



# DUE NORTH

## U.S.-CANADA TRADE FLOWS STEADY



**By allying with strong logistics and supply chain providers, shippers encounter few obstacles when moving goods between the United States and its leading trade partner.**

**T**he late Canadian Prime Minister Pierre Trudeau once said, “Be ready when opportunity comes. Luck is the time when preparation and opportunity meet.”

For many manufacturers and logistics professionals, preparation and opportunity are meeting right now at the U.S.-Canadian border, as North American companies on both sides of the boundary reexamine, redefine, and realign their global supply chain strategies.

Canada is by far the United States’ top trading partner, according to U.S. Census Bureau figures. In 2010, U.S.-Canadian trade totaled \$525.3 billion, accounting for 16.5 percent of all U.S. international trade (*see By the Numbers, below*).

The purchasing strength of the Canadian dollar, compared to the U.S. greenback, continues to trend at historical highs, and changes in the exchange rate have dramatically affected the import-export dynamic, with head hauls largely shifting from south-to-north to north-to-south.

Although the border between the two countries remains soft relative to borders between most other countries, heightened security measures are driving shippers to seek out logistics expertise to help them meet new regulatory requirements.

Whether the rapidly evolving characteristics of U.S.-Canadian trade represent good luck or bad luck for U.S. manufacturers depends on how deftly they tread the line between preparation and opportunity.

## UNDERSTANDING THE MARKET

“Many U.S. businesses don’t view Canada as a separate market,” says John Costanzo, president of Purolator International. “They regard Canada as the 51st state, and that’s a mistake.”

That mistake could prove costly because the inefficiencies of shipping large volumes to and from Canada through carriers that lack a significant Canadian presence can add considerable expense.

“U.S. companies may not realize how much they are paying, especially if they move substantial volumes,” Costanzo says.

As president of Purolator International, headquartered in New York, Costanzo is responsible for the company’s third-party logistics (3PL) business and for the development and execution of its cross-border strategic plan.

Purolator, Canada’s largest courier

company, maintains the country’s most extensive national network and supporting infrastructure. Costanzo believes this gives the company an edge over 3PLs that may be present only in the most heavily populated Canadian markets, such as Toronto.

“Purolator focuses on providing the best Canadian supply chain, no matter where shippers need to go,” Costanzo says. “The

Manitoba-based Bison Transport. “Our company devotes much of its energy to moving goods between the United States and Canada, and possesses a high level of experience and expertise in those moves.”

Bison Transport operates more than 1,050 tractors and 3,000 trailers. The company provides cross-border truckload transportation services from British Columbia through the Maritime Provinces of New Brunswick, Nova Scotia, and Prince Edward Island, and to the 48 continental states.

Some Canadian transportation providers have made efforts to facilitate cross-border shipments by establishing a U.S. presence. Bison, for example, recently acquired Britton Transport Inc., a Grand Forks, N.D., asset- and non-asset-based transport provider offering van, flatbed, step deck, and bulk hopper truckload services primarily in the continental states.

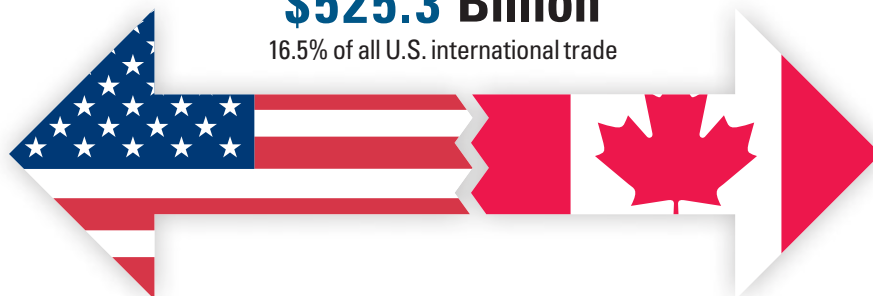
“Acquiring Britton is an important first step in Bison Transport’s U.S. expansion

## By the Numbers: 2010 U.S.-Canada Trade

SOURCE: U.S. Census Bureau

**Total U.S.-Canada Trade**  
**\$525.3 Billion**

16.5% of all U.S. international trade



**Imports to the U.S. from Canada**

**\$276.5 Billion**

14.5% of all imports to the U.S.

