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A REPORT ON HOW COMPANIES ARE LEVERAGING INFORMATION TO FORECAST, CREATE FLEXIBILITY AND ACHIEVE THE RIGHT LEVELS OF INVENTORY

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How Can Supply Chain Information Technology Enhance Competitiveness?

With transaction-oriented IT systems — such as ERP, WMS and TMS systems — now a basic requirement for doing business, and communication-oriented IT systems — such as supply chain event management, RFID and collaborative planning, forecasting and replenishment systems — becoming more and more the norm, the battle for the real competitive advantage has shifted to the area of relationship systems.

Executive Interview with John Motley
CEO of LOG-NET

An executive overview of trends in technology from an end-to-end logistics management company.

An Interview with Cameron Joyce
President of McKesson Logistics Solutions

Here are some executive insights from a leading Canadian company on 3PL trends — based on interview questions prepared by members of LQ’s Board: Tom Goldsby, Ph.D., John Langley, Ph.D., Diane Mullenkopf, Ph.D., Tom Nightingale, Chris Norek, Ph.D., and P.S. Ravi, Ph.D.

An Interview with Keith Robson
President and CEO of the Hamilton Port Authority

A Great Lakes Report: An overview of the Hamilton Port Authority and marine developments logisticians and shippers should consider.

Helping 3PLs and Their Customers
Leverage Visibility

The reactive nature of traditional 3PL–customer relationships doesn’t give 3PLs enough advance warning to plan their operations efficiently. The answer is for 3PLs to gain more visibility into the business operations of their customers, resulting in increased efficiency and better service.

Highway Infrastructure Funding

The deterioration of U.S. highway infrastructure — as dramatically illustrated by the recent Minnesota bridge collapse — has implications for shippers and carriers alike. Both NASSTRAC and ATA believe that private funding is not the answer.

Techno-reality: Still a Matter of Perspective

As an industry, we still aren’t using existing technology to our best advantage. It seems almost pointless to explore the “new frontiers” in technology when we haven’t explored — or thoroughly utilized — the old ones. Logistics providers need to do a better job of persuading their customers to invest in existing technology that will save time and eliminate waste.

Rolling Back the Rules Not a Step Forward

A recent Court of Appeals decision may actually reduce road safety — and cost trucking companies money.
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**ANNOUNCEMENTS**

*Kevin Sharp Joins LQ’s Team*

*LQ* is pleased to announce that Kevin Sharp has joined the *LQ* sales team as Sales Manager, North America.

As the former National Sales Manager for Materials Management & Distribution (MM&D) and former Publisher of *Canadian Transportation & Logistics* (CTL) magazine, Kevin brings many years of sales and marketing experience to *LQ*. Kevin is based in our Toronto office and is responsible for servicing the needs of *LQ*’s North American advertisers.

To reach Kevin Sharp, please call: 905-604-1510 or email Kevin at: ksharp@logisticsquarterly.com.

*Ryder Acquires Pollock NationaLease in Canada*

Ryder System, Inc. has announced it has reached agreement to acquire substantially all the assets of Pollock NationaLease, one of Canada’s largest privately-owned full service truck leasing companies based in Strathroy, Ontario.

Ryder Canada will acquire Pollock’s fleet of more than 2,000 vehicles and over 187 contract customers served by the Ontario locations of Sarnia, Windsor, London, Baden, and Milton, as well as the New Brunswick location of Moncton. The combined network will operate under the Ryder name, complementing Ryder Canada’s market coverage and service network.

“Pollock NationaLease is a well known and respected name in Canada’s transportation industry with an outstanding reputation of delivering high levels of customer service,” notes Ryder Chairman and CEO Greg Swienton in a press release. “This acquisition allows us to expand our Canadian network, establish a footprint in the Milton area of Greater Toronto, and continue to build on the strong foundation of quality service and best practices to further our value to customers of both companies.”

This acquisition is expected to be finalized in October 2007. Completion of the acquisition is subject to customary conditions, including the receipt of applicable regulatory approvals.

*WERC and LQ Initiate New Partnership*

*LQ* has a new partnership with WERC, the Warehousing Education and Research Council. Beginning immediately WERC’s U.S. and Canadian members will receive *Logistics Quarterly*.

WERC’s Executive Director, Bob Shaunnessey, will be a regular contributing columnist in *LQ*, serving up lively advice and opinions. Bob brings his 25 years of experience in the warehousing business to the *LQ* editorial team. Look forward to Bob’s first column in our next issue where he tackles the what and why, pros and cons of outsourcing.

WERC is where distribution experts come together to share practical knowledge and professional expertise with the aim of improving individual and industry performance.

Through membership in WERC, seasoned practitioners as well as those new to the industry stay at the forefront of innovation, master best practices and establish valuable professional relationships. For more information about WERC, please visit: www.werc.org.

*Logistics Quarterly* is a leading source of ideas for leadership in logistics and transportation for 36,000 Canadian and American logisticians. *LQ*’s articles are written by professionals and Ph.D.s for leaders in the field of logistics and transportation — affording authoritative and critical thinking on these complex and fast-changing subjects.

We are also pleased to announce that Michael Skinner has been promoted to the position of Director, North American Sales.

*LQ Magazine* is a leading source of ideas for leadership in logistics and transportation for 36,000 Canadian and American logisticians. *LQ*’s articles are written by professionals and Ph.D.s for leaders in the field of logistics and transportation — affording authoritative and critical thinking on these complex and fast-changing subjects.
LQ’s mandate to provide “Ideas for Leadership in Logistics” is clearly evidenced this issue, with articles written by professionals and logisticians from America and Canada who are leading and transforming business by creating new roadmaps and definitions for leadership in this exciting field.

OUR CONTRIBUTORS

DAVID J. CLOSS, Ph.D., LQ Executive Editor. Dr. Closs is the John H. McConnell Chaired Professor of the Eli Broad College of Business, Department of Marketing and Supply Chain Management, Michigan State University. He has consulted with more than 100 of the world’s Fortune 500 corporations regarding logistics strategies and systems. He is an active member of the Council of Supply Chain Management Professionals (CSCMP).

JIM DAVIDSON, CEO, Wheels Group, began his career in logistics at the Ford Motor Company in 1963 working in all aspects of logistics for 17 years. Mr. Davidson joined TNT in 1983 and held various management roles, including roles in operations, staff, administration and general management for a number of different divisions. He also served as the TNT board member representing North America at their European-based board meetings. He has served on the executive of the Canadian General Motors Supplier Council as well as Executive Vice President of the ATA Council of Logistics located in Alexandria, Virginia.

RICHARD L. DAWE, Ph.D., is Associate Professor of Operations Management, The Ageno School of Business, Golden Gate University, San Francisco. Prior to becoming a full time faculty member at Golden Gate University of San Francisco in 1998, Mr. Dawe had extensive management experience in all areas of global supply chain operations, working with Intel, HP, Samsung, Packard-Bell, Del Monte, Colgate, Southern Pacific, National Semiconductor, Lucent Technologies, Vebo Electronics, U.S. Borax, and Cisco Systems. He has written numerous articles on supply chain management for professional publications and his book on information technology in operations management was published by Penton in 1994. Professor Dawe is an active participant with the Council of Supply Chain Management Professionals (CSCMP), where he is the Co-Education chairman of the Global Virtual Roundtable. He is the education advisor to the Golden Gate Chapter of APICS and regularly attends meetings of the Warehouse Education and Research Council (WERC), Women in Logistics, and the Institute of Supply Management (ISM). With the Distribution Business Management (DBM) organization, he has served as a track chair and has also been a presenter at many of their annual conferences.

DAVID FAORO is Director of Supply Chain for The International Group, Inc., a $400-million manufacturer of waxes and wax-based industrial products. In this role, he is responsible for customer service, purchasing, logistics and inventory management. For over 20 years, David has worked in the chemical, food and beverage, office products and wholesale distribution sectors in all aspects of supply chain management. He holds an M.B.A. from the Ivey School of Business and a Bachelor of Commerce (Logistics) from the University of British Columbia. A Past-President of the Toronto chapter of the Council of Supply Chain Management Professionals (CSCMP) and a member of the Advisory Board of Logistics Quarterly, David is married with two children and lives in Aurora, Ontario.

TERRI FERRARO is Director, Supply Chain and Transportation, Famous Footwear and Brown Shoe Retail Logistic. Famous Footwear is the U.S.A.’s number one retailer of name brand shoes for less for the entire family. One in every 10 American families shops at Famous Footwear for back-to-school shoes each year. Famous Footwear is one of the top five retailers for great brands such as Skechers, Nike and Timberland.

THOMAS J. GOLDSBY, Ph.D., University of Kentucky. Professor Goldsby’s areas of research include logistics strategy and supply chain integration. He has served as a logistics analyst and researcher in the corporate and public sectors and has received awards for his teaching and research. He has published articles in several academic and professional journals including the Journal of Business Logistics, the International Journal of Logistics Management, the International Journal of Physical Distribution and Logistics Management, Management Science, Supply Chain Management Review and the Journal of Operations Management. He currently serves as a member of the Council of Logistics Management (now CSCMP), the American Society of Transportation and Logistics and the Warehousing Education and Research Council.

BILL GRAVES, a former governor of Kansas, is the President and CEO of the American Trucking Associations (ATA).

