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**The Council of Logistics Management Toronto
Roundtable's Symposium
Redefining Business in Transportation:
A President's Perspective**

CLM Panel: (left to right) Peter Jamieson, President, Wheels International Freight Systems; Scott Corrigan, President, UPS Canada; Ron Tepper, President and CEO, Consolidated Fastrate Inc.; Allan Robison, President & CEO of Reimer Express Lines Ltd.; David Faoro, Director of Transportation, Unisource Canada.

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Victor Deyglio

Recruit, Retain, Develop: People are Key to Success

As the 21st century becomes historical fact, we leave behind the mythic proportions of the potential impact of flipping from "99" to "00." Yet, some things remain the same. Among the commonalities we face every day is the truism *people are key to success*.

The topsy-turvy world of business in the year "01" is more of the same: economic slowdown begets economic downturn begets economic recession in a world so integrally linked that no matter what "fail safes" we implement in one country, we will all be affected by what happens elsewhere. In all regions in Canada, we experience that odd combination of heated economies and emerging unemployment.

In some sectors, employers cannot beg, borrow or steal employees, whatever salaries they offer. In other sectors, people are unemployed with little hope of finding meaningful work again. In logistics, we have employers searching for logistics professionals, and logistics professionals out of work. Our database is full of both.

It is not simply a matter of matching resumes with job descriptions. If it were that easy, the Logistics Institute would create a job search service to replace its portfolio service ProLog Connect (PLC). The job search facility in PLC is only part of the story: the real focus is on skills capacity analysis.

For individuals and companies, ProLog Connect provides a service to identify skills available through individual portfolios and skills required through company capacity analysis. And this is the key: skilled professionals are needed to bring the right competencies and expertise to a work situation – not just anybody can fill a position.

Last summer, when Air Canada and Canadian began to merge under the leadership of the Air Canada takeover, Toronto cargo operations faced a severe shortage of front line personnel. Under great pressure to maintain customer service levels, they initiated

a recruiting process that entailed interviewing thousands of candidates over a relatively small number of days. Yet even in the face of severe pressure to fill empty slots, they didn't hire just anybody who showed up for an interview. They selected only the qualified, and only those with the potential to develop skills needed to deliver service.

Qualified professionals must bring two things to the hiring table: expertise that qualifies them to get through the door, and capacity to grow that keeps them there. The strategy of "warm bodies to fill empty slots" is a non-strategy, even under the direst of circumstances. But why should anyone want to work anywhere? Professionals should be as choosy as the companies looking for "strategic employees." How do we select the right place to work in?

In late 1999, the Conference Board of Canada examined the problem of recruiting and retaining skills needed to compete in the global marketplace. They surveyed 500 Canadian firms from 16 industry sectors¹ and published their findings in early 2000 as *What to Do Before the Well Runs Dry: Managing Scarce Skills*. Here are the highlights.

- There is a skill shortage, and this poses a serious threat to the competitiveness of Canadian industries.
- Shortages are generally acute for experienced employees.
- Shortages are most acute for employees with highly sought-after technical skills, such as information technology, engineers, scientists, technicians, trades-people.
- Experienced middle managers are in short supply as well.

It is important to note that while entry-level employees are easier to find than non-entry level ones, it was felt by those surveyed that

the majority of inexperienced "new-hires" lack essential interpersonal skills. The ability to manage the work is as essential as the ability to do the work. To quote a few executives:

People management has suffered the most due to skill shortages.

Many young candidates with technical abilities have basic deficiencies in putting thoughts together in an organized fashion.

We are hiring employees who are not quite ready interpersonally, with the hope they will develop into their job.

(Continued on page 28)

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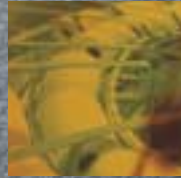
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Potential "Crisis"

Results in New Logistics Strategy

The summer of 2000 was marked by a variety of issues including labour disruptions and demonstrations, environmental/safety concerns as well as fuel supply/cost problems — any of which could result in border delays and/or transportation interruptions for DaimlerChrysler. These potential "crises" could impact the cross-border flow of material from suppliers to assembly plants in both the United States and Canada. Chrysler Group Logistics Operations began

We visited the Toronto terminal located in Milton, Ontario, to see the operation and participate in a demonstration of the system. We were pleasantly surprised by what we saw. The Expressway system is a state-of-the-art truck/rail transportation program. They utilize custom fabricated flatbed railcars designed with the ability to be efficiently loaded and offloaded on rail spurs running beside a dedicated track. This eliminates the need for the train to be shunted into and out

at DaimlerChrysler Canada

developing plans to minimize the impact of such actions and were approached by officials of Canadian Pacific Expressway Division to consider using their newly launched intermodal system, which runs between Detroit and Montreal with a stop in Toronto, as an alternative.

A major crisis never materialized but Steve Tripp, Senior Manager of Chrysler Group Logistics Operations, was intrigued by the possibilities this new system presented, particularly with such a positive impact on the environment and on the congestion in the Windsor-Toronto corridor. The concept was given to the Plant Delivery Analysts for further investigation. A preliminary market study was done to determine the financial viability of the program. While the study was under way, I was contacted by delivery operations to investigate this option from the standpoint of the DaimlerChrysler, Brampton Assembly Plant. A small team was assembled which consisted of myself, Debbie Hall – Brampton Assembly Just-In-Time Coordinator and Markus Gerlinger, a Just-In-Time Team Leader from the Mercedes plant in Sindelfingen Germany, who was working at Brampton as part of an ongoing information exchange program between the two plants.

of rail yards and allows Expressway to match transit time allowances normally associated with truck moves. The flatbeds themselves are designed to mimic the positioning of the trailer and secure it in the same manner as if it was hooked to a conventional tractor. This allows the use of standard highway trailers

terminal. This system not only allows the use of conventional trailers, but can handle specialized equipment such as drop decks, allowing it to be integrated into an existing inbound structure without changing or upgrading existing equipment. It was obvious that Expressway had done their homework in developing a system to work hand-in-hand with the trucking industry to improve the transportation infrastructure in this critical corridor.

Our initial market study indicated the program wasn't cost effective, considering drayage costs (delivery to and from the rail terminals) at both ends of the rail line. Believing we had a new way of doing business, we took another approach in order to continue evaluating this program. We integrated the Brampton team with Chrysler Group Logistics Operation's delivery analysts Beth Arnold, Pam Robinson and Kathy Romant, along with Joe Lemerond of Schneider Logistics, to re-evaluate the program. The benefits to the environment, the safety impact of removing trucks from the busy Windsor-Toronto corridor, as well as the potential benefit of sustained consistent deliveries in adverse weather and/or labour situations,

This system not only allows the use of conventional trailers, but can handle specialized equipment such as drop decks, allowing it to be integrated into an existing inbound structure without changing or upgrading existing equipment.

without the need for additional structural rigidity that conventional intermodal requires. The trailers are moved on and off the train with customized shunt tractors that are extremely efficient, resulting in quick turnaround time at the train

Rob Hamilton





Expressway worked with the Chrysler Group to comply with all I.T. requirements necessary to sustain our tracking systems and ensure a seamless transition from the truck leg to the rail and ultimately the delivery to the plant.

led us to reassess and develop a new logistics strategy for the Brampton plant that would include the Expressway intermodal service.

Due to the cost implications, the new strategy required the team to look beyond the Detroit-Toronto corridor and explore a more global integration of this inter-modal move. Strategically placing the program within existing inbound routings, we began to see potential cost savings in addition to the environmental and safety rewards. We worked through the drayage issue at the Toronto end by developing a shuttle program as an expansion of plant services provided by TNT Logistics (formerly Customized Transportation, featured in the June/July, 1999 issue of LQ™). This provided a cost-effective method of transporting the inbound material and shipping the

container returns to and from Brampton Assembly. Longer haul inbound routings from the United States were re-evaluated by changing the delivery point to the Detroit Expressway Terminal. This eliminates the drayage at the Detroit end and allows truck companies to realize efficiencies within their own systems through improved application of driver hours, no border crossings and better utilization of equipment.

Expressway worked with the Chrysler Group to comply with all I.T. requirements necessary to sustain our tracking systems and ensure a seamless transition from the truck leg to the rail and ultimately the delivery to the plant. Using this plan of attack the team developed an integrated truck/rail infrastructure that is environmentally sensitive, aids in reducing congestion

and improving safety on Ontario roadways, is cost-effective and addresses potential supply issues.

We are now in the midst of implementing our new strategy. The initial test phase, in November 2000, went extremely well and we have successfully completed phase one. Today there are 42 less trucks (21 inbound and 21 outbound) travelling the 401 between Detroit and Toronto and six less (three inbound and three outbound) between Montreal and Toronto. The next phase is ready for implementation with a third phase currently nearing the end of development. We have set a target of 120 trucks off the highway by this summer (60 inbound and 60 outbound), which equates to approximately 48,000 kilometers per day of reduced highway usage. Chrysler Group Logistics Operations is also considering integration of this program into the logistics strategies at other DaimlerChrysler facilities.

In summary, the potential “crisis” provided the opportunity to investigate a new version of inter-modal transportation that resulted in a new logistics strategy. The team has developed an integrated transportation system that addresses the environmental, cost and delivery challenges we face today. Bill Wolf, Brampton Assembly Plant Manager, adds: “The Expressway initiative shows that DaimlerChrysler and the Brampton Assembly Plant continues to lead the industry in developing innovative solutions for the issues we need to address in today’s increasing competitive business environment.”

