



## **GLOSSARY OF TERMS**

### **Agent**

An independent person or corporation acting as a representative, usually in a foreign market, who attempts to sell products for an overseas seller (principal) and earns a commission on successful sales. Agents are not normally involved in delivery or servicing of product.

### **Air Waybill (AWB)**

The document which covers transport by air. It is issued by the carrier, whether an airline or a freight forwarder, as a non-negotiable document serving as a receipt to the consignor for the goods, and containing the conditions of transport. It also shows the details of the consignee so that they can be contacted on arrival of the goods.

### **HAWB**

House AWB issued by a freight forwarder acting as a carrier.

### **MAWB**

The term used for the AWB issued on airline's stationery to a freight forwarder for all of the goods covered by one or more House AWBs on the one flight going from one loading airport to one destination airport.

### **Applicant**

The buyer who has requested his bank to arrange an L/C on his behalf. In some countries where the buyer may have trouble arranging an import license, the applicant may be a third party acting on behalf of the buyer.

### **BAF**

Bunker Adjustment Factor - an adjustment to shipping companies' freight rates to take into account fluctuations in the cost of fuel oil (bunkers) for their ships.

### **Bank Guarantee**

A document issued by a bank acting as a guarantor for their customer. The bank's guarantee is accepted because of their status and creditworthiness compared to that of their customer. Often used in conjunction with major projects, in the form of Bid Bonds, Performance Bonds and Warranty Bonds, commonly for 10% of the contract value, all of which provide the buyer with a measure of comfort should the seller not fulfil his obligations at various stages of the contract.

### **Beneficiary**

The seller in whose favour an L/C is issued, ie the person who will "benefit" from the L/C. (See also Letter of Credit).

### **Bill of Lading (B/L)**

The document which covers transport by sea. Signed by the carrier, whether a shipping line or a freight forwarder, it serves as a receipt to the consignor for the goods, as evidence of the contract of transport containing the conditions of transport, and as a document of title by which possession of the goods can be transferred. Typically a B/L is issued in a set of three signed originals or negotiable, one of which must be presented to claim the goods upon which the others become void.



### **House B/L**

A bill of lading issued by a freight forwarder acting as a carrier. The terms and conditions of the contract may well be different to the terms and conditions contained on the shipping company's B/L, which can in extraordinary circumstances lead to legal complications should a dispute arise.

### **Master B/L**

The term used for the B/L issued by a shipping company to a freight forwarder for all of the goods covered by one or more House B/Ls on the one ship going from one loading port to one destination port.

### **Ocean B/L**

A B/L covering port-to-port shipment. Typically banks continue to use this term on L/Cs even though the majority of international shipments are containerised.

### **Box**

Colloquial term for a shipping container.

### **Breakbulk**

Non-containerised cargo.

### **CAF**

Currency Adjustment Factor - an adjustment to shipping companies' freight rates to take into account the effect over time of fluctuations in currency exchange rates.

### **Carnet**

A document, normally issued by a Chamber of Commerce which is a member of the International Chamber of Commerce (ICC) to enable the holder to temporarily take merchandise into certain countries, as samples or for display purposes, without the need to pay import duty or pay a bond for the duty. The issuer will require the holder to give them security by way of a bank guarantee.

### **Certificate**

A general term for any document issued by the seller or another party, certifying to some action having taken place or some fact about the goods.

### **Certificate of Origin**

A certificate stating the country of origin of the goods. Depending on the importing country's requirements, this can be as simple as being issued by the seller or the manufacturer. In most cases however, it is required to be issued by a Chamber of Commerce in the country of origin.

### **CFS**

Container Freight Station - place or depot where individual LCL cargo is loaded into, and unloaded from, containers

### **Commercial Invoice**

A document issued by the seller, addressed to the buyer, giving details of the individual transaction, including complete description of the goods, prices, currency, delivery and payment terms and so on. This is generally used by the Customs authorities in the importing country to assess customs duties payable.



### **Consignee**

The party shown on the bill of lading or air waybill to whom the shipment is consigned. Need not always be the buyer, and in some countries will be the buyer's bank. See also Bill of Lading - Order B/L and Notify Party.

### **Consolidation**

Where a freight forwarder groups, or consolidates, one or more shipments for one or more shippers to the one destination as one overall shipment. (See also House B/L and Master B/L).

### **Container ship**

Ship designed to take ISO (International Standards Organisation) containers in vertical cells within the ship's holds as well as on the deck. These ships generally rely on infrastructure on the wharf to load and unload the containers.

### **Customs Broker**

A person or corporation licensed by the Australian Customs Service to handle on behalf of importers the process of clearing goods through customs.

