

1. INTRODUCTION

The less-developed countries (LDC's) represent a major current and potential market for many Canadian exporters. These markets in 1984 provided \$8.5 billion in sales for Canadian exporters. These exports constituted 32% of Canada's offshore (i.e. non-USA) exports in the same year.

To compete in these distant markets, Canadian exporters must have ready access to efficient and competitively priced transportation services. The quality of transportation services from Canada must be at least comparable to those from competing sources of supply. Otherwise the Canadian exporter could face an insurmountable disadvantage. Poor transportation services or high costs can result in lost sales or reduced profits. For example, a small eastern Canadian manufacturer of fabricated metal products reports:

"We have lost sales and profits because we compete with U.S.A. suppliers who can secure cheaper freight rates."

Clearly, effective transportation services are of vital importance to Canadian firms facing international competition in exporting to LDC's.

Overall, transportation costs in exporting to the LDC's tend to be higher in comparison to the cost of shipments to Western Europe. Figure 1 shows that LDC transportation costs as a percentage of total delivered cost can be one and a half times the comparative cost of shipments to Western Europe. In addition, freight costs often can be a significant hindrance to smaller Canadian exporters who lack the volumes needed to negotiate satisfactory rates comparable to those enjoyed by their larger counterparts. Exporters of lower value, high volume commodities are also sensitive to transportation costs in shipping to LDC's. In several LDC markets, Canadian exporters report that difficulties can arise because of inventory and other costs incurred when imports must be shipped via the countries' national flag ocean lines.

2. THE SURVEY

The survey was conducted by in-person or telephone interviews of 242 Canadian firms known to be exporting to the LDC's. Their sales represent approximately one third of the total value of Canadian exports to LDC's as outlined in Table 1. A questionnaire was developed to allow exporters to