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A Quarterly for logistics professionals

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INSIDE:
CUSTOMS
CONNECTION NEWSLETTER

A Canadian Forces Special Report: Mastering Logistics in a New World Economy to Deliver Innovative, Integrated and Scalable Logistics Solutions

Lieutenant Colonel Robert Blair, P.Log (Air Force), Master Corporal Audrey Morales, Army Reserv, Army Captain Norma Ellis from the Canadian Forces Disaster Assistance Response Team, Chief Petty Office 1st Class Pierre Nolet, P.Log (Navy)

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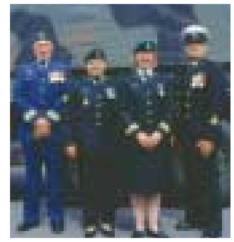

LQ's Special Report on Canadian Forces Logistics
Cover Photo by Ferdinand Mels

Departments

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Audit Bureau of Circulations Member

September 7, 2001 - Burnham Logistics Inc. Announces Executive Appointments

Mr Paul Ragan, President of Burnham Logistics Inc.(BLI), a division of Nadiscorp Logistics Group Inc.(NLGI), is pleased to announce the following appointments:

Chrys Chrysanthou, CFO

Mr. Chrysanthou has been with the organization for three years. During that time he was promoted from Controller to Director of Finance to Vice-President Finance and Technology and now to his new position as CFO.

Prior to joining the organization, Mr. Chrysanthou was the Corporate Controller at Fireworks Entertainment Inc. (a subsidiary of CanWest Global Communications Corp.) and prior to that, was employed in progressively senior audit and business advisory positions with Arthur Andersen LLP from September 1995 to June 1998. Mr. Chrysanthou is a Chartered Accountant and holds an honours Bachelor of Business Administration degree from Wilfrid Laurier University.

Larry Rodo, Senior Vice President, Sales and Marketing

Mr. Rodo, who recently joined the organization, has been involved in logistics for the last 17 years. He began his career in the courier industry before joining Reimer Express World Corp. (REWC) where he held many positions of progressive responsibility including Director of Customer Service and International Sales. During his term at REWC he was instrumental in many new product developments including a USA expansion and the creation of a 3PL division. Over the last four years he has worked internationally in Senior Management roles in Marketing and Key Account Sales for Schenker Stinnes Logistics.

Mr. Rodo has a Bachelors degree from the University of Toronto and professional designations from The Professional Logistics Institute, The Canadian Institute of Traffic and Transportation, The Chartered Institute of Transport, and the Ontario Society of Training and Development.

Lori Magder, Vice President Solutions

Ms. Magder has been with the organization for two years. With over 20 years experience in the transportation industry, both in LTL, (CP Express and Transport), and courier, (Sameday Rightoway), as Director she had responsibility for the quality of revenue and increase of profitability.

Ms. Magder graduated from the University of Western Ontario with a Bachelor degree. She has furthered her executive development with various seminars from integrated quality management to pricing strategies. Ms. Magder was also a cover story feature for the magazine "Ontario Trucking Today" as an example of a successful woman in the industry.

Council of Logistics Management Toronto Roundtable

THE ACKLANDS GRAINGER STORY

NOVEMBER 27TH

In this roundtable AGI'S President, Douglas Harrison, will provide a first-hand overview of the value of people and the pursuit of excellence involved in the selection and development of people in business. He will also be discussing how his new team of logistics professionals at Acklands Grainger has helped to recast the way the company does business. AGI started with a single-day shift, an entrenched entitlement mentality, a one-speed, slow moving operation, and the knowledge that it must change radically to meet the new owners' service promise and business model.

Given that they serve 240,000 SKUs of MRO supply, it was clear from the start that technology would not be a quick fix. They moved 60 percent of the team to an afternoon shift and retained 97 percent of their people. Productivity has since doubled and costs are down sharply.

The customer experience is very different. The processes are very different, yet the systems are the same – for the time being…

How did they do it? To introduce this campside-fire "tale from the trenches," the next Toronto CLM Roundtable event includes: **Doug Harrison**, *President*; **Stuart Penman**, *Vice President of Logistics*; **Brian Jackson**, *Director Logistics Operations*; **Lorenzo Avolio**, *Distribution Center Manager*.

Please fax inquiries and registrations to **Sylvia Bavaro**, **416-601-5700**, or by e-mail to: **sbavaro@dc.com**. To confirm or cancel registration, contact **Sylvia Bavaro** at **416-601-5822**.

For more information contact Fred Moody, Vice President / Program Chairperson, Council of Logistics Management, Toronto Roundtable, Email fmoody@LQ.ca or call 416-461-8355.

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President's Viewpoint

Victor Deyglio

Logistics — Art and Science in a Military Context

Introduction

Victor S. Deyglio, The Logistics Institute

Since 1990, the Logistics Institute has enjoyed unique relationships with key practitioners in the Canadian logistics community. Among our proudest partnerships is that with the Logistics Branch of the Canadian Forces (CF) of the Department of National Defence (DND).

We formalized an agreement with DND in 1997, pledging mutual support in the development of logistics professionalism among Canadian Forces personnel. This important partnership hinges on "mutual support": we collectively acknowledge the advantages each party has in working with the other.

Traditionally, industrial logistics is perceived to be a "different order of business" from military logistics. But mutuality has always existed: "service second to none" is core to successful logistics, whatever the context. The "for-profit" of business and "due diligence" of public service are two sides of the same service coin.

Cutting edge logistics takes place in the marketplace and on the battlefield. Some would ask: what is the difference? While individual life cannot compare to organizational life in terms of its intrinsic value, the social and economic lives of many depend directly on competitive success in the marketplace. Death comes mercilessly in small doses when you cannot feed your family because you are unemployed, but time and opportunity are not obliterated immediately by marketplace defeat.

On the battlefield the intrinsic value of individual lives is "front-and-centre." The uniqueness of "military logistics" is not the process, but its impact. To paraphrase the words of an old limerick: without the nail that fastened the shoe to the horse of the

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Jennifer Saliba

Eye, Hand & Thought – The Art of Logistics

Hailed as the "poet of wood and glass," Tapio Wirkkala (1915-1985) rose to international acclaim in the 50s, securing Finland's place in the world of art and design. Half a century later, Helsinki has the proud title of one of "Europe's Cities of Culture" for the year 2000, and Finland's leading post-war designer is being commemorated for his life's achievements.

Curated by the Museum of Art & Design in Helsinki and the Finnish Glass Museum in Riihimaki, *Eye, Hand & Thought* is the largest retrospective of Wirkkala's work to date. The exhibit showcases more than 600 objects in a multitude of materials, from sculpture and glassware to silverware and vodka bottles, highlighting Wirkkala's remarkable diversity as an artist.

The exhibition was unveiled to the public at the Museum of Art & Design on August 25, 2000 and will continue to tour internationally for three years. Schenker Finland was elected as the exclusive provider of customs, freight forwarding and material handling services, partly due to the long-standing reputation of Heikki Mattola, manager of Fairs & Exhibitions.

"I have been working with Mr. Mattola for a long time," says Marianne Aav, Senior Curator at the Design Museum. "It's the way things usually happen, with a long-term perspective, because you know you can count on them."

Schenker had to prove its reliability to deliver within strict time constraints during the exhibit's second stop at the Museum of Applied Arts in Tallinn, Estonia. "The exhibition ended in Tallinn just two days before the ocean vessel was leaving from Helsinki to Canada," says Mattola. "We had so little transit time before the vessel's departure, via Bremerhaven, but everything went well."

North American debut – Toronto, Canada

Eye, Hand & Thought marked its North American debut at the Design Exchange (DX) in Toronto on June 11, 2001. Marita Maranto, Cultural Attaché at the Finnish Embassy in Ottawa, collaborated with DX to bring the exhibit to Canada.

"This is the first time a retrospective of this magnitude has come to North America," says Maranto. "Toronto is the first stop, so I feel very blessed that I have succeeded with my work."

The Design Museum in Helsinki opted to employ Schenker's ocean freight service to transport the artworks overseas. "It's always a big risk, because most of the pieces are one-of-a-kind," explains Aav. "We debated whether to use air or ocean freight carriers, and we decided it was better to use one container from Helsinki to Toronto."

The ocean vessel arrived at the Port of Halifax, and was consequently shipped to Toronto via rail. Temporary importation clearance was provided at Schenker of Canada's bonded warehouse in Mississauga.

Elise Hudson, director of Public Programs at DX, coordinated the movement of freight with Schenker, on behalf of the exhibit designer. Each crate was individually numbered and delivered to DX, accordingly. "There were 80 crates of varying dimensions and weights, the heaviest weighing up to 600 kg," says Hudson. "The cargo was unloaded at the Schenker warehouse and shipped in truckloads to DX."

It's all a matter of logistics

The Design Exchange is located at the Bay Street TD Centre in Toronto, where approximately 12,000 employees occupy 32 floors of offices, shops and food courts, and three times as many people walk through its doors in a single day. One loading dock receives deliveries for the entire building, inevitably resulting in congestion delays.

"There are certain cut-off times when you're not allowed to bring freight into the building, since it might impede the pedestrian flow," explains Peter Elek, logistics manager, Fairs & Exhibitions for Schenker of Canada. "So, there's a lot of freight coming in and dock space is limited."

Schenker was obliged to employ three five-ton trucks to transport the freight into the underground parking facility. However, the

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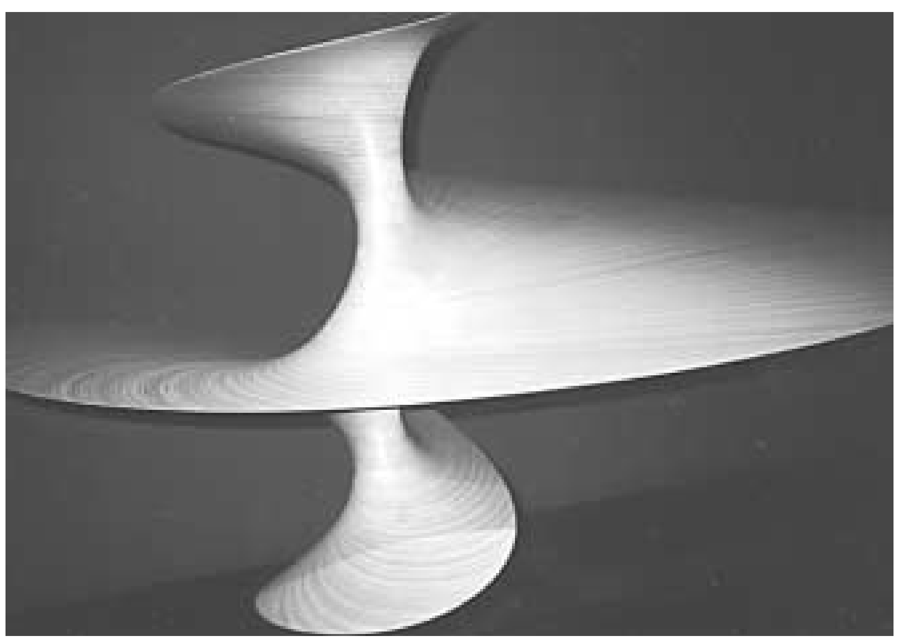

Commander Louise Siew

A VISION CAN MAKE A DIFFERENCE

Chances are that words like "business planning," "innovation," and "continuous learning," do not immediately come to mind if you are asked to describe a military support organization. However, when describing the support organization for Canada's East Coast Navy, they are a daily part of operations. With more than 7,000 regular force and 4,000 civilian customers, as well as a large reserve and cadet population to support, this Halifax-based operation is the largest and most complex of its kind in the Canadian Forces today. Its efforts have earned it a place as one of its most innovative and effective work places. What makes Formation Logistics Halifax different from other support organizations in the CF today? What is its competitive edge? There is one critical element to this success story. It is the workforce and the commitment by all levels in the organization to the Units' vision.

Formation Logistics Halifax's vision states: "through continuous improvement and the adoption of innovative business practices, Flog will endeavour to become a best practice leader in the Canadian Forces in providing its customers cost-effective, quality logistics support." Wherever you look in Formation Logistics Halifax you will see concrete evidence of this "best practice" mindset.

The amalgamation of the Transportation and Land Maintenance (TEME) activities of both CFB Halifax and 12 Wing Shearwater under one corporate umbrella, is just one such example. The new TEME organization is now able to provide exceptional synergy, reduce overhead costs, and has led to other CF firsts such as The Commercial Vehicle Optimum Life Business Case (Warranty Model). This has proved to be a great success and is being looked at by Units across the CF for adoption.

Formation Logistics has also taken a very pro-active approach to the management of waste in Formation Halifax. An Integrated Waste and Hazardous Materiels Management Officer is now responsible for all aspects of waste management. This led to a very pro-active approach to the diversion of waste from the landfill, and has ensured that the Formation has not only met, but also exceeded, all federal and local municipal waste diversion targets. As well, the establishment of a Centralized Hazardous Materiels Management Programme in Formation Halifax was assessed by the Office of the Auditor General as exemplary in demonstrating the direction that the rest of the CF should be pursuing. As such, it is another example of a CF Best Practice.

The management of acquisition credit cards is another area where Formation Logistics has excelled. A one-day course was developed and introduced to ensure that every cardholder was adequately trained to use the cards within locally established contracting guidelines. This and other similar contracting training packages which have been developed locally have been requested by units across the CF to assist in the development of their much-needed training programs.

Formation Logistics has also led the way in the CF in its commitment to vendor relations and the partnership that has developed over the last few years between the waterfront customers and the vendors. This value-added activity provides a bridge between the vendor and the client, so that both are well served. A key element of this activity is the sponsorship of bi-annual Trade Shows that allows the vendor and buyer to meet and exchange information. The latest Trade Show had 100 exhibitors and more than 1,000 customers visit in a single day.

Effective communication of the Unit vision and accomplishments have been made a priority. A myriad of tools have been developed, including a first class web site and newsletter, and a video of the supply activities used to explain the unique nature of naval support in the Dockyard. Additionally, a number of brochures have been developed on the programs and capabilities in Formation Logistics in order that best practices developed in Halifax can be exported for use elsewhere.

The materiel management activities in Formation Logistics Halifax are second to none in the CF today. They have aided in the implementation of industry best practices, including cross docking, multi-skilling, delayering, inventory reduction, and warehouse consolidation.

Formation Logistics corporate services have also embraced innovative business practices. Tabular format training has been taken in order that staff could have a better understanding of potential contracting-out scenarios. Activity-Based Costing models have been developed and staffs trained in their development and use. Resources have also been reallocated so that Activity-Based Management is a reality in the organization.

Finally, many of the initiatives that have been put in place in Formation Logistics Halifax, would not have been considered or accomplished if it were not for the "continuous learning" culture that has been developed. From in-house support for the completion of the GED, through to embracing the NIGP certification programme for those involved in buying, Formation Logistics has made a significant investment in the education and personal development of its workforce. It is a matter of great pride in the Unit that

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Paul Ragan

A COLLABORATIVE APPROACH TO INCENTIVES AND RISKS…

FINDING VALUE IN YOUR 3PL

It is axiomatic in business today that you provide ever-improving value to your clients or they will soon be someone else's client! The third party logistics business is in many ways a proving ground for new and creative solutions to the unique opportunities in supply chain and logistics. The relationship described herein has achieved superior business results for all participants. Yet to date it is unusual, due to the very components which make it successful — two-way integration and outsourced decision-making.

Over 20 years ago, Wal-Mart and Procter & Gamble pioneered the effective sharing of information. This has evolved into the millions of current trading relationships, enabled by electronic means and the Internet. There continues to be two primary goals: increase business efficiency, and improve the use of working capital allocated to inventory.

