



Shipping and Incoterms

Practice Guide



UNDP PRACTICE SERIES



Shipping and Incoterms

Practice Guide

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Introduction

This practice guide is designed for those working in UNDP who are interested in gaining an overview of appropriate shipping arrangements, documentation and Incoterms. Additionally, those working in functions that include close interaction with the procurement or logistics function, such as programme staff who would like a closer understanding of shipping activities, would find this practice guide relevant.

Among the topics covered are the principles of effective shipping arrangements, methods of mitigating risks and an overview of the options available for optimizing the organization's logistical activities and the capability to plan, implement and evaluate a transportation exercise appropriate to the value/risk of the goods being transported.

About this Guide

- This guide offers an overview of the different modes of shipment available to determine the appropriate logistical arrangements for a range of requirements;
- Gives an introduction of a broad understanding of the need for insurance and the types of coverage available;
- Explains the pros and cons of different Incoterms and the appropriate use of Incoterms;
- Discusses loss prevention, means and actions to put in place to minimize or prevent loss and effective packing and marking;
- Describes customs procedures;
- Discusses the choice of appropriate shipping methods depending on various factors, including, cost, frequency / regularity, reliability and speed required; and
- Explains the functions of shipping documents, including Air Waybill (AWB) and Bill of Lading (B/L).

Shipping

In Short....

- Purchasing and shipping are “service units” whose efforts must be devoted to help end-users.
- Receipt of supplies in good order is the target.
- A successful insurance claim does not compensate the inconvenience caused to end-users by arrival of supplies in bad order and therefore, managing risks comes before cost.
- Use container services, full load, whenever possible, as this offers the best protection.
- Give clear shipping instructions to secure the best possible handling.
- Do not send any supplies, even post parcels, without a timely notification and supporting documents being issued to the end-user.

Chapter 1 Importance of Transportation

The aim of this section is to provide guidelines for procurement and shipping by providing general information on the mechanisms of transportation and their associated risks. This guide provides basic facts about shipping, and thus detailed legal aspects of trade and answers to specific problems that could arise are beyond the scope of the publication. It is hoped, however, that the guide will be useful to procurement staff in their day-to-day work.

Transport is the essential link between supplier and receiver, and the aim is to receive the goods in good condition, when and where they are needed. This necessitates close collaboration between procurement staff, the supplier and the transporter. The journey involved, whether over land, sea and/or air, may introduce certain costs and risks that can be mitigated by appropriate methods of dispatch, insurance coverage, suitable packaging instructions, and by considering the roles and responsibilities of the parties involved in the chain of transport events up until final delivery to the client.

Various aspects of these problems are examined in the following chapters.

Chapter 2 Mode of Transportation

Various modes of transportation are available for transporting goods between or within countries by either air, sea or overland by road and rail.

Modes of transportation

- Sea-freight
 - » Containerized, Full Container Load (FCL) / Less-than-full Container Load (LCL)
 - » Conventional (general cargo)
 - » Charter Shipping (bulk)
 - » Roll on (RO)/Roll off (RO) Vessels and LASHING
- Airfreight
- Overland / Truck / Rail
- Post
- Multimodal Transportation



Sea-Freight Containerized

A standard container is a metallic box (steel or aluminium) with a double door at one end and in which general cargo can be safely loaded and transported. Most international container traffic is carried in either 20 foot or 40 foot containers. Container dimensions are standardized and the maximum load is described in the table below.

Sea Freight Containers		
	20 foot container	40 foot container
Capacity (m ³)	30	60
Internal dimensions L x W x H (meters)	5.89 x 2.32 x 2.23	12 x 2.32 x 2.43
Door W x H (meters)	2.30 x 2.14	2.30 x 2.23
Maximum load (tonnes)	18	30

Sea freight capacity, dimensions and load

There can be slight variations in these measurements depending upon the maker (always give exact measurements of large, individual packages).

Containerized shipments are either Full Container Load (FCL) or Less than a Container Load (LCL):

- FCL is a “door to door” concept. Containers are sealed at origin and opened at the destination, offering high security and minimum handling. The majority of containerized UN cargo is FCL.
- LCL is a “Terminal to Terminal” concept. When a shipper does not have enough cargo to load a container to its full capacity, a forwarder running a “consolidated container service” may be contacted and allowed to add, i.e. using one container for several loads originating from various shippers. This is of greatest interest in the case of shipments to land-locked countries, as the use of containers practically eliminates the risks of loss, pilferage and delays in the port of unloading for transshipment over land. However, if reloading is required before the final destination, this method offers lower security, a higher risk of theft or damage during loading/offloading and/or exposure to adverse weather conditions.

The loading and stuffing of a container to safely secure the cargo preventing movement and/or collisions inside the container is a specialized procedure that is normally carried out by professionals to reduce the risk of cargo damage. Whether the buyer or the seller carries the cost and risk

Method of quoting freight rates

Case: Assuming that an ocean carrier or a freight consolidator offers an exporter \$65 W/M (weight or measurement) for the shipment of 665 cartons of product DX. The specified weight is per 1,000 kg and measure is per cubic meter (m³). The gross weight of each carton is 10.5 kg and the dimensions are 0.45 x 0.30 x 0.30 m (LxWxH) which is 0.04 m³ per carton.

The consignment has a weight of 6,982.5 kg (i.e., 10.5 kg x 665) and a measure of 26.30 m³ (i.e., 0.04m³ x 665)

The freight cost by weight is: \$65 x (6,982.5/1,000) = \$ 453.86

The freight cost by measurement is: \$65 x 26.30 = \$ 1,729.00

The volume of product DX is large in relation to its weight; the freight cost by volume gives the carrier or the consolidator a higher revenue and thus the exporter pays \$1,729,00

of stuffing the container must be decided before bidding is conducted and the correct Incoterm used in the bidding document.



Sea-Freight Conventional Cargo (General Cargo)

Conventional cargo is cargo that is transported in bulk, in boxes and/or on pallets. This requires high quality export packaging (for example, very strong wooden crates), offers very low security and is damage prone due to multi-handling and exposure to weather conditions. Cargo is delivered to a shipping company, referred to as “the carrier”, for transportation between a named port of shipment and a designated

place of destination, and is loaded into one of the holds of the carrying vessel (exceptionally on deck if the nature of the goods so requires).



Sea-Freight Chartering

Charter cargo ships do not operate on regular routes and schedules and pick up cargo only when it is chartered from the ship operator. When a consignment represents several thousand tons or cubic meters, for instance bulk cargo like oil, coal, ore and grain, the normal procedure is to charter a vessel or part of a vessel, after contacting possible carriers for quotations. Charter shipping has the lowest freight rate per

unit of weight or measure. A charter-party can be concluded for a specific load (tonnage), for a journey, or for a determined length of time.



Sea-Freight Roll on / Roll off (RO/RO)

The RO/RO vessel (RO/RO or RORO) derived from the traditional car ferry, where motor vehicles are driven on and off by their drivers and non-mobile traffic is loaded on flat racks. The RO/RO is equipped with ramps that make loading and unloading from the side and/or bow (front of vessel) and/or stern (rear of vessel) possible. Benefits include fast loading and unloading. Some modern RO/ROs are designed as a

trailer/break-bulk/container carrier suitable for deep-sea voyage (long haul), making loading and unloading of containers from the top using a crane, like a full container ship. The type of cargo that can be carried on a RO/RO is flexible, including large objects. The disadvantage is low security and the risk of damage occurring during loading/unloading and during on-forwarding to an inland destination. For example, when transporting a large quantity of vehicles, RO/RO may not be the optimal mode of transport, depending on the road conditions and safety and security over-land. A car carrier or “own-wheels” offers considerably less protection against theft or damage when compared with FCL delivery by truck where vehicles are safely secured inside closed containers. Thus low freight rates offered on certain routes for RO/RO may not yield overall best value for money; the entire transport chain must be considered when selecting appropriate methods of transport.



Sea-Freight LASH (Lighter Aboard Ship)

Lighter Aboard Ship (LASH) is a system of water transport. LASH vessels each carry about 82 LASH barges. The barges, all of a standard size with cargo capacity of 385 tons, are towed into ports and inland waterways to various shipping points where they are loaded with cargo and then returned to the ocean-going vessel. They are hoisted aboard by a special shipboard gantry-type crane and transported overseas where the process is reversed. LASH ships do not require special docks or terminals.



Air Freight

Air freight is often used for high value/low volume shipments. The traditional method of air dispatch is to deliver a consignment covered by an individual air waybill to an air carrier (either direct or through a freight forwarder). In the case of large loads, it is possible to charter a full aircraft or arrange for what is called a split-charter if the load will not fill the aircraft to full capacity.

Benefits of air freight

Faster delivery

Airports worldwide can be reached in 1 or 2 days or in a few hours by airfreight, thus reducing the risks of theft, pilferage and damage to the goods. Delivery to certain areas may take several weeks to arrive by ocean and overland freight. Time sensitive or perishable goods, such as certain pharmaceuticals, often rely on airfreight.

Better security

Airfreight has a tighter control over its cargo, thus it has better security that reduces the cargo exposure to theft, pilferage and damage.

Less packaging

Airfreight requires less packaging because of faster delivery and better security. Less packaging may mean saving freight, packaging and labour costs.

Lower insurance

Airfreight is faster and has better security than overland and ocean freight, thus the insurance premium rate generally is lower.

Calculating airfreight

The basis of calculation of airfreight charges is normally weight per kilo, the weight being rounded off to the nearest higher 0.5 kg. When the ratio between weight and measurement exceeds 6, however (in the UK, it is 5), the basis for calculating cost will be on volumetric weight.

Example:

A 9.8 kg package – volume 40 dm³ = charged at 10.0 kg

A 9.8 kg package – volume 75 dm³ = charged at $75/6 = 12.5$ kg

Chargeable Weight for a shipment is the greater of the actual weight and the volumetric weight. It is proper and customary for the figure to be rounded up to the next 0.5 kg.



Overland (Truck/Rail/“Own-Wheels”)

Deliveries inland by truck, rail or “own-wheels” may be the only viable option for supplying bulky loads. Road and rail freight are commonly used in the cross-border deliveries. Generally, if the transit distance is less than 1,000 km, using road freight is competitive compared to rail and airfreight. Road freight is widely used in the inland delivery of goods to the port of export. The delivery charge is called the cartage or

trucking fee. The hauling charges for transporting the ocean freight container on land normally excludes the cost of loading and unloading of cargo, called the drayage or cartage. The cartage, drayage and other inland transport charges (e.g. waterway freight and rail freight) are known as inland freight. Security is generally considered low, and deliveries by truck require full export packaging (e.g., strong wooden crates). Risk of theft and vandalism to rail transport can be mitigated by using closed railway wagons. “Own-wheels” is perhaps the least secure and may require careful planning and analysis on the availability of drivers, road and weather conditions, customs checks and general security in the area.



Post

Where postal services are reliable, small parcels can often be sent more cheaply by air parcel post, or even surface parcel post if the time element is not of primary importance. These, however, should always be sent registered or insured. The main considerations are the reliability of the postal service at the destination and advising consignees of the arrival of parcels which, in most instances, have to be cleared through customs before they can be delivered.



Multimodal Transportation

Multimodal transportation is the movement of one unit load from origin to destination by several methods or transportation under one document without breaking up the unit load. The development of container traffic has made this possible, as containers can travel from end to end without being opened/unloaded/reloaded during the course of the journey.

Companies which can offer multimodal transportation are large firms or forwarding agents who specialize in such traffic, as it obviously requires diligent organization to ensure that the chain of transport events works smoothly.

The advantage for those who make use of multimodal transportation is that they have one document only for the whole operation and that the operator is legally responsible for a satisfactory overall performance by his own staff and by the agents or branches that he is employing.

An example of multimodal transportation:

Containers loaded in continental Europe travel by train to Rotterdam, then ship on a vessel to Dar Es Salaam, then are delivered inland in Tanzania by truck.

Chapter 3 Selection of the Methods of Dispatch

The ability to decide on the right method of shipment depends on various factors, including urgency, nature of the goods, cost, need for cautious handling, weight and volume, value of the goods, frequency/regularity of delivery and reliability of the method.

Several factors have to be taken into consideration when planning the dispatch of any item, and these factors may be conflicting. For instance, an urgent consignment may not be sent by air because of insufficient funds or because the type of goods precludes air dispatch.

