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DIFFICULTIES IN THE USE OF BILL OF LADING
IN NORILSK NICKEL HARJAVALTA OY

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Tämän opinnäytetyön tarkoituksena oli tutkia vaikeuksia liittyen erääseen merikuljetusasiakirjaan, konossementtiin. Tutkimus toteutettiin Norilsk Nickel Harjavalta Oy:lle, joka on suuri ja kansainvälinen metalliteollisuudessa toimiva yritys. Norilsk Nickel halusi minun selvittävän, olisiko olemassa jotain tapoja vähentää konossementtien käytössä esiintyviä vaikeuksia ja etenkin konossementtiluonnoksiin liittyviä vaikeuksia. Norilsk Nickelillä oli ollut ongelmia konossementtiluonnosten kanssa jo pidemmän aikaa ja yrityksen mielestä oli aika selvittää ongelmat, sillä ne aiheuttivat ylimääräistä työtä ja siitä johtuen ylimääräisiä kustannuksia. Minun tehtävänäni oli tarjota yritykselle erilaisia tapoja hallita ongelmia ja ratkaista niitä.

Valitsin tämän aiheen, sillä Norilsk Nickel tarjosi sitä minulle ollessani työharjoittelussa yrityksessä. Olin huomannut samoja ongelmia konossementeissa työni kautta ja olin todella kiinnostunut asiasta. Halusin oppia lisää konossementeista ja samalla auttaa kollegoitani ja Norilsk Nickeliä ongelmien kanssa. Nämä vaikeudet veivät aikaa ja resursseja useammalta osapuolelta ja yritys tarvitsi ratkaisuja, jotka vähentäisivät työmäärää.

Tämä tutkimus toteutettiin kvalitatiivisena tutkimuksena. Teoriaosiossa olen tutkinut yleisiä vientidokumentteja ja konossementteja yleisellä tasolla. Tämän lisäksi olen kertonut erilaisista konossementeista ja niiden käytöstä. Teoriaosion tieto on kerätty kirjoista, Internetistä ja henkilökohtaisten keskustelujen avulla. Empiirinen osio sisältää haastattelut sekä vientiassistenteilta että laivausoperaattorilta. Kyseinen osio kuvaa konossementteihin liittyviä vaikeuksia yksityiskohtaisesti ja tarjoaa case-yritykselle erilaisia ratkaisuja.

Tutkimustulokset osoittavat, että valtaosa konossementtien ongelmista johtuu varustamon käyttämistä järjestelmistä. Näiden järjestelmien takia konossementtiluonnokset sisältävät joskus loputtoman määrän virheitä, joita on työlästä korjata uudelleen ja uudelleen. Tämä tutkimus osoittaa kuitenkin, että myös Norilsk voi tehdä parannuksia, jotka kohentavat tilannetta. Opinnäytetyön lopussa olen esittänyt joitakin ratkaisuja, joista yritys voi valita heille sopivimman.

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The purpose of this thesis was to study the difficulties related to a sea transportation document called bill of lading. The study was implemented on behalf of a company called Norilsk Nickel Harjavalta Ltd, which is a large international company operating in the metal industry. The case company wanted me to find out if there were some ways to decrease the difficulties related to the use of bills of lading and especially to bill of lading drafts. Norilsk Nickel had had problems with bill of lading drafts for quite some time, and the company felt that it was time to solve the difficulties as they caused additional work and consequently extra costs. My task was to offer the company different ways to manage and solve the difficulties.

I chose this topic because Norilsk Nickel offered this topic to me while I was doing my practical training in the company. I had noticed the same difficulties with bills of lading through my work and I had great interest to the subject. I wanted to learn more about bills of lading and at the same time help my colleagues and the company with the problems. These difficulties took time and resources from a number of parties and the case company needed solutions that would decrease the amount of work.

This study was implemented as a qualitative research. In the theory section I have examined common exporting documents and bills of lading in general and in addition to this, I have presented different kinds of bills of lading and their use. The information on the theory is gathered from books, the Internet and by personal communication. The empirical part includes interviews from export assistants and a shipping operator. The empirical section describes the bill of lading difficulties in detail and provides the case company with different resolutions.

The research findings show, that the majority of the problems in the use of bills of lading are caused by the shipping liner's systems. Because of these systems, the drafts sometimes include an endless amount of mistakes, which are troublesome to correct over and over again. However, this research shows that there are some improvements that Norilsk can make to enhance the situation. In the end of this thesis I have presented some solutions from which the company can choose the most suitable ones for them.

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1 INTRODUCTION

When thinking about exporting, documentation is a very essential part of the procedure. There are lots of different documents that are needed for various purposes. One of the most important exporting documents is bill of lading, which is a transportation document used in sea and ocean transports. The rightness of this document is highly important, because this document gives an entitlement to the goods. The accuracy of bills of lading is crucial also in case the payment term is documentary credit.

This thesis studies the difficulties in the use of bills of lading in the case company Norilsk Nickel Harjavalta Oy (later on referred as Norilsk). When I was doing my practical training in Norilsk Nickel in the summer 2012, I noticed certain problems in the use of bills of lading (later on referred as B/L). The same problems had been continuing for a while and required a resolution. The purpose of the study is to map out the difficulties related to bills of lading, and provide the company solutions for the issues. This study focuses on bills of lading and the difficulties in the use of them in the case company, but also examines export documents in general. The reason why I chose this topic was that I was interested in making my thesis for my employer and we decided on this subject together. I also wanted to deepen my knowledge about sea transportations and assist Norilsk in finding a solution for their difficulties.

The case company, Norilsk Nickel Harjavalta Oy, operates in the metal industry producing nickel chemicals and –metals. Since the year 2007 the company has belonged to a Russian-owned concern, which is the world's leading mining- and metal corporation with customers all around the world. The company's revenue in the year 2011 was 1069 million Euros and the amount of employees is currently about 270 people.

2 RESEARCH OBJECTIVES AND CONCEPTUAL FRAMEWORK

2.1 Research Objectives

The objective of my research is to study export documentation and especially bills of lading focusing on the B/L difficulties that arise in the case company Norilsk Nickel Harjavalta Ltd.

The purpose of this research is to:

- find out and explain what a bill of lading is
- map out and describe the difficulties with ocean bills of lading in Norilsk Nickel Harjavalta and
- solve the difficulties by providing the company an action plan containing solutions for the problems.

2.2 Research Questions

I have quite many research questions, because I wanted to limit the subject of the thesis by using accurate questions. There are three main questions, which reflect the most important topics of my research. I have used sub questions to specify more deeply the purpose of the research.

The research questions are:

- What is a bill of lading and what makes it important?
 - ❖ Who issues the bill of lading?
 - ❖ Who is responsible for the bill of lading?
 - ❖ When can a bill of lading be used?
 - ❖ What different kinds of bills of lading are there and what is the difference between them?
 - ❖ What is the information based on in the bill of lading?
 - ❖ Why is the B/L's correctness important?

- What problems are there when using bill of lading in the case company?
 - ❖ How do these problems occur?
 - ❖ What happens when the original B/Ls are missing?

- How could the problems be solved?

2.3 Conceptual Framework

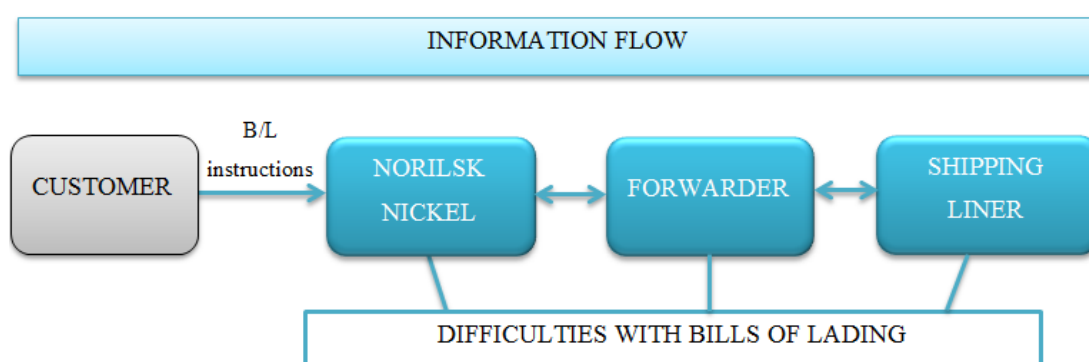


Figure 1. Tasku, E. 2012. Conceptual framework: The information flow between the parties.

The conceptual framework reflects the information flow between the parties related to the export process and the bills of lading. The whole process starts from the customer when he places an order and defines the information the bill of lading should contain. Norilsk Nickel is in contact with the forwarder who is in turn in contact with the shipping liner. This creates an information chain in which the B/L difficulties are handled.

2.4 Research Methodology Shortly

This study is a qualitative research. The theory part's information is mainly collected from literature and websites. In addition, the empiric part will include a few interviews. I decided to make a qualitative research, because it is a more natural way to study and a quantitative research would not have been suitable in this case. My research setting is quite free, because I wanted to make new observations related to the

theory and research problems, while doing the thesis. I will implement this qualitative research by first understanding and explaining the phenomenon. Then I will interpret the findings and apply them to this case study.

3 EXPORT DOCUMENTATION

3.1 Sales Contract

Sales contract is a legal act of two parties which starts when a buyer accepts the seller's quotation. The content of the contract varies between countries and businesses, but basically the document should include all information relevant to the contract. (Vahvaselkä 2009, 270.) When making business in international level, it is highly recommended that the contract is as detailed and specific as possible to avoid differences between the parties. (Pehkonen 2000, 74).

