

## **I.E.Canada Calls for a National Coalition on Transportation**

"Canada's international intermodal trade may be jeopardized if Canada's transportation and logistics issues are not addressed soon", said John Bescec Senior Vice President of I.E.Canada, Canadian Association of Importers and Exporters. I.E.Canada calls for a national coalition to be formed immediately to address the transportation bottlenecks that are occurring right across Canada. Following are some comments that were picked up by the September 20, 2004 Globe and Mail:

### **China Import Wave Jams Ports, Rail**

(Globe and Mail)

*By Marina Strauss*

Companies importing goods from China could face billions of dollars a year in extra costs as it becomes increasingly difficult to move fast-growing supplies of merchandise on time through a strained transportation system, industry representatives say.

The extra expenses could flow not only from shipping delays and penalties for late deliveries, but also from the potential for lost future business, said Jayson Myers, chief economist at Canadian Manufacturers & Exporters.

"It is a risk, and an increasing cost as a result of that," Mr. Myers said in an interview from Ottawa. "There are more and more strains on the capacity to ship. There's a real backlog of product, especially in Western Canada.

"We're probably talking billions of dollars, if you're looking at the overall cost of transportation for Canadian manufacturers and retailers."

Some companies are even starting to reassess their decision to buy cheap merchandise from China, looking for alternative supply sources because of the clogged routes, he said.

Mr. Myers said the strains on the overseas transportation system are twofold: shipping from China to West Coast ports in North America, as well as shipping from those western ports to centres across North America. The capacity to move goods from the coast inland is also lagging, he said.

The difficulties will probably get worse in January when quotas on imported clothes will be lifted, setting the stage for cheap apparel from China and other low-cost producers to flood the market, industry officials added.

“It will be a real volatile situation,” said Bob Kirke, executive director of the Canadian Apparel Federation. “It’s going to be a real scramble.”

The threat of shipment delays from China was raised late last month during an analysts’ conference call with executives at **Hudson’s Bay Co.**, the country’s largest and oldest retailing company.

George Heller, president and chief executive officer of HBC, signalled that the overloaded transportation corridor through Pacific Coast posts could become a big headache in the future.

He said some companies may even consider rerouting traffic through the Suez Canal and bringing in shipments via Halifax and Montreal “because there is going to be a capacity issue, somewhere down the road.”

If companies haven’t created a stable and reliable network for shipping overseas supplies, “you have the potential of getting squeezed out,” Mr. Heller said.

Still, he stressed that HBC, which owns the Bay, Zellers and Home Outfitters, has experienced no snags or delays.

He credited the situation at Toronto-based HBC to “an incredible network, door to door, from the Far East. We have some of the best contracts in place, both from shipping and rail.”

Indeed, Mr. Heller said the current back-to-school season has been the company’s best in years for on-time delivery. As a result, the stores are well stocked, ready for the increasingly important shopping period, he said.

Still, he acknowledged the growing difficulties for many companies in handling the boom in offshore shipments to North America’s West Coast.

Hillary Stauth, spokeswoman for HBC, said in an e-mail later that it stands to reason that a large retailer that places significant orders regularly would face fewer challenges than a smaller merchant.

Officials for Canadian Tire Corp. Ltd. and Sears Canada Inc. also said they weren’t experiencing any problems.

Mr. Kirke agreed that smaller companies without an established network could be hurt the most.

But he said everyone will be vulnerable once the clothing quotas are removed and offshore suppliers become increasingly aggressive in trying to grab more North American business.

John Bescec, senior vice-president for the Canadian Association of Importers and Exporters, said his members are worried about spiralling logistics problems as volumes of goods from China increase in the coming years.

“I don't think our ports are capable of handling that volume,” Mr. Bescec said. “We're just looking at bottlenecks and containers piling up ... The rail isn't able to move that volume of goods. There's a cost for goods not moving.”

His association has called for talks with all stakeholders, including the federal transportation department, to find a way to improve the situation and “make sure trade in Canada isn't jeopardized.”

One garden supply company lost a sale last spring to a major retailer when a shipment of goods, worth about \$1-million, arrived late after taking 21 days to get by rail from Vancouver to Montreal, rather than the normal five to seven days, said Bob Armstrong, president of the association.

“The importer lost the sale and the customer,” Mr. Armstrong said.

While congestion problems peaked in the spring, he expects them to return in four to six weeks when importers face the next heavy period of shipments, he said.

Imports from China have been rising steadily over the years, jumping almost 25 per cent – to \$12.6-billion – in the first seven months of this year alone compared with a year earlier, according to Statistics Canada.

Anne McMullin, a spokeswoman for the Vancouver Port Authority, said it is racing to keep up with record increases in volumes, especially imports from China, which have strained logistics.

The port authority has already invested in expanding its facilities, and is working with the railway companies “to see how we can handle the increased capacity and customer demand,” she said.

Meanwhile, spokesmen for **Canadian Pacific Railway Ltd.** and **Canadian National Railway Co.** said they are not being bogged down by bottlenecks.

“Our network is fluid,” said Len Cocolicchio at CPR, adding that it has bolstered its systems recently, partly by adding new, more efficient and higher-capacity trains.

Amid the squeeze, some Canadian suppliers may find they can cash in on the offshore backlog by picking up business with promises of quick deliveries, officials said.

Elliot Lifson, vice-chairman of Peerless Clothing Inc. in Montreal, said the stress in getting product from China underlines the need to keep a domestic garment industry intact. The Canadian clothing sector has been shrinking as a growing number of retailers and suppliers turn to China for cheaper products in a bid to stay competitive.

But a domestic supplier has an edge in being close to the North American market, Mr. Lifson said. Peerless, which supplies mostly U.S. retailers, still produces about 80 per cent of its merchandise domestically, allowing it to replenish orders within 48 hours.

In contrast, offshore shipments can take four to six weeks to arrive in North America and are paid for in advance, when the goods leave China, said Mr. Lifson, who is also president of the apparel federation.

Mr. Myers said retailers need to keep a constant flow of new merchandise in their stores, making the shipping issue a critical one. The option of stocking up on inventory and keeping it in warehouses is costly. "This makes it a big problem for those companies."

Meanwhile, the manufacturers' and exporters' group has been talking to officials at rail companies, port authorities and various governments in a bid to relieve the traffic problems, Mr. Myers said. But any relief will mean major capital investments. "We're looking at solutions," he said. "It's not something that's solved overnight."