

Incoterms (International Commercial Terms), Definitions

A

Act of God - Marine Insurance term meaning an act beyond man's control, e.g., lightning, flood, earthquake, etc. The carrier is not legally responsible under most circumstances for such damage.

Ad Valorem - According to value. Rates are based on value of goods.

Advising Bank - The Bank which advises the seller that a Letter of Credit has been opened in his favor by the buyer; however, the advising bank does not necessarily guarantee payment.

AI - All Inclusive Rates.

AMS (Automated Manifest System) - Electronic computer link with U.S. Customs that allows for faster processing and clearance of cargo.

Arbitrary - A stated amount over a fixed rate to one point to make a rate to another point.

Arrival Notice - Notice sent by the carrier informing the consignee, notify party, and also notify party of the arrival date of the cargo. Other pertinent information for shipment may be included, such as bill of lading number, weight, charges due and location of cargo.

Awkward Cargo - Cargo of irregular size that is either containerized or un-containerized. It requires prior approval, depending on the circumstances, before confirmation of booking.

B

BAF (Bunker Adjustment Factor) or BSC (Bunker Surcharge) - Surcharge assessed by carrier to freight rates to supplement increased fuel costs.

Bank Guarantee - Document accepted in lieu of original bill of lading to release cargo. Protected in writing to carrier for performing a deviation from normal business, guaranteed by a bank.

BB (Break bulk) - A term used to describe cargo which does not constitute a full container, or which is palletized, boxed, etc., or large machinery, trucks, etc. Also used to describe cargo, which cannot be containerized due to its size and/or nature.

B/L (Bill of Lading) - A receipt for the cargo and a contract for transportation between a shipper and the ocean carrier. It may also be used as an instrument of ownership, which can be bought, sold or traded while the goods are in transit. To be used in this manner, it must be a negotiable "Order Bill of Lading".

- **"Clean B/L"** is issued when the shipment is received in good order. If damage or a shortage is noted, a clean bill of lading will not be issued.
- **"On Board B/L"** certifies that the cargo has been placed aboard the named vessel and is signed by the master of the vessel or his representative. On letter of credit transactions, an On Board B/L is usually necessary for the shipper to obtain payment from the bank. When all bills of lading are processed, a "ships manifest" is prepared by the steamship line. This summarizes all cargo aboard the vessel by port of loading and discharge.
- **"Inland Bill of Lading"** is also known as the "Waybill" on rail or the "Pro Forma B/L" in trucking. It's used to document the transportation of the goods between the port and the point of origin or

destination. It should contain information, such as marks, numbers, steamship line, etc., to match with a dock receipt.

Booking - The arrangement of space of cargo in a container (CFS or CY), or as a break bulk or bulk. One would call an international carrier and reserve space for the cargo.

Bonded Warehouse - A warehouse, section of a warehouse, or secured area designated by U.S. Customs as a bonded warehouse. It is a temporary storage area (limited for five years) for goods until duties are paid or otherwise properly released and the cleared from Customs.

Box - Slang term for an ocean container for cargo.

Brokerage - Fee paid to freight forwarder by the carrier for services performed.

Bulk Freight - Not in packages or containers, shipped loose in the hold of the ship. Grain, coal and sulphur are usually bulk freight.

C

CAF (Currency Adjustment Factor) - Surcharge percentage applied to freight rates to adjust currency fluctuations in order to equalize different currency values.

Carrier Certificate and Release Order (Carrier Certificate) - Used to advise Customs of the details of the shipment, its ownership, port of lading, etc. By means of this document, the carrier certifies that the firm or individual named in the certificate is the owner or consignee of the cargo.

CBM - Cubic Meter.

Certificate of Origin (C/O) - Formal document, required at destination, stating the origin of cargo and relevant cargo details.

CFS (Container Freight Station) - Storage/warehouse facilities for loading/unloading less than full container orders.

CFS/CFS - Cargo movement delivered loose at origin point, devanned by carrier at destination, and picked up loose at destination terminal.

CFS/CY - Loose cargo received at origin point, loaded in a container by carrier, then delivered intact at destination.

Chassis - A wheeled flat bed trailer on which to mount a cargo container for transport.

CHB (Custom House Broker) - A person or company who is licensed to transact customs business on behalf of the United States importer. Licensing is by U.S. Customs. Also referred to as Customs Broker.

