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Let your voice be heard!

Our Annual Salary Survey is out.
Your response will make it a success!
Are we about to do more harm than good with the proposed changes to US trucking’s Hours-of-Service rules?

A nyone shipping to or from the US – and that would be most of you – needs to pay close attention to the firestorm of debate raging right now over the Federal Motor Carrier Safety Administration’s new proposed Hours-of-Service rules for trucking.

The proposal seems to have support from no quarter. Over the years, I’ve learned that when opposing sides on an issue are critical of proposed legislation, it’s a good indication that legislators have struck a conciliatory and workable solution. But from the stakeholder comments I’ve read to this point the commentary of experts on this thorniest of subjects (how exactly can you mandate someone to sleep anyway?), it seems the negative reaction on both sides may only lead to legal battles and the uncertainty that stems from a regulatory quagmire.

Most of the trucking industry concerns I’ve identified to this point centre on revisions that would:

• Add one hour of off-duty time within the 14-hour workday;
• Limit consecutive driving hours to seven;
• Reduce the maximum allowable daily driving time to 10 hours from the current 11; and
• Require drivers to have two periods of rest between midnight and 6 a.m. during a 34-hour restart.

The American Trucking Associations (ATA) claims the proposed changes will be enormously expensive for trucking and the North American economy. So do some prominent shippers.

Wayne Johnson, who is in charge of carrier relations for Owens Corning and chairs the National Industrial Transportation League’s highway policy committee, buys into the trucking industry’s concerns about lost productivity and says that that will, in turn, squeeze shippers. He told the media that this would result in more trucks having to be used to get freight moved.

The ATA pointed out that the FMCSA itself estimated, just two years ago, costs of more than $2.2 billion if the daily drive time was reduced by one hour and the restart provision was significantly changed. The ATA contends that the FMCSA’s own research previously found that the eleventh hour of driving time does not increase driver weekly hours; is used for flexibility purposes; does not increase driver-fatigue risks; and that eliminating it would promote more aggressive driving (to meet time constraints).

With respect to the 34-hour restart, the ATA says the FMCSA is needlessly departing from past acknowledgement that requiring users to sleep during the day to now sleep between midnight and 6 a.m. for two consecutive days would actually be less safe. It would disrupt drivers’ circadian cycle and force them to drive more during the day, adding to congestion and, again, increasing trucking costs.

What makes this issue a political hot potato is that the opposing side is also keen on changing these provisions. Public Citizen, Advocates for Highway and Auto Safety, and the Truck Safety Coalition want the 11th hour of allowable daily driving gone and don’t think the proposed changes to the 34-hour restart provision go far enough. They want drivers to take 48 consecutive hours off before they can resume their schedule. They believe the proposed rule “does not eliminate any of the anti-safety provisions that allow truck drivers to drive and work long hours, get less rest and drive while fatigued.”

Here’s my take on all this. Both safety and efficiency must be taken into consideration but, within reason, safety must trump efficiency. But when it does, it must be based on solid science. All stakeholders must avoid the temptation to view truck driving through the eyes of people who work normal hours. It may make perfect sense to someone used to working 9 to 5 that truck drivers should sleep at least two nights in a row between midnight and 6 a.m. before resuming their work schedule. But do we know what that actually does to people used to sleeping during the day or accustomed to sleeping at shifting times? Unless there is solid science that shows such a move would be beneficial, why consider it?

Is the FMCSA looking to “change something that isn’t broken,” as Johnson from Owens Corning charges? After all, since the current Hours-of-Service rules were brought in back in 2004, the trucking industry in the US has reduced its crash-related fatalities by 33%, while both fatality and injury crash rates reached historic lows – even during all the freight growth years.

Is new legislation certain to improve this safety record? If yes, then it’s only right to proceed. If not, why are we wasting our time?
Web TV: Transportation Matters

• COOL SOLUTION:
Erb Group has built a snow removal system to keep trailer roofs free of snow and ice.

• BEST BLOOPERS OF 2010:
Transportation Matters celebrates the end of 2010 with a collection of bloopers from its third season.

• WHERE’S THE SILVER LINING?:
The economic forecast for 2011 is a cloudy one. How are leading shippers and motor carriers responding to the uncertainty?

• THE NEXT GENERATION:
Join us as we profile some of the executives who will shape the industry’s future in our Future Leaders Forum.

Blogs

• Dan Goodwill of Dan Goodwill and Associates reflects on 2010 as a landmark year for the evolution of social media and investigates the potential uses of Facebook, Twitter, LinkedIn and the like for the transportation industry.

• How do we capture the interest and passion of the next generation of supply chain managers? Editor director Lou Smyrlis ponders whether it’s possible to make supply chain sexy in his latest blog.

• Cole Group’s Laurie Turnbull uses a case study of a warehousing dispute to remind both buyers and sellers of warehousing services about the importance of contract wording.

• IT expert Gagan Goraya gives a rundown of an environmentally-conscious program called Green IT which focuses using computer resources in an efficient way.

You Said It . . .

“I have heard some major LTL carriers complaining about the complicated NMFC (National Motor Freight Classification) system. I wonder how many major LTL carriers are considering a change to your simpler system.”

Star Wang responding to Dan Goodwill’s blog:
Is it time to move from the NMFC Classification System to a Density/Cube Based LTL Tariff?
Shippers, brokers urged to see how trucking partners measure up under CSA

By James Menzies

Having survived a last-minute court challenge and undergone a name change, the new US carrier safety measurement system CSA went live at the end of 2010.

Formerly dubbed Comprehensive Safety Analysis 2010, CSA has been rebranded as simply: Compliance, Safety, Accountability – or CSA. The new SMS is designed to better utilize technology and real-time data to provide enforcement and shippers a more accurate look at a motor carrier’s safety performance on US highways. For the most part, the trucking industry, if it has any recent awareness of CSA, is that a coalition of organizations representing small carriers sought to prevent the release of carrier ratings in the weeks leading up to the program’s launch.

During a recent Webinar on CSA, Sloan Morris, director of client services with data mining company Vigillo, said the carrier groups felt publishing percentile rankings would result in a public branding of carriers as unsafe, which is ultimately for the FMCSA – not the public – to decide. The American Trucking Associations (ATA) was not among the carrier organizations that opposed the publishing of carrier safety ratings, although it and other organizations did express concerns about several of the so-called BASICS – seven categories that are measured under CSA. For example, ATA and other organizations felt publishing the cargo-related BASIC scores was unfair to certain segments, because carriers with higher freight visibility (flatdeckers, for instance) are held to higher scrutiny just because of the nature of the business and the fact their cargo is more visible to enforcement.

“There was a concern the (cargo-related) BASIC was over-representing certain industry segments,” Sloan explained. “Open deck haulers in particular were getting a lot more cargo violations, simply because if it’s easy to see, it’s easier to give violations as compared to a closed van situation. What we’re currently seeing is that if you have a significant percentage of open deck vehicles, you’re going to be higher in Cargo than everyone else and that’s not the intent of the system.”

The FMCSA also agreed to withhold scores related to the Crash Experience BASIC, since it was felt past crashes are not necessarily indicative of a carriers’ likelihood of being involved in future crashes. So, as it stands today, five of seven BASICS – Unsafe Driving; Fatigued Driving; Driver Fitness; Drugs and Alcohol; Vehicle Maintenance – are available to shippers and the public, which can access the ratings via a new Web site http://ai.fmcsa.dot.gov/sms.

If shippers have not yet had CSA discussions with their carriers, they are urged to do so. They can begin by viewing their carriers’ scores with nothing more than their US DoT number. The new SMS Web site displays a carrier’s score in five of the BASICS via a user-friendly graphic that indicates at a glance how close the carrier is to the threshold level that would spark an FMCSA intervention. Interventions can range from a warning letter to a full-on company audit. The Web site also lists every infraction a carrier was assigned over a certain time period. Each infraction is weighted by its severity and, unlike SafeStat, it’s time-weighted as well so the points assigned for a violation gradually decline as time passes.

Having made the data publicly available and easy to interpret, there’s an expectation by the FMCSA that shippers will view their carriers’ scores and hold them accountable.

Annette Sandberg, former FMCSA administrator and now CEO of TransSafe Consulting, said now, more than ever, shippers and brokers are required to do their due diligence when selecting carriers to move their goods.

“What the courts have said, and there have been a number of cases that point to this, is they expect that in this information age where a lot of information is available on the Internet, is for shippers and brokers at minimum to do a public records review,” said Sandberg during Vigillo’s Webinar. She pointed to the case of Schrampa vs. Foster in which a broker was successfully sued for US$23.7 million for continuing to use a carrier that had poor SafeStat scores.

“That got the attention of plaintiff attorneys and it also got the attention of the shipper and broker community,” she said.

Sandberg said there are three types of claims that can be made against shippers and brokers: vicarious liability (where the shipper or broker is held responsible for the unsafe actions of a carrier, for instance by urging them to break the law); negligent hiring (where a shipper or broker fails to take reasonable care in hiring a motor carrier to haul its freight); and negligent retention (where a shipper learns a carrier is a potential danger yet takes no action to deal with them).

During the Webinar, however, a poll of motor carrier representatives indicated 45% had yet to hear from customers about CSA and 47% said “only a few” had engaged them in discussions on the subject. Only 8% said their shipper and broker customers had initiated much discussion with them about the new SMS.

Some carriers are taking it upon themselves to educate their shipper customers on CSA and are using it as a selling point. Schneider National has been sharing its CSA scorecards with customers in an attempt to show their readiness and highlight their safety performance.

“As we visit with our customers, CSA is increasingly a part of the conversation,” said Don Osterberg, senior vice-president of safety, security and driver training at Schneider. “They are paying close attention because these companies can be at risk if they tender freight to an unsafe carrier.”

Sandberg, whose consulting firm works with shippers, brokers and motor carriers, said it’s important for carriers and their customers to discuss CSA.

“Shippers and brokers have been paying attention (to CSA) and if you’re a motor carrier, you need to engage in dialogue with your shippers and brokers,” Sandberg advised carriers. “Ask them how they plan on using the new data. If you have good data, I recommend you offer that data up and let them see you’re operating safely and that you’re a good risk and a good carrier. A number of carriers are advertising that they have good SMS scores. If you don’t have good scores but have taken steps to correct those scores, such as removing bad drivers, you may want to have that initial dialogue with your shippers and brokers on the steps you’ve taken to remediate some of the scores that may not look that good.”

With CSA scores now online, it’s unclear how long the FMCSA will continue to make SafeStat ratings available.

“Initially, FMCSA had indicated SafeStat would be taken down the day the new SMS went up,” said Sandberg. “However, in the last two weeks, I know a number of shippers and brokers have requested to have SafeStat run in parallel for at least 60-90 days to give shippers and brokers the same opportunity that carriers had to see how the scores compare to the old SafeStat system.”