Representing the agreeing parties and their backgrounds and company forms is one of the basic things that a contract should include along with identifying the goods and the quantity. Pricing, payment terms and method should also be included as they will show the time and place of payment, currency, interest rates and other conditions. In addition to this, the contract should also include information about the delivery terms, goods' packaging and required delivery documents. (Vientikaupan asiakirjat 2008, 6-9.) In case a bill of lading is required, it is mentioned already on the contract. Other important topics stated in the contract are defining the transition of the risk and insurance issues, force majeure, possible guarantee, transition of ownership, possible complaints and the law that is applied in solving arguments (Vahvaselkä 2009, 270).

3.2 Transport Documents

Transport documents are an essential part of the export procedure. An exporter should understand the importance and limitations of these documents to be able to

prevent problems concerning them. In case the role of these documents is unknown to an exporter, banks and forwarders are good places to seek for advice. Success in international business comes from correct documents, because the rightness brings results. If all the documents are correct and contain the information they should, it can save the company a lot of money. Correct documents prevent delays in customs clearance, payment and delivery and maintain the trust between the parties. It is crucial that the transport documents contain all the necessary information, because if not, there will be extra charges and delays as a result. (Branch 2000, 297.) This chapter presents transport documents concerning road, rail and air transport. These transportation documents are presented to give comparison to the sea transportation documents, which are presented comprehensively in the 5th chapter.

3.2.1 International Waybill (CMR)

CMR waybill is a carriage note used in commercial truck transports. The abbreviation CMR comes from the full title Convention on the Contract for the International Carriage of Goods by Road. The CMR Convention is nowadays commonly accepted in Europe and it defines the responsibilities of the carrier and the information needed in the waybill. The layout of the document is standardized, which means that the information on the paper can be seen in the same place of the document regardless of the origin country of the CMR. Due to this arrangement it is easier to understand the document even though the language would be foreign. (Ulkomaankaupan erikoistermit 2004, 43.)

The CMR is an agreement between the shipper and carrier, and the document requires the signatures of both parties. It is important to remember that the shipper is responsible for the correctness of the information on the document. Commonly the CMR is issued in at least three copies, one for the shipper, another to the consignee and the third for the carrier. In addition some copies may be needed for different parties, for example the customs. (Huolinta-alan käsikirja 2010, 230.)

3.2.2 CIM Consignment Note

The CIM consignment note is used in international rail transports. The abbreviation CIM comes from International Convention concerning the Carriage of Goods by Rail. The conditions of the convention are applicable in 29 countries, which are mainly located in Europe and the Mediterranean areas. The CIM consignment note can be issued by the consignor, agent or originating rail carrier. The document has six copies including the original consignment note, the duplicate of the consignment note, the invoice and its' duplicate, the arrival note, and a supplementary copy. (Branch 2000, 326.)

The consignor is responsible for the packing of the goods and therefore also responsible for the damage caused by inadequate packing. The railway representative has the right to inspect the goods and make a reservation to the consignment note if necessary. After the goods have been inspected, the consignment note is stamped. The carrier's liability is to look after the cargo owner's interests during the transport. (Pasanen 2005, 313.)

The CIM consignment note should include the following information:

- The names and addresses of the consignor and consignee
- The delivery point and its' international station code
- Acceptance point, date and time
- Description of the goods
- 6-digit NHM (Nomenclature Harmonisée Marchandises, consistent with customs' CN-codes) code for the goods
- The gross weight, tare weight and total weight of the consignment
- Place and date of the completed consignment note
- Description of the document
- Prepayment coding
- Route
- Contractual carrier
- Date of arrival
- Consignment number
- Customer agreement or tariff applied

- Charging stations' codes

(Website of the International Rail Transport Committee 2012.)

3.2.3 Air Waybill (AWB)

The air waybill is a consignment note used for the carriage of goods by air. The AWB is a straight or so-called non-negotiable delivery agreement and it is the only acceptable delivery document for air transports. The air waybill is commonly issued in 12 copies: three originals and nine duplicates, which are used for example customs purposes. The first original AWB follows the delivery and belongs to the carrier. The second original is released for the consignee and the third remains with the consignor. (Website of Kuljetusopas 2012.) The terms of agreement are printed on the back side of the originals (Website of Finnair Cargo 2012).

The air waybill can be signed only by an airline official or a forwarder authorized by IATA (International Air Transport Association). The consignor commits to obey the laws concerning air transports and assures the cargo does not contain substances considered to be dangerous in air transports. The air waybill includes all necessary information concerning the delivery: the name and address of the consignor, consignee and carrier, the port of departure and arrival, the quality of the goods, the quantity and weight of the goods. (Website of Finnair Cargo 2012.)

Besides being a delivery document, the air waybill has also other purposes. It for example confirms the delivery agreement between the consignor, carrier and consignee and acts as a receipt for paid delivery costs. The AWB is a confirmation of the fact that the goods have been accepted for delivery and it can also function as an invoice. During the transport and storage, the document can be used as a handling instruction. The AWB also has an important role in the customs clearance. (Website of Finnair Cargo 2012.)

3.3 Other Documents

All these export documents are related to bills of lading, because they are used in every consignment. These documents possess the same details as the bills of lading and are very important in the export procedure.

3.3.1 Packing List

Packing list is a transport document, in which the goods are specified package by package. Some countries require very detailed information to the packing list, but the most essential data is the weight of the goods. The layout of the packing list is somewhat similar to the invoice used in the delivery. However, the packing list does not include any information about the price. This is the reason why the packing list has proved to be a useful document when the goods are delivered via intermediates. In East Asia the packing list is also known as *Weight list*. (Vientikaupan asiakirjat 2008, 10-4.)

Recently the role of the packing list has become more and more important. In some cases, a packing list is a mandatory document. For example banks require the document for documentary credit purposes and customs for checking the cargo. A packing list contains certain details of the goods, like the net and gross weight and volume of the items, shipping marks and container number. The document also shows the shipper, consignee and their contact information. Packing list holds also other essential data like the country of origin, vessel date, port of loading, port of discharge and place of delivery. The packing list accompanies the shipped goods with the other transport documents. (Branch 2000, 327-328).

3.3.2 Proforma Invoice

Proforma invoice is similar to a commercial invoice by appearance, but actually it is not an invoice at all. The document only shows the value of the goods and does not require payment in any case. (Vientikaupan asiakirjat 2008, 10-4.) Proforma invoice is commonly used in all kinds of industries. It is kind of an introductory

bill of sale and it is sent to the buyer before the purchased goods. The proforma invoice includes information about the shipment, for example the description of the goods, costs, weight of items and transport fees. Proforma can be used for offering a preliminary product price quotation, or to inform the buyer of the product's details. Proforma invoice can also clarify currency and exchange issues in international trade. (Website of Ready Ratios 2012.)

Although the proforma invoice is not meant to be paid, the document must show the value of the goods, and this value has to be above zero. Proforma invoice is needed for example when making the customs declaration or when the question is about a non-commercial export such as free samples. Proforma is also used when dealing with refunds and returns. (Website of E-conomic 2012.)

3.3.3 Commercial Invoice

The commercial invoice creates the foundation for the whole export process. The information on the document has to be accurate, because the invoice is the basis for many other documents needed in the export process. In addition to the main points of the contract, the invoice should include some details meant for the buyer, customs, forwarder, agent et cetera. The invoice can be written either in the official language of the buyer or in some other language that is common in the buyer's country. (Vientikaupan asiakirjat 2008, 10-1.)

In several countries there are government-set requirements for a commercial invoice. These conditions should be represented to the seller in good time. In Finland, Finpro (a global specialist organization founded by Finnish companies) has published a Shipping Handbook, which includes regulations related to commercial invoice by country. Finnish customs has given recommendations concerning the content of the invoice. According to the customs, an invoice should include the following:

- name and residence of the buyer and seller
- invoice's date of issue

- detailed information about sold goods, such as quantity, type, gross weight and markings and numbers on the packaging
- the goods' trade name in detail and individualized
- quantity of the goods, net and gross weight or separate packing list including this information
- price of goods
- rationalized price reductions
- payment term and term of delivery with system and year mentioned (e.g. Incoterms 2010)
- taric code
- buyer's and seller's VAT numbers
- country of origin
- country of destination
- signatures of both parties
- seller's bank information such as bank's SWIFT address, BIC-code and account number in IBAN form.

(Huolinta-alan käsikirja 2010, 208-209.)

If the payment term is Documentary Credit (later on referred as D/C), the requirements concerning the content of the invoice may differ from the previous. In such case the requirements for the invoice are defined in the opening of the D/C. These conditions should be primarily followed in case they deviate from the Shipping Handbook's instructions. (Vientikaupan asiakirjat 2008, 10-1.)

3.3.4 Documentary Evidence of Origin

Documentary evidence of origin is a common term for different kinds of certificates and declarations concerning the origin of the goods. These documents show the origin country of the merchandise and therefore entitle to customs preferences. When trading within the European Union (EU), certificates of origin are hardly ever needed unless the goods are re-exported outside the EU. However, if doing business with the so called third countries, documentary evidence of origin is a prerequisite to receive customs preferences. (Ulkomaankaupan erikoistermit 2004, 32.)

