



Understanding Incoterms

Hosted by Sam Woods | Vice President

About JORI Logistics

- Founded in 1992
- Offices in Calgary, Houston, Cebu City and Almaty
- Canadian and U.S. Customs Broker
- Global Freight Forwarder
- 50+ Employees
- Who is Sam Woods?



OUR MISSION

Make **international logistics** and **customs compliance** a **competitive advantage** for importers and exporters, by providing the most **compelling customer experience** possible.



Logistics as a Competitive Advantage

what is amazon's competitive advantage



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About 1,700,000 results (0.70 seconds)

Logistics. **Amazon** has built warehouses around the world, is buying airplanes, has invested in robotics, and has made logistics a priority. ... Fulfillment by **Amazon** is now over a billion dollars in revenue. **Amazon** has a significant **competitive advantage** in terms of being able to ship fast and cheap.

[What is Amazon's sustainable competitive advantage\(s\)? - Quora](#)

<https://www.quora.com/What-is-Amazons-sustainable-competitive-advantage-s>



Do you have a
growth or status
quo mindset?



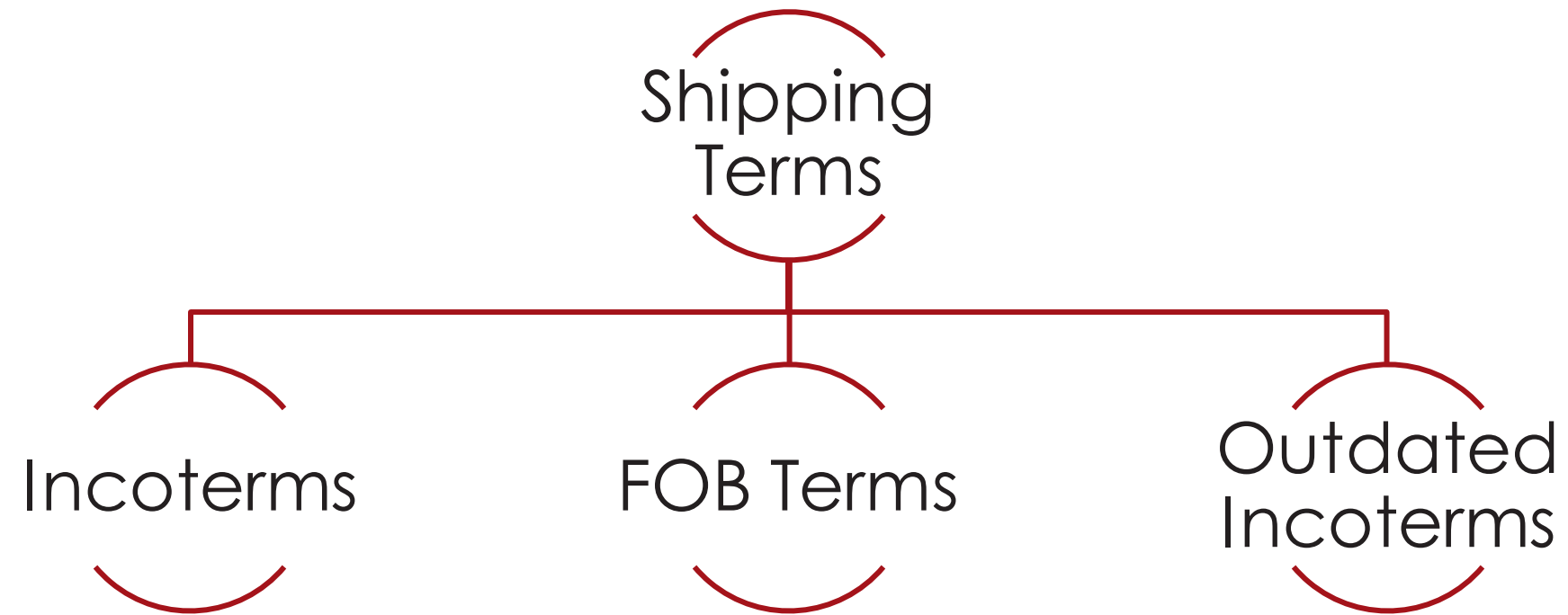
**What are
shipping terms?**





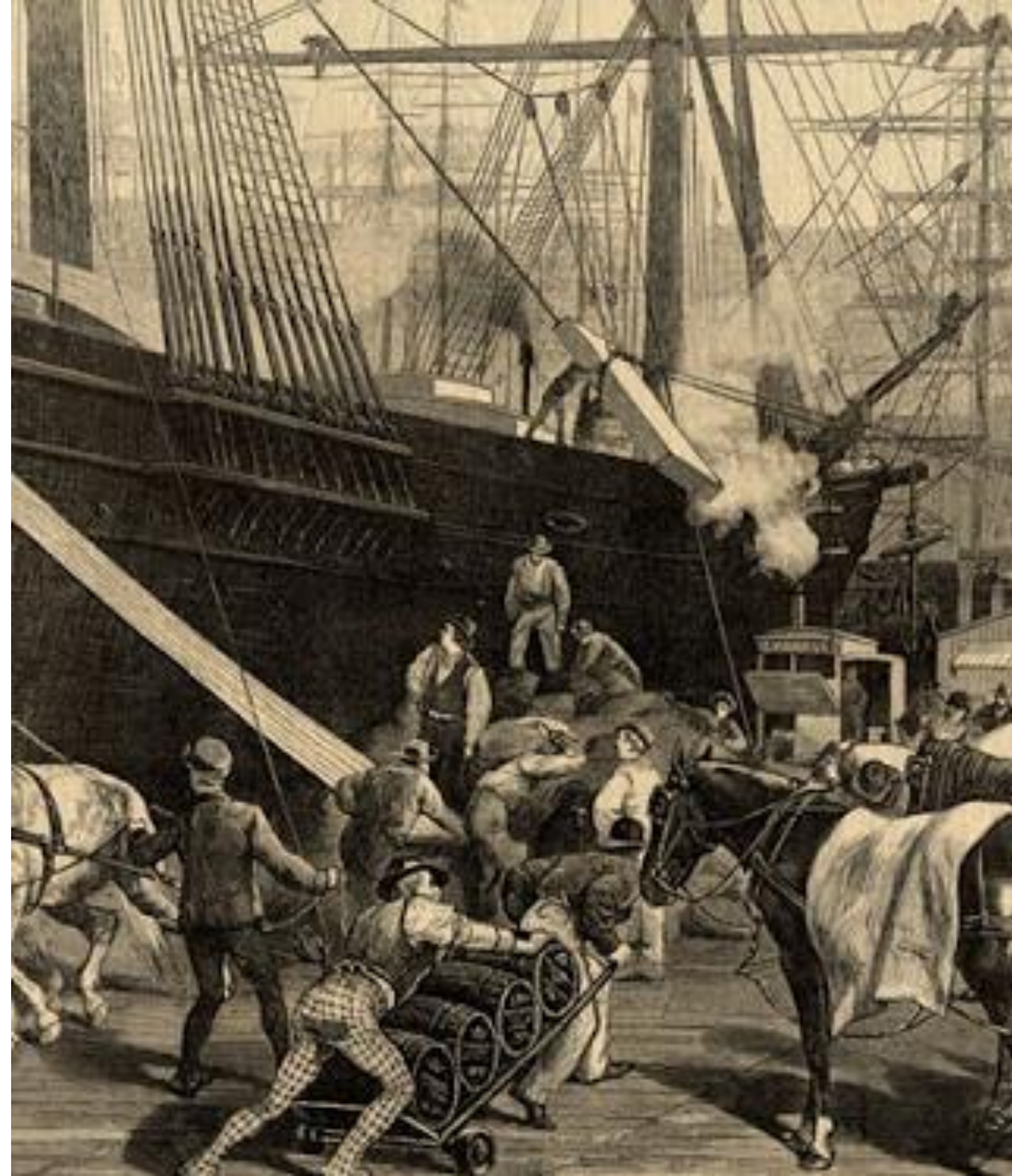
Shipping Terms Establish the Rules of the Shipping Game

1. Who is paying for the transportation
2. Who is arranging the transportation
3. Who takes the risk during transportation
 - Customs risk
 - Lost / damage risk
 - Storage / demurrage risk
4. In some cases title transfer is addressed
 - Simplifies international transactions involving transportation by providing a “**shorthand**” that buyers and sellers can refer to



FOB Shipping Terms

- Established in the U.S. in 1952 under the Uniform Commercial Code regulations
 - Reduced the complexity of transportation contracts
 - Streamlined the transportation business across states
- This is not a federal law, it is a “collection of statutes”
- Addresses **title transfer**
- FOB terms are being phased out
 - It is still important to understand them for business with Americans



FOB Origin vs. FOB Destination

FOB Origin

- FOB Origin
 - Seller must load the goods safely onto the transport vessel
 - **Title transfer happens after loading onto vessel**
- FOB Origin – Freight Prepaid
- FOB Origin – Freight prepaid and charge back