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Air Transat targets cargo with its increased capacity

By Ian Putzger

Vacation airline Air Transat is aiming to take on established international cargo carriers in the new year as it takes control of its fortunes in the freight business. After 15 years of outsourcing its bellyhold capacity, the Canadian airline has decided to take cargo management in-house and run the show itself.

“We decided to get closer to the cargo business. It is an important revenue element,” says Paul Nugent, the carrier’s general manager of cargo.

The chief reason for the change in approach after more than a decade is the airline’s change of equipment, which is radically boosting the cargo capacity at its disposal. Having worked with a fleet of Airbus A310 aircraft, Air Transat is now bringing in the much larger A330, a twin-aisle long-range plane that can accommodate up to 342 passengers, as opposed to 249 on the A310. In terms of cargo space, the A330 can take twice the payload of the A310.

At this point, Air Transat has five A330s in its fleet, and six more are to enter service before the end of 2011. Increasingly, these will be deployed on routes that are currently served with A310s. According to Air Transat president and CEO Allen Graham, the airline will double its cargo capacity by 2014.

To run the cargo activities itself, the carrier has hired 11 full-time staff and is setting up a 24/7 call centre. However, operations and most sales activities will remain in the hands of third-party providers.

“We’re not bringing the whole thing in-house, we’re bringing in management of cargo,” Nugent says.

To facilitate procedures like tracking shipments, the airline has brought them online. Customers can now book and track shipments over the carrier’s Web site in real time. A key plank in the new set-up is CargoSpot, an advanced cargo management system. According to Nugent, its flexibility and the ability to build on this platform were the main attractions.

It will also help him and his staff in the development of a service portfolio Air Transat currently offers one standard product, and Nugent is eager to develop several premium offerings that can generate better yields. He intends to roll out an expedited product and is looking at the possibility of establishing a temperature-controlled offering.

Perishables figure prominently in the airline’s cargo profile, given its network to sun destinations. “We already do a lot with perishables. In the winter, we bring a lot into Canada,” Nugent says.

The sun destinations Air Transat flies to are associated with beaches and resorts rather than produce growing or cargo transfers. However, they have demand for supplies and restaurant food on the southbound legs, and for the return flights the carrier is looking to a network of partners to feed them with fruits, vegetables and flowers headed for Canadian stores.

In Cancun, which Air Transat serves year-round (fielding A330s during the winter and A310s in the summer season), the airline works with altogether 30 partners that pick up freight and tranship it to its final destinations. The airport’s cargo infrastructure has also improved visibly, according to Nugent. “Cancun has come a long way. It has good facilities today, including a good cooler facility,” he says.

First and foremost the airport serves as a connection point for freight to and from Mexico City, but Nugent sees possibilities to extend Air Transat Cargo’s reach to other countries in Latin America. “We will try to establish links to South America that are not there today. We can feed Central America and the Caribbean to link to South America,” he says.

The major international battleground for the cargo division will be the transatlantic sector, where it faces head-on competition from Air Canada Cargo and European carriers. As a seasonal operator, the Montreal-based airline is at a disadvantage there, being unable to offer forwarders year-round lift.

“It will always affect us. That’s why we need a good network, need good partners,” Nugent says, pointing to a growing trucking network both in Europe and Canada. “We have strong business out of the Benelux countries in the summer. We can move that over Paris. We would like to be on-line year-round, but that helps.”

He stresses that Air Transat now operates continuously on the
Air Canada refines its cargo products

By Ian Putzger

The freighters are long gone, the Boeing 777s all integrated into the fleet and the B787 Dreamliners still some time away (the delivery for the new aircraft schedule keeps slipping back as Boeing encounters more problems). With its capacity line-up in calm waters and loads factors and yields rising after the slump of 2008/9, Air Canada Cargo is facing fewer problems. With its capacity line-up in calm waters and loads factors and yields rising after the slump of 2008/9, Air Canada Cargo has focused much of its efforts over the past year on refining its services and yields rising after the slump of 2008/9, Air Canada Cargo is facing fewer problems.

Not surprisingly, he is bullish looking at the year ahead. “We anticipate significant growth in 2011, mainly because of the new fleet, but also because we’ve revamped the network and now have the infrastructure in place,” he comments.

Air Canada Cargo had covered this segment previously with its AC Cool service, which features express processing and the use of special containers with active temperature-control capabilities. These units are equipped with both heating and cooling elements, so they can regulate ambient temperature within narrow ranges. Pharmacair is meant for healthcare traffic that does not require such sophisticated technology (mostly shipments kept cool with dry ice inside the packaging). Unlike Absolute, this traffic does not automatically move as express cargo through the system. Customers using Pharmacair can choose between regular and express service.

A third product for perishables traffic, AC Fresh, is for fish and seafood and fresh produce. Here, Air Canada has not changed the service definitions, but it brought in new reflective blankets that allow better air circulation.

According to Mike Morey, the carrier’s director of operational strategy, produce shippers usually assume a spoilage factor of some 20%. “If we can help minimize waste, whatever is saved is a clear benefit,” he notes.

The rest of the airline’s service has remained unchanged in terms of product features, except for the mail service. A growing number of postal authorities are including requests for special features, such as scanning and tracking bags of mail, into their tenders, remarks Lise-Marie Turpin, managing director of Air Canada Cargo.

The individual elements have been branded as “solutions” to reflect the fact that their definitions were based on extensive consultations with shippers and forwarders about their requirements. A key objective of the overhaul was to go through each product and define clearly what the airline’s commitments to its customers are, Turpin says.

She stresses that the revamp of its products does not mark the end of the carrier’s efforts to refine these offerings. “We will be building from this,” she states.

The definitions of Air Canada’s service for moving hazardous materials have not changed this time, but they have been in a long evolutionary process, according to Morey. He is referring chiefly to radioactive isotopes, a commodity that Air Canada has been carrying for a long time but which has risen to greater prominence in recent years.

More than half of the global supply of radioactive isotopes is produced in Canada. From the production facility in Ontario, shipments for cancer treatment are exported all over the world. Given their short half-life window, these isotopes have to be shipped by air.

“We had been transporting that cargo for some time, but we didn’t really get to understand their business until we expanded to South America and Asia,” Morey says.

The better understanding led to the formulation of specific processes over and above routine safety procedures that are mandatory for hazardous materials moved by air. These were developed in close consultation with the Canadian Nuclear Safety Council, according to Morey.

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Thanks to these special processes, the airline has obtained authorization from the Japanese authorities to carry this traffic to Japan. Usually only freighter aircraft are permitted to bring this commodity into the country. Before Air Canada got the blessing from Tokyo, this traffic had to be flown from Ontario to Chicago on private planes to catch freighters headed for Japan, Morey says.

Turpin does not reveal how large the share of special cargo is in AC Cargo’s overall business, but it certainly commands much better yields than general freight. Last year saw a veritable stampede of airlines to offer special services aimed at the pharmaceutical sector. Given the long development times and the high value of this traffic, these shippers pay top dollar for airfreight. However, for the same reason they are wary of changing transportation providers.

**Montreal’s 2011 container traffic could match 2008 record**

*By Leo Ryan*

As a result of rising demand in the Canadian and US economies, Montreal’s container traffic this year could increase by 8% and closely approach the 2008 record of 1.5 million TEUs, according to Sylvie Vachon, president and CEO of the Montreal Port Authority.

Vachon made the forecast in January at the annual ceremony where the Gold Headed Cane is awarded to the first ship to arrive at the port at the beginning of the new year.

Kevin Doherty, president of Montreal Gateway Terminals Partnership, the largest container operator at Montreal, said he was confident that container activity should exceed its pre-recession levels by 2012.

Preliminary figures for 2010 cargo activity showed total traffic increasing by 4% to 25.6 million tonnes and container traffic climbing by 6.1% over 2009 to 1.32 million TEUs. In tonnage terms, container cargo represents over half of the port’s total volume.

“Our post-recession recovery falls in line with trends at other ports on the East Coast of North America,” Vachon said.

Among ports on the North American East Coast, Montreal ranks second to New York/New Jersey for purely North Atlantic containerized cargo, with about one third of its box business generated by shippers in the US Midwest and Northeast.

The Gold-Headed Cane was awarded to Capt. Vikram Manchanda, master of the M.V. Power containership of Hapag-Lloyd, which docked at the Cast container terminal operated by Montreal Gateway Terminals Partnership. The award underscores the fact that since the early 1960s, Montreal has functioned as a year-round port, rather than being closed during the winter months, thanks to support when needed on the St. Lawrence River from Canadian Coast Guard ice-breakers.
Our planet’s future depends on choices we make today. Switching from wood to iGPS all-plastic pallets is the smart, responsible, sustainable choice. An independent life cycle study proves that switching to iGPS means: 65% less impact on global warming, 90% less ozone layer depletion and 75% less ecotoxicity. Each pallet is 30% lighter than typical multi-use wood, reducing transport costs, fuel usage and carbon emissions. Its non-porous material won’t absorb liquids, and there’s no need for toxic pesticides and similar treatments. And every iGPS pallet is 100% recyclable – never to see a landfill. Learn how you can start shipping greener, visit www.igps.net
It’s an unfortunate reality of depressed economic times that sometimes payment is not made for services rendered. In such situations, the owner may not have legal provisions for recourse, the better off you will be. To that end, CITT included a session entitled “Legal Road Map” to help supply chain professionals figure out where they stand on a variety of key legal issues. Last issue, we provided advice on what to do when a freight forwarder goes insolvent with a carrier’s bill outstanding. This issue, we provide expert advice, care of Darin Hannaford of Miller Thomson LLP and a presenter at the CITT event, on the rights of warehouses when payment is not made for their services. 

With limited exceptions, all Canadian provinces share basic concepts within their warehousemen legislation. For simplicity, Hannaford referenced the British Columbia legislation to provide examples of the rights and obligations of warehousemen, but most provinces’ legislation is substantially similar.

There are three basic rights that stem from warehouse legislation: (1) the right to lien stored goods; (2) the resulting right to sell the goods to cover the cost of storage; and (3) priority in insolvency proceedings.

The warehouse lien

The default position of the warehouse is that they will have a lien on goods deposited with them for the purpose of storage. The only way that this will not be the default position is if the goods were deposited by a person who is not the owner and who is not entrusted with possession of the goods. Otherwise, if the goods are deposited for storage by the owner, or by the owner’s authority, or by an individual entrusted with possession of the goods, then a lien can be established. If the goods subject to the lien are deposited not by the owner himself but rather by someone with possession of the goods, the warehouser must provide written notice of the lien to the owner of the goods within two months of the date of the deposit.

The amount of the lien is determined by a number of factors. The lien may include charges for the following: all charges for storage and preservation of the goods; all charges for service costs incurred in relation to the storage, such as interest, insurance, transportation and labour; and all reasonable charges for any notice required to be given under the Act, advertisement of sale, and for the sale of the goods if default is made in satisfying the warehouse lien.