CAMERON JOYCE is President of McKesson Logistics Solutions, a company that evolved from the merger of the 3PL healthcare businesses of McKesson Canada and Associated Logistics Solu-
tions. McKesson Logistics Solutions is responsible for the supply chain of over $2 billion in prescription drugs, over the counter medications, health and beauty aids and medical devices on behalf of their clients. His current focus is on ensuring the organization is at the forefront of providing clients with innovative, customized solutions to suit their business needs.

Cameron is currently on the Board of Directors of the International Warehouse Logistics Association (IWLA) and is Co-Chair of the Canadian Council of the IWLA.

ED KEARNS is the President of Kearns Transportation Services. His areas of expertise encompass operational planning, marketing and sales of intermodal trucking, railway and marine freight services. In addition, his areas of specialization include promotion, market development and sales for Canadian ports, as well as warehousing, distribution and processing. Prior to his consulting practice, Mr. Kearns was the Senior Vice President of Fraser Wharves Ltd. He has also held senior-level positions at "K" Line Canada Ltd. and Kerr Steamships (Canada) Ltd. His tenure includes management positions at Crossland Containers Limited and the Saint John Port Development Commission. Mr. Kearns is a member of The Toronto Transportation Club.

JOHN LANGLEY JR., Ph.D., M.B.A. Dr. Langley is Professor of Supply Chain Management and Director of Supply Chain Executive Programs at the Georgia Institute of Technology in Atlanta, Georgia. Dr. Langley is a former President of the Council of Logistics Management (now CSCMP), and a recipient of the Council's Distinguished Service Award. In 2004 he was honored as one of the profession's top five logistics executives at the Richmond Events Logistics and Supply Chain Forum. He received his Ph.D. degree in Business Logistics from Penn State University. Dr. Langley has co-authored several books, including The Management of Business Logistics, a 7th edition textbook published in 2003. He also serves on the Boards of Directors of UTi Worldwide, Inc., Averitt Express, Inc., and Forward Air Corporation. He is also lead author of the annual study on the 3PL industry, the most recent of which is titled 2004 Ninth Annual Study of 3PL Service Providers: Views from the Customers.

JOHN MOTLEY is the founder, President and CEO of LOG-NET. Since he wrote the initial computer program that serves as the cornerstone of the company's supply chain execution application, he has led LOG-NET's global growth as a leading provider of logistics technology to third-party logistics providers, importers and exporters. Today LOG-NET systems manage the detailed movement of 600,000 intermodal containers per year – almost 10% of the U.S. import trade. LOG-NET is also the world's largest processor of ocean-carrier electronic messages.

Motley began his career in international trade at 17, entering the prestigious United States Merchant Marine Academy. While at the Academy he studied engineering and sailed aboard international merchant vessels. Prior to founding LOG-NET in 1991, he worked for American President Lines (APL) in container freight operations, equipment management, intermodal operations, logistics and sales.

Drawing on his years at APL he used his engineering and computer programming skills to design the LOG-NET system that features “best practices” for international multi-modal logistics.

In addition to his degree from USMMA, Motley studied at New York University and graduated with an M.B.A. in Information Systems. He served nine years as a Naval Reserve officer with the Maritime Reserve and Military Sealift Command and facilitates the development of global standards for logistics e-commerce and business practices as a member of several industry and technical associations including the Data Interchange Standards Association of ANSI X12, the Council of Logistics Management (now CSCMP), the International Mass Retailers Association, the National Retail Federation, the American Trucking Associations, ebXML, the American Purchasing and Inventory Control Society and the National Industrial Transportation League. LOG-NET is also the founding sponsor of the Shippers for International Electronic Logistics Data (SHIELD), a group that specializes in facilitating electronic compliance information requirements of Department of Homeland Security regulations.

DIANE MOLLENKOPF, Ph.D., is an Assistant Professor in the Department of Marketing and Logistics at the University of Tennessee, Knoxville. She was on faculty at Michigan State University from 2002 to 2005 and a faculty member at Lincoln University in Christchurch, New Zealand, for eight years prior to moving to the United States.

Before pursuing an academic career, Dr. Mollenkopf worked as a logistics and product manager for several international organizations, primarily in the cosmetics industry. Her responsibilities included managing U.S. inventories and coordinating production/shipping from European factories, as well as managing transportation and delivery activities, both internationally and domestically.

As an academic, Dr. Mollenkopf’s research coalesces under the broad umbrella of corporate value creation. Her research can be categorized into two main research streams, one relating to logistics/supply chain integration and the other relating to environmentally responsible logistics/supply chain practices. Her interest in integration and environmental issues stems from her belief that these are two areas in which firms can create value — for themselves, certainly, but also for their customers, supply chain partners, communities and other stakeholders. Much of her work has been conducted in an international environment. While living overseas, Dr. Mollenkopf worked with several major New Zealand organizations. She developed and presented a variety of logistics and supply chain seminars throughout New Zealand and Australia. She continues to work with executive development programs in the U.S. She is a member of the Council of Supply Chain Management Professionals (CSCMP).

THOMAS NIGHTINGALE is the Vice President of Communications and Chief Marketing Officer of Con-way Freight. Prior to joining Con-way he was the Vice President of Corporate Marketing, Schneider National, Inc. And before that, he worked in senior marketing, sales leadership and operations roles for several transportation, logistics and supply chain companies, including Clareon, a B2B payment software subsidiary of FleetBoston Financial; Paxis, a supply chain services joint venture between GATX and Lockheed Martin; CSX Transportation;
and United Parcel Service. Mr. Nightingale holds a Bachelor’s degree in International Marketing/Management from Siena College and received his M.B.A. from Syracuse University, where he completed graduate studies in Organization and Management.

CHRIS NOREK, Ph.D., has 15 years of experience in supply chain and logistics-related consulting across several industries including retail, consumer products, industrial products, services and internet business fulfillment. He has consulted for both CSC (Computer Sciences Corporation, formerly Cleveland Consulting Associates) and Accenture Consulting Associates) and has extensive consulting experience as an independent consultant. He spent three years as a professor of logistics and transportation, two years on the faculty of the University of Tennessee and one year on the faculty of Auburn University. In addition, he has worked for Kimberly-Clark Corporation as an area planner, Apple Computer as a worldwide materials planning analyst and Office Depot as an internal logistics consultant. His independent consulting engagements included work for amazon.com, Aramark Uniform Services, The Sports Authority and Accenture/Andersen Consulting.

Dr. Norek has his B.S. in Business Logistics from Pennsylvania State University, an M.B.A. with a concentration in logistics and transportation from the University of Tennessee and an M.A.B.A. and Ph.D. in logistics and transportation from The Ohio State University. He is also a frequent presenter at industry conferences including the Council of Logistics Management (now CSCMP), the Warehousing Education and Research Council (WERC) and the National Retail Federation (NRF). He is also a recurring invited speaker to supply chain executive development programs at the University of Tennessee, the University of North Florida, the University of Louisville and ITRAN (a professional group headed by the Georgia Freight Bureau). Dr. Norek is a member of CommerceNet’s Evolving Supply Initiative’s advisory board.

PERUVEMBA S. RAVI is an Assistant Professor in the Operations and Decision Sciences area at the School of Business and Economics, Wilfrid Laurier University, Ontario, and a member of the Supply Chain Management faculty group at Wilfrid Laurier. Professor Ravi holds a B.Tech. in Chemical Engineering from the Indian Institute of Technology in Delhi, India, an M.B.A. from the Indian Institute of Management in Calcutta, India, an M.S. in Operations Research from the University of Rochester in Rochester, New York, and an M.S.B.A. and Ph.D. in Operations Management from Washington University in St. Louis, Missouri. Prior to joining Wilfrid Laurier University, Dr. Ravi was a visiting faculty member at the University of Missouri-Columbia. He has taught undergraduate and graduate-level courses in operations management and supply chain management. Dr. Ravi’s research interests include logistics and supply chain management, the marketing-manufacturing interface and scheduling. He was awarded the Petro-Canada Young Innovator Award at Wilfrid Laurier University in 2001, an award that is granted annually to only about twenty researchers in Canada. He also holds a research grant from the Natural Sciences and Engineering Research Council of Canada (NSERC). Dr. Ravi is a member of the Decision Sciences Institute (DSI), the Institute for Operations Research and the Management Sciences (INFORMS), the Production and Operations Management Society (POMS) and the Canadian Operational Research Society (CORS).

KURT RITCEY, Partner, Deloitte, is a management consultant and specializes in improving supply chain operations for clients in many industries including manufacturing, consumer business and energy. He has directed improvement projects throughout the supply chain including strategic sourcing, e-procurement, demand management, inventory management, distribution and warehouse operations. Mr. Ritchey leads Deloitte’s Canadian Sourcing and Procurement practice, focusing on assisting clients to improve business results by implementing strategic sourcing, procurement transformation, supplier relationship management and electronic procurement solutions. In addition to his work in Canada and the U.S., Kurt has worked in Hong Kong, Germany and Mexico. He holds a B.Sc. (Hons.) in Civil Engineering from Queen’s University and an M.B.A. from the Ivey Business School at the University of Western Ontario.