The forecasting of demand and the control of inventory investment are not disciplines that third party companies have traditionally been involved in. This is what makes the programs in place at Nadiscorp Logistics Inc. (NLI) of Brampton, Ont. innovative and unique to that market sector. The opportunity to work collaboratively with a client in a highly integrated manner, and to share in that success, is new ground for the industry.

The client is a U.S. based multi national food company. The organization has a very small head office in Canada, relies on a broker network for sales and Nadiscorp for virtually everything else. While the relationship is complex given the number of distinct business functions performed by Nadiscorp, the fee structure is as straightforward and simple as possible. A service fee is only charged when a unit of product is shipped to the client's customer.

The client provides a monthly sales forecast which is received by Nadiscorp Logistics electronically. At this point NLI takes over, using EDI and software programs specifically designed for this application to complete each step required to operate the business. It is informative to look at the discreet groups of business processes and see the high degree of integration between the two organizations.

Forecasting and Inventory Management

The monthly sales information is received electronically in the NLI system, by SKU and by territory. A logistics coordinator at Nadiscorp determines a target number of weeks of inventory for all locations across Canada stocking that particular SKU. It should be noted that while Nadiscorp has a network of warehouses across the country, the logistics coordinator chooses the specific stocking locations based on sales velocity, service levels, cost, and the known characteristics of the specific product.

Nadiscorp will electronically order the product from several plant locations in Canada and the U.S. The system specifies ship date, quantity, and location. This triggers production of the product.

Moving inventory back up the supply chain is costly and only occurs as a last resort. If the inventory is not in the correct location, Nadiscorp will move the product to the proper territory at no cost to the client. This is a part of the established common objectives between supplier and client, assuming responsibility and being accountable.

Nadiscorp earns its service fees when goods are sold. If there is a short shipment, for any reason, there is no fee. If a decision needs to be made to move an item upstream, to recover the value or protect the quality of the product, the logistics coordinator managing the client's business is empowered to make that call.

From an inventory management perspective, a properly structured outsourcing arrangement can and does work to the advantage of the client and the third party company. The relationship incorporates high levels of control, visibility and execution. This benefits the client while keeping capital and infrastructure costs low and flexibility high.

Order Management

Most orders are received electronically into the Nadiscorp inventory management system directly from the client's customers. Smaller customers can fax if they choose. After the orders have been received at the NLI hub in Brampton, they flow through the system to the appropriate location for fulfillment. This includes shipments that can be sent directly from one of the manufacturing locations.

An electronic shipping order is printed at its destination directly from the hub system. Printers and systems are positioned at the manufacturing sites for this purpose. NLI receives electronic shipping confirmation from the warehouse network. This triggers an invoice that is electronically submitted to the client's customer. This results in less data entry, less risk of error, and improved processing time.

Freight Management

Part of the service that the logistics coordinator provides is to predetermine the freight mode based on customer requirements and

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Major Heather Thorne-Albright

REVOLUTIONIZING FLEET MANAGEMENT IN THE DEPARTMENT OF NATIONAL DEFENCE

It has long been said that "information is power," but information for fleet managers (FM) also involves time, money and safety. Access to that information is key to the Department of National Defence's Fleet Management System (FMS). This innovative system allows fleet managers to perform comparative analysis on various sets of data, accident risk management and life cycle management. Fleet managers are better informed, resulting in better decisions regarding safety issues, driver training and fleet management in general.

Managing DND's fleet is no small task. There are more than 9,000 commercial pattern prime movers, 11,000 standard military pattern vehicles and an additional 10,000 pieces of equipment (trailers and guns) that are plated and required to be tracked for management purposes. Prior to 1998, the Department had no effective solitary system that could provide the information that was required to measure performance and to justify vehicle establishments. Further, there was no way to compare DND's track record with the civilian industry. Unfortunately there were no commercial software systems available to meet the Department's needs. As a result, DND developed their own software. Today it is installed and operating in every base across Canada and being used in the majority of the Department's operations deployed throughout the world.

But how did the small cadre of fleet managers at National Defence Headquarters (NDHQ) convince senior personnel to make such a large investment, especially during a period of fiscal restraint? It began with the Auditor General's Report in 1991 which claimed that DND's "Transportation Planning was not being sufficiently co-ordinated." With three systems in place to monitor vehicles, none had the capacity to report on all the information required to manage the fleet nor was there an interface in place to integrate the information already being collected. In addition to the Auditor General's Report, here has been great Parliamentary interest in our fleet management information systems as a result of Bill S-7, an Act to Accelerate the Use of Alternative Fuels for Motor Vehicles. FMS allows the Department to demonstrate DND's commitment to "greening the fleet" in support of the Alternative Fuels Act. There is a requirement for raw data to provide statistical proof that shows the government Departments (in this case DND) are complying with the required use of ATF vehicles (where operationally feasible and cost effective to do so) in the federal government fleet. DND has the second largest fleet in government and has become a leader of Alternative Fuels in the Federal Fleet.

The Transport Management (TM) section at NDHQ in Ottawa is responsible for all aspects of corporate fleet management. Their goal is to provide DND's fleet management staff at all levels timely access to information, an MIS-based decision support mechanism, and to anticipate and provide for future requirements where possible. TM also provides direction on matters of policy in the area of fleet management for the CF. These policies have been evolving as the role of TM in corporate fleet management evolves. All policies are intended to support TM's clients in the proper management of their portion of the national fleet. It is therefore imperative that the system reflects TM policy and, as such, TM policy must be embedded in the FMS application. The various policies drive the operational processes in the application. This in turn leads to the requirements for statistics gathering by clients at the site level, compilation at the Environmental Command level, and final amalgamation at National Headquarters. This is used in response to parliamentary inquiries and benchmarking against industry leaders.

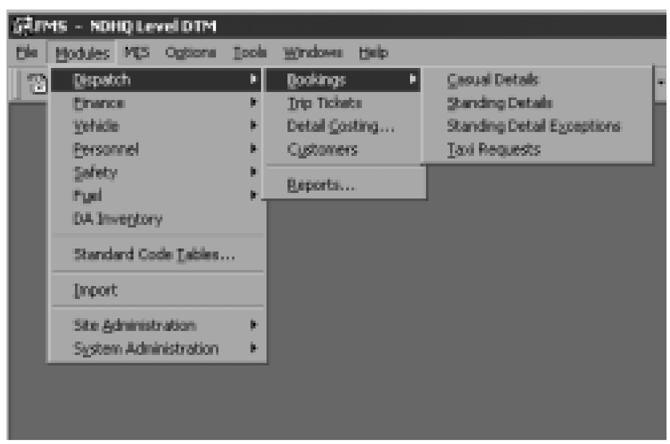


Diagram 1 - FMS Modules

FMS has three main business purposes: operational management, statistic and policy reporting, and performance measurement. In terms of fleet management there are six modules: Dispatch, Vehicles, Financial, Personnel, Safety and Fuel. The dispatch module tracks bookings, casual and standing details, customer information, taxi requests, costing and reports. The vehicle module monitors fleet statistics, preventative maintenance, vehicle rotations, defects and repairs and provides vehicle and maintenance reports. The financial section keeps track of overtime and meal claims, rental purchase orders, rental invoices and financial coding and budgets.

The safety module is critical to licensing, driver safety and accident analysis. This function facilitates the start-to-finish process of producing the DND 404 – CF Driver's Permit. As the only Department that has its own licensing system, FMS compiles information from the Driver Records and Driver Qualifications and allows the assignment of the appropriate type of DND 404. The license is then electronically generated, leaving room for manual input of comments, restrictions and the appropriate approvals for the license. If a driver is transferred to another base, a copy of the driver's record is sent to the new site electronically. The driver's record can then be imported which saves the new site from creating an entirely new driver record. A driver cannot drive a vehicle unless he has a FMS Driver record at the site. Soon dispatchers will have access to a national database, whereby they can check driver records without downloading all of the data.

In Accident Reporting, there are two reports that must still be prepared manually. However, the functionality of the accident analysis module and the ability to highlight trends is a real time saver for Fleet Managers. The Statistic and Policy reporting feature allows for the analysis of Accident and Fleet Statistics and for the collection of data to justify business cases. FMS provides the tools at each organizational level to gather and analyze data and provide the manager with the required information to support management decisions. To accomplish these tasks however, the correct data must be at the right place at the right time.

Analysis revealed that there was an increase in the rate of AVGP accidents in 1999. Accident data in FMS quickly revealed that the level of driver experience was very low in the majority of the accidents. Additional training measures have now been put in place to help remedy this serious problem. FMS statistics gave a clear and possibly life-saving snapshot of the accident data and provided for the recommendation of effective remedial action.

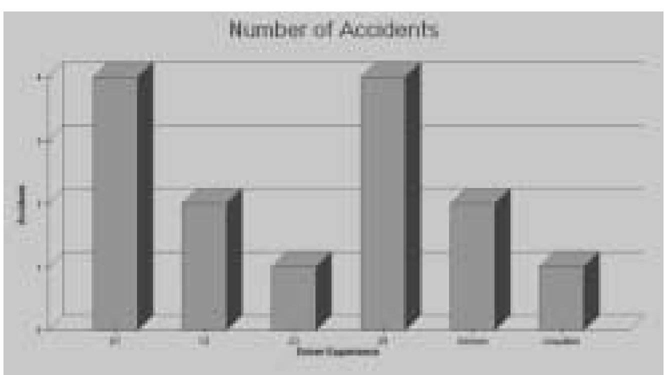


Diagram 2 - AVGP Accidents and Driver Experience

The Performance Measurement features embedded in FMS allow Fleet Managers to compare historical performance, make a comparison between Units, and perform Benchmarking against other units or Environmental Commands.

For the Fleet Manager in Cold Lake, FMS statistics helped to highlight the vast amounts of funds that were being expended on rental vehicles. He believed that by establishing a pool of vehicles he could substantially reduce this figure. Data from FMS helped substantiate the business case and this idea is now at the implementation stage. Similarly, when there are unique circumstances (i.e. the Ice

Storm), the creation of a new customer profile in the dispatch module allows for easy tracking of unforecasted operational expenses.

Recent events in the federal government in general, and the Department of National Defence in particular, have shown that there must be mechanisms to anticipate change and to alleviate its effects. These changes can come from any number of sources. The responsibility of TM is to accommodate the functionality of the end-users in the face of dynamic change.

With all systems, but in particular with a fleet management system, it is important that the Department not only maintains technical capabilities compatible with current and near term requirements, but it must also keep current with new and emerging technologies and long term trends. This is required to not only maintain the current capabilities, but to harness and utilize future changes in an optimum manner. In today's information era, information systems are key to both the success of the deployed forces on the battlefield and to the cost-effective management of the Department, both of which are ultimately NDHQ responsibilities. The challenge to managers and planners is to anticipate, acquire and deliver these systems on budget, on time, and in accordance with the user's requirements and Treasury Board policy.

The future of FMS is in web-enabling technologies and wireless data collection to facilitate "real time" information availability. The web-enabled version will require less maintenance and will streamline future improvements. The investment of time and money into the development of a web-enabled FMS will ensure that fleet managers of the future have the information that they need when they need it. It is anticipated that the web-enabled version of FMS will be available sometime in 2003.

Major Heather Thorne-Albright, National Defence Headquarters, Corporate Fleet Manager

Jim Davidson

The Value of Management Information

Most of us would be hard-pressed to imagine a work environment without a computer. With a few keystrokes we can access a virtual mountain of data to help us understand the world around us, and to help us function within that world. Buried somewhere deep in our midst are the inevitable pearls of wisdom that can add valuable perspective to the management teams of both large and small companies.

However, like gems of another kind, the beauty of these "pearls" is in the eye of the beholder. What may be critical information to a warehouse manager can be trivial to a sales manager. A stack of financial reports vital to the interests of the treasurer and shareholders will have little value to the data needed by an operations manager focused on daily and tactical challenges.

Although there is a certain truth to the idea that there is no such thing as too much information, I would add the caveat that within the realm of supply chain management, we can quickly become overwhelmed by the sheer volume of available data. It is not just a question of quantity – the issue is the value of the information we are able to retrieve. Some of the most critical information for management is easily accessed and processed with the right tools. But how do we isolate the relevant information for the right process? How do we find what is relevant to our specific needs and bypass what is superfluous? Managing the supply chain is not simply about studying the cost of transportation, it is about managing a much broader way of doing business.

Over the next couple of LQ magazine issues, we will look at the value of supply chain information to a company – whether it is for accounting, marketing, manufacturing, warehousing and distribution, or senior management purposes. We will look at what information we need, as well as where and how we go about finding it. We will also look at how to interpret the information into management reports and put the information to work as a key management tool to improve business.

Regardless of the state of your company and its immediate issues — increasing profits, cutting losses, or even corporate survival itself — you can only manage what you know. Moreover, you only know what the information tells you. Anything else is guessing. Mining accurate information for each element of your business in a timely way is critical.

Most of us remember the Lewis Carroll classic, 'Alice in Wonderland'. Do you remember Alice asking the Cheshire cat to tell her which way she ought to go from there? The Cheshire cat replied: "That depends a good deal on where you want to get to." Alice said she did not much care where she was going, to which the cat replied, "then it doesn't matter which way you go!" "But", Alice clarified, "as long as I go somewhere." The cat told Alice that if she walked long enough, surely she would end up somewhere.

Taking a lesson from Alice's lack of clarity and goal, we can see that the first and ultimately most important step in gathering supply chain management data is to know

the purpose for which we are gathering information. If you cannot manage what you do not know, it logically follows that you canot improve what you cannot measure. Combined, these factors lay out the process. What information do we need to manage the business, where do we find it, and how do we measure it?

Before diving headfirst into a sea of computer-generated reports and thrashing about looking for the information, we need to set a baseline. Those are the key performance indicators from which we set the standards of performance. They can be different from industry to industry, and in fact, can vary from one department to the next. We need to know what we are measuring and the starting point from which we are measuring. For example, customers may be happy with our performance in one region and yet in another we hear endless complaints. Why is this? What are we doing right in one region and yet falling short in another – and how do we get a grip on it? Why is one region profitable, but not another? We need a baseline from which to measure.

Dollars are not the only reflection of cost. Do you know your transit times? Do you know if your freight is always on time? Do you repeatedly rely on expedited service to ensure that a critical delivery time is met? In other words, are you getting the service for which you are paying? How do you reconcile the cost of a carrier's non-performance in either dollars or customer confidence?

Regardless of the commerce sector in which your company operates, there is a fundamental need to set benchmarks. The progress you are making, relative to the standards and expectations that must be met for you to achieve your goals, is one such benchmark.

It may be easy to understand how baselines and benchmarks might vary by industry or by customer. But it is also important to get a handle on how they might vary within your own company. How do we set benchmarks that are universally accepted common denominators in today's economy, where growth is often by acquisition?

One operating division functioning profitably may be using a different legacy system than another equally profitable division. Rather than upset systems that are working, the challenge becomes how to establish a unified system in which cost savings can be measured and performance improved.

When starting a new project, the logistics team first addresses the IT staff, who run the computers that contain the bulk of the information needed. That is a reasonable approach. However, not all of the supply chain information is in your company's legacy system. Staff and managers from all departments have grist to add to the mill. Taking a broader view, your company may have inventory throughout the entire supply chain. Each partner in the distribution network may be forced to absorb associated costs. From the cost of the warehousing space itself, to the cost of financing the inventory and the potential risk of extra handling – all add cost.

Mega-chain retailers have pushed an entire industry to rethink its concept of supply chain management. With each transaction ringing through an electronic cash register, information races through an electronic web and triggers responses all the way back to suppliers who begin the manufacturing process to replenish sold stock. Each transaction costs a few pennies to trigger and while on balance the process is efficient and lean, those pennies can add up to millions.