Two points must be made in relation to the costs associated with the goods subject to the lien, Hannaford says. First, the courts have held that if no storage rate has been agreed upon between the parties, then a “reasonable rate” should be implied arising from the performance and acceptance of storage services. Second, any additional charges in relation to the goods must be set at a commercially reasonable rate. The legislation does not set out what this rate includes; however, common sense and common business practice should guide the warehouser’s judgement.

The goods must be deposited with the warehouser in order for a lien to be claimed. Warehouse liens in Canada, with the exception of certain circumstances in provinces such as Ontario and Saskatchewan, are possessory liens. These liens do not allow a warehouser to claim a lien for past debt on goods presently in their possession. Once a warehouser is dispossessed of the goods subject to the storage fees, the opportunity to claim a lien is erased. A warehouse cannot claim a lien on present goods for a past debt.

The sale of stored goods

A warehouser has the right to recover the unpaid storage fees and expenses by selling the goods subject to the lien at public auction. Prior to engaging in the sale process, the warehouser must provide a written notice to the following individuals: the person liable as debtor for the charges for which the lien exists; the owner of the goods; any person with a security interest in the goods where a financing statement was registered at the date of deposit of the goods; and any other person known by the warehouser claiming to have an interest in the goods.

If the warehouser intends to enforce its right to sell the goods subject to the lien, upon initiating this process, it must wait a minimum of 35 days in order to complete the enforcement. Any surplus from this sale, after covering storage fees and expenses related to the sale of the goods, must be remitted back to any person entitled to it, together with a statement of account outlining the fees charged. At anytime before the actual sale of the goods, any person claiming an interest in the goods may pay the amount, including expenses necessary to satisfy the lien.

Priority in bankruptcy

One of the most important and powerful features of a warehouse lien is the priority it affords in insolvency situations, Hannaford says. In the absence of statutory protection, if a warehouser received goods from a subsequently insolvent entity, its chances of receiving payment for the associated storage fees would be minimal. However, personal property security legislation in every Canadian province affords warehousemen additional protection in these circumstances. For instance, sections 4 and 32 of the British Columbia Personal Property Security Act give warehouse liens priority over other creditors’ previously attached and perfected security interests.
After two years of setbacks in the salary levels of Canadian supply chain professionals we are happy to say we have some good news to report. Not a lot of good news mind you but at least the worst is behind us and the tap has been turned on as far as pay is concerned. Salary increases are still coming through at a trickle compared to the best years of the past decade but a greater proportion of supply chain professionals are seeing improvements to their income.

Over the following pages you will find a detailed analysis of pay and bonus packages. The various breakouts are presented and designed to provide a strong indication of how corporate/industry factors (such as size of company or logistics budget) and personal factors (such as experience and education) affect pay packages. We hope the data will provide supply chain professionals with a clear indication of where they stand in terms of their total compensation package, which factors are the most important in determining pay levels, and what they can realistically expect for the coming year. We also asked an open-ended question on how the supply chain role has changed over the years and some of the more representative comments are included at the top of each page in this report.

Although pay levels are critically important, they are not the only ingredient to job satisfaction. Our report is spread out over two issues so that we may bring you additional critical information our survey collects about the work life of the Canadian supply chain professional. Next issue we will provide benchmark data on such key areas as career mobility, turnover, education, gender differences and job satisfaction.

As with the past 11 years we enlisted the help of professional research consultants G. Bramm & Associates to compile and analyze the data and to ensure the accuracy of the survey.

Our sincere thanks goes out once again to all the hundreds of supply chain professionals who take the time each year to fill out our comprehensive survey and also make sure to provide detailed comments to our open ended questions. We know how busy you are - heck, the data tells us exactly how busy you are down to the hour – so we are very grateful for your contributions every year.

We are confident our annual survey provides the most accurate and comprehensive reflection of the Canadian logistics profession available today.

Lou Smyrlis
Editorial Director
The recession and the downsizing of supply chain departments that came with it may be behind us, but our annual salary survey shows some nasty side effects continue to linger.

Back in 2009, the 3.2% average pay hike we reported for supply chain professionals was the lowest in the 11 year history of our survey. Just as bad was that only 39% actually received any increase at all, which was another record low for our survey. And even though Canada was showing signs of coming out of recession by the time we conducted our survey, supply chain professionals did not see much chance of improving their salaries this year, forecasting yet another 3.2% gain in pay.

The recession is over and the good news from our latest survey, conducted in the fourth quarter of 2010, is that more logisticians got a pay hike in 2010 than expected and the raise was better than anticipated, although not by much. A year ago 53% of supply chain professionals responding to our survey believed they would get an increase in 2010. As it turned out, 60% got an increase. And the average increase was just slightly better than the previous year, coming in at 3.3%.

For slightly more than a quarter of our respondents the hike they got was less than 2% while the majority (55%) had a raise in the 2.1-4% range. Seventeen percent managed to grow their salaries by more than 4% in 2010 despite the still turbulent recovery.

Although an improvement over dismal 2009, it’s still far from what supply chain professionals had come to expect this decade. Consider that just a couple of years ago we were lamenting that only 65% of respondents reported receiving an increase in 2008. Compare the 60% who received a pay hike in 2010 with the 75% who received pay increases in 2007 and 2006 and the 82% who did so back in 2001 and the toll the economic downturn took on supply chain salaries is quite clear and still lingers. Seventy percent of supply chain managers expect a raise for 2011 but they are

---

### BASE SALARY INCREASES

<table>
<thead>
<tr>
<th>2010</th>
<th>Expected for 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received increase</td>
<td>60%</td>
</tr>
<tr>
<td>Did not receive</td>
<td>39%</td>
</tr>
</tbody>
</table>

### Size of increase

<table>
<thead>
<tr>
<th>Range</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>2.1% to 4%</td>
<td>55%</td>
<td>56%</td>
</tr>
<tr>
<td>4.1% to 6%</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>6.1% to 10%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Greater than 10%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

### Average

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

### TOP FACTORS IMPACTING SALARY LEVEL

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>% OF VARIATION FOR BASE SALARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Position in organization</td>
<td>30.0%</td>
</tr>
<tr>
<td>2. Hours worked per week</td>
<td>13.2%</td>
</tr>
<tr>
<td>3. Logistics budget</td>
<td>11.1%</td>
</tr>
<tr>
<td>4. Company size (sales)</td>
<td>8.6%</td>
</tr>
<tr>
<td>5. Number of years in logistics</td>
<td>7.2%</td>
</tr>
<tr>
<td>6. Number of direct reports</td>
<td>4.5%</td>
</tr>
<tr>
<td>7. Education</td>
<td>4.5%</td>
</tr>
<tr>
<td>8. Company size (sales)</td>
<td>3.0%</td>
</tr>
<tr>
<td>9. Age</td>
<td>3.0%</td>
</tr>
<tr>
<td>10. Sector</td>
<td>2.2%</td>
</tr>
<tr>
<td>11. Metropolitan area</td>
<td>1.0%</td>
</tr>
<tr>
<td>12. Province</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

### COMPENSATION BY POSITION

<table>
<thead>
<tr>
<th>POSITION</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Manager</td>
<td>$121,188</td>
<td>$16,028</td>
<td>$137,287</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>$89,997</td>
<td>$8,931</td>
<td>$98,916</td>
</tr>
<tr>
<td>Operations Managers/Supervisors</td>
<td>$69,395</td>
<td>$3,997</td>
<td>$73,406</td>
</tr>
<tr>
<td>Support &amp; Sales Staff</td>
<td>$54,173</td>
<td>$2,486</td>
<td>$56,679</td>
</tr>
</tbody>
</table>
Consistent with previous surveys, the vast majority (81%) of the 630 supply chain management professionals included in our sample defined themselves as being in the management ranks of their organizations. The average age of respondents was 47 with 18 years of industry experience. One fifth of respondents were women.

Respondents performed a variety of functions. The most frequently mentioned remained transportation with 82% having responsibilities in this discipline. Other functions mentioned by about half the sample included warehousing/inventory control, and purchasing.

The majority of respondents (42%) were employed by companies in the manufacturing sector. Another 16% were employed in the retail sector while those employed in the third-party logistics sector totaled 19% and those working for transportation providers totaled 20%.

Industry wise, consumer products, food and kindred products, automotive, high tech, chemical and allied products, metals and textiles were the groups most highly represented by survey respondents.

More than half (52%) of respondents worked in Central Canada while 29% worked in Western Canada, and 17% in Eastern Canada.

The respondents also represented a mix of small, medium and large enterprises.
COMPENSATION BY SIZE OF LOGISTICS BUDGET

<table>
<thead>
<tr>
<th>SIZE OF BUDGET</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100K</td>
<td>$62,190</td>
<td>$3,082</td>
<td>$65,367</td>
</tr>
<tr>
<td>$100K – $500K</td>
<td>$58,004</td>
<td>$2,613</td>
<td>$60,617</td>
</tr>
<tr>
<td>$500K – $1M</td>
<td>$67,055</td>
<td>$2,814</td>
<td>$69,869</td>
</tr>
<tr>
<td>$1M – $5M</td>
<td>$77,890</td>
<td>$6,478</td>
<td>$84,420</td>
</tr>
<tr>
<td>$5M – $10M</td>
<td>$88,848</td>
<td>$6,312</td>
<td>$95,160</td>
</tr>
<tr>
<td>$10M – $20M</td>
<td>$83,270</td>
<td>$5,633</td>
<td>$88,903</td>
</tr>
<tr>
<td>$20M +</td>
<td>$95,155</td>
<td>$12,365</td>
<td>$107,520</td>
</tr>
</tbody>
</table>

COMPENSATION BY COMPANY SIZE (Annual Revenues)

<table>
<thead>
<tr>
<th>ANNUAL REVENUES</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5M or less</td>
<td>$64,860</td>
<td>$2,430</td>
<td>$67,315</td>
</tr>
<tr>
<td>Over $5M to $15M</td>
<td>$72,373</td>
<td>$3,074</td>
<td>$75,447</td>
</tr>
<tr>
<td>Over $15M to $30M</td>
<td>$77,161</td>
<td>$6,194</td>
<td>$83,355</td>
</tr>
<tr>
<td>Over $30M to $60M</td>
<td>$74,027</td>
<td>$4,804</td>
<td>$78,831</td>
</tr>
<tr>
<td>Over $60M to $100M</td>
<td>$83,887</td>
<td>$5,203</td>
<td>$89,090</td>
</tr>
<tr>
<td>Over $100M to $500M</td>
<td>$88,450</td>
<td>$8,368</td>
<td>$96,818</td>
</tr>
<tr>
<td>Over $500M to $2B</td>
<td>$83,061</td>
<td>$7,048</td>
<td>$90,109</td>
</tr>
<tr>
<td>Over $2B</td>
<td>$88,593</td>
<td>$15,421</td>
<td>$104,014</td>
</tr>
</tbody>
</table>

COMPENSATION BY COMPANY SIZE (# of Employees)

<table>
<thead>
<tr>
<th>NUMBER OF EMPLOYEES</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 or less</td>
<td>$74,173</td>
<td>$2,947</td>
<td>$77,120</td>
</tr>
<tr>
<td>26 to 100</td>
<td>$77,815</td>
<td>$3,783</td>
<td>$76,598</td>
</tr>
<tr>
<td>101 to 500</td>
<td>$77,201</td>
<td>$5,434</td>
<td>$82,635</td>
</tr>
<tr>
<td>501 to 1,000</td>
<td>$81,784</td>
<td>$6,212</td>
<td>$87,996</td>
</tr>
<tr>
<td>1,001 to 5,000</td>
<td>$88,710</td>
<td>$11,251</td>
<td>$99,961</td>
</tr>
<tr>
<td>5,001 to 25,000</td>
<td>$85,460</td>
<td>$10,043</td>
<td>$95,503</td>
</tr>
<tr>
<td>More than 25,000</td>
<td>$81,617</td>
<td>$10,488</td>
<td>$92,106</td>
</tr>
</tbody>
</table>

Keeping their expectations humble, expecting an average hike of just 3.3%. In comparison, back in 2006, 82% reported they were hopeful about receiving a raise the next year, and 76% were similarly optimistic in 2007.

