

# CANADA'S SUPPLY CHAIN LINK

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## Outside the Box

Welcome to the premiere edition of Canada's Supply Chain Link, a new e-newsletter for *MM&D* readers.

This monthly newsletter brings a fresh perspective on supply chain management, offering you practical tools and ideas designed specifically to help you do your job.

This column, Outside the Box, is my editorial and will focus on a topic in the news that has piqued my interest. I hope it will stir up controversy and make you think about day-to-day issues in a new way. Please send your feedback.

Strategy in Practice is where we will highlight one or two supply chain practice areas and offer tips on how to raise your game. This issue we've started with some insights on in-transit visibility and how to maximize profit by improving trade compliance within your organization.

We hope you'll find value in these practical tips, and if you have an area you'd like us to explore, please send me an email with your suggestions. We want this newsletter to reflect the challenges that real practitioners face.

In our You Should Know department we gather quick facts about developments in Canada and around the world that may affect your business. This is where we give notice of trends and happenings in the supply chain and important developments like mergers and acquisitions or other big changes in the competitive landscape. If your company has a milestone you'd like to share, please drop me a note.

Finally, you'll find the Think Tank. This is where we share highlights from the latest research into supply chain topics and let you decide if you want to delve deeper. This issue we have a report on security in Canada's Pacific Gateway region and an overview of China's 3PL marketplace.

Please enjoy the newsletter, and write us with your comments, questions and ideas. I really do look forward to hearing from you.



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## Strategy in practice

### The value in visibility

In-transit visibility is a good thing, right? While the collective wisdom says yes, new research shows that the value varies depending on the kind of supply chain and the cost of the technology.

Researchers at the MIT Center for Transportation and Logistics, in co-operation with their colleagues at the Zaragoza Research Center, found that the complexity of some intermodal shipments would make implementing the technology to achieve visibility far more expensive than the gains the visibility would offer.

When considering whether improved visibility technology could help your operations, the research suggests that you should look at which supply chain characteristics and processes would benefit from improved visibility. For example, shipment problems that occur regularly indicate the need for better monitoring systems.

Carefully analyze the overall supply chain benefit of any improvements. Visibility technologies can make it possible to allocate in-transit inventory to customer orders rather than waiting for its arrival at the DC. If this benefits customer service or improves the bottom line, then it may be worth doing.

Ultimately, supply chain managers need to quantify the benefits of any new visibility technology. This can be as simple as calculating the savings gained by having less damage to temperature-sensitive shipments, for example. But when things are less clear-cut it may be necessary to engage in more detailed modelling.

For more information contact Jarrod Goentzel, executive director of the MIT-Zaragoza International Logistics Program.  
[ctl.mit.edu](http://ctl.mit.edu)

### Trade compliance: tips from the top

As security mandates become more stringent, many importers and exporters are finding that global trade compliance (GTC) is gaining importance within their enterprises.

A study conducted this spring by the Aberdeen Group discovered that companies with best-in-class GTC operations increased their trade compliance staff productivity, increased the overall effectiveness of the function and were able to reduce their compliance costs per shipment far more than those companies who lag in the compliance arena.

Benefits of an improved GTC function include: reduced supply chain risks, processes that are

easier to audit, better relations with Customs and other government bodies, cheaper compliance and new opportunities for cost reductions or profits.

What does it take to get these benefits? The Aberdeen study recommends the following actions to begin or improve global trade compliance within your organization:

- If your company does not have a GTC focus, build the case and sell it to senior management. Address the risks presented by non-compliance.
- Compare your company's processes against voluntary government certification programs such as C-TPAT and develop an action plan to improve processes and visibility.
- Find out whether the information generated by the technology already being used by the supply chain and finance departments can be leveraged to assist with trade visibility.
- Look into potential benefits of using free trade zones and preferential trade agreements.
- Improve the accuracy of your product classifications. Better accuracy here can save money on duties and reduce disruptions due to non-compliant shipments.
- Work on improving visibility into GTC documents and events by streamlining workflows. The more automated the system, the more productive the staff. This also opens opportunities to speed up the supply chain and increase inventory turns.
- Measure your GTC performance regularly.

While many recognize the importance of trade compliance, until recently it has not been seen as a means to reduce costs and increase profits. The Aberdeen Group study demonstrates the competitive advantage that accrues to those companies that have embraced GTC and treat it as a strategic priority.

For more information visit [www.aberdeen.com](http://www.aberdeen.com).



## You Should Know

### **Slower, quieter, cleaner**

Do you import from China? If so, you may soon experience supply chain disruptions thanks to Beijing's efforts to clear the air before the Olympics get underway in August. Many heavy industries in the north-eastern part of the country—primarily around Beijing—have already been shut down to reduce pollution in the main Olympic city. These include manufacturers of chemicals, paper, tires, metals, cement and tiles.

