Bill of Lading - what is it and why is it important..??

A Bill of Lading has 3 basic purposes or roles..

1. **Evidence of Contract of Carriage**
2. **Receipt of Goods** and
3. **Document of Title**

Let's examine these roles in more detail..
1) Evidence of Contract of Carriage - emphasis on the term "Evidence".

Many people think that a B/L is a Contract between the Seller and the Buyer and many also think that a B/L is a Contract of Carriage between the Carrier and Shipper.

Both notions are wrong.

The contract between a buyer and seller was already established when the buyer placed the order with the seller and they both discussed and agreed (verbally or in writing) the what, where, when, how and how much of the transaction in detail.

The contract between a shipper and the carrier was already established when the shipper or his agent made a booking with the carrier (shipping line) to carry the cargo from A to B.

The B/L is the EVIDENCE of the contract of carriage entered into between the "Carrier" and the "Shipper or Cargo Owner" in order to carry out the transportation of the cargo as per the contract between the buyer and the seller.

2) Receipt of Goods - emphasis on the term "Receipt".

A B/L is issued by the carrier or their agent to the shipper or their agent in exchange for the receipt of the cargo. The issuance of the B/L is proof that the carrier has received the goods from the shipper or their agent in apparent good order and condition, as handed over by the shipper.

3) Document of Title - emphasis on the term "Title".

Technically it means that whoever is the holder of the bill of lading has the title to the goods (rights to claim the goods). However, this title varies according to the way in which the bill of lading has been consigned, which we will discuss in detail below.

Based on the above roles, there are several variations of the Bill of Lading (let's call it Types), important among which are as below.

1) Straight Bill of Lading - is a B/L issued in Original(s) to a "named" consignee and therefore is a NON-NEGOTIABLE & NON-TRANSFERABLE DOCUMENT. Release of cargo at destination must be issued ONLY to the named consignee and ONLY upon surrender of all the original bills issued.

This bill of lading satisfies roles 1 & 2 above fully and satisfies role 3 (Document of Title) ONLY for the named consignee and no one else, as this document is non-negotiable or transferable. This means that no one other than the named consignee can claim the title of ownership of the cargo.

2) Seaway Bill of Lading - is a B/L similar to a Straight Bill of Lading and is also a NON-NEGOTIABLE DOCUMENT. But the similarity ends there.
A Seaway B/L is usually issued

1. for inter company shipments like from ACME Company Hollywood to ACME Company in the Middle of the Australian Outback or
2. where the shipment takes place between two different companies but there are no negotiations required between the two either directly or via bank for release of the cargo and
3. the shipper doesn’t need to submit an original bill of lading to anyone to secure his payment

No originals are issued in the case of a Seaway B/L and therefore no surrender is required.. This bill of lading satisfies roles 1 & 2 above and does not satisfy role 3 (Document of Title) as the document is not negotiable.. As there are no originals issued for this type of bill, the release is termed as an Express Release and is mentioned as such on the body of the bill of lading and manifest.

3) Negotiable Bill of Lading - is a B/L issued in Original(s) and maybe consigned "TO ORDER" or "TO ORDER OF SHIPPER" or "TO ORDER OF XYZ BANK" (where Letter of Credit maybe involved).. Also known as an Order Bill..

One of the most important aspects of a bill of lading is that it can be used as a negotiable instrument for payments between a buyer and seller using Letter of Credits.. You can read how a Letter of Credit works here..

A negotiable bill of lading must be treated like gold and due care must be taken not to lose it.. There are several cumbersome procedures to be followed if an original bill of lading is lost..

Another notable feature of this type of B/L is that it contains the Terms and Conditions of the Carrier on the 1st Page of the B/L.. The 1st page is what we all commonly refer to as the "back of the bill of lading".. Seaway bills issued by some carriers do not have these Terms and Conditions on the back..

Destination port agent may issue release of cargo only after at least 1 of the issued originals are surrendered and after checking the endorsements on the back of the bill of lading as it is possible for this type of bill of lading to be endorsed or transferred to another company.. This bill of lading satisfies all of the above 3 roles.. Read the permutation and combination regarding the consignee in one of my previous articles..

There are also various ways in which the bill of lading is termed or titled, the purpose of which is to identify the carrier's responsibility in terms of the carriage..

Below are some of the ways in which a bill of lading is termed or titled..

1) Port to Port Bill of Lading - When a B/L is issued as a Port to Port B/L (also known as Ocean Bill of Lading), the carrier's responsibility begins at the port of loading and ends at the port of discharge and therefore the Place of Origin/Receipt or Place of Destination/Delivery
should not be mentioned in the B/L. Read - [Parts of a Bill of Lading - Part 2](http://shippingandfreightresource.com/)

2) **Combined Transport Bill of Lading** - When a B/L is issued as a Combined Transport Bill of Lading, it involves multiple modes of transport from the Place of Receipt to Place of Delivery and all these movements are carried out as a single contract by multiple service providers under the employ of the carrier.

Carrier takes responsibility for any loss or damage for the entire transport including the sea and other mode of transport.

Read - [Intermodal vs Multimodal - what is the difference?](http://shippingandfreightresource.com/)

3) **Multimodal Transport Bill of Lading** - Same as Combined Transport Bill of Lading.

4) **Through Bill of Lading** - Similar to Combined Transport Bill of Lading except that in the case of the Through Bill of Lading, the carrier is directly responsible only for the sea leg and for the inland movement they act as an agent in arranging the inland movement.

The terms on the Through Bill of Lading issued by the carrier will specifically state this, in such a bill of lading.

When a bill of lading is released as a Through Bill of Lading, the boxes like "Pre-Carriage by", "Place of receipt by pre-carrier", "Place of delivery by on-carrier", "On-Carriage by" etc will be filed in.

Another misconception that most people have is terming a bill as Telex Release Bill of Lading. There is no such term. [Read more about what a Telex Release is by clicking this link](http://shippingandfreightresource.com/).

Do you know of any other document as versatile and varied like a BILL OF LADING!!