Also, similar to recent years, about half (49%) say their salary levels have not kept pace with their responsibilities over the past five years.

They report that their salaries have increased 14%, on average, over the past five years. A bit more than a third (35%) still rate their salary increases over the past five years as either good or excellent. The majority rate their increases as fair while 24% rate them as poor. On average, survey respondents rated their satisfaction with their pay package at 2.17 out of 4, slightly worse than the 2.2 out of 4 they scored it last year.

The average base salary for 2009 across all positions came in at $80,100 compared to $77,700 the previous year. When we first polled supply chain professionals about their salary levels back in 1999, the average base salary was $66,800.

In recent years we also started taking into account bonuses. The average bonus in 2010 was 7,000, an improvement over the $6,350 reported in 2009. In combination, the average salary and average bonus make for an average total compensation package of $87,100, again an improvement over the previous year’s total. However, that figure represents salaries averaged across all sectors and all levels of hierarchy. It’s far more accurate to consider compensation levels by position in the company.

When examined by position, those considered to be executive managers within their companies enjoyed the quickest rebound in pay with an average total compensation package of $137,287 compared to $129,119 the previous year. Perhaps that’s only fair since all past surveys have found that those in the upper echelons of company management bear the brunt of company belt-tightening, particularly during economic slowdowns. However,
although executive managers who did manage a raise did well, only 38% of them actually got a raise, a far smaller percentage than for any other management level. Senior managers had an average total compensation package of $98,916 compared to $95,248 the previous year. Two thirds of them received an increase. Operations managers pulled in $73,406 compared to $72,016 the previous year. Similar to senior managers, 65% of operations managers got a pay hike in 2010. Supply chain professionals considered to have support or sales roles within their companies had an average total compensation package of $56,679 compared to $59,118 the previous year. That may be indicative that professionals at the lower end of the income scale remain hardest hit from the recession’s aftermath.

Our survey also records differences in pay levels attributed to a variety of factors such as the sector you work in, the region of the country in which you are based, the size of company for which you work, and how highly your company values the role of supply chain management within the corporate hierarchy.

Our survey takes into account 12 different factors in order to provide as accurate a picture as possible about how they influence pay levels (see the accompanying charts). It is also the only survey in the Canadian supply chain market that includes a formula that helps explain how each of these factors relates to each other – in other words, which factors are most important and which least important in determining pay levels. The statistical procedure we employ is called coefficient of determination and measures the impact of factors such as experience, size of company and position in the organization on total compensation. It also allows us to measure the degree of importance of one factor over another in helping determine pay. (See the Top Factors Impacting Salary Level)

Examining the corporate factors first, the most important factor in determining a supply chain professional’s salary is always the

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**COMPENSATION BY GEOGRAPHIC REGION**

<table>
<thead>
<tr>
<th>REGION</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.C.</td>
<td>$85,891</td>
<td>$11,484</td>
<td>$97,375</td>
</tr>
<tr>
<td>Prairies</td>
<td>$77,148</td>
<td>$5,458</td>
<td>$82,604</td>
</tr>
<tr>
<td>Ontario</td>
<td>$80,790</td>
<td>$6,381</td>
<td>$87,165</td>
</tr>
<tr>
<td>Québec</td>
<td>$76,666</td>
<td>$7,557</td>
<td>$84,223</td>
</tr>
<tr>
<td>Maritimes</td>
<td>$73,103</td>
<td>$3,286</td>
<td>$76,438</td>
</tr>
</tbody>
</table>

**COMPENSATION BY METROPOLITAN REGION**

<table>
<thead>
<tr>
<th>METRO REGION</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>$96,747</td>
<td>$10,641</td>
<td>$107,647</td>
</tr>
<tr>
<td>Edmonton</td>
<td>$74,918</td>
<td>$4,452</td>
<td>$79,345</td>
</tr>
<tr>
<td>Halifax</td>
<td>$66,500</td>
<td>$2,250</td>
<td>$68,750</td>
</tr>
<tr>
<td>Hamilton</td>
<td>$72,004</td>
<td>$6,500</td>
<td>$78,504</td>
</tr>
<tr>
<td>Mississauga</td>
<td>$84,490</td>
<td>$8,085</td>
<td>$92,586</td>
</tr>
<tr>
<td>Montreal</td>
<td>$77,245</td>
<td>$7,036</td>
<td>$84,281</td>
</tr>
<tr>
<td>Ottawa-Hull</td>
<td>$85,352</td>
<td>$3,602</td>
<td>$89,152</td>
</tr>
<tr>
<td>Toronto</td>
<td>$81,659</td>
<td>$6,507</td>
<td>$88,273</td>
</tr>
<tr>
<td>Vancouver</td>
<td>$87,081</td>
<td>$13,230</td>
<td>$100,311</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>$67,775</td>
<td>$4,270</td>
<td>$72,035</td>
</tr>
</tbody>
</table>

**COMPENSATION BY NUMBER OF EMPLOYEES MANAGED DIRECTLY**

<table>
<thead>
<tr>
<th>NUMBER OF EMPLOYEES</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 employees</td>
<td>$74,560</td>
<td>$5,843</td>
<td>$80,403</td>
</tr>
<tr>
<td>3-5 employees</td>
<td>$88,068</td>
<td>$9,078</td>
<td>$97,147</td>
</tr>
<tr>
<td>6-10 employees</td>
<td>$95,005</td>
<td>$8,877</td>
<td>$103,951</td>
</tr>
<tr>
<td>11-20 employees</td>
<td>$93,810</td>
<td>$9,121</td>
<td>$103,005</td>
</tr>
<tr>
<td>21+ employees</td>
<td>$89,656</td>
<td>$8,806</td>
<td>$98,463</td>
</tr>
</tbody>
</table>

**COMPENSATION BY SECTOR**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>$74,092</td>
<td>$5,843</td>
<td>$80,000</td>
</tr>
<tr>
<td>Retail</td>
<td>$76,616</td>
<td>$7,481</td>
<td>$84,375</td>
</tr>
<tr>
<td>3PL</td>
<td>$83,624</td>
<td>$7,227</td>
<td>$90,770</td>
</tr>
<tr>
<td>Transportation</td>
<td>$89,975</td>
<td>$8,167</td>
<td>$98,203</td>
</tr>
</tbody>
</table>

“As the economy has faltered, one must wear many hats and continue to provide quality service at depressed rate levels. Do more with less does not always work.”
Survey Methodology
E-mail invitations were sent to 11,084 supply chain professionals across Canada. After filtering out unqualified respondents and incomplete surveys, we compiled data from 630 respondents. This represents a response rate of 6%. The margin of error is plus or minus 4.0 percentage points at the 95 percent confidence level. If, for example, 50% of the sample indicated that they had a certain level of education, then we can be reasonably sure (19 times out of 20) of an accuracy within +/- 4.0%. This means that a total industry census would reveal an answer of not less than 46% and not more than 54%.

“As a leader in supply chain you must educate all levels of business at every opportunity available. When the opportunity does not present itself you must find a way to get your message across.”

<table>
<thead>
<tr>
<th>COMPENSATION BY AGE</th>
<th>AGE</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 and under</td>
<td>$61,193</td>
<td>$3,807</td>
<td>$65,390</td>
<td></td>
</tr>
<tr>
<td>36-40</td>
<td>$71,535</td>
<td>$5,895</td>
<td>$77,430</td>
<td></td>
</tr>
<tr>
<td>41-45</td>
<td>$83,310</td>
<td>$7,441</td>
<td>$90,716</td>
<td></td>
</tr>
<tr>
<td>46-50</td>
<td>$84,378</td>
<td>$7,439</td>
<td>$91,817</td>
<td></td>
</tr>
<tr>
<td>51-55</td>
<td>$88,172</td>
<td>$8,194</td>
<td>$96,506</td>
<td></td>
</tr>
<tr>
<td>56+</td>
<td>$80,036</td>
<td>$7,597</td>
<td>$87,658</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPENSATION BY YEARS OF EXPERIENCE</th>
<th>YEARS IN LOGISTICS</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 or less years</td>
<td>$63,009</td>
<td>$4,042</td>
<td>$67,043</td>
<td></td>
</tr>
<tr>
<td>6-10 years</td>
<td>$60,790</td>
<td>$3,539</td>
<td>$63,829</td>
<td></td>
</tr>
<tr>
<td>11-15 years</td>
<td>$70,623</td>
<td>$5,346</td>
<td>$76,109</td>
<td></td>
</tr>
<tr>
<td>16-20 years</td>
<td>$85,310</td>
<td>$6,924</td>
<td>$92,235</td>
<td></td>
</tr>
<tr>
<td>21-25 years</td>
<td>$91,833</td>
<td>$10,890</td>
<td>$102,723</td>
<td></td>
</tr>
<tr>
<td>26-30 years</td>
<td>$87,257</td>
<td>$10,164</td>
<td>$97,421</td>
<td></td>
</tr>
<tr>
<td>31-35 years</td>
<td>$100,220</td>
<td>$8,260</td>
<td>$108,480</td>
<td></td>
</tr>
<tr>
<td>36-40 years</td>
<td>$80,064</td>
<td>$4,391</td>
<td>$84,456</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPENSATION BY HOURS WORKED</th>
<th>NUMBER OF HOURS WORKED</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>41-45</td>
<td>$74,206</td>
<td>$5,316</td>
<td>$79,579</td>
<td></td>
</tr>
<tr>
<td>46-50</td>
<td>$81,823</td>
<td>$5,897</td>
<td>$87,696</td>
<td></td>
</tr>
<tr>
<td>51-55</td>
<td>$104,480</td>
<td>$10,090</td>
<td>$114,519</td>
<td></td>
</tr>
<tr>
<td>56 or more</td>
<td>$102,100</td>
<td>$11,934</td>
<td>$114,048</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPENSATION BY EDUCATION</th>
<th>EDUCATION LEVEL</th>
<th>AVERAGE BASE SALARY</th>
<th>AVERAGE BONUS</th>
<th>AVERAGE TOTAL COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>College degree</td>
<td>$73,565</td>
<td>$4,309</td>
<td>$77,891</td>
<td></td>
</tr>
<tr>
<td>Bachelor university degree</td>
<td>$89,057</td>
<td>$10,847</td>
<td>$99,904</td>
<td></td>
</tr>
<tr>
<td>Post graduate degree</td>
<td>$101,444</td>
<td>$10,103</td>
<td>$111,548</td>
<td></td>
</tr>
</tbody>
</table>
larger the budget got. For example, those at the top of the scale, with budgets of more than $20 million, are being paid $107,473, which represents a more than $20,000 improvement over those with budgets in the $10-$20 million range. Those with budgets under $1 million are pulling in $65,367 on average and their pay has actually shrunk from our previous survey.

