

Lower duties and better cash-flow

Considerable reduction of import duties and a noticeable positive cash-flow effect during the first month. Thanks to new customs routines Volvo Aero in Trollhättan, Sweden, manufacturer of aircraft, rocket and gas turbine engine components, saves money, time and work.

Challenges and customer needs

A great proportion of Volvo Aero's components and raw materials are imported from USA. They represent a very high value. This means that import duties and taxes are major cost factors, of which most will be refunded when the final products are shipped from the factory. This is a complicated process and in the meantime cash is tied up in duties and taxes.

The challenge was to develop new customs procedures, approved by the authorities, to reduce tax and duty expenses.

Our solution

In the joint project between Volvo Aero and Volvo Logistics, the first step was to identify the material flows and map the appropriate customs procedures. It was chosen to begin with some 25 articles with high saving potential. Manual routines in accordance with the EU rules were worked out.

The result

The implementation had a positive effect on the cash-flow in 2008. The first evaluation, after one month, showed an improved cash-flow of nearly 6 MSEK. Additionally, 4 MSEK a year will be saved in reduced duty payments.

The next steps are to computerize the customs process and use it for all incoming components, and acquire AEO (Authorised Economic Operator) certification for both Volvo Aero and Volvo Logistics. Once certified, Volvo Logistics is entitled to handle customs procedures in a simplified manner. The same opportunity may be provided to any certified Volvo Logistics' customers.

Success factors

Close cooperation between the customer and Volvo Logistics in combination with in-depth knowledge about Customs rules and regulations.

Long practical experience from customs procedures and deep understanding of product structures and material flows.

More information

If you want to know more about this Success story or discuss how we can help you in a similar way, please contact us. Contact details: www.volvologistics.com.