**U.S. Exports to Canada**

**\$248.8 Billion**

19.5% of all U.S. exports

company’s tag line and value proposition is: “We deliver Canada.”

That kind of flexibility is key in Canada, where cross-border moves dominate shipping.

“One big difference between Canadian and U.S. transport companies is that Canadian companies spend a lot of time exporting and importing goods,” says Don Streuber, president and CEO of Winnipeg,

strategy,” Streuber says. “Britton is a well-run operation and has been a strong U.S. partner carrier over the last five years, handling a growing portion of our U.S. freight. This transaction provides Bison Transport a U.S. operations base close to one of our key border crossings in the north central United States.”

Geodis Wilson Americas has also used acquisition to expand its North American



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network. Part of the Geodis Group, a global logistics provider with some 30,000 employees in a network spanning 120 countries, Geodis Wilson enhanced its position in the U.S. market by taking over Minneapolis-based domestic transportation specialist One Source Logistics.

"This acquisition is a strategic fit for Geodis Wilson," says John Gallahan, regional vice president, Geodis Wilson Americas. "One Source Logistics significantly strengthens our capabilities. It not only accelerates the growth of our U.S. domestic product offerings, but also our cross-border trucking services throughout North America."

One Source Logistics offers specialized domestic transportation services with a focus on truckload and less-than-truckload shipments. The company currently supports a network of transportation, logistics, and distribution services throughout the United States. The new access One Source Logistics provides to a broader local distribution network improves Geodis Wilson's inland and final-mile delivery services.

"One Source excels at solving complex domestic issues with Mexico and Canada," says Gallahan. "It has the ability to bring clarity, structure, and form to supply chain management."



**Geodis Wilson accelerated the growth of its cross-border trucking services throughout North America by acquiring domestic transport specialist One Source Logistics.**

Gallahan cites the analytical tools that One Source provides as a particular strength, complementing Geodis Wilson's core competencies.

"Geodis Wilson takes a collaborative approach," he adds. "There is no single solution. We look at how we can best communicate with the customer, optimize orders, and cut costs."

## VIVE LA DIFFÉRENCE

While coping with the challenges of the recent economic downturn, many businesses have made significant cross-border moves of their own.

"In the past decade, many prominent companies have rationalized their North American corporate footprints, ultimately bringing partial or full control of Canadian supply chain decisions and execution to the U.S. headquarters," says Richard Patenaude, director, client integration and development for Wheels Group.

That decision can lead to unforeseen problems.

"The fundamental differences between the two marketplaces, combined with the fact that Canada often represents less than five to 10 percent of the overall North American business, can create conflict when assigning resources to projects based on overall impact to the company," Patenaude says.

Wheels focuses on that five to 10 percent. "Our model allows U.S. corporations to gain immediate ROI within their cross-border and domestic Canadian trade, rather than investing time and resources to build the expertise in-house," Patenaude says.

The Wheels Group of Companies encompasses Wheels Group, Wheels Clipper, and Wheels Global Logistics. Wheels Group, the shared-services division of the Wheels Group of Companies, provides strategic vision, leadership, and management control. Wheels Clipper, based in Toronto and Chicago, is a 3PL offering domestic and international transportation services by air, land, and sea. Wheels Global Logistics is the international freight forwarding division, providing complete global supply chain solutions including financing, door-to-door transportation, warehousing, and project management.

The capabilities and strengths of each company are leveraged to provide comprehensive supply chain solutions to customers and suppliers.

"Wheels can help companies take control by offering direction and insight to costs and activities within the Canadian supply chain," Patenaude says. "This allows them to make both tactical and strategic decisions, then implement and monitor them for cost and process effectiveness."



