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## UNIT-III/TRADE DOCUMENTATION/II B.A. ECONOMICS (EM)

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### I. TRANSPORT DOCUMENTATION & ITS IMPORTANCE IN INTERNATIONAL TRADE

Those exporters (or potential exporters) who are not fully familiarized with the nuances of international trade transactions may be unaware of the importance that **transport documentation represents. To explain it, let's start with the basics. In this sense, an analogy with post service is useful.**

Let's think of the document as a person who is mailing a package. This person goes to the post office, and hands over the package. The postal worker looks at the package, and verifies its condition, ensuring that it is properly sealed and suitable for shipping. The postal worker then weighs it and measures it to determine the shipping cost. Once the shipping costs have been paid, the sender receives a receipt (an airway bill or print receipt) with the corresponding breakdown of what was paid for. This creates duties and responsibilities for the postal service, because they must now deliver the package to the correct location, and only to the person named as the recipient. Also, as specified on this receipt, the sender is to receive a notice that the package was received. The postal service retains a copy of the airway bill or receipt, which indicates the specific recipient to receive the package, with the right to receive the package, as designated by the sender. That package can only be delivered to the recipient, as indicated on the receipt.

How does this example of sending a package from the post office relate to that of an international export transaction, where we are no longer talking about a single package but rather a full container of merchandise, with a declared value of several thousand dollars or more. There are several similarities, although rather than a simple receipt from the post office, a much more valuable document is involved, which is called a "transport document."

It could be said that the transport document is the document issued by the carrier when it takes possession of the merchandise, which is delivered to the sender. The transport document represents the freight carrier's commitment to transport the merchandise to a specific destination, under certain conditions, in exchange for a monetary sum. It should be added that the shipper must include in this document, as indicated by the sender, a list of recipients, whether an individual or legal entity, entitled to claim the shipment at the place of destination.

As such, why is the transport document so important? It is important because:

**It represents the contract of carriage**, containing the conditions that pertain to the shipping transaction. It should be noted that it will contain all of the terms and conditions under which the transport operation will take place;

**It is proof that the merchandise has been delivered for transport**; the seller can demonstrate this to the customer, which is the only way the buyer could get their hands on this document.

**It shows that the goods were delivered in good conditions.** The freight carrier would not accept any merchandise that is visibly damaged or contains noticeable flaws, notifying the exporter of the situation. In the event that the freight carrier notices damage or flaws, the transport document becomes known as a “dirty” transport document, with the perceived damage noted at the time of delivery.

**It shows the ownership of the goods**, determining who is authorized to present themselves at Customs to receive the merchandise. In the case of maritime transport, the transport document is called a “Bill of lading,” known by its initials, BL. This document represents other values for the recipient named, as it allows the transmission of ownership of the goods. It is to say that this document allows the purchaser of the goods to transmit the ownership of it to someone else, often endorsing BL, so the second purchaser to carry out the importation.

In the case of air transport, the document used is called an “air waybill,” often referred to by its initials AWB, which is a receipt issued by an international airline for goods and an evidence of the contract of carriage, but it is not a document of title to the goods. Ground transportation uses a document called a consignment note – carriage of goods by road or an inland rail waybill. Unlike the bill of lading, air and land transport documents do not allow the transfer of ownership (i.e., they are not a document of title to the goods), given the relatively short transit time.

In summary, the importance of the transport document, in any of the modes of transport used is as follows:

- It allows whoever is nominated to claim the goods before the Customs authorities upon their arrival;
- It makes it possible to observe the conditions of the contract of carriage;
- It shows that the merchandise has been delivered without suffering apparent damage;
- And in the case of maritime transport, this document makes it possible to transfer ownership of the goods through a simple endorsement.

Without one of these documents, the recipient of the goods would not be allowed to claim the goods at Customs. Delays in obtaining transport document generate costs and delay the release of goods.