European Union has about 30 different preferential agreements with the third countries, which entitle some goods of the agreeing countries to customs preferences. Only ten countries (Taiwan, Singapore, Japan, North-Korea, South-Korea, Hong Kong, Australia, New Zealand, Canada and USA) are outside these agreements. There are certain documents that can be used as documentary evidence of origin in European Union's external trade. These documents are: EUR.1 movement certificate, EUR.2 form, Form A movement certificate or exporters declaration in commercial invoice. When doing business with Turkey, the document that must be used is A.TR. movement certificate. The documentary evidence is made with an individual form and it is usually signed by the consignor. In addition to the documentary evidence of origin, many countries require a separate certificate of origin for the imported cargo. (Ulkomaankaupan erikoistermit 2004, 32.)

3.3.5 Certificate of Origin

A certificate of origin substantiates the nature and quantity of the goods and more importantly the country of origin. The European Community certificate of origin is used when a European country is exporting to third countries. This certificate is required in countries which do not have free trade agreements with the European Community, but who need the document for correct allocation of restrictions, quotas or embargoes. The document is also used to keep statistics on international business. (Website of the Finland's Central Chamber of Commerce 2012.)

The EC certificate of origin consists of three serial numbered papers: the application form signed by the exporter, the original piece that is sent to the destination country with the goods and the copy to the exporter's archive. (Website of Finland's Central Chamber of Commerce 2012.) However, it is important to notice that the certificate of origin verifies only the country of origin and it does not give right to customs preferences. (Ulkomaankaupan erikoistermit 2004, 35.)

4 INTERNATIONAL DOCUMENTARY PAYMENTS

4.1 Documentary Credit (D/C)

Documentary credit is a commonly used payment method in international business and it is also one of the most secure ways of payment. Documentary credit is also known as letter of credit (L/C). This payment method enables banks to operate as a neutral party between the buyer and the seller. D/C secures both the buyer's and seller's position, because this payment method requires every party to take care of one's duties. (Website of the Danske Bank 2012.) When the transportation of the goods happens by sea, the delivery document in question is bill of lading. Documentary credit defines the information that the bill of lading must contain. It is very important that every detail is exactly like the D/C describes, because the documents will not be accepted before they are correct. Banks usually demand for an on board bill of lading in case the payment method is documentary credit. (Lindén, personal communication on 05.11.2012.)

Documentary credit transaction contains certain steps. After the export contract is finished, the buyer arranges the opening of a documentary credit with the issuing bank. The D/C is opened in the seller's favor. The issuing bank always examines the buyer's creditworthiness and then sends the documentary credit to the advising bank. The advising bank is supposed to confirm the authenticity of the D/C and forward it to the seller. The seller must present certain documents to receive payment. These documents are defined in the documentary credit. (Website of Export Finance 2012.)

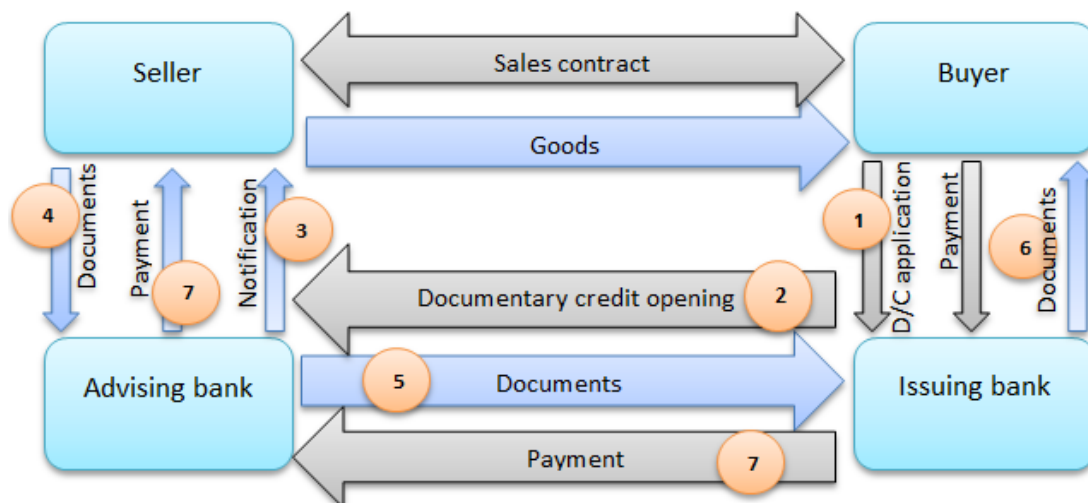


Figure 2. Process chart: Documentary Credit (Website of Pohjola 2012).

After the goods have been shipped and all the documents are issued, the seller lodges the documents with the negotiating bank to arrange the payment. The negotiating bank's task is to examine the documents and verify the terms of the D/C have been fulfilled. After this, the documents are sent to the issuing bank with a request for payment. If the issuing bank sees that all the necessary documents have been provided in exact form, the payment is forwarded to the negotiating bank, which makes the payment to the seller. The payment can be received *at sight*, or after a specified time period, like for example 30 days after sight. Payment received at sight means that the payment is immediate. It is possible that the advising bank and the negotiating bank are the same. Occasionally the negotiating and issuing bank need an intermediary to act between them. This third bank is called a reimbursing bank. (Website of Export Finance 2012.)

4.2 Documentary Collection

By using documentary collection as a payment method, a company can ensure that the buyer will not have the documents that entitle to the goods before paying the D/P (documents against payment) or accepting the D/A (documents against acceptance). Bills of lading used in sea transportation entitle to the goods as such. (Website of Pohjola 2012.)

The D/P process begins, when a seller gives a bank a written commission and the delivery documents. The commission must correspond to the sales contract and it should be detailed enough to ensure the bank is able to handle the D/P right. It is the seller's responsibility to inspect the righteousness of the delivery documents. The bank checks that all the documents required have been received. After this, the bank sends a commission in accordance with the seller's instructions to the buyer's bank. This bank notifies the buyer of the arrival of the commission. When using D/P, it is good to remember that receiving the payment always depends on the buyer's solvency and willingness to pay. However, banks do not undertake legal measures in case the buyer does not pay for reason or another. The banks' obligations and policies concerning the handling of the commissions are determined in the ICC Uniform Rules for Collections. (Website of Pohjola 2012.)

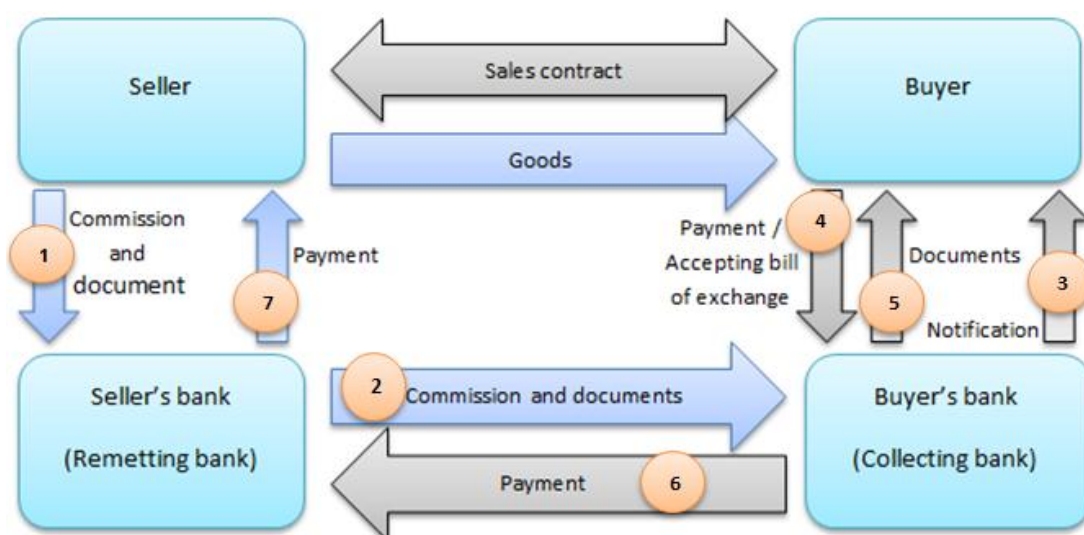


Figure 3. Process chart: Documents against payment. (Website of Pohjola 2012).

5 BILL OF LADING

5.1 History

Bill of lading is one the oldest sea transport documents. The development of sea transportation can be split into three periods of time and all of these eras have had an

enormous influence on bills of lading. These are the eras of sailing ships, steamships and international co-operation of legislation. In the near future, new data transfer technology may create yet another development period. (Sisula-Tulokas 2007, 115.)

The use of bills of lading started in the era of sailing ships, because the distances were long and a document that could show the ownership of the goods was needed. This way the cargo could be sold or pawned already during the transport. The bill of lading represented the goods and carrier handed the goods over to the holder of the B/L. The 1667 *Sea Legislation* was one of the first laws to have decrees concerning bills of lading. In Finland, this law stayed unchanging until the year 1873. Though the legislation was renewed in the year 1734, the sea legislation was not handled at all. This indicates that the sea legislation was considered to have special rights. (Sisula-Tulokas 2007, 115-116.)

When steamships were taken into use, sea deliveries came faster, regular and more reliable than before. This led to the growth of world trade and increase in sea transports. Since sea deliveries became more popular, the use of bills of lading increased. However, the carrier's position weakened and the carrier was kept responsible for the damage of goods in almost every case. The carrier could avoid the responsibility only if the cause for the damage was force majeure. After this the carriers started including extensive disclaimers in their bills of lading. In the USA people reacted powerfully to the change and this led to the birth of the *Harter's Act* in 1893. The Harter's Act included compelling enactments concerning the minimum responsibilities of the carrier and the content was also copied to the sea legislations of Australia and Canada. (Sisula-Tulokas 2007, 116.)