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## DUE NORTH U.S.-CANADA TRADE FLOWS STEADY

All those decisions must be made more quickly than ever before.

"The velocity of trade is increasing," says Amy Magnus, district manager for A.N. Deringer, Inc., a leading provider of international logistics services including customs brokerage, freight forwarding, transportation, warehousing, distribution, cargo insurance, and U.S. Department of Agriculture meat inspection.

"Delays are costly for all parties, so success comes down to having the right information at the right time just to keep pace," Magnus says. "All clients have their own requirements and need a different level of service."

One of the largest privately held customs brokers in North America, A.N. Deringer combines more than 30 U.S. offices with a global agency network to facilitate the movement of cargo throughout the world.

"We maintain a strong presence on the U.S.-Canada border, with offices at every commercial crossing, along with strategically located distribution facilities throughout the

United States," Magnus says.

Managing transaction information is becoming increasingly important for cross-border shipments. "Data is analyzed in advance of the shipment's arrival, and if the information is inaccurate or incomplete, the shipment could be delayed, held by U.S. Customs and Border Protection (CBP) or other government agencies, or refused entry," Magnus says. "It pays to do it right – to have the visibility to track and trace shipments, and work with a trusted partner to assist along the way."

### CROSS-BORDER EXPERTISE

It is essential that shippers choose logistics partners who possess knowledge and expertise on both sides of the border. One such partner is Omaha, Neb.-based Werner Enterprises, which is among the top five U.S.-based carriers providing service to and from Canada.

"Canadian shippers distinguish us by our unique solutions-based services, which were

established more than 55 years ago," says Lance Dixon, vice president of the Mexico and Canada divisions of Werner Enterprises. "Werner operates one of North America's most extensive transportation networks. We employ professional U.S. and Canadian national drivers dedicated to cross-border transportation. And strong relationships with our Canadian alliance carriers help to support our domestic Canada and international cross-border moves."

As a logistics company with coverage throughout North America, Asia, Europe, South America, Africa, and Australia, Werner has both the resources and reach to meet changing supply chain demands.

"As companies continue to grow and expand into new markets, Werner remains dedicated to constantly developing and offering innovative services to meet shippers' needs as they compete in today's global marketplace," says Dixon. "Werner is uniquely positioned to link international and domestic U.S. supply chains with one systems

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platform for effective shipment planning, execution, and visibility?”

Werner also offers extensive multi-modal solutions, including intermodal, brokerage, freight management, air freight, and ocean services. When the company opened global operations in 1999, its goal was to implement best-in-class cross-border solutions

that could manage customers’ entire supply chains throughout North America.

“With asset-backed truckload services at the core of our solutions, we have grown our cross-border initiatives into a complete business offering,” Dixon says.

Trading with Canada also means following the money. There, too, differences are

stark. “The Canadian economy wasn’t hit as hard by the global recession as the U.S. economy,” says Robert Rusnov, president of NFI Canada. “For U.S. companies, cross-border trade with Canada now represents a natural hedge on your business as a whole.”

NFI Canada focuses on global transportation and logistics, specializing in air and

## A Regional Power in the Canadian Economy

**Alberta’s Paintearth Economic Partnership Society promotes business and long-term economic growth.**

**M**uch of the commerce taking place between the United States and Canada makes its way along Highway 36, also known as the Veteran Memorial Highway, the major high-load corridor providing U.S. companies their most direct route to Alberta and its Oil Sands. Access to this important highway is one of the strategic assets cited by the Paintearth Economic Partnership Society (PEPS), an economic development agency that links the County of Paintearth No. 18, a rural municipality in east central Alberta, with the village of Halkirk and the towns of Castor and Coronation.

Traffic along the highway is set to grow even more as wind turbine components and other materials, largely from the United States, make their way to a massive new wind farm development near Halkirk. Greengate Power Corporation is currently building the \$350-million project, with commercial operation targeted for late 2011 or early 2012. Upon completion, the wind farm is expected to be Alberta’s largest operating wind energy project.

