

TAKE CONTROL OF YOUR FREIGHT AT THE BORDER AND BEYOND

Door-to-door shipments know no boundaries in today's supply chain.



Cross-border shipping has increased greatly over the past decade and shows no signs of slowing. The value of U.S. surface transportation trade with Canada and Mexico in June 2011 increased by nearly 16% when compared to June 2006 and by 59% when compared to June 2001.¹ The assigned value of the increase in cross-border transportation in the past year is significant, translating to more than \$77 billion.

More than \$1.6 billion in goods and services and 300,000 people cross the Canada-U.S. border every day, according to the Pacific Northwest Economic Region. Statistics Canada reports that Canadian railways carried nearly 13% more in freight in the past year. Canadian truckload mirrors this growth at just over 12% for the same period of time.

With many shippers considering expansion of their business operations and customer base outside of the U.S., the increase in freight movement between the U.S. and its North American neighbors is likely to continue.

The total U.S. trade flow by truck and rail with Canada was \$304 billion in 2009,² and one of the undeniably growing contributors to this is retail. U.S. retail chains are gearing up for a modern-day Canadian gold rush. Walmart, the world's biggest retailer, recently announced its plans to open 40 more Canadian stores, requiring an investment to the tune of \$500 million.³

Likewise, Target bought out the leases to the majority of Zellers' stores, announcing it will enter Canada by the end of 2013. These two U.S. retail giants indicate an American retail movement of

¹ Bureau of Transportation Statistics of the U.S. Department of Transportation.
² Research Institute, Western Washington University.
³ The Canadian Press.

expansion into its northern neighbor. This expansion also solidifies Canada's current and future economic strength as a country. Where these two companies go, others will follow.

Trade volume with Mexico is significant as well. The two-way total in trade flow by truckload and rail between the U.S. and Mexico is reported to be more than \$240 billion.⁴ According to the U.S. State Department, more than 18,000 companies with U.S. investment already have operations in Mexico.

The challenges to move freight throughout North America are plenty. Mistakes are costly.

The complexities of managing a supply chain in the U.S. are vast. Those companies who look beyond their borders to move freight throughout all of North America are met with an entirely new set of challenges. Customs, paperwork, unreliable carriers and security threats cloud an already-complex process.

The underlying issue with each of these obstacles: the risk in getting it wrong. Failure to cross the border correctly can result in fines, transit delays and the cost of lost opportunities. A miss on just one piece of paperwork at the border can cost a shipper thousands of dollars.

Customs requirements may be a shipper's greatest challenge.

400 SPECIFIC PENALTIES

➔ **\$500** ←

TO

\$25,000

FOR EACH FINE

The most underestimated complexity when considering a cross-border move may be the paperwork. The accuracy of three categories of paperwork at the Canadian border can result in more than 400 specific penalties. Depending on the severity, a shipper could be responsible for \$500 to \$25,000 for each fine. When moving freight into the U.S., the penalties are even higher.

Lost time is another costly result of getting it wrong. Discrepancies in paperwork can cause transportation delays because whenever a question arises as to the integrity of the load, the paperwork must then be sent to secondary processing. This extra step can cost shippers hours or days in the ultimate delivery of their freight.

Not only can paperwork be complicated but the process in providing it can be too. Over the past several years, additional layers of regulations have caused headaches and delays when moving freight across the border. In 2004 for example, the Trade Act of 2002 came into full effect, requiring a one-hour minimum prenotification of the manifest. As opposed to assessing the manifest at the border, prenotification adds steps and paperwork – and additional opportunities to hold up freight if an “i” isn’t dotted or a “t” isn’t crossed.

Initially, all paperwork was faxed. However, in 2006 the ACE E-Manifest was implemented, requiring the paperwork to be filed electronically. Again, a new system and process needed to be created.

⁴ Research Institute, Western Washington University.