CIF - Cost Insurance and Freight.

Claim - When used in Marine Insurance, means a demand made by a shipper or insurance company upon a carrier for payment of a loss sustained through its negligence.

Clean B/L - See B/L.

COD - Collect (Cash) on Delivery; Carried on Docket (pricing); Change of Destination.

COFC (Container on Flat Car) - Containers moving on articulated flat cars without chassis.

Commercial Invoice - A bill for the goods from the seller to the buyer. It is often used by government to determine the true value of goods for the assessment of customs duties. It is also used in the preparation of consular documentation. Governments using the commercial invoice to control imports often specify its form, content, number of copies, language to be used, etc.

Conference - Group of carriers allowed by FMC to determine a level of rates, services and rules of a given trade route bound together by a common tariff.

Connecting Carrier - An intermediary carrier utilized to connect cargo to/from the mother vessel. Also known as "feeder service."

Consignee - Receiver of shipment.

Consolidator - A company who combines small shipments to a common point for convenience and special rate to accommodate the customer.

Consortium - Group of carriers pooling resources in a trade lane to maximize their resources efficiently.

Consular Invoice - Required by some countries, this document is used to control and identify goods shipped to them. It usually must be prepared on special forms and may require legalization by their Consul.

Consumption Entry - See Custom Entries.

Container - A vehicle designed to transport cargo of many types in continuous transportation. They are constructed as to not fail under stress or handling over a long period of time. Most ocean vessels can accommodate 20' and 40' length ocean containers for below deck storage and any size above deck. Containers may be ventilated, insulated, flat rack (open sided), reefer (refrigerated), vehicle rack, or open top.

Container Load Plan (CLP) - A document prepared to show all details of cargo loaded in a container, e.g. weight (individual and total), measurement, markings, shipper, the origin of goods and destination, as well as location of the cargo within the container.

Containership - An ocean vessel specifically designed to carry ocean cargo containers. It's fitted with vertical cells for maximum loading/discharge efficiency.

Country of Origin - The country of manufacture, growth or production of cargo.

CPT (Carriage Paid to) - Means the seller pays the freight for the carriage of the goods to the named destination. The risk of loss or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier. The CPT term requires the seller to clear the goods for export.

Credit Agreement - Agreement between carrier and shipper for release of cargo with promise to pay ocean freight within specified time.

CST - Commodity Specialist Team.

Customs Entries: Custom Entries are classified in several ways:

- **Consumption Entry** - A form required by U.S. Customs for entering goods into the U.S. The form contains information as to the origin of the cargo, a description of the merchandise, and estimated duties applicable to the particular commodity. Estimated duties must be paid when the entry is filed.

- **Immediate Delivery Entry (I.D. Entry)** - Procedure used to expedite the clearance of cargo. It allows up to ten days for the payment of estimated duty and processing of the consumption entry. In addition, it permits delivery of the cargo prior to payment of the estimated duty and then allows subsequent filing of the consumption entry and duty.
- **Immediate Transportation Entry (I.T. Entry)** - Allows the cargo to be moved from the pier to an inland destination via a bonded carrier without the payment of duties or finalization of the entry at the port of arrival. Cargo must clear Customs at the inland destination point.
- **Transportation and Exportation Entry (T&E Entry)** - Allows goods coming from or going to a third country (such as Canada or Mexico) to enter the U.S. for the purpose of Trans-shipments.

Cut-Off - Last possible date cargo may be delivered to vessel or designated point.

CY (Container Yard) - Storage area where full containers are received and picked up.

CY/CFS - Cargo loaded in a full container by a shipper at origin, delivered to pier facility at destination, and then devanned by carrier for loose pick up.

CY/CY - Cargo loaded by shipper in a full container at origin and delivered to carrier's terminal at destination for pick up intact by consignee.

D

DDC - A charge assessed by the carrier for handling positioning of a full container within the container yard.

DDU (Delivered Duty Unpaid) – Means that the seller fulfils his obligation to deliver when the goods have been made available at the named place in the country of importation. The seller has to bear the costs and risks involved in bringing the goods thereto (excluding duties, taxes and other official charges payable upon importation) as well as the costs and risks of carrying out customs formalities. The buyer has to pay any additional costs and to bear any risks caused by his failure to clear the goods for import in time.

