

B) Service Centre Activities

1) Sourcing - One is the whole area of sourcing or the purchasing of products for the companies and I've noticed, particularly in the US, the issue of production competitiveness is very important because the cost structure in both the US and Canada just doesn't compare as favourably as it once did to cost structures in different parts of the world. What has happened is that many companies have looked not at importing products that compete with theirs but basically importing products that become part of the inputs to their manufacturing process. And again, with all of the industrial capacities in the world, there are many products that are available that are really more sources of inputs of raw materials or semi-processed goods for manufacturing that can be effectively sourced from some country other than where the final production or marketing is done. And companies have paid a lot of attention to that, and I would contend that that actually has been one of the most successful areas in terms of trading company-type businesses. Some companies run directly to a trading company, others just make a very, very sophisticated purchasing department or broaden their purchasing department with a much greater international component that they had in the past.

2) Market Consolidation of Production - Many companies particularly food, beverage and other consumer goods companies, have used trading companies to avoid the establishment of inefficient plants and particularly in risky countries. And they have done this in a way where they have basically taken a position with several countries that have trading relationship among them to say, we will treat this group of