IDEAS FOR LEADERSHIP IN LOGISTICS AND TRANSPORTATION

The Official Magazine of The Logistics Institute

Volume 12, Issue 5, October 2006

Richard Armstrong,
Co-editor and Publisher of Who’s Who In Logistics, and President, Armstrong & Associates.

David J. Closs, Ph.D.,
John H. McConnell Chaired Professor, Eli Broad College of Business, Department of Marketing and Supply Chain Management, Michigan State University, LQ Executive Editor

Jim Davidson,
President, iWheels Dedicated Logistics

Peter Hall,
Vice-President and Deputy Chief Economist, Export Development Canada

Rich Moskowitz,
Assistant General Counsel and Regulatory Affairs Counsel, American Trucking Associations

Nicholas Seiersen,
B.Sc. (Hons.), M.B.A., P.Log, Senior Manager, KPMG, (Toronto), and LQ Executive Editor

Herbert W. Shear,
Chief Executive Officer, Genco Distribution System

Carol West, President,
Canadian Society of Customs Brokers and the Secretary of the International Federation of Customs Brokers Associations

LQ’s Special Report on the Top 30 North American Third Party Logistics Providers (3PLs)

by Dick Armstrong
The Supply Chain as a Well for Innovation in Business
A NORTH AMERICAN BUSINESS FORUM ON INNOVATION IN SUPPLY CHAIN MANAGEMENT

LQ'S EXECUTIVE EXCHANGE, Toronto Board of Trade, Airport Club
November 9, 2006

Featured Speakers and Chairmen (Partial list)

David Binks, President, FedEx Canada
David J. Closs, Ph.D., John H. McConnell Chaired Professor, Eli Broad College of Business, Michigan State University & LQ Executive Editor
William (Bill) L. Conley, President, ATC Logistics & Electronics, a subsidiary of Aftermarket Technology Corp. (ATC)
John Dischinger, Program Director, IBM
Victor Deyglio, President and CEO, The Logistics Institute
Jim Eckler, President and CEO, Progistix-Solutions Inc.
Claude Germain, EVP and COO, Schenker Canada
Arun Kumar, Director of Americas Logistics, Dell, Inc.
Tim Maloney, Managing Director, Newport Group Inc.
Robert Martichenko, President, LeanCor LLC
Nicholas Seiersen, B.Sc.(Hons.), M.B.A., P.Log., Senior Manager, KPMG, based in Toronto, & LQ Executive Editor
Gene Tyndall, President, Supply Chain Executive Advisors, LLC.
Jonathan E. Zakary, Director of Strategic Supply Chain Initiatives & Logistics Management, Darden Restaurants

LQ's Executive Exchange affords its strategy-setting executives with a unique opportunity to share ideas and learn from some of the most exceptional minds in the business and network with leaders in business and academia. You can’t afford to miss it. Register by visiting: http://www.logisticsquarterly.com

Seating is limited.
The Top 30 3PLs 2006
This introductory article to LQ’s Top 30 North American 3PLs ranking provides an insightful perspective on trends in this cross-border segment of the industry. Dick Armstrong answers the question: “Are customers better off?” as 3PLs continue to grow in order to increase their portfolio of services. There’s also a downside logisticians should be mindful of.

The Transition to Ultra-Low Sulfur Diesel
In the near future, 80 percent of the on-road diesel fuel refined or imported must be ultra low sulfur (ULSF) compliant. For motor carriers, few issues are likely to be bigger this year. Will this move risk disrupting the steady supply of fuel that is essential to the industry?

What’s Your Secret: Accounting for Success?
How can your company recruit the brightest and the best, and create a corporate culture of innovation? Too often, taking business risks associated with innovative practices is considered the domain of entrepreneurs. And encouraging such behavior within a corporation may seem counterproductive. This commentary makes a compelling case for innovation.

Heading for Another Capacity Crunch?
Will North America’s Pacific ports be ready for more business as China, Korea and Singapore implement aggressive multi-billion-dollar investment plans to increase their container capacity? American importers have begun to look beyond their borders for solutions, and Canadian ports may gain more business as a result.

Hiring a Customs Broker
Customs brokers’ knowledge can save your company time, reduce costs, and heighten customer satisfaction. Here are some important tips on how to select the best and the brightest brokers for your business.

The Global Experience of the Supply Chain Management Professional
One of the more controversial topics in defining a supply chain management professional focuses on the type of global experience required for this discipline. In this article, LQ’s Executive Editor shares his insights on the best ways to develop this global expertise.

No Niche is an Island:
Do you want to perfect your company’s service offering? Here are five examples of value-added solutions that a 3PL can provide within a reverse solutions “niche.” This article sheds light on how companies can outperform their competitors.
If you are looking for a reputable and reliable logistics partner that will move you to the next level of success, call Kelron Logistics today, or visit www.kelron.com

Eastern North America 877.253.5766

Western North America 888.453.5766
LQ is pleased to announce that Walter Zinn, Ph.D., Ohio State University, has accepted LQ’s invitation to join its Advisory Board.

Walter Zinn, Ph.D., Ohio State University. Professor Zinn’s research interests focus primarily on the impact of customer service policies on the determination of safety stocks. As part of this focus, his research addresses issues such as the effects of inventory centralization and sales forecasting on safety stocks, logistics partnerships and, more recently, consumer reactions to stockouts. Professor Zinn is also interested in logistics issues in Latin America and received a logistics innovation award from the Latin American Logistics Center. His research has been published in such academic journals as the Journal of Business Logistics, European Journal of Operational Research, Journal of the Operational Research Society, The International Journal of Logistics Management, Journal of the Academy of Marketing Science and Business Horizons. Professor Zinn is also a member of the editorial review board of the Journal of Business Logistics and The International Journal of Logistics Management. He recently completed two studies for the World Bank, both discussing supply chain management problems generated by imperfections in public policy, and works regularly with the business community as a speaker at logistics conferences and meetings in the United States, also Brazil and other countries in Latin America.

As a resource for 35,000 logisticians, academics and executives in other disciplines in the United States and Canada, LQ offers ideas for leadership in logistics, supply chain management and transportation, and provides a unique bridge between academia and practitioners. LQ’s Advisory Board plays a vital role in ensuring LQ provides its readers with authoritative thinking on the complex and fast-changing work of the logistics business - with a unique focus on best practices in the United States and Canada.

Meridian IQ Canada Scores Hat Trick with Relationship Building Event

Camaraderie, dinner and a chance to see the famous Stanley Cup trophy created a memorable event for Meridian IQ Canada and its clients, prospects, vendors and employees. The event, recently held in the historic Hockey Hall of Fame in downtown Toronto, provided the setting to launch the Meridian IQ name in Canada and thank those who are important to the success of its business.

Founded in 1943, the Hockey Hall of Fame collects, preserves, researches and exhibits the objects and memories important to the history of ice hockey. It also pays tribute to the players, builders, officials, writers and broadcasters who made significant contributions and achievements in hockey by electing them into “Honoured Membership.”

The Hall of Fame is both a museum and an entertainment site, with interactive, audio-visual and multimedia presentations, in addition to its regular displays. One of its more popular displays is the Stanley Cup, the championship trophy of the National Hockey League, the major professional ice hockey league in Canada and the United States.

Distinguished Service Award

The Council of Supply Chain Management Professionals (CSCMP) has pre-
The Canadian Courier Association and Canadian Professional Logistics Institute

In tandem with its recent name change, the Canadian Courier & Logistics Association (CCLA) has announced a new partnership with the Logistics Institute. This strategic partnership in professionalism aims to build a stronger, more skilled courier and logistics workforce. As a member benefit and with professional development at its core, this new partnership will not only diversify but also increase the profile of CCLA. This partnership automatically gives all CCLA members an affiliate membership with the Logistics Institute.

As affiliate members of the Logistics Institute, CCLA members have access to training programs and professional development opportunities for all employees, and many other resources, such as the Institute’s Logistics Gateway; available at its website: www.canadiancourier.org

Hans Hickler Appointed U.S. Chief Executive, DHL

DHL has recently announced that Hans Hickler will succeed John Mullen as Chief Executive Officer for DHL Express in the United States.

“Given the excellent developments in our U.S. business and operations over the last year, and the presence of a strong management team, I am pleased to ask Hans to succeed me as CEO for the U.S.,” said John Mullen, Chief Executive Officer, DHL Express, and member of the Deutsche Post World Net (DPWN) Board of Management, in a press release.

In September Deutsche Post World Net, DHL’s parent company, announced that its DHL Express business will be led globally by John Mullen. In this new global position, all DHL Express regional CEOs will report to Mr. Mullen, including Mr. Hickler.

Jerry Levy Named New Vice President of Marketing at PWC Logistics

PWC Logistics, a leading global transportation and logistics company, has named Jerry Levy as its new Vice President of Marketing.

Mr. Levy joins PWC Logistics from BAX Global, where for six years he was Vice President of Marketing. While at BAX, Mr. Levy was responsible for launching their new global product suite and establishing its e-commerce program. In his new role, Mr. Levy will be responsible for marketing across all PWC Logistics companies, including GeoLogistics, and will be instrumental in all global marketing and branding initiatives. He reports directly to Christopher Logan, Senior Vice President, Strategic Marketing and Growth Initiatives, PWC Logistics and GeoLogistics. Mr. Levy is based in Santa Ana, Calif.

He has more than 20 years of sales and marketing experience in the logistics and transportation industries, holding key positions with Exel, General Electric, and Conrail.

Mr. Levy Levy joined BAX Global in July 2000 as the marketing head where he had the responsibility of repositioning the $2.4 billion transportation company from a primarily North American integrated air cargo provider to a full service, global supply chain firm. Prior to BAX, he served five years as Director of Strategic Alliances and Logistics for Exel Global Logistics. Before Exel, Levy was U.S. Marketing Manager for Trade and Transportation Network Solutions at GE Information Services, a $500 million dollar networking and communications firm based in suburban Washington, D.C.
Moving at the Speed you need

The fabled duel between the tortoise and the hare is symbolic of the strategies required to consistently win the supply chain race. It’s as much about managing information as selecting the best modes of transport. Wheels can effectively integrate all available resources to provide winning management solutions for your supply chain.

Sometimes the tortoise, sometimes the hare, but every time the professionals at Wheels can put you across the finish line, with the best bottom line...everytime.
LQ’s mandate to provide “Ideas for Leadership in Logistics,” is clearly evidenced this issue with articles written by professionals and logisticians from America and Canada who are leading and transforming business by creating new roadmaps and definitions for leadership in this exciting field.

OUR CONTRIBUTORS

RICHARD ARMSTRONG is a third-party logistics expert who specializes in supply chain evaluation and outsourcing. Dick is the co-editor and publisher of Who’s Who In Logistics? Armstrong’s Guide to Global Supply Chain Management. He has over 20 years experience as a consultant, educator and motor carrier executive. He is licensed to practice before FMCSA and FMC. His publications cover the globalization of logistics, supply chain management, transportation operating efficiency and DOT regulations.

DAVID J. CLOSS, Ph.D., LQ Executive Editor: Dr. Closs is the John H. McConnell Chaired Professor of the Eli Broad College of Business, Department of Marketing and Supply Chain management, Michigan State University. He has consulted with more than 100 of the world’s Fortune 500 corporations regarding logistics strategies and systems. He is an active member of the Council of the Supply Chain management professionals.

JIM DAVIDSON, President, iWheels Dedicated Logistics, began his career in logistics at The Ford Motor Company in 1963 working in all aspects of logistics for 17 years. Mr. Davidson joined TNT in 1983 and held various management roles, including roles in operations, staff, administration and general management for a number of different divisions. He also served as the TNT board member representing North America at their European-based board meetings. He has served on the executive of the Canadian General Motors Supplier council as well as the Executive Vice President of the ATA council of Logistics located in Alexandria, VA.

