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Incoterms[®] 2010 Rules

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Responsibilities

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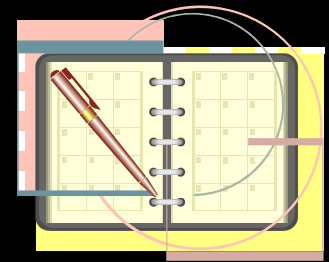
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Agenda



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- What are incoterms
- Changes from 2000-2010 incoterms
- Definitions of all 11 terms
- Common errors to avoid
- How to use them to your advantage
- Next Steps



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What are incoterms



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- Responsibility between buyer & seller
- Term of sale vs. term of payment
- Worldwide standard
- Mode specific

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Incoterms only talk to;



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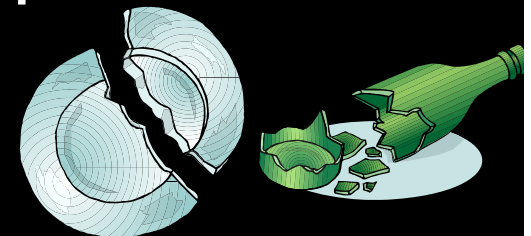
- Freight- who is paying it and at what point



- Documents- who is responsible for what



- Risk of Loss – means who is responsible for damage not ownership



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Incoterms do not talk to



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- Payment – ie: Wire transfer, Cash in advance, letter of credit, 2% net 30 etc.
- Title – means legal ownership. Should be addressed in your terms and conditions.



Incoterms



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- In order to activate or invoke any incoterm you must:

Put a named geographic location after the incoterm.

le: FCA Charlotte, NC OR

CIP Paris, France

DAP Lyon, France



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Changes from 2000-2010

- They have deleted four terms:
DEQ, DES, DAF, DDU
- They have added two terms:
DAT – Delivered at Terminal (multimodal)
DAP- Delivered at Place (multimodal)
- Any Incoterm can be used domestically.
FCA/DAP make the most sense

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Changes from 2000-2010



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- FOB, CFR, CIF transfer of risk/damage now occurs when goods are “placed on –board vessel” as opposed to when they pass the ships rail.
- All terms include a general “security related information” statement that seller must provide buyer upon request any information need to transport goods. ie 10 +2, etc

Changes from 2000-2010



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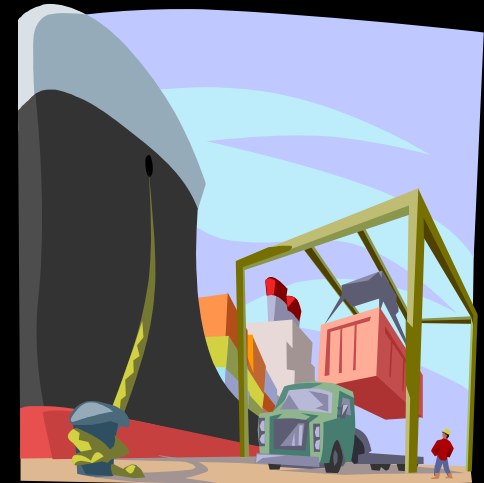
- They are now called Incoterm® rules
- The ICC has copyrighted the term Incoterms® and should always include this registered symbol when using them.



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Definitions

- Pre-Carriage – movement from inland origin to port/airport of departure.



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Definitions

- Main Carriage – movement from port of departure to port of arrival.



OR



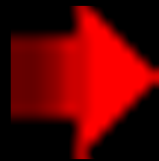
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Definitions



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On-Carriage – movement from port of arrival to final inland destination.



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Incoterms® 2010 Rules Obligations & Risks



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	PRE-CARRIAGE				MAIN CARRIAGE				ON-CARRIAGE		
	From your facility	To USA Port or Airport			To Foreign Port or Airport				To Foreign Port	Delivery to Door	
U.S.A. EXPORT:	Buyer's facility	To Foreign Port or Airport			To the USA Port or Airport				Delivery to Door		
U.S.A. IMPORT:	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAT	DAP	DDP
Responsibility	Ex-Works	Free Carrier	Free Alongside Ship	Free On board	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid
Export Documentation	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export License (if applicable)	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading at seller's premise	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	NP	NP	NP	NP	NP	Seller	NP	Seller	NP	NP	NP
Pre-Carriage (inland) charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarding documentation charges	Buyer	S/B	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal fees	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Vessel (if applicable)	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Shipping Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Foreign Port/Airport arrival fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Customs Import fees, duties/taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Import License (if applicable)	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
On-Carriage Delivery fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller
Import Security Information(if applicable)	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Transfer of Risk, Damage, Cost											
Seller's Facility or named place	xxx										
Carrier at agreed location		xxx									
Placed alongside Vessel			xxx								
Delivered to First Carrier							xxx	xxx			
Goods Placed On-Board the vessel				xxx	xxx	xxx					
At agreed wharf,warehouse or Port of Destination									xxx		
Named Place of Destination										xxx	xxx

Notes: NP= Neither party has an obligation to obtain insurance.

Shaded Area = Ocean only terms

White = Multimodal terms (air, ocean, truck, rail, etc.)

FCA- Pts note under FCA , this term can also be used from your facility. Meaning, the seller has fulfilled their obligation of delivery by making the goods available at the their (seller's) premise.

EXW Ex-Works (named place)



- Seller fulfills his obligation when he has made goods available at his premises to the buyer.
- Buyer bears all cost and risk in taking the goods to the desired destination.
- Buyer must perform export clearance in origin country.

FCA Free Carrier (named place)



- Seller fulfills obligation when goods are handed off, cleared for export, to buyer's designated carrier at named place.
- Buyer bears all cost and risk from time goods are handed off to designated carrier through to desired destination.



