

# PECULIARITIES OF CMR DOCUMENTATION IN INTERNATIONAL FREIGHT

## PREČU PIEGĀDES PAVADZĪMES CMR ĪPATNĪBAS STARPTAUTISKOS KRAVU PĀRVADĀJUMOS

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**Abstract.** *Due to the recent economic growth, manufacturing is expanding vastly, trades are broadening worldwide, and therefore, over the years the cargo transportation demand has been growing tremendously. Physical distribution and materials management have been replaced by the logistics management. Especially road transport mode is particularly popular for its accessibility and flexibility in Europe (Grant, 2014) and naturally, various documentation for transporting of goods is required. As a vast majority of European Union countries are using CMR convention, the CMR documentation is considered to be the best decision to avoid confusion, as road transport operators carrying goods for reward on international road haulage journeys must comply with the Convention on the Contract for the International Carriage of Goods by Road (CMR). Considering the CMR consignment note to be recognised by all enforcement officers of the countries' parties to the CMR Treaty, it is important to analyse and present the advantages, limitations, benefits of CMR and compare it with other international freight documentation, focusing the research mainly on the haulage by the road transport mode.*

**Keywords:** *CMR convention, international freight, logistics management, road transport mode.*

### Introduction

Nowadays economy grows, manufacturing is expanding, trades are broaden worldwide, so over the years cargo transportation demand is growing quickly. According to the mentioned statistics, we can draw conclusion, that there are plenty of various documentation transporting goods. So CMR is the best decision to avoid confusion, because vast majority of European countries are using CMR convention, as road transport operators carrying goods for reward on international road haulage journeys must comply with the Convention on the Contract for the International Carriage of Goods by Road (CMR). A CMR consignment note is required for international road transport. The advantage is that one has a document that is recognised by all enforcement officers of the countries parties to the CMR Treaty.

In order to analyse the advantages and disadvantages of CMR, the main cargo carriage documents were analysed in the period of 2018 January – March. The scientific literature analysis helped determine the purpose of the main carriage documents (Bill of Lading, the FIATA Bill of Lading, Forwarders' Certificate of Receipt (FCR), export compliance documents). With the help of comparative analysis it became clear how these documents differ and the cases they might be used in including the limitations and advantages of the CMR documentation itself. Object of the research – CMR convention documentation.

Aim of the research is to present the limits, advantages of CMR convention and compare it with other cargo carriage documentation.

Tasks of the paper:

- To analyse scientific literature on CMR convention.
- To explore benefits and limits of CMR consignment note.
- To briefly look into other documents used in road transport.

Methods of the research: scientific literature analysis, logistics documents' analysis, comparative analysis.

## **The role of CMR convention in logistics**

It is often taken for granted that products will be available to buy in the shops. The cornucopia of goods that is available in a hypermarket or a department store sometimes means that one forgets how the products were supplied. With the introduction of e-commerce people have come to demand complete availability and home delivery at times of choosing.

J. Fernie and L. Sparks talk about how consumer beliefs and needs have altered. Our willingness to wait to be satisfied or served has reduced and we expect instant product availability and gratification. It should be obvious from this that the supply or logistics system that gets products from production through retailing to consumption has also needed to be transformed. Physical distribution and materials management have been replaced by logistics management and a subsequent concern for the whole supply chain (*Fernie, Sparks, 2004, p.10*).

The concept *logistics* has several different definitions, for example:

*Logistics - (business definition)* defined by Logistics Partners Oy (1996), is as a business planning framework for the management of material, service, information and capital flows. It includes the increasingly complex information, communication and control systems required in today's business environment. *Logistics - (military definition)* (JCS Pub 1-02) excerpt states that the science of planning and carrying out the movement and maintenance of forces, those aspects of military operations that deal with the design and development, acquisition, storage, movement, distribution, maintenance, evacuation and disposition of material; movement, evacuation, and hospitalization of personnel; acquisition of construction, maintenance, operation and disposition of facilities; and acquisition of furnishing of services. *Logistics* – as defined by Websters Dictionary is the procurement, maintenance, distribution, and replacement of personnel and material (*Logistics World, 2017*).

