

Westcoast CED



## PG Inland Port

# General Cargo Trucking and Freight Forwarding Company

## Prefeasibility Analysis

Final Report  
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## **1 INTRODUCTION**

### **1.1 BACKGROUND**

When CN Rail container trains begin stopping in Prince George, so that shipping containers can be loaded and unloaded, it will provide an opportunity for exporters and importers in Northern BC to have access to Asian and eastern/southern USA markets via containerized shipping. Presently, exporters must access containers and seaport terminals by trucking their West bound freight to Vancouver or East bound freight to Edmonton. The same west bound international freight using Prince George will save shippers approximately \$1000/container load and result in faster delivery times. There will also be substantial savings for East bound freight to destinations in excess of 800 km from Prince George.

A prefeasibility analysis has been completed from a vantage point by which a First Nation's Development Corporation can consider entering into the trucking/terminal business at a level where 25-30 jobs could be maintained and/or created within a profitable venture. This prefeasibility analysis provides clarity on: service definition, operating concept, market, supply of services required, competition, competitive advantage, and operations including an estimate of expected capital purchases and staffing. This pre-feasibility analysis examines the approach by which an acquisition can be used to successfully establish a full service trucking/terminal operation.

### **1.2 THE SUPPLY CHAIN**

To understand the opportunities and barriers within the trucking industry in Northern BC one must gain an understanding of the present and future state of the complete transportation industry and "supply chain" that represents the life support for businesses to operate in Northern BC. A supply chain can be described as the goods and services that support businesses so that they themselves may function and perform their operations. When Northern businesses extract resources or manufacture products then these resources and products enter the supply chain as well. This inflow and outflow of goods and services translates into freight that requires transport, thus transportation becomes a primary component within the supply chain. An example of a live supply chain might be a mining company creating an open-pit mine to extract coal. The supply chain inflow would include heavy equipment, on-site development materials, site office supplies, worker accommodations, etc. The supply-chain outflow would be the coal being moved from the mine to the marketplace.

In Northern BC, resource extraction drives the primary supply chain. The main industries within this chain would be:

- Forestry and the manufacturing of wood products
- Mining
- Energy
- Oil and Gas
- Government with the development and maintenance of infrastructure such as roads.

Supported by the primary supply chain is a secondary supply chain that supports businesses and communities throughout Northern BC, this includes secondary manufacturing, administration, wholesale and retail trade, and services all requiring transportation services that provide the daily inflow and outflow of goods and services within the supply chain.

### **1.3 THE SERVICE**

For this pre-feasibility analysis, the service is a First Nations owned company that is a direct stakeholder in the Northern BC supply chain. The company would provide transportation and terminal services within the primary supply chain which targets resource extraction. It would also provide services to the secondary supply chain as well as being a point for recruiting First Nations people into a transportation workforce and other opportunities within the Northern BC supply chain.

#### **Northern BC Aboriginal Supply Chain**

In order for this First Nations owned company to bring value into the transportation mix in Northern BC and be profitable, the company would have to leverage FN resource and territorial investments and contracts to support securing freight contracts within the main supply chain that includes: forestry and the manufacturing of wood products, mining, energy, oil and gas, and government. Existing and future FN agreements with governments and companies, that require support by the supply chain, need to include supplying freight services.

Building the interests of this transport company into all contract agreements would secure a First Nations presence in the supply chain, and bring ongoing knowledge as to how the supply chain is shifting as a result of resource extraction and purchasing, and development trends. These contracts and relationships could secure dependable transportation contracts that would grow the business as Northern BC's economy grows.

#### **Key Elements of the Product**

The transportation company would require a few key components in order to provide the diversity of services that the supply chain requires as well as to realize opportunities as a result of the Prince George Inland Port and the CN Rail terminal in Prince George as follows.

