FCA — Free Carrier

Important

This is a shortened version of our full lecture. It covers the essentials — but Incoterms are more complex than most people realise.

Every transaction is different. Use this as your starting point, check the rules for your specific shipment, and seek professional advice where needed.

Our full course at sadi4u.co.za gives you more information — for your protection and peace of mind.

Good day. Today we look at FCA — Free Carrier.

FCA is one of the most powerful and most misunderstood Incoterms. It works across all transport modes — sea, air, rail, and road.

What FCA Means

Under FCA, the seller delivers the goods, cleared for export, to a precisely named place.

The critical risk transfer happens at that exact point.

What defines FCA is not who the carrier is — but where the handover happens. And that named place is always in the country of the exporter.

The Three Scenarios

FCA has three scenarios, and the difference matters.

Scenario A — At the seller's premises

The buyer's truck arrives at your dock. You load the goods onto that vehicle. Risk transfers the moment the goods are safely loaded.

This is better than EXW, because the seller also handles export clearance — which is far more efficient than a foreign buyer trying to do it remotely.

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The Three Scenarios (*continued*)

Scenario B — Air, Road, and Rail

FCA is ideal for air, road, and rail. In these modes, the seller delivers the goods to the nominated handover point — an airport cargo terminal, a forwarder's warehouse, or a rail depot.

The buyer arranges unloading at that point, and risk transfers before the seller's truck is unloaded. Any damage during the unloading process is for the buyer's account.

The seller's transport cost also ends as soon as the cargo is made available for unloading at the relevant point.

It is important to note that FCA applies to delivery inside the country of origin.

Each of these modes of transport has its own documentation, which we fully cover in our comprehensive course.

The Three Scenarios (*continued*)

Scenario C — Sea Freight and Overwater Transport

Many people say that FCA is better than FOB for this mode of transfer. It might be — for the seller, depending on the circumstances. But there are issues that need to be understood before a decision is made to use it.

Terminal Handling Order and Terminal Handling Charges

Remember: the seller must deliver the cargo to the terminal.

- The seller must submit the Terminal Handling Order and ensure it is registered on the port's system before the cargo is delivered to the port.

- On delivery, the seller delivers the cargo at the gate of the port, but its responsibility and risk only transfer at the nominated terminal inside the port's premises.

Scenario C — Sea Freight and Overwater Transport (*Continued*)

- The port takes possession of the goods at the gate, and the seller remains responsible for the cost of transferring the cargo to the terminal, because the seller's truck is not allowed to enter the port's premises.

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- The buyer has to contract the port to unload the cargo at the terminal and load it onto the ship.

- The real benefit to the seller is that its risks and responsibilities end at the terminal.

- On the other hand, the buyer's risks and responsibilities start when the cargo is presented at the terminal, before the unloading of the cargo at the terminal.

- This implies that the seller is responsible for the THC up to the terminal, and the buyer is responsible for the rest until the cargo is loaded onto the ship — which splits the Terminal Handling Cost accordingly.

- It is possible that the parties can agree in the contract that the THC is paid by either one of them.

Shipping Instruction and Bill of Lading

- Seeing that the cargo is not yet loaded on board the vessel, the seller will receive a "Received for Shipment" Bill of Lading.

- If a Letter of Credit is involved, the bank will most likely only accept an "On Board" Bill of Lading. Refer to our lectures on Letters of Credit and Bills of Lading in our comprehensive course.

- Where the goods are not paid for, not sold on account, or on a Letter of Credit basis, the shipper has additional protection: the carrier will only release the goods to the party presenting the original Bill of Lading. This is covered in our lectures on Bills of Lading and Letters of Credit in our comprehensive course.

Do You Use FCA or FOB?

Now that you understand the implications of each, you need to make the choice.

If you decide to use FCA, you must mention the terminal inside the port as part of the Incoterm, to be clear where risk transfers.

Should you sell on an FOB basis, the additional cost to get the cargo on board the vessel can be added to the cost of the cargo.

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The Default and the Contract.

Unloading and loading

The Incoterm sets the default. But the contract can adjust it — for example, if the buyer has no equipment to unload, the contract can say the seller will do it. But the insurance must match. We explain this in more detail in the full course.

Keep the Incoterm itself unchanged; specify any adjustments separately in the contract. e.g. EXW loaded is not acceptable. The only one that can be extended is DDP – DDP Unloaded

The Upsell

This is the basic version of our FCA lecture.

Download a free PDF version from our website at www.sadi4u.co.za

The full course includes:

- The Terminal Handling Order and Terminal Handling Charges in detail
- The Certificate of Origin — who provides it, and why it is not automatic under FCA
- The "On Board" Bill of Lading trap and how it affects Letters of Credit
- The "Without Prejudice" clause explained
- The Herman and Rina discussion
- The Letter of Credit and Insurance lectures
- Logistics and much more. Refer to our website for more information
- Your certificate of completion

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