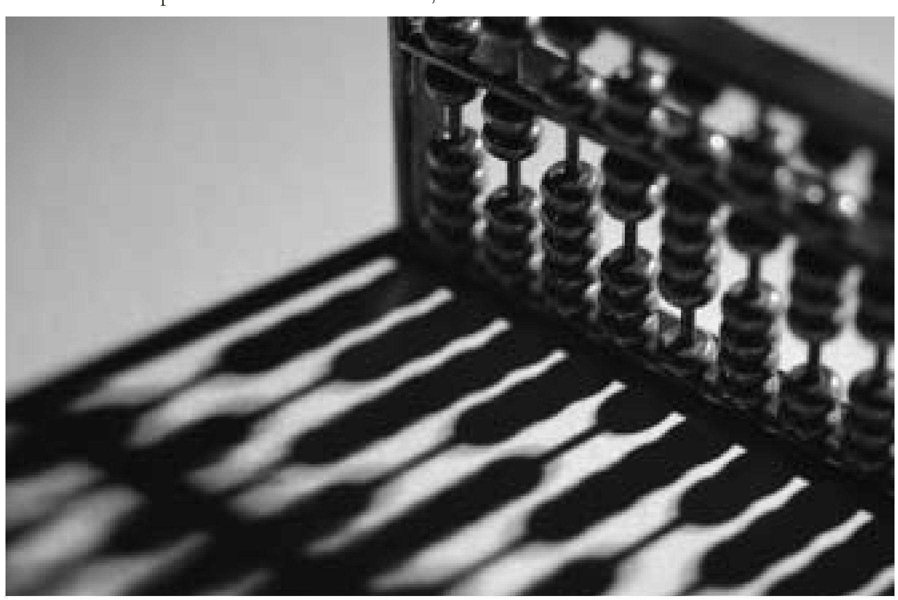
Factoring in millions of transactions, those pennies can add up to lost millions. Here is the challenge. Examine your supply chain management. Whether you are manufacturing or distributing cans of soup or electric drills, do you know your shipping costs on each and every unit you distribute? Do you know what it costs to hold inventory on each unit, for an extra day? Do you know the difference between selling a single unit to your largest customer in Seattle, compared to selling it to your smallest customer in Peterborough? What is the impact of that spread on your bottom line?

If you knew these details, how would it affect how your senior management team runs the company? What would be the impact on how your operations manager determines production schedules, how your logistics manager sets inventory levels, how your marketing manager sets prices, or how your sales manager targets new clients?

At the risk of sounding trite, I suggest that the most critical decision in the logistics process is the decision to begin that process. To paraphrase a popular colloquialism logistics is a journey, not a destination. Facts and trends that arise from reports, can give us insights into the realities of the supply chain.

In the coming issues of Logistics Quarterly I will take a practical look at supply chain information. There may well be information lurking deep within your legacy system that is waiting to be liberated as a critical management tool.

Jim Davidson is President, iWheels Logistics



Major Yves Pinet

AUTOMATION IN THE CF SUPPLY CHAIN
(NATIONAL MATERIAL MANAGEMENT SYSTEM)

In the Canadian Forces, material is moved locally, nationally and internationally. Transportation is enabled using a mix of commercial carriers and the Canadian Forces' road and air resources, for those remote sites in Canada and throughout the world not normally covered by common carriers. Shipments can consist of cargo, vehicles, ammunition, and troops.

In order to manage this movement, the Canadian Forces has developed the National Material Distribution System (NMDS), an application to provide an automated solution to shipping, receiving and tracking of material. NMDS is a government-wide mission critical application. It is critical in that asset visibility must be maintained while material is in transit, particularly for the transportation of dangerous goods. The Directorate of Materiel Management and Distribution is responsible for the provision, maintenance and support of NMDS.

The NMDS application is essential in tracking shipments between sites, depots, bases, regiments and in remote locations for all navy, army and air force shipments. It provides the ability for DND to plan and control material movements in support of operation contingencies, mobilization and war. Additionally, it provides a more effective and efficient material movement capability in peacetime, particularly in a deregulated transportation environment. NMDS produces data on material traffic movements in order that sound management decisions can be made in areas such as: shipment consolidation, movement mode selection, tariff negotiations, composition of DND transportation resources and the production of documentation for shipping and customs.

In addition to normal day-to-day operations, the Canadian Forces responds to a variety of requests to participate in national and international missions. Whenever the Canadian Forces embarks on a mission, be it for a peace initiative or relief operation, the logistics system kicks into high gear, providing for any number of stores and other requirements. These requirements consist of any combination of material from medical supplies, engineering vehicles, specialized personnel, troops, to combat stores and tents. This would normally take months of logistical planning, but because of political realities, more often than not, the planning time is reduced to a matter of days.

The NMDS is crucial in tracking stores from the time shipments leave the depots and home base, through seaports or airports of embarkation and disembarkation, to their final destination. NMDS also provides the proper documentation for goods at the departure point and final destination. This includes proper documentation for customs and the shipping of dangerous goods.

KEY FEATURES OF NMDS

Automated Shipping Documents

There are two essential documents required for shipping in the CF: a consignment authorization request form (CARF) and a waybill (WSBL).

The CARF provides the details required to ensure that the consignment is properly routed. At this point two bar-coded shipping labels are also printed. A WSBL is subsequently created to "move" the consignments.

Any number of consignments can be moved on a WSBL, either directly to the destination or through an in-transit transportation agent (ITA). For example, most overseas operations are sustained by air from a central Air Transportation base such as Trenton, Ontario. To move material to Trenton, depots consolidate their consignments for operations supported by Trenton (such as Bosnia, the Golan Heights, etc) and moves them on one WSBL to Trenton. Upon receipt, Trenton creates new WSBL's for furtherance to individual destinations. In this way, as a consignment moves through the system it can be attached to a number of different WSBL's. As this occurs, the system is updated and a trace of the piece or consignment shows exactly what legs it took and the applicable document numbers.

When required the NMDS produces the requisite Transportation of Dangerous Goods and Customs documentation (both Canadian and International).

Bar-coding

Bar-code labels eliminate data entry errors in the shipping and receiving process. Bar-code labels can be scanned to automatically fill-in shipping information on the WSBL. Users scan the bar-code label to update the shipping status. Plans are presently in the works to standardize the bar code used on shipping labels by NATO members to permit interoperability. This will require the adoption of UCC/EAN's SSCC-18 as the shipping control number.

Track and Trace

NMDS incorporates a Track and Trace module that permits the user to track the progress of their consignment as it moves through the system. The system can trace pieces based on a TCN (basically the CARF number), or a supply system document number, at either the consignment level or at the piece level. For situations where the user

(Continued on page 38)

Feature

Peter Bromley, P. Log.

A MEASURE OF SUCCESS

It is a long-standing competitive requirement for companies to measure and improve on their business expertise – product research, development, production and marketing.

However, most organizations who manage their own logistics do not measure how effective and efficient their logistics practices are at improving their bottom line and customer expectations. Ironically, once the decision is made to outsource the logistics function to a third-party logistics provider (3PL), organizations quickly demand logistics data in order that they can evaluate the 3PL impact on their customers.

3PLs know meaningful reporting must be based on accurate measurement if it is to demonstrate added value. Measurement enhances the crucial foundation of trust that must develop between them and their clients if the relationship is to be productive and mutually beneficial.

Such has been the experience between UPS Logistics Group (UPS Logistics) and its client, the Canadian Pharmaceutical Distribution Network (CPDN).

CPDN – One Order, One Invoice, One Payment

CPDN is a not-for-profit co-operative created in 1995 to consolidate the purchasing and fulfillment of pharmaceutical products between over 500 Canadian hospitals and 25 pharmaceutical manufacturers. UPS Logistics manages the order collection, fulfillment, and distribution functions for approximately half of these hospital customers located east of Manitoba.

The CPDN's aim is to supply one-stop pharmaceutical shopping for hospitals, decrease multiple-order administration costs, and support manufacturer-hospital relationships. In other words, hospitals can now order any number of products from all member manufacturers with only one order, one invoice and one payment.

The CPDN, with its many member manufacturers, hundreds of customers, and thousands of products, all operating in a cost-reduction focused healthcare environment, creates significant logistical challenges that make it an excellent example of how logistics measurement can lead to improvements in an organization's overall effectiveness.

The Measurement Challenge

From its start in 1995, the CPDN quickly thrived and within three years member manufacturers and customers had more than doubled.

The complexity of CPDN's unique business model increases with each additional member and customer and by 1998 the association's system and processes began to strain under the demands of growing volume and complexity. System inefficiencies and customer service problems started emerging. In addition, CPDN noticed that its performance targets were not being met. The CPDN experienced increased costs associated with hospitals that had started ordering fewer items more frequently in order to reduce their costs associated with on-premises storage and inventory carrying costs.

Subsequent CPDN-3PL discussions soon identified the root of these problems — measurement criteria had not been defined. In their absence, CPDN and the 3PLs developed their own metrics, which resulted in inaccurate performance assessments and, an inability to meet expectations.

As inefficiencies and problems emerged, UPS Logistics immediately began consultation with CPDN's Operations Committee to develop and implement a comprehensive set of logistics measures called key performance indicators (KPIs).

The KPIs defined and established objectives and responsibilities for meeting and exceeding customer expectations and client satisfaction by incorporating metrics that involved all parties in the process — the manufacturers, the 3PLs and the hospitals.

Each player knew their role in both customer and client satisfaction: UPS Logistics was responsible for order entry, picking accuracy and carrier damages, while manufacturers were accountable for back orders and pricing accuracy. Hospitals were responsible for order efficiency.

Improving Measurement, Finding Solutions

After extensive collaboration, the CPDN and UPS Logistics identified 17 KPIs to measure and guide their performance. They agreed to a measurement objective, definition, and method of data collection for each.

Through the KPIs, the CPDN and 3PLs could ensure that performance was accurately and consistently measured, and that potential problem areas would be quickly identified and resolved before they could affect customers.

For example, one KPI was 'call abandonment', which measures the percentage of incoming calls to the order desk which are terminated by a hang-up rather than being answered by a customer service representative. A call abandonment rate of two per cent or less is considered world-class for a manufacturer. The call abandonment benchmark for an organization 25-times the size of the average manufacturer is still two per cent.

In the case of call abandonment, the first measurement in 1999 came in at 14 per cent. With a benchmark in hand, the 3PLs investigated and found the root cause of call abandonment that related to staffing and training issues. These were addressed and within six months, the call abandonment rate dropped to two per cent for the entire CPDN. Since then, the 3PLs have kept that KPI below two per cent.

The most important KPI is what UPS Logistics calls "the Perfect Order," which is CPDN's key measure of its ongoing success. Simply stated, it is defined as having the right product, in the right place, at the right time, and for the right price.

The Perfect Order is the best example of customer-focused measurement as it incorporates the performance of all parties involved. It provides a balanced view of how well the supply chain is functioning from the customer's perspective. The Perfect Order measures the 3PL for order entry accuracy, picking accuracy and carrier damages. It also measures manufacturers back orders and pricing accuracy.

In addition to implementing effective metrics, CPDN systems were expanded and updated to manage the increasing complexity and order volume.

New technology, including UPS Logistics' integrated order and warehouse management system, together with expanded use of Electronic Data Interchange (EDI) and hand-held radio frequency devices, were introduced to increase accuracy and efficiency and decrease costs to further improve performance and the customer experience.

Based on KPI performance, UPS Logistics also created a team dedicated to inventory management to address issues regarding picking accuracy and cycle count accuracy. The team first implemented a comprehensive inventory cycle counting process that triggered proactive cycle counts either randomly or when certain conditions were met. They included: volume of orders (velocity), empty bins as detected by the system, and a discrepancy reported by pickers or customers, or at the request of a manufacturer.

As the process identified inventory errors, the system was used to identify the root causes. They were analyzed and fixed, and used to improve the process.

The team also discovered that inventory and order accuracy errors were often related to problematic stock keeping units (SKUs). Pickers came across similar products produced by different manufacturers or units of measure that were not clear.

Some manufacturers package the same product in different quantities. If a hospital orders 10 units of product "X", the order picker goes to the corresponding warehouse product bin and finds that one package containing 10 vials of product "X". Without clear unit measures, pickers can pick 10 packages or one package of 10. To solve this problem, problematic SKUs were grouped in a special area where Polaroid photos with clear notations over each bin helped pickers identify correct unit measures.

By June 2000, with the KPIs well defined and systems in place, inventory accuracy – which is measured as the number of correct inventory counts divided by the total number of locations counted — was at 83.9 per cent. By June 2001 it had risen to 96.5 per cent.

Balancing Benchmarks and Barriers

For UPS Logistics, the "Big Five" KPIs that indicate a 3PL's performance in respect to a client are: on-time receiving, on-time shipping and delivery, order accuracy, inventory accuracy, and returns cycle time.

For the CPDN, UPS Logistics' Big Five KPI benchmarks are set at 99 per cent, and the call abandonment KPI target remains at two per cent.

In 1998, the KPI values that reflect the Perfect Order came in at less than 50 per cent. As of June 2001, it had reached 72 per cent, exceeding the established goal of 70 per cent. While the target remains at 99 per cent, the initial benchmark has been set at 70 per cent and will be ratcheted upwards towards the target value as problems are identified and resolved.

While 3PLs regularly exceed their KPI targets in many areas, some KPIs continue to be problematic as logistics management encounters barriers to effective measurement and improvement, including:

- *CPDN member and customer practices*: Member and hospital practices can introduce errors or inefficiencies for the entire association and its customers. As a result, the Perfect Order target is relatively low (70 per cent), but this has spurred the CPDN to turn the measurement mirror on itself and its customers.

  As a result, the CPDN is encouraging members and customers to improve their contribution to the Perfect Order measure by charging them what amounts to an inefficiency tax.

  Member companies are penalized financially when their KPIs do not meet targets for pricing accuracy, back orders and timely receipt of product prices for the CPDN product catalogue. They are also charged an inefficiency tax for non-EDI compliance.

  Similarly, hospitals are charged an inefficiency fee for placing orders that contain fewer than six order lines.

- *Lack of automated data entry*: Some measures, such as receiving turnaround time, will always require manual data entry and as a result, will slow down the overall process and be a possible source of error.

Whatever the issue, logistics measurement has developed to the point where it now drives client-3PL business discussions.

As his organization enters the 21st Century, CPDN President Terry Rooney is a happy 3PL client. "Logistics metrics have changed the way we do business. We resolve customer complaints effectively; our members are improving their own businesses; and we are now identifying and fixing emerging problems before the hospitals even notice – what more could I ask for?"

Peter Bromley is Vice President, Operations, Supply Chain Management at UPS Logistics Group in Oakville, Ontario. Peter has been involved with CPDN since its pilot program in 1995.

UPS Logistics Group, a subsidiary of United Parcel Service, provides supply chain management services with a global network of 420 locations in more than 50 countries. In 2001, UPS Logistics acquired Oakville-based Livingston, a 60-year old logistics company offering specialized logistics services to the healthcare industry.

Lieutenant-Colonel Robert Blair

THE PATH OF CHANGE

Background

"We are short of money-so we must begin to think" – Lord Rutherford.

The impetus for change in the Canadian Forces (CF) has resulted from a continuing decline in the defence budget. The number of Canadian Forces personnel dropped to 57,000 in 2001, down from 87,000 in 1990. The military budget also dropped to $9.3 billion in 1999 from $12.8 billion in 1990. In real dollar terms, "the Canadian Defence budget, according to the NATO definition was 2.0 percent of Gross Domestic Product (GDP) in 1990. In 2000, it was 1.2 percent of GDP. Since GDP is greater today than in 1990, if the 1990 share of GDP had held constant, the 2000 defence budget would have been approximately $21.2 billion. In GDP terms, the real defence budget underwent a 40 percent reduction — or a $8.5 billion reduction by 2000.

