

# CANADA'S SUPPLY CHAIN LINK

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## Outside the Box

### Shipper, heal thyself

Fuel prices killing your business? There's no question that shippers are feeling the pain from high petroleum prices. If you rely on third-party providers to move your freight there's little you can do to control the surcharges and increases that the new price of gas has brought on.

But there are some actions you can take to mitigate your escalating costs and improve your overall supply chain efficacy at the same time.

Talk to your transportation provider about their internal fuel savings programs. Do they train their drivers on fuel-saving techniques like reducing speeds, keeping tire pressure up and not idling? Do they use telematics to optimize routing and ensure that trucks are maintained? Do they have a fuel-efficient fleet?

If they don't do these things you should be asking why not. After all, they stand to benefit along with their customers.

There are also a number of things you can do in-house to improve your fuel efficiency scores. Take a look at your packaging. Can you change a box size to reduce your cube in order to cut the number of truckloads going out the door?

What about your pallets? Plastic pallets weigh less than wood, and are more durable. According to US-based plastic pallet pool iGPS, the average

wooden pallet weighs 27lb more than their plastic ones. Over a year, that weight adds up and translates into many gallons of fuel.

Are you using a transportation management system? This technology can help to cut waste by consolidating shipments and co-ordinating loads between suppliers or buyers.

Another tack is analyzing the overall effectiveness of your distribution network. Are your distribution centres optimally located to serve your customers using the least transportation? If not, a major network overhaul might benefit not only your fuel-related bills but also your overall bottom line and customer service levels.

While you are doing that, take a look at whether using a different mode of transportation might offer up additional savings. While slower than road, both rail and sea offer lower relative fuel consumption per tonne moved.

Don't despair. Take action to mitigate the harm from escalating fuel prices. There is plenty you can do to ease the agony.



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## Strategy in Practice

### Roadmap to supply chain security

Secure supply chains are reliable supply chains. While this is a commonly understood belief, a majority of companies recently surveyed see security improvements as costs without immediate ROI.

This is the result of a study conducted at the University of British Columbia's Sauder School of Business by graduate student Loke Wai Leng.

Security initiatives were also perceived to create slowdowns and declines in supply chain performance because they added 'touches' to product at various points throughout the delivery process.

But although the order fulfilment cycle may be longer, according to the study it is also more reliable in a secure supply chain. Not only will goods be more consistently able to clear security hurdles like borders, but in the event of a disruption the company with a crisis management plan will be able to recover

and resume business much more quickly than its unprepared counterpart.

To achieve a secure supply chain, Loke suggests first getting your house in order and then making it holistic.

The first step is to invest in physical security and access control measures. Examples include restricting access, reviewing employee identification systems, using uniforms to identify staff, logging visitors and monitoring pickups and deliveries.

The second step is to make sure staff are screened before hiring and thoroughly trained in proper security procedures once they start working. Instilling a culture that understands and respects security is key to creating a secure supply chain.

Once these steps are complete, then it's time to consider implementing tracking technologies to improve supply chain visibility. According to the report, such technology can allow a more agile response to disruptions and lets a company make better use of its order fulfilment capabilities.

From there, take security outside your own company to other stakeholders in the chain. Negotiating security-related requirements when establishing business partnerships will allow you to have some control over the external elements of your supply chain.

Finally, it is important to evaluate your efforts to create a secure supply chain. Key performance indicators should be identified in four areas: People (training, number of accidents or incidents), physical breaches (number of cargo-related thefts), information (accuracy of shipments, inventory, billing) and cost (number of freight claims, insurance premiums, Customs).



## You Should Know

### **Speed limiters save fuel**

A new report commissioned by Transport Canada shows the positive effects of using speed limiters to prevent large commercial trucks from moving faster than 105km/h.

The report reveals that speed limiters on large trucks could save up to 228.6 million litres of diesel fuel, representing 1.4 percent of the total on-road diesel consumed in 2006. Annual greenhouse gas savings are estimated at 0.64 megatonnes, with Ontario and Quebec accounting for 64 percent of the national savings.

Ontario recently passed legislation mandating speed limiters on large commercial trucks operating in the province. The new rules may come into effect as early as this fall. Quebec also has speed limiter legislation for large commercial trucks.

The report is available at [www.tc.gc.ca/roadsafety/speed\\_limit/menu.htm](http://www.tc.gc.ca/roadsafety/speed_limit/menu.htm)

### **Canadian exporters gloomy**

Concerns over declining domestic and global economies have driven

Canadian exporter confidence down to its lowest point on record, according to the semi-annual Trade Confidence Index (TCI) survey from Export Development Canada (EDC).

“Canadian exporters are clearly hurting right now thanks to a major slowdown in the US, a slowing global economy and a persistently high Canadian dollar,” said Peter Hall, vice-president of economics and chief economist, EDC. “All of these challenges combined to take exporter confidence to the lowest point on record.”

The overall index declined to 66.1 from 67.4 in January of 2008, the second consecutive lowest result on record since EDC began reporting semi-annually on trade confidence in 2000. The TCI survey examines the attitudes of Canadian exporters through five main TCI indicators: trade opportunities, export sales, domestic sales, and both domestic and global economic conditions.

