

# Couriers

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### FOREWORD

*In a rapidly changing global trade environment, the international competitiveness of Canadian industry is the key to growth and prosperity. Promoting improved performance by Canadian firms in the global marketplace is a central element of the mandates of Industry, Science and Technology Canada and International Trade Canada. This Industry Profile is one of a series of papers in which Industry, Science and Technology Canada assesses, in a summary form, the current competitiveness of Canada's industrial sectors, taking into account technological, human resource and other critical factors. Industry, Science and Technology Canada and International Trade Canada assess the most recent changes in access to markets, including the implications of the Canada-U.S. Free Trade Agreement. Industry participants were consulted in the preparation of the profiles.*

*Ensuring that Canada remains prosperous over the next decade and into the next century is a challenge that affects us all. These profiles are intended to be informative and to serve as a basis for discussion of industrial prospects, strategic directions and the need for new approaches. This 1990-1991 series represents an updating and revision of the series published in 1988-1989. The Government will continue to update the series on a regular basis.*

Michael H. Wilson  
Minister of Industry, Science and Technology  
and Minister for International Trade

## Structure and Performance

### Structure

Couriers are transportation companies that provide delivery services for small, mail-type shipments of documents or parcels. Although no industry definition exists, the term "small" refers to the maximum weight and dimensions of shipments that can be manually handled by employees. Individual companies have established their own limits on what they will carry.

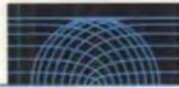
This profile includes private sector couriers and those courier operations of Canada Post that compete directly with them. References are made to near-competitors, which are the regular mail services provided by postal organizations and the transportation of small shipments by air or highway common carrier services. These near-competitors, however,

are not included in the definition of courier services or in the statistical data of this profile.

The industry offers two basic levels of service related to the time taken to complete deliveries. *Expedited services* deliver time-sensitive items within a city or region within the same day that they are received by the courier. Within a city, couriers walk, ride bicycles or use light vehicles to complete deliveries. A premium expedited air or highway service is also available for delivering shipments within one day to another city or country. Air transportation is the predominant mode of transportation used by expedited services to meet intercity deadlines. The courier's clients often operate within tight deadlines, so providing them with rapid deliveries is a crucial element of expedited services.

When delivery times are a less critical factor, shippers may select slower but lower-priced *surface courier services*.





Deliveries are completed usually by the next day within a city or within two to eight days for shipments to another city or country. Surface services depend primarily on the use of highway transportation.

Guaranteed on-time deliveries are an important sales feature of courier services. Many couriers do not charge customers if items are not delivered by the time guaranteed in the courier's schedules and advertisements. For companies operating just-in-time inventory systems and others operating to tight business deadlines, guarantees of delivery times are critical.

There are several cost and service considerations besides guaranteed delivery times that determine whether a shipper will use a courier service. Near-competitors, such as transportation common carriers, charge a minimum rate for shipments, based on a selected minimum volume or weight of cargo. Customers often use courier services when courier prices for small shipments are less than these minimum rates of air or highway carriers. Another important factor is the ability of many courier companies to provide a broad range of logistics services, which relieves the customer from having to know all of the intricate details about domestic or international shipping requirements.

Courier companies provide a broad variety of expedited and surface services to compete with other couriers and other transportation industries. Differences in their services include specialization in document or parcel deliveries, geographic markets served (local, national, international), the time required to complete deliveries and meeting the specialized needs of selected industry sectors (financial institutions, insurance companies, law offices, mail-order houses, etc.). Companies also offer all-inclusive, door-to-door delivery services. They include customs clearance, bonded and sufferance warehouse facilities, collection of customer accounts on delivery (COD), tracing, proof of delivery, and insurance against loss or damage to shipments. While companies tend to use differences in their services to compete with other couriers, in the last few years there has been a general trend to provide as broad a range of services as possible.

The industry structure consists of three main groups — large corporations, small businesses and independent operators. The large corporations provide national and/or international courier services. There are less than 30 large companies operating in Canada. Many of them are subsidiaries of multinational courier companies or transportation carriers. Some of them have multimillion dollar capital investments in regional sorting facilities, as well as fleets of highway motor vehicles. Some of these fleets are larger than those operated by many commercial highway common carriers.