The real equipment budget shrank even more than this. By NATO's definition, the 1990 equipment budget accounted for 0.34 percent of GDP, whereas for 2000 it was estimated to be only 0.12 percent of GDP — a reduction of some 65 percent. In dollar terms the drop in equipment capital availability went from about $3.5 billion to about $1.3 billion."[1] These pressures have been exacerbated by new operations, significant organizational and cultural change, an increased operational tempo, as well as aging capital equipment. In fact, the Canadian Forces have executed more operations in the last decade than in the previous 35 years.[2]

The military forces of other countries have faced the same challenges as Canada. The U.S. Air Force is 40 percent smaller than it was 11 years ago and so is the U.S. Navy. Over the same period, the U.S. Army has been reduced by 38 percent.[3] Jeffrey Bialos, a senior fellow at Harvard University, speaking about the American military budget states, "In a certain sense, virtually all defence programs have been underfunded in recent years as scarce taxpayer dollars have been dispersed to cover a range of potential and technologically-leveraged 21st century threats. It is akin to holding a diversified stock portfolio, we don't know which of these threats is likely to mature, and, hence, need some ongoing activity as a hedge."[4] The Chief of American Naval Operations, Admiral Vern Clark, has indicated that their Navy will face an annual shortage of $10 billion between what it requires to maintain its current ship and aircraft inventory and what it can expect to receive in coming budgets.[5]

In a recent Defence Review, the government of New Zealand radically reshaped the defence force. It will eliminate all fixed–wing jet fighters and trainers by December, 2001.[6]

The Path

"You got to be careful if you don't know where you are going, because you might not get there" – Yogi Berra.

There has been a revolution in Military Affairs and related alterations in business management within the CF. There has also been a revolution in Strategic Affairs, which Canada's government must address. These revolutions have dictated concurrent and required change in the way that the Canadian Forces carries out its business. In a recent article, Vice-Admiral Gary Garnett, ex-Vice Chief of Defence Staff, underscores the importance of such change. He states that, "the dramatic transformation that all elements of the Canadian Forces are now experiencing conform to the definition given in a recent article in *Parameters*, a revolution in the basic sense, a new order of things that is sweeping away the old order whether we want it to or not."[7] As a result of the present climate of achieving a new path of change, the Department of National Defence has undertaken several initiatives. Unneeded and excessive weapon systems have been eliminated or reduced and remaining systems have received life extensions via upgrades to free up sufficient funds for force modernization and transformation. Plans are in place to decrease excess infrastructure and outsource more support operations and maintenance work. There has been an increase in industrial cooperation with our allies and we are exploring ways to exploit the latest commercial technology. Flight simulation and a weapons effects simulation system[8] are being examined and we continue to seek new ways of doing business, including alternate service delivery (ASD).

Traditionally, ASD was seen as the replacement of military and civilian departmental members by civilian contractors. It is now seen as part of the continuous improvement process within the DND. In its most generic sense, ASD includes any way of changing the way we do business. This encompasses outsourcing, partnerships with industry (as demonstrated by the future embedding of military personnel in the contractor's staffs within the Department's Supply Chain), devolution and the introduction of internal efficiencies. By 2005, we will reduce our infrastructure by 10 percent and Base and Wing Commanders have been given the flexibility to achieve this target. This option is more palatable than closing bases and gives Commanders direct input in the implementation of this reduction.

Possible solutions that meet future commitments include: an increase in the budget, a procurement strategy that invests maximum combat capability, a potentially smaller military or some combination of these options. It is anticipated that future budgets for military functions will remain constant or decrease. Therefore, the most likely scenario is that we will become a smaller, more reactive, agile, and better-equipped force. "Military capability is no longer a simple function of the number of personnel in uniform. The multiplying effect of technological enablers has led to modern forces that are smaller, yet many times more lethal."[9] Three of the many technological possibilities that achieve this new basic structure are: the use of Unmanned Air Vehicles[10], the quadrupling of bombing strike capability[11], and, the potential under-ice operations of Canadian submarines in the Artic due to the air-independent propulsion of our Victoria-class submarines[12].

The challenge for DND is not only about money. The government has re-invested more than $3 billion in Defence over the past two years. However, the hard choices of how to expend limited resources and properly allocate them will remain extremely important. Defence must focus its time, energy and resources on what matters most. The road to change will see the CF evolve even faster than in the past and this will impose certain risks. Change was highlighted as one of two agendas in the publication, "Defence 2020 Strategy," published by DND. The change agenda is comprised of eight strategic change objectives to build upon existing policy and to enunciate and achieve the long-term goals of DND. Although the strategy for the road to change has been outlined in Strategy 2020, it has been further articulated in the "Report on Plans and Priorities 2001." This document specifies five corporate priorities:

- Putting People First;
- Optimize Force Structure to meet Capability Requirements;
- Maximize Business Management Effectiveness;
- Foster Canada's Defence Relationships; and,
- Contributing to National Priorities.

By following the path of change through these strategic objectives, we will strengthen leadership and professional development, improve our management practices, nurture ethics, and create rewarding career opportunities for all personnel.

Organizationally, a Directorate of Strategic Change has been established and each Environmental Chief of Staff has a Change Management section. Careful, positive analysis will guide our actions. To be successful, we must make the tough decisions and implement them, after aligning them with our strategy and ensuring that they are consistent with our change objectives.

FOOTNOTES

1. "The Capital/Capabilities Gap: The Final Rustout Decade of the Canadian Forces?" by Brian S. MacDonald, President The Atlantic Council of Canada in ON TRACK, the newsletter of the Conference of Defence Associations Institute, 29 June, 2001, Page 15

2. "The Canadian Forces More Capable in an Unpredictable World," by Vice-Admiral G.L. Garnett, Vice Chief of the Defence Staff in ON TRACK, the newsletter of the Conference of Defence Associations Institute, 29 June, 2001, Page 5

3. "Statement of Admiral Vernon Clark at the Surface Navy Association National Symposium, January 10, 200 at the Hyatt Regency Crystal City," page 11. Found at the United States Navy web site at http://www.navy.mil. See also "Air Force, Journal of the Air Force Association" May 2001, Table entitled Air Force Personnel Strength (As of Sept 30, 2000), Page 45

4. "From Review to Results-Rumsfeld Will Be Judged on Critical Reforms," by Jeffrey Bialos in May 14, 2001 Defense News, Page 29

5. "Statement of Admiral Vernon E. Clark U.S. Navy Chief of Naval Operation before the House Appropriation Committee Defense Subcommittee," 23 July 2001. Found at the United States Navy web site at http://www.navy.mil

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7. "The Canadian Forces and the Revolution in Military Affairs: A Time For Change" by Vice–Admiral Gary Garnett, Vice Chief of the Defence Staff in Canadian Military Journal, Spring 2001, Page 5

8. See "Canada Shops for Weapon Effects Simulators," by David Pugliese in Defense News, 4-10 June 2001, Page 26

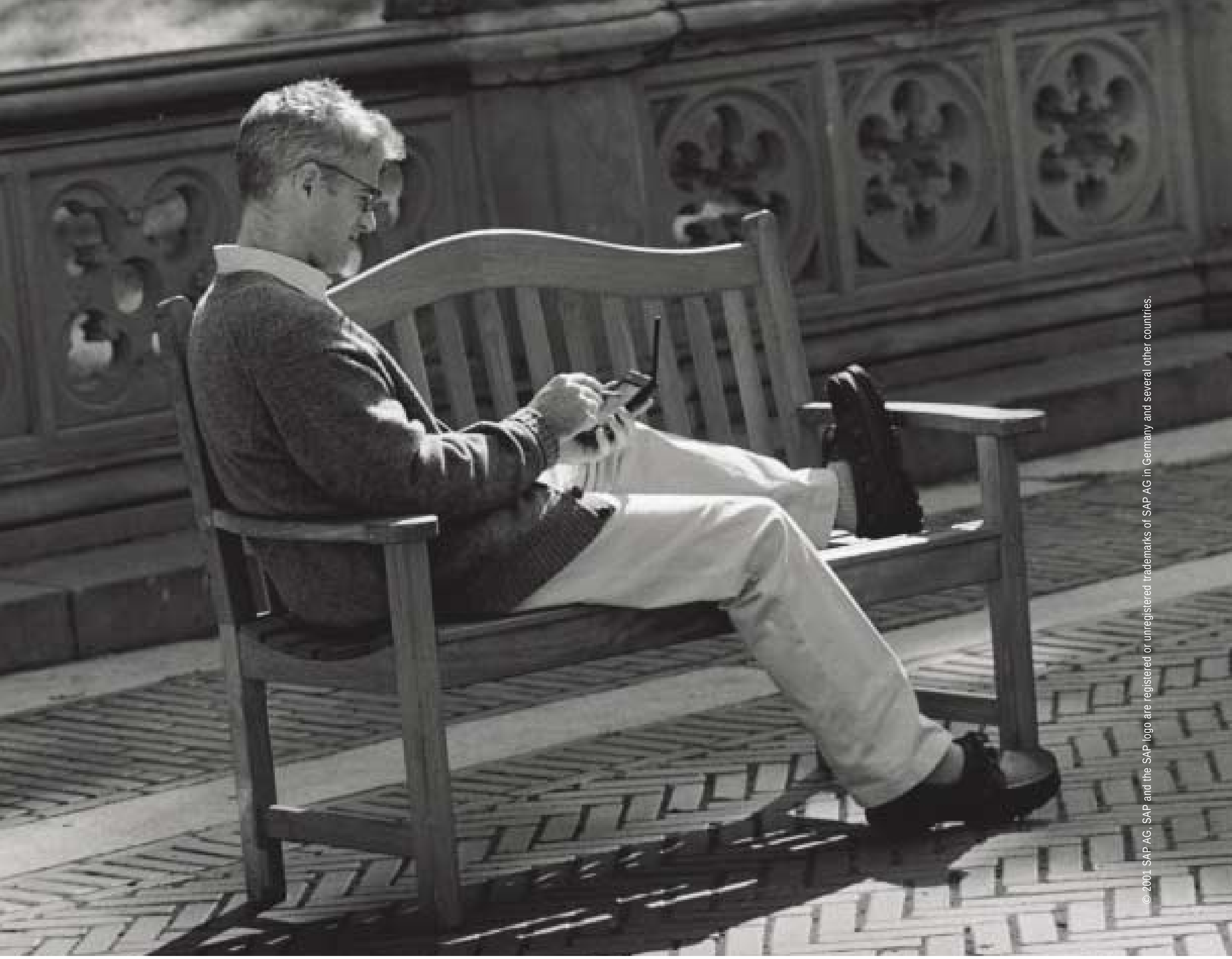
9. "The Canadian Forces More Capable in an Unpredictable World," by Vice-Admiral G.L. Garnett, Vice Chief of the Defence Staff in ON TRACK, the newsletter of the Conference of Defence Associations Institute, 29 June, 2001, Page 5

10. See "Canada Interested in Unmanned Air Vehicles", by Mike Reyno in WINGS-Canada's National Aviation Magazine, Issue 3, Volume 42, July/August 2001, Page 26

11. See "Smaller Bombs Could Quadruple Strike Capability," by Gail Kaufman in Defense News, 2-8 July, 2001 Page 5

12. See "Canadian Study New Sub Propulsion" by David Pugliese in Defense News, 26 March, 2001 Page 4

Lieutenant-Colonel Robert Blair, Director of Air Strategic Plans 5 – Change Mangement, CD, MBA, Plog



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Carol West

Surprise — SCM is About People, not Technology

In a recent interview Colin Billinge, European marketing director for General Electric's global, Internet-based supplier network, expressed dismay. The Internet, it seems, is not the universal panacea he once thought it was. When it comes to making supply chain management (SCM) work, it turns out that people play just as important a role as technology.

So perhaps Oracle founder Larry Ellison got it wrong. The Internet changes a lot of things, but it does not change everything. One of the things it does not change is this: supply chain management is about knowledge and relationships — which means it is about people.

Now, do not get me wrong. As readers of this column know, I am no Internet-basher. The Internet – along with the technology that lets us digitize and automate information exchange — is, without doubt, the single most important tool for enabling SCM. Business worth trillions of dollars is flowing through Internet-based supply chains today, and growth estimates for the foreseeable future are astounding.

But Internet-based supply chains do not turn bits and bytes of data into the knowledge you need to manage all that activity — people do that. And the Internet does not turn data exchange into meaningful, trusted business relationships.

That is something that many of us, mesmerized as we are by technology, tend to forget. But sooner or later, the truth comes home.

Take, for example, the role of customs brokers in the supply chain.

For years, companies have turned to brokers to help manage the relationships between themselves, other supply chain partners, and customs authorities. With good reason. Brokers have the knowledge and expertise in cross-border logistics, tariffs and customs procedures. They understand how customs affects their clients' business needs and operations. They have well-established working relationships with customs authorities, and the skills to manage their clients' relationship with customs effectively.

But in recent years, technology has sometimes obscured the real value of a broker's knowledge and relationship management role. Automated customs coding software comes along. Customs agencies introduce new automated clearance systems. Globalizing free trade agreements seem to strip customs transactions of any real significance. Some companies start to think of the broker simply as the one who flips the switch that sends transaction information to customs — a useful function perhaps, but a simple one, not a high-value, critical business process.

Companies that think that way see the broker's role in SCM as a very narrow, limited one: minimize customs transaction costs, and get goods cleared as fast as possible. That is a shame, because brokers can — and do — bring much more value to the process.

The reality is, relationships with customs are far more complex today than ever before. From a customs perspective, technology-driven globalization results in more complex trade management issues. Tariffs have been reduced, but new complications arise regarding things like rules of origin, end use, labelling, health and safety standards. Internet-based procurement means a greater variety of products from a greater variety of source countries — leading to more complex trade, regulatory and logistics challenges, over and above the traditional challenges of customs clearance.

As a result, customs authorities are using technology to shift procedures away from transaction-by-transaction clearance and accounting at the border, towards a more holistic focus on monitoring and auditing an importer's business. In Canada, the new Customs Self Assessment program can virtually eliminate clearance procedures at the border — provided that importers maintain comprehensive data trails on each trade transaction, from initial order through to delivery of goods to their final destination. The data reporting and post-clearance audit requirements are extremely detailed, placing far greater demands on importers in terms of knowledge, customs liabilities, and technology capabilities.

For companies interested in SCM, it is becoming clear that the real value a broker brings to the process is not technological sophistication — although that is something brokers have in spades. The real value is in a broker's knowledge and expertise in managing this increasingly complex customs relationship, facilitating the flow of information between importers, carriers and customs authorities. More than ever before, that expertise is essential to the expedited movement of goods across borders.

Internet-based SCM and automated SCM processes are here to stay. For many companies, they are not an optional luxury. They are a do-or-die necessity. But if you think that technology is the essence — not just the platform — for SCM, you may miss the mark completely. As the experience of customs brokers shows, more and more companies are learning that the value of the SCM revolution lies not in the enabling technology. It lies in what the technology makes possible — the application of knowledge in new ways, and the management of new, more complex supply chain relationships.

More than ever before, SCM is about people.

Carol West is President, Canadian Society of Customs Brokers. www.cscb.ca.

   

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(Logistics Profiles, continued from page 9)

initial delivery didn't quite pass the clearance height of 12 feet. "The first truck was able to enter the loading dock, because the freight weighed it down," says Hudson. "Once the freight was unloaded, the truck was too high to get out of the underground lot and they had to deflate its tires."

Approximately 1,000 metres of underground passage separates the loading dock from the freight elevator, the length of a full city block. Each crate was individually removed by hand and placed on a dolly or pump truck — the lack of mechanical instruments making for an extremely labor intensive task.