Rob Hamilton is Planning, Timing & Control Manager, DaimlerChrysler, Brampton Assembly Plant

The Internet

— How it's Changing the Competitive Landscape in the

Many motor carrier executives are realizing that the internet is revolutionizing the freight transportation industry. For carriers focused on aligning their internet capabilities with shipper expectations, the opportunity for competitive differentiation and growth is exceptional. For the truly enlightened and leading-edge carriers, the opportunity exists to transform their relationships with their suppliers, employees and shareholders in ways that could not have been imagined

Stage 1 Marketing. Using the internet as a billboard to broadcast basic information such as their services and executives.

Stage 2 Publishing. Using the internet to reduce the costs of publishing information to customers and partners such as pricing information and annual reports.

Stage 3 Transactional. Using the internet to create two-way information flows with customers or partners. For example, customers have the ability

Transportation Industry

just a few years ago.

In this article, I will highlight some of the drivers for change. I will then outline some of the results of Operation Slingshot, the project we initiated at Yellow Freight System, Inc. in 2000 to move our company to a leadership position in E-commerce in our industry. I will then discuss some of the issues that transportation executives need to consider as they plan their internet strategy for 2001 and beyond.

According to "Internet Strategies: Surveying the Freight Carriers," a study by Morgan Stanley Dean Witter, manual transactions with freight transportation providers are expected to decline from the current 67 percent to 31 percent in the next two years. Moreover, 44 percent of the respondents stated that a freight transportation provider must have E-commerce connectivity to bid for their business. E-commerce was cited by almost half of the respondents as a specific reason to use fewer carriers.

In the KPMG study of large motor freight and air freight carriers, "Strategic Directions in E-transportation," the researchers developed an E-business maturity model of motor carriers, categorizing companies according to their stage of development in utilizing the internet.

not only to access information about their shipments, but also to place and change orders.

Stage 4 Interactive. Using the internet to conduct all business transactions and information sharing with customers, employees, and partners. At this level, there is a high level of integration of a number of systems. Integrated capabilities include real-time shipment visibility, collaborative planning and customer order management.

While shippers, analysts and carriers tend to place carriers at roughly the same level of maturity — the Transactional Stage, in further questioning, respondents from this industry did indicate that they offer a number of the activities associated with the interactive stage of internet maturity. While 57 percent of shippers indicated that they do not make significant use of the internet with their supply chain partners, all shippers plan to do so within the next two years.

It is clear that the two studies converge in one area. Shippers expect their carriers to operate at the interactive level within two years. In order to be in the game, to bid on a shipper's business, to gain eligibility as a core carrier, motor carriers must elevate

themselves to Stage 4 in their E-business maturity.

At Yellow Freight, we recognized the potential of the internet to transform our industry several years ago. At that time we established a four-hundred-person team of professionals which we labeled Yellow Technologies, and structured this as a separate captive company, Yellow Technologies, headed by its own President. Working in conjunction with our E-commerce team, one of the mandates of this team was to "slingshot" Yellow into a leading edge position in the interactive stage. Thus the name, Operation Sling Shot.

Building upon the platform established in 1999 and prior years, and building upon the most frequent requests from consumers, our internet capabilities were significantly enhanced.

My Pickup Request — This gives consumers a secure, personalized database of their regular shipping locations. They can easily add new locations and contacts to the database and schedule pickups for today, tomorrow, or up to 30 days out. The consumer's pickup request goes instantly to city dispatch at the Yellow terminal nearest the pickup point.



Dan Goodwill

Samples of Yellow Freight Applications.

Yellow Technologies



My Pickup Request



My Tracking



My Rate Quote



My Reconsignment



My Yellow



Yellow On The Go



CIO-100 Award



Yes We Can



My Tracking – This gives the consumer the ability to track, sort, filter and control shipments according to a variety of reference numbers (e.g., bill of lading number)

My Rate Quote – This provides consumer-specific rate quotes, including applicable discounts, after a consumer enters information including freight class, weight, origin and destination zip codes.

My Rate Table – This gives consumers a table that displays rates for 1 to 18 classes, for all weight breaks under 20,000 pounds.

My Reconsignment – This gives the consumer the ability to reconsign their shipment by simply completing and submitting an online form

Other applications include **My Claim Filing**, **My Invoice** and **My Account Summary**, a summary of all open receivables. Some applications are only available to consumers who sign up for **My Yellow**. Consumers must know their Consumer ID number (available through the Customer Service Centre) to sign up for **My Yellow**. There are now more than 25 applications on the site and new ones are being introduced on a monthly basis.

One of the unique features of the site is **Yellow Live** that allows users to create an interactive chat session, using a two-way – talk-and-listen – voice-transmission capability. Our Customer Service representatives are just one click away to answers on the internet. I am not aware of any of our competitors that have this capability. **YellowOnTheGo** provides wireless communications with a Palm handheld device, integrating the Palm Computing Inc. Web-clipping application with yellow online tracking. Yellow consumers with a Palm VII organizer can download specific sets of information from a given Web site.

How has the market responded to these interactive applications? For the second year in a row, Yellow was the recipient of the CIO-100 Award, given annually by CIO



For carriers focused on aligning their internet capabilities with shipper expectations, the opportunity for competitive differentiation and growth is exceptional.

magazine. The CIO-100 Award recognizes 100 organizations from around the world that exemplify the highest level of operational and strategic excellence. Yellow Technologies was included in the list of the top 500 most innovative users of information technology for 2000 by InformationWeek magazine. To make the list, companies must demonstrate a pattern of technological, procedural, and organizational innovation.

The reaction from consumers has been very enthusiastic. **My Yellow** registered users have increased from 4291 in 1999 to 27,669 in 2000, a 645 percent increase. Yellow receives an average of 22,000 pickups a month over the internet, an average of 250,000 tracking requests and an average of 65,000 rate requests on a monthly basis. To facilitate usage, Yellow Account Managers distribute micro CDs to interested users. Consumers are encouraged to take an on-line tour.

For carriers seeking to make the leap to stage 3 or 4, the question is what applications do consumers most want? The five top-rated applications in the

(Continued on page 21)



Fred Moody

The Council of Logistics Management's

Toronto Roundtable:

Redefining Business Issues in Transportation:

On a chilly Toronto evening this January, four presidents from leading Canadian companies, each renowned for their foresight, business acumen and leadership, gathered to share their views with a roomful of delegates comprised primarily of professional logisticians at a conference organized by the Council of Logistics Managements' Toronto Roundtable.

The roundtable symposium, entitled

The panel of keynote speakers, which included Scott Corrigan, president, UPS Canada, Peter Jamieson, president, Wheels International Freight Systems, Allan Robison, president & CEO of Reimer Express Lines Ltd., Ron Tepper, president and CEO, Consolidated Fastfrate Inc., offered candid and insightful views about the fast-changing landscape in transportation and logistics. In doing so the panel

The Council of Logistics Management:
"The Council of Logistics Management is a professional business organization of individuals throughout the world who have interests and/or responsibilities in logistics and related functions that make up the logistics profession. The CLM membership consists of 15,000 women and men from a diverse worldwide population."

A President's Prespective

"Redefining Business Issues in Transportation: A President's Perspective" took place with a measure of economic change in the air, and while plummeting stocks weren't acknowledged except tacitly by these well-heeled speakers, there seemed to be a consensus that the unbridled business optimism of the last five years may be yielding to a new phase in the industry's development.

At least one of the speakers suggested, however, an economic change, even if it reflects a downward turn and a departure from the phase equilibrium we've enjoyed, is important for sound business development. In fact, prolonged equilibrium may be a precursor for failure, whether it happens due to the economic business climate or unwittingly. After all, the means to be agile in business can atrophy during these periods of relative equilibrium.

David Faoro, director of transportation, Unisource Canada, and past president of CLM Toronto Roundtable, chaired the panel and began the evening by pointing to the widespread change in logistics as shown by the mandate of the evening's roundtable. In addition to introducing each guest panel member, he noted the mission of the Council of Logistics Management, the preeminent organization of its kind, worldwide.

shared several commonalities with regard to their visions of the future of the supply chain, the impact of E-business and opinions about some of the greatest hurdles converging upon their industry.

For example, on the cusp of an overall shift in the economy, each speaker signalled that irrespective of the most recent news, a new phase is beginning in the logistics and transportation marketplace that mirrors what logistics professionals have so often called for. It has come on the heels of a phase of stabilization in the industry, Mr. Robison noted. Today, we're entering a phase he dubbed "the squeeze years," to reflect the broadening role of many carriers.

As a result, carriers are more involved with coalition building, instead of strictly adhering to the go-it-alone, Lone Ranger competitive direction upheld by many. In this new phase alliances are one of the key ways many in the field of transportation are embracing the information-driven E-business economy and globalization in order to fulfill their integral role as carriers in the overall supply chain. In addition, several of the keynote speakers, such as Mr. Corrigan and Mr. Robison, emphasized contending with the converging challenges has prompted the traditional roles that

providers once assumed, from freight carriers to logistics providers, to often blur.

Mr. Corrigan, who has been associated with UPS for 27 years and president of UPS Canada Canada Ltd. since 1997, began the series of four presentations by identifying three primary issues impacting the transportation industry, namely, globalization, the internet as a pervasive force in commerce and the constantly rising value of logistics to all businesses of all types and sizes.