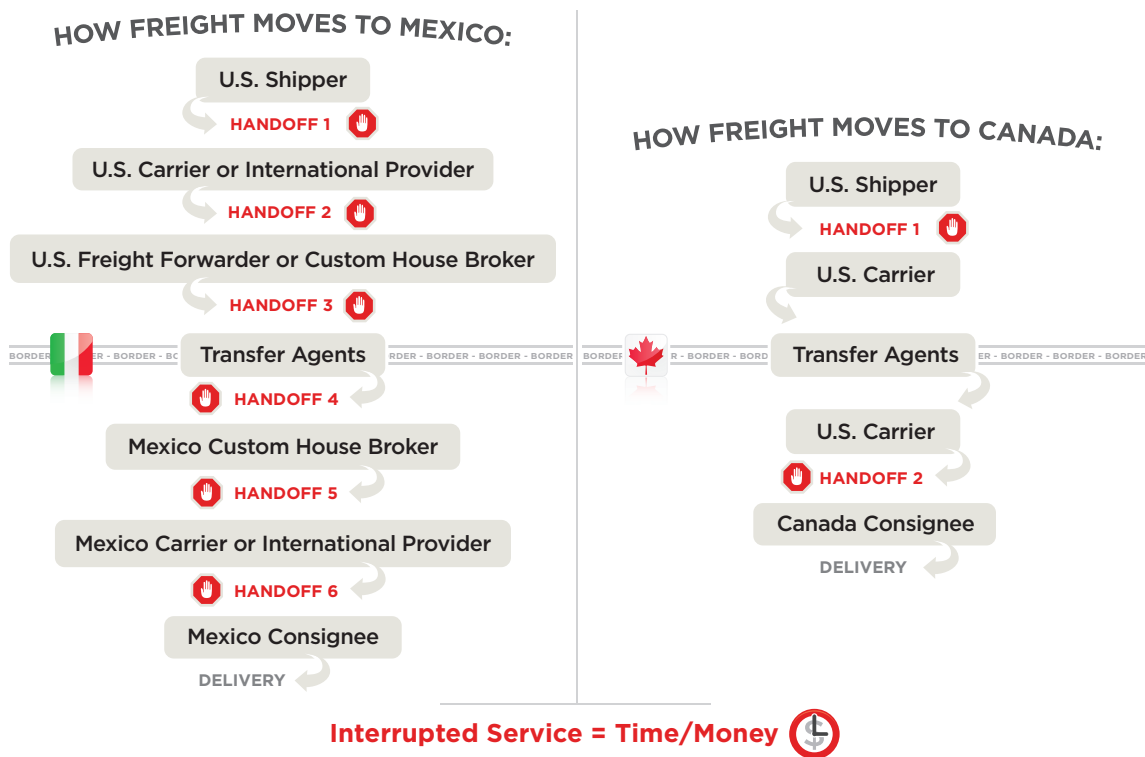
E-manifests provide U.S. Customs and Border Protection with cargo information such as crew, conveyance, equipment as applicable and shipment details, allowing truck processing to begin before the truck arrives at the gate.

In general, the customs processes and procedures are fluid and continue to change within the U.S. and border countries. Case in point: Canada will likely require its own e-manifest by summer 2012.

Shippers must find a transportation provider who is vigilant about being informed on border-crossing changes and in helping to prepare its customers for them. Finding a transportation provider, those with brokerage, LTL, truckload and intermodal services and a footprint in each country throughout North America is the first step in ensuring the company has a vested interest and can be proactive regarding shifts in the ever-changing customs landscape.

Many hands = many points for errors and delay.

Mexico-bound freight is touched by at least seven different entities – five of those are not the shipper. Not only does this build in opportunities for inefficiency but low visibility and unclear accountability for freight integrity as well. Although Canadian-bound freight realizes fewer handoffs overall, each one holds similar challenges with paperwork necessities at every step.



With so many people involved in the process, it's easy for the sense of urgency to be lost when it comes to keeping any given shipment moving through the supply chain. For example, loads can stay an average of five days at the border waiting to complete the process from the time of arrival at the U.S. transportation provider to the point of departure of the Mexican carrier.

If shippers do not have one transportation provider managing every point of this process, they can potentially be coordinating three different companies for these multiple steps: one who handles the domestic move, one who handles the border transfer and a third who handles the foreign movement. Each of these companies will have their own areas of supply chain expertise, processes and invoicing procedures.

The result: it becomes incumbent on the shipper to keep track of the handoffs in the process and to ensure what is billed matches what was delivered, unless their transportation provider is capable and willing to manage the responsibility of this process.

Operational differences create additional obstacles.

The U.S., Canada and Mexico each have their operational nuances and, therefore, navigational challenges when trying to effectively and efficiently move freight. The ultimate goal is to manage all of them when piecing together one seamless move throughout North America.

Shippers who manage freight into Mexico know the vast differences in infrastructure. Language barriers, integrity of the highways and cultural differences are just a few of the challenges shippers face. For example, according to *Inbound Logistics*, only 25% of Mexico's roads are paved. Privatized highways may offer the best access; however, finding a reliable carrier who can efficiently find the best solution on a given lane is paramount.

