

Surface Transportation Annual Review results Economic and business outlook brightens for 2014

By Darryl Anderson, Managing Director, Wave Point Consulting & Phil Davies, Davies Transportation Consulting Inc.

BC *Shipping News* teamed up with Wave Point Consulting to undertake the first Surface Transportation Annual Review (STAR) survey. Respondents were asked for their opinion on three topics:

- General economic outlook and business confidence.
- Logistics performance perceptions and assessment of British Columbia-based ports and transportation system.
- Management priorities in regard to logistics, transportation and sustainability initiatives.

This article highlights the STAR survey findings regarding the general economic outlook and logistics management priorities for 2014.

Economic context

Canada's and British Columbia's economic performance in 2013 was lackluster. The Royal Bank of Canada called the economic expansion "spotty" and reported real GDP growth of 1.5 per cent in B.C., down from 1.8 per cent and 2.8 per cent in 2012 and 2011 respectively. The Bank of Canada's Business Outlook Survey stated that "businesses reported slower or negative sales growth over the past 12 months" when it was released in October 2013. Yet, by early December 2013, BMO Capital Markets Economics

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reported that the real GDP growth in Canada had reached 1.7 per cent, the same as the previous year.

Logistics and transportation professionals no doubt felt the gyrations in economic activity last year. BMO Capital Markets Economics reported that export growth increased sharply in the first two quarters of 2013 before diving into negative territory in the third quarter and sustaining a positive rise by year's end. Canada's pattern of import performance mirrored the quarterly cycle of the export sector but at a significantly lower level of growth.

Exporters will lead the way in 2014

Expectations about Canada's 2014 economic and business performance continue to brighten. The STAR survey revealed that:

- Over 58 per cent expect Canada's economy to be somewhat, or significantly improved in 2014. This sentiment was strongest from those involved in providing custom-tailored logistics

solutions, the warehouse and container sectors.

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Figures from Export Development Canada's (EDC) *Merchandise Export Forecast Overview 2014* would support the optimism found in the STAR survey. Growth expectations for important export commodities shipped through Canada's Asia-Pacific Gateway were strongly positive for most commodities except fertilizers. For example, the growth forecast for forestry, consumer goods and metal, ores and other industrial products were 11 per cent, eight per cent and five per cent respectively. The export outlook for fertilizers expected a drop by five per cent in 2014.

Price stability expected in 2014

With the economy gaining momentum, the STAR survey asked firms about their



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expectations for revenue growth and price inflation. The responses indicate that revenue growth expectations are markedly higher for firms involved in exporting products through B.C. ports compared to those involved only in the import, or domestic logistics and transport sectors.

Survey respondents expressed a narrow range of opinions about the possibility of price increases. The table below summarizes those logistics services where STAR survey respondents expected the highest and lowest expected price increases in 2014. Note however, that the results were expressed in the category that corresponded to "about the same" as last year, thus supporting the survey's earlier finding that revenue growth is also expected to be moderate in 2014.

Highest expected price increases

- Pilotage
- Port Authorities
- Long-haul Truckers
- Import Distribution Centres
- Harbour Tug Assist

Lowest expected price increases

- Shipping Agents
- 3PLs
- Trade & Transportation Ass.
- Transload Operators
- Tug & Barge Services

Controlling/reducing costs top logistics management priority

STAR survey respondents indicated a number of positive developments for international trade. The factors with the highest-ranking positive influence in 2014 were:

- Fast growing economies becoming more important;
- Economic growth in China; and
- Increasing North American energy production.

The Fall 2013 EDC Trade Confidence Index report found that firms were continuing to diversify their markets. The most significant new market destinations reported by companies included China, the U.S., Australia, the U.K., Mexico, India and Brazil.

STAR Survey respondents ranked their most important logistics and transportation challenges in 2014 as those related to market and business conditions as well as those related to regulatory, safety, security and environmental issues. With economic and business confidence rising, it is encouraging that those involved and

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Market-related ranking

- Controlling reducing costs
- Accessing new markets
- Increasing sales/orders

Regulatory-related ranking

- Safety
- Environmental compliance
- Compliance for customs or security reasons

Corporate safety and environmental compliance are also a focus of 2014 management priorities for those using B.C.'s ports. Yet, it is somewhat disconcerting to find that some STAR survey respondents are being forced to deal with the availability of low sulphur marine fuel in 2014 as well as negative impacts of environmental regulations.

Full release of findings

BC Shipping News subscribers will receive electronic access to the final report in February 2014 so please ensure that Jane McIvor has your current e-mail address.

In the STAR survey special supplement, readers will no doubt be interested in the results involving service and

infrastructure quality. While the overall response to the topic of service quality was "market perform", respondents raised a number of cautionary flags as they pertain to marine terminals, port authorities and rail carriers. The response to the infrastructure quality question raises the important issue of whether the challenges will prevail and thus impede our future growth. The poor quality of local trucking routes was the most acute infrastructure challenge on the immediate horizon.

Thanks to all who have participated in the first Surface Transportation Annual Review survey. Your participation has been fantastic. We look forward to your letters to the editor and e-mails. An in-depth look at some specific STAR survey findings will no doubt appear in future articles.

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