In particular, he referred to two factors as impactful on transportation in today's complex global market. "First, this market is not entirely open - at least not yet - and second - it is linked by technology," he said, citing customs regulations as not keeping up with the pace of change and needlessly slowing the customs clearance process.

"For example," Corrigan elaborated, "customs thresholds are obsolete in many countries - including Canada. The deminimus level is currently set at (CD)\$20, one-tenth that of the United States. The low-value shipment threshold is set at (CD)\$1,600 compared to (U.S.)\$2,000. Obviously, these thresholds affect the majority of cross-border shipments, which needlessly complicates and slows customs clearance."

His remarks about transborder challenges were clearly echoed by other panel members. It's a message, though, that has percolated throughout the industry and there are signs that governments, worldwide, are at least beginning to respond.

Reimer Express Lines president & CEO Allan Robison also acknowledged there are border-related elements that can slow freight, as evidenced by the fact that Reimer Express Lines has developed border offices on both the Mexican and Canadian-U.S. borders to ensure cross-border shipments proceed smoothly.

"With customers concerned about the challenge of crossing borders, we have border ambassadors that clear every shipment for our customers at each border. We have done such a good job at the Canadian border that the Mexican Customs people came to see why it is so successful."

Large transportation companies, such as UPS and Reimer Roadway, as well as small organizations, even those possessing only a few vehicles, have collectively found that despite the North American Free Trade Agreement (NAFTA), signed in 1994, and its aim to improve the flow of goods, Customs remains an impediment. The impact on transborder freight is massive. After all, up to an estimated 80 percent of the goods carried across borders on the North American continent is carried on 18-wheel vehicles, according to the U.S. Department of Transportation.

The story given by statistics about the cost of the border and trade are staggering. In 1997, industries spent an estimated \$3.2 billion just to file the proper papers with U.S. federal agencies monitoring what comes into and goes out of the United States. The U.S. government spends an estimated \$11.4 billion to \$20 billion to process the paperwork annually.

Dozens of government agency approvals remain in place and border checks cost plenty of down-time. But the good news is that to help diminish the paperwork at the U.S.-Canada and U.S. Mexican borders, a pilot project called the North American Trade Automation Project (NATAP) has been initiated along the Mexican and U.S. border, and the next

phase is the U.S. Customs Service International Trade Data System, opening in June at the Peace Bridge border crossing at Buffalo, N.Y. The U.S. government has identified Laredo, Texas, where a truck now crosses the border every 30 seconds, as the next test location.

In an international marketplace, however, where UPS delivers more than 13 million packages and documents daily in more than 200 countries and territories using 140,000 vehicles, and also has the world's ninth-largest airline, innovation and agility are essential. In fact, the company has recently reached back to its past in 1907 and begun a pilot project in downtown Atlanta, by introducing the use

**"The way we look at it, the more information we share in common with each customer, the more opportunities we create in electronic commerce and supply chain management."
- Scott Corrigan.**

of a fleet of 24-speed all-aluminum mountain bikes, not to save time, but money in congested urban areas.

Not surprisingly, Mr. Corrigan not only noted issues concerning surface transportation but also alluded to the issue of open skies as a continuing and daunting issue between countries in efforts to create freer trade.

In referring to the role of technology in world commerce and logistics, he pointed out that there is a difficult reconciliation taking place between the seemingly limitless world afforded by E-commerce "with the realities of moving goods by road, rail and air within the limits of the physical world."

In other words, accepting an order, complete with SKU verification to disbursement of an order, assembling a product and then packing, and shipping

them in the right order will continue to grow in importance with heightened pressure largely due to the rising usage of the internet, at least until companies learn how to send car parts, furniture and widgets through the phone line.

There was also tacit acknowledgement that in today's warp speed economy, making logistics professionals accept new visionary ideas isn't always the most difficult issue. Getting them to leave old practices behind can be just as challenging when it comes to finding opportunities pertaining to notions such as the elimination of distance through technology.

Peter Jamieson, who has earned the Canadian Professional Logistics Institute's designation as a professional logistician and joined Wheels in 1997 as a vice president after holding a variety of progressive business positions with several international companies, urged CLM delegates to consider the next generation of professionals, instead of taking stock of the internet from his business perspective. "What's really important is to think of how our children and young people in university see things. They are the ones that will truly drive this forward with increasing speed."

The pace of change was also acknowledged by Mr. Corrigan as somewhat bedazzling. "It took 74 years for the telephone to attract 50 million users, 38 years for the radio and 16 years for the personal computer. It took the Web just four years to reach the same level of penetration."

UPS, which has spent more than \$10 billion on technology over the last decade, and continues to spend up to \$1 billion annually on technology, has transformed UPS "from a package-delivery company into an enabler of global commerce."

While technology is a challenge, it also represents an opportunity, all of the delegates agreed, though not a panacea to mitigate all of the issues facing the industry today, stated Jamieson. Wheels International, which provides intermodal rail, highway, ocean and air transportation, and specializes in supply chain consulting services as well as full outsourced program implementation, spoke with brutal candor about us all having heard the "let's-change-

the-world-together” rhetoric from so many e-solutions providers. People, he emphasized, are the crucial factor in driving business forward. Not surprisingly, Wheels has been named one of Canada’s best 50 privately-managed companies for four consecutive years.

In this context, the value of transportation appears to be rising in the logistics field, and in tandem with this there is a trend for different types of competitors to converge on the same market areas, both Mr. Corrigan and Mr. Robison acknowledged. Freight carriers, express shippers, logistics providers and information systems consultants are all aiming for the same market and there has been a resultant spate of mergers, acquisition and alliances. “That will continue as companies strive to flesh out their offerings and fine-tune their operations to increase the value they bring to the customer,” Mr. Corrigan stated.

Mr. Robison concurred with his reference to these being the “squeeze years.” He elaborated: “The package industry is moving into the bottom of the bottom of the Less-Than-Truckload (LTL) area and the trucking people are moving from being truckload and picking up at the top end of the LTL, and LTL carriers are moving out and becoming expedited, that is, they are staking out new ground in air transportation and doing things much faster than they have in the past.”

Consolidated Fastfrate’s Ron Tepper, whose company is Canada’s largest privately owned freight forwarder with 17 branches and 1,000 employees, noted that consolidation, however, has not only been initiated by transportation providers. Mr. Tepper pointed out widespread and global mergers by customers has had to be mirrored, to an extent, by their transportation providers.

“Years ago, we saw large multinational companies buying other companies outside of their core business. Today, we are seeing the same type of rapid purchase of smaller companies by larger ones, but the difference today is companies are buying other companies in their same core business areas. This is happening in the pharmaceutical industry, grocery chains and other sectors. Also, the

difference between the past and future is that large companies today are no longer scattered as technology has enabled them to consolidate their shipping requirements and take advantage of volume shipments.”

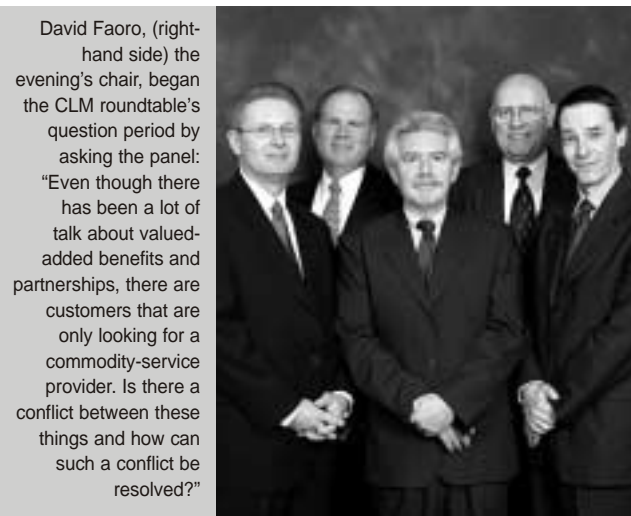
Leadership in the new realm of E-commerce and transportation is not only coming from the top of leading-edge carriers and their partners, cascading down to the ranks to be implemented in a relatively predictable landscape. This model for decision-making is being superseded, Mr. Tepper suggested, and the locus of decision-making is coming more from genuine partnerships and discussions to generate solutions for all of the partners.

“I believe that in the near future larger shippers will be willing to share more information with carriers,” he said, adding, “the word ‘partnership’ is used a lot these days, as is the word ‘logistics’ and everyone says they are partners. But the essence of what a partnership can do is not experienced by very many. In business we have many partners, but most are not real partners, as they are not involved in decision making.”

All of the keynote speakers agreed that technology has enhanced partnerships and enabled transportation companies to drive deeper into their customers’ processes, linking information from a provider directly to customers’ internal systems for inventory management, purchasing or accounts receivable.

Mr. Jamieson added to this point, stating that information management and technology are vital in terms of creating value-added relationships and solutions for customers. “But the first thing in creating value-added relationships is people,” he cautioned. “People still want to deal with people and people still prefer to deal with people that they like and enjoy.”

Mr. Jamieson added: “We have to provide comprehensive solutions to our customers



David Faoro, (right-hand side) the evening’s chair, began the CLM roundtable’s question period by asking the panel: “Even though there has been a lot of talk about valued-added benefits and partnerships, there are customers that are only looking for a commodity-service provider. Is there a conflict between these things and how can such a conflict be resolved?”

so we must look to partnerships, and add value. It does not matter whether you are an asset-based or non-asset-based supplier, this is not about what you do or do not own, it is about the solutions you provide to the customer.”