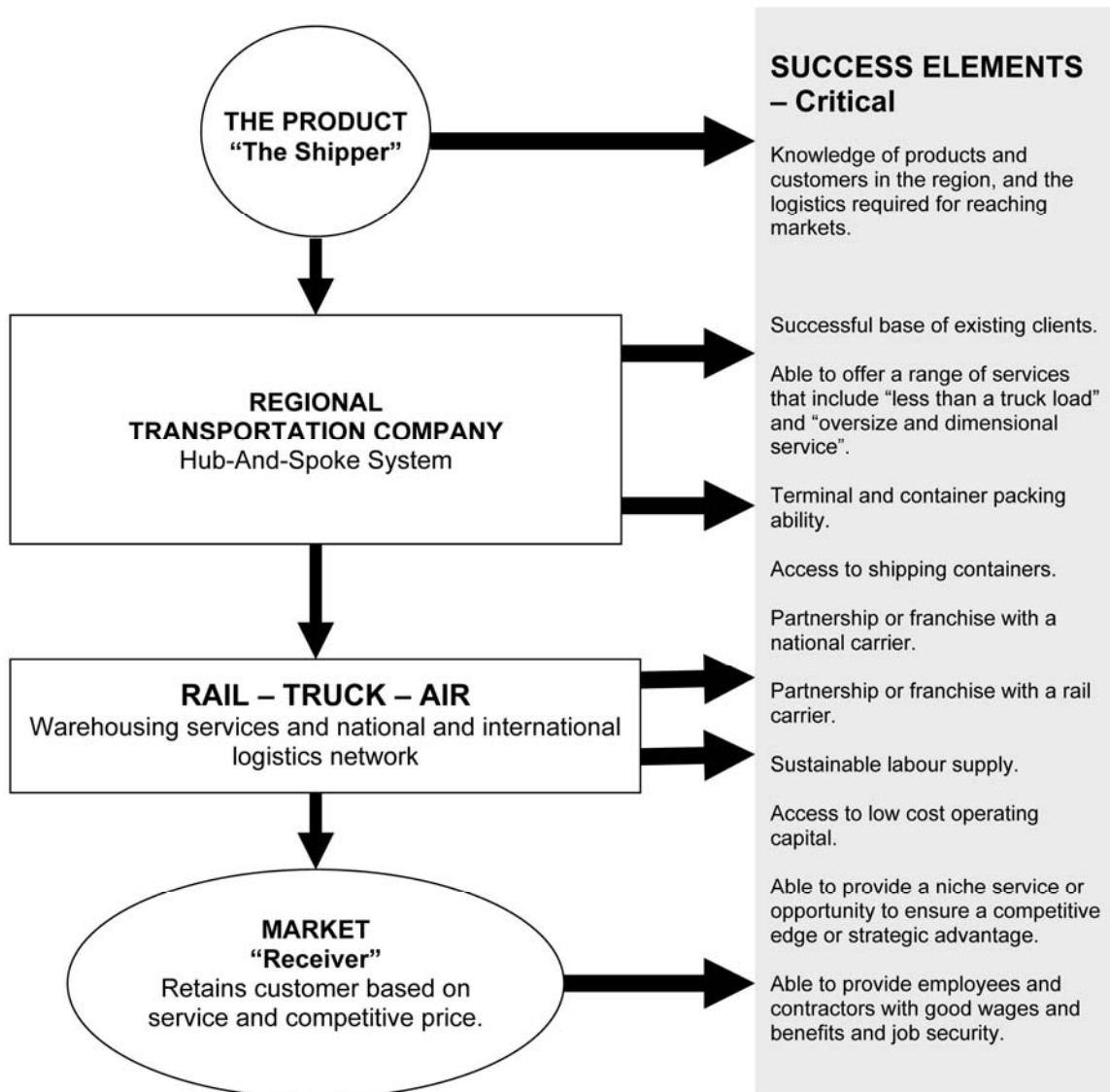
- Transport and trucking services that include less-than-a-truck load (LTR), short-haul and long-haul full truck load, container hauling and oversized/dimensional hauling.
- Terminal services that include container stuffing and storage and warehousing/yard services that include break-bulk handling.
- A 'franchise' relationship with a national transport company that includes container handling within a *hub-and-spoke* based consolidation strategy.
- Secure Motor Carrier Licensing for the company to perform its business objectives.

Growing the company will be based on key elements that include:

- The acquisition of an established company with existing freight contracts able to support 10-15 employees which can provide the knowledge-base within the company's operations.
- The establishment of a FN Supply Chain Investment Strategy that would secure freight contracts from companies that had business relationships with FN communities and joint venture companies throughout Northern BC.
- Additional freight contracts with CN Rail and perhaps CP Rail in relation to the PG Inland Port Strategy.
- Mergers with owner operators servicing Northern BC trucking routes.
- An ongoing driver training and employee recruitment strategy to fill transportation employment opportunities for FN people in Northern BC.