“Greengate Power has received a phenomenal level of support for our project from both the land owners and the County of Paintearth,” says Dan Balaban, Greengate’s president and CEO. “They have clearly demonstrated their open-for-business attitude, and we are excited about the prospect of making this major investment in the Paintearth region.”

PEPS is a key force involved in facilitating such major regional investments. “We provide a single point of contact for industry and business interested in our region,” says Larry Davidson, economic development officer for PEPS. “We help with everything from site selection to development permits. Our whole approach is to bring business here and to make the process easy and cost-effective.”

The region has much to recommend it, including a highly favorable tax environment. Albertans pay the lowest personal taxes in Canada, and Alberta businesses have among the lowest business taxes in the country.

Also prominent among the region’s selling points is its geographical

logistics advantage.

“Paintearth is well-situated,” says Davidson. Located within three hours of 85 percent of Alberta’s three million people, the region is three hours from Calgary, 2.5 hours from Edmonton, 1.5 hours from Red Deer, and one hour to the Saskatchewan border.

“Companies in our area have quick access to our neighbors in Saskatchewan and their recent energy play,” Davidson says.

Yet another advantage for the region is the Oil Sands. Alberta has proven oil reserves of 171.3 billion barrels—the third-largest proven crude oil reserve in the world.

“The Oil Sands and the resulting movement of goods provides substantial opportunities for business both in the United States and Alberta,” says

Davidson. “The Oil Sands represent a major investment in technology, job creation, and wealth in Alberta—including for many U.S. companies—as we work to develop a safe, secure oil source for our country and our neighbors to the south.”

PEPS seeks to promote these regional advantages to businesses of all kinds. Because the agency is a partnership of municipalities, it has the flexibility to explore, compare, and contrast the benefits each community in the region has

to offer. “We work cooperatively, recognizing that what is good for one community in the region is good for another,” Davidson says.

The agency, which bills itself as a one-stop shop for businesses, has a unique perspective because it operates as a business itself.

