The seven rules defined by *Incoterms 2010* for any mode(s) of transportation are:

EXW – Ex Works (named place of delivery)

The seller makes the goods available at its premises. The buyer is responsible for unloading. This term is often used in place of the non-Incoterm "Free In Store (FIS)". This term places the maximum obligation 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 doesn't load the goods on collecting vehicles and doesn't clear them for export. 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 place of delivery)

The seller hands over the goods, cleared for export, into the disposal of the first carrier (named by the buyer) at the named place. The seller pays for carriage to the named point of delivery, and risk passes when the goods are handed over to the first carrier.

CPT - Carriage Paid To (named place of destination)

The seller pays for carriage. Risk transfers to buyer upon handing goods 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 (named terminal at port or place of destination)

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 (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. This term places the maximum obligations on the seller and minimum obligations on the buyer.

**Rules for Sea and Inland Waterway Transport**

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

FAS – Free Alongside Ship (named port of shipment)

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](http://en.wikipedia.org/wiki/Intermodal_container) (see *Incoterms 2010*, ICC publication 715). This term is typically used for heavy-lift or bulk cargo.

FOB – [Free on Board](http://en.wikipedia.org/wiki/Free_on_Board) (named port of shipment)

The seller must load the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel (this rule is new!). The seller must clear the goods for export. The term is applicable for maritime and inland waterway 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 the port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. 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 port of destination)

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 vessel (this rule is new!). Maritime transport only and Insurance for the goods is **NOT** included. This term is formerly known as CNF (C&F).

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

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

**Duties of buyer/seller according to Incoterms 2010**

| Incoterm | Loading on truck (carrier) | Export-Customs declaration | Carriage to port of export | Unloading of truck in port of export | Loading charges in port of export | Carriage to port of import | Unloading charges in port of import | Loading on truck in port of import | Carriage to place of destination | Insurance | Import customs clearance | Import taxes |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| EXW | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |
| FCA | Seller | Seller | Seller | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |
| FAS | Seller | Seller | Seller | Seller | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |
| FOB | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |
| CFR | Seller | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |
| CIF | Seller | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer | Buyer | Seller | Buyer | Buyer |
| DAT | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer | Buyer | Buyer | Buyer |
| CPT | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer | Buyer |
| DAP | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer |
| CIP | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Buyer | Buyer |
| DDP | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller |

|  |  |  |
| --- | --- | --- |
| **EXW**  | EX WORKS  | (... NAMED PLACE)  |
| **FCA**  | FREE CARRIER  | (... NAMED PLACE)  |
| **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)  |
| **CPT**  | CARRIAGE PAID TO  | (... NAMED PLACE OF DESTINATION)  |
| **CIP**  | CARRIAGE AND INSURANCE PAID TO  | (... NAMED PLACE OF DESTINATION)  |
| **DAT**  | DELIVERED AT TERMINAL  | (... NAMED PLACE OF DESTINATION)  |
| **DAP**  | DELIVERED AT PLACE  | (... NAMED PLACE OF DESTINATION)  |
| **DDP**  | DELIVERED DUTY PAID  | (... NAMED PLACE OF DESTINATION)  |

INCOTERMS DO NOT...

* Determine ownership or transfer title to the goods, nor evoke payment terms.
* Apply to service contracts, nor define contractual rights or obligations (except for delivery) or breach of contract remedies.
* Protect parties from their own risk or loss, nor cover the goods before or after delivery.
* Specify details of the transfer, transport, and delivery of the goods. Container loading is NOT considered packaging, and must be addressed in the sales contract.
* *Remember, Incoterms are not law and there is NO default Incoterm!*
	1. Introduction.
	2. Incoterms.
	3. Bills of lading types.
	4. Insurance.
	5. What is ‘item/product’ , papers/documents/certificates/legalization.
	6. Payment terms.
	7. Container types.
	8. Types of charges: Freight, legalization, terminal handling charges, demurrage, custom clearance &duties,taxes.
	9. Vessel Types.What is RO/RO Service.

**Containers types**

1-Normal 20” & 40” container/high cupe.

2-Open top container.

3-reefer container.

4-Falt Rack container = heavy machinery & pipes.

5-Platform container = oversized & very heavy.

6-ventilated container = ex:coffee.

7-Bulk containers = grain and all.

8-Tank container =liquid.

