By*the*BUY...

TradeExtensions™

OCTOBER 2009

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Welcome to *By the buy...* the first in what will be a quarterly newsletter providing updates on Trade Extensions but also what has been happening in the world of e-procurement generally.

Every issue features a **Perspective** from an industry leader giving their thoughts on the major issues currently facing their particular sector. The inaugural **Perspective** is from James Hookham, Managing Director – Policy and Communications at the Freight Transport Association, and he provides some valuable insights into the transport industry across Europe.

Further on we provide updates on projects that are a bit closer to home and there is also a little brain teaser should you have a spare five minutes.

We hope you enjoy ***By the buy...*** and we want the newsletter to be as useful and informative as possible so feel free to provide feedback.

These are very exciting times for **Trade Extensions** and we are continually developing our services to provide buyers the world over with the best tools in the business.

Thank you for your continued support.

Garry Mansell
President, Trade Extensions

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Award winner – BidSmart > Spend Analysis > Multimodal 2010 > TE thrives in US > Contract Management > US Exhibition >

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Award Winner – Recognition for BidSmart

In conjunction with Schneider Logistics, Inc., Trade Extensions, has been selected by APICS – The Association for Operations Management, as a 2009 Corporate Awards of Excellence winner for the development of BidSmart – Schneider Logistics' bid management and analysis tool for transportation tenders.

The companies have been working together since 2004 to develop BidSmart and it is now one of the leading online transportation negotiation platforms in the U.S.

Since 2006, nearly $3 billion of transportation spend has been sourced through BidSmart, generating an average saving of 10 per cent.

Trade Extensions, President, Garry Mansell said, *"This award demonstrates our commitment to our customers and shows how partnering effectively delivers significant benefit to both companies but more significantly the end user."*

Schneider Logistics' Jack Gross, VP/GM of Global Supply Chain Management, said, *"Since inception, this bidding and analysis tool has saved shippers over $300 million in annual transportation spend. In today's competitive environment, it's more important than ever that shippers optimise their supply chains and reduce costs. BidSmart helps them do just that."*

Spend Analysis

The launch of Trade Extensions' Spend Analysis service has generated some very positive feedback from commentators and users alike.

Launched in July, the key factors that set our spend analysis apart from others available is that it makes data cleaning and collating incredibly simple and it seamlessly integrates with our other procurement functions such as offer collection and data optimisation. This ultimately makes analyses faster and more convenient but also provides more clarity by allowing users to see how the bids they have received and the scenarios they are considering compare to actual historical spend data. >>>

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The new service has been receiving widespread plaudits and industry blog 'Spend Matters' described it as "a great stand alone tool for acquiring and analyzing data for specific sourcing projects" and it "solves one of the biggest challenges in large-scale optimization projects today -- data acquisition".

The full review can be read here:
www.spendmatters.com

Multimodal 2010

Following on from the success of Multimodal 2009 that took place in the UK earlier this year, Trade Extensions is pleased to announce it will continue its sponsorship of the event for 2010.

Once again we will be running a programme of key briefings from our stand. The briefings will include a review of the European transport market, an update on developments at Trade Extensions and a number of client case studies. At Multimodal 2009 we had guest speakers from AT Kearney, Mars and Danone and there will be similarly high profile speakers at next year's event.

For anyone working in the transport sector, Multimodal is becoming the 'must visit' exhibition and with our briefings this is set to continue.

Multimodal 2010 takes place in the UK on 27 – 29 April 2010. Details of the briefings will be published closer to the time and more details on Multimodal 2010 can be found here:
www.multimodal.org.uk

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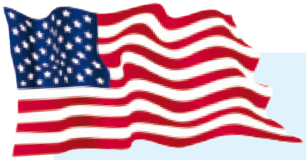

TE thrives in US

Trade Extensions' US business is thriving and it now contributes close to 40% of Trade Extensions' global sales revenue. The Houston office opened in July 2008 and the appointment of a permanent Business Development Manager this summer provides continuing strong foundations for growth.

Chetan Raniga, a specialist in e-sourcing with ten years experience in the sector, joined Trade Extensions in July as Business Development Manager – Americas, following roles at MindFlow and most recently as a senior product manager at Emptoris. He is based in Houston and is responsible for managing and growing Trade Extensions business in the Americas.