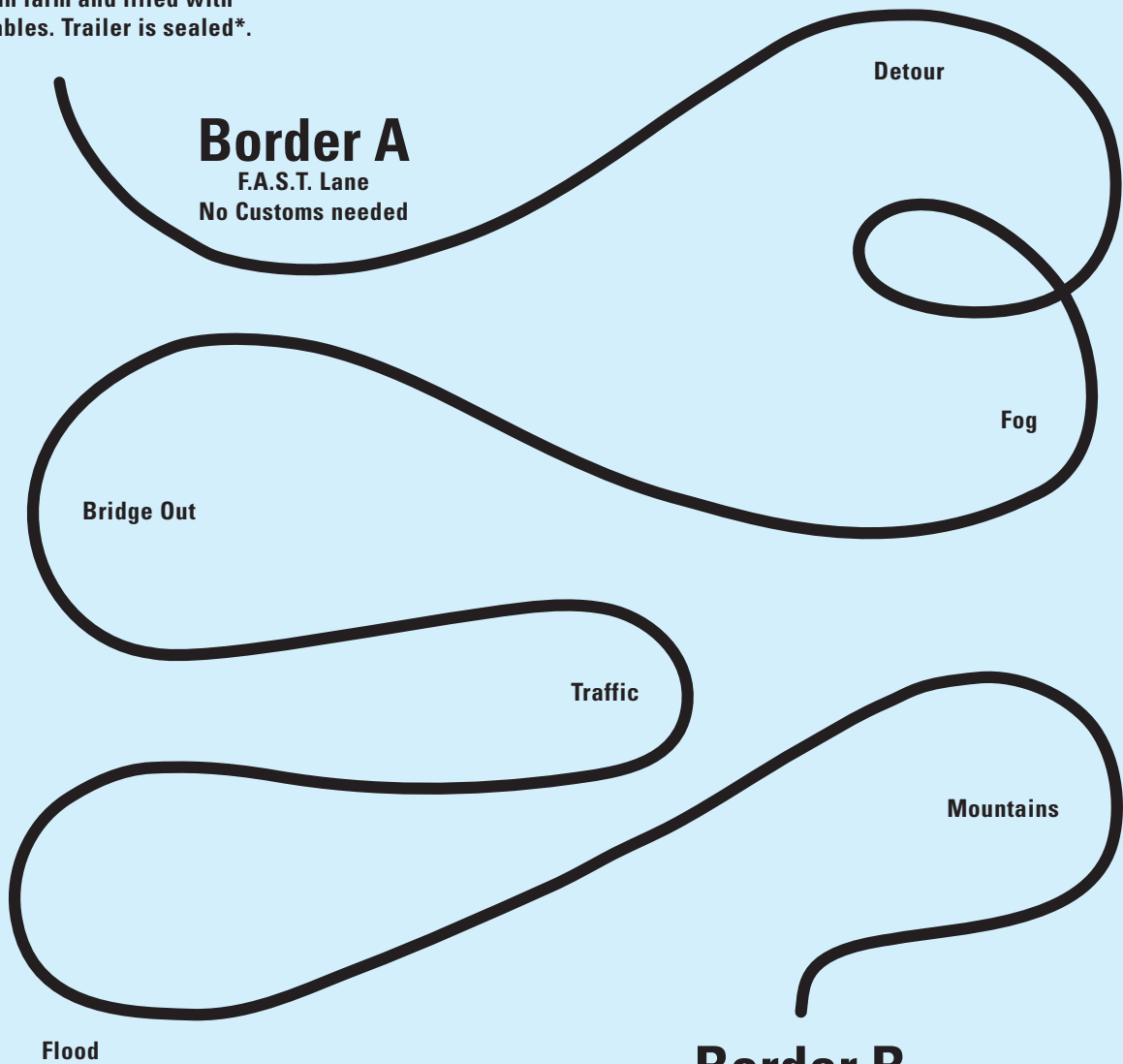
“We are the only economic development agency in Alberta that operates on a private business model,” Davidson says. As an example, he cites the agency’s partnership with a private Internet Service Provider (ISP) to offer a broadband Internet system throughout Paintearth County. The agency recently sold its interest in the system to the ISP, channeling the revenues back into funding for regional development.

It is this sort of creativity that PEPS offers businesses. “Our goal is to promote business and long-term growth,” Davidson says.



**Components moving to the Oil Sands projects in Fort McMurray, Alberta, take the direct route via the Veteran Memorial Highway.**

Canadian trailers dropped at Mexican farm and filled with perishables. Trailer is sealed\*.



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**Shippers rely on the Erb Group of Companies for the smooth delivery of time and temperature-controlled products to more than 24,000 consignees throughout most of Canada and all 48 continental states.**

ocean transport, and intermodal and truck brokerage services across North America. The division was formed last year when U.S. supply chain services company NFI acquired Canadian third-party logistics firm IPD Global, where Rusnov served as president.

NFI is a conglomeration of transportation-related companies offering dedicated truckload, logistics, and warehousing services across the United States and Canada. The company started in 1932 as National Hauling in Vineland, N.J., with one dump truck, and has grown to one of the largest privately held third-party logistics providers in North America.

NFI offers an array of supply chain services to help businesses manage, grow, and succeed in today's marketplace. Its acquisition of IPD has provided current and new NFI customers with even greater access to reliable and efficient shipping routes, dedicated trucking, warehousing and distribution, and transportation management across the United States and Canada.

"While the company has opened up a whole new suite of services, the economic climate in which they are offered has changed," Rusnov says.

"The Canadian economy is roughly one-tenth the size of the U.S. economy," he

explains, but the dynamics of trade between the two countries has significantly evolved since Sept 11, 2011.

"Ten to 15 years ago, the head haul was from Canada to the United States because there was up to 60 points on the dollar in terms of exchange gain," Rusnov says. "There was a premium on trucking from Canada to the United States."