DDP (Delivered Duty Paid) – Means that the seller fulfils his obligation to deliver when the goods have been made available at the named place in the country of importation. The seller has to bear the risks and costs, including duties, taxes and other charges of delivering the goods thereto, cleared for importation. Whilst the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation.

This term should not be used if the seller is unable directly or indirectly to obtain the import licence.

Delivery Instructions - These instructions provide specific information to the inland carrier about the merchandise to the particular pier or steamship line. This term is not to be confused with "Delivery Order" which is used for import cargo.

Delivery Order (Pier Release) - Issued by the consignee or his customs broker to the ocean carrier as authority to release the cargo to the inland carrier. Includes all data necessary for the pier delivery clerk to determine that the cargo can be released to the domestic carrier.

Demurrage - A penalty charge against shippers or receivers for delaying carriers equipment beyond allowed time.

Devanning - The process of unloading cargo from a container. Also referred to as un-stuffing, unloading, or stripping.

Diversión - A change made in the route of a shipment.

Dock Receipt - Receipt given for a shipment received or delivered at a pier or dock. When delivery of an overseas shipment is completed, the dock receipt is surrendered to the carrier and a bill of lading is issued.

Door to Door - Shippers use the container to carry goods directly from his premises to his customer's location. Shipper is responsible for proper stowage and security of cargo within container.

DOT - Department of Transportation.

DST (Double Stack Train) - Rail car train capable of carrying two forty-foot equivalent containers, one on top of each other.

Duty Rates - Tax imposed by U.S. Customs on imported merchandise. There are three basic types: (1) ad valorem - based on the entered value, (2) specific - an amount per unit of quantity, (3) compound - combination of ad valorem and specific rates.

DWT - Deadweight capacity of vessel to carry cargo.

E

Entry - The document or set of documents required to be filed with U.S. Customs to secure the release of imported merchandise. The entry is the appropriate Customs document accompanying required supporting documentation. The final disposition of the imported cargo will determine the type of entry to be filed.

Export Declaration - Required by the U.S. Department of Commerce to control exports and to act as a source document for export statistics. It includes complete particulars on the shipment. Common abbreviation is Ex Dec.

EXW (Ex Works) - Means that the seller fulfils his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, etc) to the buyer. In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. This term thus represents the minimum obligation for the seller.

F

FAK - Freight All Kinds.

FCA (Free Carrier) - "Named Place" means that the seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When, according to commercial practice, the seller's assistance is required in making the contract with the carrier (such as in rail or air transport) the seller may act at the buyer's risk and expense.

FCL (Full Container Load) - A container of goods with the shipper being responsible for the packing and the consignee being responsible for the unpacking of the container at his own premises.

Feeder Service - See Connecting Carrier.

FEU (Forty Foot Equivalent Unit) - A 40' container equals 2 TEUS.

FF (Freight Forwarder) - Federally licensed company that handles documentation details for shipper of export cargo.

Flat Car - Platform rail car on which trailers, containers, etc. are loaded.

FMC (Federal Maritime Commission) - U.S. Government Agency responsible for overseeing regulatory aspects of all maritime activities.

Freight Release (Freight Bill Receipt) - Evidence that the freight charges for the cargo have been paid. If in writing, it may be presented at the pier to obtain release of the cargo. (Normally, once the freight is paid, releases are usually arranged without additional documentation).

FOB (Free on Board) - Means that the seller fulfils his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export.

This term can only be used for sea or inland waterway transport. When the ship's rail serves no-practical purpose, such as in the case of roll-on/roll off or container traffic the FCA term is more appropriate to use.

Foreign Trade Zone (FTZ) - A facility which - under license issued by the Foreign Trade Zone (FTZ) board - has acquired extra-territorial status. Merchandise entered into a FTZ are considered as having been "exported" and can be subjected to manipulation or manufacturing processes without Customs supervision, but will be subject to other applicable federal or state laws and terms of the storage contract.

Free Time - Storage time allowed at carriers' facility without penalties being assessed.

Free On Board (FOB) - An international term of sale. The goods are placed on board a ship by the seller at a port of shipment named in the sales contract. The risk of loss or damage to the goods is transferred from the seller to the buyer when the goods pass the ship's rail.