After the new legislation took place, a model example of a bill of lading was created as a result of international co-operation. In this model the carrier's right to limit his responsibilities was reduced. In 1924, the structure and terms of the model B/L were included in the *Hague convention*. This general agreement's main purpose was to reinforce the value of bill of lading. In the convention, the carrier was also obliged to declare certain basic information of the cargo in the B/L. The Hague convention has had a great impact on international seafaring as it created the general standards to the industry. The convention has been renewed with *Hague-Visby Rules* in 1968 and

with *Hamburg Rules* in 1978. (Sisula-Tulokas 2007, 116.) Nowadays, from all Finland's international deliveries, the most is transported by sea. In the year 2011, the share of sea deliveries from all foreign deliveries was 84 %, which was 6 % higher than in the previous year (Website of the Finnish customs 2012).

5.2 Bill of Lading Features

Bill of lading is a certificate of accepting the goods to be transported and it is given on behalf of the ship owner. It is a commitment of delivering the goods to the destination port and releasing the cargo to the B/L's rightful holder. Bill of lading can be addressed to a named person, a named person or his representative, the holder of the goods or *to order*. A B/L that has been set to order is quite usual and in this case the consignee is ordered by the shipper. The shipper marks an open transfer to the other side of the document and so the cargo is passed to the holder of the B/L in the destination port. The arrival of the cargo is notified to the one, whose name is mentioned on the B/L's notify address –part. A B/L that is addressed to a named person is used, when a foreign buyer has already paid the goods. This is a way to ensure that the cargo does not end up to the wrong person. (Pehkonen 2000, 125-126.)

A bill of lading should include the following facts:

- the name of the shipper, carrier and consignee
- the name and address of the notified party
- full description of the goods including the content, possible shipping marks, weights, volumes and IMO-features (International Maritime Organization)
- the quality of the goods
- marks and numbers identifying the goods
- the port of shipment
- the port of discharge
- number of original bills of lading
- date and signature of the ship's Master or his agent
- the name of the vessel
- the terms and conditions of carriage

- the date of receiving the goods and/ or loading them on the vessel.
(Branch 2000, 305.)

After the shipper has made a booking from a vessel, the shipping liner will issue a booking confirmation. When the cargo has been delivered to the carrier, the carrier will examine the condition of the goods and issue a *mate's receipt*, which includes information of the cargo's weight and condition. The data on the mate's receipt is then forwarded to the bill of lading. (Huolinta-alaan käsikirja 2010, 257.)

5.3 Information Responsibility

The carrier is always responsible for the information on the bill of lading. It is essential that the cargo's quantity and quality mentioned on the B/L are correct, because if not, the carrier will have to face consequences. The data on the B/L can be divided into two: implied transport liability and practical liability. When talking about the implied transport liability, the starting point is that the information concerning the goods (for example quantity, weight or condition) must be correct and no excuses are allowed. If for example the weight of the goods is bigger on the B/L than it truly is, the carrier is responsible for compensating the difference, as it is assumed that the missing quantity got lost during the transport. This applies in case the buyer belongs to a third party and has purchased the goods in good faith. If the carrier has suspected the condition of the goods or has not had a reasonable possibility to examine them, he may avoid the responsibility assuming that he has made a reservation to the bill of lading about the defect. (Sisula-Tulokas 2007, 148-151.)

The practical liability concerns the description of the goods and all other relevant information. For example the shipping date can be very important to a buyer. In case the B/L includes misinformation and causes damage to the buyer, the carrier is considered liable. However, this applies only if the carrier understood or should have understood the data on the B/L was misleading. (Sisula-Tulokas 2007, 151-152.)

A majority of the information on the B/L is provided by the shipper. Because of this, it is only natural the shipper is liable for the information that is added to the docu-

ment on his request. If the consignee demands the carrier for compensation, the carrier can on his behalf demand compensation from the shipper. In spite of this, there are situations in which the carrier cannot require compensation from the shipper even though the shipper would have provided false information. If the shipper and carrier knew the information was incorrect and the purpose was to mislead the consignee, it is considered as criminal activity. (Sisula-Tulokas 2007, 153.)

5.4 Different Forms of Bill of Lading

There are two different forms of B/Ls: a received B/L and a loading B/L. The received B/L is given after the carrier has received the cargo and the loading B/L is issued when the goods are already loaded into the vessel. All the different types of B/L represent either one of these forms. These types are explained in detail in the following subchapters. Bills of lading are usually issued in three original documents and additional copies for different kinds of purposes. (Huolinta-alan käsikirja 2010, 257.)

5.4.1 Original Bill of Lading

The original bill of lading is *document in title*, which means the document represents the cargo itself and that the B/L can be used to transfer the ownership of the goods. Because the B/L is a commercial paper, the goods can be given only to the rightful holder of the B/L. Consignment notes used in other transport modes are not document in title, but the goods are given to the consignee marked in the note. If the seller does not want the buyer to receive the goods before payment, the goods must be addressed to the collecting bank. In this case the bank will issue a letter of attorney to the buyer after receiving payment. (Pehkonen 2000, 126.)

5.4.2 Copy Bill of Lading

In addition to the Original B/L, the shipping company always issues copy B/Ls for different kinds of commercial purposes. The content of these documents is exactly

the same as in the original B/Ls, but only the originals are signed by the shipping company. Copy B/L does not entitle its holder to the possession of the goods. (Huolinta-alan käsikirja 2010, 219.) Copy B/Ls are merely meant for the use of banks, customs, forwarders, carriers, terminal holders et cetera (Pehkonen 2000, 127). Typically eight copies are issued in addition to the three originals, but the amount can also be less or more (Huolinta-alan käsikirja 2010, 219).

5.4.3 Clean and Unclean Bill of Lading

A bill of lading can be classified as clean or unclean. A clean B/L means that the goods have been received in good condition without any defects in the condition or quantity. However, a marking about used packages does not make the B/L dirty and neither do a carrier's markings stating the carrier's unawareness of the packages' content, weight, measurements or other details. When transporting goods in containers, the following marking can be used to express that the carrier is not responsible for the content of the containers: "said to contain – STC". If the B/L is clean, the carrier can avoid sanctions from damages. For the buyer the cleanliness is essential, because it verifies that the goods match the purpose of the contract. (Pasanen 2005, 294-295.)

In case the bill of lading is not clean, it is without exception, unclean. Though the sellers and shipping liners always aim at the cleanliness of the document, this is not always the case. In the following there are a few examples of markings that make the B/L unclean: "wet cartons", "damaged drums", "two cases missing", "short shipped". If the B/L turns out to be unclean, the buyer will question if the cargo is contractual and might demand for discounts. The buyer can also refuse to collect the goods, and this would not be considered as breach of contract. In case the payment term is documentary credit and the B/L comes out unclean, the bank may refuse to accept the documents. (Pasanen 2005, 295.)

5.4.4 Letter of Indemnity

A letter of indemnity can be offered to a carrier if the transport document has some defects. Due to the letter of indemnity, the carrier will be released from responsibility and therefore receive a clean B/L. In this case the seller commits to compensate all expenses to the carrier that can be resulted in releasing the clean document. (Pasanen 2005, 295.)

There are situations where the letter of indemnity can come in useful. For example sometimes goods can be packed in so many packages that even though they are counted during the loading, the quantity may still differ from the documents. In this kind of situation the letter of indemnity is a reasonable solution to get the cargo moving without unnecessary delays. In such case, where the seller is supposed to sell the cargo based on the B/L, the buyer's position is protected in the sea legislation. If the buyer requests for it, the carrier is obliged to inform the buyer of the letter of indemnity and its content. (Pasanen 2005, 295.)

The letter of indemnity can also be used in a situation in which the consignee does not have the original B/Ls to show. As the carrier is no more responsible for the cargo, the goods can be released to the consignee the shipper sees appropriate. The letter is convenient also if the B/Ls are missing for some reason. Canceling a missing B/L is a demanding legal process which takes a lot of time, so the letter of indemnity can be used to permit the shipping liner to issue a duplicate set of originals. Using this document is always quite of a risk and the use of it should be considered carefully. (Branch 2000, 327.)

5.4.5 Received for Shipment and On Board Bill of Lading

With the received for shipment B/L the ship owner declares to have accepted the goods for transport. This B/L is issued before the cargo is loaded into the vessel and therefore means that the goods are in the shipping company's custody and can currently be in a dock or a warehouse. (Branch 2000, 306.) After the goods have been

loaded, the shipping company can add the marking “On-Board” to the B/L (Ulko-
maankaupan erikoistermit, 289).

The on board bill of lading is signed only when the goods have been loaded into the vessel and this is why it is called an “on board” B/L. There are a few things that need to be mentioned on the B/L, for example the vessel’s name and loading place. In addition, the paper needs to have a marking that indicates the loading, for example: “Shipped on board the vessel...” or “Shipped in apparent good order and condition...” Typically a corresponding sentence is printed on the description of goods, but it can also be added afterwards with a stamp. The carrier is obliged to hand over the on board B/L, in case the shipper should request for it. (Huolinta-*alan käsikirja* 2010, 217.)

This B/L is useful, because after the B/L is signed, the consignee truly knows that the cargo has been loaded into the vessel. It is also common that banks require an on board B/L if the payment term is documentary credit. Additionally, the on board B/L is convenient for the carrier, because the document limits the carrier’s responsibility. Therefore, the carrier is not responsible of the goods before the beginning of loading nor after the cargo has been unloaded. (Huolinta-*alan käsikirja* 2010, 217.)