Now that trend is reversed. The strength of Canada's economy has led to a resurgence of U.S. companies approaching Canada as a growing market. "There has been a substantial uptick of south-to-north shipments from the United States, while exports of manufactured goods into the United States have significantly declined," says Brian Martin, senior vice president of sales and marketing for Canada Cartage, Canada's largest specialized provider of fully outsourced trucking fleets and complementary last-mile logistics solutions.

Rusnov also acknowledges this trend. "Manufacturing in Canada has dramatically decreased as a result of the U.S. dollar's depreciation," he says. "Now the premium is on northbound trucking to Canada."

All those northbound shipments have placed greater demand on cross-border carriers. "Ten years ago, we were functioning with a 64-cent Canadian dollar," says Bison's Streuber. "Now we've hit premiums of \$1.05. As a result, speed and volatility are vital issues. Pulling the trigger on a transaction at the right time can save one percent in just a few hours."

The rapidly changing price of fuel in the United States and Canada is another factor affecting the day-to-day dynamics of cross-border transportation. "Fuel costs have dramatically influenced business," Streuber says. "Our touchpoints and exposure to these issues enable us to provide leadership and expertise to our American partners."

## KNOWING THE RULES

When choosing a 3PL provider for shipments to and from Canada, it is vital that U.S. companies recognize the often complex intricacies of border traffic.

"The penalties for non-compliance can be severe," warns Wendell Erb, general manager of Erb Transport Limited, part of the Ontario-based Erb Group of Companies.

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"Shippers must ensure they have a competent carrier in place."

The Erb Group of Companies developed from a one-man operation in 1959 to a leader in the refrigerated transportation industry. With more than 1,200 employees and 140 owner/operators across a network of 10 terminals, the Erb Group delivers temperature-controlled products to more than 24,000 consignees throughout most of Canada and all 48 continental states.

"We know what needs to be done to be in compliance with northbound and southbound authorities," Erb says.

Nearly all the company's drivers have met the standards of the Free and Secure Trade (FAST) program, part of a bilateral agreement between the United States and Canada.

"With FAST approval, drivers have U.S. and Canadian immigration clearance as trusted travelers," Erb explains. "This clearance helps expedite trips across the border."

Keeping in compliance with changing rules can be an especially daunting challenge when dealing with perishable shipments.

"Carriers must keep current on rules imposed by the U.S. Department of Agriculture, the U.S. Food and Drug Administration, and its Canadian equivalent, Health Canada," Erb says.

Although crossing the U.S.-Canada border is less cumbersome than traveling between other countries, the situation could change at any time.

## ACTION AND REACTION

"We are just one world crisis away from tightening controls on the borders," says Erb. "The first bottleneck would occur at the borders."

Many of Erb's drivers are Americans operating U.S.-plated trucks, which is especially helpful when carrying goods into military installations.

For Canada Cartage, regulatory pressures have spurred action as well as reaction.

"We don't just meet the requirements for cross-border freight; we are highly engaged with regulators," says Martin. "As a large organization, we have some influence to

help shape the future of ground freight. We have a seat at the table."

In addition to FAST, the past decade has seen the emergence of several major new regulatory initiatives – including the Customs Trade Partnership Against Terrorism (C-TPAT) and Partners in Protection (PIP) – on both sides of the border.

"Each program is a response to different issues," Martin says, and each requires specialized knowledge.

"Canada Cartage always had knowledgeable dispatchers managing our cross-border drivers," he notes. "Today we have implemented a highly engineered program of subject-matter experts, highly trained drivers, and mandated driver and company certifications. These programs require continuous maintenance and significant investment in both people and technology to keep pace with change. Falling behind equates to border-crossing delays, inefficiencies, and potential missed shipments."

## DEDICATED SERVICE

For Canada Cartage, keeping pace also means integrating these border-crossing programs into its business model. The majority of the company's fleet is located at shippers' sites, with a small non-dedicated fleet at each of its own trucking terminals.