David Faoro, the evening’s chair, began the roundtable’s question period by focusing on the issue of partnerships by asking the question: “Even though there has been a lot of talk about valued-added benefits and partnerships, there are customers that are only looking for a commodity-service provider. Is there a conflict between these things and how can such a conflict be resolved?”

Adding value, not just “doing things the same way over and over, but truly adding value to meet the customer’s requirements,” Mr. Robison noted, is critical, adding: “When you talk about commodity pricing and the lowest price, you had better first know that you are the lowest-priced cost provider. If you are not, you are out of business. If you are the lowest-priced provider you can probably stay in business. Even though people often see this as a commodity we feel there is a lot of value-added that we provide and people are willing to pay for it.”

Being a partner, and adding value, are also related to the stature of logistics on the corporate map, Mr. Jamieson suggested. Creating true partnerships in business involving everything from technology

(Continued on page 29)

Squashing the Pirates

of E-transportation: Enabling Transportation Companies in the Fight Against



Nick Seiersen



Jonathon Kreindler

A recent study by KPMG Consulting found that nearly half of shippers are unsatisfied with their carriers' E-commerce efforts. The findings serve as a warning to companies not yet e-enabled: Get integrated with Web technology or risk extinction due to a new breed of company, the e-intermediary. Read on to learn the ten initiatives that should be undertaken to become an E-commerce-enabled transportation provider.

The study reveals that nearly half of the

their organizations more competitive, proactive and dynamic. To effectively serve customers into the future, transportation companies must embrace internet technology to redefine their business model, while creating additional value for the customer. Value creation enabled by the internet stems from leveraging and automating the relationships a business has with suppliers, partners and customers. Carriers already have the information necessary to provide

Internet Intermediaries

shippers that responded find that carriers are not meeting their expectations with respect to the use of the internet to facilitate business. Three areas in particular stand out:

1. Lack of integration between company processes and the internet;
2. Lack of common standards;
3. A failure to conduct effective means of track and trace.

Currently, most carriers are only partially integrated with the internet, and offer little more than informational Web sites and Email-enabled services. Few are providing real-time information of any sort, little reporting or feedback capabilities, with such basic services as online proof of delivery, shipping documentation, or rating being spotty or nonexistent. Even the most advanced transportation companies are still using the internet as a channel for existing business and processes. They are missing the opportunity to redefine their value proposition to customers through the internet.

By using the Web at only a basic level, these transportation companies are stuck in a traditional business approach, and are not using the capabilities of the internet to make

unprecedented levels of service – the real-time data, from their customers, suppliers and employees. This real-time information has become essential to competitive advantage; those without it will forego the opportunity to better understand their customer's requirements and their own capabilities. They will lose market share to the trailblazers that are embracing the internet to provide proactive services such as:

1. Event tracking and management to proactively manage service levels;
2. Fully integrated quote to pay back offices;
3. Relevant decision support and optimization for their clients.

The New Middleman: Bogyman or Flashinthepan.com? Without a significant acceleration in the use of the internet, many transportation companies risk displacement by a new breed of internet-enabled transportation intermediaries — those who have the capabilities to surpass today's carriers' internet sophistication and provide better services and functionality to increasingly demanding customers. These competitors can analyze

tradeoffs among various carriers' services and prices and provide the optimum shipping solution to every shipper, on a shipment-by-shipment basis, through a single site. E-business presents substantial opportunities to transportation companies that have the foresight, willingness and ability to capture the benefits and build on their existing capabilities and customer relationships. However, for those who choose not to embrace the Web's abilities, such intermediaries pose a significant threat: They may make carriers who lack internet sophistication appear to be undifferentiated, commoditized, low-cost wholesalers, serving the transportation companies and intermediaries who own the electronic customer relationship.

Ten Initiatives to Take the Offensive.

In order to take advantage of the opportunities provided by E-business and to protect their competitive positions, transportation companies must transform themselves into e-partners with their customers and suppliers. We suggest you include the ten initiatives as you develop a robust go-forward plan to transition to a Web-enabled, Stage III and IV transportation provider with a proactive, optimized, integrated, E-business offering.

The foundation for these initiatives, of

course, is that your company creates products and services customers want.

1. Improve customer focus to personalize the customer experience. E-commerce technology enables micromarketing and allows sellers to understand individuals' needs and to produce products and services tailored to those needs. Web interfaces can be customized to a customer's requirements, so that only the functionality desired is presented, and so that customers are never asked a question more than once. To successfully achieve this functionality, it is imperative that customers be included in the design and development phase, and further, that customers continue to be solicited for input.

2. Promotion of the site. Much like the traditional retail sector, customers will only use a Web site if they know it exists and see its advantages. So, building awareness of your Web presence and its benefits is crucial. The sales force and customer service representatives should encourage customers to use the Web site as their first point-of-contact.

3. Make navigation easy. While fancy graphics, animations and Flash screens may make a Web site attractive, of primary importance is functionality and ease of navigation. The Web interface should be simple and straightforward enough that customers can access what they need both quickly and easily.

4. Use the internet as a way to integrate with your customers' supply chains. The internet can provide a conduit to share information up and down the supply chain, from purchase order of raw materials through final delivery of product. Using this opportunity to become an indispensable part of your customers' supply chain will increase switching costs and build defenses against competitors.

5. Find new ways to add value. The immediacy of information provided by the internet allows for a variety of new services and products such as real-time reporting, analysis and decision support. While carriers can learn more about their customers, so can their customers know more about the various carriers and their respective performance levels, rates, on-time ratings, and overall performance and

competencies. It is imperative that this information is used to develop new pricing structures and methods of billing (paying for service levels actually received vs. promised, or to implement peak pricing to balance demand).

6. Ensure rapid speed to market. It is more important to get rudimentary but effective new services in place quickly than to perfect cutting-edge functionality for a mega-launch. To effectively service customers, find out what they want most and quickly build the functionality they require.

7. Clean up the back office. The integration of customer information is paramount to having a successful approach to customer management. A data warehouse provides a holistic view of your customer base and their needs, and can be used by sales, marketing, operations, and cus-

Currently, most carriers are only partially integrated with the internet, and offer little more than informational Web sites and email-enabled services.

tomter service departments to provide personalized customer support that really meets these unique needs. Data warehouses also support the increasingly popular decentralized management structure. The flattening of the management pyramid has magnified the need for empowered employees at all levels to have easy access to data for trend analysis, planning, decision-making, and customer service.

8. Build new business processes to support E-business. E-business acts as an enabler and a provider of new tools, but your company will also reap the significant cost savings once you reengineer key business processes (such as customer service and electronic transaction processing) to support E-business.

9. Web-enable your employees. A prerequisite to a Web-enabled business is a Web-enabled workforce. Employees must become adept at using the same tools as your customers. Customer service and sales representatives must understand how the Web will change their processes, and be trained on the services provided to customers by the Web so that they can properly provide support. While the integration of customer databases and back office systems provides enormous value, it requires adequate training and practice to build the sufficient skills required by employees to make the system work for your customers. Encouraging new behavior often requires rewards, various programs such as certification, making training a part of performance goals, and incentive compensation can assist in promoting the necessary change.

10. Adapt your culture to foster continuous innovation. Maintenance and improvement must continue after the new way of business operations is implemented, as part of an ongoing business improvement process. This involves updates on a monthly basis. Expect dramatic improvements at least every six months from new initiatives. Customer feedback will assist in ensuring the Web is effectively serving your business. As E-business is a rapidly evolving process, continuous improvement must become a core element of not just the Web interface, but of the business as a whole.

While the transportation industry's use of E-business is in its infancy, the development of the internet will have a profound effect on how carriers conduct business in the future. Carriers that make the capital and intellectual investment necessary to internet-enable their businesses will be rewarded with customer and partner relationships that yield increased efficiencies, profitability, and competitive advantage, and will stave off the growing threat of internet intermediaries.

By Jonathan Kreindler and Nicholas Seiersen, KPMG Consulting LP, Toronto.

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Logistician's pictures unavailable at press time

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(The Internet, continued from page 12)

KPMG study were Shipment Tracking, Customer Self help, Shipment Visibility to all Supply Chain partners, posting information and customer online communication. This is probably the best place to start.

Looking ahead to the future, the study indicated that shippers and carriers are working independently, rather than building an integrated approach to the internet. Only 42 percent of carriers' planned activities are aligned with shippers' expectations, and several shippers state that many carriers still lack a commitment

to building an E-business. The results suggest that there is a need for carriers to create a dialogue with their shippers to make sure that their E-commerce strategy is in harmony with their consumers' requirements.

The study concludes on this note. Leaders will capture market share while laggards will become second-tier providers. Innovators who use the internet to embed people, processes, and technologies with their customers will capture market share and raise switching costs, potentially locking out carriers who move too slowly. Carriers who cannot afford to make the investment

in the internet will end up being part of the "supporting cast." They may become capacity providers to their competitors.

This is the challenge facing many transportation executives. Shippers are expecting carriers to reach the Interactive stage of e-maturity within two years. This requires a significant investment. If you do not make the investment, you run the risk of distancing yourself from your customer base and becoming a supplier to your competitors. Welcome to the internet age!