Company size makes a similar, albeit not quite as dramatic difference. Only supply chain professionals working for companies with more than $60 million in annual sales earned a total compensation package above the industry average. Traditionally our research has found significant differences between large and small companies. Those differences have shrunk in recent years as large companies have been particularly hard hit by the recession, but the differences still do exist. Those working for the smallest companies (with annual revenues of $5 million or less) averaged $67,315 in total compensation in 2010. Contrast that with the average $89,090 made by those working for companies in the $60-$100 million range for annual revenues and the $96,782 average pay earned by those working for companies with $100-$500 million range.

Geographic location is another influence on pay. But supply chain professionals working in Ontario are no longer the best off, even though their totals are inflated by the pay in the Toronto market. They made $87,165 in 2010 on average, which represents a small increase after a severe drop in average pay of $7,000 back in 2008. In recent years Ontario has not been able to keep up with booming Alberta and this time average pay in Ontario has fallen more than $10,000 short of the mark posted in British Columbia of $97,375. Only Ontario and BC were paying above the national average in 2010.

Of the 10 major metropolitan areas tracked by our survey, only 5 were paying above the survey average: Ottawa-Hull, Toronto, Mississauga, Calgary, and Vancouver.

“As supply chains have lengthened and grown more complex in an effort to keep product costs down, more attention to final delivered costs has gained more relevance.”
Building understanding into how one “ticks” is key to leadership development at Versacold – a global 3PL specializing in cold storage and distribution.

The Vancouver-based company uses the Myers-Brigg Type Indicator (MBTI) – a psychometric questionnaire that measures psychological preferences in how people perceive the world and make decisions – to find out their managers’ strengths and weaknesses.

“We find it really helps people understand how their personality and actions affects other people at work,” says Sam Smith, learning and development specialist at Versacold.

They’ll often test entire teams to examine strengths and weaknesses of all members and get a better idea of how they can work best together.

“The testing reveals a lot of things that people don’t realize about themselves. One thing we found was the communications between managers and their reports improved because managers were stepping back and examining a given situation with a better understanding of how their report would perceive the situation, before acting.”

**Job Design**

Lafarge North America uses psychometrics in its job design procedures, basing skilled trade roles on the company’s best and brightest. Whoever Lafarge hires for these positions must have similar attributes to the company’s known performers.

Starting in 2008, the company began benchmarking key plant positions against its very best hourly staffers in eight plants across North America. Through the use of personality, integrity, science and skills testing, the company created ideal profiles against which all new millwrights, electricians and control room operators will be measured.

Considering the safety-sensitive nature of Lafarge’s 24/7 cement operations and the fact that the average Lafarge tradesperson spends their entire careers with the firm – averaging 30 to 35 years – ensuring fit is crucial.

“We want to test if the person works well as a team member, if they accept new knowledge, have interest in acquiring new skills, if they have problem solving/critical thinking skills, is professional, has pride, respect for environment and safety, risk assessment, action oriented, responsibility, accountability, integrity, leadership – all kinds of skills, competencies and core Lafarge values,” says Francois Boucher, area HR manager, Lakes and Seaway Lafarge Canada.

The assessments involve tests from several vendors, including WorkKeys (www.act.org/workkeys) for science knowledge, Valpar testing (www.valparint.com) for essential skills and 16PF personality testing (www.ipat.com). And for potential hires that are used to working around machines, even the act of testing reveals a lot. “It’s a full day of assessment and it’s exhausting,” says Boucher. “Taking tradespeople out of their comfort zones and observing them also provides a lot of information.”

**Hiring**

Custom publisher Naylor LLC uses the Harrison Assessment (www.harrisonassessments.com) – a job suitability index that looks at people’s preferences and tendencies – as part of its hiring process.

“It’s an assessment that’s based on performance enjoyment theory: that you excel at the things you like to do best,” says Chip Sharkey, Naylor’s vice-president of human resources.

An individual’s assessment is compared against generic templates for job types – like sales manager, middle manager, specialist – that have been developed by Harrison. “But what we’re really looking at is the individual,” says Sharkey. “There’s no pass/fail. What we get are data to focus on in interviews. For example, if someone has a low organization or planning score, and the job demands those skills, we’ll focus in on that during interviews to explore past experience.”

And while he says there’s no absolutes in the assessments and hiring, when a person’s profile points out glaring differences between personal preferences and job requirements, “there’s not likely going to be a fit.”
It’s an approach shared by Rhys Spencer, a former HR manager at Wells Fargo Financial Canada who used predictive index testing for sales hires.

“With all assessments, if it’s done right, you should be benchmarking against what a top performer looks like within your company, whatever the role, and not necessarily trying to hire a perfect match, but not hiring an inverse match. You don’t want to hire an introvert for a sales job.”

Spencer used a Canadian testing company called Predictive Success (www.predictivesuccess.com) – a predictive index system that asks potential hires to select what they think best describes them from a series of competencies. The software then provides a two-page report that details the needs and drives of the individual.

“Ultimately, assessment testing is about validation,” says Spencer. “It’s a post-script. Here’s the job description, the job ad, and that’s the profile from which the interview questions are built on. The test is the validation against the process – is the person what we think they are from what we’ve discussed with them. The risk of not doing it is hiring managers will hire someone just like themselves. And when you do that, there are five failures along the way.”

Strategic hiring

While it’s all well and good to aid your quest for the perfect hire with some well-interpreted assessments, what’s often ignored by HR professionals is the prep work – especially a solid understanding of the role you’re hiring for, says Rick Lash, national practice leader, leadership talent, at the Hay Group.

To get the most out of assessments, “You really need to understand the role’s key accountabilities. What are the critical few capabilities that differentiate average from superior performance in that role? Or, if organization’s strategy is changing, what implications does this change have on what the role has to deliver on?” Lash points to the example of a hospital that had a reputation for research excellence thanks to the top-notch scientists they hired to work in their labs. When the organization decided it needed to turn its research area into a revenue stream, it changed the scientists’ job requirements from not only research excellence, but also entrepreneurial skill, “All of which has implications on what you’re assessing for,” says Lash.

Duff McCutcheon is a communications specialist at the Human Resources Professional Association (www.hrpa.ca).

Once new hires have signed on, smart employers are using their assessment data to help manage their new talent.

At Naylor LLC, vice-president of HR Chip Sharkey shares assessment results with managers so they have a more complete perspective about their new report.

“This data is invaluable because you learn things you probably wouldn’t figure out until six months later,” he says. For example, the firm once hired someone with a “low precise score” for a marketing job that required high attention to detail. “However, the candidate was otherwise a good fit for the job and Naylor. In that case, we taught the person to do those tasks more effectively because everything’s learnable and behaviour is shapeable. The person was successful because we were able to address the gaps at the outset.”

The Harrison Assessment tool used by Naylor provides reports on how to manage and retain people based on their preferences. “If someone needs a lot of positive personal reinforcement, we know we’ll get more out of them if we put them on the back a lot,” says Sharkey.

Similarly, at Wells Fargo Financial Canada, HR manager Rhys Spencer uses predictive index findings to help managers get to know new reports. “It helps us figure out how someone ticks so we can manage them properly. If the person likes learning by example, we’re not going to stick him a corner with a technical manual.”

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With more than 750 customers and 42,000 vehicles, Shaw Tracking has established economic payback and proven results. Shaw Tracking continues to support the transportation industry and provide technology solutions to meet the evolving needs of carriers.

Acting as founding sponsor of the “Shipper-Carrier Issues Roundtable,” Shaw Tracking is pleased to continue to support the dialogue among all aspects of the supply chain and the challenges industry stakeholders are dealing with for the fifth year in a row. Shaw Tracking anticipates 2011 to be a year of carriers continuing to manage costs, look to improve profitability and increase efficiencies through technology solutions while preparing for recovery and growth.

To learn more about Shaw Tracking, visit www.shawtracking.ca.

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**the Panelists**

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**RAY KRIZMAN,**

NA Logistics Manager, Vicwest Income Fund

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President and Managing Partner, GX Transport
Rise above it all

Shippers and carriers debate how to get past the thorny issues of today to create a new tomorrow

We can’t say we weren’t warned. Most economists forecasted a slow and volatile recovery and that’s exactly what we’re getting now that the initial economic boom has fizzled. The result is even more stress on an industry that has been battered more than most. Nerves appear as frayed as profit margins. But if trucking is anything, it is resilient.

How are leading carrier executives and their customers preparing for the turnaround in 2011? How will their actions make the industry different? Find out as shippers and carriers debate the pressing issues, challenges and opportunities for the year ahead.

Our roundtable participants had a great deal to say, and once again we share their insights with you. Watch also for video clips of their comments in special installments of our award-winning Web TV show Transportation Matters, available on www.ctl.ca and www.trucknews.com.

BIG Transportation Media, through its ownership of both motor carrier and shipper publications, is in the unique position of being able to see issues from both sides of the transportation equation. We consider it our mandate to foster dialogue between buyers and providers of transportation services. Our annual Shipper-Carrier Issues Roundtable, which is published in both our carrier and shipper publications, is an important step towards that goal. It allows buyers and providers of transportation services across the country to gain a more well-rounded understanding of the issues at hand.

I would like to thank all the roundtable participants who took time out of their hectic schedules to make this roundtable a possibility. As with past participants, these individuals were specifically chosen because of the high-esteem with which they are held within the transportation industry and their insightful and honest contributions certainly showed why.

Lou Smyrli
Editorial Director
Decisions Roundtable

**CTL:** Thank you all for joining us for our annual Shipper-Carrier Issues Roundtable. The first question I would like to ask is probably among the most difficult that will need to be answered today because it requires looking ahead into the economy for next year, which I know at the moment is a cloudy perspective at best. When you look towards 2011, from either a shipper or carrier perspective, what do you see?