KEITH ROBSON graduated from the Aston University in Birmingham, England, and joined the automotive industry in marketing and product planning roles. He then spent 20 years with Massey Ferguson/Verity Corporation in various roles including Vice President, Corporate Controller and President of a division involved in parts warehousing and distribution. Since 1990 he has worked as a consultant in strategic management, including the turnaround of Canadian Pacific Trucks. In 2001, he took on the role of President of the Institute of Corporate Directors, where he was instrumental in establishing an educational program for corporate directors. In 2002, he was appointed President and CEO at the Hamilton Port Authority, which manages the port operations and recreational uses of Hamilton Harbour.

In this role he has demonstrated leadership in the community, working with the United Way to create new port-focused programs. He has just completed four years as Chair of the Transportation Committee of the Ontario Chamber of Commerce. He is a member of the Education Committee of the Institute of Corporate Directors and a board member of Friends of HMCS Haida. In 2005, Keith completed his ICD certification as a Corporate Director and also became Chairman of the Canadian Chamber of Commerce Transportation Committee as well as serving on several industry related organizations. In 2006, the University of Aston in England recognized Keith’s career achievements by honouring him as a Fellow of the Aston Business School.

NICHOLAS SEIERSEN, B.Sc. (Hons.), M.B.A., P.Log., LQ Executive Editor, is a Senior Manager with KPMG, based in Toronto, Ontario. He specializes in supply chain consulting, with particular attention to strategic sourcing and supply chain planning and operations. Mr. Seiersen is the Canadian Service Line lead for Operations Cost Management at KPMG. Mr. Seiersen holds a B.Sc. (Hons.) in Biochemistry and an M.B.A. in Industrial Management. He teaches executive development courses at top universities in Europe and North America. He is the past President of the Toronto Roundtable of the Council of Logistics Management (now CSCMP).
How Can Supply Chain Information Technology Enhance Competitiveness?

With transaction-oriented IT systems — such as ERP, WMS and TMS systems — now a basic requirement for doing business and communication-oriented IT systems — such as supply chain event management, RFID and collaborative planning, forecasting and replenishment systems — becoming more and more the norm, the battle for the real competitive advantage has shifted to the area of relationship systems.

By David J. Closs

EMPLOYING INFORMATION technology as a means to enhance supply chain competitiveness is an ongoing challenge for both supply chain and information technology (IT) executives. There are the perennial questions about which applications to invest in, which suppliers to use and when a version update is appropriate. To answer these questions, it is important to understand the individual roles and relative contributions of supply chain IT applications. While supply chain IT applications can be described in a number of ways, one approach categorizes them as transactional, communication or relationship management. Table 1 lists each category and the typical applications.

The transaction category includes the IT systems to complete the business processes related to order management, warehouse management, transportation management, and accounting. The typical supply chain related applications include enterprise resource planning (ERP), warehouse management systems (WMS) and transportation management systems (TMS). These applications represent standardized processes that should focus on accuracy, consistency, economies of scale and efficiency. These systems typically involve a wide range of users within a firm, as customer orders are transformed into cash and supplier orders are initiated and paid for. While there are some unique characteristics, the process flows generally share a basic structure and display substantial commonality across firms.
The communication category includes the IT systems to exchange information between firm locations, global sites and supply chain partners. As Table 1 indicates, this includes systems such as supply chain event management (SCM), radio frequency identification (RFID) and collaborative planning, forecasting and replenishment (CPFR). The primary objective of these systems is to facilitate the accurate exchange of supply chain information between locations and supply chain partners. Supply chain event management is the generic name for “track and trace” ability embedded with the capability to determine and communicate to the shipper or consignee when a shipment may not arrive on the specified delivery date. While track and trace will let you know where the shipment is, SCM can proactively determine when shipments are not going to be where they are supposed to be and make suggestions for alternative plans regardless of the global location or carrier. While there have been independent IT firms offering such applications, the major providers today are the integrated transportation firms such as DHL, FedEx and United Parcel Service. However, even the global integrators experience difficulty in tracking shipments when multiple modes or carriers are involved. The effectiveness of such systems will continue to improve as the major providers offer more integrated capabilities as a means to enhance their competitive advantage. As noted in Table 1, these systems focus on accuracy, coordination, speed and visibility of product and product information as it moves throughout the supply chain. While the information content is fairly standardized, the structure and interpretation often differs by firm or country. The result is a major challenge for firms offering supply chain event management to provide information that allows for a common understanding.

The relationship category includes the IT systems to manage the strategic and tactical relationships between firms and their customers. Customer relationship management (CRM) systems can provide the information regarding specific account requirements, history, transactions and unique characteristics. The information contained in or extracted from a CRM allows firms to provide a more value added offering for critical customers. Advanced planning and scheduling (APS) systems facilitate balancing the supply and demand resources at a time when firms are trying to reduce inventory and capacity resources. In general, such systems attempt to minimize the total cost of material acquisition, production, inventory carrying cost and storage in an environment where customers have ever more precise product and timing requirements. They desire more relevant for critical customers with better asset utilization.

Firms will continue to be challenged by decisions regarding where to make their information technology investments to enhance their global competitiveness. While there are still some firms (particularly small to medium-sized — that is, less than US$1 billion in revenue) that have not made the move toward some form of ERP, most major firms have made the investment, so the use of an integrated ERP will not likely be a competitive advantage of the future. The SCM technology battleground today is focusing on communications and track and trace capability.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Supply Chain Information Technology Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction</td>
<td>Application Focus</td>
</tr>
<tr>
<td>Enterprise Resource Planning (ERP)</td>
<td>• Accuracy</td>
</tr>
<tr>
<td>Warehouse Management Systems (WMS)</td>
<td>• Consistency</td>
</tr>
<tr>
<td>Transportation Management Systems (TMS)</td>
<td>• Economies of scale</td>
</tr>
<tr>
<td>• Efficiency</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>• Visibility</td>
</tr>
<tr>
<td>Supply Chain Event Management (SCM)</td>
<td>• Accuracy</td>
</tr>
<tr>
<td>Radio-Frequency Identification (RFID)</td>
<td>• Coordination</td>
</tr>
<tr>
<td>Collaborative Planning, Forecasting and Replenishment (CPFR)</td>
<td>• Speed of communication</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>• Visibility</td>
</tr>
<tr>
<td>Customer Relationship Management (CRM)</td>
<td>• Customer relevance</td>
</tr>
<tr>
<td>Advanced Planning and Scheduling (APS)</td>
<td>• Resource utilization</td>
</tr>
<tr>
<td>Additional Applications</td>
<td>• Responsiveness</td>
</tr>
</tbody>
</table>

However, since these capabilities often interface with and require the involvement of third party providers, it is likely that these applications will become more generic and less of a differentiator. I believe that the battle for the real competitive advantage has just begun as firms (and often supply chain partners) begin to orchestrate the resources to implement and sustain these relationship systems. While the challenges to implement transaction and communication systems have been significant, they will be even greater for implementing relationship systems as this requires a balanced combination of people, processes and technology in environments that have historically been relatively independent and unstructured.
An Interview with John Motley

CEO of LOG-NET

LQ: To begin, please provide us with some background information on your company.

John Motley: We are an end-to-end logistics management company, from planning and optimization through to execution: that’s our space. We are more focused on the international multimodal logistics area than on domestic planning and operations management. Companies need to know where every single container or carton on a plane has been, what’s inside it and who has touched it. We offer the combination of order and operational management on an end-to-end basis. We can show clients who has touched their product after leaving a factory in Asia until the time it is delivered to a store in North America. It sounds straightforward. The challenge is how do you get bulk volume across the ocean and distributed efficiently in North America? We offer planning and optimization capabilities. Our clients are getting pretty close to being able to pack multiple SKUs per carton — and to do this electronically with bar coding — and have product tracked across the entire supply chain. More of our clients are heading in that direction and utilizing things like radio-frequency identification (RFID) codes to ultimately look at their return on investment. These are the top areas of interest that we see from our clients.

We market to both the 3PL community and logisticians. Our business in this area is evenly split between these two groups. On the 3PL side, companies such as DHL, Eagle, Agility, Summit Logistics and Norsewood, for example, are important clients. We are a high-end end-to-end solution provider with order management capabilities that our 3PL clients use to provide to some of their clients. We also work with manufacturers and retailers, including companies such as Avon, Jones Apparel Group and the Dollar Tree stores.

LQ: To what extent might we see technology providers collaborating with 3PLs to improve their software that might be used by 3PLs to manage themselves and the customer’s relationships?

John Motley: All of our 3PL clients are interested in configuration capability because they realize that every client wants a custom solution, but they need to have a common operational backbone. They can build a scaleable solution. We have worked with 3PLs for over 15 years with this specific objective: to build a common operational backbone with a custom front end. The customization is created through configuring the application, not by writing custom programs. One example is in the high fashion arena: In this industry, you have “shade lots,” which are created each time they set a dye. Let’s say, for the sake of convenience, it’s a red color that they use to dye a shirt and when they run out of dye they will make another batch that is similar, but not exactly the same color. In high end apparel, they cannot ship apparel to a store that’s across a “shade lot,” because they don’t want two shirts, blouses or dresses hanging next to each other and a customer perceiving a difference in color. So for logistics operations with clients in high end fashion, the software must be capable of tracking this shade lot information. We enable 3PLs to configure those capabilities for their clients, add it to a computer screen or an internet board and put their requirements into our electronic data interchange (EDI)
system without any programming required on their part.