### **Customs Duty**

A tax, duty or tariff levied at the time of import upon goods entering a country. Usually based on the value of the goods (ad valorem), on the physical nature of the goods such as quantity or weight, or on a combination of the value and other factors.

### **CY**

Container Yard - place or depot where individual containers are held prior to loading on board a ship and after unloading from the ship. Can be inland or at the dock-side.

### **Demurrage**

Extra charges paid to a carrier when loading and/or unloading has not been completed within the specified time.

### **Duty Drawback**

If goods which have been imported, and upon which customs duty has been paid, are exported or have been used in the manufacture of goods which have been exported, then the exporter may be entitled to a refund of the original import duty paid.

### **Exchange Rate**

The price of one currency in the terms of another.

### **Export**

To send goods from a country to an overseas destination.

### **FAK**

Freight All Kinds, as a general description of the goods on a master B/L covered under the one freight rate regardless of the nature of the individual goods.

### **FCL**

Full Container Load, generally but not always indicating that goods in the container are from one seller who packed the container, going to one buyer who will unpack the container.



### **Flat Rack**

A device which is designed for cargos which will not fit into containers to be shipped on container ships. Consists of a base and two ends of the same dimensions as an ISO container.

### **Freight Forwarder**

A person or corporation who arranges transport of goods on behalf of either the seller or buyer. In many cases the freight forwarder will also consolidate several small shipments into one larger one to take advantage of better freight rates. In most cases the freight forwarder will assume the legal liabilities of acting as a carrier.

### **Gross Weight**

The total weight of a shipment of goods, including their packaging such as crates, pallets etc.

### **Hazardous Goods**

Certain cargoes, as prescribed by the UN, such as explosive, radioactive, poisonous and flammable goods etc, which must be declared to the carrier before being loaded onto ships or aircraft. The penalties for mis-declaring or failing to declare hazardous or dangerous cargo are extremely high.

### **Import**

To bring goods from overseas into one's country.

### **Incoterms 2000**

A set of rules for the interpretation of the most commonly used trade terms in foreign trade, recognised throughout the world, issued by the International Chamber of Commerce, as their publication 560. It is most strongly recommended that every exporter and importer has a copy of "Incoterms 2000". These are available from us, see our Bookshop page. The 13 trade terms are summarised very briefly here.

#### **EXW** Ex Works (named place)

The seller's only responsibility is to make the goods available at his premises, (ie works or factory). The buyer bears the full cost and risk involved in bringing the goods from there to the desired destination and the buyer must be able to carry out any required export formalities.

The term represents the minimum obligation for the seller.

#### **FCA** Free Carrier (named place)

The Seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of a carrier, or another person, named by the buyer at the named place or point.

This term may be used for any mode of transport, including multi-modal transport.

#### **FAS** Free Alongside Ship (named port of shipment)

The seller fulfils his obligation to deliver when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The seller is responsible to clear the goods for export. This term can only be used for sea or inland waterway transport and its correct use is only when using a chartered ship, or when goods are not containerised.



**FOB** Free On Board (named port of shipment)

The seller fulfils his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The seller is responsible to clear the goods for export.

This term can only be used for sea or inland waterway transport. This is probably the most commonly misused term in international trade. Its correct use now is only where the ship's rail is relevant to the transaction, such as when using a chartered ship, or when goods are not containerised. Obviously it cannot apply to airfreight.

**CFR** Cost and Freight (named port of destination)

The seller must pay the costs and freight necessary to bring the goods to the named destination but the risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. The seller is responsible to clear the goods for export.

This term very specifically requires the carriage of the goods in a "seagoing vessel".

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

This term is similar to CFR but with the addition that the seller has to procure marine insurance against the buyer's risk of loss of or damage to the goods.

This term very specifically requires the carriage of the goods in a "seagoing vessel".

**CPT** Carriage Paid To (named place of destination)

The seller must pay the costs and freight necessary to bring the goods to the named destination but the risk of loss of 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.

Being based on FCA, this term may be used for any mode of transport.

**CIP** Cost and Insurance Paid to (named place of destination)

This term is similar to CPT but with the addition that the seller has to procure marine insurance against the buyer's risk of loss of or damage to the goods covering that period until the goods have been delivered from the carrier to the buyer.

Being based on FCA, this term may be used for any mode of transport.

**DAF** Delivered at Frontier (named place)

The seller must pay the costs and freight to bring the goods to a land frontier, but before the customs border of the adjoining country.

This term is for land transport only.

**DES** Delivered ex Ship (named port of destination)

The seller makes the goods available to the buyer on board the ship at the destination port, and is responsible for all costs and risks until that point, as well as arrival within the given period.

Typically this term would be used for bulk cargo on a chartered ship.

**DEQ** Delivered ex Quay (named port of destination)

Similar to DES but the seller must also arrange discharge onto the quay or wharf.



