

# Incoterms® 2010 Simplified

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The 11 new Incoterms® go into effect on January 01, 2011

## RULES FOR ANY MODE OR MODES OF TRANSPORT

EXW	Ex Works (named place of delivery)
FCA	Free Carrier (named place of delivery)
CPT	Carriage Paid To (named place of destination)
CIP	Carriage And Insurance Paid To (named place of destination)
DAT	Delivered At Terminal (named terminal at port or place of destination)
DAP	Delivered At Place (named place of destination)
DDP	Delivered Duty Paid (named place of destination)

## RULES FOR SEA AND INLAND WATERWAY TRANSPORT

FAS	Free Alongside Ship (named port of shipment)
FOB	Free On Board (named port of shipment)
CFR	Cost And Freight (named port of destination)
CIF	Cost, Insurance and Freight (named port of destination)

Incoterms® define the responsibilities of buyers and sellers for the domestic and international delivery of goods and determine how costs and risks are allocated.

The words, “importer” and “exporter” have been used instead of “buyer” and “seller” that relate more closely with international (cross-border) trade.

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

Exporter places goods at their premises at importer's disposal, i.e. works, factory or warehouse. For example: EXW Street Address, City, Country or EXW City, Country if the named address has been specified in the contract of sale.

Exporter has limited obligations to provide export information and is not obliged to load the goods on any conveyance. Moreover, importer has to organize export clearance from the country of shipment.

It should not be assumed that export formalities such as licenses, authorizations and security-related information are the responsibility of the importer. The exporter must provide, at importer's request, risk and expense, assistance in these export formalities.

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

Exporter delivers the goods to the carrier or another person nominated by importer at the exporter's premises or another named place. For example: FCA Street Address of Forwarder/Consolidator, City, Country.

Exporter is required to clear the goods for export.

Delivery is said to have taken place when the exporter places the goods at the named place.

It is then up to the importer to arrange for further means of transport.

Transfer of risk for loss or damage from exporter to importer takes place when said delivery has taken place in said manner.

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

Exporter delivers the goods to the carrier or another person nominated by them at an agreed place and pays the costs to ship the goods to the named place of destination. For example: CPT Destination City.

Exporter is required to clear the goods for export.

The agreed place of delivery is where the risk passes to the importer. The costs of transportation to the destination place (named city) are borne by the exporter but the risk for damage or loss to the goods passes when delivery is made at the agreed place. The agreed place may be the carrier's or the nominated person's premises, the airport or port terminal warehouse or any other place, as agreed to in the contract of sale.

Several carriers may be used to transport the goods to its destination.

Example:

- Goods transported from factory address by a trucking company (first carrier)
- Then from the trucking company's address to a rail yard by a another trucking company (second carrier)
- Then from the rail yard to the port rail yard by rail (third carrier)
- Then from the port rail yard to a dock by another trucking company (fourth carrier)
- Finally by vessel to the final destination (fifth carrier)

**CIP** Carriage And Insurance Paid To (named place of destination)

Exporter delivers the goods to the carrier or another person nominated by them at an agreed place and also contracts for insurance cover against risk of loss or damage to the goods during the carriage in addition to paying the costs to ship the goods to the destination. For example: CIP Destination City.

CIP can be considered similar to CPT with insurance cover added.

Exporter is required to clear the goods for export.

**DAT** Delivered At Terminal (named terminal at port or place of destination)

Exporter delivers the goods after unloading from the arriving vessel or other means of transport and places them at the disposal of the importer at a named terminal at a named port. For example: Port name, Terminal number.

Terminal could also mean a port warehouse, container yard, rail station or air cargo terminal. Exporter bears all risks and costs involved up to unloading the goods at the named terminal. For LCL (Loose Container Load) cargo, it would be the obligation of the exporter to have the LCL cargo unloaded from the container and placed in their NVOCC (Non-Vessel Operation Common Carrier) or freight forwarders warehouse at the disposal of the importer. The exporter bears all the costs up to this point. It is then the obligation of the importer to arrange for pick-up.

**DAP** Delivered At Place (named place of destination)

Delivery takes place at a named destination and when the goods have been placed at the disposal of the importer but have not yet been unloaded from the arriving vehicle. For example DAP City name.

In this case, the street address of the importer could also be included or indicated separately in the contract of sale as the named place of destination or any agreed to point.

Risks and costs up to the named address and prior to the time the goods are unloaded are the exporter's responsibility.

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

Exporter places the goods at the disposal of the importer with all import duties and taxes paid. The exporter is also responsible for all costs associated with importing the goods and assumes risk for damage to or loss of the goods up to the named place of destination. For example: DDP City name. Street address of the importer could also be included or indicated separately in the contract of sale as the named place of destination.

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

Exporter places the goods alongside the vessel nominated by the importer at a named port of shipment. For example: FAS Port name.

For exporters who ship goods in containers, placing a container alongside a vessel is most likely not possible because containers are usually first sent to a terminal or loaded at a NVOCC's warehouse before being loaded onto the vessel. It is therefore advisable to use FCA in these cases. FAS is usually used for bulk cargo.

Risk of loss of and damage to the goods up to the port is the exporter's responsibility and the importer then assumes risk and bears all costs thereafter.

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

Exporter is required to deliver the goods on board a vessel. For example: FOB Port name.

This is sometimes not possible for exporters who ship goods in containers because containers are usually first sent to a terminal or loaded at a NVOCC's warehouse before being loaded onto the vessel.

Risk of loss of and damage to the goods is the exporter's responsibility up to when the goods are on board the vessel.

FOB is good to use for bulk cargo.

The point of delivery here is the named port.

Usually the exporter hands over a loaded, ready-to-ship container to the carrier at a warehouse or terminal (named place) before being loaded onto the vessel. This then cannot be an appropriate FOB transaction which states Free On Board. In the case of container shipments, it is advisable to use FCA.

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

Exporter delivers the goods on board a vessel and pays the costs and freight necessary to bring the goods to the named port of destination. For example: CFR Port name.

The point of delivery here is when the goods are on board the vessel at the shipment port.

Therefore, the exporter's obligation for loss or damage to the goods is to this point of delivery. It is not up to the port of destination.

Here, the risk passes at the port of shipment even though the freight costs have been paid up to the port of destination. Point to bear in mind is that with CFR terms the destination port is known but not necessarily the origin port. It is entirely likely that the exporter may opt to ship from different ports each time. In all cases, risk passes to the importer at the port of shipment.

Similarly as with FOB, CFR cannot be an appropriate term to use for container shipments because containers are handed over to the carrier at a warehouse or terminal (named place) before being loaded onto the vessel. In this case, it is advisable to use CPT.

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

Exporter delivers the goods on board a vessel and pays the costs and freight necessary to bring the goods to the named port of destination as well as covers insurance for risk of loss of or damage to the goods during carriage. For example: CIF Port name.

The point of delivery here is when the goods are on board the vessel at the shipment port. The exporter's obligation for loss or damage to the goods is to this point and not up to the port of destination.

The two critical points of when the risk passes from the exporter and the incurred costs are the same as in CFR.

Similarly, too, because of container shipments which are handed over to the carrier before being loaded onto the vessel, CIF is not an appropriate term to use. In this case, it is advisable to use CIP.