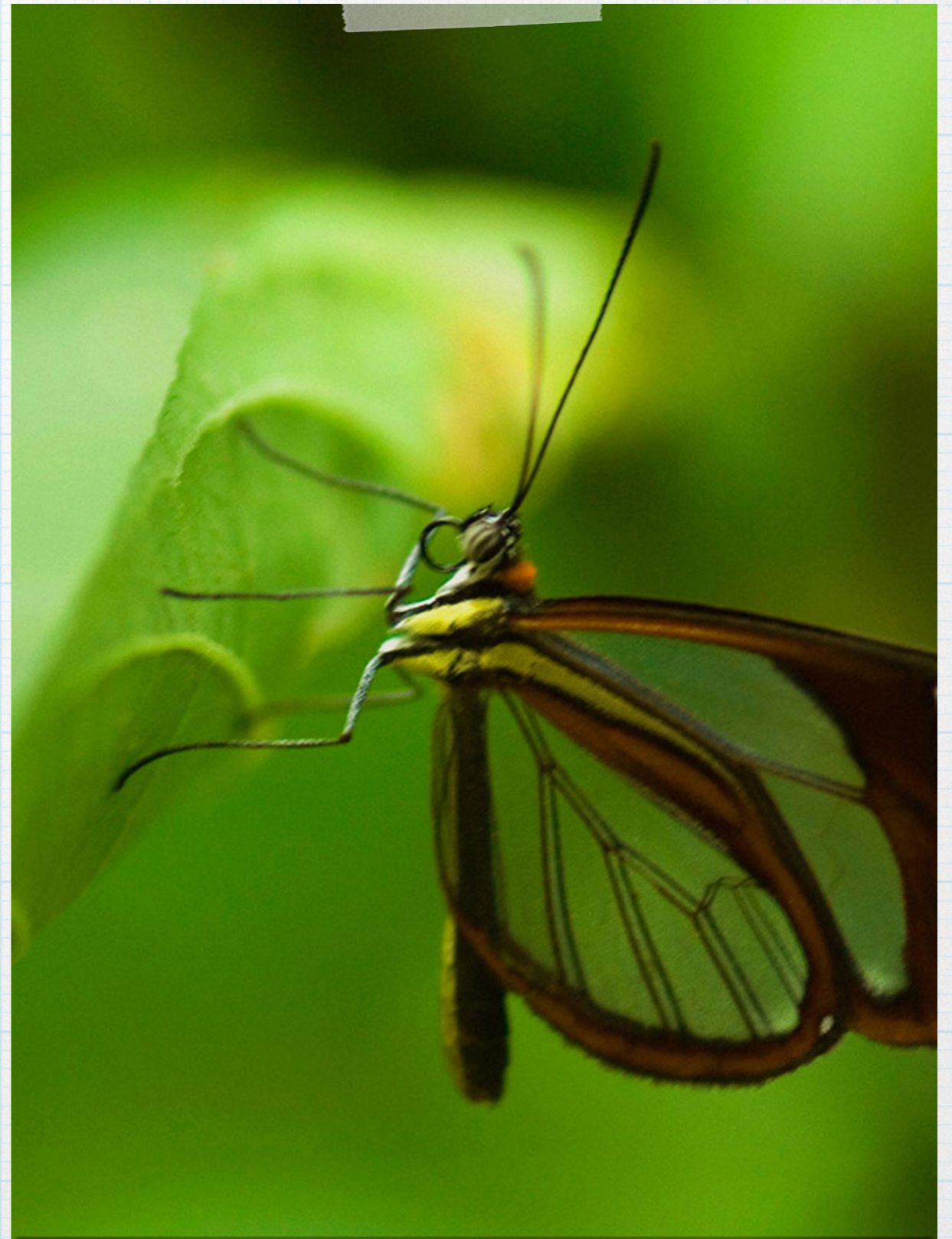


# NVOCC software

This is a presentation of shipping  
containerised cargo by sea

by Rosi Dimova  
[pocu79@icloud.com](mailto:pocu79@icloud.com)