5.4.6 Groupage Bill of Lading

A groupage B/L is used, when the B/L includes lots that are delivered to different consignees. The forwarder may collect together several lots with the same destination and ship them as one to his representative in the destination country. The exporter and importer do not have to deal with the groupage B/L. The forwarder can hand over different documents to the exporter when receiving the lots for groupage transport. (Huolinta-*alan käsikirja* 2010, 224.)

One of these papers is the Forwarder’s Certificate of Receipt (FCR), which is the forwarder’s written certificate of irreversible acceptance of goods and consignment to the consignee according to given instructions. Another document is the Forwarder’s Certificate of transport (FCT), which is a proof of the forwarder agreeing to de-

liver the goods. It is also a commitment to give up the goods in the destination only in exchange for the original FCT by the terms mentioned in the paper. Alternative document is the Negotiable Multimodal Transport Bill of Lading (FBL). When giving this document the forwarder is accountable for the whole delivery chain. (Website of Kuljetusopas 2012.) The forwarder may also use other similar documents, in which he commits to deliver the goods to the destination and give them up against the agreed document. These documents do not make the groupage B/L unnecessary in any case. (Huolinta-alan käsikirja 2010, 224.)

It is the forwarder's responsibility to issue the groupage B/L and to send it forward to his representative in the destination port. The representative collects the goods from the shipping company against the groupage B/L and hands over each lot to the one, who presents the certificate of receipt or corresponding document. One of the advantages when using groupage B/L is that it saves expenses related to documenting, cargo, insurance and packing. Another advantage is that the risk of the goods being damaged or lost decreases substantially due to group transport. (Huolinta-alan käsikirja 2010, 224.)

5.4.7 Through Bill of Lading

A through B/L means that the goods are delivered by more than one carrier from its origin to its destination. This B/L covers the whole delivery process, even though the transportation would include inland areas on the way. Usually the first carrier supplies the shipper with the through B/L and takes the responsibility to deliver the cargo to its destination port. There are certain benefits if this type of B/L is used. The process is easy for the customer as he only has one company to manage, and the shipping prices are usually rather low, especially if there are many containers shipped at the same time. On the other hand, the customer is not in control of the goods and may have to face some delays with the shipment if some problems occur. (Website of Global Forwarding 2012.)

When the first carrier hands over the cargo to the second carrier, it is common that the first carrier requires some proof, like a receipt or a local B/L. The local B/L's

purpose is to protect the first carrier's position during the second part of the transit. While receiving the cargo, the carrier ought to inspect the condition and quantity of the goods before signing the local B/L. (Huolinta-alan käsikirja 2010, 225.)

Sometimes the local B/L is set straight to the buyer. In this case the local B/L should contain a specification saying that the goods will be handed over only in exchange for the through B/L. If the local B/L and through B/L are not in the same person's possession, the privilege belongs to the owner of the latter. When trading within Europe, Liner Waybill may be used instead of a local B/L. (Huolinta-alan käsikirja 2010, 225.) If the cargo is delivered straight from one port to another, one may use *Port to Port B/L*. This document can be used only when the goods are transferred by sea and with no more than one vessel. (Vientikaupan asiakirjat 2008, 11-6.)

5.4.8 Straight Bill of Lading

The straight bill of lading is not negotiable, which means that it cannot be transferred by endorsement. Therefore the goods can be consigned only to a specified person nominated by name. Banks consider non-negotiable bills of lading to be unsafe to use. A straight bill of lading can be used for example when the consignee is known for sure and the cargo will not be sold onwards. (Website of Marine Insight 2012.)

5.4.9 Electronic Bill of Lading

A bill of lading can also exist in an electronic form. The system works with a private key, which is the key for authority. Only one person can have the key at a time. Basically this means that others cannot have the possession of the B/L and so only the holder of the key can give directions and orders to the carrier. When the holder releases the key forward to the buyer, he can no longer have access to the system. The buyer destroys the old key and creates a new one, and therefore remains as the only one who has the authority to the goods. The key can be passed forward several times, but the new holder must always create a new key in order to prevent previous holders' access to the system. (Sisula-Tulokas 2007, 93-94.)

5.4.10 Bearer Bill of Lading

A bearer bill of lading means that the shipment can be released to whoever holds the document. This bill can be used if the consignee is unknown at the time of departure of the goods. (Website of Marine Insight 2012.) The consignee or receiver does not need to be named and so the shipper is free to endorse the name to whom the B/L will be transmitted to (Website of Ship Inspection 2012).

6 LINER WAYBILL (LWB)

Liner waybill is a different document than bill of lading, but it can be considered as kind of a lighter version of a B/L. When using liner waybill, the shipping company makes a commitment to deliver the cargo to its destination and hand it over to a *named consignee or his representative*. The shipping liner can release the goods to the named consignee without seeing the LWB. The difference between liner waybill and bill of lading is that liner waybill has to be always pointed to a named consignee and it cannot be transferred. LWB cannot be set *to order* (a consignee named by the shipper), and no markings should be added to the notify -section. Liner waybill has a blank back form, which means it does not contain printed delivery conditions. Instead the document has a reference to standard conditions of carriage. (Pehkonen 2000, 128.)

Using liner waybill requires a mutual agreement between the buyer and the seller. If the payment term in the sales contract is D/P (documents against payment) or documentary credit, the bank must be marked as the consignee. Otherwise the buyer will have the goods even though he would not have reclaimed the documents from the bank. (Pehkonen 2000, 128.) When the goods arrive to the destination, the cargo is handed over to the named consignee whether he has the document to show or not. The goods can also be entrusted to a person authorized by the consignee, but this requires a written power of attorney. (Huolinta-alan käsikirja 2010, 228.)

7 DIFFICULTIES WHEN USING BILL OF LADING

7.1 Booking Confirmation

The whole B/L process begins when Norilsk requests a booking for a container from the forwarder. The forwarder makes the booking from the shipping liner and so the shipping liner issues a booking confirmation (booking note), which can be considered as kind of a pre-agreement. The information on the booking note refers to the B/L and that is what makes it so important.

When an assistant in Norilsk is making a booking, it is essential to make sure that all the information on the booking is correct, because the bill of lading draft is issued mostly based on this information. The assistant provides the forwarder with information like description of the goods, number and kind of packages, net and gross weight, export reference and the delivery term which states the destination. If the material is classified as dangerous goods, the assistant will also inform the UN-number, IMO-class and packing group. At this phase there are no consignees or notified parties mentioned.

7.2 Bill of Lading Drafts

A B/L draft is literally a draft of the original bill of lading to be. It looks exactly like the original B/L, but the document has a marking “draft” on it and the draft does not give an entitlement to the goods. The draft is made so that the shipper can check the information on the B/L before the originals are issued. Norilsk is not in direct contact with the shipping liner, so all the correspondence happens between Norilsk and the forwarder. The forwarder in turn communicates with the shipping liner.

The main purpose for this thesis is the difficulties with the B/L drafts. For reason or another, the drafts contain errors, which take a lot of time to correct. However, all the drafts are not always filled with mistakes. Usually the errors bother only certain shipments with the errors being the same every time. These shipments are usually

yearly contracts, which means the same mistakes on the drafts have to be corrected every month usually more than once. Sometimes the mistakes also appear randomly with other shipments.

The shipping liner issues the B/L draft based on the information on the shipping instructions and the booking information. The shipping liner then sends the draft to the forwarder, who in turn sends the draft onwards to Norilsk Nickel to be checked. The export assistant in Norilsk goes through the draft and if it is acceptable, the assistant informs the forwarder of the draft being satisfactory. After this, the forwarder notifies the shipping liner and the original bills of lading are issued with the information printed exactly like on the drafts. In case the draft is not acceptable, the export assistant makes the corrections to the draft and sends it back to the forwarder, who sends the draft on to the shipping liner to be amended. After the corrections have been made, the same chain of action takes place as the new draft is sent to Norilsk to be checked.

Sometimes the information needed on the B/L might change after sending the shipping instructions. This can usually be fixed quite easily, if the shipping liner has not yet issued the draft of the B/L. In such case Norilsk sends the necessary information to the forwarder, which in turn sends the new details to the shipping liner who adds the new information on the draft. In case the draft has already been issued, Norilsk will add the information straight to the draft.

Making the corrections to the drafts does not take a lot of time, but they require accuracy. The export assistant also has to interrupt other work while making the corrections. The problem is that even though the drafts are checked, some of the mistakes might still remain in the drafts. Human errors happen all the time and cannot be avoided in this case either. If the drafts were accurate from the start, the possibility for these small humanly mistakes would decrease. In case the draft is accepted though it still includes faulty information or some information is missing, the original B/L will be defective. In such a case the original bills of lading have to be sent back to the shipping liner for amendment. For this procedure the shipping liner charges 100 US dollars. The shipping liner will send the new originals only after they have

received the old ones, because two sets of originals can never exist at the same time. This way the originals cannot be used wrong.

7.3 Shipping Instructions

Shipping instruction is a written instruction concerning the content of the B/L and it is given to the forwarder by the shipper. The shipping company issues the original B/L based on the information stated in the instruction. Usually the instruction includes all the basic information of the shipment, such as description of goods, number and kind of packages, net and gross weight and container and seal numbers. In addition, the instruction shows the name and address of the shipper, consignee and notify party. The instruction also states the name of the ocean vessel and the transshipment port. The original bill of lading has to include certain compulsory facts, but if the customer requires some additional specified information to be shown on the B/L, the shipper must add this information to the shipping instruction and so the shipping company knows to add this to the original B/L. Shipping instructions are very useful, but sometimes they can also be the source of the difficulties. Because the instructions are made manually, there is always a possibility for human errors.