PETER HALL is Vice-President and Deputy Chief Economist at Export Development Canada. In this capacity, Mr. Hall oversees economic and political risk analysis at EDC, in addition to managing the corporate information centre. Mr. Hall has been in the economic forecasting and analysis business for 18 years, and frequently addresses business audiences across Canada on a variety of economic and industrial issues. He holds a Bachelor’s degree in business and economics from the University of Toronto and a Master’s degree in economics from Carleton University.

RICH MOSKOWITZ is the American Trucking Associations’ (ATA’s) Assistant General Counsel and Regulatory Affairs Counsel. He has practiced environmental, administrative and corporate law for more than 15 years and is a frequent lecturer on regulatory issues affecting the trucking industry. Mr. Moskowitz represents the trucking industry before the Environmental Protection Agency, the Department of Transportation, Courts and Congress on a wide variety of regulatory issues, and presently specializes in environmental, energy, hazardous materials and other issues. Prior to joining ATA, Mr. Moskowitz, served as General Counsel to Wellesley Group, a solid waste transportation company, and as General Counsel to the National Solid Wastes Management Association. Mr. Moskowitz also worked as an attorney at the law firms of Beveridge & Diamond and McKenna & Cuneo in Washington, D.C. Mr. Moskowitz graduated from Brandeis University in 1986 with honors in economics, and received his law degree with honors from George Washington University in 1989.

NICHOLAS SEIERSEN, B.Sc.(Hons.), M.B.A., P.Log, LQ Executive Editor, is a Senior Manager with KPMG, based in Toronto, Ontario. He specializes in Supply Chain consulting, with particular attention to Strategic Sourcing and Supply Chain Planning & Operations. Mr. Seiersen is the Canadian Service Line Lead for Operations Cost Management at KPMG. Mr. Seiersen holds a B.Sc. (Hons.) in Biochemistry and an M.B.A. in Industrial Management. He teaches executive development courses at top universities in Europe and North America. He is the past President of the Toronto Roundtable of the Council of Logistics Management, (now CSCMP).

HERBERT W. SHEAR is president and chief executive officer of Pittsburgh-based GENCO. As the third-generation member of the family-owned business, Mr. Shear joined the business in 1971. With logistics knowledge and experience spanning more than 30 years, he has transformed GENCO from a regional trucking and distribution management company into a leading third-party logistics company that offers full product life cycle management services. Mr. Shear serves on the advisory boards for Southern Illinois University College of Business Administration, the University of Nevada, Reno Logistics Management Program and Northwestern University Transportation Center. He is an active member of World Presidents Organization, CSCMP, Warehousing Education and Research Council, Reverse Logistics Executive Council and the Defense Business Board, a group of industry leaders who advise the U.S. Department of Defense on best industry practices. He received his bachelor’s degree in Finance from Southern Illinois University and has also completed executive entrepreneurial and leadership programs at Stanford University, Carnegie Mellon University and Northwestern University.

MS. CAROL WEST is the President of the Canadian Society of Customs Brokers (CSCB) and the Secretary of the International Federation of Customs Brokers Associations (IFCBA).

Ms. West's academic background includes studies for an Honours Bachelor of Arts degree, a Master of Arts Degree in Canadian Studies and a PhD. specializing in public administration and Canadian politics. She has taught as a Sessional Lecturer with the Department of Political Science at Carleton University in Ottawa. Ms. West is a founding director and the Secretary of the International Federation of Customs Brokers Association (an international organization with members in more than 40 countries). She was the IFCBA spokesperson at meetings of the WCO Task Force on Security andFacilitation, and participates in the work of the Commission on Customs and Trade Regulations of the International Chamber of Commerce.
Border crossing.

When shipping cross-border, go with the expert.

Lakeside Logistics has 20 years of experience getting customer shipments across the US/Canada border. We know the current complexities that are involved. In fact, cross-border logistics is our core business.

Our point-to-point shipping gets the job done efficiently with no re-handling of your goods between pickup and delivery. This saves you time, claims and money.

With over 250,000 trucks across North America, Lakeside is ready to handle your transportation and logistics needs from either side of the border. And with 24/7 coverage, we keep your supply chain moving.

You can make production and distribution decisions with confidence using our web-based support services. Lakeside continuously updates records of all carrier and shipping data for each customer. This gives you a clear line of sight to all your shipping and inventory information - anytime you need it. And our data retention can help you with your SOX compliance.

Lakeside Logistics is a multi-service 3PL – a single point of contact for planning, transportation management, inventory management, warehousing and monitoring throughout the supply chain.

It's worth a call to find out how we can help you.

1185A North Service Road, Oakville, ON L6H 1A7 Canada  905.338.4000   800.387.7108  www.lakesidelogistics.com
ARE CUSTOMERS BETTER OFF with very large acquisitive global 3PLs? Does customer service suffer when a very large acquisition like DHL’s purchase of Exel has to be split into over 900 separate projects? The two stand alone companies were so large that it will take years before they are really one company.

Similarly, Deutsche Bahn, the German railroad, not only has the challenge of integrating BAX and Schenker but has some political problems in Germany. Some German legislators are questioning why German taxpayers who own a big piece of Deutsche Bahn need to support Deutsche Bahn’s global expansion.

In other cases, customers have been treated to less than satisfactory acquisition results. UPS Supply Chain Solutions has had major problems integrating Menlo Forwarding. Then there is TNT Logistics’ lukewarm offering to the 3PL market.

It seems that every big deal has generated a host of problems, disrupting some customer relationships and lowering profits for the new companies. Turnover of key personnel and procedures because of purchases are a regular complaint. Our analysis indicates that the net income margin* is only 4.1% for 3PLs with net revenues greater than one billion dollars. If we take Expeditors and Caterpillar Logistics out of the group, the margin drops to 2.5%. Expeditors and Caterpillar have primarily grown organically rather than through purchases.

The strongest group financially among 3PLs includes those with net revenues between $500-1000 million. The net income margin for this group is 8.2%. C.H. Robinson, Kuehne + Nagel, J.B. Hunt Dedicated and Werner are in this group. In general, companies in this group have size of scale and advantages over many smaller competitors while not being so large that they are unwieldy, procedurally rigid or in danger of losing touch with customers.

The feedback we get from customers indicates more “A” performances from these midsized 3PLs.

Aside from the disruptions caused by major acquisitions, the North American 3PL market continues to grow. Transportation capacity shortages have been a diminishing problem as 3PL gross revenues grew to $104 billion for 2005. They are expected to expand by 9-10% for 2006.

There are positive signs for each segment. Transportation management continued to be more profitable than the asset-based segments. At the same time, dedicated contract carriage has expanded the last three years in response to market demands for assured capacity. For value-added warehousing/distribution (VAWD), the net income margin has increased to 4%.

Much of VAWD in North America has moved to a new level. We are regularly visiting large, radio frequency monitored and WMS labor assisted operations. Inventory controls are good – shrinkages are minimal, labor productivity is high. In our study of U.S./Canadian warehousing, we found that the average contract warehouse is 250,000 square feet. Contracts average $4.4 million per year – operating margins run 13.5%. Pricing is consistently divided into fixed cost components for building and related non-variable items. Labor and other vari-

able items are priced on a unit basis. For example, per-carton prices have become fairly common.

This pricing change is occurring at the expense of open-book cost-plus agreements. An advantage for the 3PL is that closed-book arrangements tend to be more profitable. These arrangements, by their nature, provide greater incentive to 3PLs. This incentive often translates into better quality operations. Menlo, UTI and Kuehne & Nagel are examples of VAWD who continue to improve processes across their operations. Menlo now has over half of its customers in multi-client warehouses. It shifts personnel to new tasks every two hours as demands change. Much more efficient utilization of personnel and systems are standards of modern warehousing.

The same applies for automotive 3PLs like Ryder, Penske,TNT and Linc. Sequencing centers run in support of operations are tightly controlled in cooperation with inbound transportation management. Exact JIT delivery of the right product to the right place at the right time is now routine in this VAWD business.

An important change is also taking place in dedicated contract carriage (DCC). Greatwide’s emergence from the shadows shows a DCC with 3,300 tractors provided by owner-operators. J.B. Hunt also has several hundred owner-operators in DCC. Cardinal Logistics has extensive owner-operator operations for Home Depot stores. Most potential customers are not concerned whether DCC drivers are employees or owner-operators as long as they perform. A list of the Top 20 DCCs is provided.

In this article, we tend to emphasize cross-border 3PLs with significant Canadian operations and we limit ourselves to 30 companies. We do not want to overlook a couple of important items that were outside our top 30. Those items were two important acquisitions involving companies that are likely to have significant future impact:

Firstly, PWC Logistics, based in Kuwait, bought GeoLogistics. PWC has grown rapidly during the Iraq war. It continues to do well with the U.S. Defense Department. GeoLogistics is a well known freight forwarder, which has needed a financial savior for over a decade. The integration has gone well and PWC/GeoLogistics has the momentum and financial resources to become a major player.

Similarly, Ozburn-Hessey Logistics, a regional warehousing company three years ago, has acquired Barthco, a medium-sized Philadelphia based freight forwarder, and Turbo Logistics, a Georgia based freight broker. In addition, it picked up Freightek, a brokerage-forwarder software company. These purchases will put Ozburn-Hessey above $450 million in net revenues for 2006. Scott McWilliams, Chief Executive Officer of Ozburn-Hessey and his team will now have all of the pieces for global SCM. So far they have been able to integrate and move quickly. Let’s see how they handle this new challenge.

<table>
<thead>
<tr>
<th>Net Income Margins by 3PL Size ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;250</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenues and Profitability by 3PL Segment - 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL Segment</td>
</tr>
<tr>
<td>Domestic Transportation Management</td>
</tr>
<tr>
<td>International Transportation Management</td>
</tr>
<tr>
<td>Dedicated Contract Carriage</td>
</tr>
<tr>
<td>Value-Added Warehouse/Distribution</td>
</tr>
<tr>
<td>Contract Logistics Software</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top DCCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>16</td>
</tr>
<tr>
<td>17</td>
</tr>
<tr>
<td>18</td>
</tr>
<tr>
<td>19</td>
</tr>
<tr>
<td>20</td>
</tr>
</tbody>
</table>

*Schneider has 5000 additional tractors which supply dedicated capacity.
UPS Supply Chain Solutions – Atlanta, GA – NYSE: UPS (United Parcel Service)
800-742-5727
Bob Stoffel, President
www.ups-scs.com

3PL Turnover: $7.7b Parent $42.5

Service Area: Service to 99% of World GDP; NA locations: 239 U.S., 58 Canada, 11 Mexico

3PL Assets:
- 25,000 employees
- 1,238 warehouses
- 900 tractors, 2,450 trailers

Information Systems:
- Excellent
- TMS – i2
- WMS – operates all major systems

Services:
- Air and ocean freight forwarding, customs brokerage, transportation management, warehousing and distribution, supply chain consulting, dedicated contract carriage, trade finance and insurance, equipment leasing, mail services

Industry Focus/Key Customers:
- Computers and electronics, telecommunications, healthcare, automotive, retail, consumer goods
- Key Customers: Alcatel, Adidas, Cisco, Daimler/Chrysler, Fabricut, General Motors, Honeywell, Hitachi, Kingsdown, Nikon

Armstrong & Associates’ Evaluation: UPS SCS grew 11% in 2005. It has become the most well known U.S. 3PL brand name. Revenues for contract warehousing were $1.2 billion in 2005. Freight forwarding net revenues were $3.3 billion. EBIT margin was 3%. UPS SCS’ EBITA target is 8%, but it may take two to three more years. In the mean time, it contributes $1 billion per year in package business to its big brother. UPS handles 660,000 TEUs per year as a freight forwarder. UPS Capital Freight and Consulting continue to be important contributors.