There are many small businesses with less than \$1 million of sales per year operating in the industry. They are primarily

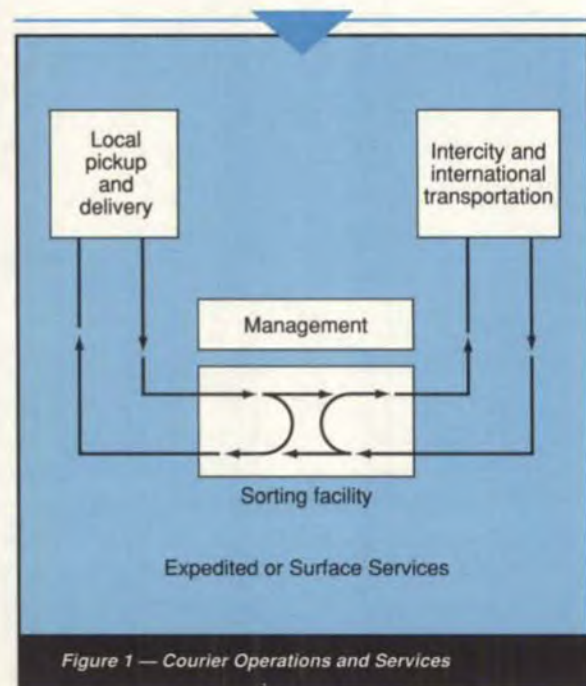


Figure 1 — Courier Operations and Services

engaged in providing same-day delivery services within a city, using the vehicles of their employees or independent operators. Their deliveries to other cities or countries are usually done through agency agreements with other small businesses or large corporations in those locations. Business start-ups at this level of the courier business are relatively easy; only modest financial investments are required to purchase radio dispatching equipment and office space.

Unlike the other two major groups, independent operators do not offer their services directly to the public; they provide their services only to other courier companies. They are engaged as subcontractors to the small businesses or large corporations in the courier industry, providing local pickup or delivery services in a city or region. They may perform their duties with light vehicles, bicycles or on foot. As part of their contracts, independent operators provide their own delivery vehicle.

Pickup and delivery, sorting, transportation and management operations are the four fundamental activities of a courier company (Figure 1). Their relative importance depends on the nature of the business and the types of services being offered. Pickup and delivery activities in a city or region can be the predominant cost for small businesses specializing in local deliveries. It is also a significant cost element in intercity surface deliveries. All companies perform various levels of sorting operations to direct shipments to their destinations. Large corporations with high volumes of business may concentrate these operations in regional or international