Rule of thumb

- Relatively high value / volume: **use airfreight**
- Relatively low value / volume: **use sea freight**

The following should be carefully considered:

a) Type of supplies

In many instances there are many choices. In some cases, however, there is no choice. For example, perishable goods should be sent by air, and large quantities of fertilizers, insecticides, and sewer pipes, for instance, will be sent by surface and/or sea (dangerous goods may not be allowed by airfreight).

b) Geography

Origin and destination determine distance and therefore type of transportation required. Surface shipment may be logical in certain cases, while airfreight might otherwise be required. Related factors include transport infrastructure, safety, security, weather conditions, etc.

c) Time element

Except for emergencies or where the top priority is the delivery of supplies within the shortest possible time, procurement should be made to allow dispatch by the most economical/rational means. It is therefore of great importance that supply programmes are planned with shipping in mind to avoid expensive rush shipments or purchasing from a source that is not especially rational when shipping time is factored in.

d) Cost

There is no rule to indicate the percentage cost of transportation as compared to the value of supplies. Except for clear cases where only air or surface can be selected, airfreight should automatically be compared to surface. Small and medium-sized consignments can often be sent at approximately the same cost by air as surface, chiefly when transshipment and on-forwarding would be required in surface transport. A golden rule: group small orders for joint shipment, as repeated small dispatches become very expensive, especially when the cost of customs clearing the goods is added.

e) Safety

Fragile/sensitive high valued equipment is best sent by air, even if there is no special urgency in their dispatch. In the same manner, cargo at risk of being pilfered that is shipped by sea should be containerized, such as automotive spare parts, office machinery and stationery, pharmaceuticals and medicines, etc. Remember that a successful insurance claim is, at best, a financial compensation; it will never compensate for the inconvenience caused to the consignee by the arrival of supplies in bad order.

Chapter 4 Packing – Markings – Addresses

Ideally during the tendering period and at the time of placing orders and issuing shipping instructions, all requirements concerning packing and markings must be sent to potential suppliers (in the invitation to tender), contracted suppliers and forwarders.

Packing

The type of packing required depends on the goods to be sent, the method of dispatch and conditions at the final destination. Remember that paying extra for good packing may result in savings to the organization in the long run.

The type and nature of the packing is influenced by factors such as:

Kind of product

Use crates for large and heavy objects like machines, bags for powder like cement, plastic drums or containers for liquids, wooden cases for small and heavy items like nails, and bales for bulky materials like cotton.

While many items – i.e. printers, office machines, household appliances – are delivered in moulded polystyrene packs and then placed within good cartons which offer excellent protection, many orders for composite pieces of equipment cannot be packed in the same manner. In addition to outside packaging, this type of freight should be secured inside its packaging to prevent movement during shipping. It is important on such occasions to instruct suppliers specifically to pack for airfreight, for ocean freight or for container shipment.

Mode of transportation

Generally, airfreight requires less packing than ocean and land freight, and containerized shipments require less packing than non-containerized shipments due to lower risks of loss or damage.

Route and final destination

In areas with higher incidence of loss or damage due to mishandling, theft and pilferage, more and stronger packing is necessary.

If several transfers are required along the way, for example from vessel to rail, rail to lorry and finally, to a 4-wheel drive vehicle, the packing should be especially strong and carefully made. The internal packing must be made to prevent movement inside the boxes – and the supplier should be told this upon order.

In addition, suppliers should be instructed to avoid delivering very heavy individual packages, as these may create problems at the destination. For examples, it may be very difficult to load a case weighing 250kg onto the back of a pick-up with the absence of lifting gear, but loading three smaller cases would present no problem. Suppliers may therefore be requested to deliver their goods in packages not exceeding 50-80kg each whenever the cargo can be split accordingly.

Climatic conditions

Desiccants (drying agent made from silica or a form of clay which is packed as granules into bags) and/or other special packing materials such as waxed paper and laminated foil may be required in areas with high humidity levels. Other packaging materials utilized to protect consignments from adverse climatic conditions include: paper, cardboard, filling and cushioning material, con-

tainers and inserts, corrugated cardboard folding boxes, corrosion protection films, stretch and shrink films, etc.

Customs duties and freight rates

Lighter and less packing material is preferred in cases where the specific duty or the freight rate is on the basis of weight.

Cost of packing materials

The cost of wooden cases has increased considerably, so in some cases, suppliers may be invited to quote separately for the cost of packing. Bidding documents or Purchase Orders quoting “export packing” are not explicit enough. Suppliers should be clearly instructed what sort of export packing is required as their standard packaging may not be adequate.

Pallets

Pallets were conceived for easy handling of all types of stackable items such as small cases, cartons or bags; they consist of wooden boards as a floor on which goods are placed, a wooden top, and the whole being securely strapped to constitute a compact unit. The floor itself is nailed onto wood blocks which allows for passage of the prongs of a forklift. Standard Europallets have the following dimensions: 120 x 80 cm and US pallets 120 x 100 cm. Pallets are ideal for loading into containers and facilitate easy handling by forklift.

It is highly recommended that each carton, case or unit of goods loaded on pallets be clearly marked to facilitate identification, in case a pallet is lost in transit. For instance, a consignment should be described as “three pallets of each 40 cartons”, instead of just “three pallets”. Endless difficulties, loss of time and loss of supplies can occur at destination when the number of parcels on the bill of lading (B/L) and invoices does not agree with the quantity actually received because the pallet wrapping has broken.

Markings

Known as “shipping marks”, these serve two main purposes: first, as identification marks for the carriers and all those engaged in the carriage and handling while in transit, and second, for the consignee to identify the corresponding order and activity to ensure correct delivery. Shipping marks must enable people to spot and recognize, at a distance, packages in a warehouse lying among other cargo. They must, therefore, be stencilled in bold letters and figures and be as simple as possible.

Additional compulsory information may need to appear, for instance, gross weight or net weight and any warnings required by law because of the nature of the goods or simply required for proper or cautious handling. Keep in mind that the physical handling in warehouses, sheds, etc., is often done by unskilled or illiterate workers, unable to read the Latin alphabet. Indications such as “frag-

Example

Identification of the consignee	UNDP
Destination	ADDIS ABABA
Port of unloading	VIA ASSAB
Project identification	HH/.../...
Order number	XO/ETH-1234/...
Case number	1/10...2/10...3/10

Examples of symbolic markings



Keep away from heat



Keep dry

ile”, “top”, “this side up” will thus have no meaning. It is preferable to replace them with symbols such as the broken glass for fragile items or arrows for a package to be kept upright.

To help consignees, shipping marks should be standardized for all orders relating to one and the same activity, with only the order numbers and actual package numbers being adapted. Shipping marks should not be left to the discretion of suppliers but be stipulated clearly in each order.

Addresses

While shipping marks are usually abbreviated designations of the consignee and its location, the full address is written on shipping documents, as well as the address to which correspondence and shipping documents will be sent.

An address should be clear and concise for the simple reason that the space allowed on many important documents such as air waybills and bills of lading is comparatively small, usually a maximum of four to five short lines. If the addresses given are too lengthy to fit in, they will be abbreviated at some stage by someone who may omit important details. The address should include the name of a department, unit or bureau to whom the documents are intended to avoid possible misrouting when they are sent to a large organization, such as a ministry.

Chapter 5 Parties Involved in the Chain of Transport

Carriers

Inland carriers are those who take charge of the consignment at the suppliers' premises, carry and deliver it to the specified warehouse, berth, wharf or airport of departure. At the destination, inland carriers may be required to transport consignments from the place of arrival to their final inland destination. The term “inland carrier” is a general one, as it can cover either rail or road transport, or often a combination of both.

Overseas carriers are either shipping or airline companies. A shipment may require transportation by one or several carriers if transshipments are involved, but normally, such a shipment will be covered by one document only, either a through bill of lading or through air waybill.

Forwarding Agents/Forwarders

Forwarding agents are also known as freight forwarders, freight brokers, transit agents, and they may also act as clearing agents or customs brokers. In most instances buyers and sellers are not themselves in a position to carry out the necessary arrangements for the shipment of their cargo. They rely on the services of specialized firms for this work and for processing customs formalities. The role of a forwarding agent is to monitor shipping from the moment cargo becomes available. They register consignments with carriers, call them forward for delivery to the wharf and berth of the carrying vessel, prepare B/L, lodge and retrieve them from the carriers' agents, pay for the freight and related expenses, prepare or obtain any other document that may be required, and finally, distribute documentation in accordance with instructions from their principals.

In the case of airfreight, they carry out somewhat similar operations. Forwarding agents act as consolidators for both surface and airfreight traffic. It is their specific duty to look after the interest of their customers, to check the rates charged by carriers and to negotiate special terms when the size of a shipment warrants it in case their principals are not in a position to do so themselves. At the destination, forwarders may be appointed to retrieve cargo, arrange for its clearance through customs and for its delivery or on-forwarding.

Dock Authorities

It is in the care of the port/airport authorities, or in places under their jurisdiction, that consignments will be kept pending shipment or pending clearance and retrieval at the destination.

Customs Authorities

Cargo can not be exported from a country or imported into another without customs control. Documents need to be processed through the official customs offices, and spot-checks of the goods are sometimes carried out to assess the conformity of the cargo with the description given on the documents. The activities of the customs authorities have in fact, many purposes. At the time of export and apart from the control exercised to prevent illegal transactions, customs will certify documents proving export of cargo, thus exempting firms from payment of internal taxes or enabling them to obtain refunds. They keep statistical records by destination and on the types, quantities and values of goods on the export market. From the import side, customs authorities carry out similar operations, collecting the same sort of statistical information, with, however, the big difference that they also collect duties, rather than exempt firms from taxes.

Insurers

By means of separate insurance policies or under contractual arrangements, insurance companies will hold all cargo covered against the hazards of transportation to destination.

Others

In addition to the above-mentioned firms or corporations, various sub-contractors intervene in the process of shipping, but rarely come into direct contact with suppliers or principals. Some of them are indicated here, but not commented upon: container handling, warehousing/stevedo, lighterage services, tally clerks, surveyors, banks, etc.

Chapter 6 Shipping Documents

Certain basic documents are required for the carriage of cargo. Other documents are also needed by consignees and buyers to complete any transaction.

Ocean Freight

The document covering the carriage of goods by sea is called a bill of lading (B/L). The B/L is the authentic receipt delivered by a carrier, confirming that the goods therein specified (markings, types of goods, number of packages, etc.) have been loaded or taken in charge for loading on a designated vessel for carriage to a specified port.

Apart from the Master copy, B/L is established in two or three “originals”, signed and stamped by the carriers or their agent. Non-negotiable copies, which are not signed, have no legal value. An original B/L is the title of property to the goods.

They can be of the following types:

a) Relating to parties

B/L to a named person or consignee

That a person alone will be able to collect the goods at the destination against presentation of the original B/L (in USA, this type of B/L is called a straight B/L).

B/L to bearer

The holder is considered as the legal owner of the goods.

B/L to order

A negotiable-instrument of title and ownership of goods covered under it can be transferred by one party to another by signature (endorsement) and delivery of the B/L. Generally, goods which have not been paid-for in advance (goods sent under an open-account or a letter-of-credit) are shipped this way. The consignor must stamp and sign (endorse) this B/L so that its title can be transferred. B/L to order is not normally used in UN traffic, but widely used in commercial traffic.

b) Relating to the journey

Direct B/L

From port to port, without transshipment.

Through B/L

Transshipment is taking place along the journey. This can be either in a first port of unloading for transfer into another vessel serving the final destination, in a port for overland on-forwarding, or from an inland origin for carriage to a port where shipment will take place.

Examples:

- Hamburg/Myanmar with transshipment in Singapore
- London/Bamako, via Abidjan
- Geneva/New York, via Le Havre

These various features of B/L designating beneficiaries and routing can combine their elements, and there can be direct B/L to order, or a through B/L to bearer, for instance.

Other provisions can be made on B/L, but the only one we would mention here is the “clean B/L”, meaning that the cargo has been accepted by the carriers without reservation, i.e. that the consignment has been received for shipment in sound, external condition – therefore, the carriers must deliver it at the destination in the same sound, external condition.

c) Forwarder B/L

We have seen that in the case of multimodal transportation, one document only is issued and this is what is called an “hours” B/L, or also a FIATA B/L, if the document is prepared on forms produced by FIATA (according to the International Federation of Freight Forwarders Association). This document is, in fact, a through B/L, with the difference that it is not created by an ocean carrier, but by a forwarding agent, under his own name.

d) Other features on the B/L

Even if two or three original Bs/L have been issued, only one needs be presented to withdraw the cargo at the destination and be endorsed (or “accomplished”). When one of the originals has been accomplished, the remaining originals stand void.

The indications which must appear on a B/L are:

- The beneficiaries;
- Port of shipment, port of destination or transshipment (final destination in case of transshipment);
- Complete markings and numbering of packages;
- Quantity and types of packages (cases, bags, bales, drums, pallets, etc.);
- Type of goods, with all the legal, compulsory notices, in case of restricted cargo;
- Weight and measurements by type of cargo; and
- Whether freight is prepaid or payable at destination.