Chetan said, "It has been a great first three months and having worked in the sector for ten years, I know Trade Extensions offers something unique. There's no doubt our world leading products can achieve amazing results and companies in the US are now realising the benefits."

Contract Management

Trade Extensions continues to develop its services and later in the year we will launch a new Contract Management service.

The new service will allow users to access the essential terms of contracts, headline information and renewal dates from one convenient location.

As you would expect, contract management will be fully integrated with spend analysis, offer collection and optimisation to enable seamless data analysis and report generation.

US Exhibition

Trade Extensions will be exhibiting at Intermodal Expo/TransComp Exhibition taking place in Anaheim, California from 15 – 18 November.

The show is one of the most respected multimodal freight transportation exhibitions and covers US domestic and international arenas.

More information can be found on the website www.freightexpo.net and, if you are attending, it would be great to see you.

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James Hookham, Managing Director – Policy and Communications of the Freight Transport Association casts his eye over European legislation (current, future and rumoured) and calls for legislators to apply common sense.

Perspective

Freight transportation affects so many aspects of our daily lives, directly or indirectly, and consequently it is touched by numerous areas of European legislation. In this paper I shall look at some reasonably specialist areas but I will start by considering the biggest issue facing our planet today – climate change. As you would expect this is an issue the transport industry is taking very seriously and it is implementing numerous initiatives to reduce carbon emissions – everything from investment in efficient fleets and more frequent servicing to driver education and improved network planning. Despite these significant voluntary measures it is still likely the European Commission will continue to press for legally enforceable reductions in CO_2 emissions across Europe as a whole. The EU wide commitment is to reduce carbon emissions by 20% compared to 1990 levels by 2020 and, depending on the result of the UN Convention on Climate Change in Copenhagen that is taking place in December, greater reductions could be required.

The key mechanism for implementing CO_2 reductions is the EU Emissions Trading Scheme (ETS) that caps the overall level of emissions but allows participants to buy and sell allowances as they require – as long as the total level remains within the capped limits. Currently the transport sector is not included in the ETS but this does not mean the industry can become complacent. When the EU revised the ETS in December 2008, it introduced 'Effort Sharing' to include sectors such as transport that are not currently in the scheme. 'Effort Sharing' targets a 10% reduction of CO_2 emissions compared to 1995 between 2013 – 2020. With this in mind it is imperative that the transport industry continues the great work it has already undertaken in this area.

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The ETS shows how marketplaces can deliver beneficial results but, as with all marketplaces they only work if conditions are equal and unfortunately this is not always the case. Cabotage is one area where conditions have been far from equal but thankfully

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recent developments mean the playing field is being levelled. Last month (September 2009), the European Council of Ministers formally adopted the EU road transport package that defines cabotage rules. The new rules mean foreign operators can complete a maximum of three journeys in seven days and can only operate on an ad-hoc basis. This is welcome news for UK registered operators because giving foreign operators free access to the UK would put UK operators at significant disadvantage. The UK has the highest fuel duty in Europe and diesel prices in France and the Netherlands are approximately 10% cheaper than the UK. Considering an HGV with a full tank of fuel has a range of over 1,500 km, foreign carriers working in the UK have a significant advantage which is why cabotage restrictions are required. While it's great news that the EU has adopted the road transport package, ideally UK fuel duty needs to be reduced for hauliers to bring it into line with the duty paid in mainland Europe. This would bring parity to the market and allow the best carriers on both sides of the channel to compete fairly – common sense.

We also need common sense to prevail when it comes to smaller transport operators. Currently small vans with a gross vehicle weight of 2.8t (2,800kg) are unregulated but there are rumours that the Commission will lower the weight threshold bringing smaller vans into line with larger vans and HGVs. This means small van operators will be under the same scrutiny as operators of larger vehicles and have to comply with current legislation regarding tachographs, drivers' working hours and servicing timescales.

The UK has the highest fuel duty in Europe and diesel prices in France and the Netherlands are approximately 10% cheaper than the UK.

