

TRADE LOGISTICS

YOUR KEY TO INTERNATIONAL TRADE

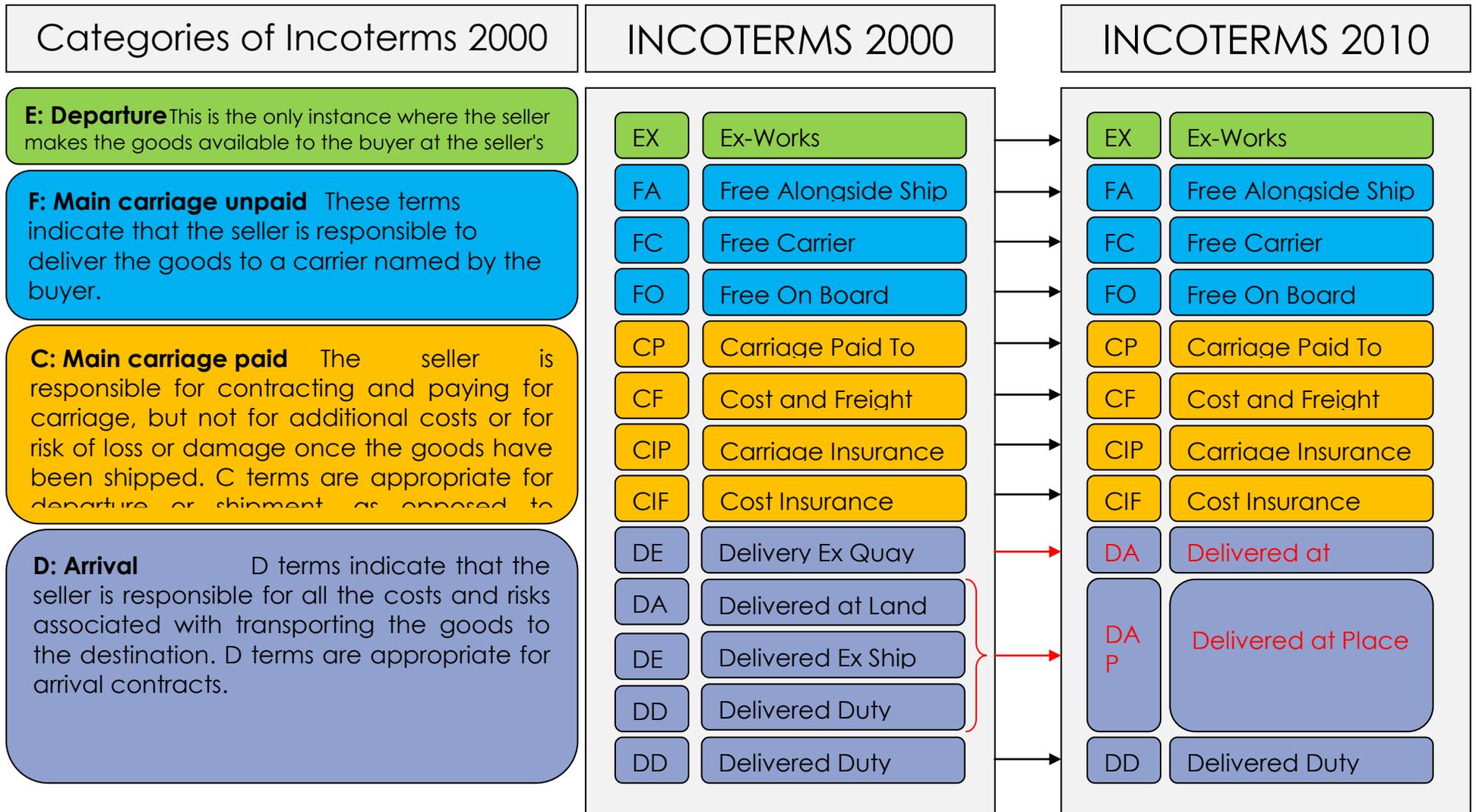
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Differences between 2000 and 2010 Incoterms

Incoterms are revised periodically. The current version is called Incoterms 2010. All contracts made under Incoterms 2000 (the previous version) remain valid. Although we recommend using Incoterms 2010, parties can agree to choose any version of the Incoterms rules. It is important, however, to clearly specify which version you have chosen (Incoterms 2010, Incoterms 2000 or any earlier version). Below are the main differences in incoterms 2000 and Incoterms 2010:



Summary of the main differences:

The Incoterms 2010 eliminates the concept of delivery “over the ship’s rail” or “past the ship’s rail” for the FOB, CFR and CIF terms.

The seller’s responsibility extends until the goods are “on board the vessel” rather than “past the ship rail” (This is a very small technical difference). The concept of goods being loaded “over the ship’s rail” dates back to a time when most cargoes were loaded in break bulk and actually hoisted by cranes over the ship’s rail. Previous versions of the Incoterms have specified that the seller’s risk of loss, for example, passed to the buyer at the specific point when the goods passed over the ship’s rail on their way to being loaded. Today, most cargo is loaded in containers and, although those containers are also loaded over the ship’s rail, it has been decided to use the term “On Board” for the 2010 Incoterms. The transfer of risk provision remains the same, aside from the clarification that risk passes when the goods are on board the vessel, not when they pass over the ship’s rail.

For FOB incoterm the seller must package the goods rather than provide the packaging

(even though in practise this was usually already the case, it is nice to get this clarified).

Under CIF, the seller is required to pay for more insurance than previously.

The Incoterms 2010 more prominently feature insurance and security-related obligations of the seller and buyer in the various terms.