# Introduction

- \* Movement of goods
- \* Path of documents
- \* Connection with Incoterms 2010
- \* Path of money
- \* Path of B/L

# Movement of goods

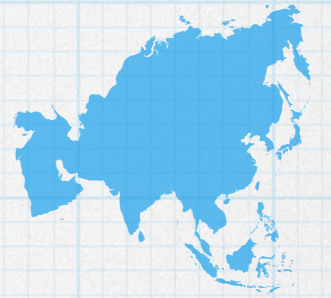
Main involved parties:

- \* **Seller of goods** - a manufacturer or trading company called shipper or consignor
- \* **Buyer of goods** - an importer or trading company called consignee (cnee)
- \* **Shipping line** - actual ocean carrier operating mother vessels and feeders by sea from port to port and organising the transshipment of containers if necessary
- \* **Freight forwarder** - a freight-forwarding company or NVOCC (non-vessel operating common carrier) used as mediator in intermodal transport from point to point and issues or collects bills of lading (B/L)
- \* **Other parties** - Customs agencies, tracking companies, customs agents, insurance companies, banks, vessel/feeder operators, port authorities, national revenue agencies and others

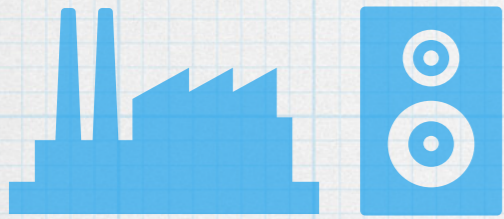
# Basic trade deal



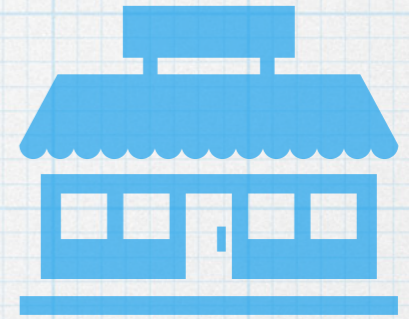
Origin



Destination



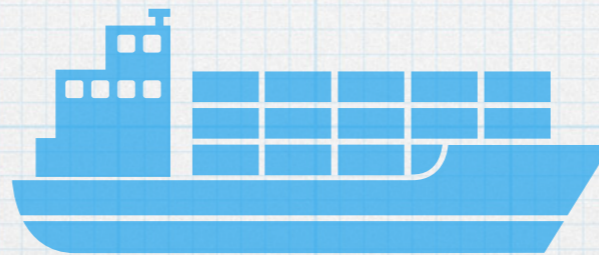
Manufacturer or  
merchant (shipper)



Buyer (consignee)



Port of loading  
(POL)



Mother vessel  
or feeder



Port of discharge  
(POD)

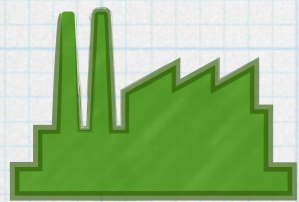


# Incoterms®

- \* Incoterms® are the standard terms for international trade that define the ownership of the goods and the responsible party at every point of the transportation
- \* Most used terms for containerised cargo are: EXW, FOB, CFR/CIP, DAP
- \* This is how they take place in ocean transport

# Incoterms® explained

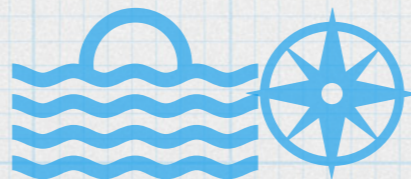
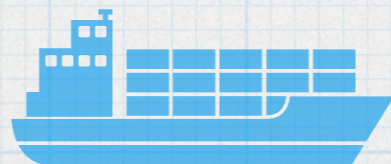
Origin



Shipper

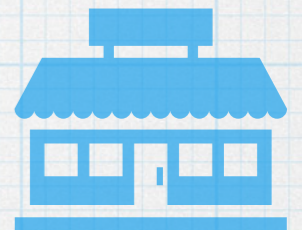


Port of loading  
(POL)



Port of discharge  
(POD)

Destination



Consignee



EXW (ex works)

Shipper releases the goods to consignee from factory door and doesn't take any responsibility during the transport. Consignee takes the full responsibility during transport

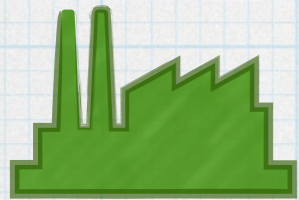
Hint: EXW for ocean transport is not the best trading option: neither for shipper, nor for consignee.

