



Gateway Freight Backgrounder

In the past year, Gateway Freight Systems Inc. has provided freight transportation services to hundreds North American shippers using its network of several thousand motor carriers. Located in Burlington, Ontario, Gateway currently employs twenty-five full-time staff and executes over two thousand cross-border less than truckload (LTL) and truckload (TL) shipments per month.

A privately-held Ontario corporation, Gateway was started in 1994 by co-founders Mike Taylor and Bill Charney. Mike, the current president, was at the time only 25 years old and already an experienced transportation sales professional having previously held positions as sales manager for Intercity Truck Lines (now integrated into the Roadway network) in Toronto and vice-president of Frontline Carrier Systems in Los Angeles. The objective was to provide a transportation service that delivered on the fundamentals – shipping cargo from point-A to point-B, safely, and at a competitive price – but that addressed oft-expressed criticisms of the trucking industry such as poor customer service, tired marketing approaches and operational systems that were antiquated, rigid and inflexible. The art was taking a mature product and packaging it properly while the science was leveraging technology to provide customizable solutions suited to individual customer needs.

The small operation opened for business January 1st 1994 and completed its first fiscal year that October with two employees and a small office over a TCBY Yogurt Shop. Twenty years later, Gateway boasts a dedicated staff of twenty-five, is a recognized industry leader, and one of the largest intermediaries in Canada

Gateway is not a motor carrier but a regulated transportation intermediary often referred to as third party logistics provider (3PL). In the United States the governing body for this business activity is the Federal Motor Carrier Safety Administration within the Department of Transportation and the official designation of Gateway's activities is "Licensed Property Broker." In the Province of Ontario this regulatory role falls to the Ministry of Transportation (MTO) and in Quebec, the Commissions des



Transports (CTQ). Gateway holds licenses in all of these jurisdictions, all of which require annual filings and the posting of performance bonds or sureties.¹

In general, transportation brokers are not asset-based firms in the sense they do not own the actual trucks, trailers or trains on which their customers' freight moves. They also differ from another form of intermediary – freight forwarders – as brokers do not assume legal custody of the cargo, but instead only manage the purchase and resale of the transportation service on the shippers' behalf. They are essentially arrangers of transportation. Simply put, brokers purchase excess capacity at a wholesale rate and resell it at a small profit. Accordingly, they are both an agent to the shipper as well as to the motor carrier. An outgrowth of this role is that brokers are incredibly astute purchasers of transportation and are positioned to provide a universe of transportation options in meeting the specific needs of their customers. They are not constrained by the size of their fleet, the locations of their terminals or their service schedules.

The successful brokers have evolved from the status of "middle-men," to providers of a broad range of freight management services. Gateway acts as one-stop front office for complex logistics operation taking place in the background, an operation that is essentially transparent to the shipper. Gateway, before using a specific carrier vets the candidate in terms of proper operating authority, specific equipment requirements and adequate insurance levels. The task of sourcing new carriers is facilitated by the advent of numerous Internet-enabled services available to intermediaries. At the customer end, a shipper could have several simultaneous shipments of different configurations moving to various destinations on different carriers, but have the ability to arrange and track everything through one central office. All of the shipments can be traced with one phone call or visit to Gateway's web site. The objective is to provide a seamless service with Gateway as the single point of contact for all the parties involved. The customer is ultimately invoiced by Gateway who has fiduciary obligation to protect the motor carrier's

¹ Effective January 1, 2006, Ontario Regulation 556/92 of the Truck Transportation Act and the Act itself were repealed, that while removing the surety requirement for load brokers, preserved the obligation of load broker to hold amounts owed to motor carriers in trust.



charges. This is the purpose of the bonding requirements attached to the brokerage licenses and the maintenance of trust accounts.

Gateway's in-house computer expertise also allows the continuous development of software solutions in response to evolving customer needs. Gateway in the past had designed, developed and coded all of its own internal operations programs including its tracing website, though recently has partnered with external TMS software specialists in order to keep up with the rapid evolution of web technologies. As an option to logging into the online shipment tracing application, Gateway's customers can also receive automated daily emails and/or faxes apprising them of the status of their current and pending shipments. Monthly reports can be generated to enable shippers to track charges and optimize their shipping patterns by providing an overview of their traffic. As well, Gateway is fully EDI-capable.

The vast majority of the traffic Gateway handles – greater than 95% – crosses the US- Canada border. Accordingly, Gateway boasts a staff that has a comprehensive knowledge of customs procedures at both the frontier point as well as at inland sufferance warehouses. Gateway, therefore, makes an excellent partner for US shippers who have little or no experience shipping to Canada. As well, because Gateway is located in the Greater Toronto Area where most inbound international cargo terminates and where the majority of Canadian trucking companies are based, Gateway maintains an unparalleled list of Canadian carriers that travel to and from the United States.

The benefit of Gateway's geography and expertise to US shippers is best illustrated by an example. Say, a hypothetical shipper in Kansas has three skids going to Toronto and this shipper has traditionally called Orange Freightways for this move. He calls Orange because this is the carrier he calls for his domestic US freight needs. And, after all, Orange eventually gets it there. A week later, and a little beat up because the freight has been cross-docked three or four times at various terminals between Wichita and Toronto, but it gets there. Alternatively, if the same shipper called Gateway, the operations staff would quickly locate a Toronto carrier with available equipment in the vicinity of Wichita and with just enough room to accommodate his shipment. The driver would pickup the freight and head for home. The freight is delivered in two days and having remained on the same truck that originally loaded the shipment – few to



no transfers here – the probability of any loss or damage to the cargo is absolutely minimized. Simple economics also feed the equation. Since this is “backhaul” for the carrier, or freight this unit needs to get home, the price is negotiable. In general, for Canadian-based carriers the profitable portion of the “trip,” or the gravy per se, is made on the outbound leg or the “headhaul.”

Through this confluence of circumstances, Gateway is therefore able to provide a superior service and still beat the common carrier rates to Canada. While a brokerage business can be successful in any locale, the calculus changes from region to region. In Gateway’s case, the unique position of Toronto in the North American economy with its high concentration of population and commercial activity, as well as its role as a debarkation point for many goods entering Canada, must be recognized as an integral factor in the success of this business.

All of these factors are only prerequisites to a successful enterprise. Solid management and the recruitment of talented and dedicated staff are absolutely essential in a business where the most tangible product is customer service. Many of Gateway’s staff have been with the company since the early days and now form the core of the management team. At Gateway, as in any business, it is the people that ultimately make the difference.