Incoterms FAS: Applying Free Alongside Ship correctly in procurement

Incoterms FAS (Free Alongside Ship) is a delivery term from the International Chamber of Commerce's Incoterms® rules under which the seller delivers the goods alongside the ship – i.e. next to the vessel to be loaded at the agreed port of loading. From this point of delivery, costs and risk pass to the buyer. FAS is used practically exclusively for sea transport and inland waterway transport and is particularly relevant for general cargo, project cargo and heavy-lift goods handed over at the quay. For buyers, correct application determines cost responsibility, insurance obligations and liability in the event of transport damage.

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Key facts at a glance

01 FAS (Free Alongside Ship) means: handover of the goods alongside the ship at the agreed port of shipment.

02 Risk and cost transfer both occur at the quay as soon as the goods are physically ready for shipment.

03 Export clearance is the seller's responsibility under FAS – a key difference from EXW.

04 FAS is suitable only for sea and inland waterway transport, not for container traffic or multimodal transport.

05 The buyer bears the main carriage, insurance and all costs from the point of delivery.

06 The Incoterms® 2020 apply only if expressly agreed in the purchase contract or framework agreement.

Definition: Incoterms FAS

FAS (Free Alongside Ship) is one of the Incoterms®, the delivery terms issued by the International Chamber of Commerce (ICC), currently in the 2020 edition. The rule sets out up to which point the

seller bears the delivery and risk costs and from when the buyer becomes responsible.

Point of delivery and transfer of risk

The seller delivers the goods by placing them alongside the ship at the named port of shipment – typically at the quay or on a barge next to the vessel. At this moment, the risk of accidental loss of or damage to the goods passes to the buyer. If the goods are not made available in time within the agreed delivery period, or if the vessel nominated by the buyer arrives late, the buyer bears the risk from the agreed delivery date. This makes precise scheduling and ship nomination in the purchase contract essential.

Distinguishing FAS from FOB and EXW

Under FOB (Free on Board), risk only passes once the goods are on board the ship, so the seller is also responsible for loading the goods onto the vessel. Under EXW, the seller makes the goods available ex works and the buyer takes on export clearance as well – under FAS, by contrast, the seller handles this. In practice, FAS is often confused with FOB; the difference lies in the point of delivery on the loading side and can be worth tens of thousands of euros in the event of damage during loading. FOB is more common for containerised goods, while FAS suits bulk and heavy-lift cargo.

Cost allocation in FAS transactions

FAS allocates costs clearly along the supply chain: up to the quay, the seller bears them; from there, the buyer. Even so, practical points of dispute arise that buyers should clarify in the contract in advance.

Seller's costs

The seller bears all costs up to placement alongside the ship, including transport to the port, loading costs up to the quay and export clearance including customs documents and any required security declarations. Inspection costs for packaging, marking and, where applicable, official inspections prior to delivery also lie with the seller. These costs should be transparently disclosed in the quotation assessment and price formula to make quotations from different suppliers comparable.

Buyer's costs

From the point of delivery, the buyer bears the shipment, freight costs, terminal handling at the destination port, import clearance, duties and onward transport. Added to this are port charges and demurrage if the nominated ship arrives late, plus freight insurance, which is not the seller's obligation under FAS. Buyers should include transport costs in the total cost of ownership via a freight cost analysis rather than comparing only the purchase price.

Special features of port surcharges and demurrage

Costs that arise after delivery but result from the seller's conduct – for instance a late delivery to the terminal – may, under the Incoterms® rules, be attributed to the seller. In practice, this leads to grey

areas, particularly regarding terminal charges and pre-carriage costs. A clear agreement in the framework contract on which surcharges are borne by whom prevents later invoice disputes.

Areas of use: when FAS fits – and when it does not

FAS is a specialised rule for waterborne transport. Anyone using it for container or air freight creates legal uncertainty and unnecessary risks.

Typical applications

FAS is suitable for bulk cargo, outsized cargo, project and heavy-lift goods handed over directly at the quay using cranes or rollers – for example steel beams, plant components or machine parts for overseas projects. FAS is also used in inland waterway transport. Buyers often combine FAS with a procurement strategy in which they bundle sea freight themselves via a framework agreement with a freight forwarder in order to leverage volume discounts.

Unsuitable scenarios

For container transport, the Incoterms® recommend FCA instead of FAS, as containers are handed over at the terminal and the quay-side point of delivery does not apply in practice. FAS is equally unsuitable for multimodal transport chains with pre-carriage and main leg over land. Anyone who nevertheless agrees FAS here shifts liability issues into unclear territory and increases the complaint rate for transport damage.

Key KPIs and control instruments in FAS transactions

Since the buyer bears the risk from the quay onwards, they need metrics and processes to monitor freight, schedule and quality performance measurably.

Logistics metrics

Key KPIs are on-time delivery to the port, demurrage and detention costs, and transport costs per tonne or container. An inventory health dashboard helps reflect the longer lead times of sea freight in stock and replenishment planning. Early-warning indicators such as late ship nominations or missing export documents should be embedded in forecast management so that delays feed into production planning early.

Quality and damage management

Since risk passes at the quay, the goods should be documented there – photographically and by means of a receipt confirmation with reservations. Quality gates before shipment and defined complaint processes with the supplier reduce the complaint rate for transport damage. Important: damage after delivery is a matter for the buyer's insurance, but quantitative or qualitative defects from the manufacturing process may still fall under the warranty.

Risks and controls: avoiding typical sources of error

Most FAS disputes arise from unclear contract wording, incorrect port details or missing insurance. Systematic checks in the procurement process minimise these risks.