952-937-8500
John Wiehoff, CEO
www.chrobinson.com

3PL Turnover: $5.7b

Service Area: North America, Europe, Brazil; NA locations: 126 U.S., 33 Canada, 15 Mexico

3PL Assets:
- 5,776 employees
- 100 warehouses and crossdock affiliates

Information Systems:
- Very good
- TMS – Express, COSMOS
- WMS – High Jump

Services:
- Freight brokerage, air and ocean freight forwarding, transportation management, warehousing, print logistics

Industry Focus/Key Customers:
- Technology, food and beverage, retail, paper products and printed materials, agriculture, consumer goods
- Key Customers: Anheuser-Busch, AOL, Ball Foster Glass, Best Buy, Clorox, Dana Corp, International Paper, Wal-Mart

Armstrong & Associates’ Evaluation: C.H. Robinson continues to be the most profitable 3PL. John Wiehoff and his cohort of young execs continue to refine the excellent business model put in place by the founders. While most of Robinson’s revenues are transportation management related, it has solid services including domestic intermodal, international ocean, food sourcing, truck fueling and supply chain management. Employees are highly incented to take care of customers. European and Asian operations continue to grow. C.H. Robinson has made careful purchases of companies with specializations and has the free cash flow to make more.
### Schenker USA/BAX Global

**Address:** Freeport, NY 516-377-3000  
**CEO:** Dennis Eittreim  
**Website:** www.schenkerusa.com

<table>
<thead>
<tr>
<th>3PL Turnover:</th>
<th>$5b</th>
<th>Parent: $30b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area:</td>
<td>Europe, Asia, South America, Africa, North America; N A locations, 150 U.S., 33 Canada, 15 Mexico</td>
<td></td>
</tr>
</tbody>
</table>
| 3PL Assets: | 12,000 employees  
80 warehouses |
| Information Systems: | Very good  
TMS – SWORD, CAPS, i2, ILS  
WMS – EXE, HTS, SAP R/3, SoLiNET |
| Services: | Air and ocean freight forwarding, customs brokerage, warehousing and distribution, transportation management |
| Industry Focus/Key Customers: | Automotive, computers and electronics, consumer goods, healthcare  
Key Customers: Apple, BMW, Boeing, DaimlerChrysler, IBM, Intel, Phillips, Procter & Gamble, Subaru |

**Armstrong & Associates’ Evaluation:** Schenker made a significant move to expand its previously limited U.S. presence by acquiring BAX Global Logistics earlier this year. Its parent, Deutsche Bahn AG, continues to need to find significant growth and profit opportunities outside of “old Europe.” Schenker’s contract logistics and forwarding operations in Canada are good. South American and Mexican operations are respectable. European trucking operations account for half of revenues. Contract logistics is 10% of business and both companies are strong in this area. Deutsche Bahn’s rail operations were profitable for 2005. Schenker handled 900,000 TEUs in 2005. BAX adds significant new air freight forwarding with good Asia-Pacific and North American operations.

### Expeditors International of Washington

**Address:** Seattle, WA – NASDAQ: EXPD  
**CEO & Chairman:** Peter Rose  
**Website:** www.expeditors.com

<table>
<thead>
<tr>
<th>3PL Turnover:</th>
<th>$3.9b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area:</td>
<td>Africa, Asia, Americas, Europe, Middle East; NA Locations: 67 U.S., 8 Canada, 15 Mexico</td>
</tr>
</tbody>
</table>
| 3PL Assets: | 10,566 employees  
110 warehouses |
| Information Systems: | Good  
TMS – Proprietary  
WMS - Proprietary |
| Services: | Air freight forwarding, customs brokerage, transportation management, warehousing and distribution, supply chain consulting |
| Industry Focus/Key Customers: | Automotive, electronics, retail, chemicals, healthcare  
Key Customers: Ace Hardware, Cisco, General Motors, Merck, Motorola, Toyota, Trane |

**Armstrong & Associates’ Evaluation:** Expeditors continued its strong organic growth in 2005. Net revenues reached $1.06 billion and produced a 27.2% gross margin. Net revenues are 38% air freight forwarding, 38% customs brokerage and 24% ocean freight forwarding. U.S. and Asia business account for 70% of revenues. Expeditors is the largest forwarder/NVOCC in the Asia/U.S. lane. It handles 350,000 TEUs per year with a 4:1 imbalance. 210,000 TEUs are from China to the U.S. Expeditors’ European operations are primarily in airfreight and constitute 16% of revenues, growing 4% in 2005. Expeditors continues to be one of the best run freight forwarding operations. It has had some recent personnel defections and their impact needs to be watched.
### Schneider Logistics/Dedicated

- **Parent**: $5.3b
- **Service Area**: North America, Europe; 36 NA locations
- **3PL Assets**: 10,650 employees, 8,750 tractors, 17,450 trailers
- **Information Systems**: Very good
  - TMS – SUMIT
- **Services**: Transportation management, freight brokerage, supply chain consulting, dedicated contract carriage, freight payment and auditing
- **Industry Focus/Key Customers**: Consumer products and retail, automotive, heavy equipment, computers and electronics, food and beverage, chemicals, healthcare, paper
  - Key Customers: Delco Remy Electronics, Dow Chemical, Ford, General Motors, Honeywell, Kimberly-Clark, Miller Brewing, PolyOne, Quaker Oats, Shell Oil, Thomson Multimedia
- **Armstrong & Associates' Evaluation**: Schneider Logistics' major vertical emphasis continues to be in automotive spare parts for U.S.-based auto manufacturers. However, it has significantly expanded its freight brokerage operations. This expansion has improved profitability and revenues which grew 30% last year. Schneider also acquired a transloading/deconsolidation operation and has moved into distribution center operations. Schneider's dedicated contract carriage operations are large in North America and new emphasis is being placed on their expansion. Schneider Logistics' freight payment services handle $7 billion per year.

### DHL Contract Logistics (Exel)

- **Parent**: $55.9b
- **Service Area**: Service to over 99% of World GDP; 300 U.S. locations
- **3PL Assets**: 19,000 employees, 352 warehouses, 1,027 tractors, 3,242 trailers
- **Information Systems**: Very good
  - TMS – i2, G-Log
  - WMS – HK Systems, Topex, Red Prairie, Manhattan
- **Services**: Air and ocean freight forwarding, customs brokerage, transportation management, warehousing and distribution, supply chain consulting
- **Industry Focus/Key Customers**: Electronics, automotive, consumer products, healthcare, industrial
  - Key Customers: Agilent Technologies, Colgate-Palmolive, ExxonMobil, Ford, DaimlerChrysler, Maytag, Sun Microsystems, Unilever, Wal-Mart
- **Armstrong & Associates' Evaluation**: DHL's purchase of Exel puts together a world-class freight forwarder (DHL/Danzas) with the largest contract logistician. DHL should improve Exel's (MSAS) forwarding operation. Exel gives the world's broadest VAWD network. Integrating these large companies will be a major challenge for 1-3 years. The finished project should be a major, single-source global supply chain manager but how agile will it be?
### Penske Logistics

- **Location:** Reading, PA
- **Phone:** 800-529-6531
- **President:** Vince Hartnett
- **Website:** www.penskelogistics.com

<table>
<thead>
<tr>
<th>3PL Turnover:</th>
<th>$3.2b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent:</td>
<td>$4.8b</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Area:</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America, Europe, Brazil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3PL Assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,125 employees</td>
</tr>
<tr>
<td>135 warehouses</td>
</tr>
<tr>
<td>2,693 tractors, 5,333 trailers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information Systems:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good</td>
</tr>
<tr>
<td>TMS – LMS, i2, proprietary</td>
</tr>
<tr>
<td>WMS – EXE, RT Systems, MARC, proprietary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated contract carriage, transportation management, supply chain consulting, warehousing and distribution, equipment leasing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Focus/Key Customers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive, retail, food, appliances, utilities</td>
</tr>
</tbody>
</table>

**Armstrong & Associates’ Evaluation:** Penske Logistics is a major automotive logistics player. It is Ford’s lead logistics provider and provides significant services for General Motors, DaimlerChrysler and tier-one suppliers. Penske is one of five major automotive 3PLs with over $400 million per year in revenues in this segment. Penske is a master of inbound supply chain management, cross-docking, sequencing, dedicated contract carriage and just-in-time support. Penske continues to expand its activities in other verticals. Mexican and Brazilian operations are particularly strong. European business continues to grow and gain in a much tougher market.

---

### EGL Eagle Global Logistics

- **Location:** Houston, TX – NASDAQ: EAGL
- **Phone:** 800-888-4949
- **Chairman & CEO:** James Crane
- **Website:** www.eaglegl.com

<table>
<thead>
<tr>
<th>3PL Turnover:</th>
<th>$3.1b</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Service Area:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia, United States, Europe; NA locations; 80 U.S., 9 Canada, 11 Mexico</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3PL Assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,500 employees</td>
</tr>
<tr>
<td>87 Warehouses</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information Systems:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
</tr>
<tr>
<td>TMS – proprietary</td>
</tr>
<tr>
<td>WMS – proprietary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air and ocean freight forwarding, transportation management, warehousing and distribution, customs brokerage, expedited, project management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry Focus/Key Customers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive, aerospace, heavy equipment, retail, trade shows, telecommunications, computers and electronics, pharmaceuticals, printed materials, oil and gas, apparel and entertainment equipment, government and military</td>
</tr>
<tr>
<td>Key Customers: Neiman Marcus, U.S. Military Traffic Management Command, Visteon Corp.</td>
</tr>
</tbody>
</table>

**Armstrong & Associates’ Evaluation:** Eagle’s 2005 was a year of major improvement. Its integration with Circle took years but is completed. Net revenues grew 10% and net income margin was 5.8%. Eagle has had major success as a logistics provider for U.S. Iraq operations using 40-ton Antonov aircraft. Airfreight forwarding is 66% of business and customs brokerage is 20%. Europe continues to be a challenge.
### UTi Worldwide
- **Address:** Rancho Dominguez, CA
- **NASDAQ:** UTIW
- **CEO:** Roger MacFarlane
- **Website:** www.go2uti.com
- **Revenue:** $3.1b
- **Regions:** Europe, Africa, Asia, North America
- **Employees:** 16,800
- **Assets:** 856 tractors, 1,334 trailers, 130 warehouses
- **Systems:** Good
  - **TMS:** eMpower
  - **WMS:** eMpower
- **Services:** Ocean and air freight forwarding, value-added warehousing and distribution, transportation management, customs brokerage, supply chain management
- **Industry Focus/Key Customers:** Automotive, building materials, retailing, chemicals, industrial, technology, healthcare, consumer goods

**Key Customers:** Case New Holland, Dell Computer, Dow Corning, GAP, Home Depot, International Paper, Wal-Mart

**Armstrong & Associates’ Evaluation:** UTi net revenues increased 25% last year through acquisitions and strong organic growth. UTI’s VAWD operations are now 38% of net revenues. UTI’s purchase of Standard Corporation is the most successful acquisition we have seen. Airfreight forwarding, ocean forwarding and customs are the other major functions. A major success was winning the contract for Wal-Mart’s 8 million square foot distribution center near Houston, Texas. The contract is worth about $75 million per year. UTi is particularly strong in the British Commonwealth countries. CEO Roger MacFarlane has been masterful at moving UTi forward rapidly using a tight core of executives. One of his best, Alan Draper, President Asia/Pacific, has retired and may be hard to replace.