*Dan Goodwill is President
of Yellow Freight Canada.*



Keith Hart

Laredo

— From Small Town to Major Hub in 10 Years

When looking at growth and changes in the North American transborder business it's impossible to find a location anywhere that has experienced what Laredo, Texas, has gone through in terms of a transformation. Laredo is a city that has existed under seven flags and seen more growth in the last ten years than ever before in its 250-year history as a town on the banks of the Rio Grande. In fact, Laredo is now the fastest growing city in Texas and rated as the second-fastest in the United States, according to The Laredo Development Corporation.

Border towns often represent meeting places or trading posts, the points where history has often determined territories and where cultures will divide. Laredo has built on its position of geographic advantage to become the major trade gateway between Mexico and its northern neighbors. As the United States' largest inland port, Laredo enjoys close proximity and good access to Monterrey as well as others centres in Mexico through the Pan-American Highway.

I spoke recently with an old friend and former colleague, Jorge Mata, who grew up and makes his home in this rapidly expanding city. Jorge is the president and founder of a NAFTA Logistics company that has positioned itself to take advantage of the burgeoning trade by offering comprehensive solutions to importers and exporters across North America.

The reason for Laredo's current success in out-pacing the growth of other border towns is in part due to its location, and to trade with Mexico being an important part of Laredo's economic foundation. Even in the days of punitive Mexican tariffs and commercial shipment running at a fraction of today's volumes, local merchants benefited from the "Chiveras." Translated this means "laden goat" and it certainly conjures up images of my last trip to the airport.

These "Chiveras" are private citizens and small business operators from Mexico

who came across the then-only-bridge and bought retail goods in great quantities from downtown merchants. Local banking institutions also enjoyed a thriving business in cross-border traffic. Trade, more than manufacturing agriculture or tourism, has allowed the city to prosper in the past and Laredo simply continues to build on this tradition.

The opening of the World Trade bridge in 2000 was the second bridge to be opened in the last decade. The Columbia bridge, an estimated 20 miles from Laredo, was opened in 1993.

Commercial vehicle statistics for January this year reflect this upward trend. More than 125,000 crossings took place in Laredo and Columbia in January. This includes 12,500 rail movements.

Brownsville and Eagle Pass volumes combined represent about 25 percent of the Laredo volume. A new toll-way runs directly from the inter-state to the Columbia Bridge that handles roughly 30,000 shipments per month. The balance of commercial shipment traffic is now processed at the new bridge and the other bridges known to locals as "bridges one and two" are now used only for non-commercial movements. There is now talk in Laredo of a fifth bridge. This is interesting for me, coming from a small village in England where the "new bridge" was built in 1837.

I first visited Laredo more than ten years, or two bridges, ago. As I often do, I looked in the Yellow Pages to see which of our freight forwarding competitors were there. What I learned then, and what still holds true today, is that the competitive mix is very different in Laredo compared to other centres across North America. What Jorge Mata describes as "a cottage industry that grew" is alive and well in Laredo. While a number of the major international firms are represented, many of the major importers and exporters are

handled through privately-owned and operated service providers. Many of these companies have made significant investments in their facilities and are offering third party services operating full-scale distribution centres. What used to be referred to as the "Monte," Spanish for "the out back," is now the location of arterial roads and industrial parks. With strong connections to partners or sister companies in Nuevo, Laredo, offers Mexico's single-source solutions for the transportation clearance and distribution components.

In terms of changes in the processes or systems involved in getting goods in or out of Mexico there is not much to report. It still differs greatly from the environment we know on the northern border.

United States Customs are now housed in a new facility at the World Trade Bridge. Typically, Shippers Export Declarations (SED's) in Laredo are still handled in a non-automated fashion. There is light at the end of the tunnel, however, as the Bush administration's first budget proposal orders the U.S. treasury to ensure that technology modernization efforts are managed effectively and this would include customs automation.

On the Mexican side I was interested to learn that it is still a requirement that the Pedimento be completed and duty and tax paid into the Mexican bank prior to physical arrival of shipped goods. (There is still duty on a large number of commodities until 2004.) The good news is that this advance payment can now be handled by Electronic Funds Transfer (EFT).

The current issue in Laredo and beyond, which will potentially have some impact on the United States', Canadian and Mexican trade, is the right of access

(Continued on page 24)



Allan Smith

Web-Based Supply Chain Collaboration: Why Transportation is the Best Place to Start

During the past ten years, the effort to streamline company operations often took the form of ERP system installations as organizations sought to implement common business practices across their companies. Of course, it is important to remember that the “E” in ERP stands for Enterprise, and the focus of these systems tends to be internal. Now, the explosion in E-commerce has made it critical for companies to work seamlessly with partners beyond their own enterprise. Having the most efficient and effective supply chain is one way companies can achieve a competitive advantage in an increasingly competitive world. As we move into the new millennium, supply chain effectiveness will continue to receive tremendous focus – especially since the broad acceptance of the Web has brought the promise of effective collaboration to the doorstep of every company in the world.

Effective collaboration is a clear way to build a superior supply chain. Pipelines of materials, information and funds operate at peak efficiency when both ends of the pipeline have worked together to make sure all the proper connections are made.

Supply chain collaboration involves three primary business processes:

1. Sourcing – Identifying the right strategic suppliers with the right capabilities;
2. Planning – Creating and communicating resource requirements for future demand;
3. Execution – Performing daily operations to effectively and efficiently meet demand.

These same basic processes apply to transportation as well as any buyer/supplier relationship. Transportation is a great place to start to focus on collaboration because it is literally the link to every node in both the physical and information supply chains.

Information about material in transit can be the trigger to start other supply chain activities, such as re-orders, expedites, etc.

While the practice of interactively sharing information electronically has been proven to improve and compress planning and execution processes and increase competitiveness for all trading partners, the stumbling block for many companies is determining how to get the ball rolling. Here are a few suggestions.

Before beginning the process, you should determine what your ultimate goals are for electronic collaboration. Do you want to reduce administrative costs? Achieve better customer service and improved response time to your end customers? Create an electronic record of all transactions to help you manage your transportation function more efficiently? The odds are that these will be among your goals. Additionally, under the optimum electronic collaboration scenario, you’ll want to achieve total visibility into your trading partners’ systems.

After you set your objectives, begin assessing your organization’s needs across sourcing, planning and execution. A good starting point is to ask yourself questions such as these: What carriers do you want to do business with?; What will the parameters be?; What kinds of information do you need to share with your carriers?; How will you measure your carriers’ performance and improvement?

As with any supplier, the right carrier for one company is often the wrong carrier for another. Yet, many companies do not have a formal carrier selection process to insure that the proper matches are made. Where does collaboration come in? By collaborating with carriers in an interactive sourcing process, shippers will greatly improve the likelihood that core carriers truly meet their needs. Shippers often do not provide enough of the right information

for carriers to properly bid on their traffic. The result? Carriers that may not be able to handle the traffic in the way, or at the price level, that they anticipated.

With the advent of Web-based, collaborative RFQ processes, it is now easy to exchange the information carriers need, such as freight handling requirements, special delivery requirements, surges in demand and other key characteristics that impact the fit between shipper requirements and carrier capabilities.

Collaboration in the planning process can yield huge benefits, especially for shippers with large fluctuations in shipping volume. Collaborative planning means both shippers and carriers share projections of capacity and demand. Web-based processes again provide a breakthrough here, enabling companies to share information, regardless of their level of technological sophistication.

Combining the sharing of capacities and demand with advanced optimization software will enable leading companies to achieve far better usage of available capacity than ever before. By improving the use of available capacity, a true win-win situation is created, as both shippers and carriers benefit.

Day-to-day transportation execution is a natural place for Web-based collaboration. Although most shippers and carriers have already established a certain degree of information sharing, more often than not this interaction is manual in nature — especially in smaller organizations. For instance, a shipper may fax its requests for tender or forecast projections, and carriers respond via fax or phone with an acceptance or rejection and data on equipment availability. The problem is that the chain of information is dependent upon the employee who holds that physical piece of data — and lost requests and mis-communications are commonplace.

(Web-based Supply, continued from page 23)

Collaborating via manual systems is also labor intensive and provides only a limited ability to capitalize on emerging opportunities.

With your assessment data in hand, you can begin evaluating service providers to determine the best fit for your needs. Your IT department should be involved in this process to ensure that questions concerning integration with back-end systems including dispatch and order management as well as implementation time are answered up front. The challenge is to find a system that offers both a high return on investment and the flexibility to handle your evolving requirements.

Benefits of Web-based Tools

In addition to being cost-effective and universal, Web-based transportation management tools offer a number of other inherent advantages in establishing electronic collaboration. Here are just a few.

Customers and suppliers can both

access the same tools and databases that reside online and share, rather than simply exchange, information in real time. This includes such data as carrier performance metrics on on-time delivery and fill rate.

The internet offers greater flexibility than EDI when it comes to what types of information can be shared. For instance, if a shipper enters a purchase order (PO) number, a supplier can simply assign a sales order number online as a cross reference – alleviating the need to hand-match the PO to the invoice. No new transaction sets or maps between systems need to be created.

Unlike off-the-shelf supply-chain software packages that only handle one particular element of the supply-chain process, like sourcing, internet-based systems typically integrate all three stages.

For small- and mid-sized organizations that can't afford to invest in EDI or traditional software packages, internet-based tools offer the ability to collaborate with trading

partners using just a PC and Web browser. They can better compete with their larger counterparts by meeting compliance issues — and implementation time is fairly quick.

