

INCOTERMS

Glossary of Terms and Abbreviations

General Shipping References

Incoterms 2000 are a set of internationally recognized trading terms, defined by the International Chamber of Commerce (ICC), which are used for the purchase and shipping of goods in the international marketplace.

Each **INCOTERM** refers to a type of agreement for the purchase and shipping of goods internationally. There are 12 different terms, each of which helps users deal with different situations involving the movement of goods. For example, the term **FCA** is often used with shipments involving Ro/Ro or container transport; **DDU** assists with situations found in intermodal or courier service-based shipments.

INCOTERMS also deal with the documentation required for global trade, specifying which parties are responsible for which documents. Determining the paperwork required to move a shipment is an important job, since requirements vary so much between countries. Two items, however, are standard: the commercial invoice and the packing list.

In global trade, "delivery" refers to the seller fulfilling the obligation of the terms of sale or to completing a contractual obligation. "Delivery" can occur while the merchandise is on a vessel on the high seas and the parties involved are thousands of miles from the goods. In the end, however, the terms wind up boiling down to a few basic specifics:

Costs: who is responsible for the expenses involved in a shipment at a given point in the shipment's journey?

Control: who owns the goods at a given point in the journey?

Liability: who is responsible for paying damage to goods at a given point in a shipment's transit?

It is essential for shippers to know the exact status of their shipments in terms of ownership and responsibility. It is also vital for sellers & buyers to arrange insurance on their goods while the goods are in their "legal" possession. Lack of insurance can result in wasted time, lawsuits, and broken relationships.

INCOTERMS are most frequently listed by category. Terms beginning with F refer to shipments where the seller does not pay for the primary cost of shipping. Terms beginning with C deal with shipments where the seller pays for shipping. E-terms occur when a seller's responsibilities are fulfilled when goods are ready to depart from their facilities. D terms cover shipments where the shipper/seller's responsibility ends when the goods arrive at some specific point. Because shipments are moving into a country, D terms usually involve the services of a customs broker and a freight forwarder. In addition, D terms also deal with the pier or docking charges found at virtually all ports and determining who is responsible for each charge.

Recently the **ICC** changed basic aspects of the definitions of a number of **INCOTERMS**, buyers and sellers should be aware of this. Terms that have changed have a star alongside them.

EX-Works

One of the simplest and most basic shipment arrangements places the minimum responsibility on the seller with greater responsibility on the buyer. In an EX-Works transaction, goods are basically made available for pickup at the shipper/seller's factory or warehouse and "delivery" is accomplished when the merchandise is released to the consignee's freight forwarder. The buyer is responsible for making arrangements with their forwarder for insurance, export clearance and handling all other paperwork.

FOB (Free On Board)

One of the most commonly used-and misused-terms, **FOB** means that the shipper/seller uses his freight forwarder to move the merchandise to the port or designated point of origin. Though frequently used to describe inland movement of cargo, **FOB** specifically refers to ocean or inland waterway transportation of goods. "Delivery" is accomplished when the shipper/seller releases the goods to the buyer's forwarder. The buyer's responsibility for insurance and transportation begins at the same moment.

FCA (Free Carrier)

In this type of transaction, the seller is responsible for arranging transportation, but he is acting at the risk and the expense of the buyer. Where in **FOB** the freight forwarder or carrier is the choice of the buyer, in **FCA** the seller chooses and works with the freight forwarder or the carrier. "Delivery" is accomplished at a predetermined port or destination point and the buyer is responsible for Insurance.

FAS (Free Alongside Ship)*

In these transactions, the buyer bears all the transportation costs and the risk of loss of goods. **FAS** requires the shipper/seller to clear goods for export, which is a reversal from past practices. Companies selling on these terms will ordinarily use their freight forwarder to clear the goods for export. "Delivery" is accomplished when the goods are turned over to the Buyers Forwarder for insurance and transportation.

CFR (Cost and Freight)

This term formerly known as **CNF (C&F)** defines two distinct and separate responsibilities-one is dealing with the actual cost of merchandise "C" and the other "F" refers to the freight charges to a predetermined destination point. It is the shipper/seller's responsibility to get goods from their door to the port of destination. "Delivery" is accomplished at this time. It is the buyer's responsibility to cover insurance from the port of origin or port of shipment to buyer's door. Given that the shipper is responsible for transportation, the shipper also chooses the forwarder.

