

2 April 2020

Oman Logistics Center

Trade Facilitation

NEWS- FLASH

Trade Facilitation Newsflash shares information with logistics practitioners on various important topics in the business environment. All information provided as part of this Newsflash is intended to be general in nature and should not alone be relied upon for making of any business decisions.

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Moving to paperless logistics

Logistics Service providers quickly adapt to the new situation and launch paperless procedures to keep the business running and to comply with the Government requirement for paperless logistics.

Circular on paperless procedures

Ministry of Transport announced through a Circular No. 3/2020 on 29 March all paper based transactions to be made electronic in regards to submission and processing of Delivery Order, Bill of Lading and payments for services.

Companies are increasingly complying to the new rules, which have two obvious objectives - to save people from being infected and to ensure the continuity of the supply chains and the logistics business.

The MoT Circular is fairly general and it gives room for industry participants to develop their own practices to best deal with the situation. Oman Logistics Center monitors the implementation of the Circular and shares best practices within the industry to expedite the implementation.

A common view among the industry practitioners is that the shift to fully electronic procedures must in any case take place even in normal circumstances. The corona crisis is therefore merely expediting the inevitable change to paperless trading.

One third of operators already comply

Out of all the shipping lines and agents that submit delivery orders to Hutchison Ports Sohar Terminal, 31 % currently have already completed or have agreed an arrangement for electronic submission. 52% of the operators are in process of preparation and 17 % have not reacted. OLC encourages these operators to expedite the change in order to ensure their business continuity.

Avoid original Bills of Lading

A relatively common payment method between exporter and importer is the Letter of Credit. It however involves an original Bill of Lading (OBL), which requires physical handling of documents and interaction of people. It is strongly advised that logistics service providers encourage their customers to use other ways of ensuring safe trading for exporters. For example sellers can use CPT or CIP (named destination) delivery term to control the shipments and to maintain the right to stop them from being delivered in case the buyer fails to honor his commitment to pay for the traded goods.

It is also important that logistics operators inform their global clientele to avoid OBL in their global information networks. This newly raised issue is not Oman-specific but similar challenges are dealt with by many other countries too due to the pandemic.

(cont.)

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If shipments have already arrived in Oman, if they are in transit or if OBL cannot be avoided overall, there are still several ways to deal with it:

- Buyer and seller can simply request shipping line to change from OBL to express release;
- In case of Letter of Credit, the buyer and the seller can request the bank in Oman to instruct the shipping line or a freight forwarder to release the shipment without presentation of OBL;
- Design the Letter of Credit contents so that presentation of OBL is not required to get custody of the shipment. Instead, the bank can release the shipment electronically once the payment for goods has been received;
- If OBL cannot be avoided, logistics service providers can combine the electronic process and submission of OBL. The documents can be color scanned and sent to the operator that process the shipment based on the electronic information. For final release of the shipment, trader delivers OBL to a safe box located outside of the logistics service providers premises. It is important to note that this submission must not involve human interaction and only one person should visit or open such safe box at a time. It should also be noted that infection can

also spread through documents and safety measures should therefore be followed.

Freight forwarders should note that shipping lines and shipping agents will be submitting the electronic delivery orders directly to the port operators and thus the freight forwarder will no longer deliver the document in paper format. Often in the case of Letter of Credit, the house B/L is original and the Master B/L is "express." It is therefore important to make sure that the shipping line releases the D/O only when the L/C situation allows to do so.

Stay tuned

OLC will monitor the situation and inform the sector on further changes. We are also frequently organizing online group discussions with the industry for better awareness on how to deal with the emerged situation. Please share your comments, ideas and information if you wish to be included in such group discussion with OLC:

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Greetings from Trade facilitation team!