- FOB Origin – Freight collect

1. INITIAL FREIGHT COST



2. FINAL FREIGHT COST



3. RISK



4. TITLE TRANSFER



FOB Destination

- FOB Destination
 - Seller retains **title until the claim free unloaded delivery is completed at the named place of destination**
- FOB Destination – Freight Prepaid
- FOB Destination – Freight prepaid and charge back
- FOB Destination – Freight collect

1. INITIAL FREIGHT COST



2. FINAL FREIGHT COST



3. RISK



4. TITLE TRANSFER



Terms	Payment of Initial Freight Invoice	Bears Final Freight Cost	Owns Goods in Transit	Files Claims, if any
FOB Destination, Freight Prepaid	Seller	Seller	Seller	Seller
FOB Destination, Freight Collect	Buyer	Buyer	Seller	Seller
FOB Destination, Freight Prepaid and Charged	Seller	Buyer	Seller	Seller
FOB Origin Point, Freight Prepaid (Allowed)	Seller	Seller	Buyer	Buyer
FOB Origin Point, Freight Collect	Buyer	Buyer	Buyer	Buyer
FOB Origin Point, Freight Prepaid and Charged	Seller	Buyer	Buyer	Buyer

Incoterms 2020

Confusion over shipping terms can result in either a **loss of sale**, or a **loss on a sale**. Make sure you know the meaning of the term you are using.

Know your freight forwarder
and customs broker on a
first name basis

History of Incoterms

- Established in 1936
- Regulated by one governing body: the International Chamber of Commerce (ICC)
- 2000 vs. 2010 vs. 2020. Huh?
- Incoterms are not implied, must be written into sales contracts
- Incoterms **do not address transfer of title or ownership**. These must be indicated separately
- Incoterms **are acceptable** shipping terms for domestic North American shipments

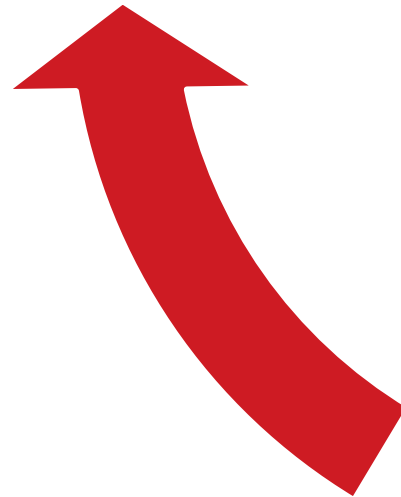


Indicates whether the buyer or the seller is responsible for shipping the product from **point A to point B**

1. Who is
paying for the
transportation
(**cost**)

2. Who is
coordinating
the
transportation
(**obligation**)

3. Who is
taking on the
transportation
(**risk**)



1. Loading at origin
2. Export customs declaration
3. Carriage to port of export
4. Unloading of truck in port of export
5. Loading on vessel/airplane in port of export
6. Carriage (sea/air) to port of import
7. Insurance

8. Unloading in port of import
9. Loading on truck in port of import
10. Carriage to place of destination
11. Import customs clearance
12. Import duties and taxes
13. Unloading at destination