Freight Brokerage - A commission paid to a licensed Freight Forwarder or Custom House Broker by the steamship line concerning export transactions. Commission is paid either as a percentage of the freight charges or as a lump sum amount per container, depending on the carrier and/or trade lane.

G

General Average (GA) - Coverage for loss resulting from voluntary sacrifice, e.g., jettison, or the act of expending cargo to prevent loss of vessel, crew, passengers, or total cargo. The value of such a loss is averaged among all interested parties.

GO (General Order) - Cargo seized by customs due to failure on part of consignee to make customs entry within allotted free time.

GRI - General Rate Increase.

Gross Weight - The weight of the goods including packaging, wrapping, and internal and external containers.

H

Heavy Lift - Single commodities too heavy to be lifted by the ship's regular equipment.

H/H - House to House (same as CY/CY).

H/P - House to Pier (same as CY/CFS).

HH/Goods - Household goods.

HM - Hazardous Materials

I

IA (Independent Action) - A carrier can take an independent action within a conference resulting in a unique rate for that carrier, ability to file a rate independently of other carrier's action.

ICTF - Immediate Container Transfer Facility.

IFM - Inward Foreign Manifest.

Immediate Delivery Entry - See Customs Entries.

Immediate Transportation Entry (IT) - See Customs Entries.

In Bond - The transportation of a shipment to an inland point for Customs clearance rather than filing an entry to clear the goods at the port of arrival.

Inland B/L - See B/L.

Insurance Certificate - Assures the consignee that insurance is provided to cover loss or damage to the cargo while in transit.

Interchange - Transfer of a container from one party to another.

Interchange Agreement - Contract between carrier and trucker that legally permits interchange of equipment.

Intermodal - The combining of two forms of transportation, usually refers to ocean/rail, rail/truck/ocean, air/truck/rail/ocean movements, Intermodal movements include mini-landbridge (MLB) and microbridge.

IPI (Inland Point Intermodal) - Inland carriage by another mode of transportation after port discharge, cargo moving to/from an inland point.

Issuing Bank - The bank that has issued or opened a letter of credit. Also called an Opening Bank.

J

JOC (Journal of Commerce) - A trade publication. Trade Transportation Journal.

L

LCL (Less Than Container Load) - Cargo in any quantity (usually loose cargo) intended for carriage in containers, the carrier is responsible for packing and unpacking the container at the carrier's premises.

Letter of Credit (L/C) - Financial document issued by a bank at the request of the consignee guaranteeing payment to the shipper for cargo if certain terms and conditions are fulfilled. Normally it

contains a brief description of the goods, documents required, a shipping date, and an expiration date after which payment will no longer be made.

LT - Long Ton (2,240 pounds).

M

M & R - Maintenance and Repair.

M/T - Metric Ton.

Manifest - A list of all cargo loaded on board a vessel. Entire listing of all cargo on board a vessel required by the carrier, customs, and the coast guard.

Microbridge - Cargo moving port to port via land or rail; inland destination served overland by rail.

Minimum B/L - The minimum amount one can charge per individual bill of lading.

MLB (Minilandbridge) - Cargo moving port to port via land or rail; port destination served overland by rail.

N

Negotiable B/L - Original Bill of Lading endorsed by shipper that is used for negotiating documents with bank.

Net Weight - The weight of the commodity only.

Neutral Body - Neutral party used to police the practices of members of the conference.

Non Conference Carrier - An independent ocean carrier who does not belong to any group or conference of ocean carriers and who establishes their own pricing and policies.

Non Negotiable B/L - Copy of original Bill of Lading which cannot be negotiated with bank.

NVOCC (Non Vessel Operating Common Carrier) - Company who charters space aboard vessels, then sells that space to prospective shippers. Also known under deregulation as an Ocean Transportation Intermediary (OTI).

O

OBL - Original Bill of Lading.

Ocean B/L - See B/L.

On Board B/L - See B/L.

Overland Common Point (OCP) - A term stated on bill of lading offering lower shipping rates to importers east of the Rockies provided merchandise from the Far East comes in through the West Coast Ports.

P

Per Diem - Costs per day. Charge on containers held by customers for an extended time; charges levied upon a trucker due to late return of equipment.

Pilferage - The act of stealing cargo.

POD - Port of Discharge. Also an acronym for Proof of Delivery.

POR - Port of Origin.

POL - Port of Loading.

