

PAPERWORK, PAPERWORK, PAPERWORK!

Exporting seems to thrive on paperwork, never-ending paperwork. Why is that, and what are all the different documents for?

The biggest difference between a local sale with its minimal paperwork and an export sale is that Customs in both the exporting and importing country are involved, plus extra layers of transport operators. For a local sale the invoice is folded and placed into a little window-faced sticker attached to the parcel, a consignment note is attached, that's typically all that's needed. For exports we can drown in the paperwork especially if a letter of credit is involved. So let's look at the main documents needed for an export.

Purchase Order

Before even thinking of getting goods ready for an export order, the seller should receive the buyer's detailed Purchase Order. The information on this document should include details of the goods ordered, quantities, agreed prices, the Incoterm (term of trade which explains who bears certain costs, risks and responsibilities in the transport chain).

Order Acknowledgement

The seller will send the buyer some form of document, reflecting the purchase order and confirming that the order will be fulfilled.

When the seller has gathered the ordered goods and is ready to export them, he will prepare the following documents:

Shipper's Letter of Instruction (SLI)

The freight forwarder needs the seller's instructions to handle the shipment -- is it going by air or sea, who is it going to, where are they, what are the goods, who is paying the various charges and so on. Most forwarders will provide a blank SLI form to be completed but if it suits the seller, especially if they are dealing with several forwarders, then they can create their own generic SLI. Without the SLI some forwarders will not even start the freight booking process.

Commercial and Pro Forma Invoice

Entering the world of exporting, the seller will discover a couple of new kinds of invoice, different to the usual Tax Invoice for sales within Australia. First there's the Pro Forma Invoice, which acts like an order acknowledgement or as an advance advice of what the seller expects to ship. With some goods the order might be in a rounded quantity like say 1000kgs or 500 metres but when it comes time to ship, the exact quantity may be slightly different. Not every buyer will want a proforma invoice, but in some countries it is needed to obtain an import permit for the particular shipment. Some sellers find it easier just to issue one for every order received. The proforma invoice should not be put through to debtors in the seller's accounting system as the shipment might not go ahead.



The commercial invoice is created when the seller knows exactly what it is that is being shipped at that time. It will typically contain at least the following information:
unique number and date of issue; name and address of seller; name and address of buyer; full description of the goods sufficient for clearance through customs in both the exporting and importing countries; sizes, styles, colours, part numbers etc; unit prices including currency code and Incoterm; vessel name and voyage number; ports of loading and discharge; payment method and terms and any other information that is relevant.

Packing List

The seller generally will prepare a packing list which can act as a final check of what has been packed, and will be needed by the buyer to check off the goods received. The customs authorities in the importing country may want to physically verify the goods in a particular package, and if a package goes missing the insurance company will want to know what was in it too.

Then there are documents which come from outside providers:

Chamber of Commerce Certificate of Origin

Some importing countries require this document, often because of Free Trade Agreements or as a matter of their own legislation. The document certifies to the origin of the goods and it is an offence under Australian law to falsely or fraudulently declare goods to be of an incorrect origin.

Certificate of Marine Insurance

If the seller has entered into a sale on CIF or CIP basis then he is responsible to provide insurance cover for the buyer's risk. An insurance certificate for the particular transaction covering the CIF/CIP invoice value plus ten percent needs to be obtained via the seller's insurance broker. The certificate will need to be countersigned on the front by the seller to validate it, and on the back to allow the buyer to make a claim in the event of some mishap. An insurance certificate is typically issued in an original and a duplicate (both of equal standing) and one or more copies which are for information purposes only and cannot be used to make a claim.

Bill of Lading

The bill of lading (B/L for short) is issued by either the local agent of the shipping line itself ("Master" B/L or "MBL" sometimes incorrectly referred to by forwarders as an "Ocean" B/L) or by the freight forwarder ("House" B/L or "HBL"). If the agent of the line issues the B/L they will sign with their company name "as agent for the carrier" and then state the name of the carrier which is usually their parent company. If a forwarder issues their HBL on their own stationery then they should sign the B/L "as the carrier" (and not as some do, "as agent for the carrier" then showing the name of the shipping line.)

The B/L has three distinct purposes: firstly, it is a receipt from the carrier acknowledging that the shipper has handed over goods in apparent good order and condition for shipment to the nominated port of discharge or to an inland destination; secondly, it is evidence of the contract to carry the goods and on the reverse bears a huge quantity of fine print; and most importantly, it almost always acts as a title document which the buyer requires to take hold of the goods at destination and which the seller can hold to ransom until payment for the goods is made.

The B/L has traditionally been issued in three originals, only one of which need be handed over to take hold of the goods and then the other two originals become void. This process stems from the days of airmail and before that surface mail being the only viable means of getting original documents from one country to another. Both these were inefficient and unreliable so documents were sent off in two or three sets of originals, several days apart. This way it was almost certain that at least one set would make it to the buyer in time. Of course now all the original documents are usually put in the one envelope and despatched with one of the international courier services with tracing facilities on the internet. Copies of B/Ls cannot be used to claim the goods.

Other Documents

There are other documents which might be relevant to a particular type of goods or required by some countries but not others, for example: health certificate; phytosanitary certificate; analysis certificate; fumigation certificate; packing declaration, and many others.

Many sellers see export paperwork as a dark art, but they can outsource their preparation to specialist companies to save themselves and their overseas buyers time and dramas.