Figure 1 contains a summary of the supply chain characteristics elements of success.

Figure 1: Supply Chain Characteristics Elements of Success



## **2 MARKETS**

In general, the external demand for transportation services associated with the Port of Prince Rupert and the CN Rail's line from Prince Rupert to all points east and southeast of Edmonton is expected to grow rapidly. The Northern BC demand associated with maintaining and servicing the port, the rail line and inland port facilities in Prince George are also expected to increase. The direction for regional demand for transportation services in and around Prince George for internally generated products is less certain. The uncertainty about direction for internally produced items is caused by the expected decrease in demand for trucking by current regional products as some, or most, of these products will be trucked shorter distances to access the inland port rather than the current trucking to Vancouver or Edmonton. Conversely, the regions' current and future producers are expected to gain cost advantages with cheaper freight and handling costs potentially increasing the volume and value of goods produced in the region that are exported through the new transport system. The Markets section explores some of the specifics related to the transportation company business opportunity.

### **2.1 ACQUIRED COMPANY'S OPERATIONS**

The company's foundation is expected to be built on the previously identified areas of operations obtained through the initial acquisition of an established transport company. The acquired company must have established contracts with customers that require full truckload service for short and long hauls. The contracts and customers need to be within British Columbia and Alberta; however, freight is carried within the two provinces and also into the United States and Eastern Canada. The acquired company should have consistent sales revenues of \$3 million annually, as shown in Table 3, with consistent accounts, experienced staff, and management in place.

### **2.2 STRUCTURAL SHIFT**

Existing manufacturers and suppliers in North America will continue to expand their transportation out-sourcing, meaning large companies will be hiring transportation services rather than transport goods themselves. It also means that out-sourcing is becoming more global. It is entirely possible that companies will order merchandise and equipment from Asia and have that freight delivered from a terminal in Prince George. This could enhance the volume of existing contracts since the company would be providing port terminal services and container handling. This enhanced series of services will likely grow freight volumes from existing accounts, particularly if such accounts require less than truck load service that feeds container stuffing freight for export, or the reverse for the import scenario. For export container traffic leaving Pacific ports in Canada, 62 percent of the cargo originates in British Columbia, and the volumes are expected to grow annually, enhancing the opportunity for truck services feeding inland and port side container terminals.

Heavy equipment and infrastructure such as bridges and energy related components; forest products and mining equipment as well as small amounts of freight will require daily activity for both less than a truck load, full load and oversized dimensional loads. This activity will focus mostly on the regions resource extraction and manufacturing. By creating transport agreements with Northern BC Aboriginal businesses, and freight and transport agreements with key companies doing business with First Nations in Northern BC, sales will be secured.

With the rise in container handling and terminals shifting their focus to containers, there are increasing concerns that there may be a shortage of break-bulk terminal facilities. With regards to overseas import and export, the overall volume of freight flowing to and from ports will increase. Container throughput of BC ports is forecast to grow from 1.86 million TEU's in 2004 to 5.41 million TEU's in 2015, an annual growth rate of 10.2%.<sup>1</sup> As of 2005, inbound containerized goods consisting of consumer/retail and industrial products make up almost 70% of the over-all tonnage, with minerals, food, forest products and grains making up the balance.<sup>2</sup>

Laden outbound containers are loaded with forest products (50%) and specialty grains (22%). Shippers say the degree of use of containers will be determined by rates, service and availability of containers, and good connecting infrastructure between points of origin and ports. It should be noted that about 70% of the import containers through BC ports are destined for Central Canada the US. This is not expected to change.

## **2.3 FN BUSINESS AGREEMENTS – IMPACT**

### **Market Forecast**

There are a number of FN partnerships and contractual agreements with companies in the Northern BC supply chain which could serve as the basis for supply chain relationships. Proper scoping to accurately forecast both the businesses and revenues that could be expected from the region is required and it is known that established FN business relationships exist within the supply chain in Fort St. James, Burns Lake and Vanderhoof.

It will remain important that the company provide a strong market presence that feeds products and infrastructure freight into the Northern BC supply chain. The resource extraction sector requires such equipment and infrastructure and the activity within this sector will continue to grow. The fact that the container terminal in Prince Rupert is “rail service only” means that container stuffing and unloading will happen primarily in Prince George for Northern BC customers.