**Shipper** loses any control over the goods and documents, especially if consignee meets any difficulties to clear the cargo at destination.

**Consignee** takes too many risks and pays higher freight, especially if not acquainted with specifics at origin.

# Incoterms® explained

Origin



Shipper



Port of loading  
(POL)

FOB (free on board)

Shipper releases the goods from board of the mother vessel and is responsible until the container is loaded on the first sea/ocean vessel

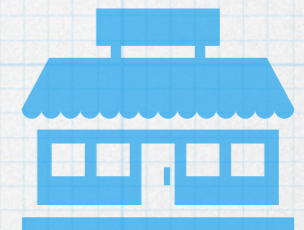
Consignee takes the responsibility and risks over the goods for ocean transport and delivery to destination

Hint: FOB for ocean transport is the best trading option for starting new business

**Shipper** keeps control over the goods and documents at origin and is able to react fast to any unexpected circumstances at origin

**Consignee** takes the control and responsibility from the board and can react to any risks arisen during the ocean transport

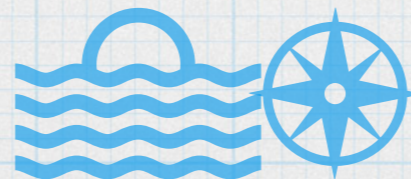
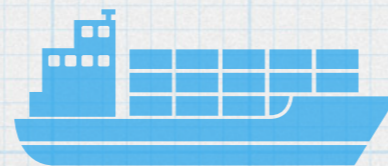
Destination



Consignee

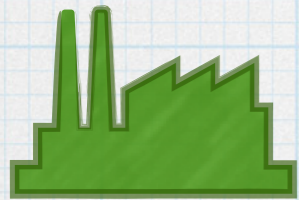


Port of discharge  
(POD)



# Incoterms® explained

Origin



Shipper



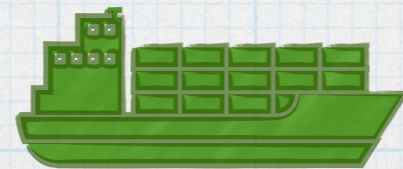
Port of loading  
(POL)

CPT (Carriage Paid To) / CIP (Carriage And Insurance Paid To)  
Shipper releases the goods to consignee just when the container arrives at POD and is responsible for any risks during ocean transport

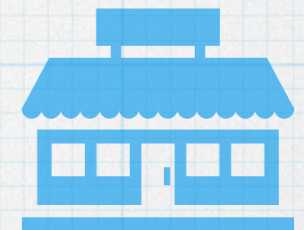
Consignee takes the responsibility and risks over the goods for delivery to destination

**Hint:** CPT/CIP for ocean transport is the best trading option for running business between trusted parties. It enables them to lower the transport costs. Insurance reduces different risks  
**Shipper** keeps control over the goods and documents for most of the time

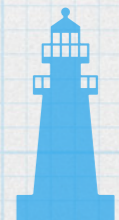
**Consignee** takes the control and responsibility when container arrives at POD



Destination



Consignee

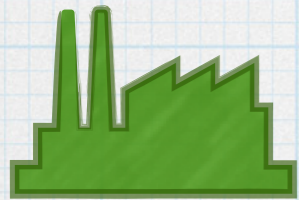


Port of discharge  
(POD)