INCO Term 2020	Applicable Mode of Transport	Loading at Origin	Export customs declaration	Transport to port of export	Unloading of truck in the port of export	Loading of vessel in the port of export	Main transport to port of import	Cargo Insurance	Unloading in port of import	Loading of truck in the port of import	Transport to agreed place of destination	Import customs clearance	Import duties and taxes	Unloading at place of final destination
EXW	Any mode	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Any mode	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FAS	Ocean only	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FOB	Ocean only	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CPT	Any mode	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer / Seller	Buyer / Seller	Seller	Buyer	Buyer	Buyer
CFR	Ocean only	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CIF	Ocean only	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CIP	Any mode	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer / Seller	Buyer / Seller	Seller	Buyer	Buyer	Buyer
DPU	Any mode	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller
DAP	Any mode	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer
DDP	Any mode	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer

Incoterms 2020

Costs

- Who pays for the transportation company at each stage of the shipment?
 - Different than who pays for the transportation at the end of the day!
- Who pays for the export or import customs clearance?
- Who pays for the shipment insurance?
- Who pays for the customs duties and taxes?
- Who pays for any storage / demurrage fees?



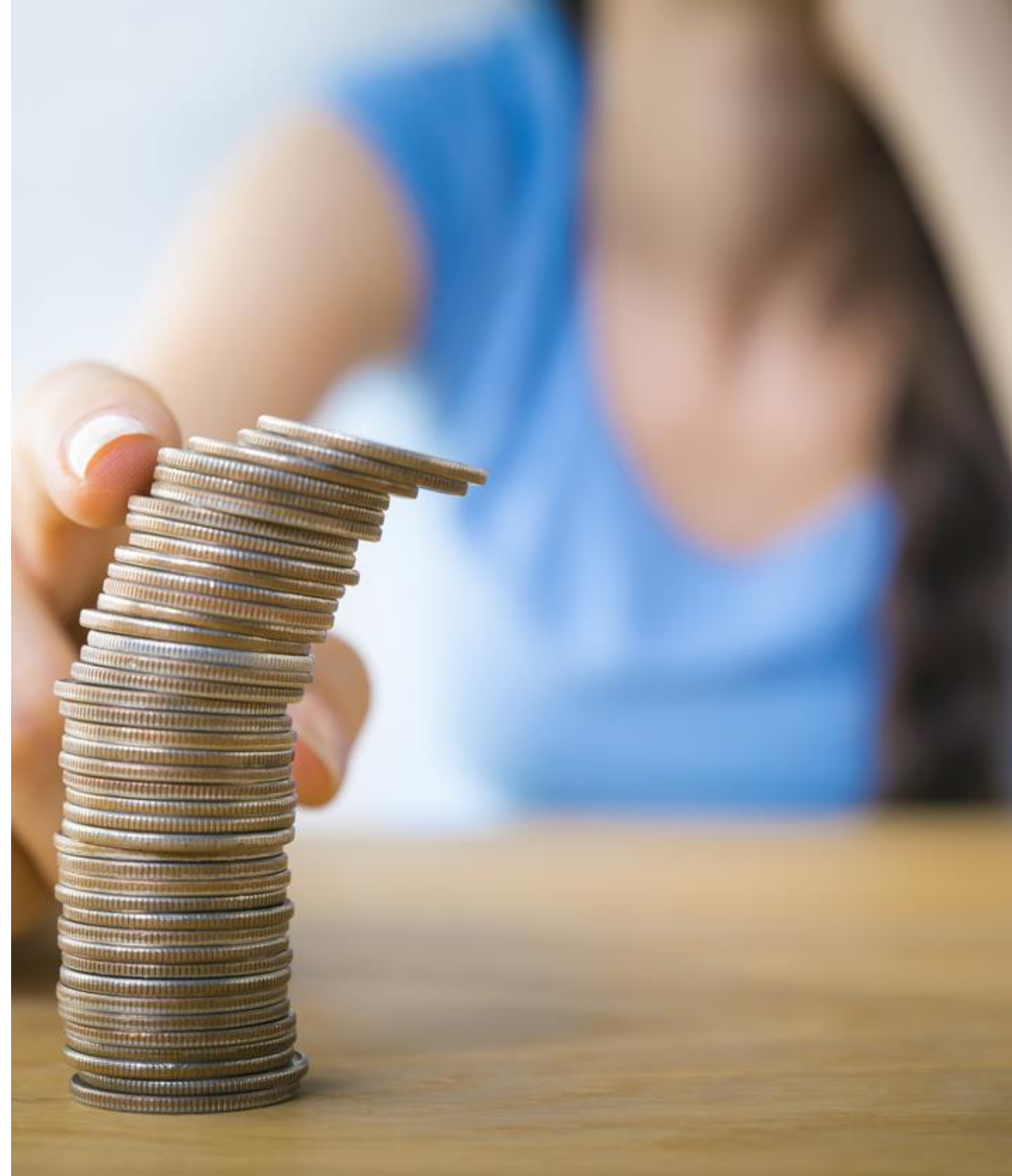


Obligations

1. Who organizes the transportation with the freight forwarder?
2. Who prepares the information for insurance?
3. Who creates the shipping documentation?
4. Who gets the import / export license?
5. Who gets the import / export permits?
6. Who is responsible for the export / import customs clearance?

Risk

- Loss or damaged shipment
- Import / export customs issues that cause storage / demurrage
- Import / export customs audits that trigger long term penalties or compliance risk
- Import / export customs routine inspection that cause storage / demurrage
- Accurate reporting and payment of duties and taxes
- Gain market share by exploiting these opportunities



NOTICE OF PENALTY ASSESSMENT

PROTECTED B when completed

Notice Date 2016-04-24	Penalty Assessment Number 159402	Penalty Amount \$2,000.00	Office Code 0705
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Client Customs Account Name / Address
[REDACTED]

Legal Name
[REDACTED]

PAYMENT METHODS

- * Certified Cheques
- * Money Orders
- * Uncertified Cheques
(must be drawn on a Canadian Bank)

Client Identifier 781886494RM0001	Penalty Amount \$2,000.00	Line Object Code 49875
--------------------------------------	------------------------------	---------------------------

Reason for Penalty Assessment

C360 - On 2016/04/03, it was determined that, as an importer, you failed to account, or failed to provide interim accounting for imported goods at time of the release request.

