



PUBLIC BONDED WAREHOUSES IN MEXICO

The increased use of truck shipments into Mexico is leading to the growth of the public bonded warehousing industry there. In particular, companies offering bonded refrigerated warehousing services have been expanding through partnerships with established U.S. firms.

Under Mexican law, when a shipment is consigned to a bonded warehouse, there is no duty payable or other taxes collectable until the goods are removed from the warehouse. This arrangement makes LTL shipments more feasible, and permits the shipper to maintain inventories in Mexico. Since the value of the shipment is set when the goods enter the warehouse, this also protects the shipper against changes in currency values.

Air cargo shipments have been declining, but they continue to offer a practical alternative to shippers of relatively high-value low-bulk products. Expansion programs are underway at the Mexico City and Toluca airports, but passenger transportation remains the focus of most carriers.

THE REGULATORY ENVIRONMENT

Under the NAFTA, Canadian and U.S. tractors, trailers and drivers will be allowed to operate in Mexico for the first time, but their operation will be limited to international shipments. They will not be allowed to move goods between two points in Mexico, even if they have a partial international load. An exception to this rule is that Canadian trucks will be allowed to distribute goods that arrive in Mexico by other modes of transportation.

Access will be phased in gradually over a 6-year period. Beginning in December 1995, Canadian and U.S. trucking companies will be allowed access to Mexico's northern border states. This will expand to include all 31 Mexican states, in the year 2000.

In the short term, the principal means of entering the market will be to enter into joint venture agreements with Mexican firms. In 1997 Canadian and U.S. ownership of up to 49 percent of the international operations of Mexican firms will be permitted. If the Mexican firm also handles domestic traffic, a separate division must be created. In 2000, 51 percent ownership of international operations will be allowed, rising to 100 percent in 2004.

Under the NAFTA, Mexico's customs clearance procedures will also be streamlined. Currently, Canadian and U.S. trailers are detached and moved across the border by drayage tractors, and must be handled by local tractors and drivers on the Mexican side. The delay can be as little as two or three hours, but it is sometimes a day or more. Many shipments are un-loaded and re-loaded into Mexican trailers, because their owners do not want their trucks to operate on Mexico's poor roads.

A set of agreements was signed in March 1994 between Canada and Mexico which will allow the sharing of trucking facilities, recognize commercial driver's licences from each country and increase technical cooperation and training. Most industry observers believe that these agreements will contribute substantially to improved access to Mexico by Canadian trucking companies.

Regulation of the Mexican trucking industry is the responsibility of the *Secretaría de Comunicaciones y Transportes (SCT)*. The regulations limit the length of trucks to 48 feet, and have recently been amended to

include more rigorous rules for emissions and braking systems. Until recently, weight restrictions were not generally enforced. Truck frames were reinforced to permit loads of 150 percent or more of legal capacity. A new program has been implemented which will permit 80 percent of trucks to be weighed in the first year, rising to 100 percent in the third year. There is no regulation of driver working hours.

OPERATING CONSTRAINTS

Foreign trucking companies operating in Mexico will face a number of operating constraints. These include the condition of the roads, the quality of diesel fuel, the legal system and the infrastructure.

In 1993, Mexico had 3,400 kilometres of high-specification freeways, mostly accessible by toll. Other highways are generally in very poor condition. Some estimates place the proportion of roads in poor condition as high as 60 percent. Maximum speeds on many of them are only 50 or 60 kilometres per hour. There are problems with low bridge clearances and tight curves on some highways. Twenty-four hour truck stops are rare, and security can be a problem in some parts of the country. Trucks often stop in groups at the sides of highways for security reasons.

Some Mexican diesel fuel is of poor quality. Some samples have tested at 300 percent of the allowable sulphur content allowed in the U.S. and 150 percent of the Mexican standard. Humidity is higher and octane lower than in Canadian and U.S. fuels. Some operators are concerned that this could damage truck engines. PEMEX, the state oil company, is developing a low-sulphur diesel fuel which will be available on some freeways beginning in the fall of 1994. Fuel prices are being gradually increased to approximate parity with Canada and the U.S.