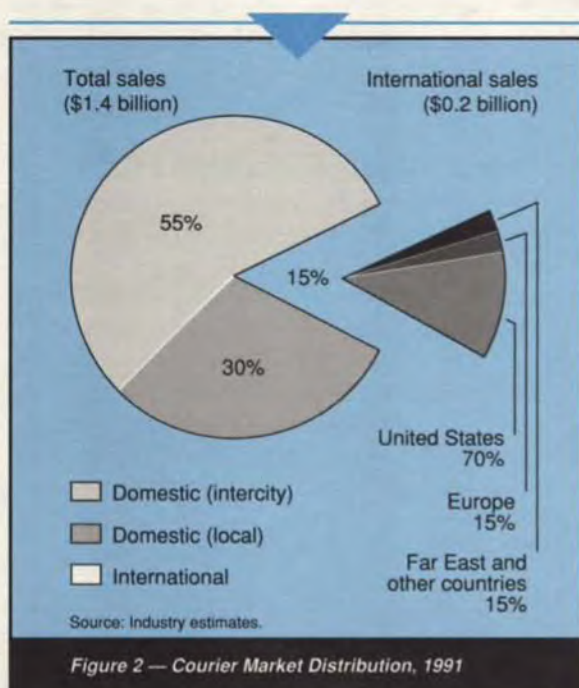


Figure 2 — Courier Market Distribution, 1991

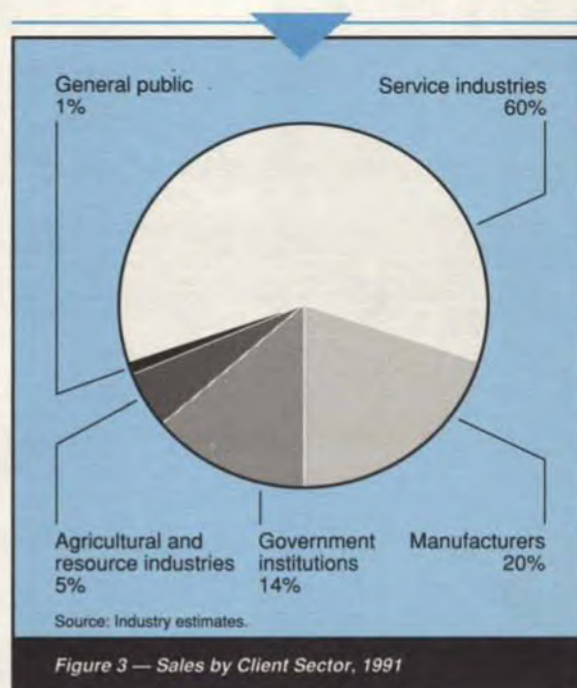


Figure 3 — Sales by Client Sector, 1991

distribution centres. After items are sorted for their destinations, transportation operations move shipments to other cities and countries. Transportation operations are a more significant cost factor for expedited shipments than for surface deliveries. In order to meet stringent delivery time constraints, expedited services often use air transportation, which is more expensive than ground transportation. Couriers may use for-hire surface carriers or their own fleets of motor vehicles. The overall management of a courier company includes sales, marketing, accounting, dispatching, supervision, insurance claims, customer service and business planning.

There are no comprehensive statistics on the industry. Industry sources estimate that there are in excess of 2 000 courier companies employing over 50 000 people in more than 5 000 offices across Canada. The courier industry serves approximately one-quarter of the total Canadian market for delivering documents and parcels weighing up to 50 kilograms. The Canadian Courier Association estimates that the private sector sales of the Canadian courier industry were over \$1.4 billion in 1991. The remaining non-courier portion of the market is served by Canada Post, local cartage, express, less-than-truckload motor carriers, airlines, bus lines, taxis and freight forwarders, as well as the in-house delivery systems and private transportation fleets of manufacturers, wholesalers, retailers and small businesses.

The Canadian courier industry is mainly involved in serving the Canadian domestic market, which in 1991 provided

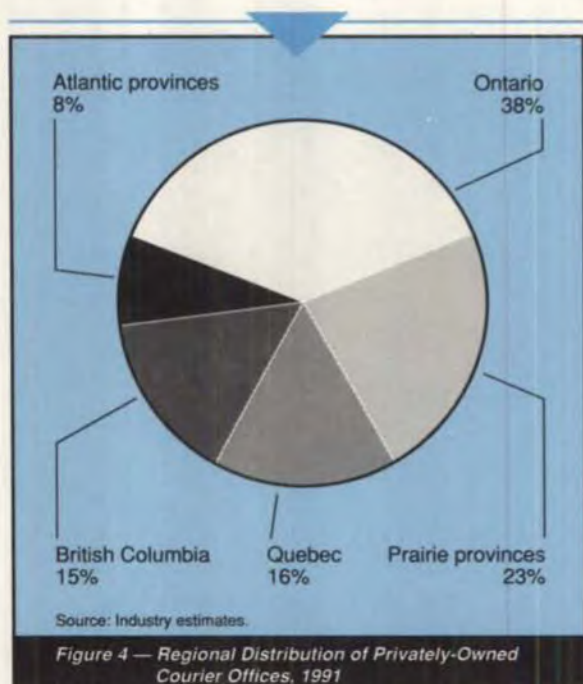
\$1.2 billion (85 percent) of its \$1.4 billion income (Figure 2). A comparison of company estimates indicates that approximately 55 percent of the courier industry's income comes from the shipments between major metropolitan cities in Canada and 30 percent from local deliveries.

International courier business accounts for 15 percent (\$200 million) of the industry's income. The primary destinations for international shipments from Canada are the United States (70 percent), Europe (15 percent) and the Far East and other countries (15 percent). Due to the nature of Canada-U.S. trade, over four times as many courier shipments enter Canada as leave the country. This situation is due to the larger number of small shipments entering Canada than being exported.

Although percentages vary considerably between companies, parcel deliveries are the main source of income for the industry. Parcel deliveries produce about 75 percent of industry sales; the rest comes from document deliveries.

The industry's largest customer is the service industry (60 percent), particularly wholesalers, retailers and financial institutions. Other clients, in order of their percentage of the courier industry's \$1.4 billion annual sales, are manufacturers (20 percent), government institutions (14 percent), agricultural and resource industries (5 percent) and the general public (1 percent) (Figure 3). The business is mainly supported by large-volume shippers, with 80 percent of the sales coming from 20 percent of the clients. This fact is reflected in the percentage of shipments originating from large corporations





(65 percent), small businesses (20 percent), government (14 percent) and the general public (1 percent).

The industry is dominated by large corporations. It is estimated that over two-thirds of annual sales accrue to approximately 30 large corporations, a very small percentage of the total number of establishments operating in the Canadian industry. Many of the large corporations are subsidiaries of air or highway transportation companies. Approximately 20 percent of the market is served by a small number of foreign-owned firms. However, the Canadian market is only a small part of their estimated \$30 billion worldwide sales of courier services.