Rail

Goods transported by rail between countries are covered by international “rail consignment notes”. These documents are not negotiable with the cargo being placed at the disposal of the designated consignee upon proof of identity. For road transportation, waybills are normally issued. For loads lesser than a full truck, consolidation is the rule.

Airfreight

The document covering the carriage of goods by airfreight is called an air waybill (AWB).

The AWB is to air transportation what the B/L is to ocean freight, with, however, a fundamental difference: the AWB is not a negotiable document, and there is no original AWB to be given to the consignee to enter into possession of the goods. The consignment is placed at the disposal of the stipulated consignee against proof of identity, a signed receipt and payment of charges, if any. When airfreight consignments are sent by a joint-cargo service, the consolidator will issue an ordinary “master air waybill” (MAW) to his agent at the destination, covering the entire consignment, but issue a separate “house air waybill” (HAWB) for each individual lot. The agent will place the individual lots at the disposal of the various consignees designated on the house air waybills. As with B/L, all detailed information required to identify the consignee and the goods must appear on the AWB.

Post

A postal declaration giving the name and address of consignee must be filled. A receipt is given by the postal authorities for all registered/insured parcels.

Supporting Documentation

In addition to the basic transport documents, buyers and receivers may require several others:

- Invoices and packing lists essential to clear through customs and to tally the supplies received;
- Forwarder’s receipt to process suppliers’ invoices for payment;
- Certificate of origin (if required);
- Legalized invoices in the country of destination;
- Consular invoices;
- Declaration on dangerous or restricted cargo, required by carriers before they will accept such items for transportation;
- Insurance certificates, as applicable;
- Veterinary certificates; and
- Certificates of analysis or of conformity, in accordance with special conditions which may be part of contracts.

In some special cases, additional certifications or information may need to appear on the invoices or shipping documents. When this is required, forwarding agents will normally be able to provide advice.

Letter of Credit (L/C)

An L/C is a bank document issued to safeguard the interest of both seller and buyer. Shipments on behalf of UN agencies are not, as a rule, subject to L/C. However, there are several types of letters of credit, but the one offering the best guarantee to both parties is the so-called “confirmed and irrevocable L/C”. Fundamentally, such a L/C means that to cover a purchase, the buyer has instructed his bank to notify the banking agent in the seller’s country to effect payment to that supplier against presentation of specified documents, to specified terms and within the period of validity of the letter of credit.

Chapter 7 Forwarding Arrangements

In most instances, UN purchasing and shipping can be described as a triangular operation: a buyer, a supplier and a receiver. On many occasions, the three parties are in different countries, if not on different continents.

In Section III of these guidelines, further explanations are provided on the significance of the most currently used international commercial terms (Incoterm) such as: FCA, CIF, CIP and DDU, etc., which are referred to in this chapter, as published by the International Chamber of Commerce. These rules have proven to be of great help to the commercial world in providing clear explanations for roles and responsibilities for various important steps in the delivery:

- Freight arrangement
- Obligation to take out transport insurance
- Place of delivery
- Transfer of risk
- Distribution of costs (loading/off-loading etc.)
- Arrange export/import clearance

Dispatch arrangements by suppliers on behalf of the buyer

This is the basis of contracts placed, for example, CFR (cost and freight) or CIF (cost, insurance and freight). Orders placed on CFR or CIF terms mean that suppliers have quoted a price which included the value of the goods and all shipping cost up to the seaport of arrival (CFR), or the value of the goods, all shipping cost and insurance up to seaport of arrival (CIF). Suppliers are therefore responsible for the shipping arrangements, either directly themselves or through their own forwarders. Most of the time this is in accordance with shipping instructions they have received from the buyer, or according to their best judgement if they have no specific instructions.

Dispatch arrangements made through forwarders designated by the buyer

Forwarding agents are professional intermediaries whose work is to ship goods for account of their many principals (see Chapter 5 – Forwarding Agents). When a contract is CIF or CFR the selection of the forwarder remains with the supplier. When a contract is FCA (free carrier) or FOB (free on board), the choice of the forwarder for the main voyage lies with the buyer.

What difference does it make if the forwarder is selected by the supplier or by the buyer?

A forwarder works for, and is responsible to its principals, i.e. those from whom a mandate is received and who pay for its services. In a CFR or CIF contract, the forwarder selected by the supplier has no obligation towards the buyer on behalf of whom shipment is made, rather is responsible to carry out the instructions received from the client, the supplier. Often, in a CIF or similar contract, the name of the forwarder who actually handled dispatch is not known to the buyer.

A forwarding agent appointed by a buyer is in fact the buyer's representative on the spot, with the specific mandate to look after the interests of the principals, the buyer, and not after the supplier's interest. This can be very important should an incident occur at the time of delivery. The forwarder employed by a supplier may hesitate before making a claim against that supplier, while the forwarder appointed by a buyer may readily do so. Forwarders appointed by buyers can also perform other functions such as: keeping in touch with suppliers and sending them reminders when orders are falling behind their delivery schedule and consolidating orders for joint dispatch, thus reducing overall cost of transportation and facilitating receipt of orders at destination by making one instead of several shipments.

Standardizing procedures

Another consideration is the standardization of shipping procedures so that orders are dispatched via the same firm. This eliminates errors which are otherwise unavoidable when every purchase is handled by a different forwarder.

If a supplier or manufacturer already has large volumes going to the desired destinations, a particular consignment may benefit from volume consideration in freight consolidations. If the contract with the supplier/manufacturer so specifies, it can also be the supplier's responsibility to ensure that the goods arrive at the destination in time and in good order, thus simplifying the buyer's responsibilities in handling the order. The supplier/manufacturer may indeed have a shipping department or freight forwarders who are experienced in ensuring that their products arrive safely at difficult destinations.

Chapter 8 Shipping Instructions

Where and how to dispatch which documents are required and to whom they should be distributed, is the basic data that must be indicated in the terms of a contract. However, a number of other requirements or information may be needed or requested.

Adequate and detailed instructions must be issued for proper handling of the transportation, keeping in mind that the final aim is the arrival of the cargo at its destination in time and good order. Shipment should be arranged by the safest route and the best service available, at the most economical cost. Supplies ordered may very often go to difficult destinations; delays and unnecessary expenses can be avoided by specifying a routing, indicating one port of transit in preference to another, and in the case of airfreight, which airports of transit should be avoided. This requires some technical knowledge in the field of transportation, and feedback from the receiving end can be tremendously helpful.

The following points should be noted:

a) Instructions to suppliers, as integral parts of orders:

- Terms of purchase: FOB... CFR... CIP... (specify the port/airport);
- Method of dispatch: ocean freight, airfreight, container, etc.;
- Packing required, shipping marks and addresses (see Chapter 4); and
- Name of forwarded to contact, if applicable.

b) Instructions to forwarders or suppliers acting as such:

- Documents required, how many copies (we recommend 3 original B/L, for example);
- To whom documents must be distributed;
- Transportation charges payable by the buyer (this is important when on-forwarding is required from a port to an inland destination); and
- Information on any preferential rates or discounts applicable to the Agency's shipments.

c) Information on recommended routing

The decision on routing should not be left to chance, but be taken by the buyer, often with feedback and advice from the freight forwarder and/or from the receiving end.

For instance, air-shipment to Kano (Nigeria), should proceed on direct flight to Kano (Nigeria) and not via Lagos; air-shipment to Juba (South Sudan), should be prescribed via Nairobi and not via Khartoum; surface shipment to Bamako (Mali), can be directed either to Dakar, or via Abidjan; and surface shipment to Colombia can be directed either to Barranquilla on the Atlantic coast, or to Buenaventura on the Pacific coast, depending on the final site of delivery in the country, etc.

d) Instructions or information on insurance coverage

Instructions should specify either that coverage is not required because the consignment will not be commercially insured, or will be insured by the agency or that insurance arrangements are to be made, and in that case, specify the risks to be covered, for example, “Cargo Clauses A”.

e) When in doubt on the method of dispatch

For many orders there is no doubt about the method of dispatch, for example due to the size, weight or urgency, etc.; they are scheduled for surface or air and sent accordingly.

There are frequent cases, however, when it is not known at the time of placing the order whether surface or air should be selected. Considering the high cost of transit and on-forwarding charges for inland destinations and the favourable rates that can be obtained in air traffic, there is little doubt that a number of consignments sent by surface could well have gone by air at approximately the same cost.

To overcome this, it is suggested that normal instructions for surface dispatch be issued, but that a provision be made on orders and shipping instructions to cover an alternative. This provision could read along the following lines: “This order is issued for dispatch by surface; however, please e-mail the approximate gross and net weights, with measurements, when packed for airfreight and for surface. Unless you receive alternative instructions within ... days, dispatch is to proceed by surface as originally scheduled.”

Chapter 9 **Distribution of Shipping Documents**

Shipping documents are required for several purposes: by the purchaser to verify that the order has been satisfactorily filled and dispatched and then for payment of related invoices, and by the consignee (who may also be the purchaser), to clear through customs, obtain delivery and check the conformity of the goods received against the order. Copies of documents may also be required by other offices for information.

Risks inherent in late receipt of shipping documents and/or late retrieval of consignments are:

- Rent and demurrage charges;
- Theft / vandalism;
- Damage to the supplies because of inadequate storage or climatic conditions (adverse weather, heat, monsoon, snow, etc.);
- Seizure and auction sale if not collected within the time prescribed by port/airport authorities;
- Loss because a consignment, although landed, cannot be located under accumulation of later arrived cargo; and
- Insurance claims becoming time-barred.

Ocean Freight

B/L being the title property to the goods, one of the originals must be in the consignee’s hands by the time the carrying vessel reaches the port of destination, preferably a week before, so that formalities for free entry may be initiated. At least one copy of invoice, with packing details or packing slips, must accompany the B/L, together with any other documents that may be required, such as certificate of insurance, certificate of origin, consular invoice, etc.

There is no standard method of distribution; documents may either be sent to the agency for transmittal or documents sent directly to the consignee by the forwarder/supplier entrusted with shipping.

The respective merits of each method are as follows:

- a) Documents sent to the purchasing agency for distribution have the advantage of a standardized procedure, the consignees receiving their documents regularly under cover of the agency's usual courier service.

Transmission time can be calculated as follows:

<u>retrieval of B/L from carriers and airmailing</u>	2-6 days
<u>airmail from origin to buyer</u>	2 days
<u>processing, checking and issue of dispatch</u>	
<u>notifications at the buyer's organization</u>	7 days
<small>(this is considered a minimum, it can take longer in case of public holiday, leave, sickness or seasonal pressure of work)</small>	
<u>transmission by airmail to field, or by airmail or courier</u>	7 days

The minimum total time is about 3 weeks, often longer. This is adequate for a shipment from Europe to Indonesia, for example, but it is not from Japan to Indonesia, as the ship would arrive before the documents.

- b) Sending documents directly from the port of shipment reduces the transmission time, but for safety and efficiency, precautions need to be taken. The first and second original B/L, with their supporting documents, should be sent to the consignee by separate registered airmail. This is the reason why it is stated in Chapter 8 that original B/L should be obtained in three originals (2 to destination, 1 to the purchasing office). Then, the address should include an identification of the department or unit concerned in a multi-office location, to avoid misrouting. The third original B/L should be sent to the purchasing office because this is an important document which belongs exclusively to the owner of the goods. Moreover, should the other originals go astray, the third copy would be readily available.

When the sea journey is particularly short, there is also a possibility of sending a set of documents by ship's bag, i.e., to leave one B/L in care of the ship's Master for transmittal to the consignee on arrival. When a consignment for a land-locked country cannot be sent on a through B/L, and consequently action must be taken to secure on-forwarding from the port of arrival, the original B/L must be made out and sent to the firm or party responsible for the transit operations, together with the necessary instructions for payment of charges and carriage.

Airfreight

Cargo sent by airfreight is placed at the disposal of the consignee designated on the AWB. There is no "original" to surrender, as with ocean freight and the set of copies travel on the same plane as the goods.

To enable consignees to enter quickly into possession of their supplies, it is necessary for them to be aware of dispatches on their way to them. It is recommended that forwarders/suppliers entrusted with dispatch arrangements forward scanned copies of invoice, packing list and AWB by email to the recipients a few days before airlifting, with a covering note of warning, announcing the related forthcoming consignment.

A copy of the commercial invoice should always be attached to the AWB itself. For perishable supplies, an email must be sent at least 48 hours before departure of the consignment, with all the relevant flight details (right through to the final airport, in case of transfer(s)).