C360 - Le 2016/04/03, nous avons constaté que, en tant qu'importateur, vous n'avez pas fait la déclaration en détail ni fourni de déclaration provisoire pour des marchandises importées, au moment de demander le dédouanement.

2016-04-03,
Starting at approximately 16:30 hrs MST.
Commercial cargo exam / offload and inspection of cargo/shipment # 10660102334258.
Carrier: AutoLinx Transport obo CSA Transportation.
Importer of record: 781886494RM0001, GO NMF CANADA. Customs broker: JORI INTERNATIONAL.
Inspection of above noted shipment described on EDI electronic submission and bill of lading produced by driver of commercial conveyance as 1 pallet of fuel/oil additive friction reducer and 1 printer. See below for EDI as submitted:

Page	Line	HS Code	Description
1	1	3811290000	OIL ADDITIVE FRICTION REDUCER
1	2	3811290000	OIL ADDITIVE FRICTION REDUCER
1	3	3811290000	OIL ADDITIVE FRICTION REDUCER
1	4	8471600060	BROTHER PRINTER

This accounting information was also present on the bill of lading provided by driver.

All declared goods for import were accounted for as described with the exception of extra cargo found inside one of the boxes of oil additives.

This unaccounted for cargo was identified as three (3) boxes of business cards specifically printed for three (3) separate individuals related to the importing business.

Each box contained approximately 1000 cards each. The cards contained the related individuals names, title and business address of each individual.

Individuals on cards are as follows:

[REDACTED]

NOTICE OF PENALTY ASSESSMENT

PROTECTED B when completed

Notice Date 2016-04-24	Penalty Assessment Number 159402	Penalty Amount \$2,000.00	Office Code 0705
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Photo copies of all three cards with above noted information on file at Port of Entry Coutts, AB.

I was unable to find any mention of the extra goods (business cards) in any of the electronic accounting or physical documents in the drivers possession.
I determined that the contravention of C360 had occurred (see above description at top of page) and rejected the electronic submission back to the broker accordingly.
I Requested the driver contact his dispatch and through them, contact the Customs Broker Jori International for the purpose of informing the broker of the rejected entry. I also provided the driver with a contact number for the broker if the needed to contact CBSA at the Port of Coutts for any further questions they may have regarding the requirement to account for the extra cargo found in the shipment in question.

I allowed the cargo in question be reloaded onto the trailer and awaited for broker to resubmit a corrected entry accounting for all goods in their release request. This corrected request including the previously unaccounted for cargo, was submitted and at approximately 21:00 hrs MST, the cargo was released for delivery. Below is the corrected request as submitted by broker.

3811290000 OIL ADDITIVE FRICTION REDUCER
3811290000 OIL ADDITIVE FRICTION REDUCER
3811290000 OIL ADDITIVE FRICTION REDUCER
8471600060 BROTHER PRINTER
4901100090 BUSINESS CARDS

No. of Pkgs :
Quantity : 3000.00 PCE
Unit Price : .0500
Ctry of Origin: US AR
Goods Value :
Goods Weight :
Desc : BUSINESS CARDS
Currency : US DOLLAR
Tot. Price: 135.0000
H.S. Code : 4901100090

Penalty assessment and descriptive/narrative entered on 2016-04-04 by inspecting BSO M.F. KNOBLICH #11946, Commercial Inspections, CBSA Coutts AB.



NOTICE OF PENALTY ASSESSMENT

PROTECTED B when completed

Notice Date 2016-04-24	Penalty Assessment Number 159402	Penalty Amount \$2,000.00	Office Code 0705
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1) Contravention C360

Contravention

Person (Importer) failed to account, or failed to provide interim accounting for imported goods at time of the release request.

Legislative/Regulatory Authority

Customs Act 7.1

Penalty Calculation Information

Number of Shipments:	1
Penalty Level:	1
Amount:	\$2,000.00

This is the first assessment of this contravention during the retention period.
You have been assessed at \$2,000 per shipment.

Related Information

Primary Officer:	21374
Document Type:	Pre-arrival Review System
Document Number:	10660102334258



NOTICE OF PENALTY ASSESSMENT

PROTECTED B when completed

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What Incoterms are not!

1. They are not a sales contract
2. They do not cover payment terms
3. They do not have a built-in remedy for breach of contract
4. They do not mention the effects of tariffs or sanctions
5. They do not address intellectual property rights
6. They do not cover title or ownership transfer

Things to consider

- A proper Incoterm has three parts
 - The Incoterm
 - The specific address
 - The year of the Incoterms
- **EG. DDP, Buyers warehouse located at 123 China Rd, Guangzhou, INCO 2020**





Hapag-Lloyd



: Was that 8 ft or 8m clearance

Insurance

1. Carrier liability insurance
 2. Individual shipment cargo insurance
 3. Blanket transportation insurance
- **The biggest benefit of purchasing cargo insurance is that you do not need to prove the carrier was at fault for the lost or damaged items, only that the damage or loss occurred.**

Carrier Liability Insurance

- Truck freight
 - \$2 CAD per / lbs
 - fire, collision, or striking of a load
- Air freight
 - Either 9 SDR's a kg (approx. 12.50 Usd/kg)
- Ocean freight
 - Under Hague Visby: If to/from Canada. 1 package is covered for EITHER 666.67 SDR or 2 SDR per kg (roughly 3 USD / kgs)
- <https://www.xe.com/currencyconverter/convert/?Amount=2&From=XDR&To=USD>
- **The biggest benefit of purchasing cargo insurance is that you do not need to prove the carrier was at fault for the lost or damaged items, only that the damage or loss occurred.**