A. Rushton et al. claim that the elements of distribution and logistics have, of course, always been fundamental to the manufacturing, storage and movement of goods and products. It is only relatively recently however that distribution and logistics have come to be recognized as vital functions within the business and economic environment. The role of logistics has changed in that it now places a major part in the success of many different operations and organizations. In essence, the underlying concepts and rationale for logistics are not new. They have evolved through several stages of development, but still use the basic ideas such as trade-off analysis, value chains and systems theory together with their associated techniques. There have been several distinct stages in the development of distributions and logistics (*Rushton et al, 2004, p.7*).

To conclude, all these definitions mean similar - logistics means having the right thing, at the right place, at the right time.

## **Concept of the CMR**

By far the most emissions in freight transport stem from road transport. However, this has to be seen in the light of freight transport having by far the largest share in tonne - kilometres of all inland transport modes. The choice of transport mode is influenced by the characteristic of the mode, operational factors and consignment factors, and costs and service requirements.

Sea freight, as explained by Grant and others, whether in containers or in bulk, is generally as low but cheap option for the transportation of mainly low-value high-volume items (*Grant, Trautrim, Wong, 2014*).

Rail freight, is considered a rather slow method of inland transport. A common application for rail freight is steady and heavy bulk loads, for example coal for coal fire stations or steel mills.

Air freight, is the fastest available transport mode over long distances. Due to the fuel consumption it is also relatively expensive, which makes it a more suitable transport mode for high-value items or when a short lead-time is of importance.

Pipelines, are mainly used to transport large quantities of liquids or gas. Due to the high investment it is used in situations of high volume and predictable demand.

Road freight, is particularly popular for its accessibility and flexibility. The road network allows access to most industrial sites and is usually the first access mode that is constructed. It also requires little investment, which makes it more popular for short- and medium-term solutions. The road freight market is also very competitive and fragmented, with few large logistics companies, but many small haulage companies of three or fewer lorries. Road freight is usually called Full-Truck-Load (FTL) or Less-Than-Truck-Load (LTL), and the vehicles are classified by size. The European Union separates between Light Commercial Vehicles (LCVs) which weigh less than 3.5 tonnes and Heavy Good Vehicles (HGVs) of over metric 3.5 tonnes.

All transport modes require documentation. And the most necessary document used in road transport is CMR.

CMR convention, which in full title means Convention on the Contract for the international carriage of goods by road, is a convention that was signed in Geneva on 19 May, 1956. It relates to various legal issues concerning transportation of cargo by road (*Palšaitis, 2010, p.67*). 1956 as amended by protocol to the CMR on 1978 (*Convention on the Contract for the International Carriage of Goods by Road, 1956*). As of the 27th of May 2008, according to an additional protocol to the CMR it is also possible to use an updated electronic consignment note - the e-CMR.

CMR convention involves:

*Scope of application.* This Convention shall apply to every contract for the carriage of goods by road in vehicles for reward, when the place of taking over of the goods and the place designated for delivery, as specified in the contract, are situated in two different countries.

*Persons for whom the Carrier is Responsible.* For the purposes of this Convention carrier shall be responsible for the acts of his agents and servants and of any other persons of whose services he makes use for the performance of the carriage.

*Conclusion and Performance of the Contract of Carriage.* The contract of carriage shall be confirmed by the making out of a consignment note. The consignment note shall be made out in three original copies signed by the sender and by the carrier.

*CMR insurance.* CMR insurance is a specific insurance cover that enables couriers and hauliers to carry cargo legally within European nations.

*Final Provisions.* This Convention is open for signature or accession by countries members of the Economic Commission for Europe and countries admitted to the Commission in a consultative capacity under paragraph 8 of the Commission's terms of reference.

*Liability of the carrier.* The main obligations of any carrier, arising from the Convention and nature of his activity, are taking over the goods, making all necessary effort for preserving the goods during the carriage, and carrying the goods to their destination by a suitable means of transport, and delivering the goods to the consignee.