The dimensions of the art crates, in relation to the corridors also called for strategic maneuvering - the largest crate standing tall at 20'L x 10'W x 2'H, and the hallway from the elevator to the exhibition floor, a mere 8'4" H x 6'6" W. "A lot of time was spent bringing each individual piece down the corridor," says Elek. "That particular elevator services the entire building."

An international success

Despite the logistical challenges, the exhibit was transported successfully and presented in a stunning visual display, courtesy of the Juhani Pallasmaa architectural firm.

"For the past ten days, we have watched in amazement as these fantastic pieces on paper and in glass, ceramics, wood and metal, have been unwrapped from the crates and assembled for this show," says Lynda Friendly, president & CEO at DX. "We are so fortunate to have gathered so many of Mr. Wirkkala's works under one roof, with such a beautiful presentation."

Eye, Hand & Thought seeks to reflect Wirkkala's sources of inspiration, from the initial sketches and prototypes through to production and the final object. "For Wirkkala, the form of an object was not just an aesthetic goal or intellectual perception, but the outcome of a dialogue between hand, eye and material," says Juhani Pallasmaa, exhibition architect.

Even 16 years after his death, Tapio Wirkkala continues to captivate audiences, urging DX and the Helsinki Design Museum to extend its tour date until November 30, 2001. "Visitors have been very impressed with the quality of the exhibition and are amazed with the variety and breadth of Tapio Wirkkala's work," says Hudson.

Schenker of Canada will coordinate the return shipping and handling of the artworks with Schenker's Finland division, whereupon the exhibit will travel to Gent, Belgium in the spring of 2002.

Jennifer Saliba is a Contributing Editor to Logistics Quarterly (LQ™) for Schenker of Canada.

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Captain Dan Mainguy, CD, PLog

TRAINING LOGISTICS PROFESSIONALS IN THE CANADIAN FORCES

Did we do it right? This is the question every corporate executive asks before they take a bold step into the unknown. From product design to production, to marketing and training or, more frequently, re-training, the uncertainty of the answer to such a simple question can often cause irrational changes to what was obviously the right direction. How do we reduce the risk of failure while remaining competitive and proactive in all aspects of business?

As I reviewed the Deliverables that were outlined by Mr. Victor Deyglio in his article, Millenium — Year 1 (LQ Vol. 7, Issue 2, page 7), I realized that the Institute is a business similar in many ways to others. Deliver the right product, at the right time, to the right place, and in the condition desired by the consumer. The only way to reduce risk and remain competitive is to know what the customer wants and be the best at delivering it.

Sounds simple. The Institute has re-invented, built, developed and re-aligned their products while at the same time positioned itself to be able to respond to future changes. A systems approach is essential when researching the required training content, the intended target markets, the method of instruction, and the medium of delivery. How do we train now knowing where technology is taking us tomorrow? As unknown as the future may seem, there are certain certainties. Can you see them? Are you moving there now or waiting to react?

Would it not be easier if your customer worked within your company? Given the ideal circumstance of perfect communication, and the assumption of best practices, it is the ideal working relationship. As long as you are capable of evolving while maintaining pace with changing technology and customer needs, you are perfectly situated to provide the best customer support. The best way to satisfy the customer might be to involve them in the product or service design process.

Admittedly and thankfully, the Canadian Forces (CF) are unlike the majority of private corporations. Their functional role as a peace, security and defence provider is unique to say the least. But if we could, for a moment, apply general business terminology to this unique organization, you would see that on a macro scale the CF could be divided into Operations and Administration. No matter how far down the organization you drill, the functional groupings within Canada's military can be separated and distinguished this way. This is where we no longer so unique.

Administration within Canada's military is more commonly referred to as Service Support. Service support to operations is a broad term used to describe an enormous amount of functions from vehicle maintenance and police services to medical services and logistics. It identifies similar functions that are afforded our fighting troops at sea, on land, and in the air. Each of these environments offer challenges when your job is to provide timely, accurate, and appropriate support to the customer. Did we do it right? What are the consequences of not doing it right? They are not nearly as grievous in daily home-front training activities, but it is something you would rather not think about in international peacekeeping operations or war.

The Canadian Forces School of Administration and Logistics (CFSAL) trains the soldiers, sailors, airmen/airwomen and civilians responsible for logistics support in the CF. CFSAL also trains the CF's leadership, the officers charged with the responsibility to command, coordinate and lead their troops in their task to support operations. The school's mission is, "To support proactively the operational capability of the CF/DND through the provision of administration and logistics training to defence team personnel."

CFSAL is responsible for approximately 100 different trade and leadership courses. Within any given year the School conducts nearly 300 serials of those courses, graduating more than 4,000 students annually. CFSAL trains Supply Technicians responsible for the procurement, receipt, storage, issue and disposal of all military materiel world wide. The school trains Mobile Support Equipment Operators responsible for the safe operation of the logistics support vehicle fleet. Traffic Technicians are tasked with the planning and coordination of the safe movement of military personnel and equipment. Our cooks and stewards are taught at CFSAL to be exceptional in their trade and flexible in their ability to perform their services under less than ideal conditions for a customer that is likely having a rough day. The school is also responsible for training Resource Management Support (RMS) clerks. RMS clerks provide the human resource management and administration, the pay, claims, and personal documentation for all members of the CF.

It is a phenomenal training task when you consider the diversity of courses and a permanent administrative and instructional staff of only 185 professionals. Courses are specifically targeted at each of the occupations in all three different operational environments. These courses are also scheduled at prescribed intervals within each occupation's career or professional development plan. Complicating the issue is the necessity to teach specialty skills to certain occupations on an as-required basis. In addition the school also trains the Air Reserve, Naval Reserve and Militia.

Do we do it right? The CF uses a systems approach to determine what tasks are to be taught. Aptly named the Canadian Forces Individual Training and Education System (CFITES), this system is a structured analytical approach to determining the customer requirement and how to deliver the end product. Strategic guidance to operations drives the determination of what is needed. Based on a needs assessment and analysis of the occupation, the customer determines the requirement, or the tasks to be performed. This is where the school earns its money.

After the needs assessment defines the desired end result, the school's role is to develop, implement, and maintain the respective training programmes. A six-phase systems approach model governs each programme. The phases are: Analysis, Design, Development, Conduct, Evaluation, and Validation. The school works through this process for every course in concert with the "commanders" or customers who have a vested interest in the training outcome.

What should be emphasized is that the process is continuous. As the needs change, the system develops the necessary response to satisfy the need. Like all businesses, many other factors contribute to changes in training and initiate the process. The introduction of new equipment, technological innovation and a general evolution of what used to be standard policy, influence what and how tasks are trained. CFSAL has not yet developed their own Logistics Gateway (see www.loginstitute.ca), however we can see the future and are offering alternative methods to delivering training. Many of our courses are being assessed for their ability, in part or in whole, to be delivered as an interactive CD-ROM or correspondence style program. What can not be ignored are the resource intensive and human interaction aspects of much of what is taught in the CF. These will likely remain courses taught in-house at the school until on-line virtual equipment and classrooms become the norm.

We believe we know what the customer wants and we are the best at delivering that training. For now, I think we do it right. From what is identified as a requirement, the process systematically addresses the issue and provides the right product, to the right place, at the right time, in order to satisfy the customer. It has built in flexibility and can adapt and respond given the appropriate levels of support. The school is also dedicated to being proactive in its pursuits to find the most efficient and effective way to train logistics professionals in the CF. As a testament to their commitment, I would emphasize the five goals of CFSAL.

1. Effectively execute the mission;
2. Provide high quality training, focused on operational tasks;
3. Provide a high quality working and learning environment;
4. Effectively manage resources;
5. Pursue alternate methods of delivering training.

Captain Dan Mainguy, CD, P.Log., is the Standards Officer for Instruction of Army Training at the Canadian Forces School of Administration and Logistics (CFSAL).

Feature

Uwe Petroschke

WHY THE TRUCKING INDUSTRY NEEDS AN IMAGE MAKE OVER

Here he comes again, barreling down the road, eyes bulging, and going way over the speed limit. He is the stereotypical trucker. And while he may be a fictional byproduct of Hollywood's imagination, this reckless and dated image still haunts our industry.

The more we look into this problem, the more we realize that it is an image out of step with the times. The substance of the trucking business is truly different from what people perceive it to be. Professional, dynamic, and keeping in step or ahead of technological changes, the trucking industry is well managed and of a high calibre in its business practices. The public needs to get that message. It is important to consider why a positive new image is not only necessary, but well-deserved.

I have been in the trucking industry since I was 15 years old, working part-time while I was going to school. While I have never been a driver, I have done just about every other possible job in the business. I know first-hand how exciting and rewarding our business is.

It is interesting to note that a positive characterization of the trucker has continued to play a definite role in songs, movies and stories that comprise our popular culture. Films like "White Line Fever," "Convoy" and "Smokey and the Bandit" — all cast the trucker as a sort of adventurous vigilante hero. While these characterizations may not be realistic, neither is the perception of the public concerning the industry. Despite an outstanding track record in safety, several recent deaths caused by flying tires, has wrongly cast the media image of the trucker.

There is a perception that when it comes to safety; we are fast, loose, and out of control. Unfortunately, this perception has been front and foremost in the public's mind since the first Ontario flying-tire incident in November 1995, which sadly resulted in the first fatality of its kind. This prompted a strong review of carrier safety laws and policies through the Target '97 Task Force on Truck Safety, an initiative co-chaired by the Ontario Trucking Association (OTA) and the Ontario Ministry of Transportation. The task force identified six key safety areas (CVOR, Hours of Work, Inspection & Maintenance, Class "A" Driver Training, Commercial Driver Licensing and Carrier Safety Ratings). This initiative has since brought about significant and welcome changes in our industry. It will help rid our industry of the few trucking companies who have failed to comply to regulations which has painted the entire industry with the image of truckers conducting business without sufficient regard for safety.

When you examine statistics concerning road accidents and compare the numbers of accidents caused by passenger vehicles with those caused by truck drivers, the statistics clearly show truck drivers cause a small percent of accidents. A recent study shows: tractor-trailers have one of the lowest accident involvement rates of all vehicles on the road; the total numbers of collisions involving tractor-trailers are down; truck drivers are the least likely to speed or to drink and drive. In spite of our outstanding safety record, we are still getting a bad rap in the media. The information is available, yet the message concerning the integrity of our industry is not reaching the general public.

There is no denying that the trucking business, now economically deregulated, is changing rapidly. With the opportunities of deregulation also come the responsibilities. We must partner effectively with

the government and the public in regulating ourselves. Consistent with Target '97 recommendations, in 1999, Ontario's Ministry of Transportation introduced a new carrier safety ratings system for trucking companies where carriers can track their progress online. The results show that 98.7 percent of companies have been deemed satisfactory/excellent, with only one percent conditional and 0.01 percent unsatisfactory. There are over eighty thousand carriers with safety ratings in Ontario.[1]

In addition to upholding high standards of safety, we run our operations with sound management practices. We need to counter the perception that we are fly-by-night freebooters who care neither for public safety or the laws of the land.

Carriers need proper business plans and strategies based on long term projections and expertise. We also need to continue to attract the best and brightest personnel in the market. How can we attract people with an image that is dated and has negative connotations? You do not hear kids saying: "When I grow up I want to get into the trucking business." I want people to know that working in our industry is just as important and as exciting as working in the hi-tech sector.

In fact, Information Technology (IT), coupled with today's Just-In-Time (JIT) environment, as well as satellite tracking and onboard computers, are all defining and transforming the essence of our business. University of Toronto Professor Meric Gertler, an expert on structural change and innovation in the Ontario economy, highlights just how important transportation and logistics practices are in today's fast-changing economy: "If there's one thing we've learned from the first wave of the dot.com revolution, it's that logistics the cornerstone of a successful e-commerce strategy."

We are not just in the business of driving vehicles. We are the vital link in the complex network that connects people with the goods that they require. As industry leaders, we are charged with keeping this link efficient. And we need to ask ourselves: What steps are we taking to change this image? Now is the time for those of us in the industry to take a leadership role in changing the public's perception of who we are and what we do.

At Totalline we are committed to defying the stereotypical image people have of truckers. Community interaction is vital — to see how we are perceived, and to create a presence in the community that underlines a 'giving back' approach. We participate in community functions that increase public awareness and positive values. We donate our trucks whenever possible to be used for charities and food drives. When the city of Brampton had its safe-city demonstrations for kids, the police and fire departments were there. We participated with our trucks and invited children aboard as passangers. They learned how difficult it is to see when you are driving a truck. Such community activities show people that we are a serious business and that we play an integral role in both the economy and the community.

There is still much that we can do in the business to increase our self-esteem and to change perceptions. For example, we now refer to workers as "material handlers" instead of calling them "dock men." The title reflects a certain specialization, expertise and dignity that is more descriptive of the work and more befitting of the times.

With regard to loading trailers, safely is considered a skilled-work function and a concise process. In other words, the people who do this work are skilled workers. We also need to increase awareness of the important role that each driver plays, and promote a more positive branding of the industry. It is a matter of pride and self-esteem; we all deserve the proper respect and recognition for our work.

In the 1960's it was the trucking industry that kept the economy moving when the railways went on strike. Our industry impacts on all business sectors. As leaders partnering in a challenging business environment, we need to continue to work together and learn from each other.

At Totalline, we welcome people from outside industries. Most of these people are astonished at how different their job is every day, and excited by the opportunities that lie ahead. In addition to their enthusiasm, we find they also bring new ideas and a fresh perspective.

We are not the same company that we were fourteen, ten, or even five years ago. The services we offer are based on the changing needs of the customer. In response to customer needs and a changing marketplace we have pioneered: our time-guaranteed delivery services; warehousing; our seven a.m. delivery; advance notification; and our unconditional guarantee. These are all positive changes that reflect the evolving nature of our industry. The next challenge is to change our image.

1 Safety Information from: Ontario's Trucking Industry: A Snapshot of Safety, Environmental and Economic Performance. The Ontario Trucking Association, February 2001.

Uwe Petroschke, is President, Totalline Transport Inc.

(Viewpoint, continued from page 7)

general, the battle was lost. Death comes swiftly and irrevocably in military defeat: there is no time or opportunity to recover.

Logistics as practised by military personnel, is not simply battlefield logistics. If that were the case, there would be little mutual interest between "them and us."

The right goods, in the right place, at the right time, for the right price, and supported by strong supply chain systems and processes, are as much a factor in the daily operations of the Canadian Forces as they are in any business. The right people with the right skills are just as important in operating, managing and directing CF logistics as they are in any enterprise.

Building the logistics profession includes CF logistics. We have much to learn from each other, and in this issue of LQ we have a unique opportunity to do so. Over the past several months we invited CF logistics professionals to talk about themselves: what they do and how they do it.

On a personal level, one of the great delights of working with DND/CF is the clarity of its organizational structure. Deciphering this "clarity of structure" however, has its unique challenges, especially for outsiders. I greatly appreciate the work of people like Mike Rafferty, a P.Log., an Army Reserve Major, and former Regular Force "trucker." He is the Institute's "inside man" at DND, and the person who orchestrated the CF contributions in this issue — no small task in the face of annual personnel relocations.

More significantly, I struggled with my own editorial submission for this issue. I realized that a "voice of the Canadian Forces" would contribute greater value than what I might have to say. But who should be that voice? After weighing numerous options, I invited a young person at the beginning of her military logistics career to speak about herself. I introduce Master Corporal Audrey Morales, Army Reserve and current Chief Clerk in the Logistics Branch Secretariat, Canadian Forces, National Defence Headquarters (NDHQ), Ottawa.