The structure of the industry is reflected by couriers continually attempting to expand their operations. Increasingly, they are doing this through acquisitions and mergers. This business practice is a cost-effective way of increasing market share and reducing market entry risks. The purchase of a going concern provides an existing level of income, which reduces the risk of not being able to recoup start-up costs from the market.

Large courier companies have purchased the operations of both large and small competitors. At the same time, transportation carriers have a major presence in the courier industry. Many large highway transportation carriers operate courier divisions or own subsidiary courier companies. A new trend has been the purchase of general air freight and highway transportation operations by courier companies. This latter action has signalled the diversification of courier companies

into the general freight market. All of these examples reflect the general trend for large corporations to broaden the range of their transportation services in an increasingly competitive transportation market.

The large corporations compete on their ability to provide as broad a geographic coverage of services as possible. The regional distribution of privately-owned courier offices in Canada in 1991 was Ontario, 38 percent; Prairies, 23 percent; Quebec, 16 percent; British Columbia, 15 percent and the Atlantic provinces, 8 percent (Figure 4). The predominance of offices in Central Canada is due to demographics and the initial establishment of courier services in the Quebec City to Windsor corridor. In recent years, these services have been extended to other regions of Canada, particularly Western Canada.

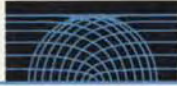
### Performance

The development of the courier industry is responsive to society's need to transmit information and ship small items in a continually changing technical and economic environment. Its rapid growth in the 1960s is attributable to several factors. Multibranch financial and retail service industries required fast and reliable courier services to collect computer tapes for the centralized batch-processing of management data. At the same time, motor carriers felt that it was more cost-effective to use couriers and local cartage firms to pick up and deliver small shipments than to use their own vehicles. Another market opportunity arose from the need by industry for alternative services during labour disruptions of postal services in Canada.

The industry was able to capitalize on these opportunities through its use of new radio technologies that allowed it to broaden its operational capabilities. Although computer technologies and transportation deregulation have now reduced the importance of these market opportunities, the courier industry's aggressive development of new and innovative services has maintained its place as a strong participant in the transportation market. Today, new information technologies are changing logistics systems so that businesses can receive products more frequently, allowing them to operate with minimal inventories. Another new market is the use of courier services to support the growth of catalogue shopping. Their abilities to respond to these changing customer demands have made couriers an essential service in the global economy.

From 1960 to 1985, companies experienced considerable rates of growth with average increases in sales of 20 percent per year. From 1986 to 1991, current dollar sales started to moderate. Sales grew 15 percent in 1986; in 1991, sales growth was estimated to be 6 to 8 percent. This lower rate of real growth indicates some saturation of the market with





existing services, tempered somewhat by the lower levels of economic activity and downward measures on prices during the recent recession.

In recent years, couriers, particularly some large corporations, have experienced financial losses due to a number of factors, especially increased competition and the resulting reduced prices. It is now more difficult for companies to recover the cost of expanding their services in this highly competitive market during the slowdown in the economy. However, in some market niches, there has been considerable growth. For example, there has been marked growth in Canadian international courier services, up from 5 percent of industry sales in 1987 to approximately 15 percent in 1991.

At the time of writing, the Canadian and U.S. economies were showing signs of recovering from a recessionary period. During the recession, the courier's clients generally experienced reduced demand for their outputs. Layoffs of staff have occurred in some large corporations and some couriers have encountered difficulties in maintaining their profitability. With the signs of recovery, though still uneven, the medium-term outlook will correspondingly improve, along with the demand for courier services. The overall impact on the industry will depend on the pace of the recovery.

## Strengths and Weaknesses

### Structural Factors

Couriers compete in the small parcel and document delivery market with other couriers and near-competitors (transportation carriers, freight forwarders, postal services and the telecommunications industry). Their ability to provide cost-effective and superior levels of service is affected by Canadian transportation services, transportation deregulation, postal services, courier service prices, and their scale of operations.

### Transportation Services

The financial health and international competitiveness of the Canadian transportation industry directly affects the competitiveness of the courier industry, because couriers are both users and suppliers of transportation services. Most small and medium-sized companies use the services of air carriers and highway common carriers to move shipments between cities at special discounted rates. Common carriers are transportation companies licensed by government authorities to carry freight between designated cities or countries.

