Supply Chain Intermediaries Study

Prepared for:
Manitoba Infrastructure and Transportation

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University of Manitoba Transport Institute
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Executive Summary

This report identifies and defines the different types of supply chain intermediary firms in Manitoba. A general analysis of the industry is followed by the results of 18 in-person interviews of Manitoba intermediaries selected from a list provided by the D&B research company. The interviews examine the issues and opportunities in the industry along with the respondent’s opinions towards Government initiatives.

1. The industry has grown from 121 supply chain intermediaries in Manitoba in 2001 to 131 in 2006. The industry employed 1395 people in 2001 and 1432 people in 2006.

2. Restrictive regulations, both federal and provincial, have been identified as the most prominent issue in the industry in Manitoba. Federal regulations include the Administrative Monetary Penalty System (AMPS) and changes to customs requirements. Provincial regulation includes the Manitoba highway weight restrictions. Similarly, supply chain complexity resulting from security requirements, customs programs or regulations has created both new opportunities and challenges for the respondents in the last five years. While this has been a burden for some firms, it has increased the importance of others.

3. The greatest opportunities in the industry are related to infrastructure and outsourcing. Infrastructure options include developing Manitoba into a world port and as a location for a container facility. Outsourcing opportunities occur because more firms are contracting out supply chain activities to the intermediaries.

4. The most significant changes for the intermediaries in the last five years were changes post 9/11 related to: security requirements and customs changes, changes in regulations (i.e. AMPS and examinations by Canada customs) and changes in the industry related to competitive consolidation and technology developments.

5. One of the principal barriers to increased growth in the industry overall is the lack of people. This relates to truck drivers and all other non-driving staff. Finding, training and retaining quality employees are all issues. This is also a major barrier in Manitoba specifically. That being said, in the Manitoba industry, market barriers were more prominent. The small size of the market and limited numbers of shippers are examples of some of the responses.

6. When asked what conditions would need to be in place in order to increase growth in the industry, many responses stated that market conditions would have to improve to initiate growth. However, these conditions largely relate to the value of the Canadian dollar and can be beneficial or detrimental depending on the business of the firm (i.e. importer, exporter). In order to increase growth for their firm in Manitoba, many
answers related to policy and regulation. The key point made by the interviewees was that the province needs a better business environment (i.e. less business tax and regulations).

7. One-third of the respondents felt that the extent of consolidation was very substantial in the industry. However, only 4 of the 18 firms have consolidated their operations in the last five years. All four of these firms are third-party logistics providers (3PL). If a respondent had experienced challenges due to consolidation it quite often related to issues in combining operating systems. Concerning the opportunities of consolidation, many of the intermediaries said that competitors involved in this strategy have created an opportunity for their own firm. The decreasing level of customer service due to growing pains throughout their merger has allowed them to attain new clients.

8. The majority of the firms said that imports were arriving from the United States and the Far East. As well there was substantial movement inter-provincially. Similarly, the bulk of export goods are destined for the United States.

9. The primary routing used for goods arriving from and destined for Asia was through the Port of Vancouver. Goods arriving from Europe were predominately routed through Montreal. The same is true for goods destined for Europe.

10. Half of the intermediaries were not very familiar with the Asia-Pacific Gateway Initiative (APGI). Five were not at all familiar with the program. None of the firms were very familiar with the Manitoba International Gateway Strategy (MIGS) and only five respondents were somewhat familiar with the strategy. Five intermediaries stated that the MIGS would impact their route selection and when asked if intermediaries might play a role in the development of the MIGS, 14 of the 18 respondents said yes.

11. Border policies were listed most often as a policy or regulation that was hurting the firm. Conversely, this was also listed most often as a policy or regulation that was helping the firm. This was because the complexity of the policies increased the importance of the company. Most of the intermediaries were affected by the increased United States border security. Effects were both direct (i.e. increased border delays) and indirect (i.e. increased costs).

12. The majority of respondents had strategic arrangements with trucking companies. Although not all the details of these partnerships were specified, shipping large amounts of freight with a carrier usually gave them priority over other firms that had lower volumes.
Introduction

The advantages in having a streamlined logistical network from manufacturer to end customer is important for all members of the supply chain. International trade has become increasingly important for the economic prosperity of countries, including Canada. Reliance on trade can put a strain on a nation’s transportation network infrastructure. The Port of Vancouver, for example, has been a focal point of discussion related to these issues in Canada.

Canada’s international logistical system and infrastructure creates a potential concern for bottlenecks, causing many shippers to look towards outsourcing their logistical functions. In addition, with competition being global in nature, intermediaries are contracted as a means to create a specific competitive advantage for the shipper over others firms in the same marketplace. Companies have chosen to outsource their logistics for various reasons: decrease costs, lack of expertise in transportation, greater flexibility for change, operational efficiencies, increasing customer service levels, or a deeper focus on their own core competencies. While this list is not exhaustive, it represents an increasing reliance on logistical intermediaries to increase the bottom line for today’s businesses.

From a Manitoban shipper perspective, many, if not all shippers with international links, have come to realize that global sourcing is a current force that is driving the provincial economy. This realization has also caused domestic businesses to discover the current complexities and capacity constraints in today’s transportation network. Using intermediaries has allowed the shippers to focus on their primary capabilities without spending resources, ultimately reducing their cost and risk.

Scope and Objectives

In order to support Manitoba’s proven transportation sector, the objective of the report is to specifically provide knowledge with respect to the province’s supply chain intermediary industry.

The report covers the following sub-objectives:

1. Define and review supply chain management and the types of intermediaries in North America.
2. Determine the growth or decline in businesses within Manitoba’s supply chain intermediary industry by type.
3. Estimation of the size of these businesses by employment.
4. Determine barriers to growth or enablers to growth.
5. Establish the role and function of intermediaries in support of the Manitoba International Gateway Strategy.
6. Attempt to determine the national and international linkages between Manitoba’s intermediaries and that of other components of the transportation network.

Methodology

Project Design and Data Sources

For the project, three general phases were required to complete the research. These phases are as follows:

Industry Background

The purpose of this phase was to satisfy the first sub-objective of the study. In this phase, information was collected in an attempt to define the types of intermediaries in North America’s supply chain industry. This included third-party logistics providers (3PL’s), freight forwarders, and customs brokers as well as warehousing and cross-docking facilities. As well, the fourth and fifth-party logistics providers will be defined in the emerging trends section of the report. Often, transportation companies will have subsidiary firms that offer logistical services under its parent brand. The direct transport company would be excluded from this study while the subsidiary would not. Case in point would be the Gardewine Group of Companies. While Gardewine is a direct truck transportation firm, only its 3PL division, Northern Logistics, would be included.

The information for this phase included discussions with the various members of the Supply Chain department at the Asper School of Business. As well, a literature review was completed on the various types of intermediaries that are found within the industry.

Industry Structure Analysis

During this phase, a breakdown and assessment of Manitoba’s intermediaries industry was done. This entailed a historical review of Manitoba’s intermediaries, concentrating on the level of change in the industry in terms of size and by type of intermediary. This part of the study focused on completing the second and third sub-objectives. Data for this phase were derived from a custom database provided by D&B Canada.

Industry Interviews

Incorporating in-person interviews with Manitoba’s third-party logistics firms was crucial in delivering a detailed analysis to the state of the supply chain industry. By conducting these face-to-face surveys, real-world knowledge as to the current condition of Manitoba’s and to a lesser-extent, North America’s intermediary industry was obtained.

Eighteen firms selected from each of the core types of intermediaries defined in the first phase of the study (i.e. 3PL’s, forwarders and custom brokers) were chosen based on
their size. This approach provides depth in information but at the cost of breadth of information in the sense of statistical reliability. Each of the firms was interviewed by UMTI staff using a standard format (Appendix A).

While a general overview as to their views on the supply chain intermediary industry was intended, effort was made to focus on specific topics of importance. These included:

- Ranges of service offerings.
- Market opportunities and threats.
- Changes in the industry (e.g. alliances and mergers)
- Changes within the specific firm.
- The role of the intermediary and its part in supporting Manitoba as an international gateway.
- Linkages to the national and international transportation system and the impact on MIGS.

The completion of the interviews covered sub-objectives four through six.
The Supply Chain Industry and its Intermediaries

Many companies are increasingly becoming aware that the firm cannot rely on their internal resources to handle the complexities of supply chain management. Linking a company’s supply chain into its overall business strategy is a crucial step, so it is no revelation to see that firms are becoming increasingly aware that continual assessment of its supply chain is necessary for the company to remain competitive in the marketplace.

In many cases, companies cannot devote resources to constantly monitor the dynamism of its own supply chain but have instead contracted the work out to transport intermediaries. The main function of these experts is to ease the burden of handling inbound and outbound freight along the supply chain for its customer.

Various definitions have been proposed to define supply chain management and the numerous intermediaries that exist in the marketplace. According to the Council of Supply Chain Management Professionals (CSCMP), supply chain management “encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities”¹. The CSCMP also stresses that supply chain management should incorporate the collaboration and coordination of all players along the chain: suppliers, intermediaries and customers. Often, for the two endpoints of the supply chain, intermediaries are the most efficient method for coordination and collaboration to occur and can also be an integral part in their overall cost control functions.

Furthermore, the Asper School of Business defines supply chain management as “the integrated management of the flow of products, services and information from suppliers, through operations to the final customer. Every business must source or deliver bundles of goods and services. Logisticians are responsible for the management of all domestic and global supply chains.”²

Supply chain intermediaries at the very basic level are organizations which provide support, using their own assets and resources, on behalf of other companies. Having these intermediaries available is beneficial for shippers, allowing companies to focus on core competencies without having to deal with transportation and logistical issues. Third-party logistics providers (3PL’s) are amongst the most common intermediaries in the supply chain. As shown in Figure 1, 3PLs are a value-added evolution of other individual logistical intermediaries.