**LQ:** What is going to happen long term to the supply chain software companies who clearly have a narrow functional focus instead of a broader supply chain focus? *(John Langley, Ph.D.)*

**John Motley:** I think the generalist who lacks depth will not survive. If you do cross-planning optimization and execution capabilities, you must be very capable. This might be as a niche player. There are many niche players those areas, but the industry is in the process of consolidating. With the many compliance issues from customs entities and legislation such as Sarbanes Oxley (SOX) [the 2002 U.S. law that establishes new or enhanced standards for all U.S. public company boards, management, and public accounting firms], executives want to invest in software that has deep capabilities. You might be planning and optimizing and require routing information as well as schedules from multiple carriers. If you show information graphically with maps, you’ll need GPS data. All of those things require a robust system for executives in logistics who use multiple modes of transport internationally. If you’re only providing a service that relates exclusively to truck moves or is limited to a particular geographic area, you’ll probably be gobbled up by some of the other players.

**LQ:** What are the likely directions for technology providers being able to successfully combine enterprise resource planning (ERP) and supply chain functional software? Who are or who will be the leaders in making this happen? *(John Langley, Ph.D.)*

**John Motley:** All of the technology companies with ERP capabilities are making a push to get into the supply chain. We have not really seen them do the multimodal and international supply chain as well. They offer solutions for domestic source or one-tier of product allocation. We just finished several deployments with two leading technology companies. We’ve led the process in their deployment of these capabilities and finished an implementation where SAP hands off all of the purchase orders to us. We embellish them with international purchasing information and send them to suppliers, because we have an infrastructure that permits delivery if suppliers are automated.

If you took a snapshot of the world today the 80/20 rule is accurate: 80 percent of the shipped volume is coming from 20 percent of suppliers who have EDI capabilities. But then you have 80 percent of the suppliers that don’t have this capability and to get 100 percent of the supply chain managed electronically, we’d be required to provide accommodation for that 80 percent that lack EDI capabilities. Our key players tend to leave out that 80 percent.

**LQ:** What are the major impediments to achieving global supply chain visibility and how will the technology sector step up to help improve in this area? *(John Langley, Ph.D.)*

**John Motley:** We’ve switched to offering on-demand models. This means you pay when you use the software. If you don’t use it, it’s very easy to leave and easy to replace. This has shifted the risk of deployment from the purchaser of the software to the supplier. We have had to completely change our deployment model. The resources that deploy up front now are a hundred times bigger than what they were. We are prepared to go to a client, show them our system, configure the system for the way they do business and then write standard operating procedures. In the majority of our deployments we write their standard operating procedures. From a business process perspective we’re finding that’s one of the big keys, but we have to take the leadership position to help them mitigate that inertia. The second impediment is something we call “internally simple sophistication.” They want everyone to link in electronically, but that’s difficult. We’ve processed more — for example, ocean carrier interfaces — than probably anyone in the world.

**LQ:** How are you using that to create competitive advantage for their supply chains? *(Diane Mullenkopf, Ph.D.)*

**John Motley:** One involves day-to-day operations. How do you collaborate effectively? I think between a supplier and a manufacturer a lot of work has been done with collaborative planning and forecasting and replenishment. Transportation and logistics, however, has not matured as quickly. We’re trying to push a few initiatives in the areas of automatic communication regarding both the manifest as well as the process of forecasting volumes, booking those volumes and getting the documentation that goes with those volumes — all integrated with carriers. Today, unfortunately, particularly in international trade, a lot of those requests go to centralized service centers that could be anywhere. If you’re managing a global network for logistics you might submit a request that first goes to the data centre in India and then gets forwarded to the office in Brazil, which is where you want to send your freight. In that model, it’s often 24 hours before you know whether or not you can move with that carrier. There’s also the practical problem of the truck driver who drives to the pier to drop off a full load from the factory and pick up an empty and knows it will take two hours to get there. So the constraint is that we need an answer within two hours. It’s service oriented architecture that allows for communication to go real time to a carrier, request required space and convey an answer back immediately. You can do that in Expedia now for an airline seat, but you can’t do that today in most of the transportation world. We’re getting a group of customers together to work with carriers and their intermediaries to find out why we can’t get to a two-hour response time — or an instantaneous response time.

**LQ:** How are technologies helping to overcome the uncertainties we face in supply chain management — and specifically the uncertainties of supply and demand? *(Tom Goldsby, Ph.D.)*

**John Motley:** A lot of people cite visibility as one of the biggest ways to improve risk mitigation. I think you must also add management and control to visibility. If you can integrate all three of those capabilities then you’re doing the best job possible. A good example would be if you’ve got complete end-to-end visibility on product that ships out of China and there’s
a port strike somewhere in the United States. Provided you have the management control to divert freight and move it around that area of congestion or a strike, you are in good shape. Another alternative would be to find alternative sources of product and supply to adjust and accommodate those demands. Conversely, if your demand drops, you can slow stuff down. You can go out, find out where it is, take it off those fast or medium methods of transportation and put it in a little bit slower mode of transport.

LQ: In your opinion are companies willing to share critical and strategic operational information necessary for supply chain collaboration? What are the most effective ways to share this information? (Tom Goldsby, Ph.D.)

John Motley: In order to be successful companies have to share very detailed information, and I look again at the 80/20 rule of suppliers and third parties being either e-commerce enabled or not. When people throw technology around, they always think about EDI and commerce capability. We still get 100 percent compliance across the board on data requirements and integration. In general, we see that the most integrated 3PLs are doing a an excellent job of developing a deep relationship with their clients in order to understand what’s essential for success. When you outsource that process you’re basically saying the outsource party is part of your company. If you don’t take that approach, they will operate in a disconnected way and that is not going to work.

LQ: Given the lengthening of supply chains, how can supply chain technology help build resiliency into global supply chain networks? (Tom Nightingale)

John Motley: A lot of systems can provide event management, usually involving matters regarding a container or a truck or plane and where it was last seen. This is often not fully integrated with the purchase order and product information describing what’s in a container. So to get management and control working with visibility you require multiple tiers of information. I think the level of visibility today has gone from the microscope if a client wants, and that blemish may not look bad from a distance, but when you turn on a microscope, it’s heinous looking. People tend to find what they’re looking for and when they do it’s not always what they wanted to find. When you provide end-to-end solutions, you can’t make mistakes at one end.

We’ve developed what we call our Logistics Maturity Model (LMM), and when you’re a level 1 in that maturity model, you’re still sending paper purchase orders and advance ship notices, whereas a level 5 client has every single process from freight audits to purchase orders e-enabled. We may meet a client who has hired a well-meaning vice president who thinks at level 5 and walks at level 5, but they’re in a company that’s at level 1. It’s a four- or five-year journey to get to that fifth level. The maturity model basically assesses what level of maturity you’re at and prioritizes processes to improve.

LQ: Does the initiative for increased use of technology always come from the P&Gs and Wal-Marts of the world? In other words, from large and dominant members of the supply chain. Or does it occasionally come from the smaller and weaker players in a supply chain? (P.S. Ravi, Ph.D.)

John Motley: I think that a side benefit of the shift to an on-demand model is that it’s pay-as-you-go, which is great for small to medium-sized companies. We have seen a big surge in our volume of business from that kind of company. For instance, a company we just deployed with was the Boy Scouts of America. They wanted to buy overseas and create an international supply chain, but their scale wasn’t there. We trained them and trained a group of suppliers overseas for them and they’re now reaping the benefits. I would say they started at that first level of maturity and now they are hitting our third level of maturity. The on-demand model helps enable smaller groups.

LQ: Are the barriers to the implementation of supply chain technology solutions primarily (i) technological (existence of legacy systems), (ii) organizational (presence of power structures and “information gatekeepers” who feel threatened by increased information visibility and transparency resulting from new systems), (iii) human resources-related (lack of skilled supply chain professionals in the client organization), or (iv) structural (poorly designed and poorly configured supply chain networks)? (P.S. Ravi, Ph.D.)

John Motley: We have the Logistics Maturity Model to identify any potential problems and barriers. This model assesses about 50 business processes in the end-to-end supply chain. We try to get people to slow down and acknowledge, for example, that if you don’t have an automatic way to do freight audit and payments today, you will first need a group of people from multiple departments to agree on the best process for this new automated system. Too often we see that people with the five-star vision try to get too aggressive on deploying inside a two-star company.

The growth in containerization and world trade during the last few years has meant that we must be in the container business. Our whole strategy is focused around ‘how do we do that?’
We manage some really attractive supply chains.

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How do you structure operation supply chain in order to deliver flexibility to your customer's needs? (Kurt Ritcey)

Cameron Joyce: We rely heavily on operations planning. We look at budgets and projections to plan for peaks and valleys collaboratively with our clients. This ensures we’re well informed on where they might expect peaks in their business, and we make allowances for the unexpected in our swing analysis. We’re also able to draw on multiple facilities to pull resources together in order to balance all of those needs.

LQ: Could you elaborate on what the swing analysis encompasses?

Cameron Joyce: Generally our clients provide us with the average amounts of activity that they forecast for each month, as well as information on what constitutes a high-average day and a light-average day. We develop a map to show what the bookends of the activity might be on any given day and then we conduct an analysis on the history of what has actually occurred. By continually tracking the actual levels of business we smooth out potential spikes to run the business efficiently. The client or market ultimately controls the actual activity, but we do our best to plan for and absorb the bumps.