In case of perishables, dispatch over a week-end or idle day/official holiday should be avoided if at all possible, and an AWB should also be annotated to draw the attention of all concerned to the nature of the goods and action to be taken for appropriate storage, etc.

Rail - Road - Post

It is essential for consignees to be notified of consignments and to have copies of invoices with packing notes. These must either be airmailed in advance, or at least remitted to the carriers to accompany the consignment.

Chapter 10 Insurance Coverage

Why Insure?

It is a common practice in the commercial world to insure goods in transit. Briefly, the following reasons compel traders to contract transport insurance:

- Protection against financial losses resulting from damage, pilferage, theft and non-receipt of entire or part of a consignment; and
- Protection against financial claims that can be made against the owner of goods on board a vessel in case of a “declared general average” (the goods themselves being undamaged).

What is “particular average” and “general average”?

- Particular average means damages sustained by goods only, or by the ship only
- General average means the loss (jettison) and the expenditure, voluntarily incurred, to prevent the entire loss of a vessel and her cargo on board

Example of cases leading to general average: fire on board, heavy weather disabling the ship or break down of machinery leaving the ship uncontrolled. To prevent a total loss, the ship’s Master will ask for outside help, and usually, for the vessel to be towed to a port where repairs can be made. All the expenses resulting from the event will be shared between the owner of the ship and the owners of the cargo on board; the extent of liability of the latter being the value of cargo, invoice value plus freight. The assessment is undertaken by specialists called “average adjusters”, and the settlement of a case of general average can take several years.

What to Insure

The value for insurance is usually calculated as follows: cost of goods + freight and shipping cost, plus an uplift of 10% to cover administrative expenses and increases in price if goods have to be re-ordered.

Typical calculation

$$(\text{Value of goods} + \text{Cost of Transport}) \times 1.10 = \text{Insurance Value}$$

What additional risks to cover vary from commodity to commodity; they are not the same for glassware, iron pipes and vehicles, for instance. If a buyer has negotiated a floating policy where all usual risks and special coverage are included, then any consignment benefiting from these

conditions will be insured to the maximum extent. If coverage is arranged case by case, then the request for coverage should specify what is required: normally all risks, war, strike and civil commotions.

How to Insure

a) **Through suppliers**

Contracts placed CIF relieves the buyer of the task of making insurance arrangements. However, the disadvantages are many: under CIF the supplier is obliged only to buy the cheapest insurance coverage subject to cargo clauses C, unless otherwise stated in the bidding document/contract that the coverage must be subject to “Institute Marine Cargo Clauses, A”. Another disadvantage is that every insurance contract is placed with a different company by someone acting on behalf of the buyer only, each time with varying terms and conditions on minimum amounts for survey reports, coverage, and agents to contact with different procedures for payment of claims. For each of these insurance companies, the consignees are just one of their many occasional clients. This can lead to difficulties and non-payment of claims, if all the conditions stipulated in the policy/certificate are not met (documentation incomplete, late presentation of claim, etc.). For the consignees, it means no continuity or standardization in procedure. Finally, it may result in higher premium for a lesser coverage. The buyer may instead take advantage of corporate system-wide long-term-agreements for insurance coverage maintained by headquarters.

Remember that under contracts placed CIF/CIP the supplier obtains insurance on behalf of the buyer. Thus, it is the buyer who will submit the insurance claim. Under CIF/CIP the buyer may submit invoices for payment as soon as the goods have passed the FOB/FCA point. Therefore the supplier may still be entitled to full payment in the event the cargo is lost at sea. In this instance it is imperative the buyer meet claim deadlines and initiates the insurance claim promptly (see Chapter 11). However, in some cases, the supplier/manufacturer may have a global policy which offers the buyer low rates.

b) **Self-insurance**

This is when the buyer decides not to insure outside and chooses to bear the risks of the transportation, a common practice for consignments of small value where funds to finance replacements are available and when it is believed that administrative work involved with commercial insurance of many small dispatches is not warranted. The limit level may vary considerably, depending on the volume of purchasing and internal financial regulations and rules. The overall risk should be limited, so there are no disastrous consequences in case of loss. The problem is different for high-valued consignments; self-insurance then requires the setting up of a fund with proper administration for studying claims received and for processing claims against faulty carriers/parties responsible for losses. All this can create problems with yearly budgets, as settlement of claims can drag on for years. It is recommended that a financial threshold is determined above which all shipments shall be commercially insured in line with the organization’s financial regulations and rules.

c) **Floating policy with an insurance company**

This method is adopted by many commercial firms with a regular flow of shipments. A floating (or open) policy is the result of negotiation between parties. The larger the amount of business for the insurers, the better the terms they are prepared to offer, and consignees benefit from dealing with the same insurance agents, under the same terms and with a standardized method of reporting claims.

UNDP subscribes to an All Risks Open Marine, Air and Land Cargo Policy providing insurance worldwide and country offices are encouraged to use this contract. The policy insures the subject matter against all risks of loss or damage. Coverage continues during the course of transit or while temporarily stored as long as the goods remain at risk to UNDP.

Goods are insured from UNDP's suppliers warehouse to the consignees warehouse, if required, including any consolidation, deconsolidation, transshipment and/or temporary storage thereafter while in transit.

A separate supplemental policy is also available to UNDP that covers motor vehicles driven under own power from the port of discharge to final interior destination.

Once the insurance company has been informed that the field office will use the cargo insurance policy, the field office can on a monthly basis simply send an email or fax providing the following information: one figure representing the combined total of all values, including freight, to be insured for the reported period.

The policy is subject to monthly declarations to be submitted to the insurance company within 15 days of the end of the respective month.

For rates, details on coverage, war risks, claims procedure and contact information see the procurement section on UNDP's Intranet.

Insurance Documents

Apart from the insurance policy, which is the agreement between insurer and insured party and which sets in details the risks covered, the conditions and the rates, the following other documents are currently used in the insurance market:

- a) **Insurance certificates:** a furtherance of the policy to cover consignments in transit, to describe them, the journeys, the amounts covered, agents to contact at destination and other details relevant to the insurance cases.

Insurance certificates are signed by the underwriters and the original certificate is normally required in the set of documents to be presented to a bank for a transaction covered by a letter of credit. When not required for banking purposes and to cut down on administrative work, certificates can be replaced by much simpler notices of insurance where only the agent to contact at destination need to be added. This can be arranged by an agreement between the holder of a long-term-agreement and the insurance company.

- b) **Survey report:** the document established by the insurance company's agents at destination, when consignments are received in bad order.

Since survey reports are costly, they should be requested only when it is expected that the loss or damage will exceed the figure considered reasonable by the underwriters or when a survey report is registered by the insurer. The survey report will be the basis of settlement of an insurance claim and it can be accompanied by an estimate of repairs approved by the surveyor when applicable. The fees levied by the surveyor for establishing his report is payable by the person/party who requested his attendance, but are reimbursable by the insurance company.

Chapter 11 Insurance Claims

This chapter outlines contracts between insurers and the insured party, but not the steps to be taken by consignees on receipt of damaged consignments. This particular problem will be examined in Part Two, “Receiving”.

Processing an insurance claim involves administrative work, correspondence and accounting. It is not worth putting this in motion to recover small amounts and claims involving compensations under \$25 or \$50, for instance, and a minimum level should be determined by negotiation.

There is a difference between processing an insurance claim and the provision of replacements. A small and inexpensive spare part may be urgently needed and its replacement becomes a procurement matter irrespective of any insurance claim.

An agreement should also be reached with insurer on the amount under which no survey report will be required, with a report signed by a senior official being deemed sufficient by the underwriters to take a claim into consideration. This facility, however, does not relieve the consignee of forwarding a claim to the responsible party.

Documents Required to Process Claims

Always carefully read the claims procedure and documents required to support claims; as stipulated in the specific insurance policy, these may include:

- Survey report or Senior Officer’s report, according to the extent of damages;
- Estimates and /or invoices for the cost of repairs, goods which have to be procured and sent, or for local purchase of replacement parts, whenever possible, approved by the surveyor to facilitate settlement;
- Copy of the invoice for the original shipment;
- Copy of claim letters to the responsible party and response(s); and
- Short-landing certificates or certificates of loss when entire cargo is missing.

When a piece of equipment cannot be repaired on the spot, the manufacturer’s and the underwriter’s agreements should be obtained before its return. The manufacturer may have special instructions to give to secure the prompt and correct handling of the returned consignment and may also direct the return to a repair center nearer to the consignee’s location.

Simplified Claims Procedure

In the even of a claim, the facilities of UNDP’s contracted insurance company are available. They will provide recommendations as to steps to take in case of loss, coordinate survey requirements and prepare claims documentation on behalf of UNDP. For claims under \$5,000 the statement of the Resident Representative will suffice as proof of loss. Settlement of claims below \$50,000 takes place within two weeks if properly documented. For details on claims procedure and contact information; see the procurement section on UNDP’s Intranet.

Compensation by Insurers

The basis of calculation of the compensation to be paid by underwriters is proportional between the loss and the total insured value.

The total insured amount includes the cost of the goods, freight and shipping costs plus an overhead (10%) to account for price increases

Example

	(US\$)
10 cases @ \$1,000 each	10,000
Freight	2,000
Total cost	12,000
Overhead 10%	1,200
Insured value	13,200

and overheads. Depending on the terms and conditions of the insurance policy, one case lost will be compensated by settlement of \$1,320 even if the cost of replacement and dispatch of one case by itself comes to \$1,400. Practice shows that underwriters will nevertheless be prepared to pay for extra expenses incurred by a higher cost of dispatch, for instance. This is where the relationship between insurer and insured can play an important part – more consideration is given to a regular customer with a long-term-agreement than to the occasional client.

Carriers' Limited Liability

There is a common misconception that carriers take full responsibility for the cargoes they carry, but as you can see from the tables below, because of conditions applied under national or international conventions, the reality often falls short of the expectation.

Liability Limitation	Damage / Miscarriage	Delay
Forwarder:	Max. 8.33 SDR pr. kilo	Max. freight amount
Road:	Max. 8.33 SDR pr. kilo	Max. freight amount
Sea:	Max. 667 pr. Unity or 2 SDR per kilo	Max. 3 times the freight amount
Air:	Max. 17 SDR per kilo	Max. 2.5 times the freight amount
Rail:	Max. 17 SDR per kilo	Max. 17 SDR per kilo

Liability limitation for damage/miscarriage and delay

Furthermore to claim you must:

- Prove negligence of the carrier under their conditions – not always easy and often time consuming;
- Claim in writing within strict time scales, e.g. 7 days under RHA for damage or partial loss;
- Be prepared to pursue large claims through the courts against carrier's insurers; and
- Not conflict with various contract clauses, e.g. events which could not have been foreseen by the carrier.

Deadlines for Filing an Insurance Claim

To avoid the risk of a claim becoming void, notification of the shortage must be transmitted to the insurer within certain deadlines. It is imperative that these deadlines are observed. If they are not, the claim may be dismissed as the buyer's or seller's insurer will have no regress against the carrier. In this instance it is imperative the buyer meets claim deadlines and initiates the insurance claim promptly.

Deadline for Claims	Damage / Miscarriage	Delay	Conditions applicable
Road:	Visible – At delivery Not visible – 7 days	21 days	e.g. CMR Convention in transport between European countries
Sea:	Visible – At delivery Not visible – 3 days	60 days	Hague Visby Hamburg Rules
Air:	Damage / Partly miscarriage: 7 days Total miscarriage: 120 days	21 days	Warsaw Convention
Rail:	Visible – At delivery Not visible – 7 days	7 days	e.g. Convention concerning International Carriage by Rail (COTIF)

Deadlines for filing and insurance claim for damage/miscarriage and delay

In Short....

- Forwarding agents experienced in local conditions of the country can assist with arranging retrieval/clearance/onward forwarding.
- Timely inspection of goods received is important.
- Proper documentation and reporting of damages or missing consignments, if any, is important.

Chapter 1 Retrieval

It is usually not consignees themselves who carry out the formalities and operations leading to the collection of consignments arriving by ocean freight. They must rely on the services of a forwarding agent to do this. The consignee should procure the services of a forwarding agent of good standing and repute to look after their interests. In the case of airfreight, it may be easier and less time-consuming for the consignees to carry out the operations leading to clearance through customs and collection. This depends on local conditions, and it may also be preferable to entrust these duties to a regular clearing agent.

On receipt of B/L and accompanying documents, it may be possible to start action immediately to speed up retrieval of the goods when the carrying steamer calls at the port. The forwarding agency will be in a position to advise the due date of call of the vessel. Formalities for free entry may then be initiated. Procedures to follow vary from country to country, and may involve applying to several departments of the national authorities concerned before the necessary authorization or permit is granted or issued. It is best to start action immediately upon receipt of the B/L, provided the laws of the country allow preliminary formalities before actual landing of the cargo.