CIF (Cost, Insurance and Freight)

This arrangement similar to **CFR**, but instead of the buyer insuring the goods for the maritime phase of the voyage, the shipper/seller will insure the merchandise. In this arrangement, the seller usually chooses the forwarder. "Delivery" as above, is accomplished at the port of destination.

CPT (Carriage Paid To)

In **CPT** transactions the shipper/seller has the same obligations found with **CIF**, with the addition that the seller has to buy cargo insurance, naming the buyer as the insured while the goods are in transit.

CIP (Carriage and Insurance Paid To)

This term is primarily used for multimodal transport. Because it relies on the carrier's insurance, the shipper/seller is only required to purchase minimum coverage. When this particular agreement is in force, Freight Forwarders often act in effect, as carriers. The buyer's insurance is effective when the goods are turned over to the Forwarder.

DAF (Delivered At Frontier)

Here the seller's responsibility is to hire a forwarder to take goods to a named frontier, which usually a border crossing point, and clear them for export. "Delivery" occurs at this time. The buyer's responsibility is to arrange with their forwarder for the pick up of the goods after they are cleared for export, carry them across the border, clear them for importation and effect delivery. In most cases, the buyer's forwarder handles the task of accepting the goods at the border across the foreign soil.

DES (Delivered Ex Ship)

In this type of transaction, it is the seller's responsibility to get the goods to the port of destination or to engage the forwarder to move cargo to the port of destination unsecured. "Delivery" occurs at this time. Any destination charges that occur after the ship is docked are the buyer's responsibility.

DEQ (Delivered Ex Quay)*

In this arrangement, the buyer/consignee is responsible for duties and charges and the seller is responsible for delivering the goods to the quay, wharf or port of destination. In a reversal of previous practice, the buyer must also arrange for customs clearance.

DDU (Delivered Duty Unpaid)

This arrangement is basically the same as with **DDP**, except for the fact that the buyer is responsible for the duty, fees and taxes.

DDP (Delivered Duty Paid)

DDP terms tend to be used in intermodal or courier-type shipments. Whereby, the shipper/seller is responsible for dealing with all the tasks involved in moving goods from the manufacturing plant to the buyer/consignee's door. It is the shipper/seller's responsibility to insure the goods and absorb all costs and risks including the payment of duty and fees.

Abbreviations

ANF Arrival Notification Form – Advice to the consignee of goods coming forward.

ATA Carnet Admission Temporaire, (Temporary Admission) – An ATA Carnet makes the customs clearance of certain temporary importation and exportation easier.

Athens Convention International Convention governing carrier's liability for passengers and their luggage.

Ad Valorem ("at value") – an ad valorem freight rate is one where the freight is based on the value of the goods. An ad valorem bill of lading is one where the value of the goods is shown on the face of the document, which value then becomes the carrier's limit of liability; in return for this increased liability the carrier will charge an addition to the sea freight.

BAF Bunker Adjustment Factor. Freight adjustment factor to reflect current cost of bunkers.

BIMCO Baltic and International Maritime Council. A Copenhagen based organization to which many ship owners and brokers belong and that represents their interest and assists by preparing standard charter parties and other shipping documents and provides other advisory services.

B/L Bill of lading – acts as a receipt for the cargo and contains the terms of the contract of carriage and is a document of title to the goods.

B/L Ton Bill of lading ton – the greater weight of measurement of goods where 1 ton is either 1000 kilogramme or 1 cubic metre, also called **Freight Ton**.

Blue Book Sets out regulations for the carriage of dangerous goods in ships, as required by the Department of Trade for dangerous goods aboard ships in British Ports. It largely refers to the IMDG code (see below).

Bonded Warehouse A place of security approved by the custom authorities for the deposit, keeping and securing of goods liable to excise duty, without payment of this duty.

Box A colloquial name for a container.

Boxtime A standard BIMCO time charter for container ships.

Break Bulk Cargo Goods shipped loose in the vessel's hold and not in containers.

CABAF Currency and bunker adjustment factor, a combination of **CAF** and **BAF**.

CAF Currency adjustment factor – adjusts the freight to reflect currency exchange fluctuations.

C/B Container base – one of a group of container freight stations.

C&D Collect and delivery – carriage from/to customer's premises to/from **CFS** (see hereunder).

C&E Customs and Excise.

C&F Cost and Freight – a conventional port-to-port INCOTERM of sale, more correctly know as **CFR** (see below).

CFR Cost and Freight – (see above).