LQ: What are the characteristics of your most successful customer relationships? (Kurt Ritcey)

Cameron Joyce: In a single word it’s “partnership.” In those types of relationships we’re fully integrated with the client, and in regard to the supply chain, the line where they end and we begin becomes invisible in all aspects. The best relationships are where we can collaborate, share data both ways and effectively plan. We’re helping our client be successful, which helps us to be successful.

LQ: In terms of governance in the relationship would you say that it’s characterized by C-level management getting together on a monthly basis from your side and the client’s?

Cameron Joyce: It’s probably less frequent than a monthly meeting in terms of C-level management, assuming it is a mature relationship that’s past implementation. We have a structure of communication through our Client Solutions Managers, at an operating level and at a customer service level that is much more frequent. There is an escalation information process to ensure C-level executives are well aware of what’s going on, and we generally meet quarterly with a strategic focus at our meetings.

LQ: What are the biggest challenges to cross-border logistics activity? (John Langley)

Cameron Joyce: When it comes to cross-border activity, the first challenge is time and the second is unpredictability. The primary factors that cause unpredictability pertain to security and compliance or the lack of compliance by a carrier or a shipper and anybody along the supply chain can introduce delay and uncertainty. Managing all of the variables to
ensure there isn’t any delay is probably the biggest challenge.

LQ: What are the advantages and potential disadvantages of one-stop logistics, where the customer counts on the 3PL to provide a range of integrated supply chain solutions? (John Langley)

Cameron Joyce: With a single source you have a known partner and one contract to manage a bundle of services. Operationally and administratively there are significant benefits. The principal disadvantage is that it may be difficult for one provider to be world class throughout their portfolio of services. If this is a client requirement, they may be hard pressed to find that level of expertise from a single source. A client should look at their priorities and ask themselves if they prefer a service provider capable of meeting all of their requirements completely versus some services at world class levels.

LQ: My concern is that the consolidated 3PLs will become less flexible with service offerings and less agile. (David Faoro)

Cameron Joyce: We see evidence of this as specialized and smaller 3PLs are consolidated into larger ones. They lose their identity and some of the things that made them unique. In some cases key people and their knowledge are lost with the centralization of management, particularly as the larger entity begins to set the strategy and direction. We think it’s an advantage to maintain focus and maintain an identity within your target market. In a consolidation the resources dedicated to the smaller divisions within the larger companies can become restricted, losing flexibility, which was probably a hallmark of the smaller 3PL to begin with.

LQ: As compliance challenges continue to grow for shippers, do you see adjustments in 3PL fee structures based on compliance capabilities? And if a customer has invested in compliance and training and technology and had few cross-border problems, will this customer be rewarded with a low fee structure based on your lower cost to serve? (David Faoro)

Cameron Joyce: Yes. If it’s a cross-border inbound shipment to us for domestic distribution, it’s going to arrive on time and won’t require overtime, special handling or outbound expediting, our cost to serve is lower and therefore our fees are lower. Our costs are lower when our client has good inventory management, good EDI [electronic data interchange] compliance and data integrity. If the shippers that are late, non-compliant, don’t manage their inbound supply chain or their raw materials for their manufacturing operations will continually require excessive management, which is a lot more expensive than having a predictable operation.

LQ: Given consolidation in the 3PL industry, what can a small 3PL do to enhance its long term sustainability? (David Closs)

Cameron Joyce: We see two schools of thought in our field. In some cases a company wants to do business with a global provider and have a single source supplier, in others they want to select a regional or niche best-of-breed 3PL. It’s a philosophical matter on the client’s end. An advantage of a niche player is they develop expertise in a specific market and specialize in being world class in that area. Consolidations can create the opportunities for smaller 3PLs to stand out as being more flexible, having faster decision making capabilities and being strong regional players.

LQ: What are the primary requirements regarding visibility that firms expect from their 3PLs, particularly those involved in international movement? (David Closs)

Cameron Joyce: Even on domestic movements supply chain visibility has become more critical — and beyond just EDI or data integration. I think there is an expectation of good web visibility tools to enable logistics to make ad hoc enquiries on a number of different status levels, whether it’s on the operational side of the supply chain or on inventory management.

LQ: How have your customers increased their demands regarding security and sustainability? (David Closs)

Cameron Joyce: Certainly Sarbanes Oxley (SOX) compliance, SAS-70 reporting and this type of corporate compliance have increased demands on our business. Since we’re also in health care and deal with controlled substances, this is especially important. There are many audits required by our clients as well as internal audits, and audits by external regulatory agencies are the norm. We just expect that to happen on a daily basis across our client base. Disaster recovery plans have become kind of table stakes for any new clients. They expect to see robust and functional disaster recovery and business contingency plans everywhere, in systems and in operations, including pandemic planning.

LQ: In what ways has your firm changed its business development efforts when approaching potential clients? How has the value proposition changed in recent years?

Cameron Joyce: Our company has transitioned itself and moved away from being a service offerings provider to being a solutions provider and a supply chain integrator.

LQ: How has the value proposition changed in recent years?

Cameron Joyce: We’ve really become integrated with our client’s businesses and take pride of ownership in this approach, becoming an extension of their business, even in terms of our appearance to their customers. We are very aware that we cannot just be selling a service from a menu of services; we have to really understand their business and play an important role in it. We’ve also recast our company to become a provider of technology and infrastructure services. Our system is built specifically for supply chain execution for our clients and then they gain many benefits by using it, accessing this technology and infrastructure at a much lower cost through us than it would be for them to do it develop it themselves. That’s been one of our differentiators and a key part of our value proposition. We’ve been a technology leader all along. We develop our own web visibility tools and several of our data integration tools.
Who’s Who in Logistics?
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An Interview with Keith Robson

President and CEO of the Hamilton Port Authority

LQ: What advantages does Hamilton have over other ports for the importer/exporter in terms of rail and transit times and those good things like labor stability and so forth?

Keith Robson: The major advantage Hamilton has is our location at the end of Lake Ontario in the heart of the Golden Horseshoe, where we have good road and rail connections. The Queen Elizabeth Way (QEW) links to Toronto, Buffalo, New York and, through Highway 403, links us to the Windsor/Detroit area. Both CN and CP serve the port. CN serves Hamilton through the short-line railway, Southern Ontario Railway. CP serves the port directly. In addition we have an excellent strike-free labor force.

LQ: What would you attribute that to?

Keith Robson: Our labor force is a keen, professional group, well paid for their work. Also, their work activity is for 9 or 10 months so when they are working they try to make up for the three months of inactivity.

LQ: What changes are taking place in the market that might cause Hamilton to refocus for the future?

Keith Robson: The growth of containerization and world trade during the last few years has meant we must be in the container business. Our whole strategy is focused around “how do we participate and assist our shipping community in this area.” Some of our traditional bulk cargoes are now moving in containers. For example, some specialty grains, paper and pulp. Other bulk products such as specialty oils and finished steel get moved in containers. It is estimated that 80 percent of the world trade is now in containers. Due to our location, we can be an excellent distribution center for this whole region. We are a multi-modal port and hub, capable of providing all of the links that are required to establish distribution centers in the Port of Hamilton. Cargo for the U.S. — Buffalo and Detroit and beyond — can be loaded/off loaded “in bond” and shipped to/from customers.

LQ: What’s are the geographic areas in which Hamilton could assist manufacturers and target markets. What are your target markets?

Keith Robson: We work with companies in terms of their imports/exports, wherever they are going in the world. Our logical market is Europe for both imports and exports. South America, China, India and Japan are also important markets for us. Their shipments can move through the Panama and Suez canals via the east coast of North America on a feeder service, or directly into the Great Lakes Waterway System. These options bypass some of the congested areas now experienced by shippers.

As far as the North American market is concerned, our cross-lake truck ferries would be designed to help manufacturers ship product back and forth across the border, which would avoid border complications and traffic congestion at the bridges — the Lewiston-Queenston Bridge, the Peace Bridge and the Ambassador Bridge in the Windsor/Detroit area. This also helps ease the continuing and increasing driver shortage.

LQ: That’s going to become even more important in a fairly short time. Do you foresee more terminal operators at the Port and, if so, why?

Keith Robson: It depends on what you define as a terminal operator. In terms of stevedoring, we don’t see any terminal operator changes in the short term. In the longer term we will have more warehousing operators as we develop distribution centers.

LQ: How do you see the change of ownership in the major shippers in the Port changing activities of the Port?

Keith Robson: That’s a very difficult question to answer. The biggest uncertainty right now is the future of the steel industry, particularly since Dofasco has recently been taken over. At some point we will have a clearer picture of how these developments will impact the Port of Hamilton.
Hamilton receives large amounts of coal, iron ore and coke to support the steel industry. Coke is also exported. Dofasco is now part of a bigger organization and it is going to compete with all the other world locations in the metal sector. What that means to Hamilton is not known right now.

We have diversified our commodities substantially over the last five years: We handle a lot more bulk liquids, and there’s a major grain exporter from Southern Ontario now through J. Richardson. Slag is also a big export cause these days — the byproduct of the steel. Food oils, part of the liquid bulk, are new. In addition we have Biox, a biodeisel facility, on the Port. So we’ve diversified substantially.

