

Freight Terms

Most purchases of goods involve agreement on freight terms, which are often specified in the quote, contract, or general terms & conditions. For international shipments, it is common to hear the freight terms referred to as Incoterms (International Commercial Terms). **The Incoterm® rules are the internationally recognized freight terms for international ships and are commonly, but not always, leveraged in domestic shipments.**

The most important things to consider when determining freight terms are:

- **Costs** – Who pays the freight costs for each leg of transit?
- **Risk** – Who covers insurance and/or is responsible if the goods are damaged in transit?
- **Taxes & Fees** – For international shipments, who covers any customs duty or taxes?
- **Title** – Who owns or has title to the goods? The title is not necessarily indicated by the shipping terms and can be noted separately on the commercial document.

If you are shipping or receiving **internationally**, we suggested reviewing the International Chamber of Commerce’s website to align on the appropriate term – **ICC’s Incoterm® Rules 2010**.

If you are shipping or receiving **domestically** (within the United States), FOB terms are still common and acceptable. The ICC terms for international shipments can be used, but are less common for domestic. Purchasing Services normally recommends that purchase orders and quotations spell out “FOB: Destination; Freight Prepaid and Allowed.” However, there may be times when accepting a lower bid requires that we pay the shipping costs and accept the risk of loss for merchandise in transit.

COMMONLY-USED SHIPPING TERMS AND THEIR IMPLICATIONS

NOTE: You will sometimes see the term “Freight Allowed” which means the seller pays the freight bill and absorbs the costs.

Terms of Sale	Payment of Initial Freight	Bears Final Freight Cost	Owns Freight in In-Transit	Assumes transit risk
FOB Destination, Freight prepaid	Shipper	Shipper	Shipper	Shipper
FOB Destination, Freight collect	Receiver	Receiver	Shipper	Shipper
FOB Destination, Freight collect and allowed (deducts from invoice)	Receiver	Shipper	Shipper	Shipper
FOB Origin, Freight prepaid	Shipper	Shipper	Receiver	Receiver
FOB Origin, Freight collect	Receiver	Receiver	Receiver	Receiver
FOB Origin, Freight prepaid and charged back (adds to invoice)	Shipper	Receiver	Receiver	Receiver
FOB Destination, Freight prepaid and charged back (adds to invoice)	Shipper	Receiver	Shipper	Shipper