

EXW – Ex Works (named place of delivery)

The seller makes the goods available at their premises, or at another named place. This term places the maximum obligation on the buyer and minimum obligations on the seller. The Ex Works (EXW) term is often used when making an initial quotation for the sale of goods without any costs included.

EXW means that a buyer incurs the risks for bringing the goods to their final destination. Either the seller does not load the goods on collecting vehicles and does not clear them for export, or if the seller does load the goods, he does so at buyer's risk and cost. If the parties agree that the seller should 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 place of delivery)

The seller delivers the goods, cleared for export, at a named place (possibly including the seller's own premises). The goods can be delivered to a carrier nominated by the buyer, or to another party nominated by the buyer.

In many respects this Incoterm has replaced FOB in modern usage, although the critical point at which the risk passes moves from loading aboard the vessel to the named place. It should also be noted that the chosen place of delivery affects the obligations of loading and unloading the goods at that place.

If delivery occurs at the seller's premises, or at any other location that is under the seller's control, the seller is responsible for loading the goods on to the buyer's carrier. However, if delivery occurs at any other place, the seller is deemed to have delivered the goods once their transport has arrived at the named place; the buyer is responsible for both unloading the goods and loading them onto their own carrier.

CPT – Carriage Paid To (named place of destination)

CPT replaces the C&F (cost and freight) and CFR terms for all shipping modes outside of non-containerized sea freight.

The seller pays for the carriage of the goods up to the named place of destination. However, the goods are considered to be delivered when the goods have been handed over to the first or main carrier, so that the risk transfers to buyer upon handing goods over to that carrier at the place of shipment in the country of export.

The seller is responsible for origin costs including export clearance and freight costs for carriage to the named place of destination (either the final destination such as the buyer's facilities or a port of destination. This has to be agreed by seller and buyer, however).

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

This term is broadly similar to the above CPT term, with the exception that the seller is required to obtain insurance for the goods while in transit. CIP requires the seller to insure the goods for 110% of the contract value under at least the minimum cover of the Institute Cargo Clauses of the Institute of London Underwriters (which would be Institute Cargo Clauses (C)), or any

similar set of clauses. The policy should be in the same currency as the contract, and should allow the buyer, the seller, and anyone else with an insurable interest in the goods to be able to make a claim.

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

This Incoterm requires that the seller delivers the goods, unloaded, at the named terminal. The seller covers all the costs of transport (export fees, carriage, unloading from main carrier at destination port and destination port charges) and assumes all risk until arrival at the destination port or terminal.

The terminal can be a Port, Airport, or inland freight interchange, but must be a facility with the capability to receive the shipment. If the seller is not able to organize unloading, they should consider shipping under DAP terms instead.

All charges after unloading (for example, Import duty, taxes, customs and on-carriage) are to be borne by buyer. However, it is important to note that any delay or demurrage charges at the terminal will generally be for the seller's account.

DAP – Delivered At Place (named place of destination)

Incoterms 2010 defines DAP as 'Delivered at Place' - the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Under DAP terms, the risk passes from seller to buyer from the point of destination mentioned in the contract of delivery.

Once goods are ready for shipment, the necessary packing is carried out by the seller at his own cost, so that the goods reach their final destination safely. All necessary legal formalities in the exporting country are completed by the seller at his own cost and risk to clear the goods for export.

After arrival of the goods in the country of destination, the customs clearance in the importing country needs to be completed by the buyer at his own cost and risk, including all customs duties and taxes. However, as with DAT terms any delay or demurrage charges are to be borne by the seller.

Under DAP terms, all carriage expenses with any terminal expenses are paid by seller up to the agreed destination point. The necessary unloading cost at final destination has to be borne by buyer under DAP terms.

DDP – Delivered Duty Paid (named place of destination)

Seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes. The seller is not responsible for unloading. This term is often used in place of the non-Incoterms "Free In Store (FIS)". This term places the maximum obligations on the seller and minimum obligations on the buyer. No risk or responsibility is transferred to the buyer until delivery of the goods at the named place of destination.^[17]

The most important consideration for DDP terms is that the seller is responsible for clearing the goods through customs in the buyer's country, including both paying the duties and taxes, and obtaining the necessary authorizations and registrations from the authorities in that country

FAS – Free Alongside Ship (named port of shipment)

The seller delivers when the goods are placed alongside the buyer's vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS term requires the seller to clear the goods for export, which is a reversal from previous Incoterms versions that required the buyer to arrange for export clearance. However, if the parties wish the buyer to clear the goods for export, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should be used only for non-containerized seafreight and inland waterway transport.

FOB – Free on Board (named port of shipment)

Under FOB terms the seller bears all costs and risks up to the point the goods are loaded on board the vessel. The seller's responsibility does not end at that point unless the goods are "appropriated to the contract" that is, they are "clearly set aside or otherwise identified as the contract goods."^[19] Therefore, FOB contract requires a seller to deliver goods on board a vessel that is to be designated by the buyer in a manner customary at the particular port. In this case, the seller must also arrange for export clearance. On the other hand, the buyer pays cost of marine freight transportation, bill of lading fees, insurance, unloading and transportation cost from the arrival port to destination. Since Incoterms 1980 introduced the Incoterm FCA, FOB should only be used for non-containerized seafreight and inland waterway transport.