¹ Council of Supply Chain Management Professionals, Glossary of Terms; http://cscmp.org/Website/Resources/Terms.asp
² Asper School of Business, Academic Departments and Centres; http://umanitoba.ca/management/acad_dept/acdep_navset.htm
Figure 1: Evolution of Supply Chain Intermediaries

Custom Broker

There has been a gradual evolution in the role for custom brokers. Figure 2 outlines the duties that custom brokers provide its customer.

Figure 2: Custom Broker Duties

- Obtaining the release of imports
- Payment of applicable duty fees
- Obtaining, preparing the necessary documents and information
- Maintaining records
- Responding to any concerns after payment


Where brokers simply arrange import and export documentations relating to Customs clearance, freight forwarders additionally arrange services for transportation and delivery of goods.

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3 Note: Custom brokers also work with exports
Freight Forwarder

The basic duties of a freight forwarder are listed in figure 3.

**Figure 3: Freight Forwarder Duties**

- Negotiating and arranging the best method of transport for product to get to the target market.
- Coordinating the movement of goods to their destination.
- Preparing the necessary paperwork.
- Providing advice on packing, labeling and marking of goods.

These firms can either act as an agent or as a transportation intermediary. “As agents, forwarders simply arrange the services for a fee that includes an additional charge to the amount paid out on behalf of their clients. When acting as a transportation intermediary, the forwarder purchases cargo space on specific routes for a fixed price, which is resold to shippers.”

The greater capacity to provide services that a forwarder has over a custom broker is apparent. In essence, freight forwarders can remove the complexities of international shipping requirements from their customer while adding value by arranging the most cost efficient route for transportation. Freight forwarders can save time and money for their customers by consolidating shipments together.

The active nature of the economy and the ongoing focus on cost savings meant that to be competitive these intermediaries and customers had to adjust further. With international trade, overseas outsourcing and globalization, companies, especially larger, dominant players, realized the importance of focusing on the movement of their products. These companies wanted more services at the lowest cost. Thus, some logistical intermediaries evolved to be able to offer virtually all functions of the supply chain to their customers. This resulted in the development of third-party logistics providers.

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Third-Party Logistics Provider (3PL)

Many articles have been written on the importance of the third-party logistics provider (3PL) and how its services can contribute to a firm’s bottom line. With this in mind, the 3PL can possibly be the most widely used logistical intermediary in today’s economy. While custom brokers and freight forwarders are still very important and prevalent in today’s supply chain economy, it is the 3PL providers who are growing at the greatest rate. The duties of the typical 3PL are shown in figure 4.

Figure 4: Third-Party Logistics Provider (3PL) Duties

- Same duties as freight forwarder, but provides additional logistics services as well.
- Additional services include, but are not limited to, storage, cross-docking, and distribution.
- Track shipments on behalf of customer.

3PLs often have established relationships with other supply chain intermediaries, and even other 3PLs, who they may hire to handle their customer’s freight.

3PLs are described and characterized in many different ways. The following examples are some of the more common interpretations. The Council of Supply Chain Management Professionals defines the 3PL as “a firm which provides multiple logistics services for use by customers. Preferably, these services are integrated, or “bundled” together by the provider.”5 According to Industry Canada, 3PLs are “service providers who carry out physical logistics operations and manages systems to track shipments on behalf of the client.”6 While some claim that a 3PL should manage a customer’s supply chain, others state that it is solely focused with moving freight and less concerned with management and control. Similarly, the 3PL may or may not use its own resources when executing these services. Taking this all into account, the main idea is that the 3PL has the ability to carry out multiple functions for its customers supply chain requirements.

5 Council of Supply Chain Management Professionals, Glossary of Terms; http://cscmp.org/Website/Resources/Terms.asp
The primary basis for using a third-party logistics provider is the lack of internal resources and knowledge. Especially for a small business, hiring a 3PL provider may allow them to develop relationships within a supply chain network they would otherwise not be able to acquire. 3PLs may be responsible for large quantities of goods and have a much greater bargaining position with the carrier than a small shipping company. It is in the firm’s interest to deal with the 3PL because the firm, by itself, cannot provide the type of business worthwhile for the carrier.

Although there are many thriving 3PL providers, there are concerns that these intermediaries are not always as effective as they claim to be. Some articles argue that not all 3PLs are successful at being a true multi-service provider or do not own the knowledge and resources necessary to provide these services. Tom Craig of LTD Management lends his opinion as to why some 3PLs fall short. “Certain 3PLs have not done a good job at positioning and defining themselves in the marketplace. Fragmentation of the 3PL sector reflects both the uncertainty of how 3PLs view themselves and the diversity of customer needs.”7 Like all industries, there is room for improvement and growth. This leads us to the evolution of the 3PL, which will be discussed later in the report.

WAREHOUSING

According to Industry Canada there are typically three categories of warehouses. “A private warehouse is operated as a division of a company whose business is other than warehousing. A public warehouse offers services to a broad clientele. A contract warehouse offers services to a more restricted clientele, under formalized long-term outsourcing contracts.”8 Public and contract warehouses are the main focus because they are outsourced intermediaries. Like a 3PL, a warehouse may offer one or many types of services. Beyond the storage of goods, a warehouse may also offer freight consolidation, insurance options, claims inspection, and even the payment of accounts. Some warehouses specialize in the storage of a single type of product, while others may offer services for various types of products.

A product may visit many warehouses along its supply chain network, making these intermediaries an important consideration for a firm’s logistical operations. Depending on the contract and type of commodity, a typical warehouse will store goods from one day to a much longer period of time. However, some warehouses can be used to store goods less than one day and perform a much different function than the typical warehouse. This operation is known as cross-docking.

7 Thomas Craig, LTD Management, Outsourcing-3PL vs 4PL; http://www.ltdmgmt.com/mag/index.html
Cross-Docking

Routinely referred to as the “JIT of distribution”, cross-docking is similar to warehousing, but in effect serves a much different purpose. “In cross-docking, goods have already been assigned to a customer, the distribution centre receives goods from suppliers, sorts them directly to be shipped in a consolidated batch to the customers.” The central function of cross-docking is to decrease inventory by streamlining the flow of goods between supplier and customer. Unlike a warehouse where goods are stored for at least 24 hours, the general rule in cross-docking is that goods are stored for less than one day.

The main reason for using cross-docking is to decrease the cost of holding inventory and the overall cost of transportation, usually by consolidation. This function is valuable in many situations. The Hofstra University website describes some of the areas in which cross-docking might be employed:

- **Manufacturing**: Consolidate inbound supplies, which can be prepared to support JIT assembly.
- **Distribution**: Consolidate inbound products from different suppliers which can be delivered when the last inbound shipment is received.
- **Transportation**: Consolidation of shipments from several suppliers (often LTL batches) in order to achieve economies of scale.
- **Retail**: Receiving products from multiple suppliers and sorting them to outbound shipments to different stores.

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9 Hofstra University website, The Geography of Transport Systems, Chapter 5; [http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/crossdocking.html](http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/crossdocking.html)

10 Hofstra University website, The Geography of Transport Systems, Chapter 5; [http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/crossdocking.html](http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/crossdocking.html)
Emerging Trends in Intermediation

The business of logistics has turned into a highly complex and competitive atmosphere. In a global trade environment, and even domestically, fast and efficient movement of goods along the supply chain can vastly cut costs for companies. The strategic management of the entire supply chain with the use of information technology and intrinsic knowledge is becoming a necessity for companies. Consequently, there are vast opportunities for logistics providers to improve and expand their services.

The fourth-party logistics provider (4PL) and the fifth-party logistics provider (5PL) are the current terms hovering around the supply chain industry. These have similarities to the 3PL, but also have major distinctions.

Fourth-Party Logistics Provider (4PL)

The fourth-party logistics provider (4PL) is not unlike the 3PL in that there seems to be no general definition of it in the business world. However, there are real differences between the 4PL and 3PL. Many articles describe it as a “lead logistics integrator” or a “lead logistics provider” and that it is in some ways, depending on the opinion, superior to the 3PL. Figure 5 shows the basic breakdown of 4PL duties.

Figure 5: Fourth-Party Logistics Provider (4PL) Duties

- Same duties as third-party logistics provider, but is more strategic in nature.
- Focused on management and improvement of customer’s supply chain.

The term 4PL was originally coined by Accenture (formerly Andersen Consulting) in the 1990s. They describe this type of provider as “a supply chain integrator that assembles and manages the resources, capabilities, and technology of its own organization with those of complimentary service providers to deliver a comprehensive supply chain solution.” To grasp this concept, picture a bird’s-eye view of the entire supply chain. From this outlook, all aspects of the supply chain, along with all the necessary supporting partners, can be tracked and managed, ensuring an efficient, consolidated network of goods flowing from manufacturer to end-user.

According to Barry Saxton of Barloworld Logistics, the key distinction between the 4PL and 3PL providers is that the former offers a more strategic service to its customers. “The 4PL is a strategic activity which involves not only the management of a client’s supply chain, but also the development and improvement of their supply chain strategy. 3PL service providers offer far more tactical services”

4PL’s have grown because they offer benefits to their customers that a 3PL cannot. “The 4PL opportunity exists because 3PLs failed to meet the real logistics/supply chain requirements of customers” says Tom Craig of LTD Management. Craig elaborates that “the 4PL wants to position itself as an extension of and part of its customer; it recognizes the role of and need for IT in managing the process.” Because some 3PL’s are solely focused on managing tasks rather than the full process it has allowed for the evolution of the modern 4PL.

Staying with the same topic, as described by Kurt C. Hoffman, there are a few areas where 4PLs are likely to be more competent than a 3PL. These include “managing the activities of more than one third-party logistics provider, managing the availability and utilization of knowledge, and managing information technology.”

Essentially, the 4PL does not have physical assets. Rather, it possesses extensive technological and knowledge-based assets. 4PL’s manage many different other intermediaries throughout the supply chain.

The problem with using a 4PL is that a business must be willing to relinquish majority control over its supply chain operations. This can be a significant risk, especially if the 4PL and its service providers are unproven or not familiar with the relevant industry in which your firm is operating. The article describes some of the inherent risks when hiring a 4PL provider:

- **Loss of control.** “You lose visibility in daily activities. You no longer own the data.”
- **Lack of expertise in house.** “Many companies reduce logistics staff to bare bones and cannot properly manage the outsourced relationship.”
- **Head-buttting.** “In many outsourced relationships, there is constant disagreement over the interpretation of metrics.”

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14 Kurt C. Hoffman, Supply Chain Brain website, Just what is a 4PL anyway?; http://www.glscs.com/archives/8.00.4pl.htm?decode=75
15 Helen Richardson, Logistics Today website, What are you willing to give up?; http://www.logisticstoday.com/displayStory.asp?S=1&sNO=7028
• **Risk associated with long-term partnerships.** “It’s difficult to change partners or bring the function back in house. Most companies don’t begin outsourcing with an exit strategy.”

**Fifth-Party Logistics Provider (5PL)**

The next step in the evolution is the 5PL, or fifth-party logistics provider. Information related to 5PL’s is limited. 5PLs focus on technology. Similar to 4PLs, 5PLs do not have physical assets and are focused on the strategic management of the supply chain, but are focused more on technology and information in their operations. The basic duties of the 5PL are shown in figure 6.

**Figure 6: Fifth-Party Logistics Provider (5PL) Duties**

- Utilizes technologies to manage the supply chain and implement logistics solutions
- Strategic supply chain management focus

The Industry Canada website describes the 5PL as an organization that will “plan, organize and implement logistics solutions on behalf of a contracting party (mainly information systems) by exploiting the appropriate technologies.”

Typically 5PLs focus on larger customers whose supply chains entail a great deal of complexity. Basically, this intermediary strives to turn their customers’ supply chain into an IT-managed system linking the suppliers and buyers.

The Abraham Group, a fifth-party logistics provider, uses the term “zero-party logistics”. They claim that the 5PL is “an evolutionary step towards zero-party logistics”. According to Abraham, “zero-party logistics is the disintermediation of 3PL and 4PL organizations. It really means that the traditional logistics departments become nothing more than an integrated information chain between buyers and carriers.”

Through the use of technology, the fifth-party logistics provider aims for efficiency. However, to a certain degree this is traded off against control and relationships among the supply chain participants.

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To summarize the distinctions between the third, fourth, and fifth-party logistics providers, Table 1 offers a basic guide to the supply chain services of each intermediary.

**Table 1: Summary of Services Provided by Type of Intermediary**

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Custom Broker</th>
<th>Freight Forwarder</th>
<th>3PL</th>
<th>4PL</th>
<th>5PL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Service</td>
<td>Tactical</td>
<td>Tactical</td>
<td>Tactical</td>
<td>Strategic</td>
<td>Strategic - IT Supply Chain</td>
</tr>
<tr>
<td>Basic Idea</td>
<td>Obtain and prepare documentation for the release of imports/exports, payment of duties, fees, and taxes.</td>
<td>Arrange the transport and coordinate the movement of goods, prepare necessary paperwork, arrange storage and insurance</td>
<td>Performs multiple, or all, physical logistics functions on behalf of customer</td>
<td>Performs all supply chain functions for the customer; concerned with the management and improvement of the client's supply chain</td>
<td>Turns customer’s supply chain into a function that is completely driven by technology</td>
</tr>
<tr>
<td>Resources</td>
<td>Few physical assets, knowledge and technology assets</td>
<td>Usually owns few physical assets, knowledge and technology assets</td>
<td>May or may not own physical assets, mainly knowledge-based, technology for tracking shipments</td>
<td>Few physical assets, extensive knowledge and technology-based assets</td>
<td>Few physical assets, extensive knowledge and technology-based assets</td>
</tr>
<tr>
<td>Potential Benefits</td>
<td>Companies who import/export goods, help streamline customs clearance</td>
<td>Companies, especially smaller firms, who ship internationally, arrange most cost-efficient route for shipments</td>
<td>Companies who lack internal supply chain resources and knowledge</td>
<td>Companies with complex supply chains</td>
<td>Large companies with highly complex supply chains</td>
</tr>
<tr>
<td>Potential Drawbacks</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Focused more on moving freight than the management and efficiency of the supply chain</td>
<td>Loss of control and relationships with supply chain members, risk in long-term partnerships</td>
<td>Loss of control and relationships with supply chain members, risk in long-term partnerships</td>
</tr>
</tbody>
</table>

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18 For general purposes, opinions may differ between industry experts
Consolidation

Another major trend in the supply chain industry today is consolidation. Many intermediaries have combined their operations with other firms, consolidated their assets, or bought out competitors in order to promote growth for their firm. This has also affected many intermediaries operating in Manitoba. For the purpose of acquiring new equipment, people, technology and new customers many firms choose to buy-out competitors or smaller players in the market. Similar reasons apply to industry mergers. The amount of acquisitions and mergers is very difficult to calculate. Some of the larger transactions are as shown in Figure 319.

There are many reasons for a company to consider this strategy and the results can vary quite drastically depending on the transaction. The key motive for consolidation is to improve one’s standing amongst the competition in the industry. Usually, the merging companies will benefit from each others consumer base, intrinsic knowledge, and possibly technological systems. The latter can also be an important issue to consider as it can be challenging to combine diverse operating systems. Combining strengths can be beneficial as long as the partners can build through the initial growing pains of learning new company cultures and business systems.

Sometimes the reason for buying-out competitors is to capitalize on resources that you may currently lack or to penetrate another part of the intermediary market. According to the interviews that were conducted as part of this study this was a significant reason for consolidations in Manitoba. The Supply Chain Industry in Manitoba section of the report describes challenges and opportunities that are involved with this trend of consolidation.

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19 Please note that the dates listed are only for general purposes and may not reflect the precise dates of the acquisition
Figure 3: Major Mergers & Acquisitions in the Supply Chain Intermediary Industry

- **Nadiscorp Logistics Group Inc.** (2001) ↓ Burnham Canada Ltd.
- **Deutsche Bahn** (January 2006) ↓ Bax Global (formerly Burlington Air Express) MERGED WITH Schenker (already owned by DB)
- **DHL** (1999) ↓ Danzas Group
- **Vitran Express** (1989) ↓ Trans Western Express
- **Univar Canada Ltd.** (1998) ↓ Fort Storage

- **UPS-SCS**
  - (May 2001) Fritz Companies
  - (December 2004) Menlo Worldwide Forwarding (Formerly Emery Forwarding)

- **Livingston International Income Fund** (January 2006) ↓ **PBB Global Logistics Income Fund**
  - (Fall 2003) Carrier Connection International
  - (July 2004) Clarke Logistics
  - (March 2005) Unicity
  - (September 2005) M & C International

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20 Arrows point to the company that was acquired by the above firm
Manitoba Industry Analysis

The supply chain market in Manitoba has remained relatively stable, in terms of the number of firms and employees, since 2001. The number of firms has risen in the past few years, but at such a small rate that it cannot be considered significant. The same is true for the number of employees in the industry. There has been a shift toward firms that consider themselves third and fourth-party logistics providers. The main reason for this is consolidation in the industry. The high number of acquisitions, buy-outs and mergers has created many larger, integrated providers, but has also allowed for many small and independent firms to enter the industry.

Firms in the Manitoba Industry

The number of supply chain intermediary firms in 2001 was approximately 121. This number was split into two separate categories, freight forwarding and all the other supply chain intermediaries. A lack of specificity in the available historic data allowed only for freight forwarders to be specifically identified in 2001.

The other supply chain intermediaries section includes all firms other than freight forwarders. The types of companies which are included in this category are warehouses (third party, cross-docking, distributors, etc.), custom brokers, transportation brokers, consultants or agents, and 3-4PL integrated providers. The number of freight forwarders in 2001 was about 46 and the other firms totaled 75 to give an industry sum of 121. Figure 4 shows the breakdown.

Figure 4: Categorization of 2001 Firms

In 2006, there were 131 intermediaries in Manitoba. The data for 2006 was much more detailed than that of 2001 and allowed for a more specific classification of intermediaries. While greater distinction was possible with the more recent data, care must be taken in using the results as the firms have been grouped by their primary...
function. For example, a firm in the custom brokers section may also provide freight forwarding services but their main function would still be customs brokerage.

Figure 5 shows the breakdown of the number of firms by type in 2006.

![Figure 5: 2006 Classification of Firms](image)

The number of freight forwarders remained the same at 46. These include many of the same firms from 2001 plus some new entrants in the market. In total there were 85 other intermediaries. There were 35 warehouses, 24 transportation brokers, 11 custom brokers and 15 integrated 3-4PLs. The transportation broker group includes firms such as truck transport brokers, freight consolidators, shipping agents, consultants etc.
Employees in the Manitoba Industry

There were approximately 1,395 employees working for supply chain intermediaries in 2001. The number of employees in the freight forwarding classification was 418. The “other” category of the intermediaries in Manitoba employed 977 people as shown in Figure 6.

Figure 6: 2001 Breakdown of Employees

Supply Chain Intermediaries, 977
Freight Forwarders, 418

Employment increased to 1,432 in 2006. Employee numbers for 2006 were split by the types of intermediaries as shown in Figure 7.

Figure 7: 2006 Breakdown of Employees

Freight Forwarders, 443
Warehouses, 447
Transportation Brokers, 90
Custom Brokers, 154
3/4PL’s, 298
Freight forwarders employed 443 people in 2006 and all the other intermediaries employed 979 people. 447 were employed in warehousing, 90 in transportation brokerage, 154 in customs brokerage and 298 in integrated 3-4PL firms.

Employees per Firm
The average number of employees per firm was approximately 11.5 in 2001. This figure went down slightly to 10.9 in 2006 as shown in Figure 8.

Figure 8: Industry Employees/Firm
The above numbers in Figure 8 can also be split into two categories, freight forwarders and other intermediaries. In 2001 freight forwarders employed 9.1 people per firm. This number increased slightly to 9.6 in 2006. The ‘other’ grouping of intermediaries employed 13 people per company in 2001 and 11.6 people in 2006. This decrease is probably due to the consolidation of many larger players in the market. The newer entrants are smaller firms who employ fewer people. Figure 9 compares employees per firm from 2001 to 2006.

Figure 9: Freight Forwarders & All Other Intermediaries, Employees/Firm

![Bar chart comparing employees per firm from 2001 to 2006 for freight forwarders and other intermediaries. In 2001, freight forwarders employed 9.1 people per firm, and other intermediaries employed 13 people. In 2006, freight forwarders employed 9.6 people, and other intermediaries employed 11.6 people. The decrease is probably due to the consolidation of many larger players in the market, with newer entrants being smaller firms who employ fewer people.]

- **Freight Forwarders**
  - 2001: 9.1
  - 2006: 9.6

- **Other**
  - 2001: 13
  - 2006: 11.6
Figure 10 shows the 2006 data which is split by type of firm.

In 2006 there were 12.8 people per warehouse intermediary, 3.8 for transportation brokers, 14.0 for custom brokers and 19.9 for the integrated (3/4PL) providers. The higher level for integrated providers reflects the greater range of services these firms provide.
Supply Chain Industry in Manitoba – Interview Results

The goal of this section is to provide a general overview of the state of the supply chain intermediary industry in Manitoba.

The information was derived from 18 interviews with companies in the supply chain intermediary industry in Manitoba. The pool of participants was selected from the 2006 custom database provided by D&B Canada. A variety of small and large firms were interviewed with the goal of creating a cross-sectional view of local industry participants. The breakdown of the firms interviewed is as follows: 10 third-party logistics (3PL) providers, three warehousing firms, three custom brokers, and two freight forwarders. The different firms had unique opinions when it came to issues and opportunities in the industry. The interview template can be found in Appendix A.

Issues & Concerns about the Industry

The variety of opinions and explanations provided by the interviewees in this section was quite significant. The results of the interviews were systematically reviewed and compiled into categories of similar responses. With respect to interpreting the results, a firm may have provided more than one answer for each question so the results do not reflect the number of firms commenting on an issue or opportunity. For example, nine responses does not necessarily mean that nine different firms had the same response; rather, it may be that one firm had two or three responses to the same question.

Key Issues Related to Supply Chain Intermediaries

The intermediaries were asked about the important issues regarding the intermediary industry within Manitoba, Canada and North America. Table 2 provides a listing of all the issues related specifically to Manitoba as well as how many times they were mentioned.

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21 Please note that these distinctions are based on the opinions of the firms, rather than the information from the D & B database
Table 2: Key Issues in Manitoba Supply Chain Intermediary Industry

<table>
<thead>
<tr>
<th>Manitoba Issues</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictive regulations</td>
<td>9</td>
</tr>
<tr>
<td>Container availability</td>
<td>6</td>
</tr>
<tr>
<td>Shortage of industry personnel</td>
<td>5</td>
</tr>
<tr>
<td>Lack of airplane cargo capacity</td>
<td>3</td>
</tr>
<tr>
<td>Negative image of 3PL industry</td>
<td>3</td>
</tr>
<tr>
<td>Business tax</td>
<td>1</td>
</tr>
<tr>
<td>Churchill - seasonal/limitable access</td>
<td>1</td>
</tr>
<tr>
<td>Competition - &quot;cost/price squeeze&quot;</td>
<td>1</td>
</tr>
<tr>
<td>Customers concerned more with cost than time</td>
<td>1</td>
</tr>
<tr>
<td>Decreasing number of carriers</td>
<td>1</td>
</tr>
<tr>
<td>Lack of backhaul</td>
<td>1</td>
</tr>
<tr>
<td>Poor railway service</td>
<td>1</td>
</tr>
<tr>
<td>Supply chain integrity</td>
<td>1</td>
</tr>
<tr>
<td>Weather</td>
<td>1</td>
</tr>
</tbody>
</table>

The most prominent issue was restrictive regulations (declared nine different times). A common concern was the Administrative Monetary Penalty System (AMPS), which is a system that secures compliance with customs policies through the use of monetary penalties. “AMPS authorizes the Canada Border Services Agency (CBSA) to assess monetary penalties for non-compliance with customs legislative, regulatory and program requirements”22. In general, the changes to customs programs and regulatory requirements were an issue. Providing advanced information before the goods get to the border, security bonding/insurance, and Manitoba highway weight restrictions were also expressed.

There were six responses related to container availability in Manitoba. Five responses suggested that the Manitoba industry had a shortage of personnel, both truck drivers and non-driving staff (managers, supervisors, warehouse staff, etc.). A lack of airplane cargo capacity and the negative perception of the 3PL industry were the next most-stated issues (each one was expressed three times). In the former case, cargo capacity at the Winnipeg airport was currently not sufficient (however, the ongoing expansion of the Winnipeg airport may help this problem in the future) and so was its lack of “global reach” ability. For the latter, a couple of intermediaries felt that their industry had a bad reputation while one firm felt that there was no trust between the intermediaries and the carriers.

---

All other issues were only indicated once.

Table 33 provides a listing of issues at the Canada-wide level.

**Table 3: Key Issues in Canadian Supply Chain Intermediary Industry**

<table>
<thead>
<tr>
<th>Canadian Issues</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Congestion</td>
<td>4</td>
</tr>
<tr>
<td>Shortage of industry personnel</td>
<td>2</td>
</tr>
<tr>
<td>Competition - &quot;cost/price squeeze&quot;</td>
<td>1</td>
</tr>
<tr>
<td>Container availability</td>
<td>1</td>
</tr>
<tr>
<td>Lack of airplane cargo capacity</td>
<td>1</td>
</tr>
<tr>
<td>Lack of backhaul</td>
<td>1</td>
</tr>
<tr>
<td>Poor railway service</td>
<td>1</td>
</tr>
<tr>
<td>Restrictive regulations</td>
<td>1</td>
</tr>
<tr>
<td>Supply chain integrity</td>
<td>1</td>
</tr>
<tr>
<td>Weather</td>
<td>1</td>
</tr>
</tbody>
</table>

The main issue was port congestion (stated four times). Examples include congestion at the West Coast ports and other ship terminals, the limited rail capacity coming out of Vancouver, and the restrictions of unions (i.e. hours of service and constantly being on strike). The next largest concern was the shortage of people in the industry (expressed by two firms). The respondents indicated that they had trouble maintaining and attracting skilled personnel. Other issues were similar to those indicated for Manitoba. These were container availability, the limited number of air carriers in Canada, restrictive regulations, and the lack of backhaul loads (due to unbalanced trade with Asia). Supply chain integrity refers to the challenge of implementing supply chain security.

The North American context was not focused on extensively by those interviewed, but there were some responses related to issues within the industry. These were similar to Manitoba and Canada; they included the AMP system, the lack of industry personnel, implementing supply chain security, port congestion due to unions, and weather. Table 4 shows the responses from interviewees.
Table 4: Key Issues in North American Supply Chain Intermediary Industry

<table>
<thead>
<tr>
<th>North American Issues</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Congestion</td>
<td>1</td>
</tr>
<tr>
<td>Restrictive regulations</td>
<td>1</td>
</tr>
<tr>
<td>Shortage of industry personnel</td>
<td>1</td>
</tr>
<tr>
<td>Supply chain integrity</td>
<td>1</td>
</tr>
<tr>
<td>Weather</td>
<td>1</td>
</tr>
</tbody>
</table>

Key Opportunities for Supply Chain Intermediaries

Intermediaries were also asked if there were any key opportunities in the industry. The answers were compiled into four different categories: infrastructure opportunities, benefits/opportunities of outsourcing, industry opportunities, and market opportunities. Those related to infrastructure and outsourcing were listed most often by the respondents. Table 5 shows the key opportunities indicated by the interviewed firms.

Table 5: Key Opportunities for Supply Chain Intermediary Industry

<table>
<thead>
<tr>
<th>Opportunities</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure opportunities</td>
<td>8</td>
</tr>
<tr>
<td>Benefits of outsourcing</td>
<td>7</td>
</tr>
<tr>
<td>Industry opportunities</td>
<td>5</td>
</tr>
<tr>
<td>Market opportunities</td>
<td>5</td>
</tr>
</tbody>
</table>

A number of responses (eight) suggested that there were infrastructure options that could be harvested. These ideas included developing Manitoba into a national/international port or having a container facility in the province. One comment recommended developing a stronger relationship with the Port of Prince Rupert. Another suggested considering Churchill as an opportunity. New infrastructure at the west coast was also mentioned, as was the prospect of a larger airport in Winnipeg.

The benefits of outsourcing were mentioned seven times. These arise as companies are focusing on their core competencies and outsourcing support activities (i.e. logistics), creating an opportunity for the intermediaries. Other thoughts included offering consulting services or specialized services. There was one mention of businesses seeking “total solutions” providers and thus creating prospects for industry growth.

Industry and market opportunities each received five responses. Some industry prospects included competitive consolidation (because it cleared the industry of its weaker players), the export potential of Canada, and the increased popularity of cross-
docking. In one case it was suggested that trucking companies should consider working with freight forwarders in order to improve or increase their global services.

Market opportunities arising from increased trade due to free trade agreements and the rising flow of goods from Asia were expressed several times. Another option was to develop and utilize new technology and information systems. One warehousing firm thought that influencing customers to use warehousing and distribution systems, as opposed to direct shipment, was their best opportunity.

**Significant Changes in the Last Five Years**

According to the interviewees, changes in regulations (nine responses), the industry (nine responses), and the post 9/11 environment (eight responses) were the most significant changes in the last five years. These and other changes are listed in Table 6.

<table>
<thead>
<tr>
<th>Significant Changes</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in regulations</td>
<td>9</td>
</tr>
<tr>
<td>Industry changes</td>
<td>9</td>
</tr>
<tr>
<td>Changes post 9/11</td>
<td>8</td>
</tr>
<tr>
<td>Market changes</td>
<td>3</td>
</tr>
<tr>
<td>Bottlenecks at ports</td>
<td>1</td>
</tr>
<tr>
<td>Cost/price squeeze</td>
<td>1</td>
</tr>
<tr>
<td>Railways</td>
<td>1</td>
</tr>
</tbody>
</table>

Some of the responses concerning regulatory changes included increased regulation, audits by Revenue Canada, and examinations by Canada Customs. Some interviewees felt that the AMP system was becoming increasingly strict and resulted in firms being more susceptible to fines and penalties. One respondent noted that the establishment of new programs by the Canadian Border Services Agency (CBSA) was a significant change. The programs included the CSA (Custom Self Assessment) and ACI (Advanced Commercial Information) plans. These are risk management regimes designed to provide advance notice for customs prior to the arrival of cargo, and to help streamline the clearance of approved goods. It was not stated whether these programs negatively or positively affected the intermediaries.

Industry changes were largely related to the rise in competitive consolidation among players in the intermediary business. Other comments suggested that trucking companies were becoming more involved in the intermediary business or that the importance of trucking and ground travel was increasing due to the effects of 9/11. Significant technology and e-commerce developments as well as the increased use of the Just-In-Time (JIT) inventory strategy were other examples.
The effect of 9/11 has resulted in many changes as well. Primarily, the responses reflected security requirements as the major change post 9/11. Along with security are the changes to customs rules and regulations. Many of the comments indicated that they had to relearn parts of their business due to the new policies.

There were other important changes expressed by the intermediaries, most notably market changes. There were a couple of mentions related to growth in trade volumes. Overall, there has been an increase in the level of trade, with the Asian markets experiencing a “boom”. Another market change is the increasing amount of manufacturing that is being outsourced to different countries.

Other changes include the cost-price dilemma (increasing costs of providing services while prices do not increase), the perception of transportation by customers as a cost-cutting function rather than a value-added service, increased bottlenecks at ports (which include labor issues), and the monopoly position of the railways.

**Barriers to Increased Growth – Intermediary Industry**

Barriers to growth in the industry were discussed with the respondents on a general scale and on a more specific level concerning their firm in Manitoba. Responses regarding the industry overall are shown in Table 7.

<table>
<thead>
<tr>
<th>Barriers to Growth - Industry</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of industry personnel</td>
<td>6</td>
</tr>
<tr>
<td>Policies/regulations</td>
<td>5</td>
</tr>
<tr>
<td>Industry barriers</td>
<td>5</td>
</tr>
<tr>
<td>Market barriers</td>
<td>5</td>
</tr>
<tr>
<td>Nothing in particular</td>
<td>4</td>
</tr>
<tr>
<td>Ruthless competition</td>
<td>3</td>
</tr>
<tr>
<td>Taxes/tariffs</td>
<td>3</td>
</tr>
</tbody>
</table>

The intermediaries stated a variety of factors that impeded growth in the industry. **The most frequently stated barrier was the lack of people in the industry (six times).** This included both drivers and in-house personnel.

Policy and regulation barriers were mentioned five times. Comments included regulation in general as an obstacle, and regulations that were ambiguous and difficult to interpret. Policies limiting trade between Canada and the United States were an issue and so were custom policies that caused border delays. Two participants suggested that there may be a need for additional regulation. One firm indicated that a recent intermediary failure had left trucking companies downstream unpaid and that this had
been a problem. Another firm felt that they were at risk in paying GST at the border. Specifically, when importing goods for customers, (including goods for other intermediaries), there was a risk that the customer would fail and they would be accountable for payment of the GST. This hinders growth and has resulted in the intermediary conducting in-depth credit checks on their customers. In both cases, bonding was suggested as a possible solution.

Along with policy and regulation, there were five responses stating there were barriers in the industry. There were also five responses suggesting there were barriers in the market. Concerning the industry, a few responses indicated that lack of existing infrastructure was a burden. In this case it was the lack of rail infrastructure and carriers that was the dilemma as opposed to rail service. The issue of obtaining containers was mentioned once. In addition, air-route selection was also mentioned as an industry impediment. Specifically in Winnipeg, there are fewer direct flights to other destinations than other cities, like Calgary for example. Market barriers included a shortage of carriers willing to come to Manitoba. One firm indicated that the remoteness of their main headquarters from Manitoba was a barrier. For some intermediaries, the increasing Canadian dollar was an obstacle because it decreased the level of exports. However, it should be noted that this was an issue for the firms whose primary function was exporting. An increasing Canadian dollar may be an opportunity for other firms, specifically those involved in import intermediation.

Taxes and tariffs were barriers for three of the firms. There was one mention that increasing business taxes were a hindrance as well as one observation that high tariffs were limiting trade between the U.S. and Canada. While tariffs are not the issue under NAFTA, the conclusion is that this response reflects non-tariff barriers such as security requirements.

There were three responses that “ruthless” competition was a barrier. For example, one firm stated that the loss of manufacturers was creating an increasing rivalry in the industry. Essentially, the fewer number of manufacturers means that there are fewer goods produced in Manitoba for the intermediaries to ship. Finally, four responses indicated that nothing in particular was a barrier in the industry.
Barriers to Increased Growth – For Individual Firms in Manitoba

In Manitoba, for individual firms specifically, market conditions were the most-stated barrier, (nine responses), which was followed closely by the lack of qualified people (eight responses). Table 8 shows the breakdown of the Manitoba barriers.

Table 8: Barriers to Growth for Individual Firms in Manitoba

<table>
<thead>
<tr>
<th>Barriers to Growth - Firm</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market barriers</td>
<td>9</td>
</tr>
<tr>
<td>Lack of people in the industry</td>
<td>8</td>
</tr>
<tr>
<td>Industry barriers</td>
<td>6</td>
</tr>
<tr>
<td>Taxes/tariffs</td>
<td>3</td>
</tr>
<tr>
<td>Failure to promote MB as viable market</td>
<td>2</td>
</tr>
<tr>
<td>Policies/regulations</td>
<td>2</td>
</tr>
<tr>
<td>Ruthless competition</td>
<td>2</td>
</tr>
<tr>
<td>Capital availability</td>
<td>1</td>
</tr>
<tr>
<td>Land-locked in MB</td>
<td>1</td>
</tr>
<tr>
<td>Nothing in particular</td>
<td>1</td>
</tr>
</tbody>
</table>

Concerning market barriers, the main issue was the size of the market. In a few cases the limited number of shippers in Manitoba was an obstacle for growth. For exporters, the rising Canadian dollar was, again, an impediment. One response stated that the JIT approach was limiting the importance of their firm while another response suggested that brokers were negatively viewed in the province and it hurt their business. Lastly, company headquarters remote from Manitoba was a barrier for a single firm. Basically, it is harder to make important business decisions when the head office is not near your operations.

With respect to the lack of qualified people in the Manitoba industry, the statements were the same as those for the industry in general. However, some respondents went further to say that the lack of quality resources and education programs to train people in Manitoba was a significant issue. The University of Manitoba does offer a supply chain management program in the Asper School of Business. However, the program is very new and it is doubtful that the intermediaries market has employed many of these graduates. As well, it is possible many graduates of Manitoba supply chain programs leave the province to work elsewhere. Case in point, people leaving the province to work in Alberta was mentioned once as a barrier.

Next on the list were barriers due to factors in the industry (six responses). These issues were exactly the same as those raised regarding the industry in general, (i.e. lack of
containers, existing infrastructure, the limited rail and air cargo) except for one point about the consolidation of carriers. This related to the decreasing availability of carriers and the limited negotiation power intermediaries have with them.

High taxes were an impediment on intermediary growth, which was suggested three times, while policies and regulations were mentioned twice. The latter issue included one mention of highway weight restrictions. Excessive competition was indicated two times as an issue that impeded the growth.

All other barriers were stated only once or twice by the respondents. These included the failure of the Government to promote Manitoba as a viable business option and the lack of capital available to satisfy their needs. The issue of higher freight costs due to Manitoba’s limited access to ocean traffic was raised by one participant.

There was only one response that no obstacle was impeding the growth of their firm in Manitoba.

Conditions to Increase Growth – Intermediary Industry

The intermediaries were asked if there were any conditions that could be put in place to increase growth within the industry. The responses were split into the same two categories used for the barriers: Conditions to increase growth in the industry in general and conditions to increase growth in Manitoba for their firm specifically.

In terms of the overall industry, there were seven responses related to improving market conditions which garnered the highest total. For example, there is a need for more carriers willing to come to Manitoba. This would increase the availability of trucking services for the intermediaries. Other market improvements were related to the Canadian dollar, three responses indicated an increase in the dollar would be beneficial to their operations while two suggested a decrease in value was desirable. Again, these opinions depended on the type of services (i.e. import vs. export) the firm offered. Table 9 lists the number of responses for each category.

Table 9: Conditions to Increase Growth in the Intermediary Industry

<table>
<thead>
<tr>
<th>Conditions to Increase Growth - Industry</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market barriers</td>
<td>7</td>
</tr>
<tr>
<td>Nothing specific/no answer</td>
<td>6</td>
</tr>
<tr>
<td>Industry barriers</td>
<td>3</td>
</tr>
<tr>
<td>Lack of people in the industry</td>
<td>3</td>
</tr>
<tr>
<td>Policies/regulations</td>
<td>3</td>
</tr>
<tr>
<td>Promote MB for business</td>
<td>3</td>
</tr>
<tr>
<td>Fuel &amp; transport costs</td>
<td>1</td>
</tr>
</tbody>
</table>
The next highest response rate came under the category of “nothing”. There were six responses that stated either “nothing specifically” or had no answer relating to conditions that would increase growth.

There were three responses describing government policy and regulation changes as a prerequisite to higher growth. Specifically, policies for customs that are causing delays at the border and policies that are limiting trade between the U.S. and Canada. Softwood lumber and beef were examples of affected commodities. As well, government quality issues pertaining to suppliers were raising costs for one firm.

Three responses stated that improving conditions in the industry would be beneficial. These conditions included better availability of containers and more carriers in Manitoba. For the warehousing firms, promoting Manitoba as a “just-in-case” hub was mentioned as a potentially useful strategy. This strategy involves providing a safety-stock warehouse for their customers instead of the traditional storage services. Basically, the customer would only draw goods from this type of warehouse if they had an unexpected rise in demand or supply failure for a certain product or commodity. It acts as a risk management activity to ensure that goods are available to be shipped in the expected time.

Attracting and retaining quality personnel and promoting Manitoba as a viable business environment were each indicated three times. In the latter case there were several responses that Winnipeg should be endorsed as a natural hub or as a good place to develop a hub.

The last opinion, stated by only one firm, was that the Government should examine the cost of fuel.

**Conditions to Increase Growth – For Individual Firms in Manitoba**

There were six responses that issues pertaining to policy and regulation had to be improved to encourage growth. The majority of these suggested a more favorable business environment with less tax on businesses and less regulation in the industry. One response suggested that de-regulating the air industry and further liberalizing the “open skies” agreement with the U.S. would increase competition from American carriers, thus creating more options for the intermediaries. Consult Table 10 for the other responses by the participants.
Table 10: Conditions to Increase Growth for Individual Firms in Manitoba

<table>
<thead>
<tr>
<th>Conditions to Increase Growth - Firm</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies/regulations</td>
<td>6</td>
</tr>
<tr>
<td>Market barriers</td>
<td>5</td>
</tr>
<tr>
<td>Taxes/tariffs</td>
<td>5</td>
</tr>
<tr>
<td>Industry barriers</td>
<td>4</td>
</tr>
<tr>
<td>Nothing specific/no answer</td>
<td>4</td>
</tr>
<tr>
<td>Lack of people in the industry</td>
<td>2</td>
</tr>
<tr>
<td>Promote MB for business</td>
<td>2</td>
</tr>
</tbody>
</table>

Improving market conditions and tax situations were each stated five times in the interview results. Suggestions included increasing the amount of goods manufactured in Manitoba. As well, both a lower Canadian dollar and a higher Canadian dollar were listed (depending on the service provided by the firm). Related to the taxes, all five responses felt less business tax would produce a more favorable operating environment in Manitoba. It was also stated that better tax conditions might help the province compete, in business terms, with Alberta and Saskatchewan.

Changing conditions in the industry to remove barriers and thereby promote growth was stated four times. Suggestions included increased competition among trucking firms (creating more options for the intermediaries), having more carriers in Manitoba, increasing the availability of containers, and possibly creating a container port in the province. This port would subsequently increase the availability of containers.

The lack of available skilled personnel was stated twice. Again, the premise being that Manitoba needs more quality resources and programs to train people for this industry. Promoting Manitoba as a viable business option was indicated twice. This involved developing Winnipeg into a hub and creating a vision of the city as a natural hub.

“Nothing in particular” would need to be in place to increase growth for their firm in Manitoba was suggested four times.

Changes in Opportunities & Challenges in the Last Five Years
The interviewed firms were asked if the challenges or opportunities related to their business had changed in the last five years. Interestingly, the complexity of security requirements, customs, and regulations were listed as both a challenge and opportunity in the interview results.

Beginning with opportunities, eight responses suggested that there were new opportunities due to the recognition of the 3PLs in the industry, and the culture of focusing on the entire supply chain and JIT. It has become more popular for companies
to seek third-party logistics providers or “total-solution” firms. Similarly, the importance of many of the intermediaries has increased because of the potential intermediaries have in creating an efficient supply chain. The increased adoption of JIT has created opportunities for a few of the respondents, but it was noted that this trend can also be a challenge. One firm suggested that the burden of shipping goods from Asia into Canada can be harvested as an option. Creative thinking can solve many of the customer’s problems in this situation.

There were seven responses that indicated there were new opportunities arising as a result of complexity, particularly, the intricacy of new security requirements, customs programs or regulations. For those who responded in this manner, the challenges have increased the importance of their firm and have possibly created consulting prospects. According to a couple of the participants, the need for new technology and communications has created the same result. A good example is AMPS. Customers wish to avoid these penalties and look to brokers or other intermediaries to take this issue out of their hands.

Creating resources to better train people in the industry was indicated several times. In order to enhance the level of quality personnel, Manitoba has to create the programs to produce new talent.

An increased air cargo capacity at the Winnipeg International Airport was an opportunity mentioned once. Specialization was also mentioned. Finally, it was suggested that opportunities in containerization have arisen in the last five years. Providing services to many small buyers by consolidating their shipments into full container loads was the response of one intermediary.

The central challenge indicated by the interviewees was the complexity of security requirements, customs, and regulations. Just as this was an opportunity expressed by many respondents it was described even more often as a challenge. Ten responses were provided ranging from the burden of regulation, to the challenges resulting from post 9/11 security requirements.

Two firms indicated human resources as a challenge. One interviewee thought that some companies were moving back to 1st party logistics and performing the supply chain function in-house as opposed to using intermediaries. One comment was made that there were no changes to either the challenges or opportunities faced by their business.
Perceptions about Industry Consolidation

From the perspective of the 18 interviewees, consolidation has been a fairly widespread trend within the supply chain intermediary industry. Figure 11 shows the extent of which the respondents felt consolidation was occurring in the industry.

**Figure 11: Extent of Consolidation in the Intermediary Industry**

Many of the firms (6 of 18) felt that consolidation was very substantial in the industry. Four thought there was a lot of consolidation, five said some, two said there was very little, and only one participant felt there was none.

When asked about the impact of consolidation on the industry, there were three main responses. Many interviewees suggested an effect was a decline in customer service. On the other hand, many interviewees felt that consolidation had no impact. The other popular answer was that consolidation was providing companies with a greater source of capital and allowing them to offer a wider range of services. Besides these predominant answers some of the other responses were:

- One interviewee said that the top 5 firms in the industry were using a consolidation strategy.
- Others stated that consolidation has resulted in fewer firms, a reduction of carriers, and less people employed in the industry.
- A couple of the firms felt that consolidation had narrowed the field down to a handful of major competitors.
- One respondent stated that this trend was positive for smaller firms. This was usually because the larger firms experienced growing pains during the merging of operations and lost clients in the process.
Contrary to their opinions, only 4 of the 18 firms said that they had been involved in a buy-out or merger in the past few years. All four of these firms were third-party logistics providers.

Since the majority of the interviewed firms had not consolidated their operations, many expressed that there were no challenges with industry consolidation. If a firm had issues, they were two-fold, either issues concerning their own mergers or, if they had not consolidated operations, challenges from competitors in the industry. The most significant challenge was combining operating and communication technologies. Operating systems can be difficult to successfully integrate and this was experienced by all of the 3PLs who had consolidated their operations. Staffing, both training and retaining, was another issue that some firms had to deal with during the merger. One 3PL stated that continuing to meet service needs was one of their pressing concerns. Losing contact with customers and increased delays of daily functions are just a couple of the issues firms must try to avoid during the merging of their operations.

According to intermediaries, many trucking firms have combined operations and there are fewer of them in the industry today. From an industry standpoint, one firm stated that they had less bargaining power with carriers because there were fewer of them. Furthermore, one warehouse experienced competition from trucking firms who were also providing warehousing services. This strategy was limiting the importance of the third-party warehouse in the industry. Competition was an issue for a couple of the interviewed firms. Many of their competitors were getting stronger by merging with other firms and increasing rivalry in the industry.

Approximately half of the interviewed firms had not experienced any opportunities from industry consolidation. For those companies that had merged, increased resources and the ability to provide a broader range of services were the greatest advantages experienced. Additional benefits included image association and accessing a new pool of customers.

Many of the companies that had not merged operations said that other firms going through consolidation created opportunities for themselves. Because these intermediaries experienced some growing pains, they ultimately lost some customers and possibly experienced staff as well. This gave the other firms the opportunity to capitalize on disgruntled customers and perhaps hire some well-qualified personnel. One firm said that competitor consolidation had put less pressure on pricing.
The Gateway System

The following section focuses on the regions or countries that respondents are moving goods to and from. In addition, the routing used by the intermediaries was discussed. The interviews also inquired about the respondent’s familiarity with the Asia-Pacific Gateway Initiative and the Manitoba International Gateway Strategy and what effect these programs might have on their operations.

The intermediaries served many different types of customers. Many said that they would move almost anything and everything. The only exceptions were personal or dangerous goods, as many firms would not handle these items. The most frequently transported goods appeared to be agricultural products and equipment, industrial goods, textiles and other retail commodities.

Origin & Destination of Goods/Routing of Goods

The majority of the interviewed firms said that imports were arriving from the United States and the Far East. As well, there was substantial movement inter-provincially. However, companies are moving goods from a variety of different regions. These include locations in Europe and the Mediterranean, the Middle East, and South America. Third-party logistics providers generally received goods from a wide variety of regions, including North America. Custom Brokers primarily dealt with products from the United States and the product flow for warehousing firms was largely from North America.

The bulk of export goods are destined for the United States. The intermediaries were also moving freight to many other regions of the world. Australia was mentioned several times as a destination, followed closely by Europe. A couple of firms shipped to the Far East, but this was not as significant as the imports flowing from that region. Other locations included the Middle East, South America, as well as the countries of Russia, New Zealand, Kazakhstan and the Ukraine. The 3PL firms and freight forwarders moved goods to a wide range of different countries. Similar to the imports, custom brokers and warehousing firms are primarily focused with moving goods throughout North America.

In terms of routing, for goods arriving from Asia, almost all of the respondent’s goods came through the port of Vancouver, BC. One firm shipped through Los Angeles before coming to Canada. Importing from Europe, the majority of shipments were through Montreal. The next most popular routes were through Toronto and Halifax, while one company went through New York. Routes from the United States were generally direct. Depending on the location, goods crossed at the location most efficient for the shipment.

Export traffic followed generally the same routing as the imports. Most respondents used Vancouver to send Asian bound goods. Two firms went through the U.S. before going to Asia using Tacoma and Los Angeles. For exports to Europe, the majority of
firms used Montreal. Toronto and Halifax were the next two most utilized paths, while a couple of firms shipped from the U.S., using Baltimore and New York. Routing to the United States was, again, geographic specific or direct depending on the origin and destination of the shipment.

Concerning the level of congestion at West Coast ports, half of the interviewed firms answered that it had impacted their business in some way. Conversely, eight of the firms believed that it had not impacted their business. One firm said that congestion has somewhat affected their business. Figure 12 shows this breakdown.

Figure 12: Has Congestion at West Coast Ports Impacted your Business?

![Pie chart showing the breakdown of responses to the question.](image)

Where delays were cited as a problem the effect described was that it led to unhappy customers and increased business costs for some of the intermediaries. West Coast congestion can also be viewed in a positive manner. According to several firms, the increased flow of goods means that customers are investing in Asia and are moving larger value shipments, which subsequently increases their overall business.
The Asia-Pacific Gateway Initiative & the Manitoba International Gateway System

The familiarity of both the Asia-Pacific Gateway Initiative (APGI) and the Manitoba International Gateway Strategy (MIGS) by the interviewed firms was low. Only a single firm felt they were very familiar with the APGI. Figure 13 shows the level of awareness of the APGI.

Figure 13: Familiarity with the Asia-Pacific Gateway Initiative

![Pie chart showing familiarity levels with the APGI]

Not Very Familiar, 9
Not at all Familiar, 5
Very Familiar, 1
Somewhat Familiar, 3

Three interviewees stated they were somewhat familiar with the APGI, nine were not very familiar and five claimed to be not at all familiar with the initiative.

Many of the firms are not participating in any way with the initiative. The most likely reason is that most of them are not very aware of this initiative or its goals. For the few firms that are involved, they had attended a conference, a seminar, or similar events that pertained to the initiative. As well, a couple of the firms currently not involved expressed interest in participating in future events.
Similarly, there is a lack of familiarity with the MIGS. The results are shown in Figure 14.

Figure 14: Familiarity with the Manitoba International Gateway Strategy

None of the interviewees claimed to be very familiar with the strategy. Five of the intermediaries were at least somewhat familiar with the strategy. There were six companies not very familiar and seven that were not at all familiar with the MIGS.

When asked if the Manitoba International Gateway Strategy might impact their route selection, approximately 30% of the firms said that it would. For instance, several intermediaries promoted the development of a global air traffic hub saying that it would be used by their company. Others thought it might open up new markets or be a viable route to reduce costs. Another firm stated that a Northern port may influence their Asian route selection. The question was inapplicable to about 30% of the interviewed firms because they were not aware of the initiatives involved in the MIGS. Most of the others said that MIGS would either not impact or have very little effect on their route selection. A few of the respondents were unsure if the strategy would have any influence on their current operations.

Fourteen of the eighteen intermediaries felt that they could contribute to the development of the MIGS. When asked, the other four either said no or did not have an answer. Many of the third-party logistics firms were optimistic and thought they could play a part in the development of the strategy. The role of the intermediaries, according to the respondents, may include the following:

- Promoting the MIGS to clientele.
- Supporting the idea by attending seminars and conferences.
• Playing a part in the planning and communication of the strategy.
• Acting as a consultant on certain items.
• Offering their services to related infrastructure.

The respondents were equally divided when asked if they felt Manitoba was a useful route for shipments originating in the United States and destined for Asia. A few firms who supported this idea said that routing from the U.S., through Winnipeg, then out of Vancouver is a practical option. A couple of intermediaries felt that having a consolidation facility in Winnipeg may help increase the flow of goods through Manitoba. One participant stated that the arctic marine route through Churchill would be a shorter transport route while another thought that the Border States could use Manitoba as an effective route for shipments.

Conversely, many of the firms expressed possible constraints for using this routing. A major issue raised was regarding possible time constraints due to border delays and inspections. The efficiency of the railroad and highways in Manitoba was another concern. One intermediary thought that using this route plan may actually increase their overall costs, while another felt that there were shorter, more direct routes in the United States. A couple of the intermediaries were unsure if this would be an efficient routing plan. A single respondent felt this route would only be beneficial if the Churchill port was open.

Subsequently, the option of using Manitoba as a route for goods traveling from Asia to the United States was also proposed. The firms were split fairly evenly, with a slight majority in support of the idea. Utilizing a consolidation facility in Manitoba (likely Winnipeg) to facilitate movement was a common element in answers. Because of its central location, the goods could be shipped to Winnipeg, consolidated, and then distributed to the United States. As well, one respondent felt that the arctic marine route through Churchill was an effective route while another firm stated that if movement costs were highly competitive this route could be useful. Interestingly, one third-party logistics provider claimed to already use this route for goods transported from Asia to the United States.

The constraints of shipping goods through Manitoba from Asia to the United States were very similar to those where the flow was in the opposite direction. Extra costs and delays at customs were reiterated by some of the firms. One respondent felt that this route was not viable for larger U.S. markets while another noted that there are shorter, more direct routes available in the U.S. Several of the other firms were unsure if this would be an effective route and one intermediary had never considered this shipping option. Again, a single respondent felt this route would only be beneficial if the Churchill port was open.
Issues & Concerns about Policies & Regulations

When asked if there were any policies or regulations hurting their firm, the primary issue was border policy (ten responses). Many of the complaints were related to the AMPS penalties. Other matters included the constant changes to customs, and in particular, when the changes are made without intermediaries being properly notified. Inspections by customs were another issue. There were suggestions that the inspections are inconsistent and can be quite timely and costly. Table 11 shows all of the policies or regulations that are hindering the operations of the interviewees.

Table 11: Policies and Regulations Hindering Intermediaries

<table>
<thead>
<tr>
<th>Policy/Regulation Hurting Firm</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border policy</td>
<td>10</td>
</tr>
<tr>
<td>Business policy</td>
<td>6</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
</tr>
<tr>
<td>Safety rules &amp; policies</td>
<td>4</td>
</tr>
<tr>
<td>Highway weight restrictions</td>
<td>1</td>
</tr>
</tbody>
</table>

Business policy was the next with the most grievances (six responses). The key concerns were a lack of pro-business attitude and business tax. There was one mention that support for unions was too strong.

There were five mentions that there were no policies or regulations hurting their firm at the moment.

Safety rules and policies was an issue stated four times. These included the burden of worker’s compensation rules, RCMP road closures, and the lower hours of service for truckers. There was one suggestion that policies related to dangerous goods were constantly changing and becoming a nuisance.

One comment suggested that highway weight restrictions were problematic.

Although these policies can be taxing, they do not affect all firms to the same degree. Figure 15 shows the extent of which the policies and regulations are limiting the efficiency of the respondents.
Two of the intermediaries thought that their businesses were being greatly affected; while four said moderately and three felt they were slightly burdened by policies or regulations. Seven of the firms suggested no negative impact on their operations while two firms stated that the question was not applicable.

A few of the intermediaries suggested changes to some current policies and regulations. Those affected by border policy wanted the AMPS penalties to be lowered to a more moderate level and insisted that changes to customs rules be better publicized to the associated firms. As well, changes to the customs inspection policy were proposed. Specifically, changes that would create a more consistent inspection process. Several firms suggested changes to business tax rules in order to promote Manitoba as a viable location to do business. One firm thought changes to worker compensation laws should be considered to subsequently make them less onerous and another respondent thought that the government should lessen the effect of weight restrictions for highways.

The interviewees were also asked if there were any policies or regulations helping their firm. Interestingly, border policy had nine responses claiming it was beneficial to the respondent. Contrary to the previous section, the complexity issues caused by border policy have increased the importance of a few of the intermediaries. And even though the AMPS program has been burdensome, it has also pushed shipping companies to use intermediaries in order to reduce their risk. Other comments suggested that new border policies have been a positive step towards streamlining the flow of goods through customs and has subsequently increased the efficiency of the process. Finally, many of the firms thought that inspections by customs, although time-consuming, are necessary in maintaining security and quality.
Table 12 shows a rundown of the different policies or regulations that are helping the operations or the firms.

**Table 12: Policies and Regulations Helping the Intermediaries**

<table>
<thead>
<tr>
<th>Policy/Regulation</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border policy</td>
<td>9</td>
</tr>
<tr>
<td>None</td>
<td>9</td>
</tr>
<tr>
<td>De-regulation of trucking industry</td>
<td>1</td>
</tr>
<tr>
<td>International business centre</td>
<td>1</td>
</tr>
<tr>
<td>Safety rules &amp; policies</td>
<td>1</td>
</tr>
</tbody>
</table>

Nine firms stated that there were no policies or regulations helping their firm.

Safety rules and inspections were benefiting one firm. The respondent said that these rules had eliminated some of their competition. Another respondent felt that the de-regulation of the trucking industry was positive because there were more options in selecting carriers. Lastly, one respondent felt that the federal government’s International Business Opportunities Center was helping its customers determine the proper markets for their products.

The final question posed to the intermediaries was how, if at all, increased border security in the United States had affected their business. Table 13 shows the responses garnered from the interviews.

**Table 13: Affects of Increased U.S. Border Security on Intermediaries Operations**

<table>
<thead>
<tr>
<th>Answer</th>
<th># of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>16</td>
</tr>
<tr>
<td>Indirect</td>
<td>9</td>
</tr>
<tr>
<td>Not at all</td>
<td>3</td>
</tr>
</tbody>
</table>

The interview produced a total of 28 comments from the respondents. 25 stated that increased border security had affected their business while only three said that it had not. The effects were assigned to two categories: Direct outcomes and indirect outcomes. The direct outcomes were typically increased border delays at both Manitoba crossings and borders in other provinces. Some firms also stated that U.S. border security has resulted in more inspections and increased paperwork. Indirectly, the border delays have created extra costs for a few of the intermediaries and have also caused customer complaints. One firm even said that they have changed their routing as a result of the increased delays. The indirect effects were not all negative, a couple of the respondents...
felt that they got more business because of the regulations or had an opportunity to develop solutions for their clients.

**Linkages with other Operations in the Supply Chain**

The complexity of any supply chain makes strategic partnerships an important consideration. Many of the intermediaries have developed relationships with other firms along the supply chain to gain a tactical advantage or to remain competitive in the industry. The respondents were asked if they have any special working arrangements with other firms and, if possible, to explain this relationship.

**The majority of the strategic relationships involved trucking companies.** Twelve of the intermediaries said they had special arrangements with trucking firms. Usually the partnerships involved several local firms. Specific details of these were not identified, but many of the broader aspects were similar to those with air carriers. Shipping large amounts of product and receiving priority or utilizing many carriers to create options for pricing and shipping were typically described. One firm noted that they collaborate with a trucking firm in order to enhance each others capabilities.

Eight firms had strategic partnerships with air carriers. Of those who specified that they had a relationship, the following were some of the details:

- Shipping large amounts of freight with a carrier usually gave them priority, or
- They received discounted rates.
- They worked with a few different carriers which gave them more options on pricing and shipping.

Four of the firms claimed to have working deals with the ports. For the most part, the details of these were unspecified during the interviews. However, one of the firms had actually hired an agent to deal with the port on their behalf.

There were three intermediaries who stated they had special agreements with the rail companies. Not surprisingly, the aspects of the relationships were again unspecified. Because the railways are monopolized, it makes creating any strategic partnership a difficult task. A partnership with a monopolized company would be a one-way relationship as opposed to a two-way strategic arrangement. In fact, many firms could not form any type of partnership with the railways and denied that it might be possible.

There was only one firm who had developed a partnership with a steamship line. The basis of this relationship involved the intermediary committing to move a certain volume of goods every year.

When asked if these relationships positively or negatively affect transportation in Manitoba, four firms said they were positive and only one thought them to be negative.
Five firms thought that they had no effect while the remaining eight respondents had no answer. Those who felt positively about the partnerships had various reasons. One felt that carriers and intermediaries working together towards a single goal would benefit both parties. Similarly, another firm felt that intermediaries could support the development of the Manitoba International Gateway System. A couple of the respondents said that this may give Manitoba a viable marketing opportunity as an option to move goods. The one negative respondent was skeptical that the carriers would not want to work with the intermediaries.

**Overview & Summations**

The general issues for intermediaries in Manitoba are concentrated in areas such as regulations, market issues, and personnel. Because a lot of these firms deal with cross-border shipments, it is likely that regulations are a burden for intermediaries outside of Manitoba as well. When discussing regulatory issues, border policy was mentioned most by the interviewed firms. More specifically, CBSA programs such as AMPS, which penalize the firms for not following border protocol. Inspections at the border, increased paperwork, and other border delays are also issues that seem to be significant concerns of the respondents. Many respondents understood the reasoning for these policies, but were nonetheless an issue for their business.

Another concern in the Manitoba intermediary industry is the lack of personnel, which includes office (administrative and management) staff as well as drivers. Many of the respondents felt that the province had a shortage of quality and experienced workers to hire in the industry.

Market barriers were the other important issue in the industry. The relatively low population of the province means that the market for third-party logistics companies is quite small. The small amount of manufacturers and other producers means that there are fewer products to ship out of Manitoba. Some intermediaries are finding it difficult to find business’ that need their product moved.

There was little detail in terms of solutions to these problems provided by the respondents. However, from the collected data, it seems that a better business environment and better training could improve the situation. Developing Manitoba as a hub is another opportunity for Manitoba and involvement of freight forwarders in Manitoba’s gateway strategy development would be beneficial. This strategy will make companies more aware of what Manitoba has to offer.
Appendices

Appendix A: In-Person Interview Template

This interview is designed to give you the opportunity to tell us about your company’s supply chain activities, challenges, and barriers to growth. As well, the prospect of Manitoba as a gateway province and the role that intermediaries may play in its development will be discussed.

Major Topics the interview will cover:
- Background: Discussion of your type of business and customer types
- Industry Dynamics: Issues and concerns about the industry and your firm
- Perceptions about industry consolidation
- Perceptions about The Gateway System in Manitoba
- Issues & Concerns about Policies and Regulations
- Linkages between your company and other operations in the supply chain

All information in this interview will be kept confidential. In no cases will the information on a specific firm be provided to anyone except the UMTI research team.

Background

1. Thinking about this operation, what type of intermediary services does your firm provide? 3PL? 4PL? Brokerage only? Warehouse only?

2. What type of customers does your firm provide services to?

Industry Dynamics

1. Looking at the supply chain intermediaries industry, what are the key issues (matters for concern, problems) related to supply chain intermediaries in Manitoba? In Canada? In North America?

2. What are the key opportunities for supply chain intermediaries in Manitoba? In Canada? In North America?

3. What significant changes have occurred in your segment of the industry in the last five years?

4. In general, what are some barriers to increased growth in the industry?
5. What are some barriers to increased growth in Manitoba for your firm specifically? The industry?

6. In general, what conditions would have to be in place in order to increase growth in the industry?

7. What conditions would have to be in place in order to increase growth in Manitoba for your firm specifically? The industry?

8. Have the challenges or opportunities faced by your business, as related to supply chains, changed in the last five years? If yes, how?

Consolidation*

1. From your point of view, to what extent has consolidation taken place in the industry in the last five years?
   - Very Substantial
   - A lot
   - Some
   - Very little
   - None

2. What impact has consolidation had on the industry in Manitoba?

3. Has your firm consolidated its operations in the past few years? If so, how?

4. What challenges has consolidation provided your firm?

5. What opportunities has consolidation provided your firm?
**The Gateway System in Manitoba**

**Gateway**: A geographic zone usually connected to other major areas/markets by corridors. It consists of a system of transportation infrastructure, along with incorporated investment and policy measures, designed to support trading between nations. In western Canada two gateways are frequently mentioned: The Asia Pacific Gateway and the Manitoba gateway.

1. Has the level of congestion at west coast ports and the Asian boom impacted your business? If yes, how has your business been affected?

2. What regions or nations are most of your client’s inputs arriving from?

3. What regions or nations are most of your client’s products destined for?

4. Generally, what routing do you use for goods arriving from Asia, Europe, US and other markets?

5. Generally, what routing do you use for goods destined for Asia, Europe, US and other markets?

6. How familiar would you say you are with the new Federal Asia-Pacific Gateway Initiative? *(This initiative seeks to establish the Asia-Pacific Gateway as the premium transportation network facilitating trade between the Asia-Pacific region and North America. This initiative is an integrated package of transportation related infrastructure, investment and policy measures designed to increase the flow of imports and exports through the Asia-Pacific Gateway.)*

   - Very Familiar
   - Somewhat Familiar
   - Not Very Familiar
   - Not at all Familiar

*(If answered I or II)*

a) How, if at all, are you participating in this initiative? *(For example: participation in workshops related to this initiative, etc.)*
7. How familiar would you say you are with the Manitoba International Gateway Strategy? (see following description)

Manitoba Transportation and Government Services have developed an overarching strategy to advance Manitoba’s position as a sustainable transportation and distribution gateway of choice for North American mid-continent global commerce and international travel. This is an overview of the Manitoba International Gateway Strategy that encompasses six inter-related initiatives:

- Manitoba International Gateway Council
- Winnipeg Inland Port
- Inland Marine Container Terminal
- Winnipeg Global Air Traffic Development
- Churchill Gateway Development
- International Mid-Continent Trade and Transportation Corridor

Source: http://www.gov.mb.ca/tgs/tpsd/migs.html

<table>
<thead>
<tr>
<th>Familiarity Level</th>
<th>Score</th>
</tr>
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<tbody>
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</tr>
<tr>
<td>Somewhat Familiar</td>
<td></td>
</tr>
<tr>
<td>Not Very Familiar</td>
<td></td>
</tr>
<tr>
<td>Not at all Familiar</td>
<td></td>
</tr>
</tbody>
</table>

(If answered I or II)

a) Do you think the Manitoba gateway initiative will impact your route selection, or not? If yes, how will the Manitoba Gateway initiative impact your route selection?

8. Is there a role that Manitoba intermediaries could play in the development of the Manitoba International Gateway system?

a) If so, what role would they play?

9. Do you think Manitoba is a useful route for shipments from the US to Asia? Explain why or why not? What are the constraints, if any?

10. Do you think Manitoba is a useful route for shipments from Asia to the US or other markets? Explain why or why not? What are the constraints, if any?
Policy/Regulation

1. Are there any current government policies or regulations that are hurting your firm, industry, or your customers?

2. If so, to what extent are these limiting the operational efficiency of your firm?
   - Greatly
   - Moderately
   - Slightly
   - Not at all

3. Are there any current government policies or regulations that are helping your firm, industry, or your customers?

4. What changes in government policies, or regulations, if any, would be the most beneficial to the efficiency of your firm, the industry, or your customers?

5. How, if at all, has increased border security in the US affected your business?

Linkages

1. Do you have any strategic partnerships with the following? If so, can you describe the basis of these relationships?
   - Ports
   - Rail companies
   - Air carriers
   - Trucking firms

2. Do these partnerships positively or negatively affect transportation on a gateway system in Manitoba? How?

How many people do your Manitoba operations employ? ______

SUMMARY

Are there any other thoughts, opinions, concerns, etc. that you have towards the intermediary industry or with the development of the gateway system in Manitoba?