Once the authorization is obtained, the duly endorsed B/L should be remitted to the forwarding agent for processing, clearance, collection from the warehouse and delivery to site. Once the vessel has arrived in the meantime, be sure to maintain contact with the clearing/forwarding agent. In some countries, the legislation or pragmatic arrangement allow withdrawal of consignments before finalization of customs formalities by providing the completed documentation by a certain date. This is very helpful and of particular interest for air-freighted supplies.

It is obvious that for perishable supplies, a rapid clearance/collection has to be agreed upon with the authorities concerned. In the case of airfreight, it is usually not possible to initiate free entry before the arrival of the consignment, because it will be there at the same time as the notification of dispatch in most instances. Prompt clearance and collection are desirable as consignments lying in warehouses run risks of loss and pilferage, apart from incurring rent charges.

When consignments are not located in the town where the port/airport of arrival is situated, but inland in the same country, documents with appropriate instructions must be sent to the clearing agent. Alternatively, supplies may be sent under bond for clearance at the final destination or be cleared on the spot then on-forwarded.

When the final consignee is not located in the country of arrival, i.e., in case of land-locked countries, transit and on-forwarding are normally undertaken by a forwarding agent who has

received Bs/L and instructions from the senders or by a local office empowered to take action. If consignments travel under a through B/L or in consolidated containers to their final destination, no action is required from the consignee until arrival, where clearance and collection will need to be affected. Standing arrangements for payment of transportation charges include that goods are sent free port/airport of arrival. Local expenses, starting from the moment goods are landed, are payable by consignees. The exception will be if cargo is shipped under through Bs/L, or in consolidated containers on terms free (or customs warehouse) arrival or uncleared. The freight and on-carriage charged are billed as a lump sum to the sender.

Chapter 2 Receipt and Inspection

When a consignment is delivered to the final end-user, the carrier will request a receipt. The external condition of packages must therefore be verified. If in apparent good order, it is recommended that the endorsement be given along the following lines: “received in good external condition – contents unchecked.” This allows further action should discrepancies be noticed when unpacking. If, however, there are signs of tampering with the packages, then the receipt should be given with reservations such as: “cases broken, contents exposed/rattling/leaking, ... cartons opened with signs of pilferage/shortages.” If possible, packages should be weighed to determine differences between declared and actual weights, and such differences be stated on delivery notes.

Insurance normally extends its coverage to include a period from 30 to 60 days in storage at destination. There can be ambiguity here as sometimes it means days in warehouse at destination to allow clearance and collection and/or stopping after delivery to site, or it means days at site after delivery has taken place. If this is not clear from the documents in hand or not clearly understood in a standing arrangement, then it should be clarified with the party who negotiated the coverage. Even if the coverage includes 60 days at site, however, it is always preferable to check supplies as soon as possible after delivery has taken place. Carriers and/or suppliers may be involved in a claim, but they are not party to the 60 days agreement. It always weakens the case when a claim is submitted with a delay.

Case Study

A UNDP Country Office has ordered pharmaceuticals from a procurement agent with whom UNDP has an LTA. Although goods often arrive later than promised in this case UNDP received the goods 5 days before the due date. UNDP was not aware of the early arrival of the goods. The goods remained for 5 days at the airport in a non-cooled area before UNDP became aware of the situation. Upon notification of the case the pharmacist rushed to the airport to measure the temperature in the storage facility – which was 29 °C, higher than the recommended storage temperature of 4 °C.

Key questions to consider:

1. Should UNDP accept the products; should the all medicines be disposed of or are some batches undamaged?
2. If yes, should UNDP spell out certain conditions?
3. What is the Incoterms used for the delivery?
4. Who has insured the shipment?
5. Who is responsible for payment of any damage – UNDP, manufacturer, procurement agent, freight forwarder or custom clearance agent?
6. What is the urgency of the supply – should replacement be procured immediately?
7. Should samples be taken and sent to testing laboratory?
8. Make enquiries into where the lines of communication broke down.
9. Were instructions for the distribution of documents in the purchase order complete and accurate?

Suggested way forward:

Discuss with the supplier the potential impact of heat exposure. Contact the insurance company immediately; ask for their advice.

CONTINUE ON NEXT PAGE >>

The insurer may only accept claims pertaining to specific damaged batches and not to the entire shipment in general. If necessary and prudent, engage a testing laboratory to document the extent of the damage. If the products are indeed rejected, check with the supplier if alternate medicines are in stock and can be shipped urgently and who will bear the cost. Ensure that instructions in the purchase order are complete and provisions are made for adequate notification for future shipments.

Chapter 3 Reporting and Claims

To avoid the risk of a claim becoming void, notification of the shortage must be transmitted to the insurer within certain deadlines (see Section I, Chapter 11). Reporting and claiming procedures for reporting damage or loss and related formalities:

Consignment Externally Damaged

- a) As stated above, indicate damages on the delivery note, and, by separate registered letter, hold the carrier responsible.
- b) Start unpacking carefully, putting aside and retaining all packing material, should a survey be required.
- c) If damages appear to be minimal, proceed with unpacking and send your report to the competent office in accordance with the internal rules governing the channels of communication.
- d) If damages appear to be serious in nature, stop unpacking and call immediately for the surveyor (insurance agent). Completion of unpacking and assessment of damages are to be done only in the presence of the surveyor. As explained in Section 1, Chapter 11 no survey report is required when damages are believed to be below a certain level, as agreed between insurer and insured party. The fact that a survey report is not required, however, does not relieve the consignee of the responsibility to send a letter of claim to the responsible party.
- e) As with (c) above, send copies of claim letters and answers received with estimates for cost of repairs/replacement items to be procured locally, request for spares not available locally, etc., with the original of the survey report when applicable. Ask for an acknowledgement of your transmittal letter and to be kept informed of the procurement status of replacements, as required.

Consignment Externally Intact

If a consignment is delivered in apparent sound condition, but damages are noticeable upon unpacking, the action as described from (b) to (e) above should be followed. If shortages are noticed upon checking contents against packing list, report on the condition of the packing material and whether cases/parcels may have been opened in transit, pilfered and closed again (a claim against supplier for short-packing). Supplier may be unwilling to accept a claim for short-packing sent several months after dispatch has taken place, but would consider it favourably if the discrepancy is reported within a normal transit time, i.e. soon after arrival.

When wrong items have been supplied, the discrepancy is not the concern of insurers, but solely the responsibility of the supplier who should be notified and requested to send the correct supplies with all possible haste, at their cost. The supplier should also be requested to provide disposal instructions for the erroneous material received. In this connection, the consignment has probably been allowed entry on a duty-free basis and, consequently, the wrong items cannot be released to a third party in the country without clearing the problem with the authorities.

Loss of Entire Parcels

When carriers or their agents fail to place at the disposal of the receiver a consignment (or if part of it consists of several packages) for which valid transport documents are established, the carri-

ers/agents must be held responsible by registered letter and be requested to provide a certificate of loss for the parcel(s) that cannot be delivered.

This certificate is to be obtained from the:

- Carrier's agent for a consignment sent by ocean freight and reported short-landed;
- Port authorities, if the consignment has been duly landed from the carrying vessel, but cannot be located in the port area;
- Carrying airline or the airport authorities in the case of airfreight;
- Station-master, for the railway authorities, in case of goods sent by rail; or,
- Actual carrier or his agent in the country in the case of road transport.

To avoid the risk of a claim becoming time-barred, notification of the shortage must be transmitted to the buyer's HQs or competent office immediately, and the certificate of loss/short-landing be obtained as soon as possible after the due date of arrival of the carrier, whether vessel or aircraft. If the carrier does not issue the short-landing certificate within a reasonable time, they must be reminded by registered letter and requested to extend the deadline for presenting the claim (see Section I, Chapter 11).

For consignments sent by airfreight, the non-arrival of a consignment should be reported straight-away. If it does not arrive by the next flight, an email or fax must be sent to the originator or competent office.

The reason for non-arrival can be: missing the flight at the starting point, missing a transfer on the way, on-carriage to a further airport or unloading before. If the shortage is reported immediately, there is a fair chance that the consignment can be traced; after a fortnight, it becomes problematic; and after a month, it is doomed.

General Information

Insurance policies state specifically in their conditions that, "It is the duty of the assured to take such measures as may be reasonable for the purpose of averting or minimizing a loss, and to ensure that all rights against carriers, bailees or other third parties are properly preserved and exercised." This is the reason why registered letters of claim must be sent to responsible parties and certificates of loss or short-landing obtained from faulty carriers. It should be pointed out that the facility of not requesting survey reports for claims valued below the agreed amount with insurers does not relieve the consignee to claim against responsible parties and obtain the documents which will enable the underwriters to exercise their rights of recourse.

Insurance companies also reserve their rights to reject claims arising from faulty packing, and policies include a paragraph stipulating that no claim is payable in case of "loss, damage or expenses caused by insufficiency or unsuitability of packing or preparation of the subject matter insured..."

When reporting discrepancies, it is important to provide as much information as possible on the condition of cases/packages on receipt and on the expected cause of the damages. This procedure helps placing claims and eliminates unnecessary correspondence.

Chapter 4 Feedback and Cooperation

Apart from reporting on the conditions of supplies and equipment upon arrival, with the claim procedure described in the previous chapters, field offices, end-users, or generally speaking, consignees, can provide useful information to the purchasing and shipping units of their organizations or to suppliers in case of direct purchasing, as follows:

Shipping:

- Which carrier/s offer the best service, have the best or more cooperative agents, the best storage/handling facilities?
- Which airline/s have reliable services at destination, advise promptly the arrivals of consignments, have cold storage facilities, etc.?
- Where few direct services are available, what ports of transshipment can be used or recommended?
 - » Example: Is Mombasa suitable as port of transshipment for Mogadishu, Somalia? Is Dakar or Abidjan preferred for Bamako, Mali?, etc. Similar information for airfreight traffic can also be very helpful.
- What container services are available to your country? From where and who operates them?

Markings/Packing:

- Are the shipping marks used for consignments adequate? If not, what should be requested?
- Are the shipping marks stipulated on orders duly stencilled on packages? If not, who are the delinquent suppliers, so that they may be told in order to avoid recurrences?
- Is the packing generally provided considered suitable? If not, why and what are the requirements? Are there weight limits per package?

Documentation:

- Is the documentation made out properly? If not, give precise cases so that action can be taken.
- Did you receive it in time? If not, give cases so that it can be investigated and remedied.

Procurement, shipping and receiving constitute a chain of events, and a chain is as good as the weakest of its elements. This is why a close cooperation at each stage of the whole operation highly desirable. It can save a lot of efforts, time and money.

Supplies received should be checked as soon as possible upon receipt. Early notification of damages, non-conformity, etc. helps in placing claims against insurers, suppliers or carriers and speeds up procurement of replacements. For air freighted consignments, advise non-arrival by email or fax within a week, and immediately in case of perishable supplies. Provide feedback information which can serve to improve services.

Chapter 5 Examples of Claim Letters

Consignment missing, in whole or in part, surface

Typical text of a registered letter to the carrier's agents:

10 cases shipped on vessel... from... (port of shipment) under B/L No. ... dated ...

We regret to inform you that the above consignment (or ... cases, numbered ...) has/have been reported short-landed at the time of call of m/v...in... (port of destination). We would be grateful if the necessary enquiries to trace the missing goods could be made with all possible haste.

Should your efforts to trace it remain unsuccessful, we would have to hold you fully responsible for the loss and would require an official short-landing certificate to be issued as soon as possible.

We look forward to receiving your further news.

(Copy of this letter for the insurers, with copy of the answer.)

Consignment missing, in whole or in part, airfreight

Typical text of a registered letter to the carrying airline, or to the Chief of the cargo Department at the airport of arrival:

10 packages airfreighted under AWB... (give number and initials of the carrier: AF, BA, LH, SR, etc.) from... (airport of dispatch) on... (date).

We regret to inform you that the above consignment (or ... package No...) has/have not arrived at the airport. We would be grateful if the necessary enquiries to trace the missing goods could be made with all possible haste.

Should your efforts to trace it within ... months remain unsuccessful, we would have to hold you fully responsible for the loss and would require an official attestation of non-delivery to be issued forthwith.

We look forward to hearing from you...

(Copy of this letter for the insurers, with copy of the answer.)

Consignment, or part of it, landed but missing at the docks

Typical text of a registered letter to the Superintendent of the docks, or the Superintendent of the Port Authority:

10 cases shipped on vessel... from... (port of shipment) under B/L No. ... dated ...

