



## **Minpac Incoterms with Definition**

# 1. RISK TRANSFER POINT FROM SELLER TO BUYER.

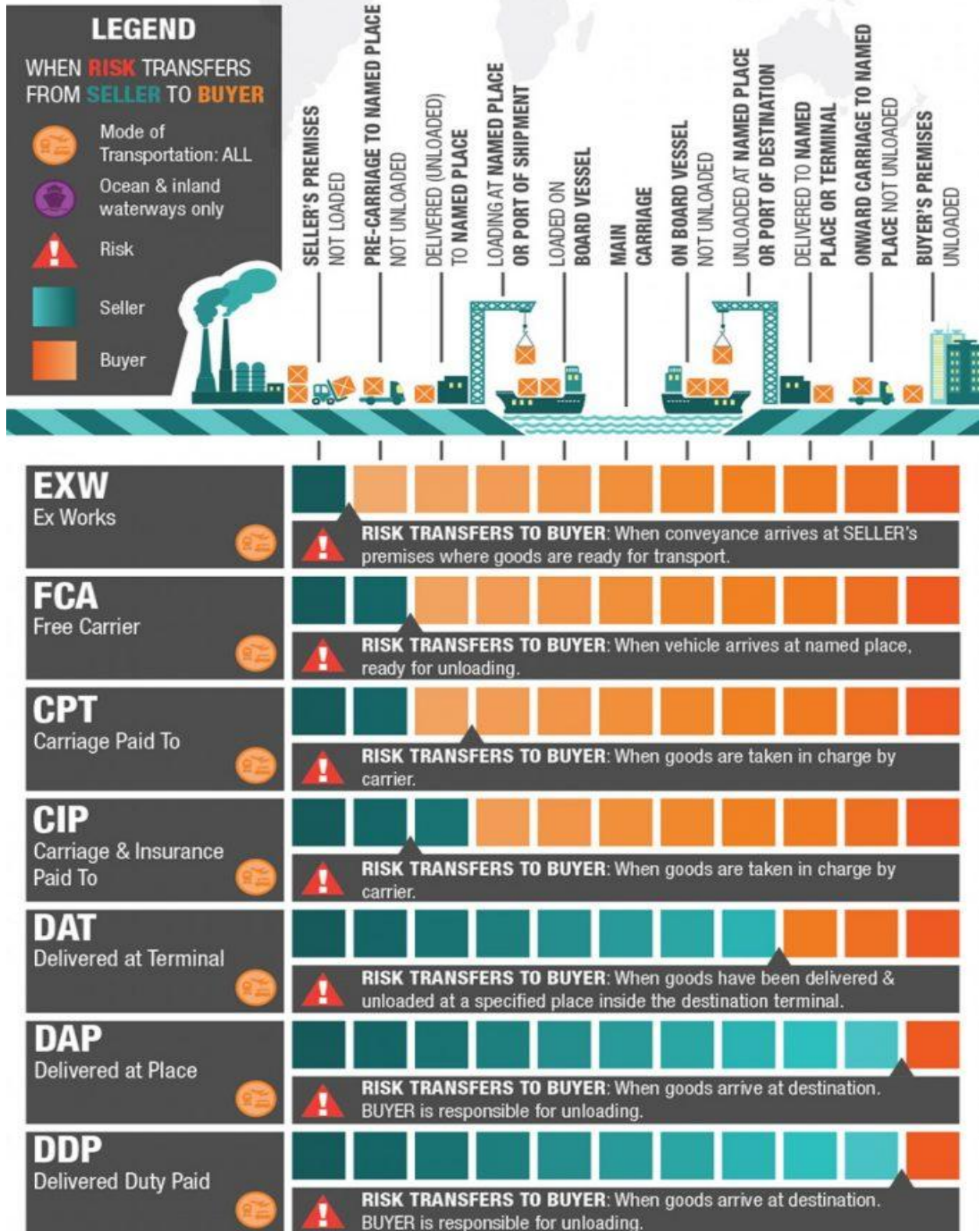


Figure 1: Incoterms Infographic. SOURCE: O.Berk 101 Shipping Terms, Visual.ly

## 1. EXW Ex Works

Ex Works (EXW) is the term used to describe the delivery of goods to an available designation at their place of business, normally in their factory, offices or warehouse.