Password protection and encryption technology have helped to alleviate security concerns about exchanging sensitive information via the Web. Likewise, system redundancies have evolved to ensure 24 x 7 reliability.

It's important to understand that realizing the full potential of supply-chain collaboration requires you to think in terms of the extended enterprise — beyond your own four walls. By sharing information with all your trading partners, you'll increase your supply chain effectiveness — and increase your competitive position in the process.

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(Laredo, continued from page 22)

to the U.S. market by Mexican carriers, advises Mata.

NAFTA provided for access to the four states adjoining the Mexican border by 1995, and by January 2000 Mexican carriers were to gain access to all U.S. states for movement in and out of Mexico. Reciprocal access to the border zones and the interior of Mexico by U.S. carriers was also part of the NAFTA agreement. The Clinton administration had adopted a closed-door policy towards Mexican carriers, due to safety concerns. These sentiments were consistent with those of many others including safety groups, trade unions and U.S. carriers groups. Mexico, however, claims it has sustained several billion dollars in fiscal damages as a result of this non-access policy towards a business that represents 14,000 daily truck movements. The matter has been taken to arbitration.

The issue could effect Canadian carriers. This draft bill, entitled the Foreign Truck Safety Act, calls for mandatory safety inspections at the cost of the carrier, and these separate inspections are not presently a requirement for Canadian trucks.

The NAFTA arbitration panel has, in the meantime, ruled in favor of the Mexican position and President Bush has announced that Mexican trucks meeting the safety standards may now have access to transporting goods in the United States. A Mexican transport ministry official is quoted as saying there are 184 Mexican trucking companies that have applied for approval to transport goods in the United States.

The coming months will determine how and when this legislation will be implemented and, later, to what degree the carriers will want to take advantage of the access opportunities that they have acquired. It is fairly obvious that U.S. carriers can outsource their Mexico-interior deliveries and pick-ups to a Mexican agent at a lower cost than handling these with their own assets. It is possible that asset utilization concerns and partnership agreements may also see some Mexican carriers shy away, at least from the long-haul movements, into the United States.

Signals for the future of the cross-border trade at Laredo remain strong. The first international visit of President George W. Bush was to Mexico and his

position is very much one of pro trade with Mexico. The new secretary of State for the State of Texas is from Laredo and an agency promoting Mexico-Texas business has been established at the state level. The policy of Mexican President Fox and his government is also favorable to the growth of trade and a crack-down on the corruption that can impede the movement of goods across the borders. All of this helps assure that Laredo, once a sleepy little border town, will continue to grow and establish its position as a key distribution hub in North America.

Specializing in the North American Trade area Keith Hart Has been involved in the logistics field for more than twenty years and has held senior management positions in the freight forwarding industry. Keith has been a contributing writer to LQ™ since 1999.



George Kuhn

Technology be Damned ...It's Back to the Basics Time

In our fascination with new technology and our fixation on how it will make logistics more effective, supply chains more integrated and companies more profitable, we have a tendency to completely overlook the more mundane world of the "old" economy. This is nowhere more obvious than recent events in the North American stock market where both the Nasdaq and the NYSE have suffered heavy losses and market capitalization has lost hundreds of billions of dollars in the technology sector. However, Warren Buffet's approach of sticking to the "old" economy, for example, has been much vindicated by his quickly recovering share prices and profits that far exceed anything the market has to offer in the technology sector.

Similarly, we in the logistics industry, have almost forgotten that it is the manufacturing sector and the exchange of real goods and consequently the opening up of new markets, that keeps the industry alive and profitable.

Let us thus venture, beyond our borders and look at what is happening in the far away world of Central Asia! While formerly in the domain of the Soviet Union, the republics of Kazakhstan, Turkmenistan, Uzbekistan, Kyrgystan and Tajikistan all became independent in 1991.

Totally integrated in an outdated and completely centralized economy during the Soviet sphere of influence, these republics have taken masterful strides in developing an independent and self-sufficient economy, whilst clearly recognizing their interdependence on each other in terms of transport infrastructure and cooperation. Naturally, their economies are still flawed due to the continuation of single product economies based on a wide range of raw materials and agriculture. But gradually, thanks to a highly educated workforce, a multiple sector economy with a mixture of the old and the new, is developing.

All the countries are basically landlocked when discounting the Caspian and Aral Seas that have no interconnectivity to intercontinental waterways. Thus, inter-regional trade can be enhanced through water routes in the two seas, but true independence will be measured by their ability to develop better transport routes and systems that allow for the smooth exchange of goods beyond the region's borders. This is made all the more difficult as access must either take place through ports in Russia, the Arabian Sea or, interestingly enough, China! Naturally, this requires a political balancing act of such delicacy that it is hardly possible for "us" in North America to understand. Nevertheless, multiple access routes are clearly developing and it behooves the wily logistician to take the time to evaluate the various route alternatives available today.

At the same time, let us also take note of the more recent developments in Iran where the long established "Islamic Republic of Iran Shipping Lines" (IRISL) is undertaking a major effort to become an international player with particular emphasis on the CIS countries and the Caucasian regions. For decades, IRISL has acted solely in the interest of the nation but now wants to follow the signs of the market and observe the trends in global shipping at the same time. Therefore it has specifically identified new opportunities in the rapidly evolving markets of Central Asia in which it wants to become a major player. Geographically well-situated to reach these markets in the shortest period of time, and with a rail and road infrastructure superior to that of Russia and China, the ports of Bandar Abbas and Bandar Imam Khomeini are strategically well-placed to effectively service the hinterland beyond its own borders. Both these ports are operating at international standards and efficiency and have, in the more recent past, lowered their rates to become more competitive as well.

Therefore, IRISL is working towards upgrading its organization to effectively service the Central Asian regions with efficient and competitive door-to-door services. To this effect, heavy investments in state-of-the-art IT systems for tracking and tracing, online booking, electronic bills of lading, customs clearance and accounts management are under development. Furthermore, plans are being made to enhance the infrastructure through the construction of inland container stations and warehouses so that it can keep pace with the ever-increasing demands for warehousing and distribution as well as container storage.

Asian and European carriers are already seeking a closer cooperation with IRISL, Iran's dominant carrier, in terms of vessel-sharing and slot allocations. Negotiations are going on as this article is being written and it is expected that new strategic alliances will be announced within the next months.

With its close proximity to the Central Asian region, its obvious know-how and ability to monitor the economic and political developments of this region, IRISL has made a major commitment to taking advantage of these evolving markets. May it not, likewise, be in our interest in the logistics and manufacturing industries of North America to take notice and prepare to be part of it, rather than leave these new markets to the other economic giants of Asia and Europe?

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Gordon Travers

M is for Mobile

Not so long ago E-commerce burst on the business scene, redefining how both business-to-business and business-to-consumer transactions took place and, as a result, redefining the entire economy. Now we have a new letter to consider when looking at the new business model, namely, "M." According to the IDC, the number of mobile workers — those who work outside the business campus — will grow at a compounded annual rate of nine percent and reach a total of 55 million people by 2004. This is a significant portion of the overall workforce and presents both a challenge and an opportunity: A challenge to provide these workers access to the network as required and an opportunity to improve process by streamlining process and capturing information at the point of activity. What is M-commerce, and how, if at all, will it affect our current business practices and processes?

For enterprise workers, the business process flow and information needs are, for the most part, common and thus independent of industry and location.

The mobile worker process follows a simple flow:

- The customer requests work;
- The work is assigned to a mobile worker;
- The work is completed;
- Records are updated and the invoicing process takes place.

The mobile worker markets include field service such as cable, route sales, health care, insurance, pick-up & delivery, general merchandising and any worker who works beyond the four walls of the enterprise.

When looking at implementing an M-commerce strategy, one needs to consider some key factors — remember, M means mobile. The mobile worker is just that, mobile. This results in two key considerations: the first is network access and the second is the work environment.

Mobile presents some challenges that we

do not face with the wired network. For example M-commerce presents a major data management issue — ensuring both network access when it is required, and delivery of the information.

Some organizations see mobile phones as a method to transfer data between a mobile computing platform and host network. One need only think of the number of times that you have had a cellular call dropped to begin to understand the scope of this problem. How do you ensure that the information is delivered, or that the entire content was received?

Others see e-mail as the answer to wireless data management. While e-mail is low-cost and effective, it is mobile messaging not wireless data. A simple example is e-mail does not allow for re-sequencing work orders or a route.

The use of data networks meets this challenge. Data networks have the tools to ensure the complete transfer of data. These networks charge based on data, not on connection time, and can support multiple simultaneous connections. While data networks present the best way to manage the transfer of data, they do have some issues we need to be aware of when planning our solution, specifically standards and coverage.

How can we overcome these and other wireless wide area network concerns? By the use of middleware. Middleware has a strong value proposition because it allows data to cross information domains. It creates a very reliable infrastructure to ensure the guaranteed delivery of transactions and enables the support of a variety of hardware, network and software platforms.

To understand the work environment, you must first understand that in most cases the mobile workers office is a car or truck and they operate in all environments. This means the hardware platform must be robust enough to handle the extreme conditions this presents.

What are the mobile systems tradeoffs that

must be considered and that affect optimum design? Everything from ruggedness to software development environment, from battery life to the cost of ownership.

