

Incoterms 2010

The eighth published set of pre-defined terms, Incoterms 2010 defines 11 rules, reducing the 13 used in Incoterms 2000 by introducing two new rules ("Delivered at Terminal", DAT; "Delivered at Place", DAP) that replace four rules of the prior version ("Delivered at Frontier", DAF; "Delivered Ex Ship", DES; "Delivered Ex Quay", DEQ; "Delivered Duty Unpaid", DDU). In the prior version, the rules were divided into four categories, but the 11 pre-defined terms of Incoterms 2010 are subdivided into two categories based only on method of delivery. The larger group of seven rules applies regardless of the method of transport, with the smaller group of four being applicable only to sales that solely involve transportation over water.

General mode of transportation

The seven rules defined by Incoterms 2010 for general modes of transportation are:

EXW – Ex Works (named place)

The seller makes the goods available at his premises. The buyer is responsible for all charges. This trade term places the greatest responsibility on the buyer and minimum obligations on the seller. The Ex Works term is often used when making an initial quotation for the sale of goods without any costs included. EXW means that a seller has the goods ready for collection at his premises (Works, factory, warehouse, plant) on the date agreed upon. The buyer pays all transportation costs and also bears the risks for bringing the goods to their final destination. The seller delivers the good at seller's premise or named place (works, factory and warehouse, etc.), but not loaded on collecting vehicles and not cleared for export. The seller has no obligation to load the goods, even though in practice he may be in a better position to do so. If the seller does load the good, he does so at buyer's risk and cost. If parties wish seller to be responsible for the loading of the goods on departure and to bear the risk and all costs of such loading, this must be made clear by adding explicit wording to this effect in the Contract of sale.

FCA – Free Carrier (named places)

The seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport, including carriage by air, rail, road, and containerized / multi-modal sea transport. This is the correct "freight collect" term to use for sea shipments in containers, whether LCL (less than container load) or FCL (full container load).

CPT – Carriage Paid To (named place of destination)

The general/containerised/multimodal equivalent of CFR. The seller pays for carriage to the named point of destination, but risk passes when the goods are handed over to the first carrier.

CIP – Carriage and Insurance Paid (To) (named place of destination)

The containerized transport/multimodal equivalent of CIF. Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.

DAT – Delivered at Terminal

Seller pays for carriage to the terminal, except for costs related to import clearance, and assumes all risks up to the point that the goods are unloaded at the terminal.

DAP – Delivered at Place (named place of destination)

Seller pays for carriage to the named place, except for costs related to import clearance, and assumes all risks prior to the point that the goods are ready for unloading by the buyer.

DDP – Delivered Duty Paid (destination place) Seller is responsible for delivering the goods to the named place in the country of importation, including all costs and risks in bringing the goods to import destination. This includes duties, taxes and customs formalities

Water transportation (solely)

The four rules defined by Incoterms 2010 for sales where transportation is entirely conducted by water are:

FAS – Free Alongside Ship (named loading port)

The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for maritime transport but NOT for multimodal sea transport in containers (see Incoterms 2010, ICC publication 715). This term is typically used for heavy-lift or bulk cargo.

FOB – Free on board (named loading port)

The seller must themselves load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. Maritime transport only but NOT for multimodal sea transport in containers (see Incoterms 2010, ICC publication 715). The buyer must instruct the seller the details of the vessel and port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. It **does not** include Air transport. This term has been greatly misused over the last three decades ever since Incoterms 1980 explained that FCA should be used for container shipments.

CFR – Cost and Freight (named destination port)

Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the ship (this rule is new since 2010!). Maritime transport only and Insurance for the goods is NOT included. Insurance is at the Cost of the Buyer.

CIF – Cost, Insurance and Freight (named destination port)

Exactly the same as CFR except that the seller must in addition procure and pay for insurance for the buyer. Maritime transport only.

Previous terms eliminated in 2010

DAF – Delivered At Frontier (Delivery place)

This term can be used when the goods are transported by rail and road. The seller pays for transportation to the named place of delivery at the frontier. The buyer arranges for customs clearance and pays for transportation from the frontier to his factory. The passing of risk occurs at the frontier.

DES – Delivered Ex Ship (named port)

Where goods are delivered ex ship, the passing of risk does not occur until the ship has arrived at the named port of destination and the goods made available for unloading to the buyer. The seller pays the same freight and insurance costs as he would under a CIF arrangement. Unlike CFR and CIF terms, the seller has agreed to bear not just cost, but also Risk and Title up to the arrival of the vessel at the named port. Costs for unloading the goods and any duties, taxes, etc... are for the Buyer. A commonly used term in shipping bulk commodities, such as coal, grain, dry chemicals - - - and where the seller either owns or has chartered, their own vessel.

DEQ – Delivered Ex Quay (named port)

This is similar to DES, but the passing of risk does not occur until the goods have been unloaded at the port of destination.

DDU – Delivered Duty Unpaid (destination place)

This term means that the seller delivers the goods to the buyer to the named place of destination in the contract of sale. The goods are not cleared for import or unloaded from any form of transport at the place of destination. The buyer is responsible for the costs and risks for the unloading, duty and any subsequent delivery beyond the place of destination. However, if the buyer wishes the seller to bear cost and risks associated with the import clearance, duty, unloading and subsequent delivery beyond the place of destination, then this all needs to be explicitly agreed upon in the contract of sale.

Summary of terms

For a given term, "**Yes**" indicates that the **seller** has the responsibility to provide the service included in the price. "**No**" indicates it is the **buyer's** responsibility. If insurance is not included in the term (for example, CFR) then insurance for transport is the responsibility of the buyer or the seller depending on who owns the cargo at time of transport. In the case of CFR terms, it would be the buyer while in the case of CIF or CIP terms, it would be the seller.

Incoterms	Load to truck	Export-duty payment	Transport to exporter's port	Unload from truck at port of origin	Landing charges at port of origin	Transport to importer's port	Landing charges at importer's port	Unload onto trucks from the importers' port	Transport to destination	Insurance	Entry - Customs clearance	Entry - Duties and Taxes
EXW	No	No	No	No	No	No	No	No	No	No	No	No
FCA	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No
FAS	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No	No
FOB	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
CFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
CIF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
CPT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
CIP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
DAP	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No

DAF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DES	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DAT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
DEQ	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
DDU	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
DDP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes