

EXECUTIVE SUMMARY

Purposes of the Report

This report has two main purposes:

- first, to provide information on the program to bring about a single European market, and on the responses of public and private organizations to it;
- second, to suggest possible strategies for Canadian freight forwarders in light of Europe '92.

The Freight Forwarding Industry

Freight forwarding is a service industry that provides a wide range of advisory, administrative and physical services to shippers to facilitate the international movement of goods. In Canada, the industry — including firms with customs brokerage — is composed of about 250 firms and has some 15,000 employees. About 6,500 of these employees are engaged in traditional freight forwarding activities. The industry includes many small and few large firms. Over 40 percent of firms have fewer than ten employees; five percent of firms have over 300 employees and account for about half of the industry's employment. The range in company size and resources indicates that the firms serve different market segments and will respond to changing market conditions in different ways.

General Changes Affecting Forwarding

The response of Canadian freight forwarders to Europe '92 must be considered in the context of other changes affecting the industry.

- *Logistics management.* Most important is the increased attention being paid by manufacturers and distributors to the integrated management of transportation and distribution-related activities. A corporate logistics function is becoming common.
- *Integrated carriers.* Vertical integration is occurring in transportation as carriers reorganize to provide intercontinental door-to-door service.
- *Logistics suppliers.* Warehousing and freight forwarding firms are becoming more comprehensive logistics suppliers. An increasing number of manufacturers in Europe and North America are now contracting out their logistics services.

The Europe '92 Program

Europe '92 has accelerated the changes in logistics in Europe. It is part of a protracted program to eliminate the barriers that divide Europe which effectively started with the 1957 Treaty of Rome. The present program began in 1985 with a White Paper, *Completing the Internal Market*; this resulted in a program that is slated to end on December 31, 1992 and the objective of which is to establish a market without internal frontiers in which the free movement of goods, persons and capital is ensured.

The momentum to the single market is irreversible. The political will is reinforced — if not led — by corporate commitments. Europe '92 started as a European response to global conditions, but it has become a global force as firms position themselves to capitalize on the largest single market in the world.