FAS (Free Alongside Ship): Incoterm for handover alongside the ship

FAS (Free Alongside Ship) is an international delivery rule from the Incoterms governing the handover of goods 'alongside the ship' in the seller's port of shipment. From that point, costs and risk pass to the buyer, who also bears the shipping arrangement and the main transport costs. FAS is typically used for general cargo, heavy lift or bulk goods shipped by sea freight.

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Key facts at a glance

01 FAS means: the seller delivers the goods alongside the ship nominated by the buyer in the agreed port of shipment.

02 Risk passes when the goods are placed alongside the ship, not only once on board.

03 All costs from the ship onwards – freight, insurance, export clearance from the port, import formalities – are borne by the buyer.

04 FAS is intended exclusively for sea and inland waterway transport and is unsuitable for container shipments.

05 Export customs formalities in the country of origin are carried out by the seller under FAS, but the costs are borne by the buyer.

06 FAS is a discretionary Incoterm used in any mode-of-transport mix except container/multimodal transport.

Definition: FAS (Free Alongside Ship)

FAS (Free Alongside Ship) is a delivery rule of the Incoterms that defines the time of delivery and the transfer of costs and risk between seller and buyer. The goods are deemed delivered when they are made available alongside the ship in the named port of shipment. FAS belongs to the maritime rules and is listed in the current Incoterms edition under the provisions for sea and inland waterway transport.

Distinction from FOB

The key difference from FOB (Free On Board) lies in the risk transfer: under FAS it occurs alongside the ship, under FOB only once on board. For loose goods, heavy lift or bulk cargo placed directly next to the ship by crane, FAS is the more suitable rule. For container shipments, FCA should be used instead, as containers are usually handed over at the terminal anyway.

Role of Incoterms in procurement

The Incoterms of the International Chamber of Commerce (ICC) standardise worldwide the allocation of costs, risk and tasks between the contracting parties. For buyers, the choice of rule is a controllable lever: it determines who places the transport order, who negotiates freight rates and who takes out cargo insurance. FAS thereby directly influences freight cost management and transport cost transparency in the supply chain.

Allocation of costs and risk under FAS

Under FAS, the allocation of obligations is clearly regulated: the seller delivers up to alongside the ship in the port of origin, everything thereafter lies with the buyer. This clarity reduces the potential for disputes but requires a precise port and terminal agreement in the purchase contract.

Seller obligations

The seller places the goods alongside the named ship, delivers them in trade-standard packaging, provides delivery documents and carries out export clearance (export customs formalities) at the buyer's risk and expense. They must inform the buyer in good time when and where the goods are available.

Buyer obligations

The buyer nominates the ship, books the shipment, bears the sea freight from the port, pays for insurance according to their own needs, and organises import clearance and onward transport. If terminals are missed or the ship is delayed, the buyer bears the storage and demurrage costs.

Risk transfer in practice

In practice, the exact moment of placement alongside the ship is often disputed, for example with heavy lift cargo loaded by floating crane. It is therefore advisable to contractually specify the handover point, for example via a dock appointment or terminal specification, and to take out cargo insurance covering the moment before loading.

Areas of application and decision criteria

FAS is not suitable for every sea transport. The rule unfolds its advantage mainly with special cargo units and loading situations that preclude conventional container transport.

Typical use cases

Classic FAS goods are machinery components and plant parts in heavy lift transport, steel profiles, pipes, timber, mineral fertiliser, grain or vehicle loadings. Project shipments with special packaging or trailer delivery directly to the quay are also frequently handled under FAS.

When FAS is unsuitable

For container transport, FAS is unsuitable, as containers are handed over at the terminal and the cost allocation is hardly controllable. FCA is recommended here. Likewise, FAS is not intended for air or road transport. For multimodal chains with road pre-carriage, the rule should only be chosen if the sea leg clearly dominates and the handover point is unambiguously defined.

Choice of rule in the procurement process

The choice of rule should be determined in the demand analysis or before the tender and documented in the bidder register so that quotations remain comparable. In bidder communication, the desired shipping date (ETD) must be communicated as binding as the handover port, so that the supplier base can align its logistics planning accordingly.

FAS in the operational procurement and logistics process

Whoever as a buyer enters into FAS agreements also assumes responsibility for organising the sea freight. This requires close integration of order management, freight forwarding management and quality assurance.

Order and document process

In order management, the rule should be recorded in the order with port details, ship name and loading date, ideally supplemented by a PO policy that governs delivery terms uniformly. Important are the commercial invoice, loading documents and the boarding document as proof of placement alongside the ship.

Coordination with freight forwarder and terminal

The buyer coordinates slot booking at the terminal, the dock appointment and, if necessary, the provision of a looter. Where sensitive AEO status requirements apply (Authorised Economic Operator), it must be ensured that all transport partners meet the necessary security standards in order to benefit from simplified customs clearance.

Quality before loading

For complex components, a First Article Inspection (FAI) or a pre-check before placement at the quay is advisable. After that, the buyer's responsibility begins – subsequent claims for transport defects are entirely their affair. An audit checklist for the loading process minimises the risk of damage and mis-shipments.