*Claims and actions.* If the consignee takes delivery of the goods without just checking their condition with the carrier or without sending him reservations giving a general indication of the loss or damage, not later than the time of delivery in the case of apparent loss or damage and within seven days of delivery.

*Provisions relating to carriage performed by successive carriers, as stated in 1956 by the Convention on the Contract for the International Carriage of Goods by Road.* If carriage governed by a single contract is performed by successive road carriers, each of them shall be responsible for the performance of the whole operation (*Convention on the Contract for the International Carriage of Goods by Road, 1956*).

## Analysis of CMR and other carriage documents

Nevertheless, CMR convention may not entirely be suitable in all the cases of carriage, it has drawbacks too. The table below (Table 1), benefits and limitations of CMR convention are analysed.

*Table 1*

### **Benefits and limitations of a CMR Convention** (*International road transport union, 2015; Convention on the Contract for the International Carriage of Goods by Road, 1956*)

<b>Benefits</b>	<b>Limitations</b>
Fair competition between carriers	Presumption of liability of the Carrier - strict liability
Lower international road transport costs, including insurance costs	Liability for his agents and servants
Harmonisation of contractual and liability conditions	Limited compensation
Facilitation and harmonisation of claims and recovery procedures	Liability of the carrier for partial or total loss, which arises between the taking over and delivery of the goods
Standardisation of transport documents: CMR note	Liability of the carrier for damage, which arises between the taking over and delivery of the goods
CMR Consignment Note facilitates commercial transparency	Liability of the carrier for delay, which arises between the taking over and delivery of the goods
Identification of Parties to the transport contract and main transport conditions	Carrier's liability relieved in certain cases if proof that loss or damage attributed to a special risk. But the claimant may prove the contrary: reversal of the burden of proof
Facilitation of controls by the contractual partners and by the Authorities	No limit or no exclusion of liability if wilful misconduct by the carrier
Simplifies claims handling and reduces number of Court cases	No limit or no exclusion of liability if default equivalent to wilful misconduct
Simplifies claims handling: Clear procedures and deadlines to respect	

Summing up the CMR Convention has a lot of benefits and limits, but CMR it is commonly used for cargo carriage internationally in the EU between the logistics companies and the benefits outweigh the limitations due to the fact that it is efficient in terms of reducing costs, determining the liability conditions thus eliminating the risk for legal cases, and increases the commercial transparency.

Nevertheless, CMR is not the only document, which is used to transport cargo. There are a number of different types of bills, and the table below shows some examples (Table 2).

*Table 2*

### **Comparison of common carriage documents with CMR Convention** (*made by authors*)

<b>A Bill of Lading</b> is a document issued by a carrier (or his agent) to acknowledge receipt of cargo for shipment.	<b>The FIATA (multimodal) Bill of Lading</b> serves as a shipping contract and a proof that the goods have been carried with the use of more than one mode of transportation.
<b>Forwarders' certificate of receipt (FCR)</b> Increasingly, international trade journeys are intermodal, with freight forwarders playing a crucial coordinating role.	<b>Export Compliance Documents</b> An export license is a government document that authorizes the export of specific goods in specific quantities to a particular destination.

To sum up this table of different documents, a conclusion can be drawn that CMR Convention is more popular, and it is more comprehensive and easier to use. Nevertheless, a Bill of Lading, the FIATA (multimodal) Bill of Lading, Forwarders' certificate of receipt

(FCR), export compliance documents are needed in certain cases. These documents are used in different ways beside/instead the CMR convention.

A bill of lading is a document issued by a carrier (or his agent) to acknowledge receipt of cargo for shipment (*Investopedia, 2017*). In British English the term relates to ship transport only and in American English to any type of transportation of goods. A bill of lading must be negotiable, and serves three main functions:

- it is a conclusive receipt, an acknowledgement that the goods have been loaded;
- it contains or evidences the terms of the contract of carriage;
- it serves as a document of title to the goods, subject to the nemo dat rule.