We regret to inform you that the above consignment (or which part of it) which was duly landed from m/s... cannot be traced in the port area. We would be grateful if urgent enquiries could be made to trace its present location.

Should your efforts to find it remain unsuccessful, we would have to hold you fully responsible for the loss and would require an official attestation of loss to be issued forthwith.

We look forward to hearing from you...

(Copy of this letter for the insurers, with copy of the answer.)

A similar letter, with the necessary amendments can also serve the purpose for air freighted cargo.

Consignment reported damaged at port or carrier's warehouse

Typical text of a letter sent registered to the carrier's agent if consignment in the carrier's shed, or to the Superintendent of the Port Authority, if in port area:

10 cases shipped on vessel... from... (port of shipment) under B/L... dated...

We regret to inform you that the above consignment is lying in warehouse..(specify, if known) in a damaged condition. As this consignment was accepted for carriage without restriction or reservation, we are compelled to hold you fully responsible for any loss or damage sustained by these goods.

We would suggest that you delegate a representative to examine the present state of the consignment together with one of our representatives, but that the extent of the damage/loss be determined upon completion of unpacking and checking in our premises, to avoid the possibility of further damages occurring at the docks. Please contact this office by telephone to fix an appointment and speed up these formalities.

Consignment delivered on site in a damaged condition

Typical text of a registered letter to the last carrier:

...package – delivered on...

Your delivery note No. ...

We regret to inform you that the above consignment has been delivered to us in a damaged condition, and we confirm hereby the reservation expressed on the delivery note, reading as follows:

We are compelled to hold you fully responsible for any loss or damage sustained by these goods. We intend processing with unpacking and checking to determine exactly the extent of the discrepancies and suggest that you contact his office by telephone if you wish to delegate a representative whilst the unpacking and checking take place. Failing to hear from you, we reserve the right to submit our bill for the cost of the damages.

A Checklist of Considerations

These questions below can be raised during the procurement planning stage with a view to get the goods safely through to the final destination:

- 1 Which method of transport will be best?**
 - » Air, sea, road, rail, own wheels, containerized (FCL, LCL)
 - » When are the goods needed?

- 2 Who will be responsible for arranging transportation and insurance?**
 - » How should I ensure the goods?

- 3 Have you requested the appropriate Incoterm for the method of shipment involved?**
 - » FOB (named seaport) – for crated or bulky goods, but not for containerized shipments
 - » For FCA shipments, consider FCA (named place) vs. FCA (named place, containerized)
 - » CFR/CIF for delivery to seaport or inland waterway (but not for containerized shipments, use instead CPT/CIP)
 - » CPT/CIP for delivery to an inland destination or containerized shipments
 - » DDU (named place) – most risks are outsourced to the seller

- 4 Ensure all staff involved in purchasing are aware of the buyers/sellers' obligations embodied in Incoterms 2000.**
 - » EXW the buyer must arrange export clearance and loading at the sellers premises is at the cost and risk of the buyer
 - » FOB and FCA the buyer arranges freight and insurance
 - » The buyer is responsible for import customs clearance for all commonly used Incoterms: FOB, FCA, CFR/CIF, CPT/CIP, DDU
 - » For CFR/CIF, CPT/CIP deliveries the seller can invoice the buyer from the “FOB or FCA delivery point”
 - » The buyer must offload the goods from the arriving vehicle at the buyer's cost and risk
 - » FOB, FCA, CFR and CPT buyer is responsible for arranging insurance

- 5 Have precise packing instructions been given to your supplier?**
 - » Give detailed packing instructions for sea vs. air transport. Less packaging is generally required for air and containerized transport. Strong crates are required when containers are opened before the end-destination, in rough terrain, and when trucking. Consider exposure to weather and handling, and facilities for unloading at the final destination.

6 Under a CIF/CIP contract, have you requested the appropriate insurance coverage?

- » CIF/CIP the supplier is buying insurance on the behalf of the buyer, however, unless stated in the bidding documents and contract, the seller is permitted to offer the cheapest insurance Cargo Clauses C or B.
- » Cargo Clauses B and C generally do not offer adequate coverage, and for example, theft is not covered.
- » Cargo Clauses A is generally the recommended insurance coverage for UN shipments.

7 Are there any restrictions by the country of importation?

- » Requirements for pre-shipment inspection of cargo
- » Restrictions on invoices with breakdown of costs and packing list
- » Requirements for Tracking Notes (or Waivers)

8 Who is responsible for documentation?

- » What documentation and notifications should be prepared and sent and by whom?

9 Who is responsible for payment of unforeseen charges and costs?

- » Demurrage charges at the port
- » Terminal handling charges (THC)

10 Quality control:

- » At what point(s) in the delivery should the goods be inspected for compliance with specifications?
- » At the origin/factory, sea/airport or upon arrival at the final destination?
- » Who has the capabilities do undertake inspection and what standards of inspection should be used?

11 Who will assist with receiving the goods and customs clearance?

12 What will I do if the goods are damaged or missing?

- » Who is responsible for insurance claims and how are they done?

Terms and Glossary

In Short...

- The Incoterms (International Commercial Terms), also known as terms of delivery, are the essential part of any export-import transaction and standard trade definitions most commonly used in international sales contracts. Developed and administered by the International Chamber of Commerce (ICC) in Paris.
- United Nations Commission on International Trade Law (UNCITRAL) provides guidelines to promote the progressive harmonization and unification of the law of international trade to reduce divergences between trade laws of different states.

Chapter 1 Incoterms

To avoid conflicts and difficulties, importers and exporters – or buyers and sellers – must have a common understanding of the terms and conditions under which they trade. The latest issue was released in 2000, and the mention of “Incoterms 2000” in a contract determines the obligations of the buyer and the seller and greatly contributes towards eliminating causes of disagreement.

The complete text of Incoterms constitutes a book of its own, and it would be difficult to incorporate all of it into this guide. Only the most commonly used terminology will be examined, with the respective obligations of seller and buyers given in a concise transcription.

Validity of Incoterms

Incoterms apply only if incorporated in the contract of sale or if they are, for example, mentioned in the offer, the sales conditions, the purchase order, the confirmation of an order or if they are stipulated by the parties in separate agreement. Parties wishing to use Incoterms 2000 should clearly specify that their contract is governed by Incoterms 2000. Incoterms do not apply directly to questions relating to the transfer of ownership, property rights of the goods, breaches of contract and its consequences, exclusions of liabilities in certain circumstances, limitation period and conditions of payment. These should be clarified in the sales contract.

When do Incoterms Apply?

Validity of Incoterms apply only if incorporated in the contract of sale or if they are specified in the solicitation document, mentioned in the offer, the sales conditions, the purchase order, the confirmation of an order or if they are stipulated by the parties in separate agreement. Parties wishing to use Incoterms 2000 should clearly specify that their solicitation document and the contract are governed by Incoterms 2000.

The full text of Incoterms can be purchased from www.iccbooks.com. Note: The “ICC Guide to Incoterms 2000” is recommended reading and it explains how Incoterms 2000 can work for you in daily practice and provides practical answers to important and recurring questions.

The Structure of Incoterms 2000

Incoterms 2000 are governed by the International Chamber of Commerce (ICC) in Paris and are grouped into four different categories. In Groups E and F the seller's obligations are minimal and the buyer must do most of the work and assume maximum risk. As we move to Group C the supplier's obligations become more extensive, however the buyer still assumes risks. As we move to group D the supplier makes most arrangements and assumes maximum risk, whereas the buyer must pay for and arrange import customs clearance and un-loading from the forwarder's vehicle at the final destination.

Group	Description
E	The seller only makes the goods available to the buyer at the seller's premises.
F	The seller delivers the goods to a carrier or place appointed by the buyer.
C	The seller has to contract at his costs for carriage (and insurance for CIF and CIP).
D	The seller must assume most costs, obligations and risks needed to bring the goods to the place of destination (except import customs clearance and un-loading at the final destination).

The structure of Incoterms 2000

Transfer of Risks

Incoterms not only describe seller's and the buyer's obligations and specify the point when the responsibilities for the transportation costs shift from the seller to the buyer; it also determines the point when the risks associated with transportation transfer from the seller to the buyer.

EXW	When the goods are at the disposal of the buyer
FCA	When the goods have been delivered to the carrier at the named place
FAS	When the goods have been placed alongside the ship
FOB	When the goods pass the ship's rail, at the port of export (origin)
CFR	When the goods pass the ship's rail, at the port of export (origin)
CIF	When the goods pass the ship's rail, at the port of export (origin)
CIP	When the goods have been delivered to the main carrier, at the port of export (origin)
CPT	When the goods have been delivered to the main carrier, at the port of export (origin)
DAF	When the goods have been delivered to the carrier
DES	When the goods are placed at the disposal of the buyer on board the ship
DEQ	When the goods are placed at the disposal of the buyer on the quay
DDU	When the goods are placed at the disposal of the buyer
DDP	When the goods are placed at the disposal of the buyer

Transfer of risks

Distribution of Costs

Incoterms define the distribution of cost and import/export clearance obligations.

TERM	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
SEVICES	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	Delivered Duty Unpaid	Delivered Duty Paid
Export packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export customs clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading at seller's premises	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland freight in the seller's country	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Handling Charges (THC)	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Main carriage/freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Customs clearance in buyer's country	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery to destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

Overview of the obligations and costs for Incoterms 2000

Transport Mode and their Appropriate Incoterms

Certain Incoterms are multi-modal and others can be used only when the goods are intended to be carried by sea or inland water transport. Since CFR and CIF can only be used when the goods are intended for carriage by sea or inland waterway transport CPT and CIP respectively must be used when whenever the goods are not handed over for marine transport or when the goods are containerized (even the container is delivered to a seaport). A common mistake is selecting the Incoterm which is not appropriate for the agreed mode of transport. The terms must be used for the correct mode of transport if they are to offer any protection to the buyer or the seller.

	Air Freight	Road Freight	Rail Freight	Sea Freight
EXW	*	*	*	*
FCA	*	*	*	*
FAS				*
FOB				*
CFR				*
CIF				*
CPT	*	*	*	*
CIP	*	*	*	*
DAF		*	*	
DES				*
DEQ				*
DDU	*	*	*	*
DDP	*	*	*	*

Applicable Incoterms in different modes of transportation

The Eight Most Commonly Used Incoterms

In total there are 13 different Incoterms, however only the study of the 8 most commonly used Incoterms are broadly described in this guide:

Ex Works (EXW)

Title and risk pass to buyer including payment of all transportation and insurance costs from the seller's premises, and the seller assumes minimum risk. This is used for any mode of transportation. The seller has fulfilled obligations when the goods are placed at the disposal of the buyer. Loading at the supplier's premises and export formalities are at the cost and risk of the buyer. However, if the seller is required to assume the cost and risk of loading, the sentence "loaded upon the departing vehicle at the cost and risk of the seller" must be added after EXW in the purchase order.

Group	Incoterm
E	Ex-works (EXW)
F	Free Carrier (FCA)
	Free on Board (FOB)
C	Cost and Freight (CFR)
	Cost, Insurance and Freight (CIF)
	Carriage Paid to (CPT)
	Carriage and Insurance Paid to (CIP)
D	Delivered Duty Uncleared (DDU)

The 8 most commonly used Incoterms

This term should not be used if the buyer cannot carry out the export formalities, either directly or indirectly, and in such cases the FCA term should be used.

Seller must:

- Place the goods “at the disposal of the buyer” at the named place of delivery, at the agreed date or within the period agreed;
- Must give the buyer sufficient notice and advise buyer of the availability of the goods;
- Provide suitable packing (unless otherwise stipulated in contract); and
- Help buyer to procure documents obtainable in the country and which may be required by the buyer.

Buyer must:

- Take delivery as soon as goods are placed at the buyer’s disposal at the agreed time and location;
- Clear the goods for export;
- Bear all risk and cost of goods from the moment they are placed at the buyer’s disposal;
- Bear cost and expense of obtaining documents required for buyer’s own use; and
- Load the goods onto the on-forwarding vehicle at the buyer’s own cost and risk.

Free on Board (FOB) Named Port of Shipment

“Free on Board” means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver across the ship’s rail, the FCA term should be used.

It is recommended that contracts do not quote only “FOB”, which is not clear and can lead to many interpretations, but should specify the port of shipment.

For example, it is even preferable to request FOB UK port rather than FOB London, as it leaves the opportunity to ship from another port if there is a convenient vessel at the same cost, or FOB North Continental port, rather than FOB Hamburg or FOB Rotterdam, for the same reason. This depends on the terms of offers received and can only be specified on contracts with the seller’s agreement.

