

Incoterms 1990

Incoterms are a set of uniform rules codifying the interpretation of trade terms defining the rights and obligations of both buyer and seller in an international transaction, thereby enabling an otherwise complex basis for a sale contract to be accomplished in three letters.

INCOTERMS are designed to arrange for the transfer of responsibility from seller to buyer at a convenient place where goods can be inspected. Hence FOB, CFR (C&F) and CIF arrange for this to occur upon loading on board the vessel. With containers, inspection at shipside is not possible, so that FOB, CFR etc. are inappropriate. The International Chamber of Commerce (ICC) have, accordingly drafted three Combined Transport equivalents, which they advise to use when availing of Combined Transport services in order to avoid disputes. They are FCA, CPT and CIP which transfer responsibility from seller to buyer at the inland point at which the carrier takes charge of the goods.

INCOTERMS can be divided into recommended usages by mode of carriage. The division recommended by the ICC is:-

All modes (i.e. combined transport) - EXW, FCA, CPT, CIP, DAF, DDU, DDP. Conventional port-to-port/sea carriage only - FAS, FOB, CFR, CIF, DES, DEQ

The terms set out hereunder are the **INCOTERMS 1990**:- **EXW** Ex works (named place) **FCA**
Free Carrier (named place)

FAS
Free Alongside Ship (named port of shipment)

FOB
Free On Board (named port of shipment)

CFR
Cost and Freight (named port of destination)

CIF
Cost, Insurance and Freight (named port of destination)

CPT

Carriage Paid To (named point of destination)

CIP

Carriage and Insurance Paid To (named point of destination)

DAF

Delivered At Frontier (named point)

DES

Delivered Ex Ship (named port of destination)

DEQ

Delivered Ex Quay (duty paid) (named port of destination)

DDU

Delivered Duty Unpaid (named point)

DDP

Delivered Duty Paid (named point)

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 organisation to which many shipowners and brokers belong and that represents their interest and assists by preparing standard charterparties 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 or 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 here under).

C&E Customs and Excise

C&F Cost and Freight - a conventional port-to-port INCOTERM of sale, more correctly known 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.

CMI Comite Maritime International - an international committee of maritime lawyers.

CMR Convention relative au contrat de transport international des Marchandise par Route - International Convention on 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 the 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 frieght 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 lading.

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

CY Container Yard - collection and distribution point 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 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 authorising 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 packs 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 consignee's 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 parcels 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 a 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 party 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 Vessel which he neither owns nor 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 below).

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 landing 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 = 1TEU, 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 on Contracts 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.