The DEQ incoterm is replaced by DAT

The new Incoterms 2010 rule DAT means “Delivered At Terminal.” This rule applies for any mode of transport and specifies that the seller is responsible for arranging

carriage and for delivering the goods, unloaded from the arriving vehicle. Under this rule a “terminal” is any place where the goods may be unloaded; for example, a wharf, a container yard, or an air cargo terminal. The parties to the contract of sale should

be careful to specify as precisely as possible the specific terminal and point within the terminal where the goods are to be unloaded (many terminals are very large). This is because the risk of loss will stay with the seller until such a delivery and it is important there will be no confusion about the point at which the risk of loss passes to the buyer.

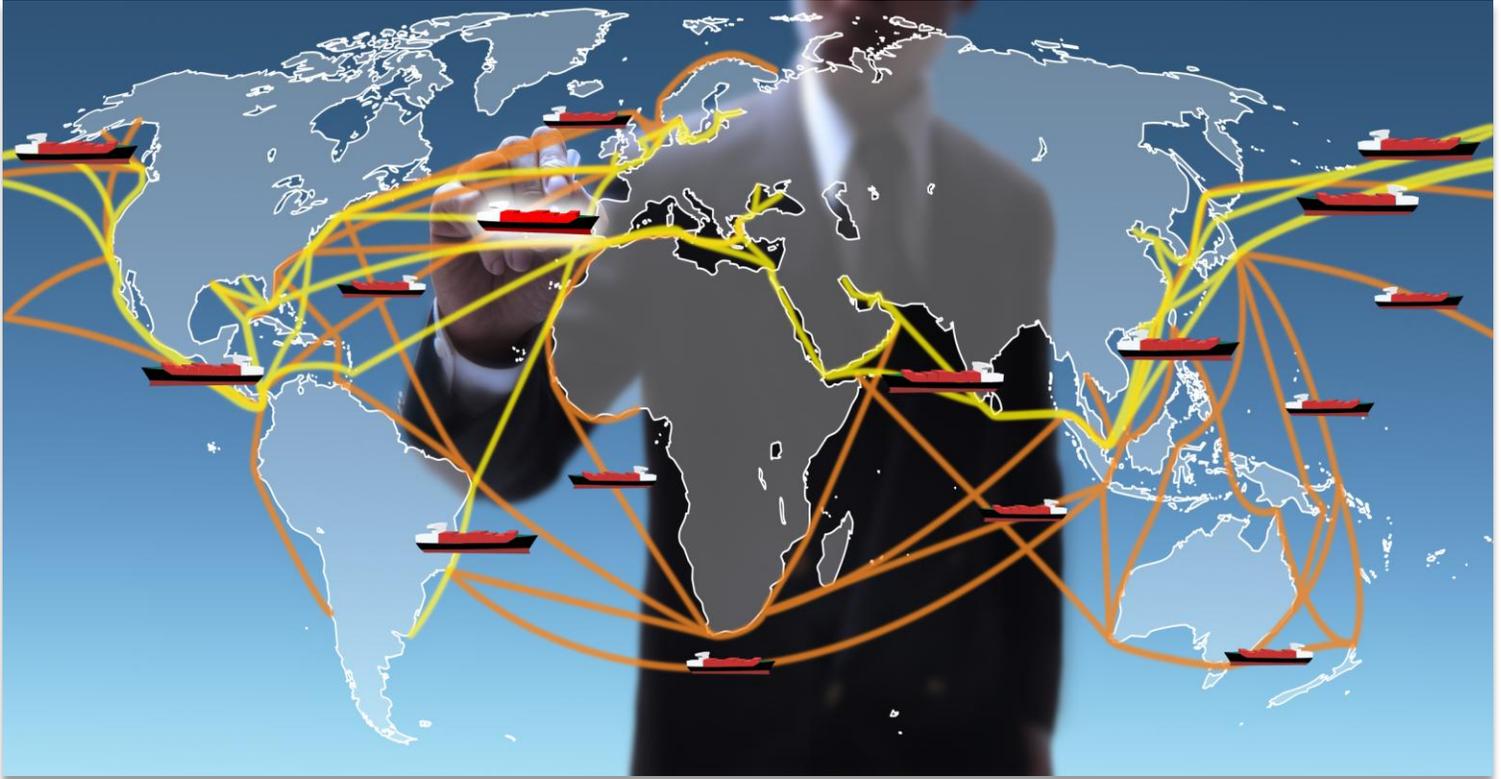
The DAF, DES, and DDU incoterms are replaced by DAP.

The other new Incoterm, DAP, means “Delivered At Place.” The seller is responsible for arranging carriage and for delivering the goods (which is ready for unloading from the arriving carriage) at the named place. This is an important difference from DAT, where the seller is responsible for the actual unloading as well. Thus the seller should only have the goods ready for unloading at the right place for the buyer. If the seller wishes to use the DAP term, it should make sure that its transportation contract matches its obligations. Otherwise, the seller could be charged for unloading costs by the carrier and not be able to recover them from the buyer. Also under the DAP term, the seller is responsible for clearing goods for export but the buyer is responsible for clearing goods for import. If the buyer wishes to have the seller take responsibility for import clearance as well, it should use the DDP (Delivered Duty Paid) term.

If you need to receive hard copies (as opposed to electronic versions) of your shipping documents, make this point clear in your contract.

Incoterms 2010 recognizes electronic means of communication as being equivalent to paper communication when the parties agree. Therefore, if the

parties to a contract of sale wish to specify that electronic communications are the equivalent of paper communications, they should insert a term dealing with this in the contract.



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Contact Us

Email: info@tradelogistics.co.za
Phone: 0861 0 TRADE (87233)
Int'l Calls: +27 (0)21 850 0967
Fax: 086 679 3216
Office: Unit 4, First Floor, Trident Park II,
Niblick Way, Somerset West

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