If the shipping instruction includes incorrect information, this information will be printed to the B/L draft. This is likely to cause extra work, because the shipper checks the draft before accepting it. The mistake on the draft needs to be corrected and so the draft is sent back to the shipping liner via forwarder for amendment. After the shipping liner has made the correction, the draft is again sent to the shipper to be checked. The correction takes time from three different companies and the mistake would have been prevented with correct shipping instructions.

The same action chain takes place if some important information is missing from the shipping instruction. The shipper requests the forwarder to ask the shipping liner to add the missing information on the draft and followed by the amendment, a new draft is sent to the shipper. The drafts are checked as soon as possible, because the original bills of lading will not be issued before the draft is accepted.

7.4 Changes to Issued Bills of Lading

Sometimes changes need to be made to bills of lading that have been already issued as originals and sent forward to the customer. The changes can be necessary for various reasons, like changes in customer information or simply defects or mistakes left unnoticed. If the customer demands new B/Ls, the customer can visit the shipping liner's local office. After the old B/Ls have been handed over, the local office can issue and print new B/Ls with the correct information.

7.5 Lost Bills of Lading

If the original bills of lading get lost, it is not a very good situation. In this case a letter of indemnity needs to be issued. This document enables the material to be released in the port without the bills of lading. The letter of indemnity releases the carrier from responsibility. This procedure requires the acceptance of the consignee and especially the acceptance of the bank in case the payment term is documentary credit. The letter of indemnity is issued by the shipper. Three original B/Ls are required to the releasing of the goods so the letter of indemnity is required also if only one of the original bills of lading is missing.

A letter of indemnity can also be used if the bills of lading are unclean or in other words, have defects. Due to the letter, the shipper will be responsible for compensating all costs that can be caused by the issuing of a clean bill of lading. All shipping liners have their own layouts for their letters of indemnity. A sample of a letter of indemnity can be found in the appendices in the end of this thesis.

8 RESEARCH IMPLEMENTATION AND FINDINGS

8.1 Interview with Export Assistants

This chapter represents the interview answers of two export assistants working in

Norilsk Nickel. The first interviewee has been dealing with bills of lading for many years, and is well aware of the difficulties related to them. The second interviewee also has many years' experience of bills of lading. Both interviews were implemented face to face on the 3rd of December 2012.

First I asked the export assistants to tell me about the difficulties they had had with bills of lading. Most of the problems they had had were related to the B/L drafts and their inaccuracies. They said that the defects on the drafts are usually always the same. Although the mistakes are corrected every time, the same mistakes repeat themselves on the next shipment's draft. They have also noticed that the problems occur typically on shipments that require some special information to be added on the B/L. The other assistant has for example one ongoing order, in which she sends material for the same customer every week. The customer requires product samples to be shipped with the rest of the material, so the samples are added to one container along with the other material. Of course, the samples must be mentioned on the B/L, but she says this has always been a problem. Although the shipping instructions are clear, the information is never correct on the first B/L draft. The right way to mention the samples on the B/L would be to add the information about the samples together with the container in which the samples are located in. However, the assistant explained that usually the draft shows the sample as its own container, which is incorrect.

The other assistant said that the drafts often contain double seal-numbers and the net weights are missing. In IMO-shipments (goods that are classified as environmentally hazardous substances) the drafts sometimes contain faulty information concerning the packing material or the goods itself. When the assistant asks the shipping liner to delete some false information from the draft, the next draft might come back with the sentence "please delete" added after the words that were supposed to be deleted.

Both assistants say that sometimes the drafts contain some separate errors, like defects in the consignee- or notify-fields, incorrect export references or seal numbers, material description missing and other misspellings. There have also been separate situations in which the consignee's address has been incorrect, the container numbers

have been wrong, the name of the ocean vessel has been incorrect, the date of issue has been wrong or some IMO-details have been missing.

The assistants explained that the problems do not occur in every shipment. There are consignments in which the drafts are always correct in the first time. The most frequent problems are the lack of the net weights and the double seal-numbers. In addition to that there are some individual corrections that have to be made, but they said this is not necessary often. However, with certain consignments the same problems occur every time. Sometimes the problem stays away for a while, but after some time the same problem occurs again. They also said that all the problems only occur in container shipments to Asia and that the drafts can be incorrect regardless of the shipped material.

The forwarder has been somewhat helpful with the difficulties, because the assistants had received some guidance with managing the errors. The forwarder had said that the situation can be improved if working together. The problems should be intervened, examined and amended immediately to get rid of them. In May 2012, the shipping liner had said that the problems with the double-seal numbers were handled at the moment in one of their offices abroad, but the same problem still exists. However, both of the assistants feel that the forwarder has always handled their own part and for example sent the corrections quickly onwards to the shipping liner. The forwarder has also mentioned that if the shipment includes samples, this detail should be mentioned already when making the booking for the container. The details of the sample should also be mentioned on the declaration of dangerous goods. The forwarder has said that the corrections should be made in English so that they would not have to be translated separately.

When I asked the assistants how they had solved the difficulties until now, they convinced they had done everything possible. They had both followed the instructions and done the corrections in English. They thought that the best way to make the corrections is to make the corrections straight to the B/L draft and scan it back to the forwarder, because this way the errors can be seen clearly. Sometimes the assistants had also mentioned about the errors in the e-mail itself. The other assistant had noticed that the forwarder representative is as much tired of the cycle of incorrect drafts

as the assistants are in Norilsk. The other assistant thought that no party is alone to be blamed, because the errors are born for example in the initial data, through copying and in the systems. The other assistant said that in her opinion, the shipping liner has outsourced their procedures too far and that there are too many middlemen in all of this. She also said that she has never had these problems in her previous jobs and that she thinks the shipping liner is to blame for most of the problems. This has probably something to do with their systems, because some information just keeps missing. She does not think that Norilsk can do much better, because the problems are in the shipping liner's end.

When I asked the assistants how long it takes to get the information right on the draft, the answers were somewhat quite similar. They both said that small corrections are quickly done, but bigger or more detailed corrections take longer. In some cases the drafts have been made again for four times before getting the information right. Neither of the assistants was able to evaluate the time which passes while handling the faulty drafts. The corrections need to be made quickly, because the customer always wants the original B/Ls as soon as possible. There is also a chance for mistakes when making the corrections in a hurry.

The assistants did not really have any major ideas about how to prevent these problems in the future. The other assistant mentioned that the shipping liner should instruct better the ones, who are making the drafts. The other assistant said that it might be useful for the shipping liner to receive more detailed information about the shipment in the booking phase.

8.2 Interview with Forwarder Representative

The forwarder representative works as a shipping operator in one of the forwarding companies whose services Norilsk is currently using. This interview was implemented via e-mail on the 10th of December 2012.

The shipping operator had many ideas about the reasons for the difficulties with the B/L drafts. She said that the shipping liner has its own systems and markings for ma-

terials that are classified to be environmentally dangerous and for materials that are not dangerous. The information can be entered in a wrong way to the system and if it is not corrected on the booking phase or when making the B/L drafts, the drafts will end up being flawed. She also mentioned that the shipping liner has many different people working with the bookings, so they might not all be aware of how to input the data into the system so that it will be correct on the draft. She also said that they also have the same problem in the forwarder's office. The drafts are issued in India, which creates challenges to the communication and therefore to the rightness of the drafts. The shipping liner has a lot of people working in the India office, because the office is open 24 hours a day. This means that the special details are not known or remembered there either. The operator said that the instructions are entered to an online platform that is not flexible to use. No extra information can be added to this system so all the additional information travels via e-mail. This is likely to cause miscommunications too.

Along with the export assistants, the shipping operator was also unable to evaluate the time that the corrections take in either their office or the shipping liner's. However, she mentioned that they deal with incorrect drafts on daily basis. The forwarder does not actually intervene with the draft corrections, because the shipping liner makes the corrections. The forwarder interferes only, if the corrections are related to a booking or if they are short-staffed in documentation. The forwarder basically acts as a middleman between Norilsk and the shipping liner. The defective drafts cause problems to the forwarder too, because they are not able to pass the consignments on to the billing department in the right order due to the delays caused by the incorrect drafts.

The shipping operator did not have any ideas to improve the situation, because the problems are mostly in the shipping liner's hands. The online system's inflexibility and the shipping liner's IMO-system are the major causes for the difficulties. The operator thinks that Norilsk's shipping instructions are clear. The forwarder always aims to enter the shipping instructions in good time to the system, but that is sometimes problematic because the vessels date of departure is not always known at that time. The shipping liner should check the name of the vessel and the date of shipping

before issuing the original B/Ls, but sometimes this is forgotten resulting in defective B/Ls.

9 RESEARCH METHODOLOGY

9.1 Research Methods

Quantitative research describes the object with the help of statistics and numbers. Cause and consequence relations are important in this method as well as explaining the results through comparison and numeric values. (Website of the University of Jyväskylä 2012.) Quantitative research aims to create information that can be characterized as general information. The information is handled in statistical units. This method aims to fade out singular deviations by using for example a concept like average value. The material is gathered by using variables, which usually describe features like age, gender, education et cetera. Quantitative research's objective is to provide a general view of the matter and describe the features, classifications and deviations that occur. (Website of Virtuaaliammattikorkeakoulu 2012.) This research method focuses on facts and reasons for social situations and it approaches the phenomenon logically and critically. The measurement is always controlled and objective. Quantitative research is usually very accurate and analytical and requires a well-considered evaluation scale. (Website of HAMK University of Applied Sciences 2012.)