We cannot address all these issues here. However, we will touch three of the most important. Ruggedness is extremely important; your hardware will be bounced around in a truck or car, dropped in the middle of winter onto a driveway and used while it is raining. Whatever platform you select must be able to withstand these type of environmental conditions. This means that standard PD's, for example, will not withstand the rigors they would be subjected to. Check the specifications, and understand them and the testing procedures. For example, what does "withstands a 4-foot drop to concrete" mean? Does it mean at all operating temperatures, i.e., 20-below, or just at the optimal operating temperature?

Secondly, you must understand the work process and the application. This will greatly impact most of the speeds and feeds type trade offs. M-commerce is, or should be, application specific. In other words you need to select the right operating system and hardware platform for the work process and application. If you have several different processes and applications you may have several different hardware solutions.

With respect to operating systems, there are currently four to consider.

DOS - Plus: is a proven solution and works very well in a text environment. Minus: seen as old technology.

Palm – Plus: the software is user-friendly and synchronizing with a desktop is simple. Minus: lack of keyboard and processing power.

MS Pocket PC and CE – Plus: easy compatibility with the office and data based management. Minus: power-hungry and slow.

(Continued on page 30)



Robert Armstrong

Delays, Delays, Delays

Canadian traders are getting sick and tired of slipping schedules. Wherever you turn, time and time again time frame commitments made by government bodies are not being honored. Of course, there are always explanations and attempts made at rationalizing the situation. But how long is this to go on? That proverbial carrot that is dangled in front of traders, encouraging them to move in a certain direction, keeps moving forward just enough to be beyond reach. Canadian companies are having a difficult enough time competing on the international scene as it stands now, never mind chasing some ever-elusive benefit.

The latest round of Canada Customs and Revenue Agency (CCRA) commitments have been a definite letdown for many companies that have taken the CCRA at their word. Two much-touted programs have been Customs Self Assessment (CSA) and the Administrative Monetary Penalty System (AMPS). Slippage has now occurred for both of these initiatives and the original implementation date of April 29, 2001, has now been moved to a "potential" implementation date of October 29, 2001. Also, the first phase of carrier re-engineering, with its threatened implementation of mandatory Harmonizations System for this fall, has now been rescheduled well into 2002. Although these programs may not all be viewed by traders as beneficial to trade, companies have spent considerable time, effort and resources gearing up for the announced implementation dates, only to find out that delays have occurred once again.

Why are traders frustrated with CCRA delays? Perhaps it is an obvious question but one that might need some clarification nonetheless. First of all, let's look at what impact delays in general have upon traders. Put simply, delays cost money. Delays impact a company's bottom line. When a good or service isn't received or delivered in the agreed-upon timeframe, usually it

ends up costing someone. This someone is typically the importer, the exporter, the affected service provider or any combination of them. Sometimes these costs can be transferred to the end customer, but in many cases these additional costs caused by delays end up being absorbed, subsequently impacting a company's bottom line. In commercial dealings, companies can easily be penalized monetarily for not living up to their commitment and delivering their "goods" on time, and that is in addition to having their contract revoked or cancelled. When dealing with CCRA, though, costs absorbed by traders caused by delays have historically just faded into the background, without much vocal reaction from Canadian traders. This lack of speaking up is definitely changing now.

So what are the costs incurred by traders that were caused by the delay in implementation of CSA? Once again, money invested by companies in readying themselves for this program has potentially been lost, and further investments for CSA may have been jeopardized or may be seriously reconsidered when considering future investments. Although there appear to be apparent benefits for importers to get on this program, the ability to sell this concept internally has not been an easy feat.

For most companies, the customs, traffic or logistics departments are typically at the bottom of the pecking order. Trying to "sell" a concept upwards within a company is slow, painstaking and often costly. Therefore, the customs, traffic or logistics department must ensure that it knows what it is talking about and must have a strong degree of confidence in its plan before venturing ahead. Let's say that the department has been successful in getting buy-in and funding has been allocated for the CSA initiative. Any programming changes required for a company's internal systems are put in queue amongst the

myriad other changes already in the works. Processes, schedules and priorities are modified to accommodate the changes so that everything will be ready and in place by the given date. Then the word comes from CCRA that there have been delays and that there is now a new "most likely" implementation date.

Where do you think the blame will be placed? It is, of course, immediately shifted to the customs, traffic or logistics department as companies themselves know very little of CCRA. There are lost opportunity costs, which somebody has to account for. Changes in processes and systems are no longer done in isolation. Every modification has an effect on the supply chain itself and upon the company's operation as a whole. Diverting resources in the modification or development of one area puts other areas on hold. Companies are struggling to remain competitive and opportunities that do not materialize on a timely basis are simply not worth it. Additionally, what do you think the confidence level in these logistics organizations will now be? I would venture to say not very high. Senior management may rethink the situation before they buy into something like this again. Certainly there may be a new implementation date, but business goes on and systems development continues. Projects get abandoned and valuable IT resources are channeled elsewhere. To reclaim these resources will not be easy and will now consume more time and money which is become scarce during this downturn in the economy.

What about AMPS you may ask? Isn't a delay a "good thing" in this case? Let me pose the question another way. Is crying wolf a good thing? How often do you think it will work? The same principle applies as when trying to sell CSA within the company. You may get the attention of senior

(Continued on page 30)

The Recruitment Challenge: But the real key to managing scarce skills effectively is by ensuring that recruitment and retention efforts are strategically aligned in the pursuit of acquiring and developing essential talent.

What are firms doing to recruit top performers? Three “recruiting success indicators” emerged from the study:

1. marketing the organization as a great place to work
2. providing a learning environment [increasing training and development]
3. augmenting student programs [e.g., co-op programs, internships]

So why should I work for you? – Marketing the Organization: Whether as a new entry into the labor market or as a seasoned professional focused on further career development, key things to look for are:

- Challenge – is the work interesting and meaningful or will I be bored?
- Cutting-edge technologies and business practices — is it real supply chain management or is it unenlightened logistics practices?
- Culture of participative decision-making — do we achieve success through collaboration or is it top down management in the old style pyramid?
- Values – does the company stand for anything or is it simply out to make money or cut expenses?

Be Forewarned: you have no idea what the company culture is really like until you get there. Recruiters are trying to sell the company to you, as much as you are trying to sell yourself to the company. This is only the first step, and never the final step.

What’s in it for me? – Life Long Learning: We should all be developing careers, not simply looking for jobs. And only an organization with a culture promoting life-long learning can provide opportunities for us to develop careers as people and professionals.

- Knowledge, skills, expertise – these are the most valuable commodities in today’s labor market, as in today’s global competitive market; look to

be hired for what you can do, not for what you have already done.

- Risk Factor – the more you learn, the more marketable you become, and companies must risk losing people they’ve trained in order to recruit the people they need; if the company won’t risk losing people, it cannot afford hiring and retaining them either.
- Time – increased training/development budgets are bogus unless companies also commit to increasing time so employees can take advantage of training opportunities; it is not the money they intend to spend, but the money they actually spend that counts.

Who’s responsible for the future? – Growing our Own: As professionals we are responsible for the skills we leave behind, as well as the skills we bring to the table. We must assume a leadership role and develop our replacements. We must ensure there are the right skills in place so that the work we accomplish continues to grow.

Working on a company-wide basis, we need to foster business-education partnerships, support co-op placements, and engage in school-to-work transition programs. On a professional level, we must be prepared to teach the next generation that will succeed us as professionals.

The Retention Challenge: The highly skilled, successful professional is the most marketable, and the hardest to retain. We should focus not only on those with technical skills, but also on those with “high potential.” As professionals, we must recognize we are *potential employees*.

The “retention success indicators” that emerged from the study include:

Holding managers accountable for retention: ultimately, people leave managers, not organizations. Poor management, inter-personal conflict, ineffective leadership — these are the reasons why people leave.

- As professionals, we are leaders accountable for retaining our work teams. “Strategic Human Resource Management” is our key skill.

Having mechanisms for identifying high-potential employees:

- Does the organization provide bona fide career paths tied to skills, training

and professional development opportunities?

- As professionals, we have a life-long commitment to develop our careers: does the organization enhance our opportunity to meet this commitment?

Having a clear understanding of the needs and values of employees:

- Does the organization tailor career development to life-cycle stages?
- Does it honestly foster work-life balance? As professionals, we are leaders in the community of professionals: what opportunities will we have to devote time and expertise to our profession?

Establishing effective succession management systems:

- Does the organization emphasize skills that lead to opportunities and movement within the system [vertical or lateral]?
- As professionals, we are committed to the success of the organization: what expertise can I grow for the organization, as I grow my own career?

Employees and professionals want to be challenged, enjoy life as well as work, be recognized for our contribution to the organization, receive just compensation for the work we do, and change, that is, move within the organization as opportunities arise.

These are listed in order of preference, and we must note that compensation is not the first on the list. Money becomes the primary issue in labor relations only when employees/workers are de-valued by the company for who they are and what they can accomplish. As one person surveyed said: *I’m looking to be excited by my work when I wake up every morning. When my jobs stopped being exciting, I always moved on.*

Professionals are more than just employees. We have publicly recognized expertise, skills honed by experience, and leadership capability grounded in self-confidence. P.Log.s are mobile, marketable, and loyal to their profession. Never forget that.

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(Cover Feature, continued from page 15)

design to distribution-point design, with shortened product life-cycles increasing the need to move products between points faster and more cost-effectively, given increasingly fickle customer tastes, isn't easy. The logistics issues at hand can get glossed over in the corporate boardrooms when it comes to E-commerce discussions even though they are often the main elements that separate companies with high-margin repeat business from others. Logistics is behind the buy-button that consumers press and with heightened demands on these processes transportation costs are bound to go up.