### **Coal**

The production of coal is expected to grow adding an additional 2000 to 2600 coal trains per year to west coast BC terminals by 2015.<sup>3</sup> Many of the companies producing the coal are junior producers requiring infrastructure and equipment all which require being transported from Australia, Asia, Europe or eastern North America. Equipment may be oversized and will be shipped by rail, but then will require truck service to specific locations off the rail lines.

In addition, if rail and terminal infrastructure is not improved in Prince Rupert in advance of 2015, trucks may be required to relieve that rail freight backlog between Prince George and Prince Rupert, perhaps even longer. In the event that a second track is required to handle rail volumes, trucking will be required to support the construction of this mega-project.

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<sup>1</sup> WESTAC, “*Implications for Transportation in Western Canada*,” Preparing for Success: Forecasting Surface Freight Demand. Western Transportation Advisory Council, March 2006, pg 62 and pg 65. <http://www.westac.com/>

<sup>2</sup> WESTAC, “*Executive Summary*,” Preparing for Success: Forecasting Surface Freight Demand. Western Transportation Advisory Council, March 2006. <http://www.westac.com/>

<sup>3</sup> WESTAC, “*Coal: Implications for Transportation in Western Canada*,” Preparing for Success: Forecasting Surface Freight Demand. Western Transportation Advisory Council, March 2006, pg 24. <http://www.westac.com/>



## **Forest Products**

Trucks are used to transport logs to mills and finished products mainly to rail transload centres. There is expected to be an increased supply of logs available to 2015 for the exportable forest products for southbound and eastbound markets, putting a rail transload facility in Prince George at an advantage within CN Rails service to eastern Canada and US markets. These expected increases in demand for transport services are dependent on sustained or increased demand for wood products in US markets.

If there is increased forest product freight it is expected to result in an opportunity to increase the feed of forest products by truck to Prince George. Increasingly, products are being moved in containers regardless of destination. In 2005, over half the wood pulp and two thirds of the lumber exported through Vancouver was containerized. Total lumber exports are expected to grow 4.5% annually to 2015, driven by salvage logging of pine beetle ravaged forests.<sup>4</sup> Once that source is exhausted (estimated at seven to ten years), a very significant slowdown is likely. These increases in exports are based on expected continued growth in home renovations and primary and second home construction.

There remains potential for transport revenues if First Nations leveraged lumber transport agreements that include container stuffing during the seven to ten year window in order to gain a portion of the regional hauling market. Overall, there is modest growth expected in the transport of forest products with an additional 25,000 rail carloads per year of lumber southbound by 2015 and an additional 30,000 per year east bound.<sup>5</sup> For pulp and paper producers foresee no significant growth, although there will be shifts in destinations. For example in 2004, 59% of pulp exports were shipped westbound, by 2015 it's forecast that it will drop to 55%. Transportation costs across all forest products typically represent 15% and 20% of the selling price. Given recent significant softening of the US market for primary homes, combined with a much higher valued Canadian dollar, these opportunities may dissipate.

## **Infrastructure**

Upon improvement of road, rail or industrial infrastructure, trucking is required as well, often within long term contracts since such projects are mega-project in scale. However the contracts for such work are highly competitive. Hydro electric construction and refitting requires significant transport and storage services. By solidifying and creating new community and corporate relationships based on servicing the secondary supply chain as well as container and break-bulk opportunities from the Prince George Inland Port, the FN's company will be able to secure their share of these new opportunities.

A franchise agreement with a national carrier will be required so that a dependable logistics database can be adapted that meets the demands of international "Best Practises" and secure pricing. Less than a truck load service will be required as well as full truck load service and possibly oversized/dimensional load service that will link to Edmonton, Kamloops and Vancouver on a regular basis depending on the customer base. Such logistical infrastructure remains important for managing transport issues related to large capital works and other infrastructure projects.

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<sup>4</sup> WESTAC, "Forest Products: Implication for Transportation in Western Canada," Preparing for Success: Forecasting Surface Freight Demand. Western Transportation Advisory Council, March 2006, pps 28-33. <http://www.westac.com/>

<sup>5</sup> Ibid.

## **2.4 COMPETITION**

Much of the trucking industry (excluding logging) in Prince George is represented by a number of major Canadian or U.S. firms either through a franchise or as a branch location. Any new entry into the trucking industry in Northern BC would have to have the ability to secure freight contracts in the region by buying an existing operation with secured contract, or to attract and buy a franchise from a national carrier not presently operating in Northern BC.

