

INCOTERMS 2010

Many of you may be aware that the International Chamber of Commerce (ICC) recently completed a review of Incoterms 2000. As a result of this review Incoterms 2010 will be come into effect on 1st January 2011. There is no phase in period.

There have been some changes and these have been summarised below. We encourage all clients to review their current agreements with their buyers and sellers to ensure they understand the risks associated with their current terms. Incoterms are designed to specify which party has the obligation to make carriage or insurance arrangements and which costs each party are responsible for. Incoterms do not cover the transfer of ownership of goods or the consequences of a breach of contract. These matters are normally dealt with by the contract of sale or in the law governing that contract.

Main Features of Incoterms 2010

1. Two new Incoterms DAT and DAP have replaced DAF, DES, DEQ and DDU
2. Incoterms can be used for specified modes of transport.
3. Named place of delivery, named place of destination, named terminal at port or place of destination, named port of shipment, named port of destination

The Incoterm **DDU**, was the most commonly used Incoterm for Door to Door Shipments, from the terms that have now been replaced. We recommend that you now use the following Inco-term:

DAP term. DAP or Delivered at Place should be stipulated along with the named place of destination.

For example "**DAP Melbourne Door including customs clearance**"

The following Incoterms can be used for all modes of transport: EXW – Ex works, FCA – Free Carrier, CPT –Carriage Paid to, CIP Carriage and Insurance Paid to, DAT – Delivered at Terminal, DAP – Delivered at Place, DDP – Delivered Duty Paid.

The following Incoterms can be used for Sea and Inland Waterway Transport; FAS – Free Alongside Ship, FOB – Free on Board, CFR – Cost and Freight, CIF – Cost Insurance and Freight.

Named Place of Delivery etc are now important additives when stipulating Incoterms. Specifying the "named place of Delivery" will ensure risks are passed on at the time you expect them to.

Further information can be found at the ICC website: <http://www.iccwbo.org/incoterms/> or by contacting our office.

Many of you will have a good relationship with your buyers / suppliers and we expect few changes will need to be made. However for new relationships or large shipments we encourage all clients to check the Incoterms being used to ensure risk is not being transferred to you prior to your expectations. Below is a quick reference guide to help understand who is responsible for components of the movement of freight.