**Seymour:** I think we will continue to see slow and modest recovery. At least I’m hopeful that is the case. The threat of a double dip recession I’m hoping will not prove to be the case.

**Sneyd:** The back end of this year has not been as strong as we had hoped. The economy has not come back the way we were hoping it would come back. I’m concerned that the first quarter of 2011 and maybe even the first half will bring a pretty tough economy here in Canada. Things have to get better in the US and we are not seeing that. In fact, the US is going to suffer some more in the first quarter, I believe. Until that gets kick started, we are going to have a tough time here. So I’m not optimistic the first three to six months are going to be strong in 2011.

**Gagnon:** When you look at the reports from retailers over the last three or four months, there is no growth in retail. Every major retailer has come up with flat numbers and I don’t see the upswing in the last quarter of the year. We are busy, but if everyone was to count how many trucks are not in use right now, we are not busy.

**Sneyd:** Capacity is tough right now, so you have a smaller fleet that is keeping busy. But if you had a normal-size fleet like you had years ago, you would be in trouble. We really need a lot of momentum in the back end of this year to carry through to next year and we just don’t have that.

**CTL:** Let’s hear from the folks who are actually responsible for generating some of the movement in the economy. Ray, your company services some of the traditional sectors in the economy. How do things look from your end?

**Krizman:** We service the steel market, producing building products and we are into agriculture as well with grain bins. We are seeing basically the same story. Budgets are coming out this time of year and we are seeing forecasts that are quite flat for 2011 compared to 2010. We were hoping there would be an increase, but I don’t think that’s going to happen. It’s going to stay level and we will continue to build on that. If there is any increase, it will be moderate at best.

**CTL:** Well, they say to every cloud there is a silver lining. Let’s see if we can find that. When you look ahead to 2011, is there anything you are excited about?

**Arseneau:** I could be excited about when the fog will actually clear, but I don’t know if that is going to happen in the first or second quarter of 2011. Consumer confidence is not really where it needs to be in order to start to see a climb in the economy. I would like to believe that will happen later in 2011, but I think it’s still going to be a tough year.

**Warren:** I agree with everything that has been said about the economy. It’s funny because what we are experiencing as an LTL carrier, shipment-wise, is that our levels with existing customers whom we have held for the past several years are back to 2007-2008 levels. Right now, we are experiencing growth because of new business gained over the last few years and the stabilization of our base. We are very excited about 2011-2012. As an LTL carrier, we are moving in the right direction, although we are a little concerned about the driver shortage coming up again towards the end of 2011 and 2012. It’s something we are keeping an eye on.

**Raynor:** I’m getting excited about seeing supply chain improvements. We are seeing companies place a real focus on their supply chains, and not just the transportation portion. Companies got a shock and had to look at what they are doing internally, not just what they are paying for freight. I don’t think rates can go much lower, so they are looking at other improvements, such as increased use of technology and keeping inventories low. They are looking at these things and reporting up to the C-Level, as opposed to keeping it in the back as just an expense.
Decisions Roundtable

change to Canada’s trucking industry? Will the survivors think differently and strategize differently than in the past?

Sneyd: Smart carriers have taken advantage of the crisis and we’ve learned and adjusted to the different rates and volumes. We’ve done some right-sizing to deal with the situation at hand and, more importantly, to understand if two or three years going forward we are hit with the same situation, then I think you’ve made a mistake. As things get better, we will be a little more cautious in the way we make changes. I’m not suggesting you always look in the rearview mirror, but you have to understand where you’ve been and what you have gone through.

CTL: Eric, the overcapacity situation has either caused or exacerbated a lot of the difficulties, particularly on the LTL side. Do you see some different strategies coming out of this from LTL carriers?

Warren: Definitely. I think a lot of carriers learned that you can’t be everything to everybody. They diversified to a point where they were in areas of business that maybe they were not experts in, but there was some business to be had and they were looking for revenue. I think it has taught a lot of carriers to look inward and see what their core business really is. Someone needs to have an eye on keeping sales and operations on track headed toward the right path and not too far away from that path.

CTL: Serge, you have been in this business a long time. We’ve heard people before say, “We’ve learned,” and, “It won’t happen again.” Has the industry learned its lessons this time or are we not really seeing structural change?

Gagnon: I’m not sure we have learned our lesson yet, because every day, you hear things happening in the market with bids and you really question if people have really learned. But depending on what market you are in, things can be different. If you are in the retail business, you haven’t been hurt much. But if you are in any kind of manufacturing, be it pulp and paper or automotive or home building, you have suffered a lot. We all have about 15% less truck capacity now in TL and we are still short of drivers. That’s the next thing we have to find solutions for. And there is no issue at the border. Before the recession, we were talking about all the time we were spending at the border. We haven’t heard one driver complaint about that of late.

CTL: Things have also been difficult on the shipper side. Shippers have gone through severe cuts to their transportation budgets, and have had to reevaluate the price vs. quality consideration. Have we witnessed a long-term change to transportation strategies from the shipper point of view as well?

Krizman: Most definitely; change is inevitable. The relationship we have between shippers and carriers has to change and improve. I have been in the logistics business 30 years myself, and when I started, there was that relationship. I had mentors, whom I loved because of that. The honour that was there seems to be missing today. What’s changing? I think shippers are looking at carriers and probably rooting changes. I think there is an amazing amount of product that moves west to east and we are looking, wherever possible, to source product from a more local place, looking for shorter lanes. This will actually help trucking. We are going to look at our lead times and look at our inventory costs and make that judgement call. I think a lot of companies have made the move from intermodal to box car for the savings you get from that.

CTL: There has been a growing trend towards outsourcing of supply chain functions to improve expertise and gain efficiencies. Do you see this trend continuing?

Raynor: I think shippers are reluctant to bring on headcount. We have seen a lot of companies which don’t want to take on the expense, don’t want to take on the technology. They understand it’s not a core competency for them and that’s why they want to outsource. If they can have a 3PL, they can work in collaboration with and it has the resources and the people and the technology, it makes sense.
Decisions Roundtable

Seymour: At the end of the day, a solid partnership will be based on trust and respect. As long as a carrier and a 3PL have a mutual trust and respect for each other, I don’t think it really matters if the relationship is there or if it exists directly with the customer. The situation, as it exists right now, is that there has been so much effort put toward reducing costs and playing games around driving costs out of the system through aggressive bids and tenders and gamesmanship to take advantage of the situation that it has somewhat fractured or challenged that trust and respect scenario. I have every reason to believe that it can work and will work, and to Chris’s point, I think it makes great sense for a company to outsource needs they realize are not core competencies. But it needs to be a relationship that is not commoditized, but is sincere and collaborative. The reality is there have been some short-term delays put upon our industry that are going to have to be dealt with, and it’s important for us as carriers to make our customers and 3PLs realize how we need to deal with these things aggressively or we are going to put the movement of product to market at risk. It would be a sad day when that happens and hopefully we can deal with that before it does.

CTL: Michelle, do you agree the shipper-carrier relationship has been somewhat comprised the last couple of years due to the focus on cost reduction? What can we do to improve that relationship in the years ahead?

Arseneau: I would say the relationship definitely has been compromised. There have been shippers who have taken advantage of the situation in our industry. What can be done to improve the relationship? Definitely improved communication between shippers and carriers on a regular basis. Shippers aligned with the proper carriers can do more with them; they can see what can be done to grow the relationship. There are carriers who can do a little bit more and by working together and strategizing together on long-term goals and making sure that they are aligned, they can do more.

CTL: We’ve talked a lot about this emphasis on cost and how it has impacted relationships. Is it fair to say though that when carriers look in the mirror, they are seeing who is really causing the problem? We have a lot of carriers who in order to stay alive and make that payroll for one more week are dropping their rates to get business.

Gagnon: It’s all based on strategy. For example, Western carriers come to Ontario or Quebec and then want to go to the US and back to the West. The Ontario or Quebec carriers going to the US want to come back to Ontario or Quebec. If the rates from the US to Western Canada are paying, let’s say, $3 per mile, they will compromise the rates from Ontario to the US, because they are getting paid good revenue from the US to Western Canada, but they are hurting the segment of the industry that is running from Ontario to the US.

Sneyd: When you run a trucking company, there are a lot of components that you have to consider when you are setting pricing. To Serge’s point, you end up in a certain spot and you’ve got a good paying load that puts you in that spot and you might be a little more flexible in your pricing to get you out of that spot. That is going to happen. But are we our own worst enemy? Absolutely. Our industry, over the years, has demonstrated that sometimes we take careful aim to shoot ourselves in the foot. Have we learned as a result of this last bout of difficulty we have gone through? I would hope so. What is going to add a different dimension to this is that there is not going to be the capacity going forward. You can put all the trucks on the road that you want, but if there is nobody behind the wheel, it doesn’t do any good. It’s the biggest problem this industry has and I don’t know how we are going to overcome it. But we have to do something to get capacity back in check with what volumes are going to be. Customers going to 3PLs has been happening for years. We have all lost customers to 3PLs and then you have to make the decision whether to follow the freight. At the end of the day, it doesn’t matter whom the shipper entrusts the freight to; if there is no driver to pull the freight, it’s not going to happen.

CTL: One of the criticisms that has been made of the industry is that it has not invested to a sufficient degree in the kind of technology that produces the analytics necessary to ensure things are run efficiently and priced appropriately. Is that a fair assessment?

Warren: The technology exists, but there is constant change we have to deal with and the ability to get all the information and use it to make a decision that is not based on old information is challenging. You have to be able to expand and contract very quickly – by month, by week, by day of the week. It’s like a balloon. Friday
may be a big day for pick-ups, Monday is not; there are certain months out of the year that are bigger than others. In our case, as an LTL carrier, we are looking for top freight, base freight, some dense freight, some bulkier freight, this freight inbound, that freight outbound – it’s a constant change for us. It’s never just an easy line where you can study the data and say this is where we need to go.

**Gagnon:** We do have the technology, but one thing we face in the bidding process is shippers wanting to go with the cheapest carrier from north to south and then choosing the cheapest carrier from south to north. You can have all the technology, but you cannot beat that.

**Seymour:** That’s not working together. That’s clear evidence of making decisions not based on efficiencies or logical opportunities to move freight seamlessly or effortlessly. It’s those sorts of discussions that need to be made face-to-face, not through some tender on a PDF file that simply crunches best price. That’s what has stressed the trust in our business. I’m not blaming shippers for what has gone on; it has been a mutual disrespect for the whole supply chain throughout the industry. We need to sit down and figure out the best way, not necessarily the lowest price. The price that it takes to get it done will shake out, and if people trust one another, the market will make sure no one is making too much money along the way.

