

## 13.0 FREIGHT AND SHIPPING TO THE MARKET

### FREIGHT METHODS

Freight methods were discussed with all company groups contacted during this study. Southwestern U.S. companies considered road transport the most viable and cost effective method for moving regular quantity shipments. These companies were generally concerned with deliveries originating in their own region. U.S. companies also reported using air freight but shipments are generally confined to smaller components which can be shipped economically in large numbers, or to urgent deliveries.

The situation is substantially different for Canadian companies. Road transport can often be time consuming and expensive. Air Canada offers an excellent container service which could be the most cost effective and secure way of moving small to medium size shipments regularly to the Southwestern U.S. This method and others are outlined below.

*Air Freight* — Air Canada and other airlines offer regular daily containerized freight services to U.S. cities. Air Canada's service covers Los Angeles and San Francisco. The company claims that its rates are more cost effective than truckers' rates. Three container sizes are available, small, medium, and large. The small container carries up to 1,500 lbs weight, has a cubic capacity of 154 ft<sup>3</sup> and costs \$245.00\* shipped from Toronto to Los Angeles. The large container can carry up to 10,000 lbs, has a cubic capacity of 450 ft<sup>3</sup> and costs \$720.00. Manufacturers can collect containers themselves or have them delivered by the airline for a nominal cost. Packing can be carried out under the manufacturer's own supervision. Delivery in Los Angeles or San Francisco is a simple matter.

The average cost using this method, including delivery and pickup, is \$8.50 per 100 lbs. A conservative estimate on current trucking costs (common carrier) indicates that the price would be around \$40 per 100 lbs for small shipments. Burroughs and IBM are using this service. Apple is supplying products to Canada by the same method. Contact number for this service is (416) 676-2940.

*Common Carriers* — Common carrier rates are approximately \$22.00 U.S. per 100 lbs weight from Eastern Canada to Midwestern transshipment centers such as Detroit or Chicago. Rates from the Midwest to Los Angeles or San Francisco are around \$20.00 U.S. per 100 lbs weight. Common carrier rates are subject to various tariffs which vary on a commodity basis. Canadian suppliers should check the rate that their product attracts with common carriers in their area. Several carriers are listed in the Appendix.

*Independent Truckers* — Back hauling by an independent trucker from Detroit to Los Angeles costs around \$2,500 U.S. for a complete truck and trailer load. There is no specific price consideration for weight provided the weight is kept within statutory limitations. This method can represent considerable saving over common carriers' rates, but back

hauling may not always be a reliable method since trucks may not be available when required. It is possible to arrange for back hauling from most Eastern Canadian production centers but since these are not regularly scheduled freight services it will be necessary to check with the truckers or their brokers in each case.

*Freight Consolidators* — Freight consolidators can be effective in helping Canadian manufacturers to cut freight costs when smaller but consistent orders are involved. The Los Angeles Manufacturers Shipping Association (LAMSA)\* is a non-profit organization which was formed to reduce freight costs on all kinds of manufactured goods being shipped to California. The association acts as a consolidator and forwarder. Canadian manufacturers are welcome to join. The LAMSA claims it can save its members 25-30 percent over regular freight costs and is capable of arranging shipment from anywhere in the U.S. or Canada to Los Angeles, San Francisco or San Diego. The association is happy to supply cost estimates.

*Packaging* — Packaging for computers and computer products has become relatively sophisticated. This is due to the often fragile nature of the product. Generally, standard packaging once developed is used for both local and international shipments. Canadian suppliers new to export markets should ensure their packaging is adequate.

*Timing* — Timing can vary considerably with the freight method used. Trucking companies and independent truckers generally offer a four day delivery from Eastern Canada to the market area. Air shipments can reach most parts of the U.S. the day they are shipped.

\*Canadian Dollars

\*Los Angeles Manufacturers Shipping Association: 4430 Sheila Street, Los Angeles, 90023: phone (213) 265-3900. Initial membership costs \$100.00. There is a small annual renewal fee. Members must take out an insurance bond for the period of membership.