Finally, there are several aspects of these documents of particular importance:

- **Issue date:** The date of the transport document represents the “date of boarding” of the cargo, which often arises as a condition in the sales agreements, or in the means of payment. This date needs to be kept in mind because the compliance or breaches of the conditions agreed depends on it.
- **Description of the merchandise:** The document should include a full and accurate description of the merchandise that must match the invoice, certificate of origin, packing list and other documents related to the operation.
- **Weight and volume:** It is important the weight and volume of the freight be declared correctly and with precision; they should be the same at the time of arrival of the cargo to the destination port. If the weight of the shipment upon arrival does not coincide with the amount indicated on the shipping documents, the release of the shipment could be delayed or subject to other inconveniences.
- **Payment terms:** The document of transport usually indicates if the freight is paid, or if the freight will be paid at the destination by the consignee of the merchandise.
- **Corresponding signatures:** The document must be duly signed by the carrier or agent. It is their duty to assign a value to the cargo.
- **Notices:** The transport document usually indicates who should be notified once the shipment arrives at port. The person to be notified may be the consignee or a third party.
- **Consignee’s information:** The consignee’s correct information should be included on all documentation, mainly the company’s name and contact information.
- **Full set of copies:** Three original copies of the transport documentation should be issued. In this regard, the recipient of the merchandise should receive one complete set, as a document that represents the ownership of the merchandise.

## **II. MULTIMODAL TRANSPORT**

Multimodal Transport is the combination of different means of transport, in order to facilitate the movement of cargo, i.e. making it faster and more efficient.

When it comes to this mode of transportation, there is more than one kind of vehicle necessary to take the goods to their final destination, by the use of trucks, trains, ships, airplanes or some other mean of transport for the delivery.

The advantage of Multimodal Transport lies in the most efficient combination of multiple means of transport, whilst optimizing deadlines, cutting back on inventory costs, therefore keeping the costs of the merchandise under control. The combination of these also results in high environmental sustainability, since Multimodal Transport reduces the environmental footprint of transportation.

Despite the support of environmentalists and cargo transportation experts, multimodality might induce certain costs through the use of modal interfaces, such as transshipments, handling, etc. However, you may hire a Freight Forwarding Company that provides an interface between the various types of transport, without getting the Importer or the Exporter involved in this exchange.

For more complex shipments, or a more thorough exploration of the quality/price ratio of each part of the transportation, multimodal transport is a good, often the only, option to consider, especially to/from countries that do not border on the sea.

### **What are the benefits of multimodal transport?**

Multimodal transport can benefit many businesses that ship large amounts of freight on a regular basis. The main reason why companies prefer multimodal is that it requires less time and effort. All the shipments are under a single bill and are usually managed by an external party. Other than saving money and time, there are many reasons your company should choose multimodal transport when planning your next shipment, including:

## **Time savings**

Since in multimodal transportation one shipping provider handles the entire process, you'll only have to communicate and get a report from one company. This ensures less worrying about the shipment, and faster transit times, which eventually result in higher productivity.

## **Cost-efficiency**

It may seem like picking carriers with the lowest price is definitely a more profitable option. However, the lowest price is not always the greatest deal. Intermodal transport involves not only different contracts and carriers but also multiple shipment insurances. A much easier logistics coordination within multimodal can help you save a significant amount of money on transportation.

## **Less worrying**

When a single carrier handles your freight from door to door, it ensures easier communication and efficient tracking. It delegates a larger piece of responsibility and liability to the company coordinating your logistics.

## **Easier Communication**

When companies ship through multimodal transportation, they handle all shipping updates, delays and interactions through one provider and contract. This gives shippers ease of mind and simplifies the process of communicating between different contacts and carriers. Essentially, when you have one person responsible for the entire transportation chain, it's much easier to just focus on the business and not spend time bouncing from one call to another.

