

INCOTERMS® 2020

SUMMARY SHEET



INTERNATIONAL CARGO EXPRESS
**INCOTERMS 2020
 REFERENCE CHART**

	ORIGIN					FREIGHT		DESTINATION			
	PACKING & CHECKING	LOADING SELLER'S PREMISES	TRANSPORT IN ORIGIN	CUSTOMS CLEARANCE EXPORT	TERMINAL ORIGIN	FREIGHT CHARGES	FREIGHT INSURANCE	TERMINAL CHARGES DESTINATION	CUSTOMS CLEARANCE IMPORT	TRANSPORT DESTINATION ON-CARRIAGE	UNLOADING BUYER'S PREMISES
EXW	EX WORKS						*				
FCA	FREE CARRIER (A)						*				
FCA	FREE CARRIER (B)						*				
FAS	FREE ALONGSIDE SHIP						*				
FOB	FREE ON BOARD						*				
CPT	CARRIAGE PAID TO						*				
CFR	COST & FREIGHT						*				
CIP	COST, INSURANCE PAID TO						*				
CIF	COST, INSURANCE & FREIGHT						*				
DAP	DELIVERED AT PLACE						**				
DDP	DELIVERED DUTY PAID						**				
DPU	DELIVERED AT PLACE UNLOAD						**				

Seller's obligation
 Buyers's obligation

* No obligation to obtain an insurance contract, though the risks are borne by the buyer
 ** No obligation to obtain an insurance contract, though the risks are borne by the seller

Note that Clause A still excludes coverage in a range of circumstances, such as war and strikes. Further, all cargo insurance generally excludes coverage for consequential loss (flow-on effects such as loss of profit or loss of opportunity as a result of lost or damaged goods, for example).

Is it worth increasing costs with higher premiums for wider coverage? Or is better to expose your cargo to further risk at a more affordable premium? Consider which cargo insurance policy is more appropriate for your business goals.

INCLUSION OF SECURITY REQUIREMENTS

Incoterms® 2020 makes security obligations more prominent. Screening of containers in certain circumstances is now compulsory. New provisions in Incoterms® 2020 distribute security responsibilities between vendor and purchaser, so it is critical to review where each party is responsible and what measures must be introduced.

MOVEMENT OF GOODS BY OWN TRANSPORTATION

Incoterms® 2020 now enable that parties to use their own transport for carrying goods, rather than outsourcing transport to a third-party carrier (which had been assumed in Incoterms® 2010). The FCA, DAP, DPU and DDP have been updated to reflect this clarification.

CHANGING THE WORDING OF THE INCOTERMS DOCUMENT

Incoterms® 2020 have been reworded to make it more relevant and more easily understood. Now there are explanatory notes outlining the fundamental nature of each of the Incoterms®. Costs are better presented, creating an easy list of costs all in one place.

FINAL CONSIDERATIONS

It's really important that both importers and exporters pay close attention their contract of sale. The Incoterm used needs to align with all the other terms used in the contract which deal with things like transportation and finance. If one of the terms are mischaracterised and are inconsistent with the Incoterm selected, the potential for misunderstandings and disputes can escalate.

Make sure that you they're not taken advantage of by using the right Incoterm for your business and complying with its requirements.

For further clarifications on Incoterms, get in contact with one of our reliable freight specialists at 1300 227 461.

INTRODUCTION

Incoterms® is an acronym standing for international commercial terms. They stand the division of costs and risks between the buyer and seller when shipping internationally.

Every decade, the Incoterms® are updated. The latest changes came into effect on 1 January 2020:

CHANGE TO FREE CARRIER (FCA) TERMS

FCA requires the seller to carry out export formalities and delivery occurs either when the seller loads their goods on to the buyer's carrier's truck or when the seller's truck arrives at the carrier's premises or terminal ready for unloading by that carrier. This is the only rule which has two alternatives for delivery.

The 2020 change now allows a buyer and seller to agree that the buyer will instruct their carrier to issue an on-board bill of lading to the seller after loading the goods. The seller has no obligation to the buyer in relation to the contract of carriage's terms.

DELIVERED AT TERMINAL (DAT) CHANGED TO DELIVERED AT PLACE UNLOADED (DPU)

In DAT that was taken to be into the container yard or freight station or airport terminal. In DPU the obligation now extends to any place even after import clearance by the buyer. In both, the seller's obligation is to arrange for the goods to be unloaded.

CHANGES TO INSURANCE REQUIREMENTS FOR CIP (CARRIAGE AND INSURANCE PAID TO)

This change has increased insurance requirements for the Incoterm CIP (Carriage and Insurance Paid to) to Clauses (A) of the Institute Cargo Clauses. CIP simply means that a vendor delivers to a carrier and pays for the carriage and insurance to the relevant destination.

Under the former Incoterms® 2010 the vendor was only obligated to provide insurance equivalent to ICC(C) (which was more restrictive in coverage than ICC(A)). CIP remains at ICC(C).

Clauses (A) – the least restrictive kind of insurance policy. It covers all risk of loss or damage to the insured freight with certain specific exceptions. You'll likely pay the most expensive premium here because of the wide amount of coverage.

Clauses (B) – this provides more restrictive coverage for only listed risks, so you'd likely pay a moderate premium.

Clauses (C) – this is the most restrictive coverage you can get for a small number of listed risks, so it's the cheapest. Unfortunately, your cargo coverage will be much less using this clause and it is mostly suited to bulk cargoes of commodities.