The seller does not need to then load items onto a truck or ship, and the remainder of the shipment is the responsibility of the buyer (e.g. overseas shipment and customs duty). EXW is therefore more favourable to the seller as they do not need to worry about the freight once it has left their premises.

## 2. FCA Free Carrier

Unlike EXW, Free Carrier pushes the responsibility of delivering the goods to the buyers nominated premises onto the seller, so they have to organise shipping and various [export](#) documents.

## 3. CPT Carriage Paid To

"Carriage Paid To", or CPT, goes into a little more detail than FCA, specifying that the seller bears the costs for transporting the goods to the nominated place that the buyer requests.

Carriage Paid To can be used in any transport mode, and the risk transfers from the seller to the buyer as soon as the goods reach the nominated destination and the carrier takes charge of these.

## 4. CIP Carriage And Insurance Paid To

"Carriage and Insurance Paid to", or CPI, specifies that the seller needs to pay the costs of transport as well as the insurance cover for the goods in transit (by any transport mode) to the destination named by the buyer.

In terms of level of insurance, the cover level can be minimum, defined by the ICC's INCO Terms, and should they request a higher level of insurance, this would need to be agreed on the contract.

The risk is then transferred from the seller onto the buyer once the goods reach the nominated point.

## 5. DAT Delivered At Terminal

"Delivered at Terminal", or DAT, means that all of the costs up until the point of delivery to a nominated terminal (e.g. a port or a quay) need to be covered. As in the table above, the buyer would need to arrange Duties and Taxes and clearing goods through customs. With DAT, the seller is also responsible for unloading the goods at the terminal.

It's advisable to ensure the terminal, hub or port is clearly specified, given the size of many terminals.

## 6. DAP Delivered At Place

“Delivered at Place”, or DAP, can also be used for any mode of transport. An extension of DAT, the seller delivers the goods at a named destination, specified by the buyer, although under the ICC rules, the unloading of the goods are the responsibility of the buyer.

The buyer is also required to sort out duties and taxes, as well as clearing the goods through customs.

## **7. DDP Delivered Duty Paid**

“Delivered Duty Paid”, or DDP, can be used for any mode of transport. In this case, the seller is responsible for delivering the goods at a place specified by the buyer, up to the point of unloading. Unlike DAP rules, the seller is also required to pay for all Duties and Taxes, clear the goods for import and pay relevant taxes.

DDP is often complex as shipment of goods into a market are often best left to local experts (e.g. the in-market buyer), so it's a less commonly used INCO Term.

**The ICC INCO Terms also have a section specifically for goods transported by sea or inland waterway.**



**OCEAN & INLAND WATERWAYS ONLY.** In most cases, use only for bulk cargos (e.g. oil, coal etc.) & non-containerised goods where the exporter loads goods directly onto the vessel.  
**Point of Risk transfer from seller to buyer is different between OCEAN & INLAND WATERWAYS ONLY & ALL MODES OF TRANSPORTATION.** Example: FOB (Free on Board) risk transfers when goods have been loaded on board the Vessel. FCA (Free Carrier) risk transfers when the goods have been taken in charge by the carrier.