Qualitative research cannot be defined clearly, because it does not represent any certain theory. Qualitative research can be implemented by using different kinds of ways to gather data. One of these ways is interview, which can be a structured, half-structured or an open interview. Interviews are useful, because they can be executed not only face to face, but also by e-mail or phone. The data can also be gathered by observation. The researcher observes the target of the research and makes notes about it. (Metsämuuronen 2007, 115-116.) Qualitative material can also be found in written material, such as books or other written sources. When examining these sources, one must remember to think the subjectivity and objectivity of the writer in

order to see from which point of view the writing has been made. (Metsämuuronen 2007, 122.)

Case study is an empirical research, which studies some specific, current matter by using versatile information about the subject. This information is usually gathered by using many different methods. A case study can basically study anything: individual, group, workplace, department et cetera. Case study is a crucial data collection method in qualitative methodology, because almost every strategy uses case study as an approach to the research matter. The research data of the case study is often applicable only to that one study, but it can still be used in generalizing matters. The best case studies allow the reader to interpret the content freely. The purpose of a case study is to understand a certain phenomena or to solve a problem related to it and that is why the results of a case study are often applied in practice. (Metsämuuronen 2007, 94-96.)

9.2 Data Collection

This thesis was executed as qualitative research by using the methods of a case study. I chose this research method because I wanted to study the problem in detail on Norilsk Nickel's point of view and I wanted to focus on the quality of the research. The material for the theory part was collected mainly from books and the Internet. I chose books to be the primary source because I consider this kind of information to be very reliable. However, I tried to use books as new as possible, because I did not want to use outdated information in my thesis. The information on the shipping industry is changing and updating all the time, which is the reason why I only found a number of recently published books with enough information on the subject.

I also used interviews as a data collection method. The interviews with the export assistants took place in the premises of Norilsk Nickel in Harjavalta, and the discussions were executed face to face. I chose these two assistants because they had most experience about bills of lading and consequently, about the difficulties. The interview with the shipping operator was carried out by e-mail. The assistants' interviews

were half-structured and they were recorded. The assistants' interviews lasted for an hour each. The interview questions can be found as an appendix.

9.3 Data Analysis

The collected data needs to be analyzed in order to understand and to be able to create new theory from it (Saunders 2007, 470). Qualitative data cannot be analyzed in a standardized way, because every research differs from another, and the form of data varies greatly. The data can be analyzed in various ways, but basically the approach depends on the research and the author. The analysis can be very structured, or in some cases there might be a lot of room for the author's interpretation. The data can also be put in categories to be able to manage the information more easily. (Saunders 2007, 478-479.)

I started analyzing the interviews right after they were finished by first writing the interviewees' answers to the computer. In the next step I analyzed the answers and wrote the analysis to the thesis. All that was irrelevant to the thesis was left out in the analysis. I also had to keep in mind to evaluate the answers objectively. While I wrote the analysis, I thought about the interviewees and their backgrounds and tried to evaluate their answers critically.

9.4 Quality Assessment

The reliability of a research is a little complex to determine, because the reliability is relative to the phenomenon that is studied. The reliability confirms the fact that the research data is not coincidental, but the conclusions can really be induced from the gathered data. A qualitative research's reliability is said to consist of four matters: truth value, applicability, consistency and neutrality. The author's own point of view always has an effect on the study, because for example the background, education, prejudices and interests are different with all people. (Metsämuuronen 2007, 200-202.)

I consider all the sources used in this thesis to be reliable. All the books I used are very detailed in their field of business and the authors are professionals. The books are also quite recently published, so the information on them is not out of date. The websites used are mostly official websites of banks, universities or the Finnish government, which indicates that these sites are very reliable. Another good point in using websites is that the information on them is updated very often. The interviewees were not picked randomly, which means that I managed to gather reliable information straight from the people concerned. I consider the information on my study to be accurate and trustworthy, because the conclusions make sense and I did not let irrelevant matters have an effect on it. The results of this thesis are mainly suitable only for Norilsk Nickel's situation, because companies, products and fields of business differ from each other. However, other companies in similar situations can try to search answers for their problems too from this thesis.

9.5 Process Description

The idea of this thesis came to me while I was doing my practical training in Norilsk Nickel Harjavalta Oy in the summer 2012. I finished my project plan for the thesis in September and began immediately drafting the research. In September I also held my first thesis seminar in which I presented the project plan, theoretical framework and preliminary table of contents and list of references.

After the first seminar, I started writing the theory part for my thesis. The theory is collected mainly from books and Internet sources, but I also used personal communication for the data collection. From September to November I gathered the information and wrote the theory. The most difficult part of the thesis was to find good and updated sources for the theory part. This is because I needed detailed information about bills of lading and their use, and there are not that many books that include specific and updated information about them. That is the reason why I do not have many sources; because I had to use some of the good books I found quite a lot as a source.

My second seminar took place in the end of November. In this seminar I presented the finished theory part and received the first correction suggestions from my opponent. After the seminar, I made some corrections to the theory part and started preparing the interviews with the export assistants and forwarder representative. I also started writing the empirical part without delay. I knew my schedule was tight, because I was still working full day at Norilsk Nickel, but I decided to finish my thesis according to schedule. The interviews were held in the beginning of December. I finished the empirical part on the second week of December and handed the finished thesis over for evaluation in the same week.

9.6 Recommendations for Further Studies

This subject can be studied from various points of view because there are so many participants in the process. I think that there is no need to study the subject more from the case company's position, because there is not much more they can do to improve the situation in addition to the recommendations I have given. However, I think that the problems could be approached from the forwarder's or the shipping liner's viewpoints. This way the problems could be seen from a wider perspective. These studies could give recommendations for these two parties and perhaps enable the problems to be solved completely. Another way to study this issue is to make a similar kind of a research for another case company. The subject can also be studied in a more broad perspective by gathering information from many different forwarding companies and shipping liners.

10 RECOMMENDATIONS

10.1 Booking Details

The first issue in which the export assistant should pay attention to is the booking. When making the booking, one needs to make sure that all the details are correct. Of course human errors are always possible, but I have noticed that sometimes changes

made to the booking can also cause mistakes to the B/Ls. This is why it is essential to make sure that all the material details and weights are correct when making the booking. I also recommend not making the booking before knowing exactly the material, quantity and destination, so that unnecessary changes to the booking can be avoided. This is a way to make sure that the “old” information from the original booking is not left to the booking details by mistake and therefore cause inaccuracies to the bill of lading. Sometimes systems can preserve data even though it would be changed or deleted and it occurs only when printing out the B/L drafts. For that reason it is easier if the booking details are correct from the beginning. For the same reason the information on the booking note should be checked when it is received.

10.2 Updated Shipping Instructions

I have noticed that most of the difficulties originate from the shipping liner’s end, but because this thesis handles the difficulties on Norilsk Nickel’s point of view, I can only make suggestions to Norilsk. However, I also have suggestions that can make the forwarder’s and shipping liner’s work easier. For example at the moment the shipping instructions in Norilsk are not completely uniform with each other. Every consignment has its own shipping instruction. If these instructions would be consistent with each other, I expect it would be easier to the forwarder representatives to interpret them. At the moment the B/Ls are issued outside of Europe, which means that the workers might not have such good knowledge in English. That is why I think standardizing the layout of the shipping instructions might make their work easier and hence decrease the mistakes in the B/Ls.

10.3 Model Bills of Lading

Another solution for this same problem would be to give the shipping liner model bills of lading of those consignments that usually include mistakes. These models would be copies of real bills of lading from previous consignments and they would be customer-specific. The shipping liner could check the rightness of the bill of lading from the model one, and would be able to make the B/L look right in the first time. These models would solve the difficulties with the consignments that have

some special details, because the right way to make the markings could be seen from the model. This is a change that also needs the approval of the shipping liner. Norilsk should negotiate with the shipping liner if they feel these models would be helpful and ease their work. This solution is quite easy to execute and it would really help the shipping liner to see how the information should be stated in the B/L.

10.4 Decreasing the Use of Bills of Lading

Another possible solution is to simply decrease the use of bills of lading and replace them with for example liner waybills. Using liner waybills would require an approval from the customer because of the change in the responsibilities. Norilsk Nickel should negotiate with the forwarder and the shipping liner and see how they feel about switching B/Ls to liner waybills. The attitude against liner waybills varies between carriers and shipping liners, so it is important to take their opinion into account as well. Liner waybill differs from bill of lading quite a lot, because the goods can be released to the named consignee without the need to present the waybills. Liner waybill is not transferable, so the named consignee must always be marked in the document and this is why the cargo can be released without the original waybills. Liner waybills cannot be used in consignments in which the consignee is “to order”. In case the liner waybill will be used, the sales department should negotiate with the customers about the change, because the transportation documents are agreed already on the sales situation.

10.5 INTTRA

A rather similar solution to the previous would be to use INTTRA, which is an e-commerce platform for the shipping industry. INTTRA enables the shipper to manage various shipment processes itself, for example booking and tracing the cargo, submitting shipping instructions, reviewing B/L drafts and access sailing schedules. According to INTTRA’s websites, the use of this platform reduces significantly the use of paper, faxes, e-mails and phone calls. The processing time becomes smaller, because INTTRA eliminates all the useless parties from the action chain. This integrated platform helps the shipper to plan, process and manage shipments with tools

that are easy to use. (Website of INTTRA 2012.) INTTRA might offer a decent solution to the B/L difficulties, and at the same time decrease the costs on other sectors. INTTRA would enable Norilsk to make their own B/Ls in the system, and there would be no need to circle the drafts between the current parties. The assistant in Norilsk would enter the information needed on the B/L to the platform and the shipping liner would print and sign the saved B/L straight from the system. However, the use of this platform is not free of charge, so the costs should be carefully compared to the current costs. Being an e-commerce platform, INTTRA also has another downside: the use of it is tied to the Internet, which means that if there are problems with the Internet connection, INTTRA will not be accessible while the connection is lost.