This resource organization gives Canada Cartage the ability to provide daily baseline services to dedicated customers and still have the flexibility to respond quickly to demand surges that cannot be handled by the customer-located dedicated fleets. Canada Cartage must ensure its surge drivers have the same training and certifications as its dedicated drivers.

Canada Cartage's emphasis on training is mirrored by other companies working to stay abreast of changing demands at the border.

"The border has been a transitional aspect of our business for the past 10 years," says Streuber of Bison Transport. "We now have four full-time employees working on cross-border systems. Those jobs didn't exist a decade ago."


"We know the importance of ensuring that our clients are aware of, and maintain, a high level of compliance with ever-increasing customs and government agency requirements,"

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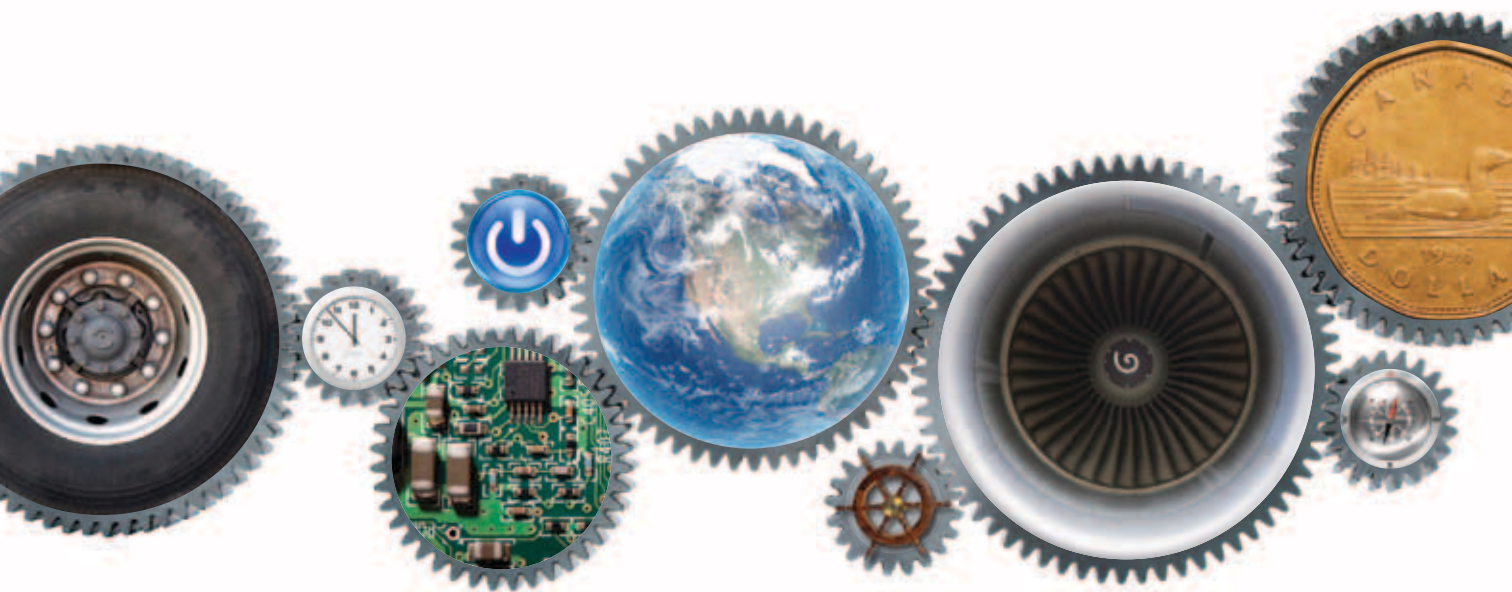
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says Deringer's Magnus. "We have boosted internal staff training so they can help clients comply with the myriad new requirements. We know the importance of keeping cargo moving, and the cost of delays due to non-compliant shipments.

"Knowledge of various free-trade agreements and other special trade programs are important, too," Magnus adds. "Our clients, with the help of our consulting team, can save a considerable amount of money by availing themselves of programs designed to reduce duty payments and delays, or to issue duty payment refunds."