**DDU** Delivered Duty Unpaid (named place of destination)

The seller fulfils his obligation to deliver when the goods have been made available at an agreed point at the named place in the country of importation. The seller has to bear the risks and all costs and other charges of delivering the goods thereto, but not including duties and taxes. The buyer is responsible for customs clearance, and if he fails to do this, he is responsible for the consequences.

This term may be used for all modes of transport.

**DDP** Delivered Duty Paid (named place of destination)

The seller fulfils his obligation to deliver when the goods have been made available at an agreed point at the named place in the country of importation, often the buyer's premises. The seller has to bear the risks and all costs, including duties, taxes and other charges of delivering the goods thereto, cleared for importation. This term should not be used if the seller is unable directly or indirectly to obtain any necessary import licence or approval.

This term may be used for all modes of transport.

**C&F** Cost and Freight (named port of shipment)

This abbreviation was changed in 1990 to CFR, but is still commonly used.

**FIS** Free into Store

An unofficial trade term indicating that the seller's price includes all costs up to delivery to the buyer. This is similar in effect to DDP.

## Insurance

A process whereby someone with a risk of something happening to their financial detriment (the assured) pays someone else (an underwriter) a fee (premium) to bear that risk on their behalf.

### Insurance Certificate

A certificate issued by the insurance underwriter giving details of a particular transaction which is held insured under an insurance policy.

### Insurance Policy

Contract of insurance

### Marine insurance

Insurance covering the international, and often local, transport of goods.

Generally covers "all risks" plus war and strikes risks, and is taken out for 110% of the CIF/CIP value of the goods.

## Landed Cost

The total cost which an importer pays to have goods delivered into their premises. This typically includes the costs of the goods, international transport, insurance premium, port charges, customs duties, delivery charges, bank charges etc.

## LCL

Less than Container Load, a small amount of cargo insufficient to on its own be economically shipped as FCL. It will be combined with other LCL cargo from other shippers going to the same destination port, into an FAK FCL. See also Consolidation.



### **Letter of Credit**

A conditional order in writing, issued by a buyer's bank, guaranteeing to pay the seller upon presentation of stipulated documents, strictly in accordance with the credit. It is strongly recommended that every exporter and importer has a copy of the "Uniform Customs and Practice for Documentary Credits", International Chamber of Commerce publication 500. These are available from most major Chambers of Commerce, or from us at AUD 20.00 including postage, handling and GST, to Australian addresses only.

### **Confirmed**

A letter of credit which has been further guaranteed by a local bank generally in the exporter's country.

### **Irrevocable**

A credit which cannot be revoked, cancelled or amended unless the beneficiary agrees. Virtually all L/Cs issued under UCP500.

### **Discrepancy**

Where a document does not comply strictly with the terms and conditions of an L/C.

### **Under Reserve**

Where documents with discrepancy/ies are nevertheless negotiated against an L/C, and the negotiating bank reserves the right to take back the funds from the exporter if the discrepancy is not acceptable to either the buyer or the L/C issuing bank..

### **Net Weight**

The weight, or mass, of the goods themselves without any packaging.

### **Notify Party**

The person or company to be advised by the carrier upon arrival of the goods at the destination port.

### **Packing List**

A document which details the contents, and often dimensions and weight, of each package or container.

### **Phytosanitary Certificate**

A document issued by the Department of Agriculture, Fisheries and Forestry, for exports from Australia of plants or plant products.

### **Reefer**

Colloquial for a refrigerated container

### **RO-RO**

A "roll-on/roll-off" ship, where loaded transport vehicles are driven onto it, such as a car ferry, or where containerised and other cargo is loaded into it by forklifts or similar.

### **Shipping Marks**

Specific markings on packages to identify them apart from other packages and to identify them on the relevant documents.

**STC**

Said to contain, often placed before the description of goods on a bill of lading because the carrier does not know the nature or quantity of goods actually placed in the packages or the containers.

**SWIFT**

Society for Worldwide Inter-bank Financial Telecommunications, whereby banks can electronically transfer funds, issue L/Cs, etc.

**T/T**

Telegraphic transfer, an electronic means of transferring funds between banks, generally using SWIFT.

**Tare**

The weight of packaging or a container without the goods.

**TEU**

Twenty-foot equivalent unit, the means of describing the carrying capacity of a train or ship. For example, a 40 foot container takes up the space of two TEUs.

**Transshipment**

Goods are transferred from one ship to another at an intermediate port. Can also refer to goods being transferred from one method of transport to another.

**Value for Duty**

The value of an import declared to the customs upon which customs duty will be calculated. In Australia, the value of the goods at the time of export from the exporting country, thus generally the FOB value and using the exchange rate at the date of export. Many other countries use the CIF value at the time of declaration in the importing country.