Career Choices — Canadian Forces *Logistics By MCpl A.L. Morales*

For many it would seem an irony that I left my native El Salvador, a country torn by a twelve-year civil war, to come to Canada and join the Canadian Forces (CF). The Canadian history I learned for my citizenship test many years ago, and the numerous opportunities this country offered both me and my family, made me feel a need to pay back in some measure.

My brother-in-law was a recruiting officer with the Canadian Forces at the time. It was his influence that contributed to my decision to give back to Canada what it had given me by serving in the Armed Forces as a Reservist.

Of course, basic training was a rude awakening. It is the making or breaking of any recruit. I did not only learn about Army life, I also learned about myself. It was a learning experience for my family as well.

It was particularly interesting for me as the youngest child in my family and a female venturing into a male-dominated world. At least that is what I thought then. I will not deny that there were occasions when I asked myself: Why was I going through the pains of basic training? The idea of quitting was more appealing than another 13km rucksack march through a cold stormy winter night in the middle of nowhere. However, the satisfaction of such an accomplishment was incomparable.

After basic training I went into trades training. It was another world and I learned another set of rules and lingo specific to my occupation. I had many jobs that had me deal with different types of people and situations. Even though I was not in the field at minus 30 something degrees waiting for the enemy to show up, they were challenging in their own ways.

Then there was the greatest experience of my professional and personal life. I had the opportunity to serve as a Peacekeeper in Bosnia. All of the skills learned as a soldier and as a clerk were put to the test.

In addition to feeling pride, I had the opportunity of giving back something to Canadian society. I also discovered what being a CF Logistician is all about.

I discovered that logisticians are the silent partners. They are the soldiers, sailors and air force personnel who are unnoticed if their jobs are executed smoothly. I am certain that many in the private sector can relate to this. The CF is unique in dealing not only with private sector rules, but also with its own requirements. At the same time, it has to bridge both in order to sustain the survival of troops overseas, where the convenience of local stores and supplies are not an option.

We all depend on logistics support to carry out every day jobs, but on a military mission there are additional tasks. The "customer" is always the front line objective. What a difference it makes if a letter is not mailed promptly to a relative, or if a business partner in the private sector does not receive important packages from us. Numerous tasks would fail if provisions did not arrive or were not distributed in a timely manner. The morale of many is affected by a poorly cooked meal, no parcels from home or if pay is not received punctually. This is the unique world of CF logistics.

How would security be affected if munitions and materiel were not maintained? What if freight was not dealt with properly or paper work was not processed accordingly? When the mission is critical, and logistics work is not successfully completed, people's lives and livelihoods are at stake.

Not until my experience in Bosnia did I grasp the full meaning of the Logistics Branch's motto: Servitium Nulli Secundus. The circle of transactions takes place from one sector to another, from one department to another and from one country to another. There can be very little room for error. "Service Second to None" is the only appropriate goal.

My military experience had such an impact on my "civilian life" that upon my return to Canada I switched my education focus from biochemistry to business commerce. I am pursuing a Bachelor in business commerce on a part-time basis, and this leap of faith from science to business continues to give me great satisfaction. I bring my military logistics experience to my "study groups." Theory is important, but when I am faced in the real world with real problems, theory is not as effective as experience.

My family has learned to live with my chosen path. I have learned to appreciate more and more what Canada has given me, where the Army has taken me, and what logistics has taught me. I am sure it will continue to teach me.

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George Kuhn

The Electronic Air Waybill

With the 1998 signing of the Montreal Protocol Four (MP4), the air cargo industry paved the way to introduce the electronic Air Waybill (AWB) on a worldwide basis as a further means to enhance logistics and supply chain management efficiencies. Until now, the air cargo industry has transacted business under the Warsaw Convention (signed in 1929 and updated in 1955 with the Hague Protocol). To state the obvious, it is time that the international community recognized the rapid technological advances made with commercial tools that can meet the need for speed and accuracy. The lack of a uniform approach across the industry has been one reason why so little headway has been made in the air cargo industry, except within the 'closed-loop' systems of the integrated express carriers. Given the glaringly obvious benefits, most players would argue that the industry should have embraced a paperless environment a long time ago. "Cargo lags behind the passenger side in embracing new technology to get business done. The electronic AWB is long overdue for the industry as a whole" states Sam Okpro of International Air Transport Association (IATA).

Until the signing of MP4, the convention required the cargo industry to produce an Air Waybill with 32 different fields of which 21 were mandatory to validate the air carriage contract. With MP4 the air waybill can now be replaced with an information record that fundamentally requires only four key elements: a reference number to access the information record; airport of origin and destination; transit; and weight of shipment.

Hand in hand with this initiative, the World Customs Organization has, under The Kyoto Convention, included a provision that customs authorities should permit electronic means of document transmission that would eventually lead to 'wheels up' customs clearance. In other words, allow the cargo to be customs cleared upon arrival of the aircraft.

IATA's own efforts to eliminate the paper AWB and develop the framework for a paperless regime include the development of an implementation guide for industry; the identification of any changes to IATA resolutions that may be required; a recommendation for best practices; and development of a database and of electronic messaging requirements. IATA will also conduct pilot projects to evaluate specific areas and measure results thereof.

The platform for all of this will be the Internet as this would provide better flexibility than EDI based messaging. Bill Gottlieb, Chair of the International Federation of Freight Forwarders Associations' (FIATA's) Airfreight Committee agrees that the Internet has become "the expressway of choice for electronic transmissions." And even though there is still no clear and agreed definition of an XML message, it is hoped that a consensus can be built quickly for messaging standards and protocols.

Now that the building stones are finally in place to find ways and means to match ground-handling times with air transit times, we can proceed to the next step: implementation. To this end IATA has formed four working groups to examine the various aspects of air cargo movement. The first group is looking at operations that include booking, freight staging, shipment release and physical handling of related documents. The second group is investigating trade facilitation issues that include customs and government agencies, while the third group will focus on revenue systems, flow of accounting information, CASS, spot rates and interlining. The fourth group will tackle messaging standards and support issues including such items as legal considerations and the all-important methods by which the EDI based carrier-systems can translate to an Internet-based set-up.

It is interesting to note that as we near the end of 2001, there is no sign of implementation. This is due to the complexity of international transport finding agreement on an international basis. For example, as of May 2001 only five of the G7 members have signed the MP4 Protocol and worldwide only 51 countries have so far ratified MP4.

Nevertheless, step one of the initiative, the mapping of current processes common to all airlines, was completed by late spring of this year. Also earlier this year, work started to identify paper dependencies and constraints to the existing process and work on best practices. The implementation guide should be completed by May 2002. Pilot projects are to begin in November of this year, and should be finished by mid-June of next year.

One last reservation is yet to be overcome. Bill Gottlieb of FIATA points out that "Paper is a security blanket for a lot of people. In Canada, for example, we have electronic releases, yet there is a great hesitation amongst brokers to use it because of liabilities involved." He adds that this involves "a liability issue… because in an electronic environment we are guilty until proven innocent… resulting in customs brokers wanting paper documents to back up values and other elements. This becomes an even more worrisome issue with the imminent introduction of AMPS (Automatic Monetary Penalty System) by the CCRA."

In the next issue, we will look at the legal implications and complexities of the electronic environment.

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Captain Norma Ellis

THE CANADIAN FORCES DISASTER ASSISTANCE RESPONSE TEAM'S SUCCESS AND STRATEGY:

ROOTED IN PRINCIPLES OF FLEXIBILITY, READINESS, AND COMMUNICATION

The Canadian Forces Disaster Assistance Response Team (DART) has officially been in existence since July of 1996. Since its conception, the logistics component of the DART has been in a constant state of evolution that has been heavily influenced by advances in technology, devolution of funding, and organizational changes such as the creation of the Canadian Forces Joint Operations Group and the Canadian Forces Joint Headquarters – the DART's parent organizations. Despite the constant state of flux, the DART has successfully deployed its full team on two major operations: the first, Operation Central, was in response to the aftermath of Hurricane Mitch in Honduras in late November 1998 and the second, Operation Torrent, followed the major earthquake that struck the heart of Turkey in August, 1999. The success of DART Logistics Operations is not the result of intricate time-consuming plans masterminded by the most qualified logisticians and operational planners of our organization, but rather it is the result of consistent practices rooted in basic equipment management principles.

To understand the nature of the DART's challenges and solutions it is important to have a basic understanding of its composition. On a day-to-day basis the DART consists of seven personnel: a Deputy Commanding Officer, a Logistics Officer, three Supply Personnel, and two Mechanics. The overall state of more than 40 vehicles, three quarters of a million pounds of supplies, and any mission pre-planning, rests on the shoulders of this small cadre of personnel. When the DART is launched on an operation it deploys a 189-person contingent whose main focus is to bridge the gap between the disaster's occurrence and the operational capability of the large Non-Governmental Organizations. The main features of the DART's mission is the provision of 50,000 litres of potable water daily and the services of a ten-bed Medical Clinic capable of seeing up to 300 outpatients per day. The operations of the warehouse staff are done in concert with the requirement to maintain the DART at 48 hours notice to deploy to a disaster location. With its very nature in mind, it is not difficult to understand that the DART cannot afford anything but the most efficient operating principles as its foundation — flexibility, readiness, and communication.

Unlike any other logistics organization in the military or corporate industry, the DART is unique in that it will deploy 95 percent of its warehouse contents to a theater of operations, execute the mission using that equipment and materiel for up to 40 days, and then re-deploy the bulk of it back to the warehouse to prepare for the next mission. Given the variety of materials required to effectively operate the Reverse Osmosis Water Purification Units, medical clinic, as well as house and defend the troops in an environment and situation that may be different for every operation, the DART must maintain a high level of flexibility. The DART has a pre-determined deployment plan that defines the most practical order of movement of materiel from the warehouse to the theater of operations, but that plan is not so binding that it cannot be changed to accommodate the different conditions of each natural disaster. For example, the population of certain disaster regions may be so impoverished and without local assets as a result of the disaster's occurrence that they are not in a position to offer any assistance to aid agencies coming in, whereas other regions will have a wealth of resources to rent or loan. During Operation Central, many of the roadways were washed out or still underwater at the time of the DART's arrival. There was a critical shortage of cargo-moving resources on the local economy, and what was available was offered at a very high price. Compare the situation in Honduras with that of Turkey where survivors of the earthquake that preceded Operation Torrent provided every means available to assist the DART's troops with the movement of equipment from the airport to the area of operations, and for the most part did so free of charge. Flexibility in the prioritizing of equipment and vehicles allows the Commander to overcome the idiosyncrasies of each disaster relief operation.

With the exception of 25,000 lbs of medical supplies, all DART equipment is held in one 32,000 square-foot warehouse at Canadian Forces Base Trenton. The majority of the equipment is packed in

plastic triwalls, organized by functional element and prioritized for loading on the aircraft. Maintaining the equipment at the required high state of readiness is the most significant challenge for DART logistics personnel, and would not be achievable were it not for the advent of technology.

During the initial building of the DART, operators at the grassroots level provided input on materials and supplies required to run the DART's major components. This included everything from the nuts, bolts, lumber and tools required to build austere washroom facilities, to the spare parts required to keep the water purification units running. In 1999, DART staff introduced a bar coding system to allow the thousands of tiny components that together make up the whole of a DART Operation to be correctly identified and quickly located within their containers on the shelves of the warehouse.

Over this past year, this has been taken one step further with the input of key maintenance data that allows the supply staff to more readily action life cycle characteristics of the equipment and supplies. Since the DART's participation in a disaster relief operation can never be accurately predicted more than five minutes in advance of the actual deployment, DART staff are critically aware of the necessity to have the equipment in solid condition at all times. Again, flexibility plays into readiness in that equipment that is undergoing maintenance must be covered off by implementing contingency plans for replacement or recall in the event a deployment occurs. Unlike an independent business, the DART is a small component of the entire National Defence organization, and must ensure compatibility with the organization's main equipment management systems. That particular system is undergoing a significant overhaul and it remains to be seen what advantages and disadvantages it will have in terms of equipment management for the DART. Regardless of future advances in technology, the bottom line for the DART will always remain very clear; the equipment must be at no less than 100 percent ready for a deployment at all times.

Communication is the link between flexibility and achieving the 100 percent readiness that guarantees rapid deployment of all of the necessary components to enable mission success. During the deployment preparation phases, communication between suppliers, warehouse staff and holders of contingency equipment is clearly aimed at ensuring all major equipment is available and in working condition. Throughout the early phases of an operation, communication between members in theater and staff at the warehouse allows for the manipulation of equipment priorities in order to have critically required items flown in ahead of those less critically needed. For example, communication would allow the various components of the water purification units to be deployed prior to tents and housing supplies in the event there were stable quarters available in the area of operations. To facilitate decisions such as this, sophisticated communication equipment is shipped on the first flight and communication back to Canada is the top priority for the Commander's staff once in theater. Communication plays an even greater role in the DART's readiness to deploy on consecutive missions.

Approximately 40 percent of the DART's supplies will be consumed during an operation. Items such as medications, chemical agents for the Reverse Osmosis Water Purification Units, fuel, meals and bottled water will not re-deploy at the close of a mission and must be restocked in preparation for an upcoming deployment. Environmental factors play a large role in determining the rate of consumption of certain items making it difficult to accurately predict the amount of supplies for reorder; moreover, DART staff are mindful of the requirement to be fiscally conservative. To overcome this, communication between the theater of operations and the DART warehouse is maintained on a 48-hour cycle and supplies are ordered accordingly. With consistent communication across all levels, the DART will achieve all of its mission goals with the smoothest implementations of the required processes.

To some it might appear that the DART is moving towards the dangerous area of over-simplification. It must be emphasized that there are countless situations where flexibility, readiness and communication interplay to achieve a certain aspect of the mission process, such as selection of the aircraft, which considers dozens of factors that require the communication and debate among both Air Force and Army key players. Ultimately, it cannot be forgotten that the mounting and conduct of a major operation that is played out to the public through the eyes of the media is definitely accompanied with the hype, chaos, and stress inherent in the nature of the task. DART operations are not only unscheduled, but they are each characterized by their own set of exceptional circumstances. With leadership's maintenance of the fundamental ideals of flexibility, readiness and communication, there will never be a situation in terms of DART Logistics that cannot be overcome.

Captain Norma Ellis completed her Logistics Training in the fall, 1997 and has been employed in a variety of posts including the Assistant Operations Officer for the first deployment to Kosovo. She has been the DART Logistics Officer since July, 2000.

Patrick Monaghan

THE CONTROLLED GOODS MANAGEMENT CHALLENGE

There are controlled goods and then there are controlled goods. Most of us are familiar with the concept. However, if you were to ask several of your co-workers to define a controlled good you would probably receive a different answer from each person. One might feel that a controlled good is an item, such as a prescription drug. Another might believe that a controlled good is something you would need a license to own or use (i.e., a car or a motorbike). In a sense, both answers are correct. However, in the context of the Canadian defence industry, a controlled good is an item specifically identified as such by an amendment to the Defence Production Act.

Until recently, Canada has been exempt from many provisions of the U.S. International Traffic in Arms Regulations (ITAR) which control the export and import of defence articles and services. That changed in the spring of 1999 when the U.S. State Department made unilateral changes to the ITAR that significantly narrowed Canada's exemption regarding the licensing of U.S.-origin defence goods and services. The new regulations imposed a significant burden on Canadian companies involved in importing certain key components. Similarly, Canadian companies subcontracting to U.S. prime contractors, no longer had free access to technology or data subject to the U.S. Munitions List (USML). With these new restrictions on access to technical specifications in place, Canadian companies found it very difficult to bid on U.S. defence contracts in a timely manner.

Following prolonged negotiations, the two governments announced that they had resolved their outstanding differences. Under the new agreement, the United States reinstated most of the pre-April 1999 exemptions on the transfer of most U.S -origin controlled defence goods.