### Kuehne + Nagel Contract Logistics, North America
- **Address:** Naugatuck, CT
- **SWX:** KNIN
- **Phone:** 888-246-8726
- **VP, Managing Director:** Dan DeSoto
- **Website:** www.kn-logistics.com
- **Revenue:** Americas: $2.6b, Parent: $10.7b
- **Service Area:** Service to over 85% of World GDP; NA locations: 24 U.S., 6 Canada, 6 Mexico
- **Employees:** 2,000
- **Warehouses:** 53
- **Systems:** Very good
  - **TMS:** Oracle/GC3
  - **WMS:** MARC, Cielite
- **Services:** Ocean and air freight forwarding, value-added warehousing and distribution, transportation management, customs brokerage, supply chain management
- **Industry Focus/Key Customers:** Automotive, retailing, chemicals, technology, telecommunications, healthcare

**Key Customers:** BMW, Nortel, Roche Pharmaceuticals, Sun Microsystems, Wal-Mart, Xerox

**Armstrong & Associates’ Evaluation:** Kuehne + Nagel has large ocean freight forwarding operations handling over 1.6 million containers per year. It is also the fifth largest airfreight forwarder. Contract logistics operations grew 13% in 2005 and are now 31% of net revenues. Americas business for Kuehne + Nagel is 26% of net revenues. U.S. net revenue was $341 million in 2005 with 52% from freight forwarding. Americas CEO, Altorfer is a hard driving operations man who runs a tight ship.
### Ryder System

- **Service Area:** North America; NA Locations: 95 U.S., 35 Canada, 7 Mexico
- **3PL Assets:** 15,625 employees, 180 warehouses, 52,992 tractors, 48,012 trailers
- **Information Systems:** Very Good
  - TMS – i2, proprietary
  - WMS – OPTUM, V3, PkMS
- **Services:** Supply chain consulting, transportation management, warehousing and distribution, dedicated contract carriage, air and ocean freight forwarding, equipment leasing, returns management, freight payment and auditing.
- **Industry Focus/Key Customers:** Automotive, industrial, computers and electronics, food and beverage, building materials, utilities, consumer products and retail.
  - Key Customers: Applied Materials, Carrier, Coca Cola, CVS, DaimlerChrysler, John Deere, General Motors, Hewlett Packard, Lucent Technologies, Nestle, USPS, Whirlpool, Xerox
- **Armstrong & Associates’ Evaluation:** Ryder, one of the most recognizable 3PL brand names, is a big 5 automotive logistics 3PL. It has a new, state-of-the-art logistics optimization center near Lansing, Michigan to serve General Motors’ new style plants. Ryder is a lead logistics provider for most GM plants, services DaimlerChrysler, Saturn, Toyota and Honda plus a multitude of tier-one suppliers. Ryder runs top notch inbound supply chain management, sequencing centers, just-in-time and dedicated contract carriage. Non-automotive, outbound operations are through the Dallas-Ft. Worth TMC, which continues to expand. Vicki O’Meara, president of SCS, will push this expansion and margin improvement. O’Meara has a new team of core managers for the challenge.

### Caterpillar Logistics Services

- **Service Area:** 160 countries
- **3PL Assets:** 11,680 employees, 105 warehouses
- **Information Systems:** Excellent
  - TMS – CAT TIS, i2
  - WMS – CLSS, SAP, Facility Logistics, ProAct
- **Services:** Warehousing and distribution, transportation management, logistics consulting.
- **Industry Focus/Key Customers:** Automotive, industrial, aerospace, manufacturing, technology, consumer goods.
  - Key Customers: BMW, Bombardier, DaimlerChrysler, Delphi, Kodak, Harley-Davidson, Hewlett Packard
- **Armstrong & Associates’ Evaluation:** Caterpillar Logistics has heavy U.S. and European operations with a growing presence in South America and Asia, distributing to more than 160 countries from over 50 facilities. Caterpillar Logistics’ scope reflects its parent’s global reach and dealer network. Caterpillar Logistics’ business is split equally between North America and the rest of the world. It continues to expand its automotive logistics business in Europe and the U.S. Caterpillar Logistics is a 3PL which has completely integrated warehousing and manufacturing supply chain software. Visibility in its integrated system CLSS is very good. Demand and supply forecasting and material planning is based on proprietary probability models. Forecasting for low turnover items has controlled standard operating procedures. Caterpillar’s transportation department was merged into Caterpillar Logistics in 2001, bringing its transportation management capability. Caterpillar Logistics focuses on customers with high-value durable goods. Caterpillar Logistics uses a combination of brokers and forwarders for selected customs functions. A major initiative involves automotive logistics for China.
Hub Group – Downers Grove, IL – NASDAQ: HUBG
630-271-3600
David Yeager, Vice Chairman & CEO
www.hubgroup.com

3PL Turnover: $1.5b
Service Area: North America; 21 U.S. locations
3PL Assets: 1,200 employees
500 tractors, 10,000 trailers
Information Systems: Good
TM – Nulogx
Services: Intermodal transportation/drayage, transportation management, supply chain consulting
Industry Focus/Key Customers: Air and ocean freight forwarding, customs brokerage, transportation management, supply chain consulting
Key Customers: Big Lots, Home Depot, Invacare, Pfizer, Sears, Target
Armstrong & Associates’ Evaluation: Hub is a major North American intermodal company. It controls 23-24,000 containers on any given day - 3,400 are owned and 6,600 are rented from BNSF and Norfolk Southern. It has a particularly close relationship with Union Pacific. Hub has acquired drayage operations (Contrak and Quality Services) that help it keep pace with J.B. Hunt and Schneider. About 8% of revenues are from Unyson Logistics, a 3PL and cross-dock specialist. Twenty percent are from its expanding truck brokerage.

Menlo Worldwide – Redwood City, CA – NYSE: CNF
650-378-5200
Robert Bianco, President
www.menloworldwide.com

3PL Turnover: North America: $1.3b Parent: $3.7b
Service Area: North America, Europe, Asia and Latin America
3PL Assets: 4,300 employees
55 warehouses
34 tractors, 165 trailers
Information Systems: Excellent
TMS – TTMS, LMS
WMS – WMS (Provia-modified)
Services: Transportation management, warehousing and distribution, forwarder management, global supply chain management, supply chain consulting, inventory management and light assembly/packaging
Industry Focus/Key Customers: Automotive, computers and electronics, chemicals, consumer goods, retail, beverage
Key Customers: 3M, AO Smith, Dow Chemical, Cisco, DaimlerChrysler, Delphi, Dow Chemical, Electrolux, General Motors
Armstrong & Associates’ Evaluation: Menlo has been one of the leading U.S.-based 3PLs. It has solid inbound supply chain management, good automotive logistics and finished goods distribution. Menlo’s LMS provides good technology and SCM solutions. Menlo has retooled many operations to a multi-client, lean logistics base. The new management team works well together. Parent CNF has a set of strong, profitable, less-than-truckload operations.
Meridian IQ – Overland Park, KS – NASDAQ: YRCW
877-285-9126
Jim Ritchie, President & CEO
www.meridianiq.com

3PL Turnover: $1b  Parent: $10b

Service Area: North America, Europe, South America, Asia

3PL Assets: 2600 employees
45 warehouses

Information Systems: TMS – i2, PowerTMS
WMS – Provia, Manhattan, PowerTMS

Services: Transportation management, warehouse management, air and ocean forwarding, dedicated contract carriage, brokerage and technology

Industry Focus/Key Customers: Automotive, chemicals, metals, publishing, retailing
Key Customers: Albertson’s, Arch Chemicals, Barnes & Noble, Bosch, BP Amoco, Charter Steel, Dollar Tree, Kennametal, Ryerson-Tull, Scholastic Inc.

Armstrong & Associates’ Evaluation: Yellow Roadway’s acquisition of USF Corp. added USF Logistics to Meridian IQ and more than doubled its size. It also added a large retail distribution network with 16 regional centers, a large dedicated contract carriage operation, the i2 technology platform and solid, big-box value-added distribution. Meridian IQ, which started as a dotcom, has grown quickly to become a leading transportation management and cross-dock 3PL. In addition, it recently purchased a Hong Kong-based 3PL to add to its Asian capabilities and has some European presence. The new combination provides solid operations in the major logistics areas and good IT coverage.

J.B. Hunt Dedicated Services – Lowell, AR – NASDAQ: JBHT
800-643-3622
John Roberts III, President
www.jbhunt.com

3PL Turnover: North America: $844m  Parent: $3.1b

Service Area: North America; NA locations: 300 U.S., 2 Canada, 2 Mexico

3PL Assets: 5,733 employees
20 terminals
11,925 tractors, 50,070 trailers

Information Systems: Good
TMS – Proprietary

Services: Dedicated contract carriage, IMC

Industry Focus/Key Customers: Food and beverages, retail, building materials, paper
Key Customers: Anheuser Busch, Circuit City, Family Dollar, Pacific, Home Depot, Office Depot, PPG Industries, Target, Wal-Mart, Weyerhaeuser

Armstrong & Associates’ Evaluation: J.B. Hunt Dedicated Services continues to grow and has spread into integrated transportation management. J.B. Hunt has over 300 dedicated contract carriage customers and is the largest American pure dedicated carrier. A significant part of Hunt’s DCC operations involve direct store delivery. Services utilize owner-operators for 10% of the driver base. Hunt revenues run $560 per load and most round trips average 300 miles. Van, flatbed and reefer services are provided.
### TNT Logistics North America

**Location:** Jacksonville, FL  
**NYSE:** TP  
**Telephone:** 888-564-4789  
**Website:** www.tntlogistics.us  
**Revenue:** North America: $806m  
**Parent:** $16.3bn  
**Geography:** Asia, Europe, Americas; NA locations: 158 U.S., 18 Canada, 4 Mexico  
**Employees:** 6,738  
**Warehouses:** 76  
**Tractors:** 837  
**Trailers:** 2,965  
**Software:**  
- **TMS:** MatrixTM, i2  
- **WMS:** Red Prairie, Manhattan  
**Services:** Manufacturing support and subassembly, transportation management, supply chain consulting, dedicated contract carriage, warehousing and distribution, returns management  
**Focus/Customers:** Automotive, electronics, rail, consumer goods, industrial, retailing  
- **Key Customers:** Andersen Corp., BMW, CSX, DaimlerChrysler, Eaton, Ford, General Motors, Home Depot, Honda, Michelin, NACCO Materials Handling Group, Otis Elevator, USSCO  
**Evaluation:** TNT is very good at value-added support activities. Its Matrix software suite reflects its range of logistics capabilities, including materials management.  
**Services** include fulfillment centers, high-velocity cross docks, sub-assembly, modularization, dedicated contract transportation, network designs/redesigns.

### Werner Dedicated Services

**Location:** Omaha, NE  
**NASDAQ:** WERN  
**Telephone:** 800-228-2240  
**Website:** www.werner.com  
**Revenue:** North America: $800m  
**Parent:** $1.9bn  
**Geography:** United States, Canada, Mexico; NA locations: 12 U.S., 2 Canada, 2 Mexico  
**Employees:** 3,800  
**Terminals:** 12  
**Tractors:** 8,650  
**Trailers:** 25,080  
**Software:**  
- **TMS:** Proprietary  
**Services:** Dedicated contract carriage, IMC, brokerage, warehousing, cross-docks  
**Focus/Customers:** Food and beverage, retail, building materials  
- **Key Customers:** Coca-Cola, Dollar General, Family Dollar, Jimmy Dean Foods, Sears, Target, Wal-Mart  
**Evaluation:** Werner is a major dedicated contract carrier and U.S. trucking company. Its financial results are among the best in the business year after year. It has 140 dedicated contract carriage accounts. Werner's arrangements with these accounts include primarily exclusive use of equipment deals with backhauls generated from regular company loads. Werner is using electronic logging in all operations and is a step ahead of its competitors in this regard. Werner has extensive logistics service operations through its value-added services division (VAS). VAS has over $100 million per year in revenue. VAS operations include cross-docks, warehouses, intermodal and brokerage. Werner is a C-TPAT/PIP/FAST participant. Among the 3750 units it has in dedicated service are 600 reefers and 100 flatbeds.
### Landstar Global Logistics

- **Service Area:** North America; NA locations: 80 U.S., 2 Canada
- **3PL Turnover:** North America: $797m  
  Parent: $2.5b
- **3PL Assets:** 1200 employees  
  27 warehouses
- **Information Systems:** Good  
  TMS – proprietary (Orbit & Express-Trak)  
  WMS – Provia FourSite, ViaView
- **Services:** Transportation management, brokerage, freight forwarding, warehousing
- **Industry Focus/Key Customers:** Automotive, LTL carriers, food and beverages, industrial, consumer goods, technology  
  Key Customers: Dell, Glazers Wholesale, GlaxoSmithKline, Hewlett-Packard, Max Packaging, Procter & Gamble, Kohler, United Technologies
- **Armstrong & Associates’ Evaluation:** Landstar is organized around a network of 160 agents. The agents rely on Landstar for i2 and other software technologies, cash flow coverage, IMC and broader geographical services. While Landstar is more entrepreneurial and decentralized than many of its competitors, it does have a new national sales group. Landstar agents take on accounts with annual transportation costs as low as $2.5-$3 million. In so doing, they provide high quality logistics options for smaller and mid-sized companies. Agents do not have assigned geographical areas and are free to pursue any account. One specializes in the wine trade – another in automotive and so on. International freight forwarding and warehousing services are expanding.