11 CONCLUSION

The findings of the research show that the case company is really suffering from problems with the B/L drafts. Other difficulties related to bills of lading are not at all that current and do not cause problems in the way that the drafts do. The interviewees gave a lot of specific information about the situation with the B/Ls and that is why I was able to gather good recommendations for Norilsk Nickel. The biggest problems seemed to be the errors in the B/L drafts, which cause a lot of unnecessary work to not only to Norilsk Nickel, but to the forwarder and shipping liner too.

In my opinion, the easiest way to decrease the problems is to give the shipping liner the model bills of lading to work as an example in the consignments and to focus on the details being correct when making the bookings and shipping instructions. However, I think that one of the best solutions is to simply decrease the use of bills of lading, especially in cases in which they are not necessary. If the payment term is not documentary credit, the use of bills of lading should be reconsidered. Another good solution is to consider the use of INTTRA and think about the pros and cons the use of the platform would have.

All of the recommendations are planned to solve exactly the case company's problems, but can also be used to help other companies with similar issues too. According to my research, the recommendations will improve the situation with the B/Ls, and so it is up to Norilsk Nickel to decide which options to use. All though some of these improvements are small, they may have a big difference on the course of the B/L process. And of course, small corrections are easy to be done, as they do not cause so much trouble. However, I have noticed that Norilsk cannot solve all the problems by itself, but especially the shipping liner should make improvements particularly to their systems.

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LETTER OF INDEMNITY AND BANK GUARANTEE

(Undertaking for delivery of cargo without surrender of original bills of lading)

To: _____

Name of Vessel	Voyage No.	Bill of Lading No. and Date
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Shipper _____

Consignee _____

Port of Loading	Port of Discharge	Place of Delivery
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CIF Invoice Value of Goods: _____

Description of Goods _____

We desire and request that the above-described shipment be delivered to the undersigned Indemnitor or to its order, without surrender of the relevant bill(s) of lading due to the non-arrival, or loss thereof.

In consideration of your making such delivery, we each hereby represent and warrant, with the knowledge and intention that such delivery be made in reliance thereon, that (a) the undersigned Indemnitor is entitled to the possession of the goods and delivery thereof and no other person, firm or corporation is so entitled, (b) we have a financial interest in having the a. m. shipment delivered as requested, and (c) we have full power and authority to make and issue this Undertaking, have duly authorized the persons executing the same on our behalf to execute and deliver it to you and the bank signatory hereto is not prohibited by law, by its articles or certificate of incorporation, or otherwise, from making and issuing the same.

Further, to induce you to deliver said goods, and in consideration thereof, we hereby jointly and severally undertake and agree as follows:

1. To use our best efforts to locate and produce said bill(s) of lading and thereupon promptly to deliver and surrender the same to you; and
2. to pay you on demand all freight, general average and/or other charges due on the above-described shipment without prejudice to or release of any liens thereon by virtue of this Undertaking or of such delivery; and
3. to indemnify and hold you, the vessel, her owners, charterers, operators, master and agents harmless from all demands, claims, liabilities, actions and expenses, including legal expenses and attorney's fees, which may grow out or be connected with such delivery, and to pay all losses and expenses, including legal expenses and attorney's fees, which may result from any breach of representation, warranty or agreement herein contained; and
4. promptly on your demand, to enter our general appearance in any suit filed by, or by another against you or any party protected by this Undertaking as a result of or pertaining to the delivery of the goods herein requested, hereby waiving any objection to the jurisdiction or venue of the court in which such suit is filed, and to defend, at our expense, all such suits filed by another; and
5. that the statements herein relating to the contents, quality, weight, number, marks and/or value of the goods and representations made by us to you and shall in no way limit our liability hereunder;
6. provided that the liability of the undersigned bank hereunder covers 200 percent of the above inserted CIF INVOICE VALUE for a period of 30 months beyond date of issue of underlying Bill of Lading.

Executed this day of 20....., at

_____ Bank	_____ Indemnitor
By _____ Authorized Signature	By _____ Authorized Signature

Carrier:		Bill of Lading		Multimodal Transport or Port to Port Shipment	
Shipper: NORILSK NICKEL HARJAVALTA OY TEOLLISUUSKATU 1 FIN-29200 HARJAVALTA FINLAND		Carrier's Reference: B/L-No.:		Page: 2 / 3	
Consignee (not negotiable unless consigned to order) TO ORDER		Export References:		Forwarding Agent:	
Notify Address (Carrier not responsible for failure to notify; see clause 20(1) hereof)		Consignee's Reference:		Place of Receipt:	
Vessel(s): KLENODEN		Voyage-No.: SEAT		Place of Delivery:	
Port of Loading: MANTYLUOTO					
Port of Discharge: SHANGHAI PT, CHINA					
Container Nos., Seal Nos., Marks and Nos.		Number and Kind of Packages; Description of Goods		Gross Weight: Measurement	
HLXU XXXXXXXX SEALS : SKFIN 123456 SKFIN12345 ←		1 CONT. 20'X8'6" GENERAL PURPOSE CONT. 12 BUNDLES NICKEL CATHODES		SLAC* 18257,0 KGM 18197,0 NET KGM	
HLXU XXXXXXXX SEALS : SKFIN 123457 SKFIN12345 ←		1 CONT. 20'X8'6" GENERAL PURPOSE CONT. 12 BUNDLES NICKEL CATHODES		SLAC* 17906,0 KGM 17846,0 NET KGM	
Shipper's declared value (see clause 7(1) and 7(2))		Above Particulars as declared by Shipper. Without responsibility or warranty as to correctness by Carrier (see clause 11)		DRAFT	
Total No. of Containers received by the Carrier: 5		Packages received by the carrier		RECEIVED by the Carrier from the Shipper in apparent good order and condition (unless otherwise noted herein) the total number or quantity of Containers or other packages or units indicated in the box opposite entitled "Total No. of Containers/Packages received by the Carrier" for Carriage subject to all the terms and conditions hereof (INCLUDING THE TERMS AND CONDITIONS ON THE REVERSE HEREOF AND THE TERMS AND CONDITIONS OF THE CARRIER'S APPLICABLE TARIFF) from the Place of Receipt or the Port of Loading, whichever is applicable, to the Port of Discharge or the Place of Delivery, whichever is applicable. One original Bill of Lading, duly endorsed, must be surrendered by the Merchant to the Carrier in exchange for the Goods of a delivery order. In accepting the Bill of Lading the Merchant expressly accepts and agrees to all its terms and conditions whether printed, stamped or written, or otherwise incorporated, notwithstanding the non-signing of this Bill of Lading by the Merchant. IN WITNESS WHEREOF, the number of original Bills of Lading stated below all of this tenor and date has been signed, two of which being accomplished the others to stand void.	
Movement: FCL/FCL		Currency:		Place and date of issue: HELSINKI 04. DEC. 2012	
Charge Rate Basis W/Vol/Vol P/C Amount		Freight payable at: ORIGIN		Number of original Bs/L: 3	
Total Freight Prepaid		Total Freight Collect		FOR ABOVE NAMED CARRIER AS AGENT	
Total Freight					

Cont/Seals/Marks	Packages/Description of Goods	Weight	Measure
ITAU XXXXXXXX SEALS : SKFIN 123459 SKFIN12345 ←	1 CONT. 20'X8'6" GENERAL PURPOSE CONT. 12 BUNDLES NICKEL CATHODES	SLAC* 17871,0 KGM 17811,0 NET KGM	
GATU XXXXXXXX SEALS : SKFIN 123459 SKFIN12345 ←	1 CONT. 20'X8'6" GENERAL PURPOSE CONT. 12 BUNDLES NICKEL CATHODES	SLAC* 17897,0 KGM 17837,0 NET KGM	
HLXU XXXXXXXX SEALS : SKFIN 123460 SKFIN12345 ←	1 CONT. 20'X8'6" GENERAL PURPOSE CONT. 12 BUNDLES NICKEL CATHODES	SLAC* 18042,0 KGM 17982,0 NET KGM	

*SLAC = Shipper's Load, Stow, Weight and Count

=====	-----
60 PACKAGES	89973,0
	KGM
	89673,0
	NET KGM

SHIPPED ON BOARD, DATE : 04.DEC.2012
PORT OF LOADING: MANTYLUOTO
VESSEL NAME: KLENODEN VOYAGE: SEAT

FREIGHT PREPAID

TOTAL GROSS WEIGHT: 89973 KG
TOTAL NET WEIGHT: 89673 KG

Interview questions

Questions for the export assistants:

1. What kind of problems have you had with bills of lading?
2. Do the problems occur with every consignment?
3. In what kind of shipments do these problems occur?
4. When you have had these difficulties, to which country have you sent the goods to?
5. When solving the difficulties, have you had any help from the forwarder?
6. How have you solved the difficulties?
7. Why do you think these problems occur?
8. How long does it take to get the information right to the draft?
9. How much working time does it take to solve the difficulties?
10. How would you try to prevent these difficulties in the future?

Questions for the forwarder representative (shipping operator (exports)):

1. Can you think of a particular reason for the difficulties with B/L drafts?
2. Please evaluate how much working time do the difficulties take in your end?
3. Can you evaluate how much time do the corrections to the drafts take in the shipping liner's end?
4. How would you try to prevent these difficulties in the future? What could Norilsk do better?