Canada agreed to establish a Controlled Goods Registration Program (CGRP) to register companies or persons with access to controlled goods. The result was the amendment to the Defence Production Act, Bill S-25. The amendment introduced the term "Controlled Goods" and provided a Controlled Goods Registration Program to which firms and individuals within the defence industry must apply. The CGRP was also established to qualify parties for exemption or exclusion to registration requirements as set out in the new Controlled Goods Regulations (CGR). The Department of National Defence (DND) as a federal government department, is excluded from registering. However, DND is a considerable customer of the defence industry and greatly affected by the Controlled Goods Regulations (CGR). It should be noted that these changes apply to all federal government departments, not just DND and the CF Firms, individuals, and members of excluded or exempted organizations are liable to penalties of significant fines and/or jail terms should they be found to not be in compliance with the regulations.

The Controlled Goods Regulations was developed to:

- promote the long-term viability of Canada's high-tech innovations in the defence industry,
- re-new Canada's favoured position with the United States, and
- control the possession, examination or transfer of controlled goods within Canada.

Controlled Goods are the result of harmonizing Canada's Export Control List (ECL) with the U.S. Munitions List. The two countries therefore share the same list of controlled goods.

In January 2000, DND created the Controlled Technology Access and Transfer Office (CTAT Office) to integrate Canadian Controlled Goods Regulations (CGR) into DND operations. The CTAT Office has two functional elements, CTAT Operations and the CTAT Project Office. Operations provides day-to-day assistance and advice to DND operational staff on matters related to CGR and ITAR. Both of the CTAT Office's functional elements are supported by subject matter experts from within the NDHQ matrix such as the DMMD, the EPMs, and DMASP. The Project Office has the task of developing the processes and procedures to integrate the administrative functions necessary for "cradle to grave" processing of controlled goods by DND, as identified in the CGR.

The processes to be developed by the Project Office pertain to functional areas within DND dealing primarily with initial provisioning, re-provisioning, warehousing, transportation and disposal of controlled goods. The project team developed new concepts and processes to assign demilitarization codes that clearly identify controlled goods; a challenge process to validate assigned codes; and the development of technical instructions for demilitarization and disposal of controlled goods. Due to the significance of the regulations,

programs are being established to inform and train staff in a new method of conducting business.

The CTAT Office has made significant progress to date. One of the first issues to be resolved was how to identify whether a materiel is a controlled good. This issue was an enormous task to address. There are approximately 750,000 NATO Stock Numbers (NSNs or line items) used by DND that require review using the ECL and the USML as a source of item identification and description. The method chosen to identify controlled goods within DND's automated supply system was to use the NATO demilitarization codes (DMCs). This is the process already being successfully used in the U.S. catalogue system (FEDLOG) for U.S.-origin controlled goods. DND is responsible for maintaining the Canadian catalogue system known as the Government Cataloguing System (CGCS) on behalf of all Federal Government Departments. This made the CGCS the natural starting point for assigning new DMCs to all NSNs. The process of assigning DMCs for all items listed in the CGCS is ongoing and will be completed by mid-fall 2001.

Following the assignment of DMCs, a DMC challenge process was developed and implemented. The challenge process provides a method to revise the DMC should it be assigned in error or to change the method of demilitarization based on the age of the item, changing restrictions, or standardisation with similar items. Successful testing and implementation of this activity has been completed.

DND made several presentations to the industry from coast to coast to ensure all suppliers to DND were aware of the requirement to register with the CGRP. The CTAT office has established a web site for internal use by DND staff to provide information and procedures to ensure DND is compliant with the law. A "hot line" is available to both industry and DND staff to provide personal attention to the sometimes complex interpretation of the regulations — both the CGR and the ITAR.

At this point, the question becomes what are the significant outstanding issues and where are we in terms of developing management tools to deal with them?

Three of the key issues being addressed at this time are: the demilitarization and disposal of controlled goods, complying with the CGR during operational deployments, and managing access to publications containing controlled information (including drawings).

1. Disposal of controlled goods may involve the sale, transfer (loan), demilitarization, and/or destruction of the item. This also includes the identification and neutralization of any hazardous materials associated with the good.

   Prior to the sale or transfer of a controlled good to another person, DND ensures that this individual is qualified to receive the good. If the person (or company) is Canadian, they must be registered with the Public Works and Government Services Canada (PWGSC) Controlled Goods Registration Program (CGRP). If the person (or company) is U.S.-based, they must be registered with the U.S. ITAR program. If the potential purchaser is a foreign national (or country) they must not be on the Canadian or U.S. scheduled list (a list of countries against which restrictions apply with regard to controlled goods). In all cases, the purchaser must agree to, and sign documents indicating their compliance with CGR should they resell the good to another party.

   Demilitarization of a controlled good involves the removal and destruction of key components that makes the particular item "controlled." Specific processes are provided depending on the item. At present, DND will use the U.S. recommendations for demilitarization providing an ability to later refine or improve the process. Demilitarization as a required procedure, is new to DND and may be costly. DND is examining methods within its capability to reduce the costs and remain compliant with both the regulations and U.S. demilitarization requirement for U.S.-origin goods.
2. Operational deployments involve the movement of large quantities of DND materiel to various domestic or foreign regions in order to comply with tasking directions. In support of operational deployments, such as procurement, disposal, repair and transportation, all procedures need to be well defined and easily useable with minimal delay. In this context, the CGR and the ITAR must still be adhered to and therefore should become an integral component within the operational planning phase of deployments. The logistics planning component, in particular, will require considerable expertise in order to meet tight schedules and urgent needs, while remaining compliant to the laws and regulations.
3. Access to controlled data contained in a CF or DND publication requires new management principles. At present, when the publication depot or Life Cycle Materiel Manager (LCMM) receives a request for a publication, an issue request form is sent to the publication's OPI for approval to issue the publication to the requestor. In the future, both the request and the publication itself will be stamped with a warning that the item may pertain to controlled goods. Registering the publications on an automated publications registry as a controlled good is a significant process for DND. Interim procedures have been established to ensure compliance with the regulations. A more permanent solution will soon be established once DND finalizes implementation of its new Enterprise Resource Planning (ERP) systems for publications and technical drawings such as the CFSSU and MASIS.

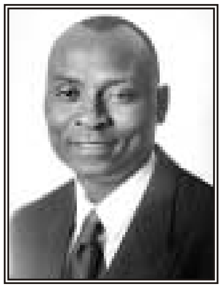
A great deal has been accomplished in responding to the challenges facing DND in managing the CGR as it applies to day-to-day operations. Full integration of the remaining CGR processes and procedures into day-to-day operations will be completed by mid 2002. DND and the CF are working with its industry suppliers to ensure compliance with the regulations and promote Canadian defence technology.

DND OPI: André Lagacé Director, Quality Assurance is responsible for the development and implementation of the CTAT office. He can be contacted at (819) 994-8910.

Patrick Monaghan is CTAT Cell 3 Project Manager, Director General Equipment Program Services, National Defence Headquarters, Ottawa

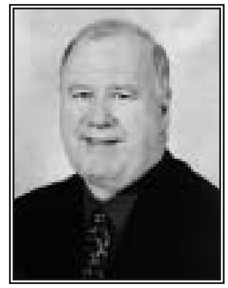
WHO READS LOGISTICS QUARTERLY?

NEW PROFESSIONAL
l o g i s t i c i a n s


Mr. Christian Adjadjihoue, P.Log., Toronto, ON


Mr. Jason C.W. Adlam, P.Log., CSP P.Log, Regional Service Manager, CHEP Canada Inc., Brampton, ON


Mr. Don Casemore, P.Log., Senior Account Manager, Canadian Pacific Railway, Mississauga, ON

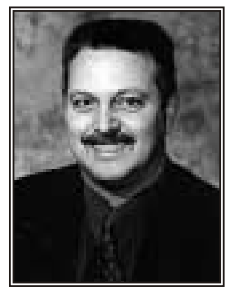

Mr. Donald Clark, P.Log., Sherwood Park, AB


Mr. Glenn Corbett, P.Log., Warehouse Supervisor, Molson Breweries, Toronto, ON


Maj Mike Cressman, P.Log., Consultant / Principle, Cressman Solutions, Montreal, QC


Miss Diane Crngaroff, P.Log., CITT, Account Team Delivery Logistics Analyst, Nike Canada, Thornhill, ON

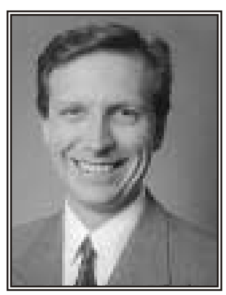

Ms. Kim DuChene, P.Log., Product Movement Coordinator, Nova Chemicals (Canada) Ltd., Corunna, ON

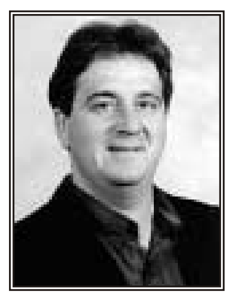

Mr. Raymond Dufour, P.Log., Transportation and Logistics Instructor, New Brunswick Community College, Dieppe, NB

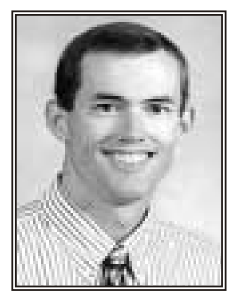

Mr. Simon Fong, P.Log., Supervisor, Inventory Control, Cinram International, Scarborough, ON


Ms. Cindy Goshko, P.Log., Senior Buyer, Bell Intrigna, Edmonton, AB

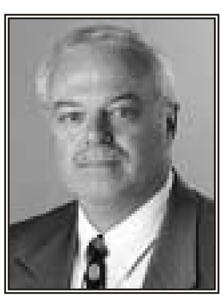

Mr. Mike Hanif, P.Log., Decision Support Analyst, Canadian Tire Corporation, Brampton, ON

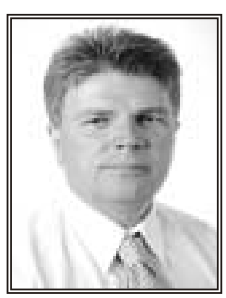

Mr. Richard Harron, P.Log., Manager, Supply Management, ICBC, North Vancouver, BC


Mr. Bill Kaip, P.Log., Senior Contracts Officer, Northwest Territories Public Works & Services, Yellowknife, NT


Mr. Marcus LeMaster, P.Log., Project Manager, Tronicus Inc., Calgary, AB


Mr. Luis T. Maciel, P.Log., Distribution Manager, Cosmoda, Mississuaga, ON


Mr. Gerry Maines, P.Log., Customer Service Manager, Air Canada, Burlington, ON

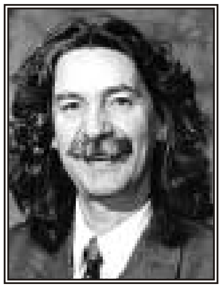

Mr. Archie McMillan, P.Log., Distribution Supervisor, Mattel Canada, Mississauga, ON


Mr. Howard Neufeld, P.Log., Langley, BC


Ms. Carol O'Neil , P.Log., Transportation Manager, Ryder Grocery Services, Whitby, ON

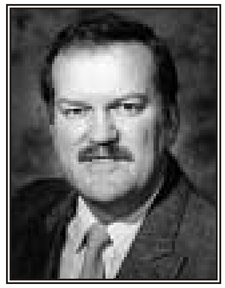
WHO READS LOGISTICS QUARTERLY?

NEW PROFESSIONAL logisticians



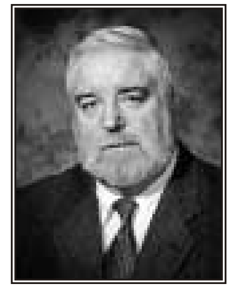
Mr. Gerald Perreault, P.Log., Teacher, Logistics, New Brunswick Community College, Dieppe, NB

Mr. Jim D. Redding, P.Log., Maintenance & Installation Manager, Galileo Canada, Toronto, ON



CPO2 Bill Redmond, P.Log., Senior Storesman, Maritime Forces Atlantic, Halifax, NS

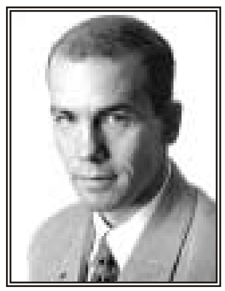
Ms. Elaine Rodrigues, P.Eng. Plog, Director - Inventory Control, Systems & Processes, Retail Support Centers, A & P West Mall, Mississauga, ON



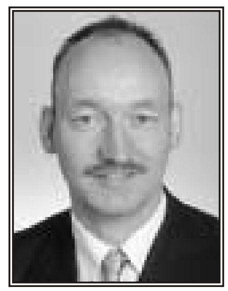
Mr. Ben Tarrant, P.Log., DND (FMF Cape Scott), Halifax, NS

Mr. Peter Tostevin, P.Log., Manager, Business Development, UPS Logistics Group Canada Ltd., Oakville, ON

Mr. Jeff White, P.Log., Regional Manager, Schenker of Canada Ltd., Surrey, BC



Mr. Doug Wilcox, P.Log., Transportation Manager, Colgate Palmolive Canada, Toronto, ON



Mr. Dirk Wilson, P.Log., Summit Management Services, Plainfield, ON

Logistician's pictures unavailable at press time

LCdr Timothy D. Allan, P.Log., DND, Victoria, BC

Lt(N) Kathleen Ballantyne, P.Log., DND, Angus, ON

Maj Chris Belgum, P.Log., ALOC 4042, DND, Borden, ON

Lt(N) Brigitte Boutin, P.Log., DND, Borden, ON

Capt Kevin M. Campbell, P.Log., DND, Orleans, ON

LCdr Jill Carleton, P.Log., DND, Osgoode, ON

Maj Yvonne N. Challender, P.Log., DND, Trenton, ON

Maj Beverley A. De Lallo, P.Log., G4 Operations 2CMBG, DND, Navan, ON

Maj Daniel J. Dorrington, P.Log., DND, Greenwood, NS

Mr. Richard Duffield, P.Log., President, R.R. Duffield & Associates Inc., Gloucester, ON

Capt Mike A. Fields, P.Log., DND, Kingston, ON

Maj Shane H. Jennings, P.Log., DND, Kingston, ON

Capt Joanne C.M. Langs, P.Log., DND, Nepean, ON

Maj Line M. LeBoeuf, P.Log., DND, Bedford, NS

Maj Nelson R. May, P.Log., DND, Kingston, ON

Maj James F. McGrath, P.Log, CITT, Department of National Defence, Astra, ON

Cdr Mike R. McGrath, P.Log., DND, Ottawa, ON

LCdr John S. Millar, P.Log., DND, Orleans, ON

Maj Robert C. Mosnier, P.Log., DND, Winnipeg, MB

LCol Nora Naaman, P.Log., NATO Staff Brussels, Belleville, ON

LCdr Barbara L. Norman, P.Log., DND, Orleans, ON

LCol Brian O'Neill, P.Log., DND, Ottawa, ON

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Maj J.R. Deane St-Onge, P.Log., DND, Cold Lake, AB

Maj James N. Stewart, P.Log., DND, Ormocto, NB

Capt Ann Marie B. Tardif, P.Log., DND, Borden, ON

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Bob Armstrong

Is It Your Business?

It has been said that trade is the lifeblood of Canada. Last year Canada was trading a daily average of more than $2.1 billion of merchandise worldwide, according to Statistics Canada. This figure does not include trade in services and the illegitimate trade that is unreported. With trade in services included, however, Canada's trade rises to an average figure of $2.5 billion per day. These trade figures will clearly drop when averaged out over 2001, but according to the latest merchandise trade figures from Statistics Canada, Canada was trading an average of $2.2 billion daily during June 2001.