CFS Container Freight Station – a place for the packing and unpacking of LCL consignments. Sometimes known as **C/B** in the U.K.; **Depots** in other parts of the world; and **ICD** in the U.K. and the Indian Subcontinent.

CHIEF Customs Handling of Import and Exports Freight – a customs computer system developed to replace **DEPS** (see hereunder).

CIF Cost, Insurance and Freight – (see above).

CIM Convention International concernant le transport des Marchandise par chemin de fer – International Convention on the Carriage of Goods by Rail.

CIP See above under INCOTERMS.

COMI Comité Maritime International – an international committee of maritime lawyers.

CMR Convention relative au contrat de transport international des Marchandise par Route – International Convention of the Carriage of Goods by Road.

COGSA Carriage of Goods by Sea Act – in the U.K. the 1971 version incorporating the Hague-Visby Rules.

COT Customer's Own Transport – i.e. the customer collects the cargo from or delivers it to the **CFS/CY**.

COU Clip On Unit – a portable refrigeration unit.

CPT Carriage Paid To – a new combined transport incoterm replacing **CFR** where **CT** is involved but applicable to all modes of transport, it used to be **DCP**. Particularly appropriate for combined transport.

CRN Custom Register Number – replaced **CAN** (custom assigned Number) in October 1981. It is the number allocated by the **C&E** (see above) to an exporter or agent or freight forwarder for use when exports are to be entered under the **SCP** (see hereunder).

CSC Container Safety Convention.

CT Combined Transport – carriage by more than one mode of transport under one contract of carriage.

CTD Combined Transport Document – the **CTO** (see below) bill of landing.

CTO Combined Transport Operator – a carrier who contracts as a principal to perform a **CT** (see above) operation.

CY Container Yard – collection and distribution for **FCL** (see below) containers.

Certificate of Origin A document certifying the country of origin of goods which is normally issued or signed by a Chamber of Commerce or Embassy.

Cellular A term used to describe the hold configuration of purpose built container ships equipped with cell guides into which the containers fit.

Closing Date Last date for which goods can be accepted for a nominated sailing.

Conference An organisation of a group of shipping lines operating in one trade who have agreed to operate a common tariff.

Consortium A group of **CTO** who agree to rationalise sailings in a trade and carry each others cargo.

DEPS Departmental Entry Processing System – the current computerised Customs entry processing system to be replaced by **CHIEF** (see above).

DGN Dangerous Goods Note.

DOT Department of Trade – governmental department with responsibility for shipping and trade.

Delivery Order A document authorizing delivery to a nominated party of goods in the care of a third party. This document can be issued by a carrier on surrender of the original bill of lading and then used by the merchant to transfer title by endorsement.

Demurrage A charge raised for detaining a vessel, cargo or **FCL** or carrier's containers and/or trailers for a longer period than provided for in the tariff or contract.

Depot A **CFS**, (see above).

Detention A charge raised for detaining cargo, containers or trailers for a longer period than provided for In the tariff.

Documentary Credit The basis of international trade by means of which payment is made against surrender of specified documents.

Drawback Repayment of a duty upon re-exportation of goods previously imported.

ECE Economic Commission for Europe – a UN economic body.

ECU European Currency Unit – a financial unit used for **EEC** accounting.

EDI Electronic Data Interchange – the transfer of structured data from one computer system to another.

EDIFACT EDI For Administration, Commerce and Transport – an organisation responsible to UN ECE for the development of standard EDI messages for Administration, Commerce and Transport.

EDISHIP An organisation for exchanging data between carriers and merchants by electronic means.

EDP Electronic Data Processing – computer processing of data.

EEC European Economic Community – the European Common Market.

EFTA European Free Trade Association.

EHA Equipment Handover Agreement – acknowledging the condition of the carrier's equipment when taking over and returning it, incorporating contractual terms under which the equipment is taken over.

ESC European National Shippers Councils.

ETA Estimated Time of Arrival – indicates the estimation of the date/hour, the carrier believes the cargo, vessel or container will arrive at a nominated point/port.

ETC Electronic Data Credits – an idea being developed by the **EDI** Banking Interest Section to facilitate an EDI alternative to documentary credits.

ETD Estimated Time of Departure (see ETA).

FAK Freight All Kinds – a system whereby freight is charged per container, irrespective of nature of goods and not according to tariff.

