



# Incoterms 2010- An overview



# Who Pays for what ?



- Goods move across international borders because there has been a sale involving:-
  - Seller
  - Buyer
- Contract of sale should define the responsibilities of both parties relating to:-
  - The physical nature of the goods
  - Movement of the consignment
- Buyers and sellers have various options relating to the movement of the goods regarding:-
  - The division of costs
  - Defining each parties responsibility and the transfer of risk



# What is an Incoterm?



- Sales term incorporated within the contract of sale
- It impacts on the contract of carriage
- Incoterms identify the obligations placed on the parties to the contracts in terms of
  - Responsibilities relating the costs and their division when shipping the goods
  - Distribution of risks associated with the movement of the goods
  - Where these risks transfer to another party
- Freight forwarders need to understand these terms to:-
  - Ensure that consignments are processed in line with the appropriate Incoterm
  - Assist in handling claims should they arise



# Incoterms 2010



- Published by the International Chamber of Commerce (ICC) to be used in international transactions
- First published in 1936
- Reviewed every 10 years to ensure that they are kept up to date with current trade practices
- Incoterms 2010 will be effective from 1<sup>st</sup> January 2011



# Review Process



- Commenced in 2008
- Drafting Committees considered over 150 pages of detailed submissions from 25 National Committees of the ICC
- BIFA has been involved in the process by:-
  - Contributing directly to the Incoterms meetings chaired by the ICC
  - Contributing to FIATA representations



# Summary of main changes



- Post 1<sup>st</sup> January 2011 the number of categories has been reduced from four to two.
- These categories cover:-
  - Terms for any Mode or Modes of Transport, or:-
  - Terms for Sea and Inland Waterway Transport
- The aim is to assist Incoterm users to identify the correct terms for their particular requirements



# Reduction in the number of Incoterms



- Current number of 13 Incoterms will be reduced to 11
- The following Incoterms will all be removed:-
  - DAF
  - DES
  - DEQ
  - DDU
- The following new Incoterms are being introduced:-
  - DAT
  - DAP



# Terms for any Mode or Mode of Transport



- These consist of the following seven terms:-
  - CIP - Carriage and insurance paid to
  - CPT - Carriage paid to
  - DAP - Delivered at place
  - DAT - Delivered at terminal
  - DDP - Delivery duty paid
  - EXW - Ex works
  - FCA - Free carrier
- All of these terms need to specify the port or destination





# Terms for sea and inland waterways



- These consist of the following four terms
  - CFR - Cost and Freight to
  - CIF - Cost, Insurance and Freight to

all are to the named port of destination

- FAS – Free alongside ship
- FOB – Free on Board

all are to a named port of shipment



# Delivered at Terminal (DAT) Definition



- Term may be used for all transport modes
- Seller delivers when the goods , once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination.
- “Terminal” includes quays, warehouses, container yard or road, rail or air terminal.
- Both parties should agree the terminal and if possible a point within the terminal at which point the risks will transfer from the seller to the buyer of the goods.
- If it is intended that the seller is to bear all the costs and responsibilities from the terminal to another point DAP or DDP may apply



# Delivered at Terminal (DAT) Responsibilities



- The seller is responsible for the costs and risks to bring the goods to the point specified in the contract
- Seller should ensure that their forwarding contract mirrors the contract of sale
- The seller is responsible for the export clearance procedures
- Importer is responsible to:-
  - Clear the goods for import
  - Arrange import customs formalities
  - Pay import duty
- If the parties intend the seller to bear the risks and costs of taking the goods from the terminal to another place then the DAP or DAT term should be used



# Delivered at Place (DAP) Definition



- Term may be used for all transport modes
- The seller delivers the goods when they are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination
- Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer
- If the seller is responsible for clearing the goods, paying duties etc consideration should be given to using the DDP term



# Delivered at Place (DAP) Responsibilities



- Seller bears the responsibility and risks to deliver the goods to the named place.
- The seller is advised to obtain contracts of carriage that match the contract of sale
- The seller is required to clear the goods for export.
- If the seller incurs unloading costs at place of destination , unless previously agreed the they are not entitled to recover any such costs.
- Importer is responsible for:-
  - Effecting customs clearance
  - Paying any customs duties



# Freight Forwarders Actions



- Traders are the main users/abusers of Incoterms
- Probably no significant issues for freight forwarders
- Freight forwarders should be aware of the forthcoming changes:-
  - Consider the impact on the distribution of charges when invoicing consignments
  - Educate their staff
  - Ensure that they have access to Incoterms 2010





## For further information contact BIFA

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