**Warren:** What I do see a lot of times with shippers trying to get the lowest possible price is ending up with 10 carriers showing up in the yard all at once and the shipper only has five doors and then there are detention and all sorts of other ancillary charges and the total rate is not quite what they thought they had achieved. I’m sure everyone at this table has situations where the driver shows up for a 1 p.m. appointment and can’t leave till 5 p.m. or 6 p.m.

**Sneyd:** Those decisions being made today are going to haunt people down the road. At the end of the day, you are going to have so much capacity and you are going to direct it to the customer who has a relationship with you that allows you to work with them. What has been described is not working with a carrier: it’s a decision made on a short-term situation, that’s not going to work going forward.

**Gagnon:** Our surveys show that, for drivers, it’s not what we pay them that they are dissatisfied about; it’s everything that is happening to the job that they have to perform.

**Seymour:** One of the things that drivers want that is a big issue for us is predictability in their life. The shipper has the ability to bring predictability to the movement of freight and that translates tenfold to the driver and is the sort of thing we need to work on to bring some stability into our labour force. Shippers can align themselves with a service provider they can count on because of this.

**CTL:** From what I’ve been hearing lately, shippers are not feeling as pinched economically as they were a year or two ago and are aware that capacity will become an issue and so are beginning to focus more once again on their relationships with carriers. Ray, is that what’s happening or is there still a lot of focus on cost reduction?

**Krizman:** I think we are still caught in the short-term mode, but there are advantages in looking ahead. It’s kind of a guessing game though with the economy and what it’s going to do. It’s a tough thing to do to look ahead. You are playing a gambling game. Contracts are getting shorter all the time.

**CTL:** For a 3PL relationship to work well, obviously, you have to do things right by the shipper, but you also have to keep your carrier partners whole. From your point of view, do you see things changing with more of a focus on long-term relationships or is it like Ray is saying that the focus for shippers remains on the cost side of things?

**Raynor:** I think shippers are focused on improving their supply chains. There are a lot of smaller companies having trouble doing that because they don’t want to invest in technologies so they don’t have the visibility they need. A lot of customers themselves are driven by their own customers and being predictable is a challenge for them because purchasing may put a back order in and they may not have a clue about it. They may send you from Toronto to Chicago, but a whole different department may have put an order in from Chicago to Toronto and didn’t communicate that. What’s exciting is that we are starting to see purchasing and transportation getting together and starting to collaborate and finding those efficiencies.
When it comes to sustainability, Frito-Lay Canada has developed a chip on its shoulder. And that’s a good and profitable thing.

By Ken Mark

When it comes to sustainability, Frito-Lay Canada has developed a chip on its shoulder. And that’s a good and profitable thing.

By Ken Mark

Frito-Lay Canada’s sterling supply chain sustainability record is finally getting some respect. The snack-food division of PepsiCo Food Canada has scored an impressive hat trick of late, taking home the CIPEC (Canadian Industry Program for Energy Conservation) Leadership Award for Corporate Stewardship; the Green Supply Chain Award from Transport Canada and Supply Chain Logistics Canada; and the CCME (Canadian Council of Ministers of Environment) Pollution Prevention Award.

“There is no contradiction between sustainability and supply chain efficiency,” says Helmi Ansari, Mississauga-based sustainability leader for Frito-Lay Canada. “Reducing the use of gasoline, electricity and water results in savings that go directly to the bottom line. It is also a great way to build a long-term, successful business.”

According to Scott McDougall, president and CEO of TerraChoice, an Ottawa-based environmental marketing firm, the advantages that sustainability delivers include greater market share, improved competitiveness and higher profit margins.

Frito-Lay’s primary supply chain focus has been to reduce mileage and fuel costs. According to Ansari, it all starts with forecasting and basic planning that relies on algorithms to schedule deliveries that ensure the highest service levels while minimizing expedited shipments.

Over the years, Frito-Lay has earned industry-wide respect for its top-notch customer service that often involves going the...
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extra mile to ensure that retailers do not run out of stock of their products. As a result of its superior performance, the company had to make room in its corporate trophy case for the Walmart Canada 2009 Supplier of the Year Award.

Frito-Lay’s logistics efficiency and sustainability efforts have not hurt revenue. “In the last 10 years, we have avoided adding 250 new trucks while also removing 70 – for a total reduction of 320 vehicles,” says Ansari. “At the same time, our company has been one of the fastest growing CPG companies in Canada.”

Although supply chain operations contribute to the corporate carbon footprint, they are far from being the biggest culprit. That can come from a surprising source. Recently, Time magazine reported that Tropicana, another PepsiCo division, found that growing oranges, producing juice, packaging and transporting each 64-ounce (1.89-litre) container created nearly 4 lbs (1.81 kgs) of CO2 (carbon dioxide) emissions.

Of that amount, 60% came from agriculture and manufacturing. In fact, the largest single contributor to greenhouse gas (GHG) emissions was fertilizer used in orange groves – 35% overall. By comparison, distribution or supply chain accounted for 22% and packaging, 15%.

The company takes a team approach to transportation management. It brings together sales reps, drivers, customers and others to examine the number of kilometres its vehicles need to deliver the right products in the right quantity to the right place at the right cost.

Technology helps. Route optimization software matches loads with equipment, loads, drivers and routes. That includes eliminating and reducing the number of left-hand turns. After drafting the initial schedules, planners continue comparing those estimates against actual performance to squeeze out further empty miles. “In 2009, we eliminated one million kilometres from our supply chain,” says Ansari.

Frito-Lay has also updated tractors and trailers to boost fuel efficiency. For example, introducing auxiliary power units (APUs) to heat cabs when the engine is shut off saves about 2,000 litres of fuel per vehicle each year. It has also introduced various tools and practices to reduce air drag on vehicles. In addition, engine governors are set at 90 km/h, below the more common standard of 105 km/h.

In Montreal, the company has introduced demountable truck bodies or so-called “warehouses on wheels” to eliminate the need for cross-dock facilities. Under this system, cargo in truck bodies is not unloaded at a distribution centre, but rather demountable bodies – similar to containers – move from truck to truck, cutting logistics costs and simplifying tracking. Such an approach is especially useful for shipping light but bulky snack foods which typically cube out before weighing out.

Currently, Frito-Lay is actively upgrading its conventional delivery van fleet with more fuel-efficient Mercedes (formerly Dodge) Sprinter trucks. They deliver 18 miles per US gallon (7.65km/l) or about twice the mileage rate of the existing fleet. According to Ansari, there are now around 130 Sprinters in Canada, with another 100 coming in 2011. In comparison, the US currently has about 2,000 units in service.

The trucks feature lighter, custom-designed fiberglass bodies that provide larger cargo capacity and advanced driver and front passenger air bags. The improved fuel economy and more efficient three-litre diesel engines reduce CO2 emissions by 28% per vehicle compared with those it replaces.

Last June, Frito-Lay scored another triumph by becoming the first food manufacturer in Canada to introduce zero-emission electric vehicles into its delivery fleet. Initially, six such vans made by Smith Electric Vehicles will be based at major DCs in Ontario, B.C. and Quebec.

Each vehicle has a 60-kilometre-per-day range, adequate for the majority of typical delivery routes. They are powered by electricity from the grid. That carbon footprint is offset by purchased renewable energy credits. At the end of the battery lifespan –

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three to five years or possibly longer – they will be returned to the manufacturer for recycling.

With its March launch of the world’s first 100% compostable disposable snack-food bag, Frito-Lay chalked up yet another supply chain-related sustainability milestone. The bag is being used for its SunChips line of products. The renewable material is made from a plant-based polylactic acid (PLA) material, derived from starch as opposed to petroleum-based plastic. Its compostability opens up more eco-friendly disposal options other than landfill.

According to Ansari, the project took about five years and cost many millions of dollars. “Most Canadian consumers are ready to do the right thing when it comes to the environment,” he says. “I believe they are passionate about environmental sustainability.”

TerraChoice’s Scott McDougall firms up the numbers. “It’s not even a majority of consumers,” he says. “At most, it is only about 20% to 30% – the ones who are the most attentive to and vocal about environmental issues. They are driving corporations to make changes.”

The breakthrough produced another award for Frito-Lay’s already crowded trophy case. The compostable bag was named a Gold Winner in the Innovation and Sustainability or Innovation and Cost/Waste Reduction category at the recent DuPont Awards for Packaging Innovation ceremony.

More important, the compostable bag received strong support from retail partners such as Loblaw’s, Walmart, Sobeys’ and many others. “These companies all have very clear corporate sustainability policies in place and are looking for suppliers to help them achieve their goals,” says Ansari.

Such breakthroughs also help make mainstream consumers more aware of sustainability. “When people buy Sun-Chips, their first thoughts are probably not about saving the environment,” says Scott McDougall. “But in a few years, we may look back on this as one of the first steps that caused the public to change its behaviour.”

The award was the latest accolade recognizing the company’s long track record of sustainable packaging. Since 1999, Frito-Lay has reused approximately 40 million shipping cartons. That is equal to more than 300,000 trees saved annually or more than two million trees in total. According to Ansari, each carton is reused five to six times before being recycled.

As well, the company has reduced the amount of plastic in packaging it uses in the

US, by 10% during the last five years, which results in eliminating 12 million lbs (5.5 million kg) of materials used annually.

The 2009 prize haul was not the result of an overnight success story. The ground-work began in 1993 when Frito-Lay set up a corporate sustainability or green team. In 1999, the company added a resources group mandated to reduce its production facilities’ use of natural gas, electricity and water, as well as the amount of landfill waste. “The plants are much bigger than our distribution centres so they have a greater carbon footprint,” says Ansari. “We have made a lot of progress, but we still have not reached our targets.”

He reels off the original, ambitious 1999 reduction targets or as he calls them “BHAGs” (big, hairy audacious goals) and their current 2010 achievement levels in brackets. For natural gas, it was 30%, (25%); for electricity, the figures are a 25% target...
That achievement enables Frito-Lay to generate savings from reusing starch, food waste, used oil and cardboard. It also avoids landfill charges. By eliminating production waste, the company is turning trash into treasure as it converts operating costs into revenue streams.

To ensure that Frito-Lay’s sustainability efforts strengthen its core functions not just its marginal activities, they focus on four key areas:

**Products** – providing consumers with nutritious snacks – made from multi-grain flour, but with zero trans fats, less oil and less salt – that are packaged and delivered in a sustainable way.

**Partners** – helping customers and others achieve their sustainability goals. It has received strong support from retail and other partners. Since 2005, Frito-Lay has been a member of the US Environmental Protection Agency’s SmartWay program.

**Planet** – reducing GHG emissions and the carbon footprint through lower fuel and energy consumption and higher manufacturing productivity and efficiency while boosting revenues and profits without affecting customer service levels.

**People** – fulfilling consumers’ demands for environmentally responsible products and business processes. “Also, our sustainability achievements help to attract and retain ‘Generation Y’ employees by boosting their morale and job satisfaction,” says Ansari. “They have also helped us strengthen our brand equity with consumers.”