Canadian couriers transport expedited shipments in the regularly scheduled flights of domestic and international air carriers. This business accounts for approximately 3 to 5 percent

of the value of air cargo revenues handled by Canadian air carriers. However, air cargo is moved primarily by Canadian air carriers in passenger aircraft during the day and early evening. This arrangement has some competitive disadvantages because passenger flight schedules often do not meet the couriers' operational requirements.

Couriers that do not want to rely on common carriers for intercity deliveries can operate their own fleets of highway vehicles. Large, well-financed corporations are in a better position than small businesses to use this option. These fleets compete directly with the common carriers used by smaller couriers. Some large couriers even have corporate linkages with common carrier parent companies. This operational flexibility is a valuable strength of those companies that are in a position to choose between common carriers and their own fleets.

The Canadian courier industry's use of chartered aircraft in place of scheduled airline services is limited in comparison with other countries. Canadian regulations allow a courier to charter an aircraft from an air carrier to move the goods of clients as long as the following conditions are met:

- the courier obtains payment for traffic carried on a toll-per-unit basis
- the aircraft is used solely for the transportation of packages weighing no more than 50 kilograms
- the courier operates a door-to-door delivery service for these clients

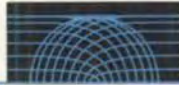
Any size of aircraft can be used for domestic shipments. In international traffic, the maximum size of aircraft that can be used is a group D aircraft with a maximum authorized take-off weight not greater than 16 000 kilograms.

Although these conditions could limit the industry's ability to compete with air carriers, courier companies have been able to deal with the regulations in practice. For example, air carriers have successfully applied to have the limitation on the maximum size of aircraft used in international courier traffic waived by the National Transportation Agency.

### Transportation Deregulation

Federal and provincial transportation policies are of major importance to the competitiveness of the courier industry. As part of transportation deregulation in Canada, provincial regulations have changed the criteria for licensing motor carriers from the need for an applicant to demonstrate the public necessity and convenience of a service to less stringent requirements based on a highway carrier being able, fit and willing to serve a trucking route. Federal regulations for air services require an applicant to be able to operate aircraft in compliance with safety and technical requirements. These policies have eased the couriers'





access to the transportation licences necessary for them to operate highway services or charter aircraft.

The Canadian courier industry's views on transportation deregulation are mixed. Some companies that have transportation licences and large capital investments in transportation equipment and sorting facilities are concerned that additional competition will reduce the market share of existing operators. With high fixed overheads in these capital investments, the splintering of existing markets would reduce profitability and increase the cost of operations. Other companies, particularly those that depend upon the use of common carriers, view deregulation as an opportunity to obtain lower transportation rates.

The aggressive marketers of courier services welcome easier access to transportation licences. Elimination of regulatory impediments will help them obtain transportation licences to enter into new geographic markets. In the past, they have faced strong, but unsuccessful, opposition from established carriers when they sought new highway operating licences. On the other hand, common carriers are now competing more vigorously with couriers in the couriers' traditional markets as well as in their own.

#### Postal Services

The private sector courier industry considers postal services around the world to be major competitors. The majority of Canada Post's \$3.7 billion income in 1990 originated from business clients. However, in comparison with private sector couriers, Canada Post receives a higher percentage of its courier business from the general public. Competition between private sector couriers and postal organizations is primarily associated with parcel deliveries and new expedited services being introduced by a large number of postal organizations in direct competition with the courier industry.

Canadian postal services are predominantly used for the delivery of documents. In Canada, the courier industry's ability to compete for document deliveries is limited by the right given to the Canada Post Corporation by the government for the sole and exclusive privilege of collecting, transmitting and delivering letters within Canada. This privilege does not apply to letters of an urgent nature that are transmitted by a courier; however, the courier must charge a fee that is at least three times the postage payable for a letter weighing 50 grams. The postal privilege also does not apply to bulk shipments of letters being brought into Canada for posting in the mails, letters concerning the affairs of an organization transmitted between the offices of that organization, or letters transmitted by electronic or optical means. Accounting for over 50 percent of its income, the volume of Canada Post's \$2 billion letter

business has remained relatively stable despite a decline in this business among courier companies.

Canada Post Corporation's exclusive privilege for letter deliveries does not apply to parcel delivery services and postal courier services. Parcel volumes represent 1 percent of the total number of pieces processed by Canada Post. However, the importance of its parcel, expedited and courier business is reflected in the fact that these products generate over 10 percent of the postal corporation's annual revenue. Although it lost half of its volume of parcel business to the courier industry between 1972 and 1982, this decline in business stopped in 1988. There was a 3 percent growth in the volume of parcels handled by Canada Post in 1990. More significant was an 18 percent growth in revenues from its courier services in 1990.