### Greatwide Logistics Services

- **Service Area:** North America
- **3PL Turnover:** $714m
- **3PL Assets:** 2500 employees  
  25 warehouses  
  4511 tractors, 5381 trailers
- **Information Systems:** TMS - Provia  
  WMS - Provia
- **Services:** Dedicated contract carriage, warehousing and distribution, transportation management, specialized transportation
- **Industry Focus/Key Customers:** Food & beverage, building materials, retailing  
  Key Customers: CHEP, Georgia Pacific, Nordstrom, Publix, Super Valu, Wal-Mart
- **Armstrong & Associates’ Evaluation:** Greatwide is an emerging national 3PL with strong transportation components. Fenway partners owns Greatwide and emphasizes non-asset operations. Greatwide Dedicated, the fourth largest dedicated contract carrier in North America, uses owner-operator power. Transportation manager, Greatwide TB, provides the overall glue, blending the trucking operation. Specialized trucking operations include dedicated refrigerated (3300 tractors), flatbed/dropdeck and Panther Expedited.
### Transplace

| 3PL Turnover: | $650m |
| Service Area: | North America; NA locations: 4 U.S. |
| 3PL Assets: | 625 employees  
5 warehouses |
| Information Systems: | Excellent  
TMS – Dense Network EfficiencySM |
| Services: | Transportation management, consulting, temperature controlled |
| Industry Focus/Key Customers: | Building materials, food/beverage, healthcare, retailing, technology  
Key Customers: AutoZone, Del Monte, JC Penney, Kroger, Office Depot, Tyson Foods, Target, Unisource, Wal-Mart, Weyerhaeuser |
| Armstrong & Associates’ Evaluation: | Transplace is a leading domestic non-asset based transportation manager. Under its new leadership, it has moved away from strictly selling its large transportation network planning “DNE” business model and is increasing its people-centric transportation management operations. This has improved its profitability. |

### NFI Industries

| 3PL Turnover: | $644m |
| Service Area: | North America; NA locations: 48 U.S. |
| 3PL Assets: | 4,000 employees  
70 warehouses  
2,000 tractors; 7,200 trailers |
| Information Systems: | Excellent  
TMS – proprietary, Innovative  
WMS – EXE-Exceed, Accuplus |
| Services: | Transportation management, warehouse management, air freight forwarding, temperature controlled, consulting |
| Industry Focus/Key Customers: | Food/beverage, consumer goods, building materials, technology, retailing  
Key Customers: Anheuser Busch, Colgate-Palmolive, Georgia Pacific, Hasbro, IBM, Lowes, Mead Westvaco, Ocean Spray, Pitney Bowes |
| Armstrong & Associates’ Evaluation: | NFI is a full-service 3PL with strong operations in California, Texas and the Eastern U.S. NFI has a profitable motor carrier and financial parent. Sid Brown has put together an experienced, qualified team with solid experience in value-added warehousing and transportation management. NFI relies on Vineland Construction, an NFI sister company, for new warehouse facilities and National Distribution for established locations. NFI has a solid base and should grow quickly over the next 2-3 years. |
PBB Global Logistics – Fort Erie, ON
905-871-6500
Ken Chalmers, President & CEO
www.pbb.com

3PL Turnover: $577m
Service Area: North America, China; NA locations: 41 U.S., 45 Canada 1 Mexico
3PL Assets: 1,350 employees
5 warehouses
Information Systems: Good
TMS – proprietary
WMS – proprietary
Services: Freight forwarding, NVOCC, IMC, customs brokerage, warehousing, trucking
Industry Focus/Key Customers: Retail, chemicals, high-tech, industrial
Key Customers: Best Buy, Costco, Dow Chemical, McCain Foods, Office Depot, Procter & Gamble, Sears

Armstrong & Associates’ Evaluation: PBB has been acquired by Livingston International and will be integrated to Livingston this fall. PBB has good representation in China, IMC operations (Clarke) in North America and expanded customs brokerage. Livingston is the largest U.S./Canada customs broker. The combined operations emphasize U.S./Canadian trade – the largest trade lane in the world at a time when U.S. security measures have made border crossings much more complex.

GENCO – Pittsburgh, PA
800-224-3141
Herb Shear, CEO
www.genco.com

3PL Turnover: $514m
Service Area: NA locations: 94
3PL Assets: 5,800 employees
85 warehouses
Information Systems: TMS – Nistevo
WMS – (D-LOG, R-LOGplus)
Services: Transportation management, warehouse management, manufacturing support, freight forwarding, dedicated contract carriage, customs brokerage,
Industry Focus/Key Customers: Building materials, consumer goods, food, healthcare, industrial, retailing
Key Customers: Best Buy, Briggs & Stratton, Dell, Heinz, Hershey Foods, Hewlett Packard, Levis, Reebok, Sears, Target, Unilever, Wal-Mart, Whirlpool

Armstrong & Associates’ Evaluation: GENCO dominates the reverse logistics area, including asset recovery. It also specializes in return center management supported by software specifically designed for the task. Vertical industries percentage mix: automotive (4%), building materials (4%), consumer goods (18%), cosmetics and personal (22%), healthcare (5%), retailing (29%), technology (4%), transportation and moving (4%) and all other (10%). In addition, GENCO runs a host of quality value-added distribution operations and has steadily improved its transportation management.
Logistics Insight Corporation – Warren, MI
800-334-4883
Scott Wolfe, CEO
www.4linc.com

3PL Turnover: $501m
Service Area: NA locations: 27 U.S., 1 Canada

3PL Assets:
- 2530 employees
- 30 warehouses
- 700 tractors, 2050 trailers

Information Systems:
- TMS – TMW, Appian-Direct Route
- WMS – proprietary

Services: Value-added warehouse and manufacturing support

Industry Focus/Key Customers: Automotive
Key Customers: Auto Alliance, DaimlerChrysler, Ford Motor, General Motors, Guardian Automotive, Nissan, Nummi

Armstrong & Associates’ Evaluation:
LINC is a major player in automotive logistics. LINC delivers quality services for GM, DaimlerChrysler, Ford, Nissan, Auto Alliances (a Ford/Mazda partnership) and tier 1 suppliers. LINC’s operating excellence is demonstrated by its gold award from DaimlerChrysler for its Auburn Hills operation and its A+ assessment rating for its seven GM operations. LINC’s service list for major automotive manufacturers involves transportation management, dedicated contract carriage, sequencing and subassembly, return containers management, kanban, JIT to plants, kitting and export-import. These services are integrated to support automotive assembly plants. Some LINC locations deliver 2-3 services; others do the whole list. LINC’s sister company, Central Transport, is a major LTL carrier and Detroit mainstay.

Ozburn-Hessey Logistics – Brentwood, TN
877-401-6400
Scott McWilliams CEO
www.ohlogistics.com

3PL Turnover: $414m
Service Area: North America; NA locations: 18 U.S.

3PL Assets:
- 4,000 employees
- 92 warehouses
- 150 tractors, 300 trailers

Information Systems:
- Excellent
- TMS – Oracle TM, WIS:DOM
- WMS – Zethcon-Synapse, WIS:DOM, LDS-Accuplus

Services:
- Transportation management, warehouse management, freight forwarding, temperature controlled, consulting, customs brokerage, duty drawback

Industry Focus/Key Customers: Chemicals, food/beverage, retail, consumer goods
Key Customers: BASF, Cargill, Overstock.com, Red Bull, Remington Arms, Starbucks, Sysco

Armstrong & Associates’ Evaluation:
Ozburn-Hessey Logistics has been aggressively expanding its logistics network and capabilities via acquisition. Most recently it acquired freight forwarder Barthco International and non-asset based domestic transportation manager Turbo Logistics. This follows its 2004 acquisition of Lanter and ODC in 2003. Once the new operations are integrated, OHL will be a major North American 3PL with international transportation management capabilities to compliment its large North American value-added warehousing and distribution operations. This should make its customers such as Red Bull very happy. The real question is when will they change the name?
### Total Logistics Control – Zeeland, MI
800-333-5599
Bob Koerner, President & CEO
www.totallogistics.com

<table>
<thead>
<tr>
<th>3PL Turnover:</th>
<th>$280m</th>
<th>Parent: $19.9b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area:</td>
<td>North America; NA locations: 36 U.S.</td>
<td></td>
</tr>
</tbody>
</table>
| 3PL Assets:  | 2,400 employees
               32 warehouses
               512 tractors, 875 trailers |
| Information Systems: | Excellent
                       TMS – Oracle – OTM, Load Master
                       WMS – SSA Global, FourSite |
| Services:     | Transportation management, warehousing management, DCC, temperature controlled, consulting |
| Industry Focus/Key Customers: | Food/beverage, retail, automotive
                                Key Customers: Dean Foods, General Mills, Johnson Controls, Kraft Foods, Meijer Stores |
| Armstrong & Associates’ Evaluation: | TLC has risen to be a leading 3PL in providing value-added warehousing and transportation management services to customers in the food & grocery and retailing industry verticals. It is a specialist in handling refrigerated and frozen commodities and has developed solid skills in packaging, contract manufacturing, and procurement value-added services. Its growth has not gone unnoticed and TLC was recently acquired by SuperValu. The acquisition is providing TLC with significant cross-selling opportunities with SuperValu affiliated companies and has provided SuperValu with significant supply chain management expertise. |

### BNSF Logistics – Springdale, AR – NYSR: BNI
877-853-4756
Eric Wolfe, V.P. General Manager
www.bnsflogistics.com

<table>
<thead>
<tr>
<th>3PL Turnover:</th>
<th>$159m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area:</td>
<td>NA locations: 20</td>
</tr>
<tr>
<td>3PL Assets:</td>
<td>188 employees</td>
</tr>
</tbody>
</table>
| Information Systems: | Good
                       TMS – i2 |
| Services:     | Transportation management |
| Industry Focus/Key Customers: | Agriculture, building materials, industrial, consumer goods, paper, retailing, food, telecommunications
| Armstrong & Associates’ Evaluation: | Rapidly growing BNSF Logistics is on track to generate $270 million in revenue by the end of 2005. Acquisitions make up a large chunk of BNSF’s plan, but organic growth contributes to half of its expansion. Much of BNSF’s organic growth comes from its ability to manage rail in addition to intermodal and truck transportation. This multi-modal competency coupled with value-added services and strong information technology provides BNSF Logistics with a competitive advantage, awarding it entry into large accounts with rail and truck transportation needs. Value-added services include: cross-docking, transloading, expedited truck/rail service, pool distribution, and supply chain network analysis and re-design. |
### Deringer