Carrier Liability Insurance

- 2. Neither the carrier nor the ship shall be responsible for loss or damage arising or resulting from
 - (a) act, neglect, or default of the master, mariner, pilot or the servants of the carrier in the navigation or in the management of the ship;
 - (b) fire, unless caused by the actual fault or privity of the carrier;
 - (c) perils, dangers and accidents of the sea or other navigable waters;
 - (d) act of God;
 - (e) act of war;
 - (f) act of public enemies;
 - (g) arrest or restraint of princes, rulers or people, or seizure under legal process;
 - (h) quarantine restrictions;
 - (i) act or omission of the shipper or owner of the goods, his agents or representative;
 - (j) strikes or lock-outs or stoppage or restraint of labour from whatever cause whether partial or general;
 - (k) riots and civil commotions;
 - (l) saving or attempting to save life or property at sea;
 - (m) wastage in bulk or weight or any other loss or damage arising from inherent defect, quality or vice of the goods;
 - (n) insufficiency of packing;
 - (o) insufficiency of inadequacy of marks;
 - (p) latent defects not discoverable by due diligence;
 - (q) any other cause arising without the actual fault and privity of the carrier, or without the fault or neglect of the agents or servants of the carrier, but the burden of proof shall be on the person claiming the benefit of this exception to show that neither the actual fault or privity of the carrier nor the fault or neglect of the agents or servants of the carrier contributed to the loss or damage.

Individual Shipment Cargo Insurance

- All Risks Insurance
- Neither the carrier nor the ship shall be responsible for loss or damage arising or resulting from :
 - Inherent vice (intentional damage),
 - Natural product issues (decay, germination, faulty packaging),
 - Strikes, riots, and civil wars
- General Average Law
 - General Average Maritime Law is a big deal. Essentially, an ocean vessel captain is permitted to voluntarily sacrifice any cargo overboard to save the vessel in extreme situations. Reasons could vary between bad weather, running aground, onboard fires, engine failure, and so many other situations. Captains may toss containers overboard to save the vessel, and in this instance, you will be responsible for a couple things.

Why should you invest in cargo insurance?

- With carrier liability insurance the carrier has 120 days to respond to an inquiry, let alone process a payment
- With carrier liability you are only insured up to the minimum amounts
- With carrier liability insurance you have to prove that the loss or damage was the carriers fault
- With individual shipment insurance you only need to prove loss or damage, and you typically get your money back within 30 days.
 - This allows you to order replacement items or parts without significantly harming your cashflow
- You are protected serious worst case scenario shipping risks





DELIVERY STATUS

D.O. NO.: 2016080701

SERIAL NO. : N/A
SCHEDULED : 2016-09-13 (6:00 PM - 8:00 PM)
START DATE : 2016-09-13
TIME SLOT : Evening
STATUS : DELIVERED
REASON : N/A
DELIVERY / COLLECTION TIME : 6:00 PM - 8:00 PM

DELIVER TO :

John Tan
61 Kaki Bukit Avenue 1 #05-33D Shun Li Ind Park

INSTRUCTIONS :

Remember to call recipient when you have reached destination

NO.	SKU	DESCRIPTION	QTY	REJECT	REASON
1	001	Apple Macbook Pro 13" Actual Qty: 1	1	0	

NOTE : N/A

LAST KNOWN APPROXIMATE LOCATION AT TIME OF SUBMISSION :

ADDRESS : 61 Kaki Bukit Avenue 1
DATE TIME : Tue, 13-Sep 2016, 06:08 PM
LATITUDE : 1.3365053
LONGITUDE : 103.9100053

PROOF OF DELIVERY :

SUBMITTED BY : Driver 1 at 06:08 PM
RECEIVED BY : John Tan

GOODS/SERVICES RECEIVED IN GOOD ORDER

SIGNATURE/PHOTOS :



A top-down view of a white plate containing a large, pinkish-brown piece of meat, possibly a steak or lamb chops, with a dark brown sauce drizzled over it. To the right of the meat is a golden-brown bread roll topped with a dollop of blue cheese and chopped green onions. A small portion of a red glass is visible in the top right corner. A semi-transparent white rectangle is overlaid on the center of the plate, containing the text "An In-depth Look at Each Incoterm".

An In-depth Look at Each Incoterm



What is your mindset?

Incoterm	EXW	
Mode of Transport	Any Mode	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Buyer	Buyer
Export customs declaration	Buyer	Buyer
Transportation to port of export	Buyer	Buyer
Unloading of truck in port of export	Buyer	Buyer
Loading cargo on main carriage in port of export	Buyer	Buyer
Main carriage (sea/air) to port of import	Buyer	Buyer
Cargo insurance	Buyer	Buyer
Unloading cargo in port of import	Buyer	Buyer
Loading cargo on truck in port of import	Buyer	Buyer
Transportation to place of destination	Buyer	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer

- where delivery will be made.
4. **A note of caution to buyers**—EXW is the Incoterms® rule which imposes the least set of obligations on the seller. From the buyer's perspective, therefore, the rule should be used with care for different reasons as set out below.
 5. **Loading risks**—Delivery happens—and risk transfers—when the goods are placed, not loaded, at the buyer's disposal. However, risk of loss of or damage to the goods occurring while the loading operation is carried out by the seller, as it may well be, might arguably lie with the buyer, who has not physically participated in the loading. Given this possibility, it would be advisable, where the seller is to load the goods, for the parties to agree in advance who is to bear the risk of any loss of or damage to the goods during loading. This is a common situation simply because the seller is more likely to have the necessary loading equipment at its own premises or because applicable safety or security rules prevent access to the seller's premises by unauthorised personnel. Where the buyer is keen to avoid any risk during loading at the seller's premises, then the buyer ought to consider choosing the FCA rule (under which, if the goods are delivered at the seller's premises, the seller owes the buyer an obligation to load, with the risk of loss of or damage to the goods during that operation remaining with the seller).
 6. **Export clearance**—With delivery happening when the goods are at the buyer's disposal either at the seller's premises or at another named point typically within the seller's jurisdiction or within the same Customs Union, there is no obligation on the seller to organise export clearance or clearance within third countries through which the goods pass in transit. Indeed, EXW may be suitable for domestic trades, where there is no intention at all to export the goods. The seller's participation in export clearance is limited to providing assistance in obtaining such documents and information as the buyer may require for the purpose of exporting the goods. Where the buyer intends to export the goods and where it anticipates difficulty in obtaining export clearance, the buyer would be

A THE SELLER'S OBLIGATIONS**A7 Export/import clearance**

Where applicable, the seller must assist the buyer, at the buyer's request, risk and cost, in obtaining any documents and/or information related to all export/transit/import clearance formalities required by the countries of export/transit/import, such as:

- ▶ export/transit/import licence;
- ▶ security clearance for export/transit/import;
- ▶ pre-shipment inspection; and
- ▶ any other official authorisation.

