

2. TRANSPORTATION

Mexican transportation services have improved markedly over the past several years. Deregulation and increased competition have combined to shorten transit times and improve services for international traffic. As the provisions of the North American Free Trade Agreement (NAFTA) and other international agreements are phased in, opportunities will improve for Canadian exporters and carriers alike.

There are four ways to get your product to the Mexican market: road, rail, marine and air. Of these, road transportation is the most popular, accounting for about half of Canada's exports to Mexico in 1993. The decision on the mode of transportation depends primarily upon the rate, the transit time, the nature of the product and the package of services offered. Exporters can purchase transportation services directly through a trucking company, railway, airline cargo office or marine shipping agent, or they can deal indirectly through a freight forwarder.

ROAD

Road transportation to and from Mexico has grown in importance in recent years. The proportion of Canadian exports transported by road grew from one-third in 1988 to more than half in 1993. Only large quantities of bulk commodities are outside the domain of truck transportation. Refrigerated cargo moves almost exclusively by truck. Road transportation from major Canadian cities to the Mexican border at Laredo, Texas, takes about four days in full-truckloads (FTL) and up to seven days for less-than-truckload (LTL) shipments. Once customs is cleared, another two or three days are required for the goods to reach Mexico City.

The exporter should ensure that arrangements have been made to transfer the shipment to a domestic carrier at the Mexican border. Some trucking companies simply transfer the trailer to a Mexican tractor; others reload the cargo into a Mexican trailer.

Many Canadian trucking companies have developed arrangements with U.S. and Mexican truckers and can provide a complete transportation package for the Canadian exporter. Examples include: Gerth Transport, Mill Creek Motor Freight, Can Pac International Freight Service, SGT 2000, Canadian American Transportation, SMR Transport, N. Yanke Transfer, Challenger Motor Freight, Future Fast Freight and Trimac.

Under the North American Free Trade Agreement (NAFTA), the right of entry for Canadian and U.S. trucks will be phased in gradually over a 6-year period, beginning with access to Mexico's northern border states in December 1995. However, following a Memorandum of Understanding between Canada and Mexico, Canadian trucking companies now have the right to cross into Mexico. They must transfer their load to a Mexican carrier within 20 km of the Mexican border. Canadian carriers may also pick up north-bound goods within this 20 km range of the border.

NAFTA PROVISIONS ON TRANSPORTATION

The North American Free Trade Agreement (NAFTA) will affect the trucking industry more than other modes of transportation. Domestic carriers will continue to have exclusive rights to carry domestic cargo on domestic routes, but the rules for international truck traffic will be liberalized. Cross-border deliveries and pick-ups of international cargo will be allowed in all Mexican border states beginning in December 1995. By the year 2000, these transportation rights will be extended to every point in Mexico.

In addition, the maximum level of Canadian investment allowed in Mexican trucking firms that transport international cargo will increase from 49 percent in December 1995 to 100 percent by 2004.

The NAFTA will not significantly affect rail and air services and shipments, as Canada and Mexico have agreed to maintain relatively open international maritime shipping services. Also, Mexico will liberalize the ownership and operation of its terminals, thus opening the market up for new services.

The NAFTA signatories have committed to harmonize a number of standards over the next six years. This includes driver and vehicle standards for motor carrier and rail operations, as well as standards for handling dangerous goods.

All of these developments will enhance the level of transportation services available to the Canadian exporter for shipment to the Mexican market.