



SOLUTION BRIEF: INBOND INTERMODAL SERVICE TO MEXICO

Over the past 15 years since NAFTA liberalized trade between the United States and Mexico, over the road (OTR) trucking has become the most popular—and most challenging—method of moving raw materials into Mexico. Several factors contribute to the difficulties United States companies face when delivering their goods via truck into Mexico, including congestion at border crossing points, and treacherous road conditions.

Through the first eight months of 2008, there were more than 2 million border crossings by truck into Mexico through Texas alone.¹ The volume of trucks crossing the United States/Mexico border, combined with increased security measures implemented by the Mexican and United States governments following 9/11, have resulted in costly delays at border crossing points. The congestion at the border has become so pronounced that the average 53-foot trailer will be delayed two to three hours crossing the border into Mexico.²

Beyond the border the challenges continue as truck drivers and their shipments face treacherous road conditions. Mexico's government has struggled to keep pace with growth of its manufacturing sector and has not invested sufficiently in its infrastructure to support the increased volume of trucks on its roads. Only 50% of Mexico's roads are paved, and among them, only 1.8% of paved roads are expressways.³ Mexican roads also differ greatly from those in the United States, featuring tighter curves, narrow tunnels and bridges—all of which are troublesome for truckers to navigate.⁴ In addition to poor road conditions, free roaming livestock poses a major road hazard as most farms do not feature fences. Annually, it is estimated that 40% off all traffic accidents in Mexico involve livestock.⁵ Other factors, including theft and the drug smuggling trade, have had a substantial impact on many U.S. companies utilizing OTR as their primary shipping method to points within Mexico. Even Mexico's customs officials acknowledge that haulers are more vulnerable to theft and influence from criminal organizations within their borders.⁶

These challenges pose an expensive problem for chemical exporters. Fortunately, a better shipping solution exists: Inbond intermodal service.

How Inbond Intermodal Service Works

Intermodal shipping is the process wherein multiple modes of transportation partner to provide integrated door-to-door services. This method of shipping optimizes the relative strengths and efficiencies of each to deliver goods over long distances. Shipping inbond utilizing intermodal service into Mexico utilizes trucks for a short delivery at one end or the other, with the greatest distance covered by rail—including the border crossing. Prior to their arrival at the U.S./Mexico border, inbond shipments have already been processed and approved for entry. In this way, inbond shipments may cross the border to Mexico without stopping. Mexico allows this form of shipment across its border because railroads have been cooperative with the Mexican government, sharing information electronically which allows them to monitor rail traffic, ensuring that trains do not make unauthorized stops and that cargo is not removed until it reaches its final destination. As a result, inbond intermodal shipping bypasses border congestion and speeds the inspection and clearance process.

To initiate an inbond shipment, a chemical company delivers their bulk liquid products to a convenient container yard or rail facility in the United States or Canada. Chemical companies may choose to deliver their products in BulkTainer, or other ISO tanks, where they are transferred to a rail car and processed for delivery to their destination within Mexico. Chemical companies must provide three pieces of documentation for each shipment:

- 1) a certificate of origin;
- 2) the Bill of Lading and;
- 3) the commercial invoice.

From there, a United States Freight Forwarder (USFF) controls and manages the inbond documentation flow, including filing the Shippers Export Declaration (SED) with U.S. Customs. Once the shipment is underway, all movement of the shipment can be tracked by a third party until it reaches its final destination across the border, whereupon a designated Mexican Customs Broker (MCB) assists in clearing the shipment through customs and ensures that the shipment is delivered to its final destination.

Benefits of Inbond Rail vs. OTR Delivery into Mexico

Rail offers comparable delivery speed as OTR and is by far the safer shipping method. In the United States alone, 87% of incidents involving hazardous materials took place on the highway, versus 5% of incidents on rail in 2007.⁷ While this data is not available for Mexico, given the poor road conditions and other factors referenced above, we can extrapolate that incidents involving hazardous materials are dramatically greater when shipping via Mexico's roads than their rail lines, as well. Whether shipping hazardous or non-hazardous materials, utilizing a safer shipping mode means fewer expenses associated with accidents, theft, damaged equipment and related litigation.

Shipping via rail offers the additional benefit of being more environmentally friendly. One intermodal train takes up to 280 trucks off the highways, significantly reducing carbon emissions in the process.⁸

Chemical companies can also significantly reduce their shipping costs by switching to inbond intermodal delivery—a benefit that is particularly critical given the current global economic crisis.



Business Case Study

One ChemLogix business partner—with global operations in more than 70 countries worldwide—is the manufacturer of 100 chemical products for use by automobile manufacturers in the production of vehicles. Two of these products, both non-hazardous coatings, were recently transitioned from OTR shipping to inbond shipping via rail to clients in Mexico.

Between these two products, the partner business ships approximately 200 loads per year to Mexican ramps. Since switching to inbond intermodal, this company has realized savings of approximately \$3300 per shipment. Annually, they are saving more than \$600,000 from moving to an inbond rail delivery approach.

The Value Proposition

ChemLogix offers the efficiencies of outsourcing, as well as strategic insights and industry-leading best practices. We leverage decades of chemical transportation experience to deliver world-class logistics performance for chemical organizations. Through our dedicated team of logistics management professionals and web-based technology, ChemLogix enables companies to reduce total costs, increase customer satisfaction, gain real-time visibility, and rapidly evaluate and deploy innovative supply-chain management initiatives.

Sources:

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- 4 Hauling South, Dan Schiller, Business Mexico; Mexico City: 1991 Vol. 1, Issue 8, p. 18
- 5 Mexico Road Conditions, Mexico Insurance Services; Mexinsure.com: November 2008
- 6 Mexico Offers Logistics Alternative, Ricardo Castillo Mireles, Entrepreneur.com: May 2005
- 7 Hazmat Summary by Mode of Transportation/Cause; U.S. Department of Transportation: 2007
- 8 Environmental Report, BNSF RAILWAY COMPANY: 2006



About ChemLogix

ChemLogix, LLC is the leading provider of comprehensive chemical industry logistics management and technology services that together with its supply chain consulting resources enable its clients to improve performance and drive economic value. ChemLogix is dedicated to solving its customers' most vital logistics challenges by leveraging chemical industry expertise, best-of-breed technology and a personalized, high-touch approach to deliver measurable, sustainable value. For more information call 800-288-4851, visit www.chemlogix.com or email information@chemlogix.com.