A8 Checking/packaging/markings

The seller must pay the costs of those checking operations (such as checking quality, measuring, weighing, counting) that are necessary for the purpose of delivering the goods in accordance with A2.

The seller must, at its own cost, package the goods, unless it is usual for the particular trade to transport the type of goods sold unpackaged. The seller must package and mark the goods in the manner appropriate for their transport, unless the parties have agreed on specific packaging or marking requirements.

A9 Allocation of costs

The seller must pay all costs relating to the goods until they have been delivered in accordance with A2, other than those payable by the buyer under B9.

B**B7****B8****B9**

ExWorks (EXW)

■ Notes:

- The buyer takes on all the export customs clearance risk and obligation
- This can only be done if the buyer has a Canadian exporter number

■ EXW as an importer

- Recommended for imports from the U.S.A to Canada (no export customs clearance)
- For quoting purposes
- For domestic shipments

■ EXW as an exporter

- For quoting purposes
- If requested by the buyer
- For domestic shipments



Incoterm	FCA	
Mode of Transport	Any Mode	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Buyer	Buyer
Loading cargo on main carriage in port of export	Buyer	Buyer
Main carriage (sea/air) to port of import	Buyer	Buyer
Cargo insurance	Buyer	Buyer
Unloading cargo in port of import	Buyer	Buyer
Loading cargo on truck in port of import	Buyer	Buyer
Transportation to place of destination	Buyer	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer

A7 Export/import clearance**a) Export clearance**

Where applicable, the seller must carry out and pay for all export clearance formalities required by the country of export, such as:

- ▶ export licence;
- ▶ security clearance for export;
- ▶ pre-shipment inspection; and
- ▶ any other official authorisation.

b) Assistance with import clearance

Where applicable, the seller must assist the buyer, at the buyer's request, risk and cost, in obtaining any documents and/or information related to all transit/import clearance formalities, including security requirements and pre-shipment inspection, needed by any country of transit or the country of import.

A8 Checking/packaging/marking

The seller must pay the costs of those checking operations (such as checking quality, measuring, weighing, counting) that are necessary for the purpose of delivering the goods in accordance with A2.

The seller must, at its own cost, package the goods, unless it is usual for the particular trade to transport the type of goods sold unpackaged. The seller must package and mark the goods in the manner appropriate for their transport, unless the parties have agreed on specific packaging or marking requirements.

A9 Allocation of costs

The seller must pay:

- a) all costs relating to the goods until they have been delivered in accordance with A2, other than those payable by the buyer under B9;
- b) the costs of providing the usual proof to the buyer under A2 that the goods have been delivered;
- c) where applicable, duties, taxes and any other costs related to export clearance under A7(a); and
- d) the buyer for all costs and charges related to providing assistance in obtaining documents and information in accordance with B7(a).

Free Carrier (FCA)

■ Notes:

- Place of delivery can be anywhere in the domestic country, including your own warehouse

■ When to use FCA as the buyer:

- Recommended for imports from the U.S.A to Canada (no export customs clearance)
- Highly recommended because you control the costs and the risks

■ When to use FCA as the seller:

- For quoting purposes
- If you have a sophisticated customer than can control its own freight costs and freight risks effectively



Incoterm	FAS	
Mode of Transport	Ocean	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Buyer	Buyer
Main carriage (sea/air) to port of import	Buyer	Buyer
Cargo insurance	Buyer	Buyer
Unloading cargo in port of import	Buyer	Buyer
Loading cargo on truck in port of import	Buyer	Buyer
Transportation to place of destination	Buyer	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer

Free Alongside Ship (FAS)

- **Notes:**

- Only applies to ocean freight
- Seller is not responsible for loading onto the main carriage
- Does not apply to ocean container freight as loading is included in the freight cost

- **When to use FAS as the buyer:**

- Can be used for bulk commodities or over dimensional cargo

- **When to use FAS as the seller:**

- Can be used for bulk commodities or over dimensional cargo



Incoterm	FOB	
Mode of Transport	Ocean	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Seller	Seller
Main carriage (sea/air) to port of import	Buyer	Buyer
Cargo insurance	Buyer	Buyer
Unloading cargo in port of import	Buyer	Buyer
Loading cargo on truck in port of import	Buyer	Buyer
Transportation to place of destination	Buyer	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer



Free on Board (FOB)

■ Notes:

- Only applies to ocean freight
- Seller is responsible for loading onto the main carriage
- Very common in the shipping world. You should be using FCA instead of FOB

■ When to use FOB as the buyer:

- Can be used for bulk commodities or over dimensional cargo
- May be forced to use this if your vendor / customer is not a sophisticated shipper

■ When to use FOB as the seller:

- Can be used for bulk commodities or over dimensional cargo
- May be forced to use this if your vendor / customer is not a sophisticated shipper

Place of Delivery vs. Place of Destination

- Incoterms indicate the risk, obligation and cost during transport of cargo
- **Place of delivery** is the location where the risk transfers from the seller to the buyer
- **Place of destination** is the location where the **cost** and **obligation** transfer from the seller to the buyer
- Who pays and coordinates the freight, can be different than who is taking on the transportation risk

Incoterm	CPT	
Mode of Transport	Any	
Obligation Point	Responsible Party	Party that bears risk

Named Place of **Destination**



Named Place of **Delivery**



Incoterm	CPT	
Mode of Transport	Any	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Buyer / Seller
Unloading of truck in port of export	Seller	Buyer / Seller
Loading cargo on main carriage in port of export	Seller	Buyer / Seller
Main carriage (sea/air) to port of import	Seller	Buyer / Seller
Cargo insurance	Buyer	Buyer
Unloading cargo in port of import	Buyer / Seller	Buyer / Seller
Loading cargo on truck in port of import	Buyer / Seller	Buyer / Seller
Transportation to place of destination	Seller	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer



Carriage Paid To (CPT)

■ Notes:

- Applies to any mode of transportation
- Seller is responsible for transportation up to destination
- Seller is responsible for risk up place of delivery
- Buyer must be responsible for insurance

■ When to use CPT as the buyer:

- If you have cargo insurance in place it can be beneficial

■ When to use CPT as the seller:

- You can transport goods to your customer and take virtually none of the risk if there is loss or damage to the shipment
- Might be useful for customers that you don't plan on shipping to often

Incoterm	CIP	
Mode of Transport	Any	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Buyer / Seller
Unloading of truck in port of export	Seller	Buyer / Seller
Loading cargo on main carriage in port of export	Seller	Buyer / Seller
Main carriage (sea/air) to port of import	Seller	Buyer / Seller
Cargo insurance	Seller	Buyer
Unloading cargo in port of import	Buyer / Seller	Buyer / Seller
Loading cargo on truck in port of import	Buyer / Seller	Buyer / Seller
Transportation to place of destination	Seller	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer



Carriage and Insurance Paid to (CIP)

■ Notes:

- Applies to any mode of transportation
- Seller is responsible transportation up to destination
- Seller is responsible for risk up to delivery point
- Seller must be responsible for insurance and it has to be “All Risk”

■ When to use CIP as the buyer:

- Not very beneficial

■ When to use CIP as the seller:

- It's probably easy to use a different Incoterm, but its not terrible

Incoterm	CFR	
Mode of Transport	Ocean	
Obligation Point	Responsible Party	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Seller	Seller
Main carriage (sea/air) to port of import	Seller	Seller
Cargo insurance	Buyer	Buyer
Unloading cargo in port of import	Buyer	Buyer
Loading cargo on truck in port of import	Buyer	Buyer
Transportation to place of destination	Buyer	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer



Cost and Freight (CFR)

■ Notes:

- Only applies to ocean freight
- Only applicable for a “port” destination
- Buyer is responsible for risks once the shipment is on the water
- If the seller has contracted for unloading, this should be detailed in the sale contract

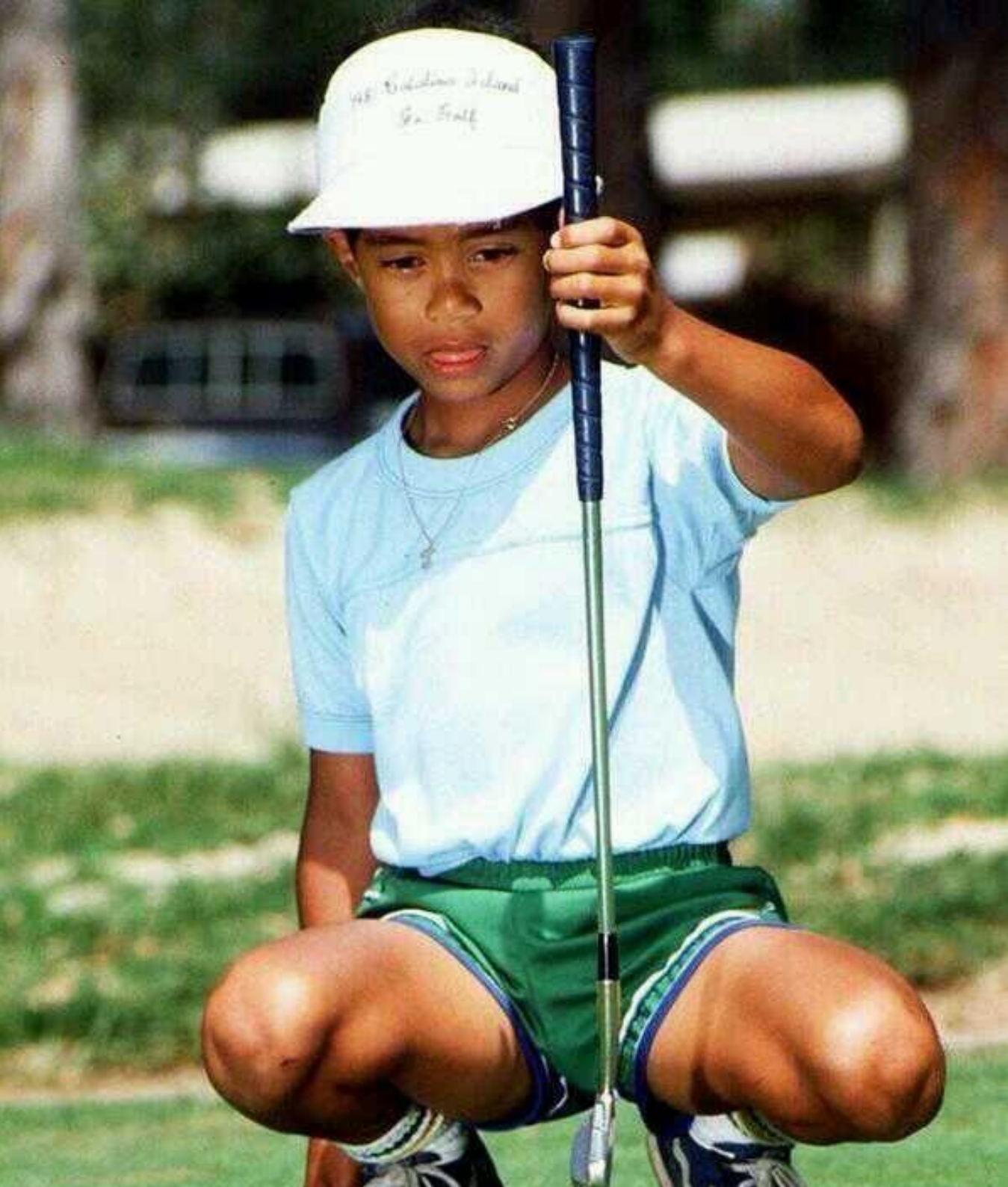
■ When to use CFR as the buyer:

