



# **INCOTERMS EXPLAINED:**

## **Ex-Works**

Ex-Works means sellers' only responsibility is to make the goods available at their premises. They are not responsible for loading them on vehicles provided by buyers or clearing them for export. Buyers bear the full costs and risks of taking goods from sellers' works to their destination. This is the minimum obligation of sellers.

## **FCA-Free Carrier (Named Place)**

This can be used with any form of transport (air, sea, rail, truck or multimodal). The "carriers" are the transporters, including any freight forwarders that buyers have designated to receive the goods. Sellers must hand the goods, cleared for export, over to the carriers at the place indicated in the shipping terms. This can involve sellers paying for some transport from the factory to the carrier. Where delivery takes place at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is no longer responsible for loading. Sellers may, and commonly do, act as buyers' agents in arranging transport, which buyers pay for.

## **FAS - Free Along Side Ship**

This term is properly used only for ocean or inland water transport. Sellers are responsible for placing the goods alongside the ship on the quay or in lighters, at the place named in the quotation. "Alongside" means within reach of the carrying ship's tackle. From that moment, buyers bear all costs and risks of loss or damage to the goods. Sellers are responsible for clearing the goods for export.

## **FOB – Free on Board**

Again, this is properly used only for ocean or inland water transport. Once sellers place the goods, cleared for export, on board a ship at the port named in the sales contract, their obligations end. Buyers assume the risk of loss or damage to the goods once they pass the ship's rail. In other modes of transport, or if the ship's rails are not the point at which the seller transfers ownership to the buyer – such as with container, roll-on/roll-off cargo – FCA is the closest equivalent term.

## **CFR - Cost & Freight**

Sellers must clear the goods for export and pay the costs and freight necessary to bring them to the named destination. However, buyers assume the risk of loss or damage to the goods, and any cost increases, once the goods pass the ship's rail in the port of shipment. This is another term properly used only for transport by water (sea or inland). In other modes of transport, or if the ship's rails are not the point at which the seller transfers ownership to the buyer - such as with container, roll-on/roll-off cargo - CPT (Carriage Paid To) is the closest equivalent term.

## **CIF – Cost, Insurance & Freight**

This term is similar to CFR, but sellers must also buy marine insurance for the buyers. Sellers contract with the insurers and pay the premiums, but buyers assume the risk of loss from the time the goods pass the ship's rail in the port of shipment. This term also applies only to transport by water (sea or inland). CIP (Carriage, Insurance Paid To) is the closest equivalent term for other transport modes.

## **CPT – Carriage Paid To (named place)**

This can be used with any form of transport (air, sea, rail, truck or multimodal). Sellers must clear the goods for export and pay the costs and freight necessary to bring them to the named destination. However buyers assume the risk of loss or damage to the goods and any cost increases, once the goods have been received by the first carrier.

## **CIP- Carriage, Insurance Paid To (named place)**

As for CPT, but the seller must also contract with the insurers and pay the premiums.

## **DAF- Delivered At Frontier (named place)**

Sellers fulfil their obligations once the goods, cleared for export, are made available at the named point, which will be before the destination Customs border. Buyers must clear the goods through Customs. The frontier can be the export country's frontier, so it is very important to specify exactly where the delivery point is, as seller bears all costs and risks to that point. This term is designed for rail or road transport, but can be used when goods are shipped by any method. It is useful when shipping to a bonded customs warehouse or a free trade zone.

## **DES- Delivered Ex-Ship**

This term is normally used for commodity shipments by sea. Buyers assume risks and costs once the ship reaches the named destination, but before the goods are cleared for import.

## **DEQ- Delivered Ex-Quay**

This is also normally used for commodity shipments by sea. Buyers assume risks and costs on the quay at the named destination. Sellers are responsible for discharge costs and buyers for import clearance.

## **DDU- Delivered Duty Unpaid (named place)**

Under this term sellers handle everything necessary to deliver the goods to the stipulated place - usually the buyer's own place - except Customs clearance at the country of destination. Buyers pay duties and taxes.

## **DDP- Delivered Duty Paid (named place)**

This means sellers handle everything, including Customs clearance, to deliver the goods to the stipulated place. Since the stipulated place is usually the buyer's own place, sellers arrange and pay for every step in the process. A common alternative is "DDP exclusive of duty and taxes". This oxymoron is not the same as DDU, because sellers are responsible for clearance, but not for paying duty and taxes.