

## Appendix M

# Shipping Terms

### **FOB Definition:**

FOB, “Free On Board or Freight on Board,” is a transportation term that determines the point at which title for the merchandise passes from the Seller (Vendor) to the Buyer (State/agency):

The FOB term is used with a “modifier” which determines the point at which title for the merchandise passes from the Vendor to the State/agency:

#### ***FOB Destination (ALWAYS USE THIS SHIPPING TERM):***

- The Vendor retains title and control of goods until they are delivered.
- The Vendor selects the carrier and is responsible for the risk of transportation.
- The Vendor is responsible for filing claims for loss or damage.

#### ***FOB Origin (NEVER USE THIS SHIPPING TERM):***

- The State/agency assumes title and control of the goods the moment the carrier signs the bill of lading.
- The State/agency assumes risk of transportation and is entitled to route the shipment.
- The State/agency is responsible for filing claims for loss or damage.

### **Freight Payment Term “Modifiers”:**

The freight payment term modifier identifies the party responsible for the payment of freight.

#### ***FOB Destination, Freight Prepaid & Allowed***

- The Vendor pays the freight charges.
- Freight charges are included in the cost of the merchandise.
- No additional freight charges may be added to the invoice.

#### ***FOB Destination, Freight Prepaid & Added***

- The Vendor pays the freight and adds freight charges as a separate line item on the invoice.

#### ***FOB Destination, Freight Collect (DO NOT USE)***

- The State/agency pays the freight charges at the point of deliver.

Additional information on using these shipping terms can be found in the ALP Manual Class Material.