The courier industry holds the view that postal organizations should not enjoy any special concessions from governments, such as Canada Post's exclusive privilege to deliver letters and special privileges provided for the customs clearance of goods at postal facilities. The courier industry contends that these and other privileges put private sector courier companies in a weak position to compete in some market segments.

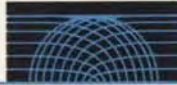
#### Courier Service Prices

Fierce price competition within the industry requires companies to operate efficiently. This highly competitive situation is reflected in widespread price discounting practices. Couriers commonly give volume discounts ranging from 6 percent to 60 percent. Other pricing practices used to gain market share include contract bidding, blanket order contracts for a minimum annual volume, corporate rates for a company and its subsidiaries, and corporate rates for associations and their members. Large companies with extensive networks of offices in Canada and abroad are in a better competitive position to use these pricing practices than small companies with limited market penetration.

#### Scale of Operations

Because of the small size of the Canadian market, small and medium-sized companies are at some disadvantage in competing with large multinational or integrated transportation corporations, which can spread infrastructure and administrative costs over larger volumes of national and international business. Nevertheless, this factor does not limit entry into the business by small companies specializing in market niches, such as serving the needs of insurance or law firms. At the local level, initial entry into the courier business requires a small investment. However, as companies grow in size, major capital investments are required for computer billing and





tracing systems, sorting facilities and transportation equipment to serve larger provincial, national or international markets.

Whether companies are small or large, they need to maintain low operating costs to compete in the market. The industry is investing in research on alternative fuels to reduce the effects of fluctuating petroleum prices and to address environmental issues. Other areas of investigation include vehicle design, driver performance controls and computer and bar-coding technologies to improve the scheduling and control of shipments. Large courier companies are examining ways to reduce the labour-intensive nature of the business through the use of new technologies, such as robotics in their sorting plants.

Until recently, equipment in Canadian sorting facilities was limited to simple conveyor belts and sorting tables. Since 1988, large corporations have made major capital investments in Canada for new buildings, materials handling equipment, computer systems and fleets of trucks. These regional, national or international distribution systems are used for efficiently sorting and transporting large volumes of shipments. Today, there are two or three sorting facilities for different companies in most large Canadian cities. The industry's investment in any one of these facilities can range up to \$35 million. They are operationally cost-competitive with their counterparts in other countries.

### **Trade-Related Factors**

Customs authorities around the world are faced with the problem of providing services for clearing high volumes of low-value courier shipments. In Canada, low-value shipments are those having a value of less than \$1 200. There were 12 million courier shipments entering Canada in 1991. A survey of 15 major Canadian customs ports showed that 67 percent of all imports were valued at less than \$900 and had an average value of \$360. Despite their low individual value, these shipments are an important part of Canada's overall trade with the United States.

Canadian customs authorities are working closely with the courier industry to simplify customs entry procedures for low-value shipments. Low-value shipments use a simplified customs entry documentation procedure. The value of imports eligible for this treatment was raised to \$900 in 1986 and then to \$1 200 in 1991.

Revenue Canada, Customs and Excise provides expedited customs clearance to those couriers who wish to participate in the low-value shipment program. Couriers may obtain the customs release of imports at the courier's premises by presenting minimal documentation prior to the arrival of the goods. After their release and delivery by the courier, further information and accounting data are electronically transmitted

to Revenue Canada, Customs and Excise and duties and taxes are paid by the courier, the importer, or the importer's agent or customs broker.

A Courier Import Remission Order allows courier shipments of less than \$20 in value to enter Canada free of duties and taxes. They are cleared on simplified documentation. Certain goods, such as alcohol, cigarettes and tobacco products, are excluded from this treatment.

The industry is continually seeking ways to improve its services through simpler and more effective customs procedures. It has been noted by some companies that the mixed shipment of domestic and international surface courier traffic from border points to inland customs clearance points could improve vehicle utilization efficiency. Similarly, some companies hold the view that better sorting and distribution efficiencies could be realized if international and domestic shipments were allowed to be processed together in sorting facilities. However, these options require sophisticated customs clearance and traffic scheduling procedures to ensure that courier shipments can be transferred quickly between connecting domestic or international flights. In some countries, couriers, customs brokers, carriers and customs authorities have developed common information processing utilities to improve shipping efficiency and services.