Seller must:

- Prepare and pack the goods as required;
- Deliver the goods on board the vessel designated by the contract;
- Bear all costs and all risks of the goods until they have effectively passed ship’s rail;
- Bear costs of counting, measuring, weighing;
- Provide when required, at the buyer’s expense, consular certified invoices, certificates of origin and help buyer to obtain other documents obtainable in the country and which the buyer may need; and
- Provide the buyer at the seller’s expense with the usual document of proof of delivery.

Buyer must:

- At own expense, reserve space on board a vessel and give all the required instructions to the seller enabling it to deliver in time for shipment (NOTE: this registration and calling forward are normally carried out by the buyer’s forwarding agent.);
- Bear all expenses and risks of the goods from the time they have effectively passed ship’s rail;
- Bear the cost of obtaining documents required for the export of the goods;
- Pay demurrage incurred at the port of shipment unless the detention is attributable to the seller;

- Bear any costs incurred if the vessel designated by the buyer or buyer's agent is unable to take the goods;
- Bear the cost of B/L and any documents the buyer may have asked the seller to provide; and
- Pay the cost of inspection, if required.

Free Carrier (FCA)

This term has been designed to meet the requirements of modern transport, particularly such "multimodal" transport as container or "roll on-roll off" (RO/RO) traffic by trailers and ferries.

It is based on the same main principles as FOB except that the seller fulfils his obligations when the goods are delivered into the custody of the carrier at the named point (and not loaded onto any means of transport used for the main voyage).

"Free Carrier" means that the seller fulfils the obligation to deliver at the point when the goods are handed over and 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 their 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.

This term may be used for any mode of transport, including multimodal transport.

"Carrier" means any company who, in a contract of carriage, undertakes to perform or to procure the performance of carriage by rail, road, sea, air, inland waterway or by a combination of such modes. If the buyer instructs the seller to deliver the cargo to a person, e.g. a freight forwarder who is not a "carrier", the seller is deemed to have fulfilled his obligation to deliver the goods when they are in the custody of that company.

"Transport terminal" means a railway terminal, a freight station, a container terminal or yard, a multi-purpose cargo terminal or any similar receiving point.

"Container" includes any equipment used to unitize cargo, e.g. all types of containers and/or flats, whether ISO accepted or not, trailers swap bodies and RO/RO equipment, and applies to all modes of transport. In order to clarify the seller's obligations as regards delivery, we are quoting below the full text of the Incoterms 2000:

Delivery to the carrier is completed:

1. In the case of rail transport when the goods constitute a wagon load (or a container load carried by rail) the seller has to load the wagon or container in the appropriate manner. Delivery is completed when the loaded wagon or container is taken over by the railway or by another person acting on its behalf.
2. In the case of road transport when loading takes place at the seller's premises, delivery is completed when the goods have been loaded on the vehicle provided by the buyer. When the goods are delivered to a carrier's premises, delivery is completed when they have been handed over to the road carrier or to another person acting on this behalf.
3. In the case of transport by inland waterway when loading takes place at the seller's premises, delivery is completed when the goods have been loaded on the carrying vessel provided by the buyer. When the goods are delivered to the carrier's premises, delivery is completed when they have been handed over to the inland waterway carrier or to another person acting on this behalf.
4. In the case of sea transport when the goods constitute a full container load (FCL), delivery is completed when the loaded container is taken over by the sea carrier. Do not use FOB for containerized shipments, instead use FCA. When the container has been carried to an operator of a transport terminal acting on behalf of the carrier, the goods shall be deemed to have been taken over when the container has entered into the premises of that terminal.
5. In the case of air transport, delivery is completed when the goods have been handed over to the air carrier or to another company acting on its behalf.
6. In the case of multimodal transport, delivery is completed when the goods have been handed over as specified in 1.-5., as the case may be.

Cost and Freight (CFR) Port of Destination

Seller must:

- Contract and pay for the carriage of the goods to the port of destination on a sea-going vessel, by the usual route unless otherwise stipulated in the contract of sale;
- Obtain and pay for a clean B/L (a through B/L) for the goods;
- Prepare and pack the goods as required;
- Bear the cost of checking, counting, weighing, measuring;
- Bear the cost of obtaining documents required for the export of the goods, and the cost of demurrage if any at the port of shipment;
- Bear all risks of the goods until they have passed ship's rail at the port of shipment;
- Provide, at buyer's expense, consular/certified invoices and/or certificates of origin and assist in obtaining other documents upon request of the seller to procure;
- Notify the buyer without delay of the shipment; and
- Unless otherwise agreed, at seller's own expense provide the buyer without delay with the usual transport document for the agreed port of destination.

Buyer must:

- Bear all risks of the goods from the time they have passed the ship's rail at the port of shipment;
- Bear costs incurred in obtaining documents such as consular/certified invoices, etc. (not the cost of B/L);
- Accept, as proof of payment of freight, B/L stamped "freight paid" or "freight prepaid", and arrange payment on receipt of documents in accordance with terms of contract, even before actual arrival of goods at destinations;
- Bear the cost of unloading, lighterage, dock charges at destination, as well as all further expenses such as customs clearance, duties and taxes, etc.;
- Except freight and bear extra expenses that may be incurred during the course of the carriage by sea (by reason of emergencies, back freight, etc.); and
- Bear cost of inspection when inspection is required.

Cost, Insurance and Freight (CIF)

The respective duties of seller and buyer are the same as for CFR contracts, with the addition of the insurance coverage. The additional obligations are the following:

Seller must:

- Contract at own expense with an insurance company, a transferable insurance coverage for the risks, duration and journey specified in the contract of sale or accepted purchase order (NOTE: it is advisable that buyer includes in the solicitation document and in the contract, a provision for additional coverage at seller's expense, i.e. Institute Cargo Clauses A); and
- Provide the insurance policy or certificate together with B/L and other documents, for the buyer to receive them in time for collection of the goods upon arrival. NOTE: the seller buys insurance on behalf of the buyer.

Buyer must:

- Bear supplementary expenses of insurance against risks requested that the seller cover, and which were not included in the contract of sale; and
- Do their work in connection with an insurance claim.

Freight Carriage Paid (CPT) Named Point of Destination

The CPT term requires the seller to clear the goods for export. This term may be used for any mode of transport including multimodal transport (i.e. including containers, roll-on/roll-off traffic by trailers and ferries).

CPT can be used for any mode of transport, including containerized shipments delivered to a seaport. “CPT Cape Town” means that the seller pays the freight for the carriage of the goods to the named destination, in this case Cape Town. The risk of loss or damage to the goods is transferred from the seller to the buyer when the goods have been delivered into the custody of the carrier and not at ship’s rail. Risk passes from the seller to the buyer at so-called FCA point. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier.

“Carrier” means any person who, in a contract of carriage, undertakes to perform or to procure the performance of carriage by rail, sea, road, air, inland waterway or by a combination of such modes.

Freight Carriage and Insurance Paid (CIP) Named Point of Destination

“Carriage and insurance paid to ...” means that the seller has the same obligations as under CPT but with the addition that the seller has to procure cargo insurance against the buyer’s risk of loss of or damage to the goods during the carriage. The seller contracts for insurance and pays the insurance premium. The buyer should note that under CIP term the seller is only required to obtain insurance on minimum coverage. It is advisable that buyer includes in the solicitation document and in the contract, a provision for additional coverage at seller’s expense, (i.e. Institute Cargo Clauses A). The CIP term requires the seller to clear the goods for export. This term may be used for any mode of transport including multimodal transport.

Delivered Duty Unpaid (DDU) Named Place of Destination

The seller clears the goods for export and is responsible for making the goods available (usually in the buyer’s country) at the named point and place and on the date or period specified in the sales contract but not unloaded from any arriving means of transport. DDU can be used on all means of transport. The buyer bears the cost and risk of carrying out import customs formalities, including the payment of formalities, customs duties, taxes and other charges (unless otherwise specified in the contract). The seller’s business risk is high compared to the C terms above, because the seller bears the risk of loss during transit and may not invoice the buyer until delivery at the final destination has taken place. However, the risk may pass even before the goods have reached the agreed delivery point, for example, when the goods are detained at a customs station because of the buyer’s failure to fulfil the obligation to clear the goods for import (thus the buyer may bear the cost of any loss and demurrage charges during this time). Overall, the buyer’s risks are minimized, but at a cost which is factored into the offered DDU price. Because of the risks involved the supplier may, depending on the destination and other commercial considerations, be reluctant to offer DDU delivery.

Incoterms Quiz

Frequently asked questions (answers follow on next page)

1. EXW – Must seller load on buyer's vehicle?
2. EXW – What happens if seller assists with the loading anyway?
3. FCA – Who bears the cost and risk of loading the goods at origin and unloading at the destination?
4. FCA – Who pays:
Terminal handling charges at port of export?
Export clearance?
Transport cost up to the FCA delivery point (named place) or up to the main carrier's receipt of the goods?
Airport charges and transport security fee?
5. FCA – Is seller obligated to stow the goods in buyer's container upon delivery on seller's location?
6. FOB – Who pays Terminal Handling Charges (THC)?
7. FOB – What is the ship's rail and what is its significance?
8. FCA – Where does the transfer of risk take place?
9. FOB – Who pays for pre-carriage?
10. FOB – Must seller make sure that the goods are stowed/trimmed on board the ship?
11. CIF – Who pays terminal handling charges (THC) in port of arrival?
12. CIF – Why 110% insurance?
13. DDU – Who carries the cost and risk of clearing the goods for export and import respectively?
14. DDU – Who bears the cost and risk of the unloading the goods from the forwarders vehicle at the final destination?

Answers:

1. No, the buyer must load the collecting vehicle at the buyer's cost and risk.
2. In case of an accident during loading a dispute over liability may arise. If the seller loads the collecting vehicle it should be stated that "loading is at the seller's cost and risk" in the contract.
3. Loading at origin is at the seller's cost and risk. Unloading at destination is at the buyer's cost and risk.
4. 4.a – buyer, 4.b – seller, 4.c – seller, 4. d – buyer.
5. No, unless the Incoterm is "FCA (named place), containerized" is used in the contract.
6. The seller pays THC in the port of export.
7. A light structure serving as a guard at the outer edge of a ship's deck. Risk transfer point is the "ship's rail".
8. The risk transfers at the FCA delivery point (named place) or when the first carrier takes charge of the goods.
9. Seller pays pre-carriage up to the ship's rail at the port of export.
10. No, stowing/trimming is at the cost and risk of the buyer.
11. Buyer pays THC and port fees.
12. To cover administrative cost of handling insurance claim and price increases of the goods.
13. The supplier carries the cost and risk of clearing the goods for export. The buyer carries the cost and risk of import clearance.
14. Buyer.

Although this guide is not intended to provide legal advice or information as this is outside its scope, we shall nevertheless mention here the existence of the United Nations Commission on International Trade Law (UNCITRAL) established in 1966 by a decision of the UN General Assembly, with their office in Vienna.

The aim of this Commission is to reduce divergences between trade laws of different states.

Object and Functions

The object of UNCITRAL is to promote the progressive harmonization and unification of the law of international trade:

- To coordinate the work of organizations active in this field and encourage cooperation;
- Promote wider acceptance of existing international conventions and model or uniform laws;
- Prepare or promote the adoption of new conventions or laws and promote the codification and acceptance of international trade terms, customs and practices;
- Promote means of ensuring a uniform interpretation and application of international conventions and uniform laws; and
- Collect and disseminate information on national legislation and modern legal developments, including case-law.

Activities

Formulation of legal texts

These texts are not on private international law in the conflict of law sense but on substantive law in respect of international trade, related to the following priority topics: international sales of goods, payments, commercial arbitration, shipping (maritime law) and contract practices.

International sale of goods

UNCITRAL's work has resulted in three legal instruments.

- Convention on the Limitation Period in the International Sale of Goods (New York, June 12, 1976) provides for a uniform limitation (Prescription) period during which a party may exercise a claim arising out of an international sales transaction. The United Nations Convention on Contracts for the International Sale of Goods (Vienna, April 11, 1980) covers a wide range of sales law matters, including the formation of contract and the rights and obligations of sellers and buyers and their respective remedies in case of breach of contract; and
- Protocol amending the Convention on the Limitation Period, in order to align its scope of application with that of the new Convention.

International payments

Major efforts relate to the unification of the law of negotiable instruments, to overcome disparities between the common law (e.g. the United Kingdom Bills of Exchange Act of 1882 and the United States Uniform Commercial Code) and the civil law systems (e.g. the series of conventions signed in Geneva in 1930 and 1931 such as Bills of Exchange and Cheques, Uniform Laws). Draft conventions prepared by UNCITRAL on bill of exchange, promissory notes and cheques contain modern rules, acceptable in both systems and for optional use in international transactions.

