

Glossary of Terms and Abbreviations

General Shipping References – Incoterms 2010

Incoterms 2010 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 market place. There are a total of 11 such terms which are summarised below.

	<u>EXW</u>	<u>FCA</u>	<u>FAS</u>	<u>FOB</u>	<u>CFR</u>	<u>CIF</u>	<u>CPT</u>	<u>CIP</u>	<u>DAT</u>	<u>DAP</u>	<u>DDP</u>
SERVICES	Ex Works	Free Carrier	Free Alongside Ship	Free Onboard Vessel	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Deliver At Terminal	Delivered At Place	Delivered Duty Paid
Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Arrival Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivered To Destination	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 11 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; DAP 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 a 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 shipment 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.

Ex-Works

This shipment arrangement allows the seller to deliver (without loading) the goods at the disposal of the buyer at the seller's premises. It places minimum obligation 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 works factory or warehouse etc and "delivery" is accomplished when the merchandise is released to the consignee's freight forwarder for insurance, exports clearance and handling all other paperwork.

FOB (Free On Board)

The shipper/seller uses his freight forwarder to move the merchandise to the port or designated point of origin. FOB specifically refers to ocean or inland waterway transportation of goods. Risk passes to buyer, including payment of all transportation and insurance costs, once delivered on board the ship by the seller. Delivery is accomplished at this time. A further step than FAS.

FCA (Free Carrier)

The seller is responsible for arranging the transportation and possibly also for clearing the goods for export but the seller is acting at the risk and 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 carrier. "Delivery" is accomplished at a predetermined port or destination point and the buyer is responsible for insurance cover.

FAS (Free Alongside Ship)

Risk passes to the buyer, including payment of all transportation and insurance costs, once delivered alongside the ship (realistically at named port terminal) by the seller. FAS require the shipper/seller to clear goods for export. Companies selling on these terms will ordinarily use their freight forwarder to