<table>
<thead>
<tr>
<th><strong>3PL Turnover:</strong></th>
<th>$125m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Area:</strong></td>
<td>North America; NA locations: 32 U.S.</td>
</tr>
<tr>
<td><strong>3PL Assets:</strong></td>
<td>550 employees &lt;br&gt; 22 warehouses</td>
</tr>
<tr>
<td><strong>Information Systems:</strong></td>
<td>Very good &lt;br&gt; WMS – SSA Global; EXE Technologies</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Customs brokerage, duty drawback, freight forwarding, NVOCC, meat inspection, warehousing</td>
</tr>
<tr>
<td><strong>Industry Focus/Key Customers:</strong></td>
<td>Apparel, electronics, food, furniture, industrial, retail, paper and wood products &lt;br&gt; Key Customers: Bombardier, J.D. Irving, Ltd., Rolf C. Hagen</td>
</tr>
<tr>
<td><strong>Armstrong &amp; Associates’ Evaluation:</strong></td>
<td>Deringer is a very good Canada/U.S. cross-border 3PL. Customs operations are emphasized and Deringer excels at them, particularly duty drawback through a wholly owned subsidiary. Deringer’s IT skills match those of larger companies. Deringer has expanded its coverage along the border west of the Rockies. This organization is flat, cohesive and has good technical abilities.</td>
</tr>
</tbody>
</table>

### Kelron Logistics

<table>
<thead>
<tr>
<th><strong>3PL Turnover:</strong></th>
<th>$64.2m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Area:</strong></td>
<td>North America; NA locations: 63 Canada; 2 U.S.</td>
</tr>
<tr>
<td><strong>3PL Assets:</strong></td>
<td>95 employees &lt;br&gt; 3 warehouses</td>
</tr>
<tr>
<td><strong>Information Systems:</strong></td>
<td>TMS - MercuatyGate &lt;br&gt; WMS - Proprietary</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Transportation management, freight forwarding, warehouse management</td>
</tr>
<tr>
<td><strong>Industry Focus/Key Customers:</strong></td>
<td>Food, retail &lt;br&gt; Key Customers: Ashland, Frito Lay, Inventure Group, Ocean Spray, Office Depot, PBG, Wal-Mart</td>
</tr>
<tr>
<td><strong>Armstrong &amp; Associates’ Evaluation:</strong></td>
<td>Kelron started as a freight brokerage and has added 3PL functionality. Kelron does transportation/distribution management throughout Canada for several companies. Major locations are Toronto, Dallas, Vancouver, Chicago and Montreal. Cross-border transportation management is a staple.</td>
</tr>
</tbody>
</table>
The Transition to Ultra-Low Sulfur Diesel

In the near future, 80 percent of the on-road diesel fuel refined or imported must be ultra low sulfur (ULSD) compliant. For motor carriers, few issues are likely to be bigger this year. Will this move risk disrupting the steady supply of fuel that is essential to the industry.

By Richard Moskowitz

AN INCREDIBLY VOLATILE diesel fuel market is undergoing a radical change. The United States is in the process of transitioning to ultra-low sulfur diesel (ULSD) fuel, raising fuel supply and pricing concerns throughout the trucking industry.

The trucking industry depends upon an uninterrupted supply of affordable diesel fuel to move 70 percent of United States' goods. Over the past year, dramatic increases in crude oil prices, caused in part by geopolitical instability and coupled with significant domestic refinery outages in the wake of several hurricanes, led to the highest diesel prices in U.S. history and threatened the stability of this critical market.

The Environmental Protection Agency mandated that by June 1, 80 percent of the on-road diesel fuel refined or imported must be ultra low sulfur compliant, which has no more than 15 parts per million. Retail outlets and centrally fueled fleets must comply with the rules Oct. 15.

The new standard reduces the amount of sulfur in on-road diesel by 97 percent and is necessary to support the next generation of engines, which will be equipped with advanced emission control equipment. For motor carriers, few issues are likely to be bigger this year.

The transition to ULSD has been in the works for more than five years; however, no amount of planning will completely ameliorate the unanticipated problems associated with such a major change. The greatest challenge presented by the transition include misfueling scenarios, as two grades of diesel fuel will be available until 2010. Refueling a post-2007 truck with fuel exceeding 15 ppm sulfur could reduce fuel economy, damage after-treatment emission devices, invalidate certain warranty claims and result in increased air emissions.

Clean air is not free. EPA estimates that ULSD will cost an extra 5 cents a gallon to refine compared with today's low sulfur diesel fuel. The cost of ULSD distribution could further increase its price. Another economic concern for the trucking industry is that ULSD contains less energy than today's diesel fuel and is expected to reduce truck fuel economy by about 1 percent.

The American Trucking Association (ATA) remains committed to the introduction of the next generation of heavy duty diesel engines and recognizes the critical role that ULSD plays in ensuring future emissions reductions. Technological changes are necessary to achieve these reductions, but trucking can ill afford petroleum supply disruptions.

If trucks are to continue moving the nation's economy, a steady supply of fuel is imperative. ATA has been working with EPA and the petroleum industry to discuss the concerns that our industry has over the transition to ULSD. While everyone is hopeful that additional supply disruptions do not materialize, it is clear that the transition to ULSD must occur in an expeditious manner so that the inevitable market disruptions are behind us by the time the new generation, cleaner burning 2007 diesel engines, roll off the assembly line next year.
What’s Your Secret: Accounting for Success?

How can your company recruit the brightest and the best, and create a corporate culture of innovation. Too often, taking business risks associated with innovative practices is considered the domain of entrepreneurs. And encouraging such behaviour within a corporation may seem counterproductive, but it isn’t.

By Jim Davidson

WHENEVER I SPEAK publicly and allude to our company’s phenomenal growth rate, I’m always asked the same question: “How do you do it? What’s your secret?”

My answer is simple. There is no secret. Just do common things uncommonly well.

As for how to actually accomplish this, my answer goes beyond adopting industry best practices. To perform uncommonly well, an organization must develop a culture of innovation and methodologies that capitalize on employee empowerment, team building, adopting an entrepreneurial spirit and being a learning organization.

The quest for superior performance begins with empowering employees with the ability to make decisions and take action. When employees know they have the obligation to contribute, they believe in their ability to influence the company’s agenda and overall performance. They are inspired to be exceptionally productive and consistently proactive.

Empowering employees is the first step to building a highly functioning team. The last thing you want is a group of All-Stars that can’t function as a cohesive unit. I know the analogies between sports and business are a bit tiresome but nevertheless excellent for illustrating the effectiveness of a team in competition. A good manager needs to operate like a coach, pulling together his employees’ best efforts and overcoming the weaknesses of an individual with the strengths of the team. The power of teamwork lies in the ability to get individuals working towards the same goal, in the same direction at the same speed.

To build an effective team your company must be committed to hiring, training, nurturing, managing and retaining excellent people. Your employees will make or break your business.

Luckily, when you run a company that demands the best of its people word gets out. If you’ve succeeded in creating a positive, nurturing environment you don’t have to go hunting for top candidates. They come to you. Once you have recruited your team, constantly demand and reward peak performance from everyone in the organization and don’t settle for second best. At the same time provide a safe environment built on mutual trust and respect. Let your team members know they can make mistakes without fear of the consequences. Develop a model for measuring and evaluating performance that encourages risk taking and rewards a “no fear” attitude.

Taking business risks is often considered the domain of entrepreneurs. Encouraging such behaviour within a corporation may seem counterproductive, but it isn’t. When employees have the desire and capability to achieve great things, why impede their development by eliminating the element of risk? Risk is what fuels innovation.

Willingness to take calculated risks is
the key component in developing an entrepreneurial spirit within a company. Recognize that risk can be expensive, particularly when time, money and human resources are in short supply. It also increases your chances for failure. Yet those who muster the courage to commit what it takes usually aren’t disappointed. Even in failure you can succeed. Failure provides an opportunity to understand what went wrong and to learn something that makes you stronger for the next challenge. Chalk up enough failures and you can eventually win big, but only if you learn from your mistakes.

Which leads me to my final point, that of being a learning organization.

In a learning organization, employees have the desire to learn, the capability to learn and the opportunity to apply their learning for everyone’s benefit. Becoming such an organization takes tremendous focus and commitment of both time and resources. Yet the rewards of having everyone in the company at the top of their game are enormous.

Learning (to execute plans, solve problems, attain goals) is extremely gratifying. Learning enables employees to continually expand their capabilities and shape their futures. A learning organization cultivates the ability to proactively meet the challenges of change and uncertainty. What better way is there to ensure long term success than to keep learning from your mistakes? If you are really smart, you learn from the mistakes of others before making them yourself.

Our company has recently committed time and resources to becoming a learning organization. We are a work in progress. What comes of this process is a topic for future discussion. I am certain that organizational learning has become a critical component in developing and sustaining competitive advantage.

How your company performs is a matter best evaluated by your customers. How they respond to your products and services is your best report card. Since the bulk of our company’s growth is with existing customers we consider it a vote of confidence, a testimonial that they like the way we do business. When our customers give us more responsibility we know they trust us. Our job is to keep improving performance so we never let them down.
CURRENT NEWS FLASHES are perhaps causing us to forget that the world economy has recently been expanding significantly. Following two years of global rebuilding, growth vaulted to a stellar 5.2 per cent pace in 2004 – a 20-year high. From there, global performance decelerated, but only moderately expanding by 4.5 per cent in 2005, and a repeat is all but certain in 2006. Not a bad run at all, but it gets better. Trade intensity – the share of Canadian (or U.S.) Gross Domestic Product (GDP) accounted for by imports and exports – has risen markedly since the early 1990s, a trend that has continued in recent years. In other words, as fast as GDP growth has been, it has been outpaced – in fact, doubled – by growth in international trade.

Heady growth like this is hard to keep up with. A crunch occurred in fall 2004, when west coast ports were jammed to capacity, and goods flow was seriously delayed. All modes of transport were responsible. There weren’t enough ships to go around. Demands on rail capacity was past its limit, stranding containers on the dock. Clogged road networks prevented the trucking industry from filling the gap. Cargo handlers were in short supply in some cases. As containers piled up in ports, laden ships idled in harbours, in some cases waiting weeks to offload.

Clearly, a crisis for a just-in-time world. Retailers panicked, contemplating empty shelves in the pre-Christmas shopping season. Facing long port line-ups, shipping companies diverted their west coast cargoes through the Panama Canal to less busy Gulf and east coast ports. Los Angeles-Long Beach (LA-LB), the largest west coast port by a wide margin, hired thousands of new cargo handlers. Other west coast ports embarked on aggressive expansion plans. American railway companies increased investment, committing $8.1 billion to new tracks and additional equipment. Backorders for rail cars are at their highest level since 1979.

The investment is impressive, and has helped to stave off capacity problems – for now. North American ports are expected to operate smoothly through the fall rush, and the freight industry has assured U.S. politicians that logjams will not occur this year. So far, so good.

Doomsayers might add here that slowing global growth is timely, taking the pressure off capacity limitations. However, the consensus is that global growth will slow, but remain relatively robust. Export Development Canada (EDC) is forecasting growth will moderate to 4.1 percent – enough to cause a ripple across world markets – but trade growth will still tip the scales at twice that pace. In addition, Asian markets will be well above average, powered by growth in China and India.

Asian ports are preparing for future
trade growth. China, Korea and Singapore have aggressive multi-billion dollar investment plans that collectively will increase container capacity by 3.7 million Twenty Foot Equivalent Units (TEU) each year through 2011. Add to this other regional expansions and India’s export aspirations, and the tally could go well beyond 5-6 million TEU per year.

Will ports on this side of the Pacific be ready? Granted, Asian containers won’t all end up on U.S. shores, but given current trade flows, large amounts will. Los Angeles-Long Beach, destination for 80 percent of all U.S. imports from Asia, is critically important. However, post-2004 capacity has only increased marginally. Extra hiring has helped, but productivity at the port is a fraction of the Asian average, even after accounting for transshipments. To handle present and future flows, it is estimated that the rail and highway systems supporting LA-LB require an estimated $20-$25 billion investment.

