SECTION I — EASE OF TRANSPORTATION TO THE SOUTHERN UNITED STATES

Of all the world markets for Canadian exports, the United States is the most easily accessible and penetrable. The proximity of Canada and the United States and our long-standing trade relationship present many unique advantages to Canadian companies interested in exporting. For example, from a product acceptance point of view, certain similarities between our two nations facilitate Canadian firms' understanding of American market requirements.

From a transportation point of view, no other country offers Canada similar advantages in terms of:

- the multitude of carriers offering service;
- the frequency of direct and indirect service options between many Canadian and American city pairs;
- the relatively lower costs of transportating goods to such a close export market;
- the ease and relative inexpensiveness of communications which allow for good relationships between Canadian sellers and American buyers in important aspects such as rapid order processing and shipment tracing;
- the simplicity of export documentation and trade formalities; and,
- commonality of business practices and attitudes.

In particular, the ten Southern states — Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Texas — present excellent market opportunities for manufacturers in Quebec and Ontario. The total population in these ten states has been growing at a rate of more than 2.2 per cent per year, from approximately 46 million in 1970 to more than 56 million in 1980. In order to identify opportunities for Canadian exporters, the Canadian Consulates General in Atlanta and Dallas together with the Department of External Affairs' United States Trade and Investment Development Bureau have conducted several market studies and more are under way. To date, opportunities have been identified in the so-called booming "Sun Belt" for Canadian forestry machinery and equipment, wood products such as dimensional lumber, kitchen cabinets and furniture, and breeding stock, to name a few. This report has been prepared to help you evaluate the most economical transportation alternatives which will allow you to capture markets in the rapidly growing Southern United States.

Most of the decision-making principles and rules you would keep in mind in shipping across the border to New York State, Michigan, or Ohio, etc... apply in the case of transporting goods to Southern U.S. markets except that Southern markets are more distant and more expensive to reach than northern markets. Therefore, to quote competitive and profitable delivered prices, you will need to evaluate more critically your transportation options to the Southern U.S. Such evaluations should reveal to you that there are several actions you can take to export goods to the South at a lower total distribution cost than might have been expected at first glance.

For example, if you are making several shipments in the same day or week to the same customer, you could consolidate goods into a single shipment and realize important savings. This is because carriers' rates have a minimum handling charge component that is part of every shipment regardless of size. Very often, twice the volume or weight can be shipped the same distance for just a small additional cost. Savings of 20 to 50 per cent are possible by consolidating multiple shipments into one lot. Such savings of course must be weighed against the possible costs of slower delivery times and increased storage/inventory costs.

Another important fact is that many carriers (in particular trucking companies and railways) quote rates based on commodity classifications by grouping goods that have similar transportation characteristics into the same "class". Classifications are based on value, density (weight per cubic measure), susceptibility to loss, damage and pilferage, competitive considerations and the regularity and volume of similar movements. Very often, goods may be classified in more than one, in fact, many categories. Lower class ratings (and therefore rates) can be obtained by:

- reducing carrier liability for loss and damage by reducing the declared value of the product to its true level;
- shipping the product in different configurations (in bulk versus packages); and,
- changing packaging (e.g., sending goods knocked down instead of set up).

Therefore, by properly describing your goods to the carrier, your efforts can often pay off by securing lower rates.

In a recent study of transportation and distribution issues for small shippers[1] a number of other points worth your consideration were noted.

- International through class rates published by the Niagara Frontier Tariff Bureau (NFTB) were found to be excessive when compared with domestic U.S. motor carrier rates. The latter can be compared by shippers who deliver their goods to U.S. border point terminals of American motor carriers.

[1] Peter Skorochod and Bob Bergevin, "Issues in Transportation/ Distribution for the Small/New Exporter". Paper presented at the May, 1984 Annual Meeting of the Canadian Transportation Research Forum, Jasper, Alberta.