

MULTI-MODAL TRANSPORTATION

NAFTA PROVISIONS ON TRANSPORTATION

If the North American Free Trade Agreement (NAFTA) is ratified, it will affect the trucking industry more than other modes of transportation. Domestic carriers will continue to have exclusive rights to carry domestic cargo on domestic routes. But the rules for international truck traffic will be liberalized. Cross-border deliveries and pickups of international cargo will be allowed in all Mexican border states by December 1995. By the year 2000, these transportation rights will be extended to every point in Mexico.

In addition, the maximum level of Canadian investment allowed in Mexican trucking firms that transport international cargo will increase from 49 percent in December 1995 to 100 percent by 2004.

NAFTA will not significantly affect rail and air services and shipments, but Canada and Mexico have agreed to maintain relatively open international maritime shipping services. Also, Mexico will liberalize the ownership and operation of its terminals thus opening the market up for new services.

The NAFTA signatories have committed to harmonize a number of standards over the next six years. This includes driver and vehicle standards for motor carrier and rail operations as well as standards for handling dangerous goods.

All of these developments will enhance the level of transportation services available to the Canadian exporter for shipment to the Mexican market.

Increasingly, Canadian exporters are choosing multiple modes of transportation to get their product to the Mexican marketplace. Several carriers have attempted to meet this increasing demand. Highway trailers can be shipped by rail, and marine transporters offer linkages with both rail and truck transporters. Inter-modal transport will be facilitated by CN North America's decision to construct a new tunnel under the St. Clair river between Sarnia and Port Huron, and the recent enlargement of the Detroit-Windsor tunnel.

Inter-modal operators (or third party carriers or shippers) offer a complete transportation package on a contract basis. These operators will negotiate freight rates with railway and truck operators on behalf of the exporter. Transit time from Montreal or Toronto to the Mexican border can be as little as four or five days. Inter-modal operators providing services between Canada and Mexico include: Freight Connection, Interamerican, Sunac and Wheels International.

TRANSPORT ANALYSIS

The objective for any exporter should be to get the product to market at the right time, in the right condition, and at the best price. The following checklist may be helpful in choosing between the various transportation options:

- determine the type of product being shipped;
- identify the characteristics of the goods being shipped;
- consider the size and shape of the product;
- decide whether to ship in bulk, as general freight in large volumes, or in small quantities as full or partial loads;
- determine the optimal frequency of shipping;
- consider the distance to be covered;
- determine whether assistance is required for packing, loading, blocking, bracing and unloading the product;
- decide whether temporary storage is required;
- decide whether door-to-door, port-to-port service, or some combination, is required;
- consider whether the services of a third party, such as a freight forwarder, are needed;
- identify what transportation documents are required; and,
- specify the terms of sale regarding freight charges and cargo insurance and determine who is making arrangements for each.