9-Tunnel container.

10-car container.

**Vessels types**

1-Normal size vessel with 1 or 2 decks.

2-container vessel (no decks).

3-Car carrier vessel.

4-fuel/oil/gas vessels.

* All Incoterms consist of 3 alpha characters.
* Incoterms are followed with either a ―delivery place/port of loading or "place of destination/port of discharge".
* E and F terms will usually be followed with a delivery place / port of loading.
* C and D terms will usually be followed with a place of destination / port of discharge.
* The named place stated after the Incoterms, is the place up to which the seller pays the freight costs, e.g., "EXW New York".
* Do not confuse this with the "Delivery Point", i.e., the point at which the risk transfers from seller to buyer. The risk can transfer at a different point as well! (E.g. C Terms).
* Also, "delivery", in the Incoterm sense, has nothing to do with transfer of ownership. Title of the goods always lies with the documents.

**The 11 Incoterms**

* EXW – **ExW**orks: means that the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place (I.e. works factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle.
* FCA – **F**ree **Ca**rrier: means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is not responsible for unloading.
* CPT – **C**arriage **P**aid**T**o: means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination.
* CIP – **C**arriage and **I**nsurance **P**aid to: means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination and also pay the necessary insurance.
* DAT (2) – **D**elivered **A**t **T**erminal: means that the 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.
* DAP (2) – **D**elivered **A**t **P**lace: means that 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.
* DDP – **D**elivered **D**uty **P**aid: means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination.
* FAS (1) – **F**ree **A**longside**S**hip: means that seller delivers when the goods are placed alongside the 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.
* FOB (1) – **F**ree **O**n **B**oard: means that the seller delivers when the goods are placed on board the ship at the named port of shipment.
* CFR (1) – **C**ost and **Fr**eight: means that the seller delivers when the goods are placed on board the ship in the port of shipment. The seller must in addition pay the cost of carriage necessary to bring the goods to the named destination.
* CIF (1) – **C**ost **I**nsurance and **F**reight: means that the seller delivers when the goods are placed on board the ship in the port of shipment and also pay the necessary freight and insurance.

Only for use with Port to Port or Inland Waterway transportation.All others for any mode of transport. (2) New Incoterms. In all cases, the Seller is responsible for, and assumes the cost of Export Clearance and the Buyer is responsible for Import Clearance and costs except: DDP - Seller does both, and EXW - Buyer does both. The 11 Incoterms.

**Incoterms and Contracts of Carriage**

* They are completely separate things but, confusingly, some credits add contract of carriage terms to the stated Incoterm, e.g. CFR Free Out, Tincan.
* Such terms are usually only encountered when there is a bulk commodity shipment by sea involved.
* There is no standard, ―source document that can be consulted to know exactly what such terms mean, it will vary between carriers and the ports concerned.
* A bank will seldom need to know exactly what the terms really mean— banks are just interested to see that the correct statement appears on the documents.

**Contract of Carriage Terms**

* The following are some of the terms most commonly seen in credits and/or on Bills of Lading, and what they usually mean.
* Liner – an ocean vessel which sails to a published schedule and itinerary of ports of call.
* Liner In – the "freight" cost levied by the carrier includes the cost of loading the goods onto the ship.
* Liner Out – the "freight"cost levied by the carrier includes the cost of unloading the goods off the ship.
* Liner Terms/Berth Terms/LILO – Liner In and Liner Out.
* Free Out (FO) – the "freight"cost levied by the carrier does not include the cost of discharging the cargo from the vessel.
* Free In (FI) – the "freight"cost levied by the carrier does not include the cost of loading the cargo onto the vessel.
* Stow – the "freight"cost does not include the cost of placing the cargo safely in the ships hold.
* The "freight"cost does not include the cost of leveling bulk cargoes in the ships hold.
* These terms are usually seen only in conjunction with FOB and CFR (or on their own) and in various permutations, e.g. FOBS, FOBT, FOBST, FIO, FIOS, FIOST, etc.

**How to use Incoterms 2010 effectively**

* Incorporate Incoterms 2010 into the contract of sale.
* Choose the appropriate Incoterm rule applicable.
* Specify the delivery place/port or place of destination as precisely as possible.
* Can be used for domestic trade as well.
* Be aware of risk of using variants of Incoterms (E.g. EXW,Loaded).