Freight theft is an issue throughout North America. Thieves are getting smarter, more aggressive and more selective in their targets. However, thieves operate differently in each country. Knowing how freight vulnerabilities stack up in each country is critical to ensuring the integrity of the load.

Mexico experienced more than 60 cargo thefts in Q3 2011. The majority of these thefts were hijackings while the load was in transit (93%).⁵ A security-minded transportation provider will ensure all intermediaries are using the best available technology and procedures to reduce the risks while loads are in transit. They will ensure drivers follow assigned routes based on security information, have the capabilities to actively track both tractors and trailers with satellites, and have reaction procedures in place if a load makes an unexpected stop or deviates from the planned route.

Finding a logistics provider who understands the need for increased security measures while operating within every country throughout North America is critical to a successful move.

Capacity crunch struggles exist in the U.S. and beyond.

As shippers who manage a supply chain in the U.S. know, volatile fuel prices, a driver shortage, a major wave of government regulations and a sluggish but improving economy all play a part in creating a problematic logistical environment. With the threat of additional regulations on the horizon, capacity will tighten even further. All of these factors put a squeeze on shippers' ability to manage costs and deliver freight through the U.S. and into border countries.

⁵ FreightWatch Mexico Cargo Theft Report Q3 2011.

Capacity crunch struggles are not unique to the U.S. As a general rule, Canada's capacity surplus or constraints have generally followed the patterns in the U.S. In all likelihood, the capacity crunch is even more severe in Canada. Factors contributing to it:

- The current political climate in Canada has evolved to a pro-business position toward trucking, rail and port industries. The federal government, via the Department of Foreign Affairs, has created a formal initiative to promote Canada as a gateway to North America.
- This translates into a higher volume of business occurring within Canada, near term and beyond. The economic strength of the country will continue to climb as a result of it.
- The Canadian carrier environment is very fragmented when it comes to full-load carriers, causing the need for shippers to place multiple calls before piecing together a capacity solution to their supply chain needs.
- A driver shortage that mirrors the levels seen within the U.S. creates a competitive environment for freight movement.⁶

Add each of these factors together, and the gravity of the Canadian capacity crunch is realized.

Shippers may face capacity problems when moving freight across the Mexico border as well. Prior to NAFTA, most carriers charged significantly higher rates for freight going into Mexico than for freight that was going into the U.S. The reason: utilization of assets in Mexico was low and there were often difficulties getting freight out of Mexico. Although some carriers have not changed their pricing methodology since before NAFTA, many things have evolved. Finding a carrier with local expertise and a balanced freight flow throughout North America will result in a smoother supply chain solution with lower transportation costs.

Shippers can take control of their cross-border moves.

Even with all of these identified challenges, shippers should expect the same level of service they receive in the U.S. in Mexico and Canada. They should always feel in control of their own supply chain.

Seven must-haves when choosing a cross-border transportation provider include:

1. Customs experience //

The border transfer is the most complex piece of freight management throughout North America. Finding a provider who has decades of experience in guiding customers through this process cannot be overstated. Not only does this experience help in proactively ensuring that paperwork is filed correctly and sent on time, it is also valuable when an issue does arise.

When mistakes are made – which will inevitably occur – a reliable transportation provider will also help its customers quickly maneuver through that process as well. Relationships (and reputation) with border agents and experience with correcting mistakes in the past each play a critical role in reducing the expense of an error and quickly getting freight heading to its destination.

⁶ Canadian Trucking Human Resources Council.

Because of the introduction of the e-manifest, technology know-how throughout the customs process is a requirement in a transportation provider. Many smaller providers simply do not have the capability to manage the electronic processing requirements at the border.

2. Security-minded capabilities

Responsible over-the-road carriers and intermodal providers are proactive about security when crossing the border. Not only do responsible practices maintain the integrity of the freight and limit negative brand exposure, but they can also save shippers time and money with their moves.

Transportation providers who manage freight throughout North America should be members of various organizations including Customs-Trade Partnership Against Terrorism (C-TPAT) and Partners in Protection (PIP). While voluntary, members qualify for these associations by passing security policies and procedures tests. At the border, those who are members of these groups are viewed as low risk and clear customs faster than those who are not.

One additional benefit to finding a provider who is a member of C-TPAT is that its drivers have Free and Secure Trade (FAST) certification. Carriers with FAST-certified drivers are viewed as low risk when crossing the border and typically experience an expedited process when doing so.

Truckload Security Measures.