Most exporters believe that the Canadian dollar will stop climbing. Those expecting a further increase shrank to 24 percent from 50 percent a year ago. Sixty-two percent expect the Canadian dollar to remain at current levels.

The top coping strategy exporters identified was simply riding out the storm and absorbing the loss. Cost-cutting is also popular, but fewer exporters were resorting to this tactic compared to previous surveys. Those planning to pass on higher costs were in smaller company, as their ranks fell from 27 percent to just 18 percent of respondents.

### **CEVA reorganizes**

CEVA Logistics has reorganized. Four regional presidents will be responsible for running the integrated businesses in contract logistics (CL) and freight management (FM).

CEVA resulted from the merger of the former TNT Logistics with EGL Eagle Global Logistics in August 2007. The new company originally retained the CL and FM businesses as separate divisions, with the exception of Asia-Pacific, which tested a model integrating the two businesses at country level. Following a nine-month pilot in that region, the company has now decided to adopt the integrated model globally.

CEVA announced the following appointments at the most senior level: Joe Bento, president, Americas and global FM network; Vittorio Favati, president, Asia-Pacific; Bruno Sidler, president, Northern Europe; and Gianfranco Sgro, president, Southern Europe, Middle East and Africa.

### **New London port gets go-ahead**

The final regulatory hurdle has been cleared to allow construction to start on the new London Gateway port in the UK.

Construction work will begin later this year on the 1,850-acre site, just 25 miles from central London, near Stanford-le-Hope, South Essex.

More than £1.5 billion (\$3 billion) is being invested by London Gateway's

owners, DP World, the fourth largest global marine terminal company, over the next ten to fifteen years.

The London Gateway will become a national hub port for the UK and will accommodate the world's largest container ships. The port will be the most fully automated and efficient in the country, adding an additional 3.5 million TEUs to the nation's port capacity. This will help meet recognized demand for extra capacity in the UK.

In addition to a major deep sea facility, London Gateway port will combine with Europe's largest logistics park, offering 9.5 million square feet for distribution, manufacturing and high-tech sectors. The logistics park will offer individual units in excess of one million square feet.

The London Gateway is expected to take 2,000 trucks per day off the UK's road network.



## Think Tank

### **US and China considered biggest risks for sourcing and manufacturing**

The US and China are the regions that present the most supply chain risk for manufacturers, according to a study by AMR Research. The US was the top geography cited for supply chain risk at 35 percent, with China at 28 percent, and the Middle East and Africa at 12 percent.

In addition to geographies with the highest risk, the report identified rising transportation costs (51 percent), volatile commodity prices (43 percent) and weakening consumer spending (37 percent) as top supply chain concerns.

In the wake of ever-increasing supply chain volatility, companies have begun seeking a more balanced portfolio by moving to new regions, namely other Asia-Pacific countries, Eastern Europe and near-shore countries.

Survey respondents indicated that despite rising transportation costs, an aging logistics infrastructure and a softening economy, many companies are still sourcing and manufacturing in the US.

Keeping manufacturing close to home allows companies better visibility into their supply chains and increased oversight into day-to-day operations.

Thirty-four percent of companies are planning to nearshore their sourcing and manufacturing due to increasing cost-competitiveness, while 15 percent indicated reduced supply chain risk due to proximity to market as their primary reason to nearshore.

"Globalization is coming home partly because so much risk is associated with spreading the supply network around the world," explained Noha Tohamy, research director at AMR Research.

But for manufacturers selling products in the US, the lure of China still exists for respondents. Despite significant risks, like product quality issues and political unrest, China still makes sense because of cost advantages and reach to vast consumer markets.

To further mitigate risk, companies have begun building better IT-based supply chain visibility (42 percent), employing multi-sourcing strategies (27 percent) and building performance-based collaborative relationships with suppliers (44 percent).

### **Lack of ROI blocks green supply chains**

Companies striving to “green” their supply chains are most constrained by the inability to justify the cost of implementation, says a new survey.

The survey revealed that 78 percent of the 250 supply chain executives who responded are either currently implementing or evaluating sustainable supply chain initiatives. Of those evaluating, close to two-thirds report the greatest barriers their organizations face with regard to establishing these business practices is cost justification. Of those currently implementing a program, 40 percent have not established a method to measure return on investment (ROI).

“Companies clearly need an effective method to identify and quantify high-impact areas throughout their supply chain and ensure their investments are green—especially in cases where these efforts also drive improved profitability,” said Brad Barton, a partner and managing director in study sponsor CSC's Global Business Solutions group.

More than 50 percent of the respondents said they have a documented environmental plan at the corporate level, and about the same number said their company has a senior executive, often a vice-president, dedicated to this effort. Nearly two-thirds said waste disposal and recycling were the most important environmental issues to address.

“This study reveals the importance that companies place on reducing environmental impact by executing strategies that optimize efficiency in their supply chain processes,” said Eddie Capel, executive vice-president, product management and customer support, for Manhattan Associates, another of the survey's sponsors.

Many of the supply chain and logistics executives surveyed are involved in at least one sustainability-related group. The study indicates that more than a third are involved in the US Environmental Protection Agency's SmartWay Transport program, and one-quarter of respondents report that their organizations are actively involved in the Green Suppliers Network and/or Carbon Disclosure Project.

The survey was conducted by CSC, Manhattan Associates Inc, IBM and Supply Chain Management Review magazine.

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