

further processed, manipulated or manufactured would be the lesser of the amount payable on the materials originally moved into the FTZ or the amount payable on the finished products moved out of the FTZ for delivery to a U.S. customer.

- U.S. import duties or excise taxes do not apply to merchandise held in an FTZ for re-exportation to a point outside the U.S.
- Canadian goods held in Southern U.S. FTZs are nearer to markets in the Caribbean, Mexico and South America.

In recognition of the last two advantages, a number of Canadian manufacturers (e.g., structural and architectural steel and automotive parts companies) engage the services of Canadian freight forwarders to ship their goods in bond to free trade zones in Southern U.S. port cities such as Miami, Houston and New Orleans. Many freight forwarders consolidate shipments in Ontario and Quebec into regularly scheduled truckload shipments to port city FTZs from which they may be reconsolidated into containers and loaded onto ships destined to various Caribbean and Latin American markets.

As discussed in the section of this report dealing with freight forwarders, the first advantage of this type of arrangement is the lower through rate which a forwarder can offer by consolidating numerous small shipments. The greatest advantages, however, lie in the reduction in paperwork and U.S. customs-related costs that a shipper can avoid. For example, if you wish to ship goods without using a forwarder and his bonded warehouse located in the free trade zone, you will have to complete documents related to the export of goods from Canada, complete the U.S. import entry documents, pay duty on the goods to U.S. Customs, file documents for the re-export of goods from the U.S., file a claim to have your U.S. duties refunded, and finally, complete documents for entering goods into the destination country.

On the other hand, if you make use of a freight forwarder's regularly scheduled services, (trucks are expedited to coincide with ship schedules) and private bonded warehouse in a free trade zone, events will flow more smoothly. Once you have advised the forwarder (whom you have evaluated as offering the best service and rates) that you wish to ship, he will arrange to pick up your goods at the proper time. Instead of paying the required duties to U.S. Customs, the forwarder will post a bond with U.S. Customs on your behalf for a nominal charge (\$10 or less) and file a "Transit Entry" form. As soon as the goods arrive at the bonded warehouse in the free trade zone, or are loaded onto the ship, the bond is cancelled.

The documents related to export/exit from Canada and import/entry into the destination

country are still required. Although you can complete these yourself, as well as you can post a bond and file a transit entry form with U.S. Customs, you can evaluate the merit of having a qualified forwarder/customs house broker do it for you by comparing the value of your time to the fees that will be charged.

Sources of further information on warehousing and related physical distribution matters are provided in Section VII. More information on the use of bonded free trade zones warehousing is available by contacting freight forwarders listed in the yellow pages of your telephone directory or the free trade zones listed on page 27 of this report.

