill of lading.....

There will be situations where the agent is instructed to deliver cargo without taking the original bill of lading.

- * Great care is needed.
- * breach of the bill of lading contract .
- * the legal holder of the bill of lading can sue the ship owner, the carrier or the party who has wrongfully delivered the cargo.

(The legal holder of the bill of lading could be the shipper, the receiver, a bank or another party to whom the bill of lading has been negotiated.)

Cargo release..

CAN THE SHIPPING LINES DELIVER GOODS WITHOUT THE ORIGINAL BILL OF LADING DESPITE HAVING STIPULATED IN IT RELEASE IS POSSIBLE ?

- couple of shipping lines have changed the wordings on the face of their Bills of Lading, which deals with delivery of cargo

Cargo release..

- Traditional wordings are on the following lines:
- **“ In witness whereof the number of Bills of Lading stated above all of this tenor and date ,have been signed ,one of which being accomplished ,the others to stand void.”**

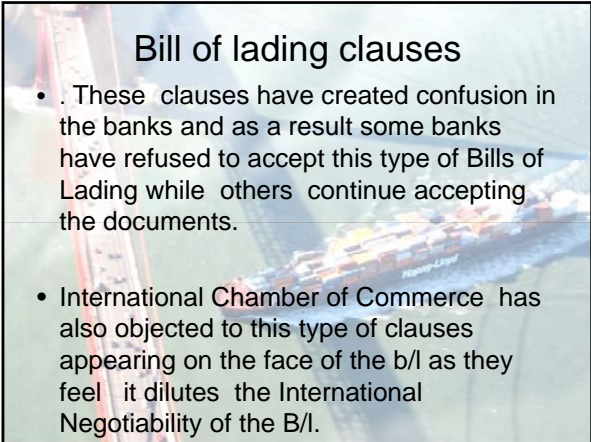
MAERSK SEALAND B/L

- Where the bill of lading **is non-negotiable** the Carrier may give delivery of the Goods to the named consignee upon reasonable proof of identity and without requiring of an original bill of lading.
- Where the bill of lading **is negotiable**, the Carrier will be entitled to give delivery of the Goods against what he reasonably believes to be a genuine original bill of lading. Delivery as aforesaid is authorized and shall constitute due delivery hereunder and the Merchant shall have no claim for loss or non-delivery.

Bill of lading clause

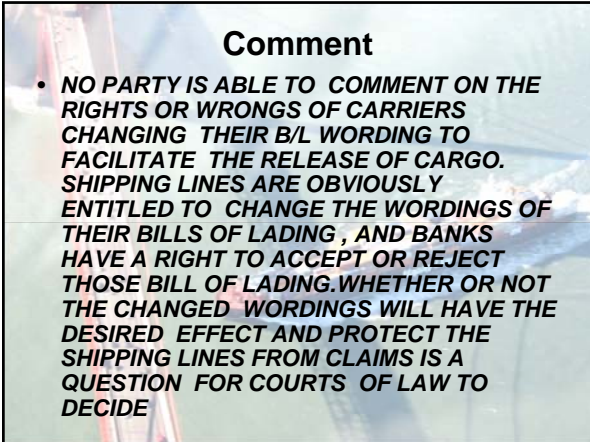
clause includes wordings:

- 1) concerning the release of goods without necessarily requiring surrender of an original b/l.
- 2) Where the b/l is non –negotiable ,whereby the carrier may deliver goods to the named consignee upon reasonable proof of identity without surrender of an original b/l.
- 3) Delivery of goods against a b/l the carrier reasonably believes to be genuine.




Bill of lading clauses

- These clauses have created confusion in the banks and as a result some banks have refused to accept this type of Bills of Lading while others continue accepting the documents.
- International Chamber of Commerce has also objected to this type of clauses appearing on the face of the b/l as they feel it dilutes the International Negotiability of the B/L.