### CONTINUALLY SHIFTING LANDSCAPE

New agreements, programs, rules, and regulations continually shift the logistics landscape. Manufacturers struggle to stay in sync with the changes even as they undertake new global sourcing initiatives.

"Many of our U.S. clients are changing their sourcing patterns and acquiring goods manufactured in Asian countries," says Magnus. In order to respond effectively to client sourcing strategies, Deringer has shifted its own strategies and geographical hubs.

"As the Asian sourcing trend grew, we expanded our services to provide transportation from overseas factories to U.S. buyers' doors, and increased our West Coast presence with additional offices and distribution facilities," she says.

Companies sometimes overlook the logistics implications of global sourcing initiatives, most notably the flow of goods from one market to another.

"At first glance, it seems simple to move goods from one jurisdiction to another; however, significant complexities are involved—from transporting the goods to regulatory and legislative compliance," says Darryl King, president of Ontario-based Logikor Inc., which offers dedicated transportation, crossdocking, expediting, intermodal, air/ocean, LTL, sequencing, consulting, design, and transportation management services.

Among those complexities are enhanced risk assessment and screening. "Simple oversights can grind the flow of goods to a halt very quickly, potentially incurring significant fines and lost opportunities," King says.

In all these areas, Logikor helps shippers determine the best supply chain solution for their requirements, set up and execute the appropriate supply chain, and actively manage shipping flows to maximize cost reduction, provide end-to-end visibility, and ensure key checks are in place to monitor compliance to changing regulations.

The greatest shifts in the dynamics of trade between the United States and Canada have occurred in response to enhanced security and border controls, King says. "The governments of both Canada and the United States have spent considerable time

result, only logistics companies with depth and experience will be able to provide secure and cost-effective shipping between the countries.

"Recently, the border has thickened as more rules and increasingly complex regulations regarding cross-border freight movement have been implemented," says Werner's Dixon.

"These regulations require companies to make large technology investments in order to remain compliant," he adds. "As a result, many smaller U.S. and Canadian-based carriers have exited the market. The



**Purolator has the size, experience, and expertise to meet the sophisticated, high-volume demands of large urban centers.**

and effort redefining how shipments cross the border—what information has to be communicated, and when, to interested government agencies," he notes.

### ENHANCING COMPLIANCE

In response to this changing environment, Logikor has adopted direct links for CBP and Canada Border Services Agency reporting, and enhanced its compliance with Customs Self Assessment and FAST-expedited border clearance programs. The company also has been actively involved in consulting for proposed changes that would affect moving goods between the United States and Canada.

The trend toward more stringent requirements for greater and earlier visibility of shipment contents, origin, and intended recipients will continue, King says. As a

new rules have made it too difficult for them to operate profitably, and many do not have the financial means to make the necessary investments."

But regulatory changes can also represent increased opportunities. "For example, NAFTA allows both U.S. and Canadian companies to compete more effectively," Constanzo says.

Companies must take care, however, not to do too much too soon, with too little analysis of the consequences.

"Many clients are moving inventory back to the United States," says Constanzo. "They are looking at time to market. But their order fill rates may be higher. By changing their supply chain method, they can speed order fulfillment."

Whatever shifts may affect the transportation and logistics landscape around the world, many U.S. manufacturers remain sharply focused on our leading trade partner across the border. ■



# The largest shipping company in Canada is also the fastest to Canada

Although the U.S./Canada border is the largest border in the world, getting shipments through it is no easy task. As the largest delivery company in Canada, we also happen to be the fastest to Canada. Even though most companies and citizens live within 100 miles of the border, proximity doesn't mean speed. Experience and logistics do.

At Purolator, we have an understanding of the ever-changing cross border shipping regulations that's second to none. It allows us to avoid unforeseen delays. We have a proven history of minimizing the complexities of inspection and classification of duty. **Contact Purolator International today and increase the speed of your shipments to Canada.**

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