LQ: What is the potential for feeder container service on the Great Lakes and in particular for Hamilton?

Keith Robson: Hamilton is a natural inland terminal for direct feeder container services (short sea shipping). We straddle the Greater Toronto Area and the Golden Horseshoe Region, where there is a significant population. We have already talked about our good road and rail access. We have vessel operators located in Hamilton, Toronto and St. Catharines who have expressed an interest in developing a short sea or feeder service. I expect others will come forward as well. There are some challenging factors to be resolved, however, by the federal governments of Canada and the U.S. These are pilotage, large duties to bring in a foreign ship and the HMF (harbor maintenance fee) on the U.S. side.

LQ: Environmental issues have always been important. What has been done in this area and what are the plans (policies) for the future?

Keith Robson: Hamilton Harbor has a Remedial Action Plan Committee, which has been active for approximately 15 years. A lot of cleanup has occurred here and I would say we are leading the charge in terms of environmental issues. We’re the first port in the Great Lakes to establish an environmental manager whose sole job is to look at sustainability and how we can improve our environmental performance. We also work with the industry as part of the Green Marine program.

LQ: What is the Green Marine program?

Keith Robson: That’s an industry initiative to minimize the environmental footprint of the marine industry and at the same time demonstrate that the marine sector is the most environmentally friendly way of moving product, particularly in terms of reducing greenhouse gasses.

LQ: And what about today’s other hot issue: security.

Keith Robson: We’ve done everything we need to do under the ISPS code (International Ship and Port Facility Security) and probably more than the Canadian government and the U.S. government have established as essential steps for ports. We are investing, with funding from the Canadian government, substantial amounts of money into security technology — fencing, cameras, electronic sensing devices. We’re securing parts of the port and limiting access to the port, particularly the cargo and shipping areas, and by the end of next year, security clearance will be required for all of the employees and essential for tenants in the high-security regions.

LQ: Thank you.

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Here are some of the comments from participants who have attended LQ’s previous symposiums.

Thanks for having me participate. I really enjoyed it.
Rick Blasgen, President and CEO, The Council of Supply Chain Management Professionals (CSCMP)

I definitely found value in this event.
Greg Cunningham, Director of Supply Chain Optimization, Maple Leaf Frozen Bakery

LQ’s Symposium was great and well organized.
Sue Gadsby, C.P.P. C.P.M., Director, Procurement, Apotex Inc.

Thank you for a wonderful and insightful day. I enjoyed the executive exchange.
Joseph Gallick, Senior Vice President of Sales, Penske Logistics

Fred, it was a real pleasure participating in the symposium. You had all of the right elements: interesting topics, good speakers, excellent attendees, and nice venue... in sum, it was a great success, and a very worthwhile day for all involved. I look forward to the next one.
Thomas Goldsby, Ph.D., University of Kentucky

I greatly enjoyed the idea of the table discussions. It was way more interesting than conventional formats.
Claude Germain, Executive Vice President and COO, Schenker of Canada Limited

Thank you for including me on your speakers’ platform at this year’s executive conference. I was impressed with the quality of the forum and the insightful audience.
Alan Gershenhorn, President, UPS Supply Chain Solutions, Asia Pacific, Europe, Middle East, Africa

You folks did a great job organizing and presenting this event. I enjoyed the interaction at the tables, and the quality of the speaker content.
Bruce Danielson, Executive Communications Manager, UPS

The forum was well thought out and the format was very conducive to a quality exchange of perspectives. The topics for discussion and debate were very pertinent to today’s market environment. I look forward to the next session.
David Griffith, Vice President of Global SCM, BAX Global

The LQ Symposium was a fantastic opportunity to connect and re-connect with many individuals, and a tremendous opportunity to network and share ideas on a number of different topics through-out the course of the day.
Joe Grubic, Global Supply Chain, Nortel Networks

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Helping 3PLs and Their Customers Leverage Visibility

There is a need in the 3PL arena for better connectivity and collaboration with both customers and supply chain partners. The reactive nature of traditional 3PL–customer relationships doesn’t give 3PLs enough advance warning to plan their operations efficiently. But if 3PLs can gain more visibility into the business operations of their customers, they can better plan their operations which will result in better service and increased efficiency for their customers. There is a need for a systematic and repeatable solution kit and platform for achieving this greater level of connection and visibility.

By C. John Langley Jr. and Christopher D. Norek

IN LAST ISSUE’S Technology Toolbox, we discussed the opportunity for 3PLs to capitalize on increasing their value-add to customers via technology. Specifically, we covered how 3PLs can use technology to improve internal operations and planning but, perhaps more importantly, also to improve relationships with clients via better integration of business functions. We finished by suggesting that 3PLs have to take the initiative in building these solutions and get over the “chicken and egg” concept of developing a solution in advance of customer need. This article takes the next step and shows the potential technology solutions that could truly provide new value-add 3PLs and their customers have been seeking.

Lack of Visibility into Customer Plans Causes Inefficiency

In many traditional 3PL–customer operations, the 3PL responds when the customer notifies them of an action to take, which is often an order to fill out of a distribution center. Then, the 3PL completes the order out of the current inventory that is available. This reactive
nature of the traditional relationships doesn’t give 3PLs enough advance warning to plan their operations more efficiently. As a result, 3PLs have to carry additional inventory and have enough capacity to handle last minute orders.

**Illustrative Retail Example**
Consider a situation where a 3PL is handling delivery of product for a manufacturer to its retail customer. Frequently, the retail customer places a product on special and doubles the amount of product requested by the manufacturer within a one week delivery window. In this case, the 3PL has to scramble to get enough of the product delivered. A solution would be to get visibility into the retailer’s media plan for product that is being promoted in an advertisement in advance. Obviously, confidentiality would be honored so that the retailer’s competitors don’t easily match the advertised product’s price.

**Solution**
To the extent that 3PLs can gain more visibility into the business operations of their customers, they can better plan their operations and thus better serve their customers. This should allow the 3PL to lower costs — a savings that could then be passed on to their customers. The technology solution to this problem will require combining several traditional supply chain software functionalities.

Based on the available research, there are significant opportunities for 3PLs to develop IT-based services that will be viewed by customers as strategic, integrative, and solution-based. To effectively create a solution that will address the visibility issues mentioned, the following elements of supply chain functionality will have to be integrated seamlessly by the 3PL:

- **Supply Chain Visibility and Event Management**
  - 3PLs will not only need to have IT-connectivity with their customers but will need to have visibility into the customers’ relationships with their customers. This increases the likelihood that the 3PL will be aware of needs of its customers as early as possible and increases the ability of the 3PL to respond to problems before they occur.
  - Supply chain visibility is valuable not for its own sake but as a means for 3PLs to better identify and understand customers’ needs and requirements and to enhance the levels of service provided to their customers.

- **Transportation Management**
  - 3PLs need to link TMS capabilities directly with the transport providers that have been selected. This helps to select the most appropriate carriers for individual shipments and to make sure the timing and availability of services will best meet the needs of individual customers.
  - Advance knowledge of the potential shipment will also help the carrier to be more efficient in utilizing their equipment, which should result in lower rates for the 3PL over time.

- **Order Management**
  - The order initiates actual shipment to customer after the order is placed.
  - 3PLs are able to participate meaningfully in the overall order management process.

- **Demand Planning**
  - Potential customer needs should be communicated to the 3PL to allow alignment of product with geographies in need.
  - In addition to projected shipment volume information to be shared on a daily basis in the 3PL–shipper relationship, 3PL visibility into customer demand management systems will provide added benefit to the ability of the 3PL to anticipate demand and better serve the customer. This goes a step beyond the volume projections agreed to in the 3PL–customer initial negotiation at the start of the relationship.

- **Collaboration**
  - Forecasts can be shared and agreed to in advance and any variations may be communicated among the partners as soon as they are detected.
  - To achieve maximum benefit from collaboration, 3PL information technologies should be integrated with business processes and information systems at customer
organizations. Therefore, IT infrastructure and integration compatibility can be as important as functionality.

Rod Strata, Industry Principal, SAP Americas, elaborates on these points, noting:

“Growth and margins pressures remain prevalent in the global transportation markets. Providing a true business process and technology platform that will enable LSPs to further have upstream visibility into demand of their shippers and consignees is extremely valuable. Reliability and capacity planning are equally important, hence the ability for the LSP to serve up capacity and equipment transparency to their end customers is critical to providing value as well. Intense competition without differentiation drives margins downward while moving many LSPs into commodity-based relationships. In today’s environment, LSPs receive one-to-two days notice on demand that causes a reactive mode in many cases, which in turn causes uncertainty along with inefficiencies for planning their networks and capacity plans. From the shipper’s perspective, this also creates risk on executing against the commitments within their supply chains and customer satisfaction. Providing “Demand Visibility Capability” (The ability to have an aggregated, “time-bucketed” view into future requirements [days, weeks, months] and demand streams) will enable the LSPs to plan their networks and capacity accordingly while giving them visibility to offer additional value added services.”

Benefits

There is significant value in 3PLs having greater visibility into their customers’ order management/supply chain planning activity to provide longer lead time windows with which to plan for logistics activities. In many instances, 3PLs are notified with little time to plan for efficiencies and contingencies forcing a reactive fulfillment operation. The following activities could benefit from advanced operational and strategic information from 3PL customers:
• Forecasting
  • By receiving customer forecasts in advance, 3PLs can use the forecasts to plan their equipment, labor and facility needs
  • This will help lower 3PL costs and perhaps allow a cost reduction to their customers
• Inventory planning and management
  • Inventory objectives (e.g., turnover) can be enhanced.