FCL Full Container Load – an arrangement whereby the shipper utilises all the space in a container which he packed himself. "FCL door (or house)/ LCL depot" would describe a movement where a haulier, who was the sub-contractor of the carrier, took an empty container to a shipper's premises for packing by the shipper and then to haul the loaded container back to the container yard. At the importing end, the loaded container would then be unpacked at the **CTO**'s depot by the sub-contractor of the carrier, who would effect delivery to the consignee's premises. "FCL port (or pier)/FCL depot" is when the carrier receives from the shipper at the vessel's side a container packed by the shipper and delivers same to the consignee at the importing depot for the consignee to take it to his premises for unpacking and subsequent return of the empty container to carrier's depot.

FFI For Further Instruction – used in the "delivery" box of a bill of lading when final destination is still uncertain at time of shipment/booking.

FMC Federal Maritime Commission – US Federal Authority governing sea transport.

FOB Free On Board – a conventional port-to-port INCOTERM term of sale (see above).

Feeder Vessel A short-sea vessel used to fetch and carry goods and containers to and from deep-sea ports/vessels.

Freight The amount of money payable for the carriage of goods. Sometimes erroneously used to describe the goods which are more correctly described as “cargo” in marine transportation.

Freight Ton The weight/volume on which freight is charged.

GA General Average.

GATT General Agreement on Tariffs and Trade – an international multilateral agreement embodying a code of practice for fair trading in international commerce with headquarters in Geneva.

GCA Gold Clause Agreement – an agreement relating to the interpretation of COGSA 1924 and the Hague Rules between certain insurers, cargo interest and British shipowners, agreed in 1950 but abandoned on the 31st May 1988.

Groupage Consolidation of several LCL consignments into a container.

H/L Heavy Lift.

Hague Rules The 1924 International Convention on Carriage of Goods by Sea.

Hague-Visby Rules The 1968 revision of the Hague Rules.

Hamburg Rules The 1978 UNCTAD revision of the Hague-Rules.

House or Door A movement starting or finishing at the customer’s premises. Thus, “House/House” or “Door/Door” starts at the shippers premises and ends at the consignees premises.

IMDG Code International Maritime Dangerous Goods Code – contains the IMO recommendations for the carriage of dangerous goods by sea.

IMO International Maritime Organisation – a UN body charged with the duty of making safety and anti-pollution conventions and recommendations concerning sea transport.

ISO International Standards Organisation – a body responsible for, inter alia, setting standards for container construction.

INCOTERMS International Rules for the Interpretation of Trade Terms – at current comprising 13 terms (listed above) for foreign trade contracts, compiled by ICC.

Inherent Vice Those properties of certain goods which lead to their arrival in damaged condition without accident or negligence, for example unprotected steel will “weather”, bales of rubber stick together, copra is almost invariably infested by copra bugs.

L/C Letter of Credit – a document in which the terms of documentary credit transactions are set out.

LCL Less than Container Load – when a parcel is too small to fill a container which is grouped by the carrier at a **CFS** with other compatible goods for the same destination. “LCL door/ LCL depot” is effected when the carrier collects the cargo from the shipper, takes it to his depot for groupage and delivers to the consignee at the import depot.

L/I Letter of Indemnity – sometimes also called a letter of guarantee, it allows the consignee to take delivery of his goods without the surrendering of the original bill of lading which has been delayed or become lost.

LLMC International Convention on Limitation of Liability for Maritime Claims – a 1976 limitation convention enacted in the UK by the Merchant Shipping Act 1979.

LO-LO Lift On Lift Off – a containership onto which and from which containers are lifted by crane (as opposed to RoRo)

Liner A vessel plying a regular pattern of a trade on defined route under a published sailing schedule.

Liner Terms Freight payable which includes the cost of loading and unloading.

MMO Multi Modal Operator.

Manifest List of goods or passengers on a vessel.

Measurement Ton 1 cubic metre – one of the alternative bases of a freight tariff.

M/R Mate’s Receipt – a receipt given to the part that delivers the cargo to the ship. The **M/R** states quantity and condition of the cargo and where it was stowed.

NVOC(C) Non Vessel Operating (Common) Carrier – a carrier issuing bills of lading for carriage of goods on vessels which he neither owns or operates.

Notify Party The party to whom the ANF (see above) is sent.

NYPE The New York Produce Exchange charterparty – the most commonly used form of hire contract for vessels.

O/H Overheight – a container with goods protruding above the top of the corner posts.

OOG Out of Gauge – goods whose dimensions exceed those of the container in which they are packed.