# Incoterms® explained

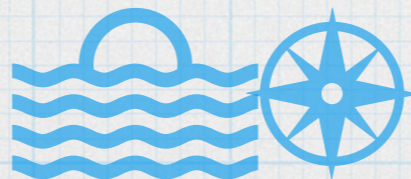
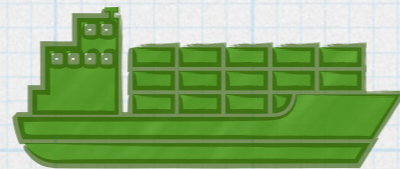
Origin



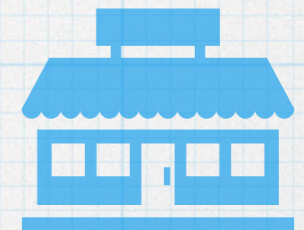
Shipper



Port of loading  
(POL)



Destination



Consignee



Port of discharge  
(POD)

DAP (Delivered At Place)

Shipper takes the full risk and responsibility during transport

Consignee is responsible for clearing the commodity at destination and other legal formalities

**Hint:** DAP is preferred option for running and sustainable business which allows the consignee to focus on distribution of the goods at destination

**Shipper** keeps full control over the goods and documents

**Consignee** takes the control and responsibility when cargo arrives at destination

# Path of documents

During transportation there are several types of documents exchanged:

- \* Commercial documents such as invoice, packing lists, various certificates, insurance
- \* Transport documents as bill of lading (B/L), forwarders certificate of receipt (FCR)
- \* Payment documents as documentary collection, letter of credit, wire transfer or any other proofs of payment
- \* Official documents as export/import customs declarations, ENS/FMS/AMS manifests and others
- \* Internal documents for carriers, feeder operators and port authorities such as loading lists, cargo and freight manifests, mate's receipts

# Bill of lading

The bill of lading is the main transport document, that binds all others documents in international trade. Basic functions are to serve as contract of carriage, to describe the commodity, identify the shipper, mention POL, POD and others.

Its most underestimated function is the appliance as a security.

**\* NB: whoever is holding the originals of the B/L is in a possession of the merchandised goods.** Thus, originals shall be always treated carefully. But local legislations set a time frame to the holder of the B/L to claim the commodity.

# Special functions of B/L

From this basic function originate the others, that doesn't exist in road or air transport:

- \* B/L is **transferable** by endorsement. It means the holder, with agreement of shipper, is entitled to sell the goods or even redirect them to other destinations (also known as COD - change of destination) or send goods back to origin. If the B/L is issued To order, any party at destination can obtain the goods if all three originals are surrendered endorsed to the carrier
- \* B/L is **negotiable**. This is the way that shipper and other involved parties recognise the actual owner of the goods at current time no matter of the agreed terms of trading or completed payments (document of title). Whoever is holding the originals is the owner of the goods.
- \* B/L is issued by the carrier at origin and shall be collected by appointed agent at destination, shown on the B/L. No one is allowed to keep any of the three originals, because they belong to the carrier as proof for completed transport and delivery. If any of the originals is lost or missing, the consignee shall sign letter of indemnity to carrier
- \* If trading terms are EXW and there is a letter of credit (L/C) for payment, shipper is not entitled to hold the originals as he is not responsible for the transport. The carrier shall provide FCR (forwarder's certificate of receipt) as proof for accepted shipment and contract of carriage

# Mandatory elements of B/L

\* The following components are compulsory to each B/L:

- Issuing party - carrier or freight forwarder who receives the cargo for shipment at origin; full style of contacts, reg. numbers and others
- Delivery agent - agent at POD appointed by the issuer to handle the shipment at destination and to collect the originals; full-style is also required
- Number of B/L, POL, POD, ocean vessel, place and date of issue, mode of transport
- Full-style of shipper's contact details
- Consignee - could be real person/organisation or remains unknown until the container reaches destination, if issued To order
- Description: container number(s), marks and numbers on the packaging, container seals, cargo description, number of packages, weight and measurement (volume of the commodity)
- Terms of payment of the transport only (freight) - prepaid or collect.
- The conditions of the contract of carriage are usually on the back side of the originals and are considered as first page of the bill of lading. Parties involved in commercial deal endorse the folder on this page