At best, this investment will only be partly met. Significant funds will be diverted in the near term to security refits and ongoing maintenance activities. In addition, public funds are likely to be tight and private investment has been stymied by the recent Dubai Ports World debacle.

Can other U.S. ports handle the overflow? Not likely. Diversion of LA-LB traffic has been a successful short-term stop-gap, but has key long-term limitations. Size dictates that other west coast ports would have to expand radically to handle LA-LB overflow effectively. East coast and Gulf ports are similarly constrained, and the Panama Canal, itself a choke-point, won’t be able to handle the new, larger container ships for about 10 years.

American importers have begun looking outside their borders for solutions, and Canada stands to gain. Canada’s Gateway Strategy plans to increase freight capacity at British Columbia’s ports by 5 million TEU through 2020, a significant addition to west coast capacity. The plan calls for expansion of Vancouver, but a key element is development of Prince Rupert, a low-maintenance deep-water port with large capacity potential. Previously a liability, Prince Rupert’s small domestic economy is now viewed as an asset. Free of local congestion, the port can whisk freight to U.S. Midwest cities as quickly as from LA-LB, despite the considerably longer distance. In addition, Prince Rupert is two days closer to Asian ports by sea. Expansion is underway – capacity will hit 500,000 TEU by 2007, and could rise to 2 million TEU in the medium term.

Canada clearly has potential as a Pacific conduit to the U.S. market. However, winning the business is not guaranteed. Mexico already has similar plans for its Pacific coast, although they appear further from realization. U.S. interests may also thwart cross-border plans by playing the security card. However, with careful planning and timely investment, the prospects for Canadian port activity are bright.

Space Logistics: Travelling to Mars in four easy steps

Space Logistics focuses on new technology and procedures to enhance the ability of humans and robots to explore our solar system. Last year nine researchers traveled to the Canadian Artic to investigate how a research station on Devon Island could be used to simulate Lunar or Martian base research. Using logistics strategies they looked at interplanetary supply chain issues, automated technologies such as radio frequency identification (RFID) and movement of surface vehicles, people and supplies from base to various exploration sites. The result was the development of an innovative four-step approach to the logistics of space.

The Professional Logician (P.Log.) certification program develops your ability to create value through innovative thinking, leadership strategies, insight, and team building. The P.Log. designation is a public statement of your competency and integrity in the field of logistics and supply chain management.

The benefits of earning your P.Log. include:

• Create and apply long-term business strategies
• Give your company a competitive edge
• Develop your leadership abilities
• Increase your earning potential
• Connect with professional and business leaders in logistics

For more information on the P.Log. Certification Program, visit our Gateway at www.loginstitute.ca or call us at 1-877-363-3005.

Logistics. The driving force of human achievement.
Hiring a Customs Broker

Customs brokers’ knowledge can save your company time, reduce costs, and heighten customer satisfaction. Here are some tips on how to select the brightest for your business.

As a global manufacturer, whose customers expect expeditious receipt and delivery of their international goods, you’re very familiar with the newspaper stories regarding rising tensions in international trade and the call for enhanced cross-border security measures. With these increased demands, are you aware of how your customs broker can contribute value and help to allay these pressing corporate concerns?

Using a customs broker can help your firm minimize the rising cost of complying with Canada-U.S. border security measures. These measures are costing the Canadian trucking industry an estimated net $405 million (CDN) annually according to a Transport Canada Cost Impact Study published in May 2005. Table 1 lists the elements of this estimate.

Brokers can help you comply with the Canada Border Services Agency’s Partners in Protection (PIP) program, which will likely become more closely aligned with U.S. Customs and Border Protec-
tions’ Customs-Trade Partnership against Terrorism (C-TPAT) initiative in the near future. This alignment means there will be an even more extensive and rigorous approach to supply chain security for Canadian traders, customs brokers, forwarders, carriers and shippers.

C-TPAT, and by extension PIP, is a partnership program that requires importers to take responsibility for the security of their supply chain, both within their own firm and on behalf of their supply chain partners outside of Canada.

Hiring a customs broker

Customs brokers gather, organize, and manage the commercial and trade data required to submit goods for release to the Canada Border Services Agency (CBSA) on behalf of their clients. As well, they can handle the payment of appropriate duties and taxes on your goods to the CBSA.

Customs brokers provide a bevy of skills and knowledge about trade processes and procedures, including classification, valuation, admissibility requirements, duty rates and taxes. They can help your company avoid AMPS penalties. The CBSA’s Administrative Monetary Penalty System, or AMPS, determines penalties for a wide variety of non-compliant customs-related behavior. Table 2 summarizes some of these non-compliant behaviors.

How do you go about choosing a customs brokerage business partner? Here is a checklist of questions that can help you select the right broker.

- Does the customs brokerage have a specific area of expertise? How does this fit with my requirements?
- How can we work together on a compliance plan to minimize our exposure to administrative monetary penalties?
clarify our roles and responsibilities, and benefit from trade security and facilitation programs?

- How can you help me to comply with the CBSA requirements for advance electronic data communication?
- How do U.S. trade security programs such as the Customs Trade Partnership Against Terrorism (C-TPAT) affect my business?
- Can the customs broker provide me with a regular report detailing my import and export history?

Why are knowledgeable customs brokers vital to your business?

Traditionally, importers rely on customs brokers to manage customs clearance. But customs brokers have other roles to assist with your business in addition to working with you on security and compliance issues. Customs brokers are in the centre of trade transactions. They can help importers leverage customs information into a strategic advantage by turning this data into essential business intelligence. They can offer a growing range of specialized services to assist you in development of new business lines, exploration of new markets and ways to reduce costs.

Your customs broker can also provide invaluable guidance about changes in Customs regulations and programs that directly affect your business. For instance, implementation of Advance Commercial Information in air mode this year requires significant changes in the type of data your company provides and how it is transmitted to Customs.
The Global Experience of the Supply Chain Management Professional

One of the more controversial topics in defining a supply chain management professional focuses on the type of global experience required for this discipline. Here’s a perspective on the best ways to develop the global expertise required to qualify as a supply chain professional.

By David J. Closs

THIS EDITORIAL IS a follow-up to my comments in the last edition of LQ, which proposed criteria for defining a supply chain management professional (SCMP). This framework was developed based on experience within IBM, interviews with other major supply chain operating and manufacturing organizations, and discussions between members of the research team. The result is a suggestion that a true SCM professional must demonstrate skills and capabilities in the following five areas: 1) Functional; 2) Technical; 3) Leadership; 4) Global management; and 5) Experience and credibility. Last edition’s comments focused on the need for information technology experience as a criterion for the supply chain professional. This edition focuses on the need for a global experience.

In today’s boundary-spanning supply chain environment, a SCM professional must also have global planning and operations experience. This experience provides the insight into the global supply chain environment and its challenges. Ideally, professionals will have had one or two experiences working outside their home country or at least extensive involvement in and responsibility for global planning and operations.

In the discussions leading up to defining the supply chain professional, one of the more controversial topics focused on the type of global experience required for qualification as a supply chain professional. While all the authors agreed that some type of international experience should be required, there was not total consistency regarding what a true international experience needed to be. Some believed that a true supply chain professional needs to have experienced an international assignment including 1-2 years internationally. Others believed that it is not necessary to live in a foreign country, but that substantial international experiences would be sufficient.

I was reminded of the international experience discussion recently in reviewing the rankings of various supply chain academic programs and in discussions with business executives and academic colleagues. A Wall Street Journal program review and the discussions strongly reiterated the need for supply chain academic programs to require substantial international experiences. Like most North American born business faculty today, I have not had the opportunity to actually live on another continent. However, I have traveled extensively internationally through executive education, conferences, consulting, and research. While this hardly qualifies as living internationally, this experience has provided me with substantial perspective regarding the importance of global experience for supply chain professionals. Based on my travels and discussions, I believe that there are five specific experiences that students and young supply chain managers need to develop their international awareness and skills. These include: 1) Culture; 2) Politics; 3) Distance; 4) Documentation; and 5) Economic rationalization. Each is discussed below.

Culture

The first and most basic experience in my view is to understand the cultural differences in other regions of the world. These differences include both the nature of demand and the guidelines for business processes. Global operations typically require much more diversity in terms of product variations such as physical and technical characteristics, feature requirements, and unique market functionality. While most North American managers are now being trained to minimize complexity and variation in products and services to achieve scale economies, supply chain professionals must have the sensitivity to recognize when variation is important and be able to design supply chain processes that can deliver it. While many supply chain managers can identify and understand the difference in requirements, it takes the global experience and sensitivity to be able to effectively determine the appropriate trade-offs. To effectively make the trade-offs, it is necessary to have spent time in the local marketplace and supply
chain environment. From a supply chain perspective, it is particularly important to understand the relative role of infrastructure, unions, service providers, and local operating procedures.

### Politics

The second experience is the need to understand the political environment. This includes some understanding regarding the governmental processes, and how governmental policies influence supply chain decisions. As I noted in my previous comments regarding globalization, the regional governmental policies can have a significant impact on supply chain design but may not be permanent as the policy and the environment may change. For example, the electronics and pharmaceutical industries have recently (within the last 10 years) established significant presence in Ireland due to government taxation policies. Similarly, while many people assume that the rationale for moving production to China is to reduce manufacturing cost, in many cases the more significant reason is to enable product marketing in China. Another example is the focus that the government of Singapore has placed on developing an infrastructure that takes advantage of its location and role as a global supply chain cross-dock. While these government requirements will not likely change, they may in the near future. The global supply chain professional must be knowledgeable regarding these factors that typically overwhelm specific supply chain considerations. This knowledge then needs to be translated into supply chain design and operating decisions that allow the firm to take advantage of the global opportunities while minimizing supply chain risk and cost.

### Distance

The third experience concerns the impact of distance, particularly over the water. Supply chain experience, particularly in developed countries, results in a limited view regarding the impact of relative distance and transportation variation. This is particularly true, but not exclusively, when the movement involves water transportation. In itself, most water movements result in 2-4 week transit times. The time is further extended with the addition of substantial variation when the delays related to consolidation, shipping schedule, port congestion, labor incidents, and weather are included. It is not uncommon for these delays to increase the total transit time by up to fifty percent with more than a corresponding increase in transit time variance.

While extended water transit time is the obvious distance factor supply chain professionals need to consider, the more subtle factor is the impact of infrastructure and congestion on motor and rail transport. It is more subtle because infrastructure and congestion can significantly increase transit time and variation in what we traditionally think of as developed countries. The impact of these characteristics has become evident to me in multiple visits to Ireland and Brazil where 100 km does not mean a transit time of 1-2 hours. The lack of limited access highways and the significant congestion, particularly near metropolitan areas, typically result in transit and delivery times that are double or triple what might typically be expected. A true supply chain professional understand the magnitude and the implications of global transactions and transportation.

### Documentation

The fourth experience concerns the requirements for documentation. Without substantial international experience, it is difficult to understand the number and breadth of legal and customary documentation and fees required to move goods in a global supply chain. While it is not trivial moving product across the border between the Canada and the United States, it is substantially more difficult to transit goods across a border when the laws, language, cultures, and customs are different. This is further complicated by the need to comply with the policies of the firm and the financial reporting requirements in the “home” country. As an example, a supply chain professional must be able to effectively differentiate between a bribe and a “facilitating payment”, which is legal under U.S. law. Although there are substantial efforts to harmonize international documentation and security requirements, the supply chain professional must have a broad understanding regarding the types of documents and practices required (or allowed) and access to specific sources for relevant countries.