Business, government and the majority of Canadians all want to increase international trade and business. Companies are therefore changing the way they conduct business, forming more and more partnerships to achieve objectives that they could not have achieved otherwise. Not surprisingly, Customs and other government departments are often considered as strategic partners in this process.

But there is an important factor to be mindful of in this process. For example, are you aware of the law of diminishing resources and increasing workload? In this situation companies are forced to slash budgets, reduce headcount and increase their employees' workload. While companies are often compelled to do this, governments do not necessarily adhere to this practice. Instead, in many of these situations the government downloads responsibilities it once assumed to the private sector.

Consequently, companies have become accountable for more and if they dare get any of their business practices wrong, they will be punished more severely in the future. In the words of the Canada Customs and Revenue Agency (CCRA), the new Administrative Monetary Penalty System (AMPS) will be an "effective sanctions regime."

The government wants companies to be compliant and industry wants to be compliant. Unfortunately, in many cases, compliance is not interpreted in the same way by industry and Customs. Much of this has to do with the timing of when and where the trade data is first reported. The earlier in the process that data is required, the greater the tendency is for it to be incorrect. Taking a look at classification discrepancies, the CCRA indicates that industry as a whole is classifying products at the 10-digit Harmonized System (HS) correctly from 23 to 98 percent of the time. Taking a rough average, industry is correct slightly more than 60 percent of the time. Does the CCRA care? You can bet your bottom line they do! Does industry care? If they haven't in the past, they will when AMPS penalties begin affecting their bottom line this fall.

> "…companies have become accountable for more and if they dare get any of their business practices wrong, they will be punished more severely in the future."

What are the options available to industry? Does industry simply keep spending more money on systems, on internal and external resources to get classification right at the 10-digit level? Does industry just ignore these statistics and simply pay the penalties when AMPS comes in? Are there other options available to industry?

The question that needs to be asked is this: Is it your business what CCRA and other government departments do? If you think it should be your business, then I would like to plant a seed for thought.

The scenario works somewhat like this. You ask the CCRA about their enforcement of compliance for the 9th and 10th digits in the HS classification. Their response is that they are enforcing only the laws and regulations that they are legally bound to uphold. The statistical digits are what fall under the Statistics Canada jurisdiction and not that of Customs. If it were up to them, they would be satisfied with classification of products up to the eight-digit level. When you ask Statistics Canada for their response, they might answer that industry requires this information from them and that is why they must have it. When you ask industry about who requires this information, the vast majority indicate that they do not need it. What kind of picture does this portray? Tens of millions, if not hundreds of millions, of dollars are spent by companies across Canada on getting the 9th and 10th digit classified correctly to satisfy a small percentage overall. To top it all off — on average slightly more than 60 percent of product is classified correctly at this level of classification! Does this make sense in today's business world? If a law does not make sense should it remain on the books? You be the judge. If this is your business, then you might want to do something about it.

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

(Vision, *continued from page 10)*

training is a "way of life" that is embraced and recognized by all as an investment, rather than a cost.

Formation Logistics Halifax has proven that a commitment to a vision of continuous improvement is achievable in a very diverse and complex organization and that continuous learning is an essential element to this commitment. The day-to-day effort across the Formation Logistics organization to seize each and every opportunity to learn and adopt better ways of meeting their customer's needs, makes this organization an excellent role model for others to follow.

Commander Louise Siew is Formation Logistics Officer, Maritime Forces Atlantic

(NMDS, *continued from page 16)*

may not know the TCN or document number, there is a general trace field for specification purposes.

Tariff Module for Carrier Selection

To assist the shipper in selecting the appropriate carrier for a shipment, the NMDS has tariff tables in its database (currently 19 carriers have provided tariffs). Once the WSBL creation process has started and the destination, weight and cube have been identified, the NMDS provides the shipper with a list of all carriers that provide service to that destination, listed from least to most expensive. The list also identifies the level of service applicable to the price. The prices provided are the result of three calculations (straight calculation, application of breakpoint and dimensional). Surcharges, such as those for Dangerous Goods, are also provided.

Financial Reconciliation

Closely linked to the Tariff module for carrier selection is the Audit/Payment module. Centralized payment has been made possible with the tools provided by the NMDS and the data input from the carrier selection. To facilitate payment the audit/payment staff run a match between the carrier's statement (detailing the cost for a shipment) and the cost printed on the WSBL from the tariff module. After a review of the charges and adjustments of additional charges, such as fuel surcharge, the statement is accepted for payment. Charges are pro-rated against the many consignments represented by the statement and the results entered into the financial management system for payment. Individual unit budgets are then indented to pay for their specific consignment.

Passenger/Cargo Shipment

The passenger/cargo module is designed to meet the particular needs of the Canadian Forces when it comes to documenting the movement of troops and material in support of exercises and operations. Utilizing the same basic functionality existing in the CARF/WSBL process (and some of the same data tables), the Passenger/Cargo Manifest permits the combining of passengers, vehicles, dangerous goods, ammunition, and general cargo on one form.

Troops' exercises are one example of the uses for the passenger/cargo module. A unit from Petawawa, Ontario is part of an exercise in Goose Bay, Labrador. The troop movement by convoy from Petawawa is aaadocumented (including all of its supplies and ammunition) using the passenger/cargo manifest. The manifests are dispatched electronically, and upon arrival at the disembarkation station (Trenton in this case), the 'items' are received electronically. The received items are part of the deployment from Trenton. From the items on the deployment list in Trenton, the aircraft are loaded. After the aircraft departs the manifest is dispatched electronically to Goose Bay.

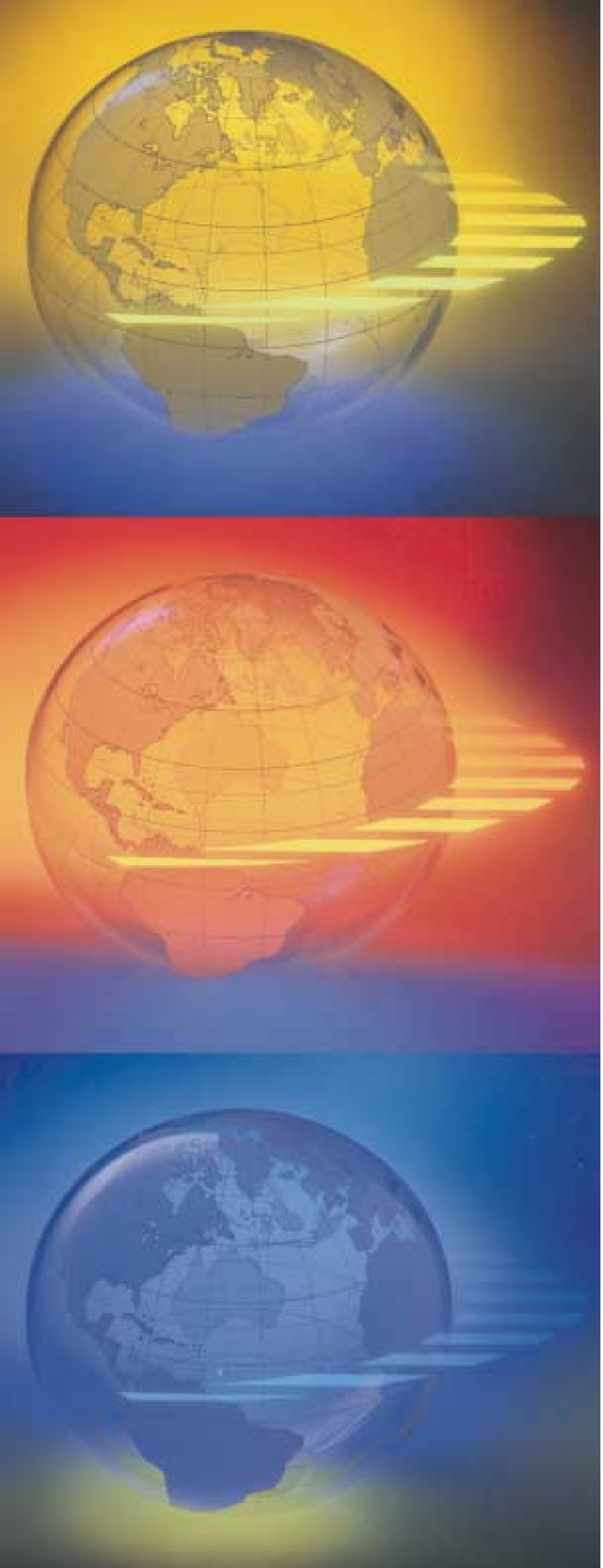
Interfaces with other DND systems

The Canadian Forces Supply System (CFSS) is used to order goods and initiate shipments. It then interfaces with NMDS to complete the shipping process. Information originating in CFSS can be automatically accepted to populate WSBLs in NMDS. Additionally, financial encumbrances in DND are managed in the Financial Management Information System. The Audit and Payment module will eventually interface with NMDS to provide easy and accurate reconciliation of invoices and provide for payments.

Although currently a client/server application, NMDS is being converted to a web-based application for use through the secure DND Intranet. This will permit the eventual use of NMDS across the DND firewall, thus allowing interfacing with commercial partners, as well as providing access to NMDS over the Internet for those units who are not linked to the DND Intranet.

The primary function of the NMDS consignment tracking uses track and trace capabilities. It forms an integral part of DND's goal to achieve Total Asset Visibility as well as interoperability with our alliance partners, such as those at NATO. NMDS is well positioned to assist the CF's logistics community now and for the foreseeable future.

Major Yves Pinet, Materiel Traffic Policy, Directorate of Materiel Management and Distribution, with René Miron, Systems Manager and Bernadene Ryan, Contracted Support



(Finding Value in Your 3PL, continued from page 11)

shipping location. The handling of inbound and outbound freight, the movement of product intra-network, service level monitoring, and freight claims are managed by Nadiscorp and are all part of the service fee that the client pays on a unit price shipped basis.

Trade Spending

The number of complex discounts and special deals offered to customers is tracked, controlled and reported. Nadiscorp has developed a program that tracks spending, manages deal calendars and generates payments based on the method selected by the sales organization. This can be a deduction from Accounts Receivable or the issuing of a cheque for the owed amount.

Administrative Processes

Credit approval for all new client customers occurs prior to shipment and along with collection activities is part of this full service package. Invoicing of all the client's customers is completed daily and usually transmitted via EDI, based on the customer's ability to accept that transaction set. Daily bank deposits are made directly into the client's bank account for those customers not using EFT.

The reporting of information occurs daily between the two organizations on many levels. All reporting is done on the client's fiscal year calendar, even if it is different from NLI. Inventory reporting can be customized to the client's internal needs and key performance indicators or metrics are developed for specific clients and their customers.

Incentives and Risks

A primary driver of this relationship is the electronic links woven throughout the many business processes. While this is primarily EDI today, the next generation will be Internet based (E-Business). This will further reduce costs and facilitate information exchanges in a high-speed manner.

Another key element of the process is the incentive, or gain-sharing program, that pays either party based on the achievement of predetermined baseline inventory turns at the SKU level. This system includes an incentive to accomplish the goals of improved efficiency and reduced capital while achieving a balanced sharing of the risks between the business partners.

Many other clients operate on a version of this system. When unit pricing is not preferable to a client, a percentage of sales method is frequently chosen. When new clients come on board a baseline is established using their existing history and experience of similar situations. Once the baseline has been validated, the unique version of the program kicks in and moves relentlessly forward.

In the third party logistics industry you have to build relationships, identify needs, fulfill those needs, and continuously evolve to provide a solution. Finding clients that understand and believe that a collaborative approach to incentives and risks will provide a winning formula is one of the greatest business challenges.

Paul Ragan is President of Nadiscorp Logistics Group Inc. (Divisions include: Nadiscorp Logistics Inc., Burnham Logistics Inc., Burnham Transportation Inc.)

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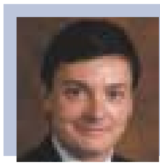

Fred Moody

The Information Age

It has often been noted there are negative as well as positive connotations surrounding the notion of telling "the truth," whatever the lens we see it through. Generally, however, there is a perception that it can challenge the status quo in business and create problems some organizations would prefer to eschew. As Winston Churchill once noted: "Men occasionally stumble over the truth, but most of them pick themselves up and hurry off as if nothing had happened."

On the other hand, it can ensure a company's survival where others have failed. This fall the Council of Logistics Management, Toronto Roundtable, held a symposium that featured Claude Germain, Chief Operating Officer, Grocery Gateway. Mr. Germain's candid presentation was outstanding, informative and very much appreciated, as evidenced by the discussion afterwards. The value placed on information and accountability in this highly flexible and innovative company, which internally perceives its operations to be likened more to those of an manufacturing system than an E-business and logistics company, has helped it to succeed.

Clearly the way that this company and other successful companies view sound information is of paramount importance. Even when this information tells them that they need to take steps to transform their businesses, it's perceived in a positive manner.

There are many customized views of the logistics process based on the latest information analysis and gathering systems, from inventory management packages to help with procurement, to supply and demand management systems for the the delivery of high quality goods with shorter lead times and lower costs - or logistics execution management systems to provide information between trading partners in the logistics process. They all garner the data to help professionals make the best decisions. But there is, of course, still room for improvement in logistics with regard to providing basic information concerning some facets of the supply chain. For example, even though there are many supply chain measures available, most rely on traditional accounting systems and conventions that convey a legal reality that in some cases unrelated to operational realities, I've recently learned from one of our columnists. In this context, questions, for example, from third party providers about the "cost-to-serve" on a per-shipment basis can't be often answered as this approach is rarely practised by companies. However, it seems vital information to direct operational improvements.

Beyond the systems used to gather and analyze information, the culture and the perspective of sources of information also filter the data provided. For example, the value of providing information, that's accurate or "truthful," as provided by consultants versus third-party logistics providers is different. Irrespective of the source of information and direction, it is becoming a key differentiator for companies in the market, as shown by our contributors this issue of LQ.

It's also noteworthy that the ethical element underlying the telling "the truth" or conveyance of sound business information is of great value - and not just an intellectual exercise. It's the basis of trust, fundamental to all business practices, as also evidenced by the Canadian Professional Logistics Institute's module entitled, Professional Ethics, a module that I found outstanding as it showed integrating ethics into business helps managers to work more effectively to heighten overall performance in their organization. (Mr. Deyglio described this module in detail in Volume 6, Issue 1, LQ™ 2000, in his column "What is a Professional?")

Clearly the integrity of information must be of the highest value to make the best strategic decisions, but that often means mitigating substantial and even seemingly governing hurdles. In this information age, where it has been said "information wants to be free," if we transcend these constraints it seeems clear that this will be for the benefit of Canadian businesses overall.

In this issue, Paul Ragan, president of Burnham Logistics Inc., examines how the effective sharing of information has helped to develop long-term business relationships and strategies. Peter Bromley, UPS Logistics Group's vice president, focuses on the value of information derived from measurement systems. This thread also runs through this Special Report provided by logistics professionals from Canada's Department of National Defence. This Special Report gives us a comprehensive perception about the practice and direction of logistics in Canada's military. We are very appreciative not only of the contributions made by each of these officers, but also of Mike Rafferty, PLog., director, Kildonan Associates Inc. and the Institute's president, Victor Deyglio, whose efforts have made these contributions possible.

I also want to extend my appreciation to Schenker's Jennifer Saliba, who has inaugurated a new column this issue, entitled Logistics Profiles. In addition I am pleased to announce that after contributing a feature article to our previous issue of LQ, Jim Davidson, vice president, iWheels, launches his inaugural column in this issue with his article, "The Value of Management Information."

I look forward to hearing from you.

Fred Moody is publisher and editor of LQ™.
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