These and other problems are being addressed in discussions among international organizations and governments. The Customs Co-operation Council, in co-operation with the International Air Transport Association, is examining ways to improve the customs clearance of small shipments. The use of computer technology offers one opportunity to speed up clearances by automating customs documentation procedures. There is also an interest in the courier industry to encourage the harmonization of customs procedures between countries, particularly in new trading regions being formed under economic free trade agreements, such as Europe 1992, the Canada-U.S. Free Trade Agreement (FTA) and the proposed North American Free Trade Agreement (NAFTA).

The FTA does not apply to transportation services. The only impact on couriers is the opportunity to meet new demands for courier services as a result of increased transborder trade. North American multinational courier companies have been trying to expand their services into Europe in recent years. Their attempts have been hindered somewhat by the national restrictions of some European countries on air transportation services. However, new Europe 1992 air cargo regulations that are presently under consideration may remove these restrictions. In other areas of the world, the expansion of courier services is directly tied to government bilateral agreements between countries that grant rights for couriers to operate services.





### Technological Factors

Telecommunication and computer technologies are used extensively by the courier industry. Companies use them to create new and innovative services in order to gain competitive advantages in the marketplace. Computers, bar-coding and optical character readers are used for the automatic entry of data into computer systems. These systems are used for accounting, tracing and routing shipments, sorting items and controlling shipments. Sophisticated computer programs control driver routing and dispatch operations. They optimize the use of delivery vehicles and track a client's daily requirements in order to provide the best service at the least cost. Telecommunications technologies link dispatchers with local and intercity truck drivers and transmit information between offices. Large corporations maintain North American computer-to-computer linkages between their courier vehicles and their head offices. These systems use satellites and regional radio stations to centrally manage the movement of shipments.

The telecommunications industry also competes with courier services. Initially, information technology services were viewed by the courier industry as being too expensive to offer any threat. However, the rapid introduction of electronic data interchange (EDI) systems in North America allows the courier's clients to electronically transmit business documents (quotations, invoices, estimates, receipts, bills of lading, etc.) and other computerized business information. The rapid development of microcomputer systems and computer information networks has eliminated a large portion of the need for courier services to deliver computer tapes for batch processing of data to computer centres. Similarly, the introduction and widespread use of low-cost facsimile message transmission equipment has affected the courier document market. Facsimile technology has cost some companies as much as a quarter of their document delivery business.

### Evolving Environment

The Canadian courier industry is continuing to expand its services in a very competitive transportation business environment. Its ability to operate in this market will be affected by competition from other communication and transportation services and by government policies. In order to collectively address issues facing the industry, the Canadian Courier Association was established in 1986.

Competition in today's global markets is strongly oriented toward customer service, placing an emphasis on reducing the length of time between ordering and receiving delivery. Through the use of more rigid delivery schedules for inbound

production materials and outbound factory deliveries, manufacturers are reducing the cost of inventories and improving customer service. As a result, there are greater demands for faster and more frequent deliveries of small shipments. Consequently, the courier industry has become an essential service to support the application of these concepts.

The introduction of new computer communication technologies are causing major changes in the way these goods are distributed. The demand for services is now driven by customer requirements rather than production schedules and shipping practices. Clients often consider reliability of services to be the most important consideration in their selection of a courier. Courier companies compete with high-quality services and guarantee reliable and predictable deliveries.

Pricing and discounting practices will continue to be an important factor in the competition for courier business. Prices are being driven lower by the competitive forces of transportation deregulation. At the same time, the need for productivity improvements through increased economies of scale and reduced rates of growth in industry sales may encourage couriers to increase their market shares through the purchase of other couriers rather than by competing directly in the marketplace. This practice may lead to more and more concentration of business among a small number of large couriers and integrated transportation carriers.

It is expected that strong competition among courier companies and near-competitors will continue to exist. Larger courier corporations are using their highly capitalized facilities and equipment to expand services beyond the normal range of traditional courier services. In extending their services, couriers with transportation parents or subsidiaries have begun to accept express and large shipments that exceed the industry's normal maximum weight limits. Until recently, the average maximum weight of shipments was 32 kilograms. Today, manual materials handling equipment, such as two-wheel hand dollies and carts, are being used by couriers to increase the usual maximum weight of shipments accepted for deliveries to 50 kilograms. This development, along with the delivery of large consignments to single destinations, is expanding the courier's services into the traditional markets of freight forwarders, less-than-truckload motor and air carriers.

Regarding future sales, the industry forecasts continued growth, although at modest rates, over the next five years. The service sector (especially wholesalers, retailers and financial institutions) will continue to be the courier industry's biggest client. There is a general view in the industry that the demand for document delivery services will continue to decline, as more and more business information is being transmitted by facsimile, computer and telecommunications technologies. As a partial result, most courier companies have shifted their





marketing strategies to serve the small parcel business. Further growth will depend upon the introduction of new cost-effective and innovative services to meet their clients' needs.