The most important component for security – regardless of the country – is visibility. Shippers should only partner with carriers who are able to provide the technology to monitor load progress. Methods such as track and trace technology, in-cab technology, systemwide alerts and reporting should make the short list of mandatory requirements when choosing a transportation provider. Additional security measures should include:



- *Use of authorized and certified carriers only*
- *Use of only certified drivers*
- *A well-maintained and dedicated fleet to reduce roadside maintenance needs and maintain the integrity of the load it carries*
- *Use of safe roads and toll roads only*
- *Adequate liability insurance per load*

Intermodal Security Measures.

Rail shipments statistically provide better security than truck. The Kansas City Southern Mexico (KCSM) claim index reported that 99.98% of the loads moved by rail arrived complete and safe.

Because intermodal service (while on the train) is typically in constant motion with very few stops, this greatly reduces the risk of incidents. While many of the truckload security measures apply, additional ways to ensure your cross-border provider is security minded include:



- *Use of authorized toll roads to and from ramps and origin/destination*
- *Placement of containers in the bottom well of a double-stack train*
- *Adequate liability insurance per load*

3. Capacity

Freight movement is paramount to shippers, regardless of the capacity environment. Finding a multimodal provider with the ability to quickly take control of a shipper's load saves time, money and headaches.

Shippers should work with a provider who has capacity and/or extensive networks within each North American country to execute their freight moves effectively and efficiently within each.

In Canada, the marketplace is extremely fragmented for truckload carriers. Most large carriers are privately held Canadian companies. However, there are U.S.-based truckload carriers with a significant presence in Canada. Shippers should move these carriers to the top of their list, knowing that a carrier solution with assets will save time and money overall.

Without asset-based capacity, quality relationships rule. Those providers who have experience – and relationships within countries such as Mexico – will know which reliable carriers to use to ensure quality and seamless service.

Ensuring shippers have a trusted transportation provider within the U.S. as freight moves throughout North America will only increase in importance to the success of a shipper's supply chain solution overall.

4. Local representation

In-depth, firsthand knowledge of the country within which a transportation provider is providing a solution is critical. It is only with local representation that a transportation provider can truly know the best routes, customs procedures, optimal modes of transportation, local business providers and more.

When a provider is in close proximity to the shipper's freight, safer and speedier logistics solutions can be crafted. For example, local representatives can perform site visits with Mexican carriers, ensuring safe facilities and certified drivers. Or in Canada, if a lane becomes unavailable, a carrier operating within the country can more quickly provide an optimal solution to ensure faster delivery of the freight.

A small but important detail: When operating in Mexico, a transportation provider representing a shipper should also have bilingual account representatives who are able to deliver customer service and support 24 hours a day.

5. Simplicity and connectivity //

Establishing an ongoing relationship with one trusted cross-border transportation provider adds value and increases the ease with which freight can be moved. This one-stop-shop ensures one clear process for a shipper, as opposed to setting and managing expectations with three different entities (one for the domestic move, one at the border transfer and one for the foreign move). With one transportation provider, the responsibility of creating a connected move throughout North America becomes the responsibility of the provider, not the shipper.

An often-overlooked benefit in simplifying the management of a cross-border move with one provider is in knowing that with one phone call, a shipper can manage where their freight is throughout all of North America. This can provide immeasurable peace of mind.

6. Options //

When assessing a cross-border move, shippers should find the right over-the-road or intermodal carrier that provides them with options in moving freight. Location, deadlines, volume and frequency can all dictate the appropriate type of service needed. A carrier that can provide truckload and intermodal services will ensure that the right recommendation is made based upon the shipper's needs.

7. Experience //

The most valuable cross-border logistics provider will be one with years of experience in moving freight throughout North America. Moving hundreds of loads a day across the border provides experienced transportation providers the ability to navigate complexities.

With all of these moves come unique challenges – and the necessity to work closely with border agents to navigate them. Because of these relationships, experienced transportation providers gain insider knowledge as to what is on the horizon for changes in the cross-border landscape. The bottom line: experience is invaluable for this complex process, and shippers should seek and expect it from their carrier.

RELIABILITY  **VULNERABILITY**

for a shipper considering a cross-border move. Finding the right transportation provider can eliminate the confusion and frustration over paperwork, customs, security threats and more.

With the right provider managing the process, shippers can be in control of their supply chain throughout North America and know that door-to-door – regardless of the country – can be as easy as it sounds.

For more details on navigating a cross-border move or to learn about other key issues and advances in the industry, connect to [The Knowledge Hub](#) for case studies, podcasts and more.

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