International commercial arbitration

A major achievement was the preparation of UNCITRAL Arbitration Rules (1976). Based on modern practice and acceptable in the different legal systems, they are increasingly referred to in commercial contracts and used by arbitral bodies around the world (e.g. the Inter-American Commercial Arbitration Commission, the Regional Arbitration Centres in Cairo and Kuala Lumpur, the Stockholm Chamber of Commerce and its “Operational Arbitration Clause for Use in Contracts in USA-USSR Trade, 1977”, and the Iran-United Nations Claims Tribunal established under the United States-Iran Hostage and Financial Agreement of January 19, 1981).

International legislation on shipping

UNCITRAL prepared the draft for the United Nations Convention on the Carriage of Goods by Sea, 1978 (March 31). These so-called “Hamburg Rules” seek to remove uncertainties encountered with the “Hague Rules” (embodied in the Brussels Convention for the Unification of Certain Rules relating to Bills of Lading of August 25, 1924). They also take into account modern transport techniques and provide for a more balanced allocation of risk between the cargo owner and the carrier, in harmony with the present laws on other modes of transport.

International Contract Practices

Work is directed either to specific clauses used in many kinds of contract or to specific types of contracts and their typical provisions. Clauses under consideration include liquidated damages or penalty clauses, on which uniform rules have been drafted, and clauses protecting parties against the effects of currency fluctuations. As to specific types of contracts, priority is given to the preparation of a legal guide on contracts for the supply and construction of large industrial works, then to contracts on research and development, consulting, engineering, technology transfer (including licensing), service and maintenance, technical assistance, leasing, joint ventures (Joint Undertakings) and industrial cooperation in general (Industrial Property, International Protection).

Chapter 3 Glossary

Air waybill	consignment note covering the carriage of goods by airfreight
Alongside vessel	delivery of cargo on the wharf, berth or lighter under the ship's tackle, for direct loading into the ship
Average	in marine insurance means: damage particular average: damage to the goods general average: expenses voluntarily incurred to save a ship and her cargo
Average adjusters	firms specialized in the settlement of general average cases
Average contribution	share of the general average expenses to be paid
Average deposit	amount to be paid, as notified by average adjusters, pending the final liquidation of a general average
Berth	at a quay or wharf, location where a ship is moored to unload/load cargo
Bill of lading (B/L)	title of property of the goods, it is the authentic receipt delivered by carriers for the said goods shipped/to be shipped on a named vessel
Bunker adjustment factor	surcharge calculated at a percentage of the basic ocean freight, to take into account the fluctuations of the price of fuel, adapted as needed
Carriage forward	also, carriage collect, means freight payable at destination
Certificate of insurance	document issued by insurers confirming that a particular consignment is held covered by their company, and giving the name of their agent to contact at destination
Certificate of origin	document certified by Chambers of Commerce confirming the origin of goods, and required in some instances by Customs Authorities for clearance
Certificate of short-landing	document which must be issued by carriers or their agents when they fail to deliver a consignment of which a valid bill of lading has been issued
Chargeable weight	weight for air shipment is the actual gross weight (gw) or the volume weight (vw), whichever is greater; gw is the figure that is indicated outright on a cargo weighing scale; vw is calculated based on a cargo's size, measurement or dimensions, and with the use of the following formula: Imperial System: $L \times W \times H \text{ in inches (in)} / 165 = \text{vw (in lbs)}$ Metric System: $L \times W \times H \text{ in centimetres (cm)} / 6,000 = \text{vw (in kg)}$

Charter-party	contract of hire of a vessel or part of a vessel
CFR	cost and freight
CIF	cost, insurance, freight
CIP	carriage and insurance paid to
CPT	carriage paid to
Clean	said of a bill of lading without reservation
Clear	to clear: process through customs
Closing date	date limit by which goods can be delivered for loading into a named vessel
Commodity rate	or “corate” special low rates applicable in airfreight traffic for certain categories of supplies and between designated airports or origin and destination
Conference	cartel composed of several shipping lines that join their interests, so as to offer regular shipping services at standard rates never undercut by any of the members
Consignee	the receiver of a consignment
Consignment note	a certain amount of cargo, defined by one transport document where its weight, size, number of parcels or appearance are stated
Consignor	the sender of a consignment
Consolidation	the assembling of several loads originating from several sources for joint dispatch
Consolidator	the firm, normally forwarding agent, running a consolidation service
Consular invoice	invoice which are prepared on special forms provided by consulates, and which have to be authorized by the importing country’s consulate in the exporter’s country and required by some countries for customs clearance
Container	metallic box, of steel or aluminium, with double doors at one end, more and more in use on sea-routes, for easier handling and safe transportation of cargo
Crate	open case made of planks assembled, nailed and strapped which show contents or their inner packing, as opposed to a close case
Cubic foot	unit of volume, often used to express freight rate i.e. \$... per 40’, meaning \$... per 40 cubic feet, equivalent to 1.13 cubic meters
Cubic meter	unit of volume for freight rates i.e. \$... per m ³

Currency adjustment factor	surcharge calculated at a percentage of the basic ocean freight, to take into account fluctuations of currencies for rates expressed in US\$ (it can be a negative adjustment)
Dangerous goods	goods, which, because of their nature, are classified as hazardous and admitted for transportation on special terms and regulations; see also IMO (formally IMCO) code and RAG
Deck	under deck cargo means goods stowed inside the holds of a vessel; on deck cargo means goods stowed above the holds “on deck”, on the vessel, mostly because of their hazardous nature; on deck cargo will be the first to be jettisoned in case of emergency; deck goods are always carried without any acceptance of responsibility by the carrier
Delivery note	documents used by cartage contractors or carriers to be signed by consignee as receipts for the goods, and on which reservations must be stated if consignments are not in order
Delivery order	voucher issued by carriers or agents against surrenders of Bs/L, enabling consignees to obtain delivery of their cargo; also document establishing the transfer of cargo from one party to another
Demurrage	rent in railway sheds; penalty for keeping containers longer than allowed; penalty for immobilization of a vessel longer than allowed for loading/unloading and payable by owners of the goods
Destuffing	in container traffic: emptying of the container
Door-to-door	through service from origin to consignee, as can best be operated by containers or road
FCL	full container load
EXW	ex works
FAS	free alongside
FCA	free carrier
FIO	free in and out (loading and unloading NOT included in basic ocean freight rate)
FOB	free on board
FPA	free of particular average
Feeder service	delivery or collection services to/from ports of call of large ocean vessels, and arranged on smaller local vessels, barges, rail or road, from/to various places of origin/destinations which could not be served by the larger vessels
FIATA	International Federation of Freight Forwarders Association

FIATA B/L	valid B/L established by a forwarder belonging to the above association
Floating policy	also called open policy, open marine policy: insurance contract of a permanent nature between insurer and insured
Forwarding agent	or forwarders – intermediary between suppliers, buyers and carriers, who arrange pre-transportation, shipping and issue of documentation in accordance with instructions from their principals
Harbour dues	taxes levied for using port facilities
Haulage	road transportation
Haulage contractor	road carrier
Heavy lift charges	additional charges for moving, loading or unloading pieces above a certain weight limit per unit; these charges vary according to the port equipment and facilities
Hold	storage space situated under deck of merchant ships where cargo is stowed
IATA	International Air Transportation Association
IMO (previously IMCO)	International Maritime Organization. Code: IMO publications whereby dangerous goods are classified into several categories according to their hazards (corrosive, inflammable, explosive, poisonous, etc), and editing <u>compulsory</u> rules and regulations adopted by most trading countries, for their packing, markings, conditions of acceptance and carriage
Incoterms	international commercial terms
Jettison	washing overboard; voluntary throwing of cargo overboard in emergency cases to prevent damages to the ship and/or other cargo; the value of jettisoned goods enters into the calculation of expenses in cases of general average
Joint-cargo	consolidated cargo
Lay-day	time allowed for unloading/loading of a vessel
LCL	less than container load
Legalized invoice	invoice prepared on seller's own letter headed forms, but to be legalized by a consulate, when such is required for customs clearance in some countries

Letter of credit	or L/C, in short, document issued by a bank, acting as an intermediary between buyer and seller; see explanation in Section 1/Chapter 6 – Shipping Documents/(f)
Lighter	barge placed alongside vessels on which cargo is unloaded/loaded, when this cannot be done at a wharf/quay; used also in feeder services
Lighterage	the fee charged for carrying goods in ships constructed to carry special barges (lighters)
Lift-van	large case, comparable to metallic container, but made of wood, and mainly used for removal of furniture
Longshoreman	has various waterfront-related meanings concerning loading and unloading ships
Manifest	list of the consignments placed on board an aircraft or vessel
Markings	symbols, letters and figures, stencilled on cases/packages and serving as identification of consignments
Measurements	linear dimensions of length, width and height of packages. Often used also to mean the volume of a package or of a consignment
Minimum freight	minimum amount charged by carrier and per B/L in case of transportation of small consignment
Negotiable	describe a document which is a title of value or property, such as an original B/L, and which can be transferred to somebody by endorsement
Non-negotiable	either duplicate of a negotiable document (n/n copy of B/L), or document which is not a title of property (an air waybill is not a negotiable document)
Notify address	in a B/L or AWB, name and address of a party, not designated as consignee or beneficiary, but to whom a notification of arrival of the goods is to be sent by the carrier's agent at destination.
On board B/L	mention that may appear on Bs/L, as a confirmation that goods are effectively loaded
Open policy	see floating policy
Outturn report	list of consignments unloaded from a vessel and established in the port of unloading
Pallet	robust, wooden floor, on wood blocks, allowing handling by fork-lift trucks, on which goods, presented in standard packs, can be easily transported

Payload	total weight of the cargo that can be placed in a rail or road truck, or in a plane (also volume acceptable)
RAG	restricted articles guide; an IATA publication on the rules and regulations governing the packing, markings, labelling of hazardous goods, and their conditions of acceptance and carriage by airfreight
RAG declaration	declaration, in duplicate, must be completed and signed by the supplier (forwarders are not authorized to sign), describing in details the goods dispatched and certifying that consignment complies in every respect with the regulations; one copy travels with the AWB on the carrying plane
Reefer	refrigerated container
Restricted cargo	hazardous goods, or goods classified as such, admitted for carriage under special rules and regulation only; see IMO code and RAG
Right of recourse	right of claiming compensation against party at fault; consignees must preserve the right of recourse of their underwriters by sending registered claim letter to faulty carriers
Shipping marks	see “markings”
Short-landing certificate	see “certificate”
Skid	special frame, usually metallic, to permit handling, lifting, stowing, etc. of pieces of odd shape or size, and generally heavy
SRCC	abbreviation used in insurance terminology; means “strikes-riots-civil commotions” – these risks are not included in the so-called “all-risks” policies and must be specified separately, as well as war risks
Stevedores	dockers specialized in the proper and adequate storing (called stowage) of cargo in vessels’ holds; also in containers
Storage	warehousing; cargo remaining in sheds, warehouses, etc. pending departure, transshipment, collection, is in storage
Stowage	means storage in ships’ holds or in containers
Stuffing	loading in containers
Subrogation	transmission of rights of claim and recovery to another party
Surveyor	in shipping/insurance terminology, the expert who examines damaged goods and prepares a detailed report

Survey report	detailed report prepared by an insurance agent describing the damages suffered by goods, the possible cause of discrepancies, with all relevant shipping information, to enable insurers to give consideration to the case; expensive document not to be requested for minor claims
Tackle	ship's own gear to load/unload cargo. FAS (free along side) is understood to be delivery "under ship's tackle"
Tally clerks	persons checking the conformity of packages and cargo with the description given on documents
Through B/L	B/L covering a carriage between two designated places but involving a transshipment or a transfer during the course of the journey
Through rate	lump sum for the carriage charges relating to consignments travelling on through Bs/L
Transshipment	transfer, in a convenient port from one ship to another when the first carrying vessel does not call at the port of destination
Underdeck	see: deck; storage space below the vessel's deck where cargo is stowed in the holds; carriers are responsible for cargo shipped under deck, whilst they reject all liability for cargo shipped on deck
Underwriter	an underwriter is a person or firm who assumes financial risks on behalf of another; the term is used in a number of industries; it can refer to an insurance company, an investment bank, or an individual sponsor of an event
Warehouse	shed or storehouse where cargo is kept pending dispatch or retrieval
Bonded warehouse	warehouse under customs control where cargo in transit is kept or where cargo is kept pending customs clearance
Waybill	consignment note; generally speaking, document covering dispatch of goods
Wharf	quay alongside which vessels berth
Wharfage	cost of utilization of wharves
W/M	means weight/measurement; basis of calculation of ocean freight charges, either on weight or on measurement, at ship's option



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