

SUPPLY CHAIN UPDATE

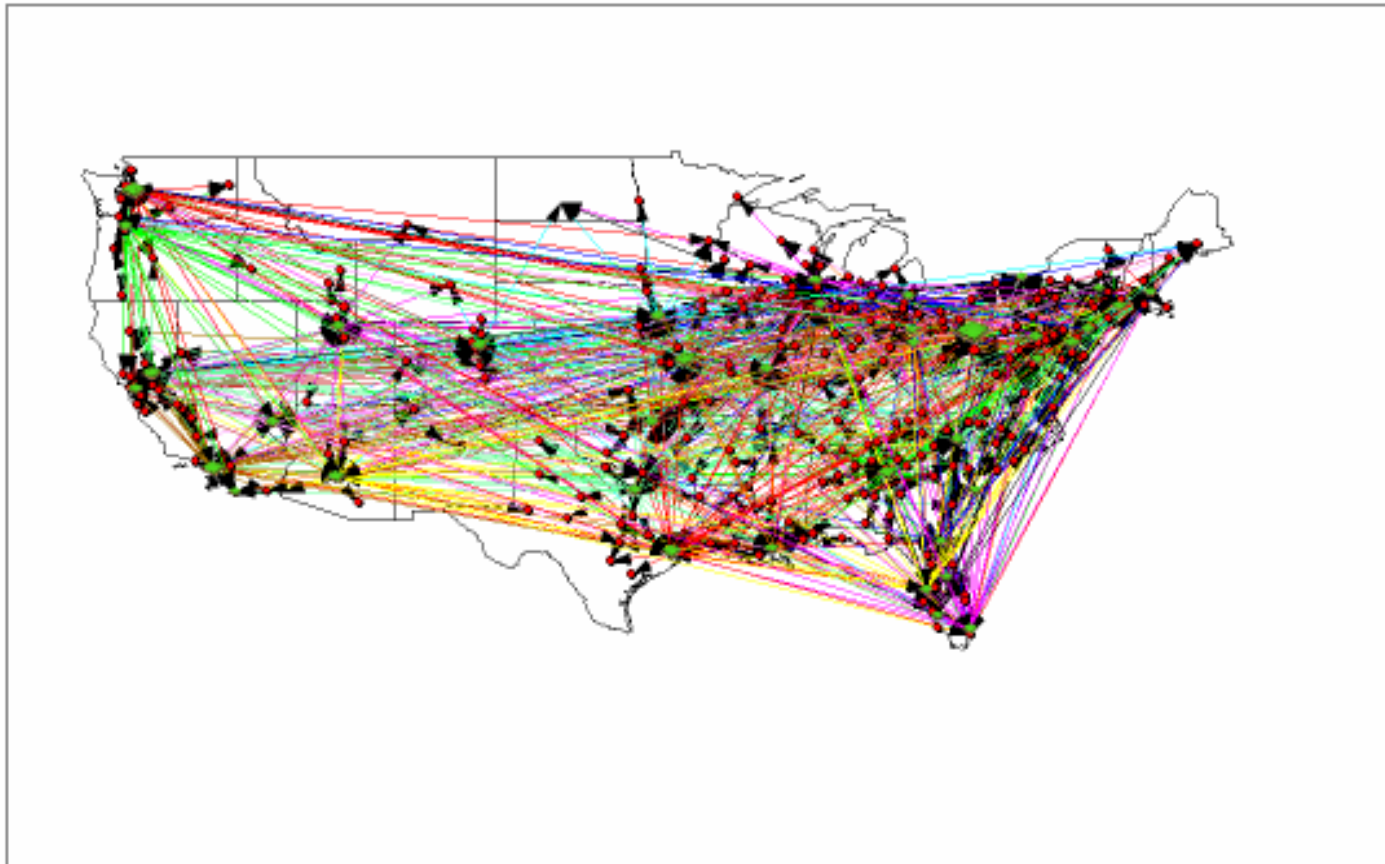
TransHub Ontario
Information Breakfast
Jack Ampuja