Port of Arrival - Location where imported merchandise is off-loaded from the importing aircraft or vessel.

Port of Departure - In export, the final ocean port of aircraft where the shipment in the vessel or aircraft departs from the United States.

Port of Discharge - Port where goods are unloaded from vessel.

Prepaid B/L - Freight paid prior to movement; money to be paid prior to issuance of bill of lading.

P/H - Pier to House (same as CFS/CY).

P/P - Pier to Pier (same as CFS/CFS).

R

R/T - Revenue Ton.

Rates - Ocean rates are classified in many ways, here is just a sampling:

- **Class** - Grouping of articles.
- **Commodity** - Specific articles.
- **Arbitrary** - Fixed rate according to port to port.
- **Minimum** - Lowest charge.
- **Heavy Lift Charge** - Extra Charge for cargo which needs extra or heavy equipment to load or unload, charge assessed for cargo over a certain length.
- **Charter** - Use of an entire vessel.
- **Ad Valorem** - Based on value of cargo.
- **Refrigerated** - Cargo which requires refrigeration equipment.
- **Dangerous Cargo** - Needs special handling or stowage.
- **On Deck Cargo** - Cargo which must be shipped on the deck of the vessel.

Refrigerated Container (Reefer) - A specialized type of container with built-in diesel power generator, engineered for the transportation of refrigerated and perishable commodities.

Revenue Ton - Tonnage used to calculate freight rates as in ocean cargo.

S

Seals on Containers - Attached to locking device on container to prevent pilferage and to certify no tampering; made of steel by customs or carrier.

Service Contract - As provided in the Shipping Act of 1984, a contract between a shipper (or a shipper's association) and an ocean carrier (or conference) in which the shipper makes a commitment to provide a certain minimum quantity of cargo or freight revenue over a fixed time period, and the ocean common carrier or conference commits to a certain rate or rate schedule as well as a defined service level (such as assured space, transit time, port rotation, or similar service failures). The contract may also specify provisions in the event of non Tperformance on the part of either party.

SL&C (Shippers Load and Count) - Shipments loaded and sealed by shippers and not checked or verified by the carriers.

Special Customs Invoice - An official form usually required by U.S. Customs if the rate of duty is based upon the value and the value of the shipment exceeds \$500. This document is usually prepared by the foreign exporter or his forwarder and is used by Customs in determining the value of the shipment. The exporter or his agent must attest to the authenticity of the data furnished.

Stevedore - Terminal operator who facilitates the operation of loading and discharging vessels and other terminal activities.

Stowage - To place cargo aboard a carrier in a pre-planned and organized manner.

T

Tare Weight - The weight of a container and the material used for packing exclusive of cargo. When applied to a loaded truck, the weight of the truck exclusive of its contents.

Tariff - A schedule of charges, rules and regulations, which must be followed. This can be for transportation charges, loading and unloading charges, and import duties, etc.

TEU (Twenty-foot Equivalent Unit) - A 20' container is a TEU. Term used to express the carrying capacity of vessels.

THC (Terminal Handling Charge) - Charge assessed by terminal for loading, unloading, fork lifts, document fees, and other assessments for import and export cargo.

TIR (Trailer Interchange Receipt) - Interchange receipt between trucker and carrier; document showing condition of container/equipment at the time of interchange.

TOFC (Trailer on Flat Car) - Containers with chassis loaded onto rail cars.

Transmittal Letter - Contains a list of the particulars of the shipment, a record of the documents being transmitted, and instructions for disposition of these documents. Any special instructions are also included.

Transportation and Exportation Entry - See Customs Entries.

Transshipment - The transfer of cargo from one carrier to another.

TRC (Terminal Receiving Charge) - Charge assessed by the terminal for cargo being delivered for export.

U

USDA (United States Department of Agriculture) - A government agency which regulates functions of specific imported merchandise, e.g., plants and plant products, domestic animals, serums and by products, etc.

W

W/M - Weight or Measure.

War Risk - In Marine Insurance, is damage or loss sustained as the result of acts of war. It is usually written in a separate policy against current war like acts as well as former war leftovers, such as floating mines not detected, etc. War Risk is not included in an All Risk policy, but can be added by endorsement. A separate premium is usually paid.

Wharfage - Charge assessed by terminal or port authority for the handling of incoming or outgoing cargo.