O/W Overwidth – a container with goods protruding beyond the sides of the container/flat rack onto which they are packed.

P&I Club Protection and Indemnity Association – the carrier’s mutual liability insurer.

POA Place of Acceptance – the place where the goods are received for shipment or transit and where the carrier’s liability commences. Now more usually called **POR** (see above).

POD Place of Delivery – the place where the goods are delivered and carrier’s liability ends. It can also mean Proof of Delivery and then it means a signed receipt acknowledging delivery.

Poincare Franc A fictitious gold franc – originally used amongst other things to assess the carrier’s liability in an inflation proofed manner under the Hague-Visby Rules, now replaced by the **SDR** (see hereunder).

Port or Pier A movement starting or finishing at the vessel’s side, as in the times of break bulk cargoes, so that the inland movement prior and subsequent to sea carriage is effected by the merchant. It is possible to encounter movements involving more than one of these mentioned. Thus, “door(or house)/ depot” would describe a movement starting at the shipper’s premises and ending at the CFS. Once the details in respect of LCL or FCL are added to the bill of lading a full picture of the type of movement contemplated by the shippers is possible.

Principal Carrier The carrier who issues the CTD regardless of whether or not the goods are carried on his own, a third party's or a consortium member's vessel.

RN Release Note – a receipt signed by the customer with the acknowledgement of delivery of his goods.

RO-RO A ferry type vessel, onto which goods and containers can be driven usually via a ramp.

Reefer A refrigerated vessel or container.

SDR Special Drawing Rights – means of a basket of currencies designed to “iron out” currency exchange fluctuations in international valuations, now used to express the limitation under the Hague-Visby Rules and the MSA Limitation Convention.

SOB Shipped on Board – an endorsement on the “received for shipment” bill of lading confirming that the goods have been loaded on board.

Shipper The person who tenders the goods for the carriage, not to be confused with the party issuing the bill of lading or the vessel's operator who is the carrier.

Shut-out Goods not carried on the intended vessel.

Slot The space on board a vessel occupied by a container.

Straight bill of lading A peculiar American term for a negotiable bill of lading, like a “Waybill”, governed by the US Pommerene Act.

Stuffing/ Stripping The action performed when packing or unpacking a container.

TEU Twenty-Foot Equivalent Unit – i.e. 1x20ft= 1 TEU, 1x40ft= 2 TEU.

THC Terminal Handling Charge – a charge for handling container at the ocean terminals.

TIR Transport International Routiers – a system involving the issue of a carnet to road hauliers which allows loaded vehicles to cross national frontiers with minimum customs formalities.

TTD The TTD is a contract of carriage involving more than one carrier. The carrier who issues the TTD acts as the principal only

during the carriage on his own vessel and as agent at all other times. Therefore, the liabilities and responsibilities are spread over several carriers and the merchant is in contract with different carriers under different and most probably unknown conditions at different stages of the carriage.

TTO Through Transport Operator – a carrier who contracts to carry goods (only part of the carriage he undertakes to perform himself) on the basis that he is the principal whilst the goods are in his custody and care and an agent only whilst they are not.

Tariff The terms and conditions and scale of charges – in the US trade the tariff must be notified in advance to the FMC (see above).

Terminal The port or depot at which containers are loaded or unloaded onto or from container vessels, railways or trucks.

UCP Uniform Customs and Practice of Documentary Credits – the banker's “bible” on documentary credit interpretation issued by the ICC.

UNCITRAL United Nations Commission on International Trade Law.

UNCON Uncontainerable Goods – see as well Breakbulk, goods which because of their dimension cannot be containerised and which are therefore carried “breakbulk”.

UNCTAD United Nations Conference on Trade and Development.

UNCTAD MMO UNCTAD Multi Modal Transport Convention.

Vienna Convention A 1980 United Nations Convention for the International Sale of Goods which came into force on 1st January 1988.

Waybill A bill of lading that acts as receipt for the goods and evidence of the contract of carriage. A waybill is a bill of lading that is not a document and can thus be defined as follows

A waybill is a receipt for goods;
A waybill is evidence of the contract;
A waybill is a non-negotiable document.

Under a waybill delivery will be effected to a nominated consignee upon proof of identity. As a title it presents a personal contract between the shipper and the carrier only. There is (at present) no mandatory law or convention and the parties have absolute freedom of contract.

Incoterms 2000: Transfer of risk from the seller to the buyer