• Overstocks and out of stocks can be reduced in total DC scheduling of labor
  • By having more advanced knowledge of pending orders, 3PLs can better plan DC labor to ensure enough resources are available without requiring overtime.
  • Scheduling objectives are best met by coordination between 3PLs and customers.
• Sourcing and procurement
  • More accurate purchase volumes can be known in advance allowing the right amount of material to be purchased, rather than the need plus a buffer, which is currently required to account for changes that weren’t communicated in advance.
• Mode and carrier selection
  • Provides enhanced ability to select carriers and equipment types most appropriate for individual shipments.
  • Facilitates development of meaningful “core carrier” program.
• Transportation route design
  • Transportation providers to be given more advance notice of individual shipment needs to allow for better and more efficient scheduling.
  • Improved ability of 3PL to provide/manage value-added transport services
  • Contingency planning for merge-in-transit.
  • Downstream multi-carrier collaboration and coordination for multi-stop movements
• Synchronization across 3PLs and the carriers, coupled with more shared demand/capacity visibility from shippers, creates a great total supply chain opportunity.

Pain Points

With the needs and benefits defined, what might be keeping this 3PL visibility solution from being realized? There are some “pain points” associated with getting systems connectivity established:
• Lead time to integrate
  • Although the pieces of this solution already exist, some effort will have to be invested to tie them together and make the solution a reality.
  • Up-front costs
  • There will obviously be an investment needed; however, the market desire should justify the investment.
  • On-going costs
– Good working solutions will require continual updating and integrating.

• Confidentiality
– Safeguards will have to be put in place to ensure that data is secure and that parties out of the direct line of the transaction do not have any access or visibility to the data being exchanged.

• Market need of solution
– Because the solution is new, the market opportunity is subjective until its value has been shown to prospective customers.

However, these pain points can be lessened or eliminated with the right approach, and the opportunity for the application provider who creates this solution is significant.

Applicability to Transportation Companies
The benefits of visibility are not lost on any type of LSP. The transportation companies, including trucking companies, railroads, ocean carriers and parcel companies, can also greatly benefit from visibility across the supply chain. With better visibility, all carriers regardless of mode should be able to better plan, optimize, and execute solutions. The goal is to synchronize carrier capacities with shipper needs.

In today’s capacity-constrained transportation environment, customers want to know if there will be enough capacity to meet their needs. However, in order for carriers to provide the right amount of capacity at the right time, carriers need adequate forecasts far enough in advance to plan for demand. It is this sharing of information between shippers and carriers that offers promise.

“While railroads are investing significantly in expansion projects, these investments take time to put into place. With improved visibility into our customers’ future demand, we can not only better plan when and where to invest, but also better plan our operations to have crews, equipment, and trains in the right place at the right time. Improved visibility not only benefits the railroads with their capital and operations planning, but also benefits shippers by ensuring their services needs are met,” says Todd A. Olsen, Assistant Vice President, BNSF Railway Company.

It would also be helpful if the industry changed its focus to the end point of the shipment rather than the origin. For instance, what if a customer could give a carrier all Memphis shipments on Monday? Rail runs 24 hours a day, 7 days a week and would run more efficiently if it were possible to fill in gaps of the volumes during a shipping week. Given the nature of railways, the equipment has to be planned in a closed loop. Intermodal does a lot of shipping over the weekend and therefore is always moving as compared to most other modes. What if capacity on lanes could be known by lane, by day of week, and by time of day? Most people want pickups and deliveries between 8 a.m. and 5 p.m.; however, a lot of freight moves continuously. How could moves be made more efficiently not only with advanced information from the customers but by using the information to synchronize across carriers tied into a single move?

Benefits of this information sharing leading to better visibility and synchronization should include increased service for shippers, increased velocity, and possibly decreased transportation costs. In addition, additional capacity might be created by more effectively balancing supply and demand. Increased sharing of information should reduce the cost structure of the customer/shipper as well.

Conclusions
Through this piece, we have articulated the need and, more importantly, the opportunity to develop a software solution targeted at giving 3PLs more value in the outsourcing process. As a result of experience and research, we believe the following to be true:

• There is a need in the 3PL arena for better connectivity and collaboration with customers. In addition, there also is a need to enable better collaboration between supply chain partners.
• There is a need for a systematic and repeatable solution kit and platform for achieving this greater level of connection and visibility.
• The strategic nature of this approach is new and unique as opposed to the more tactical, “one-off” methods employed in most shipper–LSP relationships today.
• The practicality of establishing a repeatable platform for collaboration between shipper and LSP exists and it is up to the software providers to capitalize on it.
• The need for a repeatable solution for LSPs across customers is being demonstrated in the marketplace.
• A business model of how the demand visibility process is achieved has been shown to better explain the concept of 3PL–customer visibility.
Highway Infrastructure Funding

The deterioration of U.S. highway infrastructure — as dramatically illustrated by the recent Minnesota bridge collapse — has implications for shippers and carriers alike. Both NASSTRAC and ATA believe that private funding is not the answer.

By Richard Moskowitz

AS OUR THOUGHTS AND PRAYERS go out to the families of victims in the recent bridge collapse in Minnesota, the tragedy is become a catalyst for raising public awareness of the deteriorating state of U.S. highways and bridges. It is unfortunate that it takes a disaster of this magnitude to focus attention on the problem.

The public is just beginning to hear some of the facts that are now being presented in news releases across the U.S. A recent Associated Press release suggests that one-quarter of U.S. bridges, including the one that collapsed in Minneapolis, have been classified as “functionally obsolete” or “structurally deficient.” The public is just beginning to hear also that one third of major roads in the U.S. have been judged as being in “poor” or “mediocre” condition.

Transportation professionals who followed the U.S. Highway Reauthorization Bill have been acutely aware of these facts for quite some time. There is no direct evidence that the bridge collapse is a result of federal underspending. However, there is general agreement that the collapse is a symptom of a national problem that needs to be addressed — and it’s not clear where the money is going to come from to address it.

The last U.S. highway bill, finally passed in 2005, was two years late and almost US$90 billion short of the US$375 billion needed to keep U.S.infrastructure from deteriorating further. Federal and state funding is failing to keep up with a rising demand for capacity and the need to invest in fixing the existing infrastructure. The cash shortfall is only going to get worse, with the Federal Highway Trust Fund — supported by a gasoline tax that hasn’t changed since 1993 — projected to come up short by US$1.7 billion by 2009. A key issue related to the funding is what the collected taxes are actually used for: We need to ensure that the funds collected are used to improve highway infrastructure. Today those funds are being diverted to uses other than infrastructure needs.

It is important to note that our neighbors in Canada have done a much better job at preserving and protecting their infrastructure. Infrastructure Canada coordinates federal government efforts focused on cities and communities, and supports infrastructure initiatives across the country. The department forms part of a larger Transport, Infrastructure and Communities (TIC) portfolio. The TIC portfolio gathers various policy and program instruments in addressing common issues. TIC works through partnerships with all levels of government. The Canadian Budget 2007 makes a historic investment of more than CA$16 billion over seven years in infrastructure — bringing federal support under a new long-term plan for infrastructure to a total of CA$33 billion.

Since public funds in the U.S. are drying up, some states have turned to private investors to maintain existing highways or build new ones. Two years ago, the city of Chicago signed a US$1.83 billion lease to privatize its Skyway commuter bridge. Since then, lawmakers in other states — including Pennsylvania and New Jersey — have debated or considered privatization proposals. Critics of highway privatization say that these deals are overly generous to the for-profit companies involved and argue that privatization is not the answer for funding a national highway network that connects California to New York.

NASSTRAC is the first shipper organization to join a new group formed by the American Trucking Associations, called Americans for a Strong National Highway Network. This is a true collaboration with carriers to call attention to the need for adequate construction and maintenance of highways. NASSTRAC and ATA are concerned about tolling, privatization, and other types of unconventional funding. As freight volumes are projected to grow faster than investment in highway and carrier capacity, adequate growth in the nation’s transportation infrastructure as a whole must be supported. We look forward to working with ATA on this critical issue.
WHAT IS YOUR PERSPECTIVE on technology?

In preparation for this article and the upcoming *LQ* Symposium on November 8, 2007, I’ve been asked to comment on what is referred to on the editorial calendar as “new frontiers in technology” — and, specifically, to consider the technological innovations that are driving supply chain processes. This is not exactly subject matter for an episode of Star Trek (I’m not expecting to use the space shuttle as a carrier any time soon) but is certainly critical to our industry’s bottom line.

I am reminded of an article that I wrote for the September 2004 issue of *LQ*. In it I adopted the role of “technorealism” and (with the help of Wikipedia) shared the prevailing description of my chosen perspective. Restated, the technorealism approach involves a continuous critical examination of how technology can help or hinder people in the struggle to improve the quality of their lives, their communities and their economic, social and political structures.

That’s the principle. So how are we doing in practice?