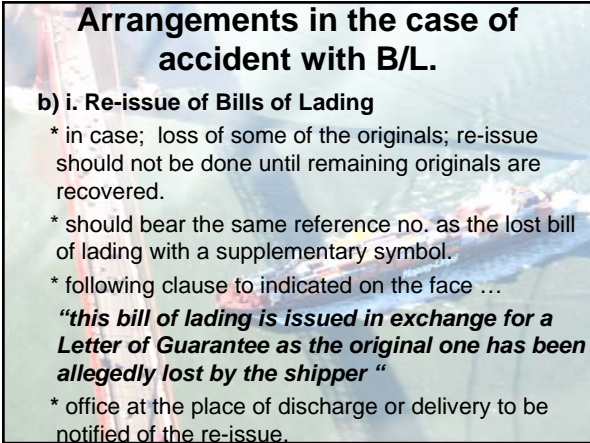
Comment

- **NO PARTY IS ABLE TO COMMENT ON THE RIGHTS OR WRONGS OF CARRIERS CHANGING THEIR B/L WORDING TO FACILITATE THE RELEASE OF CARGO. SHIPPING LINES ARE OBVIOUSLY ENTITLED TO CHANGE THE WORDINGS OF THEIR BILLS OF LADING, AND BANKS HAVE A RIGHT TO ACCEPT OR REJECT THOSE BILL OF LADING. WHETHER OR NOT THE CHANGED WORDINGS WILL HAVE THE DESIRED EFFECT AND PROTECT THE SHIPPING LINES FROM CLAIMS IS A QUESTION FOR COURTS OF LAW TO DECIDE**



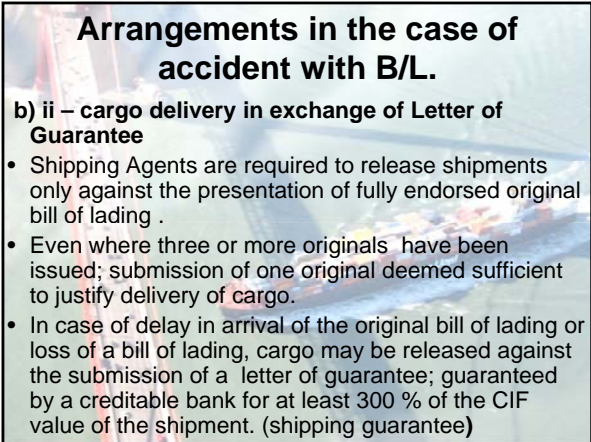
Arrangements in the case of accident with B/L.

- **If the full set of original bills of Lading is lost/misplaced or delivery in exchange of L/G is requested.....**
- a) **Identification of rightful party.....**
 - * person requesting re-issue needs to be identified as the rightful claimant.
 - * for identification - demand for documentary evidence.
 - i.e. sales contract, invoice, referring to the L/C issuing bank.



Arrangements in the case of accident with B/L.

- b) i. **Re-issue of Bills of Lading**
 - * in case; loss of some of the originals; re-issue should not be done until remaining originals are recovered.
 - * should bear the same reference no. as the lost bill of lading with a supplementary symbol.
 - * following clause to be indicated on the face ...
 - “this bill of lading is issued in exchange for a Letter of Guarantee as the original one has been allegedly lost by the shipper “**
 - * office at the place of discharge or delivery to be notified of the re-issue.



Arrangements in the case of accident with B/L.

- b) ii – **cargo delivery in exchange of Letter of Guarantee**
- Shipping Agents are required to release shipments only against the presentation of fully endorsed original bill of lading .
- Even where three or more originals have been issued; submission of one original deemed sufficient to justify delivery of cargo.
- In case of delay in arrival of the original bill of lading or loss of a bill of lading, cargo may be released against the submission of a letter of guarantee; guaranteed by a creditable bank for at least 300 % of the CIF value of the shipment. (shipping guarantee)



Arrangements in the case of Accident with B/L.

- c) **Bank’s letter of joint guarantee, and requirements thereon.....**

