

Glossary of Terms and Abbreviations

General Shipping References - Incoterms 2000

Incoterms 2000 are a set of internationally recognised trading terms, defined by the International Chamber of Commerce (ICC), which are used for the purchase and shipping of goods in the international market place. There are a total of 13 such terms which are summarised below.

	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
	Ex Works	Free Carrier	Free Alongside Ship	Free Onboard Vessel	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Frontier	Delivered Ex Ship	Delivered Ex Quay Duty Paid	Delivered Duty Unpaid	Delivered Duty Paid
SERVICES													
Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Arrival Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller
Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller
Delivered To Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

Each **INCOTERM** refers to a type of agreement for the purchase and shipping of goods internationally. There are 13 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 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.

INCOTERMS were created primarily for people inside the world of global trade. Outsiders frequently find them difficult to understand. Seemingly common words such as "responsibility" and "delivery" have different meanings in global trade than they do in other situations.

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, exports 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 Buyer's 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 is 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 the move cargo to the port of destination uncleared. "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 the duty and fees.