As well, to increase executive and employee support and participation, Frito-Lay has implemented programs to recognize and reward staff for meeting specific environmental targets. “It encourages them to step up and contribute their ideas to do a better job and take pride in their work,” says Ansari.

Underlying Frito-Lay’s long-term sustainability goal is its “leave no trace” program to be net neutral in its use of water, fuel, waste, etc. One of its plants in Casa Grande, Ariz. is the closest at 90-95%. Some of the resource-saving measures at Casa Grande include rooftop concentrators to collect solar power to help cook chips, refiltering and then reusing water used in production as well as burning biofuels or natural waste sources to produce additional heat and electricity.

In addition, all waste generated within the plant is either reused or recycled. For example, potato peelings and cornhusks are sent back to farms for use as feed.

This is what environmentalists call “off the grid” – when facilities essentially generate all their own energy while recycling or reusing waste products and water rather than sending them off to a landfill or flushing them into the sewer system.

What’s next? TerraChoice’s McDougall remains optimistic that positive environmental change will march ahead. “Many observers believed that companies would stop their environmental efforts during the recession,” he says. “That did not happen. In fact, many companies like Frito-Lay have been increasing their sustainability efforts.”

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That’s the percentage of Canadian manufacturers who view green supply chain management practices as strategically important, according to a study conducted by Industry Canada, SCL, and Canadian Manufacturers & Exporters. However, the number of firms that actually engage in such practices is significantly lower. Only two out of three manufacturers actually implement such practices in their distribution activities.

**IS ANOTHER CAPACITY CRUNCH AND HIGHER PRICING ON THE WAY?**

From 2004 to 2006, Canadian transportation experienced a capacity crunch that dramatically drove up pricing across virtually all modes. Subsequently, the eventual boosting of capacity and the dramatic drop in freight volumes during the recession created a capacity overhang that resulted in significant downward pressure on pricing. Carriers have shrunk their capacity over the past two years, which begs the question: are we about to experience another swing towards tighter capacity and higher pricing? Our annual Transportation Buying Trends Survey, conducted in partnership with CITA and CITT, shows that six in 10 shippers expect higher shipment volumes in 2011. Depending on the mode, one fifth to one half of shippers expect to use more transportation services in 2011 and their perception about available capacity is that it is getting close to balanced (represented by 5.00 on the scale shown above), with the exception of LTL trucking and courier services, which are still considered to have a fair amount of excess capacity. Marine services are already perceived to be experiencing the early stages of a capacity shortage (although that is somewhat artificial since containership lines have purposely removed vessels from service, which would be available if needed). More than 40% of shippers expect their transportation rates to increase in 2011, according to our research, although the majority expect the increases to be kept under 4% (excluding surcharges).
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TransCore freight index reflects strong November for spot freight market

TransCore’s Canadian Freight Index showed a 37% increase in spot market freight volumes for November compared to the same month last year. Volumes were also up 2% compared to October, despite the fact the month usually shows a decline following the US Thanksgiving. TransCore notes, November’s results reflect the first month-over-month increase in load posting activity since August and this November’s freight availability was the highest for the month since 2007.

TransCore also noted that capacity improved in November. For the first time since January, equipment postings increased a modest 1% (year-over-year). This follows double-digit decreases through much of 2010.

For October, the index showed a 26% increase in year-over-year spot market load levels. October also had the second highest freight volume compared to the same month over the last five years. However, the index also recorded a 23-point dip in spot freight availability compared to September, which was the third consecutive monthly decline at the time. Load volume levels continue to stay above 200 index points as they have for nine straight months now.

TransCore derives its index from its Loadlink freight-matching service, which includes more than 13 million loads and trucks each year. As a result of this high volume, TransCore believes its Canadian Freight Index to be representative of the ups and downs in spot market freight movement and provides a historical account of the domestic and cross-border spot market freight movement.

The first four columns in the chart include monthly index values for years 2006 through 2009. The fifth indicates index values for current year 2010. The last column indicates the percentage change from 2009 to 2010. For the purpose of establishing a baseline for the index, January 2002 (index value of 100) has been used.

### TransCore Canadian Spot Market Freight Index 2006-2010

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<th>2009</th>
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Canadian General Freight Index reports continued rise in ground transportation costs

Results published by the Canadian General Freight Index indicate that after several months of steady increases, the cost of ground transportation for Canadian shippers dropped slightly in October.

The CGFI Total Freight Cost Index decreased by 0.8% in October compared to September, while the Base Rate Index, which excludes the impact of fuel surcharges assessed by carriers, decreased 0.92%. The CGFI is still 7.5% above the April low point and 5.3% above last year’s result for the same period.

Notably, average fuel surcharges increased by 6% to 13.77% of base rates when compared to September results. Fuel surcharges increased for the first time in five months, and are beginning to reflect the higher cost of diesel fuel for trucking companies.

In September, the CGFI Total Freight Cost Index increased by 0.4% compared to August, while the Base Rate Index also increased by 0.7%. Average fuel surcharges remained essentially unchanged at 13% for the month.

“We are just starting to see the impact that higher fuel prices will have on shippers and trucking companies, and we expect to monitor this trend through the winter months,” said Doug Payne, president and chief operating officer of Nulogx. “As for the slight decline in base rates, this is not unexpected given the consecutive monthly increases we have seen since last April.”

US truck tonnage drop in November not a concern

Seasonally-adjusted US truck tonnage took a 0.1% hit in November, according to the latest data from the American Trucking Associations. In September and October, tonnage increased a total of 28%. The not seasonally-adjusted index was down 3.7% in November. Compared with November 2009, seasonally-adjusted tonnage was up 3.9%, significantly lower than October’s 6% year-over-year increase, the ATA noted. Year-to-date tonnage is up 5.9% compared to the same period in 2009. Tonnage increased for two consecutive months in September and October and I don’t expect volumes to rise every month,” said ATA chief economist Bob Costello. “Additionally, the decrease in November is much smaller than the gains during the previous two months.” Costello said he expects truck freight tonnage to grow modestly during the first half of 2011 before accelerating in the latter half of the year into 2012.

TransCore, Manitoba Transport Institute identify transport trends for spot market

Ontario and the Greater Toronto Area are the sources of and destinations for most spot market freight, according to groundbreaking new research by the University of Manitoba Transport Institute and TransCore Link Logistics. The two organizations recently released preliminary findings from a joint research project looking at Canadian trucking and logistics trends using TransCore’s Loadlink freight-matching data.

Other findings include: postings originating in the US bound for Canada accounted to more than 61% of total freight volume and 39% of equipment volume; outbound postings from Canada to the US accounted for 13% of load volumes and 31% of equipment volumes; and domestic loads within Canada accounted for 21.8% of freight and 30% of equipment.
best practices in transportation

Freight data management: which elements are essential to capture

One of the most frequently repeated lines in business is that you can only manage what you measure. This well-known business principle applies just as well to freight transportation. To effectively manage freight transportation, there are a number of key data elements that need to be captured.

The most fundamental building blocks are the individual boxes, parcels, envelopes, cartons, drums or pallets. Each individual item must be properly classified, dimensions measured (e.g., height, length, and width), weighted, and photographed. Any other distinguishing features such as type of material (e.g., hazardous), the state in which it must be maintained (e.g., dry, frozen, chilled, etc.), freight handling requirements (e.g., forklifts, pallet jacks) and loading requirements (e.g., do not load with chemicals) must also be documented.

Capturing this data correctly and completely allows each shipper to address such fundamental issues as the type of container to be used, space occupied, loading plan, etc. This data is also critical when conducting an RFP as a means to selecting the appropriate modes and carriers.

The data that each shipper maintains must contain certain data elements in order to be useful for analysis and planning purposes. The following data fields are essential: shipment number; pickup date; origin zip code/postal code; origin city; origin province or state; product description; shipment weight; unit of loading (e.g., box, pallet, etc.); carrier name; mode (e.g., courier, LTL, truckload, carload, etc.); destination zip code/postal code; destination city; destination province or state; delivery date; line-haul rate; fuel surcharge; other accessorial charges; and shortages or damages.

Shippers with private fleets must also maintain detailed records on each piece of equipment such as equipment type, dimensions, manufacturer, date purchased, miles driven, maintenance schedule, etc. The location of each vehicle should be specified through good yard management practices. In addition, there is a requirement to track such items as loaded and empty miles, revenue per trip, direct and overhead costs per trip, fuel costs, and driver name. This way the fleet can be managed as a profit centre. Similarly, the location of all vehicles (e.g., in yard, at customer’s premises, en route) must be tracked so as to ensure that these assets are being utilized as productively as possible.

The data must be audited on an ongoing basis to make sure that it is accurate and complete. A clerical error (e.g., inserting 100,000 instead of 100 lbs or leaving a block of fields blank) can throw off a year’s worth of data and lead to an erroneous analysis. Data auditing leads to data cleansing. Erroneous data must be corrected; data for missing fields must be gathered and entered into the data template. The source of the errors must be identified and fixed.

A number of analyses must be performed on an ongoing basis to monitor trends. Among the key items to be tracked are:

- Total annual freight costs
- Percent increase/decrease in annual freight costs
- Fuel surcharges as a percent of total freight costs
- Freight costs as a percent of supply chain costs
- Freight costs as a percent of revenue
- Percent of freight costs by mode
- Freight costs in descending order by carrier
- Percent of freight given to each carrier by mode of transport
- Percent changes year-over-year in freight costs by mode
- On-time service by carrier
- Claims cost as a percent of revenue
- Billing accuracy

The data must then be scrutinized and managed on a consistent basis. Deviations (e.g., increase in expedited freight costs, late deliveries, load refusals) must be identified, challenged and corrected. The appropriate management and non-management individuals must be tasked with meeting objectives (e.g., freight KPI’s) in order help the company achieve its bottom line.

Following these best practices is another step in that direction.

Another important area of freight data management that is sometimes overlooked is carrier management. It is very important to maintain complete and accurate files on each of your carriers across all modes. The file should include a questionnaire that captures the salient characteristics about each carrier (e.g., key contacts, safety rating, fleet size, special certificates and capabilities, etc.)

Finally, there should be scorecards and dashboards in place to track performance. A scorecard is often an historical document that contains snapshots of data, at specific points in time, and on the company’s key transportation-related KPI’s. Dashboards are often used as advance warning tools. They highlight missed pickups and potential late deliveries and can be used to trigger corrective action and to give customers a heads up in advance of any service failures. Best practice is to consistently measure the right variables at the right time so as to ensure a smooth running, cost effective supply chain.

Dan Goodwill, president of Dan Goodwill and Associates has more than 20 years of experience in the logistics and transportation industries in both Canada and the US. He has held executive level positions in the industry, including president of Yellow Transportation’s Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT, and vice-president of sales and marketing at TNT Overland Express.

Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He can be reached at dan@dantranscon.com.
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