\* Non-compulsory elements: notify party, place of receipt or delivery, invoice, tax numbers and filings

# Types of B/L

A. Depending on the issuer there are two types B/L:

1. Master B/L (MBL) - issued by shipping line, the actual ocean carrier
2. House B/L (HBL) - issued by NVOCC or regular freight-forwarder

The MBL is only one, but there is not limitation in numbers of HBL, as long as consistency is preserved and issuing rules are kept

B. Depending on the medium that bears the contract of carriage:

- Original B/L - issued on paper, always in three originals and copies are available on request
- Sea waybill (SWB) - electronically issued by using the means of computers and networks.

**Note:** SWB refers to MBL only, issued by the shipping line. Freight-forwarders use other term for it - express release.

C. Depending on the actual location and state of the trading deal:

- Surrendered B/L or telex release - shipper is still holding the originals when the goods arrive at POD and releases the commodity to consignee by surrendering the originals to the issuing party
- Collected B/L - when consignee is holding the originals and hands them over to the agent at destination to receive the commodity

D. Depending on the document of title of goods:

- Straight B/L - shows the real shipper and real consignee
- To order B/L - shows shipper but consignee is unknown; always use notify party to communicate the shipment

# Special types of B/L

- Switch B/L - when B/L is re-issued: change of shipper, consignee, POL/POD
- Split B/L - whenever consignee or notify party request to split the shipment to several
- Second leg B/L - if commodity is devanned and containerised at any point of transshipment. It is used to keep the consistency of the carriage by adding the new credentials as container number, carrier' seal and others
- \* NB: In any case the contents of the new B/L shall conform the contents of the first B/L. Sometimes shipping lines require: company guarantee, bank guarantee, letter of indemnity or other documents. Limitation of liability may vary up to 150% of CIP value. The applicant (merchant) shall apply not later than couple of days before vessel's arrival at the destination port of the initial B/L.

# Modes of transportation

Transport modes define the area of responsibility of the carrier.

\* Basic modes are:

- FCL-FCL (full container load) - most frequently used
- LCL-LCL (less than container load) - for smaller shipments
- CY-CY (container yard) - carrier accepts FCL and takes the responsibility over the cargo from CY of receipt to CY of delivery. Shipper is responsible for loading and consignee - for unloading
- SD-SD (store door), aka Door-Door

\* Combinations of the basic modes:

- CY-SD
- SD-CY
- CFS-CFS (container freight station)



# Modes as per shipping lines - FCL

Origin



Producer or merchant  
(shipper) = **SD (door)**



 Export customs



Port of loading (POL)  
**Container yard (CY)**



On board



Destination



Buyer (consignee) =  
**SD (door)**




 Import customs



Port of discharge (POD)  
**Container yard (CY)**

# Shipping lines terms - FCL

Origin 

Shipper = Door



Export, T1, T2L

Destination 

Consignee = Door



Import, T1, T2L

 Liner-in (LI)




Port of loading (POL = CY)  
Terminal handling charges  
(OTHC)

Free-in  
(FI) 

On board = FI-FO



Free-out  
(FO) 

Liner-out (LO) 



Port of discharge (POD = CY)  
Terminal handling charges  
(DTHC)

# Forwarding terms - FCL

Origin   

Shipper = Door =  
Store door (SD)

Destination  

Consignee = Door =  
Store door (SD)

  Free on truck (FOT)



  Free on truck (FOT)



Customs clearance (CC)



Customs clearance (CC)


 Liner-in (LI)

Liner-out (LO) 




POL = CY  SOON OTHC  
Port operations

On board = FI-FO

Free-in  
(FI) 







Free-out  
(FO) 



