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Critical Points in International Transport

LOCHER EVERS INTERNATIONAL

Legend

RISK: The possibilities that an event will occur and cause loss or damage to goods is a "Risk". Buyers and sellers should protect themselves against risk by insurance.

Cost: This term refers to all costs involved in normal transportation of goods. The "Incoterm" will determine which portions should be paid by the Seller or by the Buyer.

- Buyer's Risk
- Seller's Risk
- Buyer's Cost
- Seller's Cost

Customs formalities include: Formalities, Duties and Taxes, Custom Dues, Documentation and Information.

Incoterms 2010

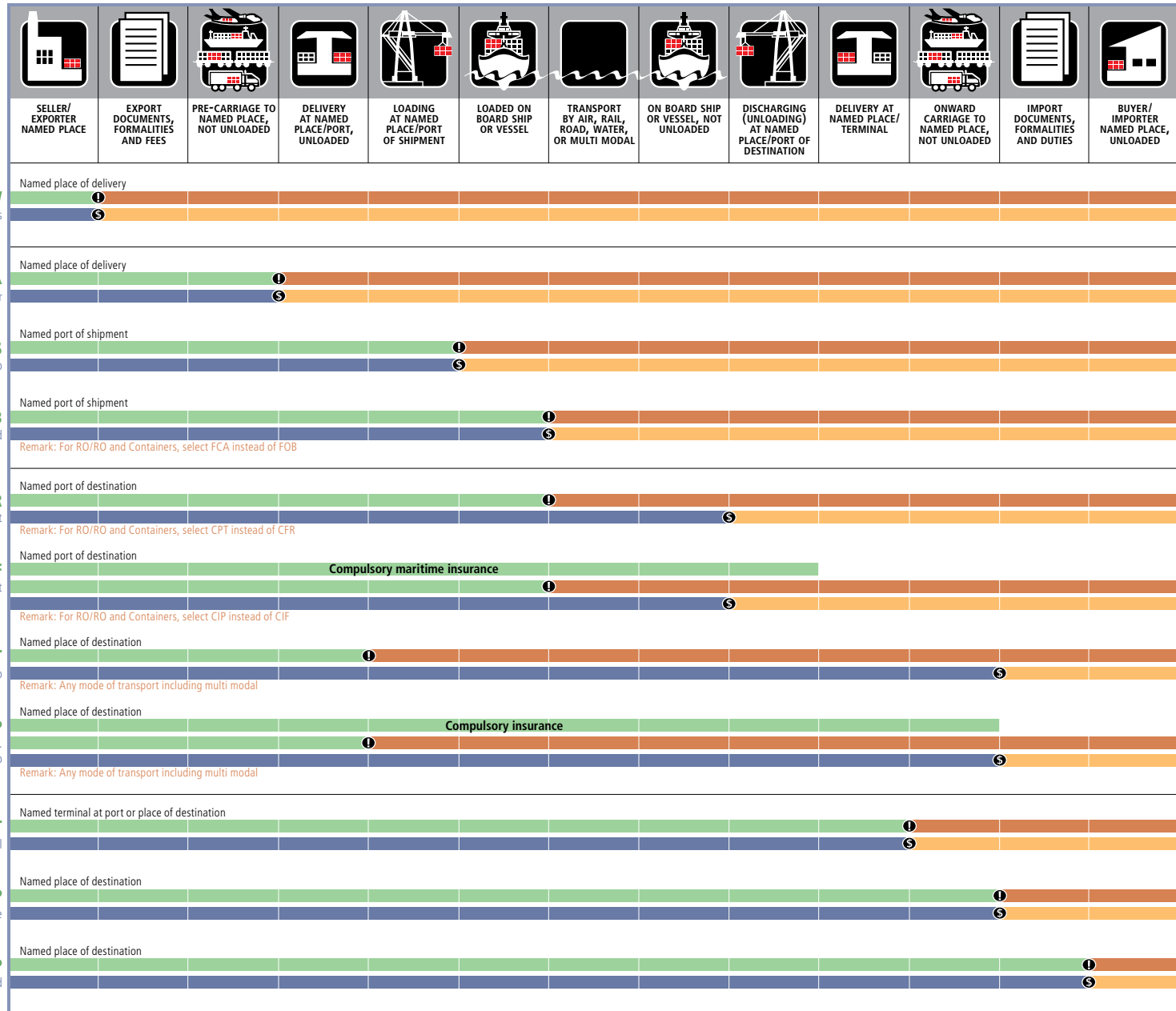
This diagram attempts to illustrate "Critical Points" in international transport in relation to the application of "Incoterms" to sales and purchase contracts.