Key KPIs for FAS management

Since the buyer bears transport responsibility under FAS, KPIs should be proactively established to secure the logistics chain. These KPIs make weak points visible and create a data basis for negotiations with shipping lines and freight forwarders.

Transport and delivery reliability

Delivery Performance measures whether goods arrive at the destination on time. In FAS transactions, punctuality depends heavily on the company's own freight forwarding management. If the rate is typically below 95%, processes in slot booking or communication with the terminal should be reviewed.

Freight and total costs

Freight cost management under FAS means actively controlling the company's own sea freight, terminal and insurance costs and comparing them with the conditions of other rules. Pooling shipments with other order volumes can also significantly reduce freight rates.

Quality and sustainability

The Backorder Rate shows how often orders cannot be served on time. For critical FAS imports, a high backorder rate directly affects production availability. In addition, the CO balance of the company's own transport chain should be recorded in order to meet sustainability requirements and reporting obligations.

Risks, liability and legal classification

FAS carries specific risks that must be actively addressed in the purchase contract and in accompanying processes. The liability limits and shifts are particularly sensitive with this rule.

Liability gaps at the handover point

Between placement alongside the ship and actual loading, a time gap can arise in which the goods lie on the quay or on a lighter. Accidents, theft or weather damage during this phase lie with the buyer. Cargo insurance that includes the quay area is therefore essential.

Contract and tax aspects

Commercial and tax implications of the choice of rule – for example for VAT, customs value or transfer pricing – must be examined on a case-by-case basis. It is recommended to involve customs and tax experts, as FAS agreements can be interpreted differently depending on the legal jurisdiction.

Obsolescence and change management

In long procurement cycles with FAS shipment, technical specifications may change. A change order process should therefore also govern the logistical consequences, for example with changed packaging requirements or changed terminals. In addition, obsolescence management helps to identify critical

parts in good time and examine alternative sourcing before a shipping date is jeopardised.

Typical metrics

Metric	Typical value
Delivery Performance	> 95% *On-time delivery performance of the company's own FAS transport chain from quay to destination*
Backorder Rate	< 2% *Share of orders not served on time, critical during long sea transport lead times*
Transport cost share	typically 3–8% of goods value *Benchmark for sea freight incl. terminal and insurance costs; for benchmarking against import volume*

Practical example: heavy lift shipment by a machinery manufacturer

A medium-sized machinery manufacturer regularly imports production presses from Asia. As the equipment is too heavy for container transport, the company agrees FAS in the supplier's port of shipment. The buyer books the sea freight through its own freight forwarder, which also coordinates slot booking and dock appointment at the terminal. Before each loading, a documented FAI is carried out at the supplier's plant so that quality defects do not only become apparent at the quay. In addition, cargo insurance with quay coverage protects the sensitive phase between placement alongside and loading.

- FAS rule with exact port and terminal specification fixed in the purchase contract
- Own freight forwarding management established including slot booking and dock appointment
- First Article Inspection before every loading qualified as standard
- Cargo insurance with explicit coverage of the quay phase taken out

Conclusion

FAS is a proven Incoterms rule for maritime transports in which goods are shipped loose or as heavy lift cargo rather than in containers. The risk transfer alongside the ship shifts transport responsibility early to the buyer – with corresponding opportunities for freight cost management and control, but also liability risks during the handover phase. Anyone using FAS should specify the handover point contractually, ensure their own freight forwarding and insurance organisation, and actively monitor KPIs such as Delivery Performance and Backorder Rate. In practice, the rule pays off especially for project shipments, bulk cargo and heavy lift, where FCA or FOB do not offer suitable handover points. Anyone who systematically embeds the rule in order management and demand analysis gains transparency

and negotiating power vis-à-vis shipping lines and terminal operators.

Frequently asked questions

? What does FAS mean in trading?

FAS (Free Alongside Ship) means that the seller must make the goods available alongside the ship in the agreed port of shipment. From that moment, costs and risk pass to the buyer, who also arranges the sea freight and insurance. FAS is one of the maritime Incoterms rules.

? What is the difference between FAS and FOB?

Under FAS, risk passes when the goods are placed alongside the ship; under FOB, only once on board. FAS is suitable for loose or bulky goods delivered directly at the quay, while FOB is the classic rule for goods loaded on board. For container shipments, both rules are less suitable – FCA is recommended here.

? When is FAS used?

FAS is typically used for sea transport of bulk cargo, heavy lift or loose goods, such as machinery components, steel, timber or grain. The requirement is that the goods can be placed directly next to the ship. For container or multimodal transports, FAS is not the appropriate rule.

? Who pays the freight costs under FAS?

The buyer bears the main transport costs from the handover point alongside the ship, i.e. sea freight, insurance, import clearance and onward transport. The seller bears all costs up to delivery at the quay, including export customs formalities, which they carry out but at the buyer's expense.

? Who bears the risk under FAS?

Risk passes to the buyer when the goods are placed alongside the ship. This means: damage or loss occurring between placement alongside and loading must be borne by the buyer. Cargo insurance covering this handover phase is therefore strongly recommended.

? Is FAS suitable for containers?

No, FAS is unsuitable for container transport. Containers are usually handed over at the terminal, not alongside the ship, which means the defined handover point loses its function. For container shipments, FCA is the ICC-recommended alternative.

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