Creating contractual clarity

The Incoterms® rules require the exact specification of the location, e.g. 'FAS Port of Hamburg, Burchardkai Terminal, Incoterms® 2020'. Generic references without a terminal or port section lead to disputes over interpretation. Change management is important if the port of shipment or ship nomination changes during the term of a framework agreement – every adjustment should be documented and confirmed by both parties. Framework contract maintenance should also consistently reflect the applicable rule for each site.

Insurance and documentation

Under FAS, the buyer bears the transport risk from the quay, so transport insurance with appropriate cover is essential. The cover should take effect from the point of delivery, not only upon loading. Relevant for professional invoice verification: freight and port costs must correspond to the agreed terms; deviations such as demurrage must be checked against documentation. Care is needed with VAT and customs: the treatment depends on the individual case and should be reviewed from a tax perspective.

Supplier qualification and processes

Only suppliers who reliably handle export clearance and port logistics qualify for FAS – supplier evaluation should include corresponding criteria, complementing the Approved Vendor List (AVL). For new suppliers, it is worth checking in the context of a Request for Proposal (RFP) whether they can reliably deliver the quay-side point of delivery including documentation. Terminal appointments can be coordinated using dock appointment systems, and cross docking can accelerate subsequent distribution transport.

Current developments around FAS and Incoterms®

Even though the Incoterms® 2020 leave FAS unchanged, digital processes and sustainability requirements are changing how it is applied in practice.

Digitalisation of processing

E-procurement platforms and electronic freight bookings shorten coordination between the purchasing department, freight forwarder and terminal. Digital freight documents and terminal interfaces reduce manual errors in handover documentation. Electronic tendering also makes it possible to tender sea freight volumes and port services in a structured way and to benchmark freight rates on an ongoing basis.

Sustainability and emissions accounting

For companies accounting for the Product Carbon Footprint (PCF) of their products, the choice of transport term is gaining importance: under FAS, responsibility for sea freight lies with the buyer, meaning the emissions data of the main leg also falls within their balance. Buyers should therefore record emission factors per mode of transport and include them in supplier evaluation. In addition, regulatory requirements such as the PPWR (Packaging and Packaging Waste Regulation) influence the choice and assessment of transport packaging for sea freight.

Next revision of the Incoterms®

The International Chamber of Commerce regularly works on revisions of the Incoterms® rules. Buyers should always state the applicable version expressly in the purchase contract, as transition phases with mixed contractual positions lead to questions of interpretation. An annual review of the standard clauses in the terms and conditions of purchase is good practice.

Typical metrics

Metric	Typical value
On-time delivery to port	> 95% *Proportion of deliveries arriving at the terminal within the agreed time window*
Transport costs per tonne	monitor continuously *Review sea freight and port costs against market benchmarks and price formula*
Complaint rate for transport damage	< 1% *Proportion of consignments subject to complaint; can be significantly influenced by quay-side documentation*
Demurrage and detention costs	€0 wherever possible *Arises from late ship nomination or delivery; a frequent source of dispute*

Practical example

A mid-sized machinery manufacturer supplies an overseas customer with a production plant in an international project business. The plant components are handed over under FAS at the port of Hamburg; the customer organises sea freight, insurance and import clearance themselves. After initial disputes over demurrage and damage during loading, the manufacturer introduces a structured approach:

- FAS clause specified in the framework agreement: point of delivery including terminal details and nomination deadlines for the vessel.

- Quality gate before quay-side handover with photographic condition records and a receipt confirmation with reservations.
- Transport costs and demurrage risks bundled via a freight office and transparently disclosed in a price formula in the quotation.
- Early-warning indicators linked in forecast management so that port delays feed directly into the project schedule.

Conclusion

FAS is a clearly tailored rule for sea freight and inland waterway transport with delivery alongside the ship at the quay. It is particularly suitable for heavy-lift and project cargo, but not for container or multimodal transport. Buyers benefit when they want to steer sea freight themselves and bundle volumes – but must organise insurance, schedule management and damage documentation consistently. What matters are precise contract formulations specifying port and terminal, as well as clear agreements on surcharges. Those who systematically integrate FAS into procurement strategy, KPIs and framework contract maintenance minimise the risk of disputes and keep transport costs under control.

Frequently asked questions

? What does Incoterms FAS mean?

FAS (Free Alongside Ship) is an Incoterms® rule under which the seller places the goods alongside the ship at the agreed port of shipment. From this point of delivery, costs and risk pass to the buyer. The rule applies only to sea and inland waterway transport.

? Who bears the insurance under FAS?

The buyer bears the transport risk from delivery at the quay and must therefore arrange transport insurance themselves. The seller is not obliged to insure the goods, but remains liable for loss or damage up to the point of delivery. Cover should take effect precisely from the point of delivery.

? What is the difference between FAS and FOB?

Under FAS, risk passes at the quay, whereas under FOB it only passes once the goods are on board the ship. Under FOB, the seller is therefore also obliged to load the goods onto the vessel. FAS is better suited to bulk and heavy-lift cargo, while FOB is commonly used for containerised goods.

? Can FAS be used for containers?

This is not advisable. Containers are usually handed over at the terminal rather than alongside the ship, which is why the ICC recommends FCA for container traffic. Anyone applying FAS to containerised goods creates uncertainty in interpreting the transfer of risk and costs.

? Who handles export clearance under FAS?

Under FAS, the seller handles export clearance, including the required documents. This distinguishes FAS from EXW, where the buyer takes on this task. Import clearance in the country of destination, by contrast, always remains the buyer's responsibility.

? Which costs does the buyer bear under FAS?

From the quay onwards, the buyer bears the shipment, sea freight, insurance, port charges at the destination port, import clearance, duties and onward transport. Demurrage in the event of a late ship arrival may also fall to the buyer. These costs should be included in the total cost assessment.

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