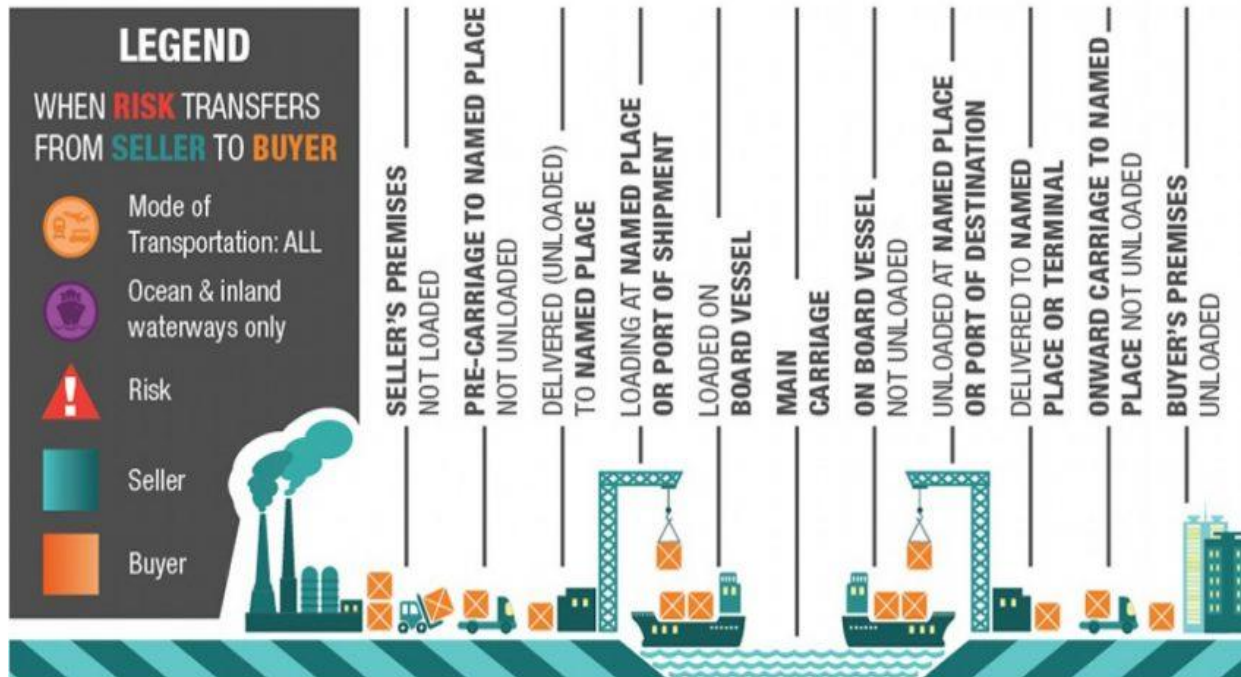


Figure 2: Incoterms Infographic. SOURCE: O.Berk 101 Shipping Terms, Visual.ly

## 8. **FAS** Free Alongside Ship

"Free Alongside Ship", or FAS, is used in situations when the seller can place the goods alongside other non-containerised goods (e.g. on a vessel or barge).

The seller might do this if they have access to sea or inland waterway routes and want to place the goods en route to the buyer alongside other goods on the ship. It's not recommended for goods that can be placed in a container (more on this below, see FCA).

The risk of transporting the goods 'alongside ship' move from the seller to the buyer once the goods are delivered to a terminal or port and unloaded.

## 9. **FOB** Free On Board

"Free On Board", or FOB, occurs when the seller delivers the goods to the port of shipment, at which then it becomes the responsibility of the buyer once unloaded onto a vessel. If the goods are damaged when on board the vessel, it's the responsibility of the buyer.

## 10. **CFR** Cost and Freight

"Cost and Freight", or CFR, incurs more risk and responsibility onto the seller. The seller delivers the goods up and takes all responsibility and cost right up until the ship has docked at the end point and the goods have been unloaded. The seller will also cover the cost of insurance at atleast the minimum level.

## 11. **CIF** Cost, Insurance and Freight

"Cost, Insurance and Freight", also known as CIF, is also restricted to sea or inland waterway modes of transport. In this case, the seller insures the goods transported up until they arrive at the port, but it becomes the responsibility of the buyer (in terms of risk and insurance).



## 2. RESPONSIBILITIES FOR COST OF BUYERS & SELLERS FOR SERVICES.



Figure 3: Incoterms Infographic. SOURCE: O.Berk 101 Shipping Terms, Visual.ly