In addition, freight transportation in and around Beijing and the ports of Qingdao and Tianjin/Xingang will be curtailed in the run-up to and during the games, particularly for hazardous materials. There will be strict restrictions on truck traffic in the Beijing area, with controls on the number of heavy vehicles as well as on vehicles that are not strictly emission-controlled.

If you source from any of the so-called heavy-polluting industries mentioned above you should check with your suppliers to ensure that they have taken steps to maintain product flow. There may also be general slowdowns due to the trucking restrictions, so check with your logistics providers that they have the necessary permits and plans in place to mitigate the risk.

The Olympics begin on August 8, so if you haven't looked into these issues, now is the time to talk to suppliers or your 3PL.

### **Pearson landing fees reduced**

Landing fees for cargo planes using Toronto's Pearson airport will be reduced by 25 percent in January 2009. For a 757 freighter this means a drop from \$3,402 to \$2,552, according to airport authority. In 2004 Toronto had the second highest landing fees in the world according to the Air Transport Association of Canada.

### **Shortlines key to economy**

Shortline railroads contribute \$1.2 billion to the Ontario economy each year, says a new study by the Railway Association of Canada (RAC) and Ontario's Ministry of Transport. These railways employ 400 individuals, and support local industries worth approximately \$4 billion annually. Across Canada, shortlines originate more than one million carloads of traffic, more than double the volume ten years ago.

### **Fuel chaos in Europe**

Truckers by the thousands blockaded European highways and borders to protest rising fuel prices earlier this month. Huge traffic backups resulted as truck drivers in France, Spain and Portugal reinforced demands for government action on diesel prices with illegal strike actions. Fishermen at Spanish and Portuguese ports also joined the protests.

### **Cargojet buys eastern operator**

Cargojet Airways has acquired a 51 percent interest in Prince Edward Air Ltd (PEAL), a privately owned regional operator of cargo aircraft based in Eastern Canada. PEAL has served numerous Canadian cities since 1989 and provides dedicated cargo lift to major couriers and transportation companies.

### **UPS shifts Asian hub**

UPS is moving its intra-Asia air hub from the Philippines to Shenzhen in China's Pearl River Delta to reduce transit times across Asia. The hub move is planned to cut a day off shipment times-in-transit for Asian customers and improving service to the manufacturing region north of Shenzhen. The new hub will be operational in 2010 and will cost approximately US\$180 million.



## **Think Tank**

### **Western gateway security**

Analysis suggests that contemporary international terrorists will choose targets whose destruction creates both symbolic and commercial harm. Canada's Asia Pacific Gateway and Corridor ports and infrastructure certainly fit within this profile. In addition, there are many other types of threat that security measures at the gateway need to address, such as organized crime, natural disaster, pandemic, labour disruptions and accidents (such as large-scale power outages).

Since the events of September 11, 2001 security measures have been greatly enhanced at ports, borders, airports and throughout global supply chains. However, according to a new report by Margaret Purdy of the Centre for International Relations at the University of British Columbia published by the Asia Pacific Foundation, there remain significant gaps in the overall security

picture, largely because in the post-9/11 scramble to upgrade security, almost all efforts were conducted in silos.

What has resulted is, according to Purdy, a sound foundation that needs to be built upon by “a coalition of stakeholders representing the entire Gateway-Corridor enterprise”. She identifies three key areas that need immediate attention: integration and cohesion of efforts, information sharing and generation, and readiness and emergency management.

To achieve these objectives, Purdy advocates 10 steps that need to be taken in the next year. These include (among others) the establishment of a gateway security forum, a pilot project to map and identify critical infrastructure with the gateway, a strategic risk assessment, expanded information sharing between public and private partners through a single, protected website and holding an exercise to test processes in place for co-ordination of response.

The total cost of these proposed activities is estimated at approximately \$1 million.

For the full report go to: [www.asiapacific.ca](http://www.asiapacific.ca)

### **Third-party logistics in China**

While third-party logistics remains a relatively new concept in China, the high demand for transportation services, tight capacity and escalating rates and costs are driving a boom in the sector.

This is the main finding of a study conducted in April and May this year by research house eyefortransport. More than 200 logistics professionals from around the world took part in the survey, largely from 3PLs and freight forwarding companies, with some representation from manufacturers and technology companies.

The key challenges they identified to doing business in China were government regulations, finding high-quality service, gaining access to local expertise and finding and retaining staff. Also high on the list were access to tracking and lack of road and rail infrastructure.

Looking forward, the same respondents placed government regulations at the top of their list of challenges for the next five years, followed by hiring and retention and quality of service.

The lessons taken from the survey results are that the rewards of doing business in China as a logistics provider will be there for those companies that take the time to understand the environment, develop the strong relationships that are key to doing business there and act quickly to adapt to changing circumstances.

For more information: [www.eyefortransport.com](http://www.eyefortransport.com)