- Not very beneficial unless you are located on a port city

■ When to use CFR as the seller:

- Good term to use for quoting shipments
- Good term to use for shipping ocean transport to international customers

Incoterm	CIF	
Mode of Transport	Ocean	
Obligation Point	Party that bears cost	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Seller	Seller
Main carriage (sea/air) to port of import	Seller	Seller
Cargo insurance	Seller	Buyer
Unloading cargo in port of import	Buyer	Buyer
Loading cargo on truck in port of import	Buyer	Buyer
Transportation to place of destination	Buyer	Buyer
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer



Cost, Insurance, & Freight (CIF)

■ Notes:

- Only applies to ocean freight
- Only applicable for a “port” destination
- Buyer is responsible for risks once the shipment is on the water

■ When to use CIF as the buyer:

- Never recommended because the seller is only required to have minimum cargo insurance and the buyer is responsible for risks during transport

■ When to use CIF as the seller:

- Only if you want to push the insurance risk onto your customer and they are okay with that.
- Many companies do this without the buyer knowing...

Incoterm	DPU	
Mode of Transport	Any	
Obligation Point	Party that bears cost	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Seller	Seller
Main carriage (sea/air) to port of import	Seller	Seller
Cargo insurance	Seller	Seller
Unloading cargo in port of import	Seller	Seller
Loading cargo on truck in port of import	Seller	Seller
Transportation to place of destination	Seller	Seller
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Seller	Seller



Delivered at Place Unloaded (DPU)

■ Notes:

- Applies to any mode of transport
- Virtually the same as FOB Destination

■ When to use DPU as the buyer:

- You can pass all the risk and cost onto the seller, except for duties and taxes

■ When to use DPU as the seller:

- Wouldn't use it unless customer specifies it
- Need to be in control of unloading at the delivery location
- DAP is a better Incoterm to use

Incoterm	DAP	
Mode of Transport	Any	
Obligation Point	Party that bears cost	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Seller	Seller
Main carriage (sea/air) to port of import	Seller	Seller
Cargo insurance	Seller	Seller
Unloading cargo in port of import	Seller	Seller
Loading cargo on truck in port of import	Seller	Seller
Transportation to place of destination	Seller	Seller
Import customs clearance	Buyer	Buyer
Import duties and taxes	Buyer	Buyer
Unloading at destination	Buyer	Buyer



Delivered at Place (DAP)

- **Notes:**

- Applies to any mode of transport

- **When to use DAP as the buyer:**

- Good Incoterm to use if your seller is a sophisticated shipper and can provide you good pricing and good service levels

- **When to use DAP as the seller:**

- This is a great Incoterm to use as a seller, if it is used in accordance with proper cargo insurance
- Make sure to indicate any storage / demurrage because of a customer clearance issue is on the buyers' account

Incoterm	DDP	
Mode of Transport	Any	
Obligation Point	Party that bears cost	Party that bears risk
Loading at origin location	Seller	Seller
Export customs declaration	Seller	Seller
Transportation to port of export	Seller	Seller
Unloading of truck in port of export	Seller	Seller
Loading cargo on main carriage in port of export	Seller	Seller
Main carriage (sea/air) to port of import	Seller	Seller
Cargo insurance	Seller	Seller
Unloading cargo in port of import	Seller	Seller
Loading cargo on truck in port of import	Seller	Seller
Transportation to place of destination	Seller	Seller
Import customs clearance	Seller	Seller
Import duties and taxes	Seller	Seller
Unloading at destination	Buyer	Buyer

Delivered Duty Paid (DDP)

■ Notes:

- Applies to any mode of transport
- Seller takes all of the risk on the shipment including duties and taxes

■ When to use DDP as the buyer:

- Only use DDP if your seller is willing to pay all duties and taxes
- Only use DDP if your seller can claim taxes back through the input tax credit or you'll be leaving money on the table

■ When to use DDP as the seller:

- This is the best Incoterm to use as a seller if you are shipping to the U.S.
- This is the worst Incoterm to use as a seller if you are shipping to a country with an import VAT



Recommended Incoterms (With Caveats)

INCOTerm 2020	Mode of Transport	To / From USA		To / From the Rest of the World	
		Import to Canada	Export from Canada	Import to Canada	Export from Canada
<i>EXW</i>	All modes	High	Medium	Low	Low
<i>FCA</i>	All modes	High	Medium	High	Medium
<i>CPT</i>	All modes	Medium	Medium	Medium	High
<i>CIP</i>	All modes	Medium	Medium	Medium	Medium
<i>DAP</i>	All modes	Medium	Medium	Medium	High
<i>DPU</i>	All modes	Medium	Medium	Medium	Medium
<i>DDP</i>	All modes	Medium	High	Medium	Low
<i>FAS</i>	Ocean only	Low	Low	Medium	Medium
<i>FOB</i>	Ocean only	Low	Low	High	Low
<i>CFR</i>	Ocean only	Low	Low	Low	High
<i>CIF</i>	Ocean only	Low	Low	Low	Medium



Common Mistakes to Avoid

- *Remember the buyer always pays for the transportation, no matter which Incoterm you use*

- *Exporters who use DDP and end up paying GST or VAT in foreign countries*

- *Exporters that use EXW without thinking through the implications of the buyer being required to complete export procedures*

- *Importers / exporters using CIP or CIF without checking whether the level of insurance purchased actually covers the shipment*

- *Landlocked importers who purchase containerized cargo using “CIF Vancouver” or “CIF any other ocean port”*

- *Importers / exporter assume that Incoterms stipulate which party has title on the shipment*

- *Failure to establish how terminal handling charges (THC) are going to be treated at the point of arrival. Carriers' practices vary a good deal here. Some carriers absorb THC's and include them in their freight charges; however others do not.*

- *Failure to use exact addresses. Example DAP Calgary*

- *Using DAP or DPU and not addressing the customs related storage / demurrage fees that can arise in the foreign country*

- *Importers who let their vendor “pay the freight” and end up paying GST / duty on transportation costs*



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Questions?