## **2.5 BUSINESS RELATIONSHIP WITH CN**

### **Market Forecast**

A working relationship with CN through an Aboriginal economic development effort could see the company supply outsourcing services to CN terminals perhaps running freight for the company between Prince George, Edmonton, Prince Rupert and Vancouver. Conversely, a similar relationship with CP Rail could develop a route that links terminal services between Prince George and Kamloops. A franchise agreement would link the company with freight services within a larger network in a hub and spoke logistical framework.

Terminal services will require a small workforce to manage the flow of freight and as well as the packing and unpacking of containers and handling of break-bulk cargo. Terminal services also need to include managing a warehouse and container yard. The company will also need a contracted, onsite freight forwarder to operate independently within the terminal and have made provisions for an onsite Customs Broker under that same arrangement in the future.

## **2.6 PRICING**

Pricing and freight rates vary in the transport industry and exist within a very complicated and competitive framework that is linked to logistical decisions. This fluid schedule of rates has resulted in the creation of computer logistics programs and databases that will allow freight companies to easily determine rates that consider the vast number of details. As the company transports freight handled by a number of carriers it becomes important to be linked to a national and international network of cargo handlers and freight forwarders, which share programs and databases for common pricing. It's for this reason that an affiliation with a national transport company is important.

Setting the freight rates for shippers remains very competitive and is subject to ongoing market intelligence as well as business relationships. Often the large national companies will set the lead in pricing, however small regional or local independents will often undercut, and at times to the point where they are operating at a loss. Aggressive price competition often negatively impacts viability. It remains important to rely on other means e.g. service consistency, reliability and flexibility to remain competitive not just price.

## **2.7 SUMMARY MARKETS**

The company will need to generate revenue of approximately \$5.5 million annually by Year 5 in order to meet the objectives of a fully diversified transport company. Table 1 contains an annual forecast of revenue. If this objective can be met, the company will be well positioned to grow as the Northern BC economy grows and will have secured stable contracts within the supply chain.

**Table 1: Forecast of Revenue (Annually)**

Investment	Revenue Forecast
Acquisition of an Established Company	\$3,000,000
Northern BC Aboriginal Supply Chain	\$540,000
New Community and Corporate Relationships	\$1,152,000
Terminal Services	Warehousing \$468,000 Break-bulk \$390,000
Total Revenue Forecast	\$5,550,000

### **3 OPERATIONS**

The company terminal will need to be located in Prince George within close proximity of the new CN Intermodal Container Terminal. The terminal will consist of a series of loading docks for the daily handling of freight, and a warehouse space for storage. There will need to be container and outside bulk storage for handling break-bulk cargo and container freight plus a large container storage area. The terminal needs to have a truck maintenance area and an administration area as well as parking for trucks. The entire terminal must be secure.

#### **3.1 OPERATIONS SKETCH**

The company will eventually have up to 27 employees, which include 11 employees from the transport company to be acquired by the FN Development Corp. It should be considered that the company's operations grow from the following areas of activities:

1. **The established company** that the FN Development Corporation has acquired. This company will have established contracts with customers that require full truck load service for short and long hauls. The contracts and customers will be within British Columbia and Alberta; however, freight will be carried within the two provinces and also into the United States and Eastern Canada. The 11 employees the acquisition will bring will provide key operations management experience and help to secure the existing contracts.
2. **Northern BC Aboriginal supply chain** will secure freight and transport agreements with key companies doing business with First Nations in Northern BC. Heavy equipment and infrastructure such as bridges and energy related components; forest products and mining equipment as well as small amounts of freight will all require daily activity for both less than a truck load, full load and oversized dimensional loads. These activities will focus mostly on the region's resource extraction and manufacturing.
3. **New Community and Corporate Relationships** will be based on servicing the secondary supply chain as well as container and break-bulk opportunities from the Prince George Inland Port. A franchise agreement with a national carrier will be required so that a dependable logistics database can be adapted that meets the demands of international "Best Practices" and secure pricing. Less than a truck load service will be required as well as full truck load service and possibly oversized/dimensional load service that will link to Edmonton, Kamloops and Vancouver on a regular basis depending on the customer base.

4. **Terminal Services** will require a small workforce to manage the flow of freight and as well as the packing and unpacking of containers and handling of break-bulk cargo. Terminal services also include managing a warehouse and container yard. The company will need to have a contracted onsite Freight Forwarder to operate independently within the terminal and have made provisions for an onsite Customs Broker under that same arrangement.