CFR – Cost and Freight (named port of destination)

The seller pays for the carriage of the goods up to the named port of destination. Risk transfers to buyer when the goods have been loaded on board the ship in the country of Export. The Shipper is responsible for origin costs including export clearance and freight costs for carriage to named port. The shipper is not responsible for delivery to the final destination from the port (generally the buyer's facilities), or for buying insurance. If the buyer does require the seller to obtain insurance, the Incoterm CIF should be considered.

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

This term is broadly similar to the above CFR term, with the exception that the seller is required to obtain insurance for the goods while in transit to the named port of destination. CIF requires the seller to insure the goods for 110% of their value under at least the minimum cover of the Institute Cargo Clauses of the Institute of London Underwriters (which would be Institute Cargo Clauses (C)), or any similar set of clauses. The policy should be in the same currency as the contract. The seller must also turn over documents necessary, to obtain the goods from the carrier or to assert claim against an insurer to the buyer. The documents include (as a minimum) the invoice, the insurance policy, and the bill of lading. These three documents represent the

cost, insurance, and freight of CIF. The seller's obligation ends when the documents are handed over to the buyer. Then, the buyer has to pay at the agreed price. Another point to consider is that CIF should only be used for non-containerized seafreight; for all other modes of transport it should be replaced with CIP.

Which Mode can be used?

Any Mode		Maritime Only	
EXW	(Ex Works)	FAS	(Free Alongside Ship)
FCA	(Free Carrier) named place	FOB	(Free on Board)
CPT	(Carriage Paid to) named place	CFR	(Cost & Freight)
CIP	Carriage & Insurance Paid to) named place	CIF	(Cost Insurance & Freight)
DAT	(Delivered at Terminal)		
DAP	(Delivered at Place) named place		
DDP	(Delivered Duty Paid)		

CARRIAGE – PRICING

Incoterms do not dictate the terms & conditions of carriage.

Sales and pricing use Incoterms as a reference to provide the correct quote (considering modifications)

Additional information must be confirmed with the customer, since Incoterms can be modified by the Seller and Buyer, or the customer may not require that we perform all the services he is responsible for.

MOST COMMON MODIFICATIONS

EXW: Shipper completes export customs documentation

CIF: Shipper pays Destination Terminal Charges

DDP: Consignee pays Duties and Taxes.

Considering that Incoterms do not dictate the terms & conditions of carriage; and that some customers are not very familiar with Incoterms, questions should be asked to make sure that we provide an accurate quote in a timely manner.

MOST COMMON SHIPPING TERMS

SHIPPING TERM	INCOTERM	Question
IMPORT FROM DOOR	EXW or FCA	Who pays for customs formalities?

EXPORT TO TERMINAL	CFR / CIF / CPT / CIP / DAT	Who pays for destination charges?
EXPORT TO DOOR	DAP / DDP	Who pays for customs clearance, duties and taxes?

EXAMPLES OF SHIPMENTS

ALL MATERIAL HANDLING

- **INCOTERMS:** Buying FOB (ports in China) - Selling CIF (Montreal)
- **SHIPPING TERMS:** Port/CFS to Terminal/CFS
- **SHIPPING TERMS FOR FRONTIER:** Port/CFS to Terminal/CFS

The customer is located in U.S., buys in China and sells in Canada.

DOMINION COLOUR CORPORATION

- **INCOTERMS:** DDP
- **SHIPPING TERMS:** Door to Door
- **SHIPPING TERMS FOR FRONTIER:** Terminal to Door

DCC is a NRI (Non-Resident Importer) in Netherlands, UK and Germany, therefore pays duties, taxes and brokerage services.

DCC uses own truck from door to the terminal.

QUOTING INTERNATIONAL FREIGHT

In order to provide an accurate rate based on the customer's requirements, basic information needs to be gathered.

OCEAN FREIGHT - MINIMUM INFORMATION REQUIRED

Origin and destination (specifying terminal or door at both ends)

FCL - Type of container and size

LCL – dimensions and weight

Commodity

Dangerous Goods – MSDS

Temperature Controlled (Reefer) – Temperature in centigrade

AIR FREIGHT- MINIMUM INFORMATION REQUIRED

Origin and destination (specifying terminal or door at both ends)

dimensions and weight

Commodity

Dangerous Goods – MSDS

Additional information that Ocean carriers analyze in order to provide a quote

- Commodity : rates vary per commodity
- Annual Volume : rates vary per volume
- Target Rate : helps with the accuracy and time to obtain a rate
- Shipper name : carriers first confirm that they are not already moving the cargo
- Is the cargo currently moving : if it's moving with another carrier, it makes it more attractive
- DG – MSDS: DG cargo must be approved and determines additional costs

Whenever this information can be provided, especially when volumes are higher, it helps to obtain more competitive rates.