POD = CY  SOON DTHC  
Port operations

# Forwarding terms - LCL

Origin    



Shipper = **SD**

Destination  

Consignee = **SD**

  **FOT**



  **FOT**

 **CC**

**CFS = Container freight station**



**CFS = Container freight station**




 **CC**

 **Liner-in (LI)**

**Liner-out (LO)** 




**POL = CY**  **SOON** **OTHC**  
**Port operations**

**On board = FI-FO**

**Free-in (FI)** 



**Free-out (FO)** 




**POD = CY**  **SOON** **DTHC**  
**Port operations**



# Connection with Incoterms®

- \* Shipping terms both Full container load (FCL) and Less than container load (LCL) correspond to trading terms as defined by ICC (International Chamber of Commerce)
- \* ICC will propose updated Incoterms® as of 2020 this fall
- \* This presentation is valid for Incoterms® 2010 only
- \* This is how Incoterms® 2010 apply for FCL and LCL

# Incoterms® - FCL

Origin 

Shipper = Door = EXW


Destination 


Consignee = Door = DDP

 Free on truck (FOT)




 Free on truck (FOT)


 Export, T1, T2L = FCA


 Import, T1, T2L = DAP

 Liner-in (LI)

Liner-out (LO) 




POL = CY  Port operations

 Free-in (FI) = FOB

On board = FI-FO






 Free-out (FO) = CPT/CIP



POD = CY  Port operations

# Incoterms® - LCL


Origin   

Shipper = Door = EXW

  Free on truck

CFS = Container freight station



 EX, T1,  
T2L = FCA


Destination   

Consignee = Door = DDP

  Free on truck

CFS = Container freight station



 IM, T1,  
T2 = DAP

 Liner-in (LI)




POL = CY  Port operations

 Free-in  
(FI) = FOB

On board = FI-FO



 Free-out  
(FO) = CPT/CIP



POD = CY  Port operations

Liner-out (LO) 

# Path of money

- \* The cargo price includes both commodity price and transport costs (freight) which basically include:
  - Pre-carriage - all inland costs to FOB: loading to truck, customs clearance, OTHC and any detention charges or customs's checks
  - Ocean freight - all ocean and sea costs: OCB (basic ocean freight), different factors, THC and documentation at transshipment ports (if any), customs checks at T/S
  - On-carriage - all inland costs to final destination: DTHC, customs/veterinary checks, taxes, duty, road transport, any detention costs
- \* Other agreed or unexpected costs such as: insurance, letter of credit, bank fees, additional surcharges (peak season surcharge PSS, war risk surcharge), demurrage, storage, detention, documentation fees and others



# Path of B/L

- \* Traditionally the bill of lading is issued by carrier at origin against the goods received for shipment and shall be collected by carrier's agent at destination before cargo release to final consignee
- \* This principle makes carriers accountable for the commodity before the trading parties
- \* Many mistakes in ocean transport occur due lack of understanding of this basic principle and expanding outside or shrinking within the limits of the actual responsibility

# Path of B/L <sup>®</sup> - FOB

Origin 

Shipper = Door




Carrier 

Issuing party

 Liner-in (LI)



POL = CY  SOON Port operations

Original B/L



Destination 

Consignee = Door



Carrier 

Delivery agent

Liner-out (LO) 



POD = CY  SOON Port operations

On board

 Free-in



 Free-out



# Path of B/L <sup>®</sup> - CPT

Origin 

Shipper = Door



Carrier   
Issuing party

Original B/L  
Sea waybill,  
telex release


Destination 

Consignee = Door



Carrier   
Delivery agent



 Liner-in




POL = CY  SOON Port  
operations


 Free-in



 Free-out

Liner-out 



POD = CY  SOON Port  
operations

# Path of B/L <sup>®</sup> - EXW

Origin 

Shipper = Door



Destination 

Consignee = Door



Carrier 

Issuing party

Sea waybill,  
telex release

Carrier 

Delivery agent

↓ Liner-in



POL = CY → Port  
operations

→ Free-in



→ Free-out

Liner-out ↑



POD = CY → Port  
operations

# Comments are welcome

What comes next:

- \* Presentation of main database fields, explanation how L/C actually works, mandatory and non-obligatory components of B/L
- \* Idea for electronically issued B/L following the standards of EDI, GIT (blockchain technology), tracing ocean vessels on the web

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consulted by eng. Katerina Vacheva-Mesrobyan