Supply Chain Status

- ▣ Cost control is every company's #1 goal
- ▣ Retailers are focused on supply chain mgmt as the tool for cost control - 90% will invest same or more in 2011 on SC process improvement
 - Going upstream in supply chain for efficiency
- ▣ Network optimization is major focus for all large firms: P&G, Home Depot, ConAgra, Kraft/Cadbury, Kimberly-Clark, General Mills
 - Network optimization has the highest level of mgmt focus in 34 years....*Ohio State University Study*

Baseline

Historical Flows from Baseline
\$34,500,000 Transportation + \$19,750,000 Inventory and Overhead



North American Trends

- ▣ Railroads appear headed to some type of re-regulation thru Congressional action
 - Sen. Rockefeller of WV committed to hearings
 - Canada has already announced re-regulation
- ▣ US international volume continues to grow
 - Govt targets to double exports by 2015 – hit \$180 Bil in Sept...#1 month of all time; +17% YTD
 - Imports also growing: up 12% in 2011
- ▣ Collaboration is still the best opportunity
 - Hershey & Ferrero will share NA supply chain
 - Kimberly-Clark & Unilever co-ship in Europe

More Trends....

- ▣ With competition more global and intensive logistics innovation is expanding from company view to a supply-chain perspective
- ▣ Firms are rethinking their supply chain models while investing in logistics and implementing innovative tools & practices
- ▣ In USA & Canada Operational Excellence outweighs Strategic Excellence
 - Europe values the latter more highly
- ▣ Green impact pervades all SC decisions

Food & Consumer Products Supply Chain Day 4-11

- ▣ Best European Practices in Grocery Logistics
- ▣ *Packaging Optimization*
- ▣ Pharmaceutical Distribution Network
 - A Successful Shared-Services Distribution Program
- ▣ Supply Chain Outsourcing Industry Trends
- ▣ Concurrent Workshops
 - Retail Collaboration – Ways to Work Together Effectively
 - Distribution to West Canada – Challenges & Opportunities
 - Customer Service – Striving for Excellence
- ▣ Transportation Mgmt Best Practices - Panel

2011 Situation

- ▣ US Congress passed biggest change in food safety regulations in 70 years
 - All imports must comply with US law
 - FDA can now shut down offending companies
- ▣ US Export initiative is paying dividends
- ▣ Air cargo security has increased after attempt to ship package bombs from Middle East
- ▣ Proposed truck driver Hours of Service rules will reduce productivity & increase costs

Situation Cont...

- ▣ US trucking capacity is very tight after carriers sold off equipment during recession
 - Unattractive shippers will see bigger rate increases and have trouble securing equipment
- ▣ CSA: Compliance Safety Accountability will add admin to truckers & restrict bad drivers
- ▣ Most large CPG firms have gone to North American strategy

US Exporter Profile

- ▣ US Exports = \$100Bil+ per month
- ▣ Account for 20% of US manufacturing jobs
 - Pay rates are 15% higher than US average
- ▣ 97% of export transactions come from small & medium companies
 - make up small share of \$
 - only 1% of US firms export
 - 58% of exporters ship to only one country

#1 International Failure

Complexity - and complexity comes in several forms – costs, times, quality, cultures, and risks are the primary ones. Moving and storing goods in the global environment is 10 times more challenging than domestic.

-Gene Tyndall

Former Logistics Practice Head at Deloitte & Touche

Former Exec with Ryder Logistics

Canadian Cargo Study

- ▣ Requested by both WA senators + endorsed by Federal Maritime Commission Chair
- ▣ US Supreme Court: FMC has authority over rail shipments from port to destination
- ▣ How much US bound cargo enters via Canadian ports?
 - No harbor maintenance tax in Canada [.125% US]
 - US tax not fully utilized for harbor purposes

Opportunity

- ▣ North American firms outsource 38% of logistics while Europe does 44% and Asia 47%
 - Opportunity for both users & providers?
- ▣ US growth on export & import will increase business with Canada
- ▣ Many smaller North American firms have little knowhow of getting started with international
 - Can you help them navigate the border issues?