Meanwhile the FIATA (multimodal) Bill of Lading serves as a shipping contract and a proof that the goods have been carried with the use of more than one mode of transportation (*FIATA FCR, 2015*). Unlike other transport documents, the FBL does not identify any type of transport as the principal, so the responsibility falls on the forwarding agent which acts as a carrier from the collection till the delivery of the goods, including the involvement of any third party. This document is used only in international transactions in which the goods are carried in two or more modes of transportation (multimodal).

Increasingly, international trade journeys are intermodal, with freight forwarders playing a crucial coordinating role. Much road freight is organised in this way.

Forwarders' documents have been designed for these kinds of transactions. The Forwarders' Certificate of Receipt (FCR) provides proof that a forwarder has accepted your goods with irrevocable instructions to deliver them to the consignee indicated on the FCR.

Using an FCR can speed up payment. For example, if one is selling overseas and the contract with the buyer states that the goods are collected from the factory and the buyer is responsible for arranging the freight, an FCR can be issued when the buyer's forwarder collects goods.

An export license is a government document that authorizes the export of specific goods in specific quantities to a particular destination. This document may be required for most or all exports to some countries or for other countries only under special circumstances. Examples of export license certificates include those issued by the Department of Commerce's Bureau of Industry and Security (dual use articles) (*Export Education, 2016*).

To conclude, the cargo carriage documents are used for different functions, modes of transport; are similar in their composition and encompass different fields including liabilities, shipping types, legal aspects and payment.

## Conclusions

A CMR consignment note is required for cargo carriage by international road transport. The advantage is that it is a document recognised by all enforcement officers of the countries parties to the CMR Treaty which leads to less confusion by international cargo haulage.

CMR is used next to the other international document for cargo transportation such as Bill of Lading, FIATA Forwarders' certificate of receipt, Export compliance documents and others depending on the modality, export issues, forwarder's role, etc.

The main benefit of CMR convention is that there is fair competition between carriers and it simplifies the claims handling and reduces number of Court cases.

The limitations of CMR lead to presumption of liability of the Carrier - strict liability, liability of the carrier for delay, which arises between the taking over and delivery of the goods.

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### **Kopsavilkums**

Saistībā ar ekonomikas izaugsmi pēdējā laikā ievērojami pieaug ražošanas tempi, bizness kļūst arvien globālāks, tāpēc vienlaikus ievērojami ir pieaugusi arī vajadzība pēc kravu pārvadājumiem. Preču fizisko kustību un materiālu pārvaldību organizē logistikas menedžeri. Savas pieejamības un elastīguma dēļ īpaši populārs Eiropā ir kļuvis autotransports, kur pašsaprotami ir nepieciešami daudzi dokumenti. Ņemot vērā to, ka daudzās Eiropas Savienības valstīs izmanto CMR konvenciju (Konvencija par kravu starptautisko autopārvadājumu līgumu), CMR kravas pavadzīme ir labākā izvēle, lai izvairītos no pārpratumiem, veicot starptautiskos pārvadājumus. Šā darba mērķis ir izpētīt CMR kravas pavadzīmes izmantošanas iespējas, priekšrocības un trūkumus salīdzinājumā ar citiem līdzīgiem kravas dokumentiem. Pētījuma metodoloģija ietver literatūras avotu analīzi un dokumentu salīdzinošo analīzi. Veicot pētījumu, ir noskaidrots, ka CMR kravas pavadzīme vienkāršo sūdzību pārvaldību un palīdz izvairīties no lietu izskatīšanas tiesā. Tomēr trūkumi norāda uz pārvaldātāja atbildības prezumpciju, kas saistīta ar kravas piegādes kavējumu, kravas pārņemšanu un piegādi. Apkopojot var apgalvot, ka CMR kravas pavadzīme, kas apstiprina kravas autopārvadājumu līgumu (CMR konvencija), ir viens no piemērotākajiem dokumentiem, veicot kravu pārvadājumus ar autotransportu Eiropas Savienības valstīs.