

Bonded Logistics Park (BLP) Case Study

Warehousing Solution in China for a Components Manufacturer



The Challenge

The Client is a components manufacturer based in the USA and Europe, supplying product to Original Equipment Manufacturers (OEM's) based in China. With a large international customer base in China, they were looking for the following international supply chain solutions within China:

1. A local presence and local customer service solutions.
2. Local bespoke warehouse solutions, which would allow them to meet their Customer's needs.
3. The ability to store inventory sourced from the USA, Taiwan, India and China locally in China, therefore reducing delivery lead-times.
4. The flexibility to avoid investing in 'bricks and mortar' within China.

The Solution

The solution was to setup 3PL / 4PL bonded warehouses within Bonded Logistics Parks (BLPs) in Shanghai and Shenzhen. BLPs have been setup in China to help the development of a modern logistics industry and to expand the functions of bonded areas. The parks enjoy preferential policies that apply to bonded areas and export processing zones. Enterprises also benefit from other special regulatory areas, such as bonded ports and bonded logistics centres.

The main BLPs are at Shanghai, Shenzhen, Tianjin, Guangzhou, Dalian, Haikou, Zhangjiagang, Fuzhou, Ningbo, Qingdao, Xiamen, Shantou and Zhuhai. These bonded areas are not true Free Trade Zones (FTZ), but special areas that enjoy taxation benefits by being “within China but outside the Customs”. In other words, the goods are on Chinese soil, but not imported into China.

The Official Benefits of a BLP are:

- Goods coming into the BLPs from enterprises outside the parks are deemed as for export, and export VAT refund can be applied.
- Goods within the BLPs can be circulated freely and no value-added tax and consumption tax is paid.
- Goods going out of the bonded logistics parks to China are deemed as imports. They are to be declared to the Customs by the enterprises within or outside of the parks and are subject to tax or exempted from tax, depending on the arrangement.

The Results

Benefit 1

- Goods coming domestically into the BLPs from outside the parks are treated as export and go through export declaration formalities.
- Goods coming into the BLPs from outside China are bonded.

This was a good fit with the Client’s business model because:

- The Client will not pay local taxes or duty on imported goods until the goods are despatched from the BLP warehouse to the customer’s Chinese factory.

Benefit 2

- BLPs are operated by 3rd Parties, such as the Client’s freight forwarding partner.

This was a good fit with the Client’s business model because:

- The Client will not be required to invest in ‘bricks and mortar’ within China.
- The Client already has an integrated working relationship with their freight forwarding partner, which included inventory solutions.

Benefit 3

- Imported or domestic goods can be taken into the bonded logistics parks for assembling, packing and storage, and then shipped to the Customer's Chinese factory when required or to other countries, such as the USA or Canada.

This was a good fit with the Client's business model because:

- The Client can replicate the activities of their operations in the USA and Europe.
- The Client's vendors can deliver products into the BLP for both the Customer's Chinese factory and for their North American business. The BLP would then sort, store, consolidate and ship accordingly.

Benefit 4

- Domestic goods can be taken into the BLPs for assembling, pick & pack, storage and simple processing, and then distributed to domestic or overseas markets depending on the demand in the marketplace.

This was a good fit with the Client's business model because:

- Products sourced domestically can be taken into the BLP warehouse and processed as they are at the USA and European sites. The Chinese vendor will get their VAT refund at that point. However, when shipping any goods from the BLP warehouse to the Client's customer's Chinese factory, all documentation (packing lists, invoicing, etc.) will be in the name of the Client. Therefore, the end customer will have no visibility of the Client's Chinese vendors.

Benefit 5

- Imported goods or Chinese domestic goods can be taken into the BLPs for assembling, pick & pack, storage and simple processing, and then sold to Customer's Chinese factory or overseas markets depending on the demand in the marketplace.

This was a good fit with the Client's business model because:

- Product can be sourced from multiple countries (China, Taiwan, India, USA, etc.), shipped into the BLP warehouse and packed together to meet the Customer's needs.

Client testimonial

Ian's thorough understanding of different countries processes, best practices, warehousing and relevant laws accelerated our learning curve as we expanded our international infrastructure. As a result, we were able to avoid many of the expensive learnings that companies can experience.

Vice President

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