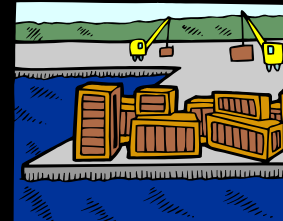
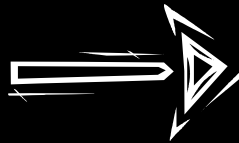
FCA Free Carrier (named place)



Scenario I



Scenario II



OR



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FAS Free Alongside Ship (named port of shipment)



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- Ocean or inland waterway only.
- Seller fulfills obligations when goods placed alongside vessel on the wharf, cleared for export.
- Buyer bears all cost and risk from time goods placed alongside vessel through to desired destination.

FOB Free on Board (named port of shipment)



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- Ocean or inland waterway only.
- Seller fulfills obligations when goods have been placed on-board the vessel, to include all cost & risk to that point, cleared for export.
- Buyer bears all cost and risk once goods have been placed on board the vessel through to desired destination.

CFR Cost and Freight (named port of shipment)



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- Ocean or inland waterway only.
- Seller bears:
 - Cost to deliver goods, cleared for export, to named port of destination.
 - Risk to point of goods having been placed on-board the vessel at port of shipment.
- Buyer bears:
 - Cost once goods off loaded to include import clearance.
 - Risk during main & on-carriage.

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



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- Ocean and inland waterway only.
- Seller bears:
 - Cost to deliver goods, cleared for export, to named port of destination.
 - Obtain insurance.
 - Risk to point of goods having been placed on-board the vessel at port of shipment.
- Buyer bears:
 - Cost once goods offloaded to include import clearance.
 - Risk during main & on-carriage.

CPT Carriage Paid To (named place of destination)



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- Used for all modes of transport
- Seller bears:
 - Cost to deliver goods, cleared for export, to named place of destination.
 - Risk to point of carrier acceptance.
- Buyer bears:
 - Cost once goods are offloaded to include import clearance.
 - Risk transfers on delivery to first carrier.

CIP Carriage & Insurance Paid To (named place of destination)



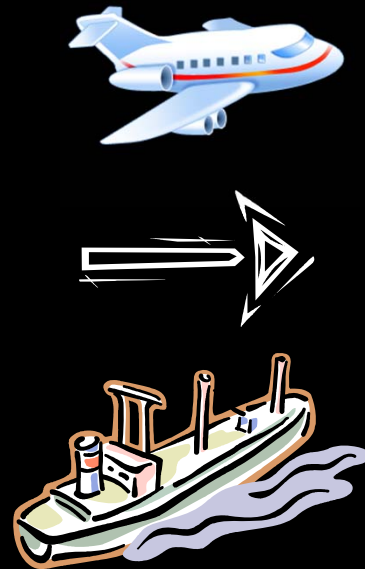
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- Used for all modes of transport.
- Seller bears:
 - Cost to deliver goods, cleared for export, to named place of destination.
 - Obtain insurance.
 - Destination unloading
- Buyer bears:
 - Cost once goods offloaded to include import clearance.
 - Risk transfers on delivery to first carrier.

CIP Carriage & Insurance Paid To (named place of destination)



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OR



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DAT Delivered at Terminal (named port of destination)



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- All modes of transport.
- Seller bears:
 - Costs & risk to deliver goods, off loaded from carrier, onto quay (wharf), warehouse, container yard, road/rail/air cargo terminal, at named place of destination.
- Buyer bears:
 - Cost & risk to perform import clearance, move goods from drop of location to desired destination.

DAP Delivered at Place (named place of destination)



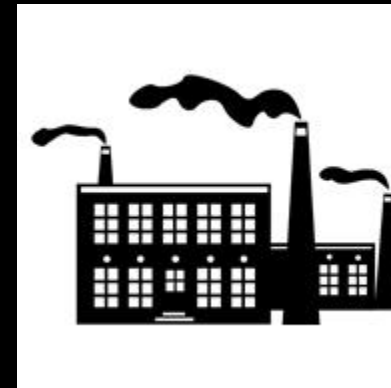
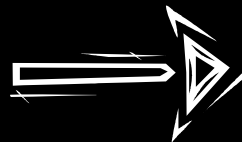
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- All modes of transport.
- Seller bears:
 - Cost & risk to deliver the goods, not cleared for import or unloaded, to a named place of destination.
- Buyer bears:
 - Performs import clearance.
 - Cost & risk for payment of duties/taxes.
 - Costs caused by his failure to clear goods for import in time.

DAP Delivered at Place (named place of destination)



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DDP Delivered Duty Paid (named place of destination)



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- All modes of transport.
- Seller bears:
 - Costs & risk to deliver the goods, cleared for import, but not offloaded, to a named place within destination country.
 - Payment of customs formalities, duties, taxes.
- Buyer bears:
 - Must render assistance in obtaining any import licenses or other official authorization necessary for the import of the goods.
 - If buyer fails to render assistance, he bears all additional risks of loss/damage to the goods incurred thereby.

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Common Errors

- No named place
- Wrong term used for mode of transport
- Who is responsible for insurance
- Confusing FOB with it's U.S. domestic application
- Assuming incoterms addresses title of goods
- Try to use EXW in a "Pre-pay and add" transaction
- Use "E" "F" terms for sellers side, "C" "D" for buyers side
- Using an outdated term ie; DDU

Using incoterms to your advantage



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- Start thinking about incoterms as soon as an inquiry is made for buying/selling goods.
- Use them correctly & consistently in your quotations, sales contract, purchase order, commercial invoice & L/C.
- The type of incoterm used dictates who controls freight /documents, choose wisely.

Next steps



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- Obtain a copy of incoterms 2010
- Use them whenever establishing transaction requirements/parameters.

Thank You
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