Table 2 contains a breakdown of the number of workers the company would require and shows how many new jobs would be created.

**Table 2: Employee Sketch**

<b>Job Position</b>	<b># Workers</b>	<b>Existing as a result of acquisition</b>	<b>New Jobs</b>
Manager	1	1	
Office Workers	2	1	1
Dispatch and Logistics	3	1	2
Salesperson	1		1
Yard/Warehouse/ Equipment Maintenance	4	2	2
Drivers	6	2	4
Part-time Relief Drivers	2 (4 @1/2 time)		2
Owner Operators	8	4	4
<b>Totals</b>	<b>27</b>	<b>11</b>	<b>16</b>

### **3.2 LESS THAN-TRUCKLOAD IN THE HUB-AND-SPOKE SYSTEM**

A less-than-truckload (LTL) carrier typically delivers shipments less than 10,000 pounds (classified as LTL shipment). The size of the shipment in LTL networks provides ample opportunities for consolidation. LTL carriers have focused on hub-and-spoke based consolidation to realize economies of scale.

Generally, hub-and-spoke systems work as follows: the shipment is picked up from the shipper and brought to an origin terminal (e.g. FN Development Corp Terminal), which is the entry point into the hub-and-spoke system. From the terminal, the freight is sent to the first hub (e.g. CN Container Terminal), where it is sorted and consolidated with other shipments, and then sent on to a second hub (e.g. Port of Prince Rupert). It is finally sent from the second hub to the destination terminal (e.g. overseas port terminal), which is the exit point of the hub-and-spoke system.

However, the flow of shipments is often more complicated in practice. In an attempt to reduce sorting costs, load planners sometimes take this hub-and-spoke infrastructure and modify it considerably to maximize their truck utilization while satisfying service constraints. Decisions made by a load planner may have a cascading effect on load building throughout the network. It remains important to be part of a larger in-sync logistics network.

### **3.3 LABOUR ACCESS**

There is a chronic shortage of truck drivers in North America, which contributes to the inability for transport companies to maintain a workforce and shipping contracts effectively. The largest opportunity that exists for creating a working relationship between FN communities and the new company is the establishment of a FN skilled labour pool for the transportation industry in

Northern BC. By providing the training and employment mechanism to recruit community members into the company, key employment could be created. Building a solid labour pool provides opportunity for the company to grow contracts, joint relationships and remain competitive so that it can grow revenues.

### **3.4 RATES**

Truck drivers can be paid by the hour to drive a company-owned truck, or they can own their own truck and be paid as owner operators. Regardless of the equipment and labour scenario, the freight rate charged to the shipper will remain consistent. Within rates paid to owner-operators, 70-75% of the freight revenue generally will be applied to the operators and their truck, while the company retains 25-30%.

Often fuel costs are determined within a different cost line item that will impact over-all freight rates and are managed between the owner operator and the company within a separate framework called a “Fuel Cap” which is how much the company contributes to the cost of fuel. Fuel caps can vary from companies paying \$0.45 to \$1 a litre. The amount a company contributes to fuel costs can be a primary incentive for good relations with owner operators. A \$1 a litre fuel cap is a very good incentive for retaining an operator.

The rates paid to drivers and costs related to trucks and fuel will be a major contributor to the “Mileage Rate” a company charges which is the foundation for the freight rates charged to shippers. For example, a driver hauling a standard unit, which might include a tandem trailer, would be charged out at \$95 per hour, with extra charges being applied for non-driving work like tarping or other loading efforts. This rate, including distance, fuel and drive time, will be translated into a mileage rate e.g., 42-46 cents per km plus the fuel cap. The formula is not a constant one; it is very fluid depending on the details of the freight and hauling logistics as well as the type of equipment.

## **4 MERGER AND ACQUISITION APPROACH**

It may be strategic to purchase a company outside of the Prince George Region in order to expand the reach of the company. This company’s headquarters could be moved to Prince George. It is important however that the motor carrier licensing and transport permits must include Northern BC.

