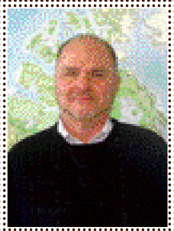

Small Parcel/LTL Shipping from the US to Canada

Economic issues have impacted all US companies. One answer is to seek volume elsewhere, and a great market exists to the north. The Canadian dollar is approximately 10% lower than the US dollar currently and has risen 18% since March of this year. This is making goods more affordable for Canadians, and business from the US to Canada is increasing. Canadians look to US providers for cost savings, variety, quality and ease of availability. If your firm is one of those experiencing more Canadian business, now is a good time to review your shipping profile with the following options.

Customs Clearance Fees

You pay a Customs clearance fee per shipment to enter Canada, but shipping more in a single bulk "unit" can reduce the fees per package. Here are some options that impact the total fees:

Canadian Warehouse

If you have significant volume, you might explore the cost of either establishing your own or using a third-party logistics (3PL) managed Canadian distribution center and making a large shipment to stock the warehouse. The advantage is the trucking cost is less than the small package cost, and you are assessed one Customs clearance fee per container/truck, so the cost per package is reduced significantly. Instead of $20 per package for clearance, you may pay $150 for 1,000 packages. Orders on hand in Canada can also be delivered more quickly to Canadian customers. One possible disadvantage is that maintaining an appropriate inventory in two places can present additional costs that negate the Customs clearance and shipping fee savings.

Consolidating via a Small Package Carrier

A second option is to arrange a consolidated shipment with a small package carrier so that multiple packages move together and are cleared for one fee. As in the previous example, both clearance and shipment fees can be reduced. The UPS World Ease and FedEx International Priority Direct Distribution programs are possible alternatives.

Your Own Consolidated Shipment

A third option is to consolidate your small package shipments and move the cargo to a northern border location via LTL service. From there, independent 3PL services can arrange the cross border shipment into Canada. After customs clearance, distribution is arranged with a Canadian carrier. The resulting "domestic" freight movement can achieve savings over an "international" shipment. Some companies can help provide a fully landed cost (duty, taxes and shipping) at point of sale. Canadaplus.com is one company that offers a service like this (www.canadaplus.com). ■

TOM M. STANTON is an International Logistics Analyst with AFMS, LLC. He can be reached at tom.stanton@afms.com or 800-246-3521. Visit www.afms.com for more information.

DUTY AND TAX PAYMENT ALTERNATIVE

Non-Resident Importer Besides these various cargo movement options listed above, you may want to evaluate the benefits of establishing your company as a Non-Resident Importer (NRI). Information on how to become an NRI is available on the Internet or from any Canadian Customs broker. As an NRI, you pay all the duties and taxes. This offers a convenience to your clients with regard to duty and tax payments so they do not need to meet and pay the couriers when the packages arrive at their homes. As an NRI, you can include a line item for duties and taxes at order time and bill the charges to their credit cards, assuming you know the applicable duty and tax rates. You will be paying the Canadian Goods and Services Tax (GST) of five percent. The importer is also responsible for paying local sales taxes, if applicable. We recommend you do a careful review of the potential Harmonized Sales Tax (HST) or Provincial Sales Tax (PST) requirements for your shipments. Duty rates are available on the Internet via the Canadian tariff. You may also consider contacting our office if you would like more information.