Three years later, the intense examination of technology continues. But before I can consider what’s new on the horizon, I have to reiterate what I wrote in my original article: Technology is a valuable, decisive tool. Information technology certainly enables great companies and outstanding individuals to reach higher standards. Ultimately, though, all that counts is what you do with the information you gather. More broadly stated, the most important aspect of technology is how you employ it.

It is my contention that, as an industry, we still aren’t using existing technology to our best advantage. I have a hard time discussing what is new, better or different when we haven’t fully realized the potential of what we already possess.

Now don’t get me wrong. I happen to like what technology can do. I’m just as dependent on my Blackberry and laptop as the next guy. What I take issue with is the attitude that it lies with the logistics suppliers to take full responsibility for implementing the latest technology and educating the customer as to its best use. We don’t operate in a vacuum. We employ as much technology as the customer will allow. And directly or indirectly we all share in the costs. Unfortunately we don’t all readily share in the cost cutting.

Let me explain.

The perception is that all logistics suppliers have what they need by way of technology to do their jobs effectively. The reality is something different.

To illustrate my point let me discuss a basic logistical procedure that needs to be performed several times per carrier load, namely, updating status reports.

For the bulk of our business, we still perform updates manually. In my opinion too many worker hours are spent keying in updates in multiple databases
each time a transaction takes place. Most of our carrier loads require ten updates, and someone keys in the changes as soon as they happen. The system is fraught with errors. Yet we all know the technology exists for updates to be dispersed automatically. It has existed for fifteen years. Only we can't get our all our clients (or the 4PLs hired to manage their carrier bases) to discuss upgrading their systems to integrate the automatic updates. They consider it our problem and because it's our problem they won't invest the time or money necessary to upgrade.

Competition allows for the additional cost of manual updates to be built into the price of doing business. But let's face it. This is a real cost representing a real waste. Waste that should be trimmed out of the system for everyone's benefit.

I can assure you, the customer doesn't always care about implementing the latest technology. They are only interested in results. Transparency. Being able to access their own system to see what the current status of any particular shipment might be. But ironically, employing technology that permits automatic updates would ensure greater transparency at lower cost.

Certainly it is the logistics supplier who is driving the whole process. How the supply chain is managed has nothing to do with emerging technology, or even the available technology. It has everything to do with the specific technology that is being employed — or not employed, as the case may be. And that has everything to do with the customer's willingness to buy into whatever technology-based value-added program the logistics supplier devises.

When you're talking about spending money on technology it needs to be edited to ensure that the value proposition is there for the investment in technology. Using my example of manual updates versus automated updates, the technology is all in place to eliminate a great deal of waste. It's not technology that's the issue here, it's the willingness to employ the appropriate technology.

So why don't we?

Is it a lack of technology? No.
Is it the lack of our desire or ability? No.

The answer lies with the customer. If the customer is unwilling to invest in technology that reduces the supplier's cost, then the waste remains. It takes both parties' full commitment and participation to trim the inefficiencies.

I readily advocate the appropriate use of technology. To this end, any discussion about technology needs to center around the effective employment of technology within the logistics industry. Who invests and to what extent? Are we doing the right thing for the good of everyone?

I still don't have a solution for our aforementioned problem of updating reports automatically. Certainly the next phase of our operating system is to equip more drivers with both GPS and voiceless communication devices. GeoFencing will facilitate real time updates immediately and avoid the requirement for manual intervention. Clearly the advancing technology is still way ahead of the customers' willingness to share in the cost of its implementation.

You don't have to be what the marketers refer to as an “early adopter” to get what technology can do for you. You just have to be open-minded enough to consider the possibilities and be willing to evaluate the return on investing in new technology. Go ahead. Consult with your logistics supplier on how best to justify the expense. You'll win big in the long run.
Rolling Back the Rules Not a Step Forward

A recent Court of Appeals decision may actually reduce road safety — and cost trucking companies money.

By Bill Graves

A COURT DECISION affecting the work hours of professional truck drivers could erase a rule that contributed to a 4.7 percent decline in large truck related crash deaths in 2006 — unless cooler heads prevail. Unfortunately, reactions to the court decision have been uninformed and have narrowly focused on a single aspect of the regulations.

The federal government established hours-of-service rules more than 60 years ago to set a national standard for driver workday limits and minimum rest levels. In January 2004, the Federal Motor Carrier Safety Administration updated those rules at the behest of Congress to better align the rules with our current knowledge of sleep science. For our professional drivers, the updated rules meant safer highways. They linked driver alertness, safety, and the business of “delivering America” on time.

In July, however, the United States Court of Appeals ruled that FMCSA must provide better justification for adopting two provisions governing driver work and rest time. The two provisions in question are those that set maximum driving time at 11 hours per shift and allow truck drivers the ability to re-start their work week after at least 34 consecutive hours of rest.

Under the current rules, the allowed driving time was increased by one hour to a total of 11 hours (the previous limit was 10 hours). Critics fixate on this change, contending that increased driving time could lead to more accidents. But it is important to consider that at the same time, mandatory rest time was also increased significantly and the overall length of a work shift was reduced. Critics need to consider the totality of the regulations and their actual effect on safety, rather than to focus on a single change.

Currently, drivers must take at least 10 hours of rest between every work shift — an increase of 2 hours of rest from the old rules. And work shifts are now capped at 14 consecutive hours — reduced from the previous 15 hours, which was not consecutive and could be stopped and started throughout a lengthy shift.

Drivers are now also permitted to “restart” their work week after taking at least 34 consecutive off-duty hours. This promotes a more regular work-rest cycle for drivers. Unfortunately, the U.S. Court of Appeals’ ruling will actually eliminate the ability to restart the driver’s clock after 34 consecutive hours of rest.

Without this provision, truck drivers are more likely to have irregular work schedules, which will cause more fatigue. Many of the truck drivers that we have heard from favored the voluntary 34-hour restart because it encourages drivers to take a break long enough to become fully rested, yet it also allows their driving schedule to coexist with natural sleep rhythms.

Contrary to statements made by truck industry critics, the court’s ruling was procedural in nature. It is misleading to suggest, as some have, that the legal decision serves as evidence that the HOS regulations promulgated in 2005 are unsafe. (The evidence, in fact, is to the contrary.)

For its part, the American Trucking Associations is seeking a stay from the Court to keep the current rules in place in order to allow FMCSA to address the procedural flaws that were identified. ATA has also asked Secretary of Transportation Mary Peters to push for a stay of the Court of Appeals ruling, as there was no compelling safety reason to eliminate the two provisions the Court challenged.

The transition to the current HOS rules required significant operational changes and challenges for the trucking industry. Shifting gears again would force motor carriers to retrain millions of drivers and undo technological changes they have made to accommodate the current rules. At the same time, a disruption in the enforcement of the hours-of-service regulations would ensue.

In the past year, trucking’s challenges have been overcome, and the new rules have contributed to enhanced truck safety. Statistics bear this out:

The U.S. Department of Transportation recently issued its truck-involved fatality figures for 2006. The number of fatalities declined by 4.7 percent from 2005 to 2006, the largest drop in 14 years. The fatality rate is now at its lowest point ever. These facts speak volumes. Furthermore, a study by the American Transportation Research Institute found that most drivers experienced less fatigue and preferred the 11 hours driving, 10 hours off, and 34-hour restart provisions.

The motor carrier industry and ATAs understand their responsibility to the motoring public and the competitive advantage of operating safely and securely. The No. 1 commodity delivered by truck is safety.
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- How Supply Chain Technology Contributes to Developing Collaboration between 3PLs and Logisticians
- When to Renew Outsourcing Agreements with Logistics Service Providers (LSPs), Discontinuing Them or Opting for Other Solutions

Here are some of the comments from participants who have attended LQ’s previous symposiums.

Thanks for having me participate. I really enjoyed it.
**Rick Blasgen**, President and CEO, The Council of Supply Chain Management Professionals (CSCMP)

I definitely found value in this event.
**Greg Cunningham**, Director of Supply Chain Optimization, Maple Leaf Frozen Bakery

LQ’s Symposium was great and well organized.
**Sue Gadsby**, C.P.P. C.P.M., Director, Procurement, Apotex Inc.

Thank you for a wonderful and insightful day. I enjoyed the executive exchange.
**Joseph Gallick**, Senior Vice President of Sales, Penske Logistics

Fred, it was a real pleasure participating in the symposium. You had all of the right elements: interesting topics, good speakers, excellent attendees, and nice venue... In sum, it was a great success, and a very worthwhile day for all involved. I look forward to the next one.
**Thomas Goldsby**, Ph.D., University of Kentucky

I greatly enjoyed the idea of the table discussions. It was way more interesting than conventional formats.
**Claude Germain**, Executive Vice President and COO, Schenker of Canada Limited

Thank you for including me on your speakers’ platform at this year’s executive conference. I was impressed with the quality of the forum and the insightful audience.
**Alan Gershenhorn**, President, UPS Supply Chain Solutions, Asia Pacific, Europe, Middle East, Africa

The forum was well thought out and the format was very conducive to a quality exchange of perspectives. The topics for discussion and debate were very pertinent to today’s market environment. I look forward to the next session.
**David Griffith**, Vice President of Global SCM, BAX Global

The LO Symposium was a fantastic opportunity to connect and re-connect with many individuals, and a tremendous opportunity to network and share ideas on a number of different topics throughout the course of the day.
**Joe Grubic**, Global Supply Chain, Nortel Networks

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