## **Faster Transit Options**

Due to new restrictions on truck drivers on driving hours and other regulations, some longer haul shipments are not as fast as they once were. The combination of different transportation modes under one contract lets you have a piece of mind and balance transit time. That way, you avoid drivers driving too long and therefore bypass shipping delays. Giving companies more options for their shipment gives you control and flexibility over the loading and unloading process.

Ultimately, multimodal transport helps guarantee consumers on-time deliveries and true cost savings. Whether you are shipping by air, rail or barge, multimodal shipping can be a solution for you.

## **What are the Differences between Multimodal and Intermodal**

### **Transport?**

Based on the descriptions above, it's rather obvious that the major difference between multimodal and intermodal transport is the movement of the product itself. However, there are some additional differences that all shippers should be aware.

During a multimodal shipment the shipper will create a single contract of carriage. This contract will protect the freight during door-to-door, port-to-door, or door-to-port delivery. Essentially – it's a single carrier for a single journey from the point of origin to destination. The benefit of this type of movement is that the shipper can simplify the communication process by working with an individual carrier or agent who will ensure their products are shipped safe and efficiently. They will also receive clear communication with shipping updates, tracking notifications, and more.

The intermodal shipment on the other hand might involve one container, but they'll have to create multiple contracts with individual carriers. For example, if a manufacturing company is shipping their products from a US location to a customer in Japan, they will likely require truck movement and ocean shipping services. This will generally require two different carriers – which will result in two specific contracts. While the container will be transferred, an intermodal shipment can create paperwork control issues – since there are multiple contracts in place. However, a significant benefit to this mode of shipment is that the shipper has the flexibility to choose their carriers for each leg of shipment.

In the end, each shipper will need to determine which method of transportation is best suited for each individual movement. The great news is that a professional 3PL can help you determine which mode is best – and actually manage all aspects of your freight movement.

The Bulk Cargo requires shipping services in which large quantity of one type of cargo can be carried at low per unit cost. These services are provided by carriers known as Tramps. Quite naturally, there are different types of tramp ships to carry different kinds of bulk cargo. On the other hand, carriers which provide regular and scheduled shipping services to carry heterogeneous cargo suiting the marketing requirements of General Cargo are known as Liners. A liner ship is built and run to satisfy the transport demand of a variety of cargos.

### **III. LINER & TRAMP**

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**Cargo ships fall into two further categories that reflect the service they offer to the industry. These are Liner & Tramp services.**

#### **Liner:**

1. Cargo liner runs on fixed schedules & fixed tariff published by the shipping companies
2. Each trip a liner takes is called voyage
3. Liner mostly carry a general cargo
4. Some liner cargo also carry passengers
5. A cargo liner that carries 12 or more passengers is called a combination or passenger-cum-cargo liner

#### **Liner Conference:**

- It is an organization whereby a number of ship owners offer their services on a given sea route on the conditions agreed by the members.
- This kind of association is formed to restrict the competition amongst members & also protecting them from outside competition.

- Conference agreements also regulate sailing & ports of calls. Their chief policy is to achieve a common tariff of freight rates for the traders.
- The shipping companies belonging to the conference held a regular meeting to decide freight rates & discuss other related issues.
- The origin of the conference is basically as a result of cut throat competition among the shipping companies.

### **Advantages of Line conference:**

- Avoidance of wasteful competition
- Stability of rates which enables merchants to make forward contracts for goods & so diminishes undesirable risk & uncertainty in International Trade.
- Regular & Frequent sailings, this helps merchants to plan their shipments in advance.
- Equality of treatment. Freight is same for big & small.
- Coverage of wide range of ports.
- The elimination of price competition leads to service competition among the members, updated equipment of cargo handling & office organization.