### Economic Rationalization

The final experience is the ability to develop a comprehensive economic rationalization for specific international operations. As firms struggle with supply chain operations using low cost country sourcing, long distance transport and security uncertainty, increased pipeline inventory, and currency fluctuations, there is increased need to combine the uncertainty and economics into a single integrated model. The integrated model can then provide insight regarding the complex trade-offs the decision needs to consider. The need for this capability is particularly evident for firms attempting to source in low cost countries without understanding the cost and reliability considerations of longer and more uncertain lead times. A related consideration is the need to determine the trade-off between the incremental revenue from international markets vs. the incremental cost of serving them. The major challenge in this economic rationalization is the need to identify the combined impact of demand, supply, environmental, and financial uncertainty.

### Conclusion

While the need for the combined international experience to support professional status as a supply chain manager is not new, the major question concerns how to develop the expertise. Can the depth of expertise required for anyone desiring to be a senior supply chain professional be developed through multiple trips to international markets or does it require a temporary international assignment? It appears that firms that do not have their headquarters in North America believe strongly that the international experience needs to be in the form of an international assignment. Can North American firms maintain their global competitiveness with less international expertise for our supply chain professionals?

---

This commentary builds on previous articles published LQ (Volume 12, Issue 4) Information Technology and the Supply Chain Management Professional, and an article co-authored by David Closs published in Supply Chain Management Review (January/February 2006) A Supply Chain Professional.
No niche is an island:

Do you want to perfect your company’s service offering? In this article, five examples of value-added solutions that a 3PL can provide within a reverse solutions “niche” shed light on how companies can outperform their competitors. Here’s a look at how a niche 3PL can establish itself as a leading provider of a core service.

By Herb Shear

ADVICE, unlike carrier capacity, seems never to be in short supply. The current advice for 3PLs is to establish dominance in a particular niche, whether that niche is a geographic region, a vertical specialty, a service or a product.

Plenty of 3PLs are taking that advice. EyeforTransport reports that in today’s fragmented 3PL marketplace, “… individual players have been focusing on their chosen segments to attain critical niche and segmental leadership”.

There is much to be said in favor of defining your specialties and sticking with them. A niche-dominant 3PL can provide personal attention, accessible management and up-to-the-minute expertise that can’t be beat by the mega-logistics companies.

But if you’re too narrow in defining your niche, you may be left out in the cold. Client companies will pay for specialized logistics expertise only where they need it. They want to reduce, not increase, the number of outside service providers they use, so as to streamline and standardize their own operations.

When I got started in the logistics industry 35 years ago, it was not uncommon for a business to deal with 300 to 400 carriers and 30, 40 or even 50 warehouses. Today, it’s rare for even the largest corporations to have that many suppliers. Companies nowadays are open to – in fact, they demand – a comprehensive set of supply chain solutions from, and a true partnership with, a 3PL.

That means that 3PLs need to provide a complete solution for a particular niche. No niche is an island; it is “a part of the main”. The successful 3PL of the 21st century will distinguish itself by being not only the best provider of a niche solution, but also by locating that particular solution within a broader universe of solutions which it is equally well equipped to provide.

How can that be accomplished? My advice is, first, to identify where you can provide the greatest sustainable value for your targeted customer base; next, to identify the niches you are best suited to serve; and, finally, to offer a complete suite of valued-added services surrounding your chosen niches, so as to become a strategic partner to your clients.

When I recommend “a complete suite of valued-added services”, I do not mean that a 3PL should attempt to be all things to all people. Such a strategy might work for the very largest third-party providers, but it is not a viable option for the rest of us. What I mean is that a 3PL that establishes itself as a leading provider of a core service should also provide an array of closely related services that help the client achieve its strategic goals.

Reverse logistics is a case in point. Suppose you operate a returns center for a client. You could simply handle returns processing, and establish yourself as an efficient hired hand. Or, you could oversee the entire reverse channel, and establish yourself as a problem-solving, profit-enhancing partner.

If you choose to be the latter, you must think “outside the box” – outside the niche, if you will – and help identify and solve supply chain problems that originate before, and linger after, your client’s goods enter the returns center. Here are five examples of value-added solutions that a 3PL can provide within a reverse solutions “niche”:

1) Take damage out of the supply chain so as to prevent returns before they occur. Consider unsaleables, which cost the consumer-packaged goods industry $2.6 billion last year. Companies usually focus on returns processing as the solution. But there is a better way: uncover the causes of unsaleables in order to keep them from happening. For instance:

• A leading soft drink maker, following a 3PL’s advice, reconfigured pallets to eliminate a four-inch overhang that snagged passing forklifts. Annual savings: $3 million.

• A major consumer goods manufacturer saved $300,000 annually, with the help of a 3PL, by tracing the source of thousands of crushed boxes to a single shrink-wrap machine at a West Coast facility. The last two wraps of the pallet were too tight, bowing in the four corner boxes; then, pallets were stacked, resulting in four crushed boxes on every pallet. The solu-
Supply chain management has developed into a profession that is critical, strategic and dynamic. The renewed Certified Professional Purchaser (C.P.P.) accreditation program recognizes the need for a new, strategic approach to supply chain management.

Over the next three to five years, 86,000 supply chain management recruits will be needed to fill new or vacant jobs. These positions will demand supply chain management professionals who are strategic business managers and decision-makers.

With your C.P.P. professional designation, you will be recognized as the strategic supply chain management professional who provides innovative strategic leadership to achieve strategic competitiveness and a sustained competitive advantage, with high earning power and respect.

The time is now. Seize the day.
Visit www.pmac.ca or call 1 888 799-0877.
tion: a simple adjustment to the shrink-wrap machine.
• MeadWestvaco Coated Board, the big paperboard supplier, and a 3PL tracked more than 6,500 frozen food products from the point of manufacture to the supermarket shelf over a three-month period. The two companies’ award-winning study showed that virtually all package damage occurred after the products reached the supermarket loading dock, and proved that use of a particular type of folding cartonboard could reduce frozen food unsealables by 25 percent.

2) Take transportation of returned goods off the client’s shoulders. A 3PL with complete, efficient, timely transportation capability relieves clients of an onerous task, freeing them to concentrate on their own operations.

Here is an example on the inbound side: Sears Holding stores – which include more than 3,000 Sears and Kmart locations across the U.S. – handle returns through a website especially developed by their 3PL. They simply log on and enter a few bits of data. Pickup is automatically arranged – that very day, if the order is placed before 11 a.m. – and both a VICS standard bill of lading and a pallet label are automatically generated. This process cuts a day or two out of the historical pickup time cycle and automates load tendering. On average, this web-based system saves 15 to 20 minutes per shipment over hundreds of thousands of shipments.

3) Establish the “rules of engagement” for adjustable rate policies. The 3PL is uniquely situated to mediate clashes between retailer and manufacturer. It is a damage fact-finder, assessing the condition of the returned items, their causes and their rates of return. It sets forth that data as the factual basis for negotiation of off-invoice allowances.

Such negotiations are traditionally the source of much acrimony. But I have never heard of either a retailer or manufacturer refusing to be accountable for something as long as they understand it to be under their legitimate control. When the facts are clear, the talks go better. Most important, the working relationship between maker and seller improves over the long term – a result that is no less valuable for being intangible.

4) Maximize the value of the client’s assets. Far too many companies still view returns as trash, to be disposed of as quickly and cheaply as possible. A 3PL that thinks beyond the niche shows the client that reverse logistics is a strategic weapon that adds to the bottom line.

Disposition management is an example. Suppose a company’s products are selling in Maine but not in Florida. Its 3PL should calculate and offer options e.g., it would be more profitable to transport the products from one state to the other than to sell them at markdown. Other examples:
• The 3PL can introduce the client to asset recovery channels it might be under utilizing, such as internet auctions or online fixed-price sales.
• It can protect the value of a client’s brand by avoiding channel conflict, so that returns are not sold within, say, a 20 mile radius of a client’s store.
• It can factor in the customer’s unique needs at a given moment. For instance, a retailer in an immediate liquidity crunch might be served best by selling a truckload of returns to a bulk buyer that pays fast, though less.

5) Manage the best use of technology. Will a specific new technology drive out costs? Will it drive up productivity? The answers were “yes” and “yes” at the massive Sears returns center near Atlanta, which processes more than 3,400 pallets and 800,000 items each month. In a recent pilot program, claims by salvage dealers plunged by 83 percent after Sears’ 3PL replaced barcodes with RFID tags on outgoing shipments.

An independent study by Carnegie Mellon University attributed the reduction to two sources: improved efficiency and the deterrent effect on false claims. RFID deployment has now been expanded to all outbound operations at the Atlanta returns center.

That is an instance of how a 3PL can widen its niche by serving as an objective, knowledgeable technology adviser. By counseling clients either to make a worthwhile investment or avoid wasting their money, a 3PL adds value to their bottom line.

The preceding five solutions – damage avoidance, transportation, adjustable rate policy, maximizing asset value, and technology – are just some of the ways that a 3PL could reach out beyond a narrowly-defined “returned goods” niche. A big part of the third-party expert’s job is to innovate, to ask clients, “Do you perceive this problem? Have you considered this solution?”

What is more, a 3PL that establishes itself as an expert problem-solver in one niche enjoys a competitive edge in other niches. Suppose, for instance, a 3PL gains the trust of a client by implementing an effective damage avoidance program; that client surely will lend a respectful ear if the same 3PL proposes to operate a warehouse. And there the cycle will begin again, if the 3PL goes on to offer a variety of direct logistics solutions that benefit the client. A customer, after all, does not see some arbitrary “bright line” drawn between different niches. It just wants its supply chain to run efficiently, and if one 3PL can make that happen at different points along the chain, all the better.

Third-party solutions are in demand. The U.S. Department of Commerce sees the 3PL sector growing at 10-15 percent a year, while a study by Accenture and Northeastern University shows that 370 of the 500 largest U.S. manufacturers work with 3PLs, up from 185 a decade ago.

I attribute that rising demand to two causes. First, more and more companies are discovering the competitive advantages of a thoughtfully designed, technologically-advanced supply chain. Second, and simultaneously, they are discovering that they lack the internal expertise to establish such a supply chain. It’s not their core competency.

No doubt some corporations will choose to work with giant, soup-to-nuts logistics providers. Others will fill a specific need with a small, specialized, boutique 3PL. But I believe that clients will obtain the best value from 3PLs that fill the in-between space: those that offer an array of creative, problem-solving, value-added services, related but not limited to a given niche, that fill the client’s strategic needs. Indeed, no niche is an island; a 3PL, for its own and its clients’ sake, must explore wider territory.
Who’s Who in Logistics?
In business since 1980, Armstrong & Associates, Inc. has become a recognized leader in supply chain market research and consulting.

Current Guides and Research
- Who’s Who in North American Logistics and Supply Chain Management
- Who’s Who in International Logistics—Armstrong’s Guide to Global Supply Chain Management
- An Overview of Warehousing in North America—Market Size, Major 3PLs, Benchmarking Prices and Practices
- Is Bigger Better?—Third-Party Logistics Financial and Acquisition Results for 2005
- Trends in Third-Party Logistics Provider Supply Chain Systems Purchasing, Deployment and Use

Consulting Services
- Logistics Outsourcing Needs Analysis and 3PL/4PL Selection
- 3PL Merger and Acquisition Advisory Services
- Supply Chain Systems/Software Evaluation and Selection
- Transportation Practitioner and Expert Witness Services
- Supply Chain Network Analysis and Design
- 3PL Marketing Strategy Review and Planning
- Extended Information Service (E.I.S.)
What do you need to ensure a successful long-term relationship with your logistics provider?

Committed Service!

At Deringer, we believe strategic partnerships provide lasting value to our customers.

As a core element of our account management program, we assign an experienced, Deringer professional to work with you. This account manager, your primary point of contact with us, will invest the time to build the relationship.

Your Deringer Team is Committed to Your Success.