### **4.1 STATE OF THE INDUSTRY**

Opportunities created by predicted growth in transport is widely acknowledged, however Western Canada’s transportation system will be challenged to handle the projected traffic increases when parts of the system are already bumping up against capacity constraints. Shipping by truck will continue to be in demand as a means to handle certain backlogs. Forecasts indicate:

- Additional west coast terminal capacity for coal will be required
- Container forecasts will require new capacity
- Additional train slots for both commodities and containers will be needed

The prospect of resurging bulk traffic on top of even higher container traffic raises concerns about the adequacy of rail capacity on some corridors. The implications of these certain challenges will be directly reflected on the trucking industry in western Canada and Northern BC as follows:

- Better service and more transportation in general will be needed as outsourcing grows
- Land required for transportation purposes, whether for port facilities, rail lines, or roadways
- Break-bulk facilities will be needed
- Efficient border processes required
- Cost control and asset utilization within an efficient supply chain
- Attracting sufficient talented people
- Legislative certainty
- Increased borrowing limits and securing investment funds

The industry recognizes that it is the combination of investments in people and physical infrastructure by railway companies, trucking companies, terminal operators, ports, and governments (roads) that is required to meet projected demand. Substantial investment capital will be required to implement the business case for the industry.

## **4.2 COMPETITIVE ENVIRONMENT**

Since NAFTA, there has been a North American pattern in the trucking industry where larger companies have been buying smaller ones. Globalization has been a critical factor in the apparent industry decision to consolidate through mergers and acquisitions (M&A). Increased customer demands place small trucking firms in an untenable position. In order to survive, they must acquire new technology, expand geographically, and enter new product markets. All of this requires investment funding not readily available to the small firms. Given this environment, it is not surprising that some M&As have been motivated by the need to consolidate existing operations at the same time as they sought geographic expansion.

There are no ownership restrictions impeding cross-border (Canada/U.S.) acquisitions; the greater share of Canadian firms moving south may simply have been driven by a desire to access route densities in the U.S. market.

## **4.3 VIABILITY PARAMETERS – EXISTING OPERATION**

The initial operating, overhead and financing costs, presented here, have been taken from operating transportation companies of similar size and applied to a company that would be initially purchased. The revenue and gross margin 19% indicate that trucking is a relatively high volume, low gross margin industry. Minor errors in calculating freight rates or rapid rises in fuel costs can quickly erode profits. In general, companies reported that the quick rise in fuel costs in 2006 impacted profitability as compared to the more stable fuel rates in 2005. Tight management, quick decision making and special services, which are paid for, are the keys to profitability in this sector.

**Table 3 – Estimated Profit and Loss - \$3 million in Sales – 6 Trucks\***

<b>Revenue</b>	<b>3,000,000</b>
<b>Operating Expenses</b>	
Drivers Wages and Benefits	540,000
Fuel	880,000
Road Taxes	111,000
Sand and Gravel	40,000
Shop supplies and small tools	21,000
Subcontracts	250,000
Trailer Lease	88,000
Truck and Cargo Insurance	220,000
Truck and Trailer Repair & Maint.	290,000
<b>Total Operating Expenses</b>	<b>2,440,000</b>
<b>Gross Margin</b>	<b>560,000</b>
<b>Overhead Expenses</b>	
Advertising and Promotion	6,000
Bad debts	21,000
Interest Bank Charges & Credit Card Charges	28,000
Long Term Debt Interest	53,000
Management Salary	45,000
Office Expenses	40,000
Professional Fees	13,500
Telephone, Fax and Internet	14,500
Travel and Entertainment	4,000
Vehicle	9,000
<b>Depreciation</b>	<b>260,000</b>
<b>Net Income before Taxes</b>	<b>66,000</b>

*\*Generalized from operating businesses over the last two years*

## **5 CONCLUSIONS**

There is an expected growing truck and associated terminal services market in Northern BC related to the development of the inland port facility in Prince George, given the international market forces in 2006 and early 2007. A First Nation's transportation company operating out of Prince George, built on the purchase of an existing trucking company combined with linked transport agreements based on FN commercial relationships, appears to be viable at the pre-feasibility level. There are existing transportation companies that are for sale that could provide the base on which to build the transport company described in this pre-feasibility analysis.

Profitability of the "new" expanded company will depend heavily on the quality of management given that trucking is a relatively low gross margin part of the transportation sector. A First Nation's owned company with access to an emerging labour pool will have a distinct advantage over its competitors that are currently finding it difficult to find and hold staff just for their current operations let alone expand to meet the expected growing demand.

Given the positive results of this pre-feasibility study a full feasibility study/business plan is the recommended next step for a First Nation organization in Northern BC.