"Incoterms" are a set of international rules for the interpretation of the key terms used on foreign trade contracts. These rules have been compiled by "The International Chamber of Commerce" to define, as clearly and precisely as possible, sellers' and buyers' responsibilities.

Due to the different customs of particular trades and ports "Incoterms" cannot be applied to all cases. Therefore, prudence should be used when applying the rules to particular contracts or circumstances. With the agreement of both parties, the basic rules can be modified to meet specific trade requirements. Merchants should specify that their contracts will be governed by the provisions of "Incoterms", and clearly indicate any agreed variations thereto.

As International freight forwarders, LEI can assist its clients whenever it is necessary on negotiations for buying or selling contracts in relation to "Incoterms".

P.S. While every effort has been made to ensure the accuracy of information contained in this diagram, no responsibility for errors or omissions can be accepted by the company mentioned in this brochure.



* Maritime & inland waterway transport only. ** Any mode of transport, including multi modal.

"Incoterms" determine your risk. Are you well covered? Call our Cargo Insurance specialists for more information.



EXW

**EX WORK
(named place)**

EXW specifies that the seller/exporter/ manufacturer merely makes the goods available to the buyer, not cleared for export, at the seller's "named place of delivery," which is commonly, but not necessarily, the seller's place of business.

Example EXW, ABC Factory, Full Address, London, England.

FCA

**FREE CARRIER
(named place of delivery)**

FCA specifies that the seller/exporter/ manufacturer is responsible for delivering the goods to the carrier, export cleared, at the "named place of delivery," but does not bear risk or cost afterwards.

Example FCA, ABC Shipping Line, Door 8, Full Address, Bremen, Germany.

FAS

**FREE ALONGSIDE SHIP
(named port of shipment)**

FAS specifies that the seller/exporter is responsible for delivering the goods, export cleared, alongside the ship, but does not bear risk or costs afterwards.

Example FAS, ABC Shipping Line, Dock 3, Hamburg, Germany.

FOB

**FREE ON BOARD
(named port of shipment)**

FOB specifies that the seller/exporter is responsible for delivering the goods, export cleared, on board a ship, but does not bear risk or costs afterwards.

Example FOB, ABC Shipping Line, Vessel DEF, Montreal, Canada

CFR

**COST AND FREIGHT
(named port of destination)**

CFR specifies that the seller is responsible for delivering the goods on board the ship at the port of shipment and contracting and paying for carriage to the "named port of destination."

Example CFR, ABC terminal, Port of Tokyo, Japan.

CIF

**COST, INSURANCE AND FREIGHT
(named port of destination)**

CIF specifies that the seller is responsible for delivering the goods on board the ship at the port of shipment, and contracting and paying for carriage and insurance to the "named port of destination."

Example CIF ABC Terminal, Port of Tokyo, Japan.

CPT

**CARRIAGE PAID TO
(named place of destination)**

CPT specifies that the seller is responsible for contracting and paying the carriage to the "named place of destination."

Example CPT ABC Rail Terminal, Madrid, Spain.

CIP

**CARRIAGE AND INSURANCE
PAID TO
(named place of destination)**

CIP specifies that the seller is responsible for contracting and paying for carriage and insurance to the "named place of destination."

Example CIP, ABC Rail Terminal, Siding C, Madrid Spain.

DAT

**DELIVERED AT TERMINAL
(named terminal at port or place
of destination)**

DAT specifies that the seller is responsible for all the costs associated with delivering the goods to the "named terminal at the port or place of destination," excluding import customs formalities, duties, fees and taxes.

Example DAT Terminal ABC, Pearson Intl. Airport, Toronto, Canada

DAP

**DELIVERED AT PLACE
(named place of destination)**

DAP specifies that the seller is responsible for all cost associated with delivering the goods to the "named place of destination," excluding import customs formalities, duties, fees, and taxes.

Example DAP, Shanghai Free Trade Zone, Terminal 1, Shanghai, China

DDP

**DELIVERED DUTY PAID
(named place of destination)**

DDP specifies that the seller is responsible for all costs associated with delivering the goods to the "named place of destination" including import customs formalities, duties, fees, and taxes.

Example DDP, Importer ABC, Full Address, Vancouver, Canada.