Government policies to promote competition in the economy will continue to have an impact on the courier industry. Transportation deregulation policies are expected to facilitate the growth of courier services through the provision of easier access to transportation licences for couriers and the promotion of competition among the carriers serving them. These developments may help the industry expand services, particularly in Western Canada, Atlantic Canada and the United States.

Other government competition policies concerning the positioning of postal services will alter the nature of postal and courier competition in the market. Postal services around the world will continue to be major competitors for the industry, as post offices develop new services in competition with courier companies. If the areas over which post offices exercise their monopolies are reduced, some new market opportunities may open up for the courier industry. Today's commercially oriented postal services in Canada and other countries are also developing business alliances with the courier industry, such as a recent agreement for a courier company to provide international transportation and distribution systems for several postal authorities.

Growth in courier sales will depend on the continued introduction of new cost-effective and innovative services to meet clients' needs. The industry is continuing to seek ways to improve the range and quality of its services. It would like to reduce the time necessary to clear goods through customs, develop more advanced data processing services for automating documentation procedures and improve its customs clearance procedures. These and other initiatives reflect the competitive strength of an industry that is continually upgrading its services.

## Competitiveness Assessment

The Canadian courier industry is continuing to develop under rapidly changing business conditions. The slower growth of annual sales has prompted companies to expand through acquisitions of competitors and the broadening of their range of services. These acquisitions and expansions have strengthened the trend towards a concentration of business among a few large companies. At the same time, the industry is encountering increased competition from near-competitors. The predominant strength of the courier industry is its ability to rapidly adjust to changing market demands with new and innovative services for market niches.

As a result, the industry can be expected to maintain its strong position in the economy as an essential transportation service.

For further information concerning the subject matter contained in this profile or in the reports listed on page 11, contact

Service and Construction Industries Branch  
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## EXAMPLES OF COURIER COMPANIES<sup>a</sup>

Name	Country of ownership	Location of head office
Canada Post Corporation <sup>b</sup>	Canada	Ottawa, Ontario
CANPAR (Division of C.P. Trucks Ltd.)	Canada	Toronto, Ontario
D.H.L. International Express Ltd.	Hong Kong	Toronto, Ontario
Dynamex Express Inc.	Canada	Toronto, Ontario
Express Airborne (Division of Mayne Nickless Transport Ltd.)	Australia	Toronto, Ontario
Federal Express Canada Ltd.	United States	Toronto, Ontario
Linden Air Freight Inc.	United States	Vancouver, British Columbia
Loomis Courier Service (a Division of Mayne Nickless Transport Inc.)	Australia	Toronto, Ontario
Midland Courier Ltd.	Canada	Moncton, New Brunswick
Purolator Courier Ltd.	Canada	Toronto, Ontario
Sameday Courier (Division of Day & Ross Inc.)	Canada	Brampton, Ontario
Swift Sure Courier Service Ltd.	Canada	Oakville, Ontario
TNT Skypak, and Mailfast (Divisions of TNT Express Worldwide Inc.)	Australia	Toronto, Ontario
United Parcel Service Canada Ltd.	United States	Toronto, Ontario

<sup>a</sup>Source: Canadian Courier Association and industry publications.

This list is presented to illustrate some of the different corporate structures and linkages with other transportation companies of large corporations referred to in the profile. It is not intended to be a complete list of couriers or an endorsement of any company's services.

<sup>b</sup>Only the courier operations of Canada Post Corporation are included.





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## SECTORAL STUDIES AND INITIATIVES

For further information on the following reports, contact  
Industry, Science and Technology Canada (see page 9).

### **Canada Post Corporation Annual Reports**

#### **Europe 1992 Report on Industrial and Transportation Equipment and Services**

This May 1991 External Affairs and International Trade  
Canada report identifies horizontal trade issues from  
European Community (EC) 1992 single-market plans that  
affect Canada-EC trade relations. Sections of the report deal  
with implications for couriers and transportation carriers.

## FEDERAL REGULATIONS

Reference is made in the profile to the following federal  
government regulations.

- *Canada Post Corporation Act*
- Courier Import Remission Order - D8-2-16, Revenue Canada,  
Customs and Excise, 22 December 1986
- Low Value Commercial Goods Memorandum D17-1-2
- National Transportation Agency Notice: Amendment of  
Air Transportation Regulations for the provision of air  
transportation to couriers re: Section 2, subsection 11(1)  
and Section 16, 23 November 1990