We wait and see what form this legislation will take – if indeed it does materialise – but as with many directives from Europe we have to ask ourselves what problem is the Commission trying to solve? Imposing more red tape on operators seems an unnecessary burden and runs the risk that only the reputable van operators will comply (at their own expense) while less scrupulous operators continue as they always have done.

In the current climate, security is never far away from the transport agenda but it is vital that any security legislation is practical otherwise transport companies will suffer. Post 9-11, there was flurry of proposals to ensure the security of the transport network and much of this was impractical to implement. There is still a degree of uncertainty even now as the US

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has passed legislation that means from 2012 every shipping container bound for its ports will have to be individually scanned. While we must respect the US's right to secure its ports, such legislation is going to be impractical, costly to implement and could impede trade between the EU and US. Here, at least, the Commission seems to agree and it must be applauded for applying common sense and favouring 'a risk-based approach' including mutual recognition of trade partnership programs that allow carriers to demonstrate they have secure processes. This approach would allow trade between the EU and US to thrive whereas legislation that impedes trade would not only be bad for the European transport industries, but Europe as a whole.

The Commission needs to take the lead and pass legislation that secures the primary trans-European distribution routes

Something that normally defines a European summer is industrial action and protests yet, thankfully, this summer has been unseasonally quiet – which can only be good news for European carriers. Despite the quiet summer there have been major protests this year that have crippled the distribution networks, at great cost and inconvenience, and it's time the Commission took the problem seriously.

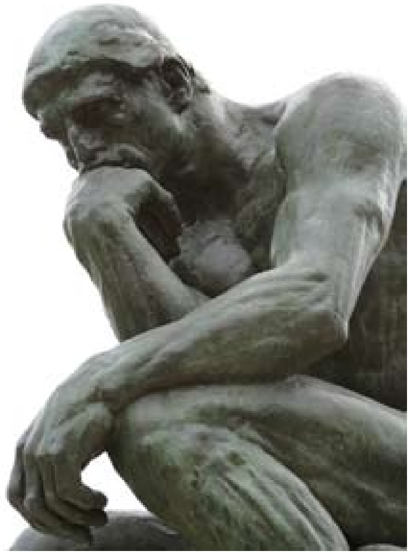
There are several favourite 'pinch points' across Europe such as the Alpine tunnels, the English Channel and other short sea crossings that if blocked by protestors can bring the European delivery network to a shuddering halt. The Commission needs to take the lead and pass legislation that secures the primary trans-European distribution routes by making these critical points off limits to protesters. For minor national disputes to have such a major effect on Europe as a whole is unacceptable in this day and age.

In summary, the European Commission has an unenviable job implementing consistent transport policies across Europe but ultimately what we need is recognition that it is the transport industry that powers the European economy and a common sense approach to future directives to ensure it continues to do so.

James Hookham,
Managing Director – Policy and Communications,
Freight Transport Association

Optimising data manually gets complicated very quickly but it is sometimes fun to have a go. If you fancy some mental gymnastics see if you can solve our sourcing puzzle…

What is the lowest cost solution?			
	Supplier **A**	Supplier **B**	Supplier **C**
Contract **1**	100	114	113
Contract **2**	100	114	110
Contract **3**	100	115	108
Contract **4**	100	115	110
Contract **5**	100	106	110
Maximum no. of contracts	3	3	3
Discount for more than one contract	0	10%	10%



Suppliers **A,B** and **C** are bidding on five different contracts and they can service a maximum of three contracts each. Two of the suppliers are offering volume discounts for winning more than one contract. As it is your job to award the contracts, what is the lowest cost solution?

For the answer, click **here**

Contact

Trade Extensions sets new standards for on-line procurement and optimisation. Our unique procurement software helps organisations achieve their strategic buying objectives by specifying sourcing events, collecting offers and, most significantly, optimising the results. We also provide integrated spend analysis to help organisations identify and exploit procurement opportunities.

Get in touch to find out more and to see how we can help you.

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Brain Optimisation Answer

The lowest cost is **493.2** with the following combination of suppliers:

Supplier **B**: Contracts **1** and **5**

Supplier **C**: Contracts **2, 3** and **4**