### **Tramp**

1. Tramp carrier is primarily designed to carry the more simple and homogeneous cargo in huge quantity. It is, therefore, designed to completely utilize its carrying capacity for carriage of one type of cargo.
2. Tramp ships do not have fixed schedules.
3. Sailing based on cargo available.
4. No expected repetition.
5. Freight rates vary according to the demand & supply



6. Generally, operated by small shipping companies & private individuals.

### **Tramp Shipping:**

- Voyage charter:

- Here, ships are chartered for a specific voyage. Normally, traders prefer voyage chartering

- Time charter:

- Here, ships are chartered for a specific period. The charterer may employ the ship in his voyage according to his requirement.

- Demise charter:

- It is an arrangement for the chartering or hiring of a ship or boat, whereby no crew or provisions are included as part of the agreement; instead, the people who rent the vessel from the owner are responsible for taking care of such things.

### **Difference between Liner & Tramp Shipping**

<b>Liner Shipping</b>	<b>Tramp Shipping</b>
1. Regular sailing on predetermined routes	1. Sailing based on cargo available
2. Repetition of voyages & advertising for the same	2 No expected repetition. Each ship scheduled individually.
3. Cargo usually is varied. Either containerized or Non-containerized	3 Normally, a full ship is loaded with a single commodity
4. Cargo normally is of higher value & one charged higher rates.	4 Have low intrinsic value. These goods can be transported in bulk.
5. Because of a variety of cargo, it is supposed to be delivered at a different port.	5 Here movement of the goods is from single port of loading to single port of discharge.
6. Freight rates are stabilized	6 Freight rates varies with demand and supply situation

## **IV. ROLE OF CLEARING AND FORWARDING AGENTS**

Export-import procedures are very complex and time-consuming. Therefore, every exporter should avail the services of Clearing and Forwarding (C&F) agent who are expert and well versed with the customs and shipment procedures. For smooth and timely shipment of goods, the exporter must appoint a competent C&F agent who is able to, inter alia, provide the following services:

### **Essential Services:**

- (a) Transportation of goods to docks and arrangement of warehousing at port.
- (b) Warehousing facilities before the goods are transported to docks.
- (c) Booking of shipping space or air freighting and advice on relative cost of sending goods by sea and air.
- (d) Arrangement for loading of goods on board.
- (e) Equipped with information on shipping lines and freight to different destinations, and various charges payable by exporters.
- (f) Obtaining marine insurance policies.
- (g) Preparation and processing of shipping documents, Bills of Lading, Dock Receipt, Export Declarations, Consular Invoice, Certificate of Origin, etc.
- (h) Forwarding of banking collection papers.

### **Desirable Services:**

- (a) Storage facilities abroad, at least in major international markets, to warehouse the goods in case importer refuses to take delivery on any account.
- (b) Can trace the goods, if shipment goes astray, through his international connections.

(c) Arrangement for assessing the damage to shipment enroute.

## **Role of Customs Clearing and Forwarding Agent in foreign exchange**

Clearing and forwarding marketers are a link among the proprietors of products and proprietors of means of transport. They assist the shipment owners in the efficient movement of products to the consumers via finishing some procedural and documentary formalities. they're specialists and knowledgeable in legal guidelines and regulations governing shipment of goods thru the customs government in addition to in industrial practices, specifically those concerning delivery. because they may be in steady contact with numerous government officers, they keep themselves abreast with the trends in the field of their hobby.

In addition to those capabilities, the retailers can undertake a number of activities inclusive of marking, labeling and packing of goods, arranging internal transport, advising exporters on trade laws and price quotations in addition to on traits within the field of the carriage, document responsibility disadvantage claims on behalf of the exporters, and so on. In truth, the sellers can carry out all sports except perhaps promoting the goods. mainly, the dealers act as troubleshooters for the exporters inside the case of movement troubles.

### **We are able to categorize the diverse activities of Clearing and Forwarding Agent in the following agencies:**

- Advising exporters on change legal guidelines
- Offering shipping and handling fee information
- Packing, marking and labeling
- Arranging delivery
- Finishing customs and port formalities
- Getting ready and shopping files
- Teaching exporters on trends in transportation.

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