"Typically, logistics and distribution is in a very reactionary part of the business strategy and program," Mr. Jamieson said. "A lot of business leaders may not understand it. It may not be as exciting as sales and marketing or even production. It is not very common to find a CEO of a Fortune 500 company that has risen from the supply chain ranks."

Mr. Jamieson elaborated: "One of the

greatest challenges for those in this room is to go from being the tactical servant of a corporation to a true value-added business partner. The cost of supply chains range from 20 to 30 percent. So why wouldn't business leaders recognize and focus on this area? It's because this is not really a glamorous part of running a business."

Mr. Jamieson stated logistics professionals should think more strategically and look at business processes and how to improve business leaders' perception of the supply chain as an opportunity to improve their businesses. "There are only so many ways you can reduce costs but there are many ways to add value," he added.

All of the keynote speakers agreed with the point highlighted by Mr. Jamieson as central to addressing one of the key problems facing the industry. Mr. Corrigan stated unequivocally: "We must change that because any business you get on price you lose on price and it tends to be a very short relationship. So the challenge is to add value, solutions and integration. You need customized solutions."

As Mr. Jamieson pointed out, logistics professionals can ill afford to be complacent and remain in a "comfort zone" if they are going to heighten the value and perception of this function in companies.

Clearly, in this age of E-commerce young and gray-haired logistics veterans have a lot of systems to enhance and rethink as they explore opportunities to reshape the perception of logisticians as professionals at the highest levels of the corporate map.

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The Council of Logistics Management's definition of logistics:

"Logistics is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customers' requirements."



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(M is for Mobile, continued from page 26)

Symbian EPOC – Plus: was developed for mobile computing and communications. Minus, limited market acceptance.

The final area we will touch on is cost of ownership. It is important to understand cost of ownership rather than just cost of purchase. If cost is your only consideration it might make sense to go to any electronic retailer and buy a PDA. However, the first time it drops even a couple of feet your mobile worker will be unable to meet the requirements of the workday and you will be off to purchase another unit. Rather, you must consider the total cost of ownership. These include life cycle of the unit, service and support, the cost of down time and purchase price.

To summarize, M-commerce can streamline your workflow, shorten the accounts receivable process and improve productivity. Ask your self, "How would my business be different if all of my people were online, anywhere, anytime?"

Gordon Travers is a senior industry specialist with Symbol Canada. During the past five years, as a logistics consultant in the software application field, he has implemented a number of transportation and warehouse management solutions.

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(Delays, Delays, Delays, continued from page 27)

management initially. But when nothing happens you lose that attention very quickly. After all, there are more critical aspects in the day-to-day operation of the business that need to be considered. Companies are now saying more loudly, "When something is passed into law, then let us know. When things are implemented, then let us know. We don't have time to waste on things that may never materialize or that may be so significantly altered that we won't even have to worry about it anyway." These are the everyday realities. "Mandatory HS for 2002? Let's wait to see if anything happens and then we'll worry about it."

Delays are a part of life. But when delays cost companies money management quickly shifts their attention away from money-losing propositions. If the CCRA wants to regain client confidence then they have to do a tremendous selling job in the next little while. They cannot expect that the customs, traffic or logistics employee will be able to change the minds of his or her senior management in the company towards a program that should have been delivered on time. When

CCRA sets a date for implementation of a new program that requires the business community to make changes to benefit from it, then it behooves CCRA to meet the implementation target date!

Bob Armstrong is President of the Canadian Association of Importers and Exporters Inc. www.importers.ca

APOLOGY/CORRECTION

In our last issue, the photos for Brenda & Beverly Jones were switched. The correct photos are below.



Brenda Jones



Beverly Jones

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Paul Watzinger

Transforming you business with the new E-business tools

Today there are two different approaches utilized in obtaining value from E-business. There is the "TINKER" approach that most of us are familiar with, where organizations automate some transaction processes like buying or selling and provide some information and content to the world at large. This is the approach that most of us are probably familiar with, as it involves little investment and little risk. It can provide a handsome payback depending on what you are tinkering with.

There is also the "TRANSFORM" process, where companies are focused on building a high-velocity company that improves all value creation processes. Companies like K-mart, Siemens and GE are spending significant time and money to transform their organizations because they believe that incremental changes will only bring incremental value, but large wholesale transformations will put these organizations into a class by themselves, and will help unlock value. In order to maintain your competitive edge, it is imperative to look at the applications and tools available today to help achieve this value and velocity. Some of the companies listed above are current industry leaders, but through the transformation process they have the opportunity to reshape the industries they lead.

K-mart, a historical leader, is looking at improving areas from strategic planning and sourcing to demand planning and transportation so that shoppers can find the right product in the right store at the right price. One question that begs to be asked is: "Why would these companies risk large scale transformations when we have seen that implementing large systems like ERP is fraught with risk and a large number of failures?"

One of the answers could be that in most environments, ERP or "true enterprise wide planning" was never achieved. Most of

the companies that implemented these systems have multiple instances of the same software regionally or globally, or they are working with different ERP suppliers across the globe, so they were never able to achieve their enterprise-wide goal. This means that the same part is sold on the different systems at different prices and with different part numbers. As a result they were not able to rationalize their suppliers so they ended up paying more by ordering the same goods, that were classified with different part numbers, etc. In addition, they had more than one face to different suppliers and they also had more than one face to the same customers. If you had multiple divisions that sold different products, and some of those customers purchased goods from multiple divisions, could they really take an order that would cross all divisions? Chances are the answer is no, so this translates into higher costs and poorer customer satisfaction. Naturally, the transformation process the above companies aspire to achieve can be riskier than the Tinker process. However, it should be implemented in bite-size chunks where a return on investment is achievable within a four-to-six month period. This ensures that the risk is minimized as the implementation team will be able to get their arms around the task. Because it is small they can achieve success quickly and, more importantly, it helps to fund future transformation processes.

Areas to Transform:

Put together a plan of attack that unlocks profits, then start implementing these one by one. Common areas where you might find large gains include, shortening your order-to-delivery cycles and decreasing the time to market. Caterpillar has achieved an order to delivery cycle of 10 days from 41 days in their Skid Steer Load division. This is a dramatic trans-

formation in an industry where lead times can be several months. You may want to decrease Cost of Goods Sold (COGS) and operating costs with goals of 30 percent, and lastly you may want to increase asset utilization.

Remember, put together a plan that allows you to unlock the profits in a manner where your risk is reduced, and your gain is maximized!

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Fred Moody

Innovation

Each year at LQ™ we look forward to enriching our readership further by adding to our impressive mix of editorial contributors. Now in the beginning of our seventh year of LQ™, we're building on our tradition of having professionals writing for professionals in logistics and I am pleased to draw your attention to two professionals who will be writing regularly this year, one of whom makes his second appearance in LQ™ this issue. Rob Hamilton of DaimlerChrysler (featured June/July 1999) has written about an initiative that's truly an eye-opener. Think of it as competitive intelligence for logisticians.

Rob's article introduces us to a DaimlerChrysler and Expressway initiative that has been launched virtually without a hitch. The strategy shows logistics savvy of the highest calibre and has clearly been built on the type of partnerships that the presidents of the CLM panel, featured in LQ™'s cover story, define as best way to bank on sound investments made in logistics strategies. After enjoying the hos-

pitality of Expressway and DaimlerChrysler, aboard a railcar once provided for Winston Churchill, I can attest to value of information sharing between these two business partners. They have clearly looked at all the facets of meeting the many requirements of one of North America's finest manufacturing plants of great automobiles.

Lisa MacGillivray, president of the Canadian Industrial Transportation Association (CITA), will also be contributing a column to future issues of LQ™. I have known Lisa for many years. In fact, early in her career we worked together when Lisa was then employed as a talented journalist. Today, I am pleased to announced Lisa's editorial contributions will afford insights about the users' perspective in transportation issues federally, provincially and internationally. There's no canner observer of the logistics and transportation scene in Canada than Lisa.

Given the focus of this issue on transportation, we're fortunate to have Yellow President Dan

Goodwill back. Dan has been a regular contributor to LQ™ over the years and in this issue he shows how Yellow is enhancing its logistics practices, the science of getting things where they need to go with new efficiencies afforded by people and technology.

Logistics, which can account, on average, for between 12-14 percent of the cost of a typical manufacturer's cost of goods sold, represents an opportunity to improve profits, even if many senior managers in Canada have yet to recognize this. It has been reported that between 8 and 15 percent of the trucks in North America on the road are shipping only air, a vexing problem that technology can probably help. This issue, CLM's prestigious panel certainly shows opportunities abound that deserve the attention of the highest ranks of Canadian corporations.

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SINCE 1988, WHEELS INTERNATIONAL FREIGHT SYSTEMS has been moving air, ocean, highway and intermodal cargo around the world. In fact, in this climate of eCommerce, Wheels staff considers "www" to mean wings, waves and wheels. But has the Wheels Group discovered a new frontier?

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For the record, we're not booking loads for extra-terrestrial destinations just yet. However, we do want to make a point. Our investment in information systems enables us to link the right freight, with the right transportation equipment to ensure it arrives at the right place, at the right time, at the right price. A concept made possible through our commitment to recruit the best transportation professionals in the industry and equipping them with cutting-edge technology.

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