

Noranda Opens the Door to Virtual Multi-Round and Combinatorial Bidding

THE MINING GIANT HAS HIRED ALIOSOFT TO ORGANIZE SIMULTANEOUS CALLS FOR TENDERS FOR 216 NORTH-AMERICAN TRANSPORTATION ROUTES

Noranda decided to use innovative technology to award its Canadian full truckload transportation contracts for the next three years. With the support of AlioSoft, a software designer that developed and manages the AccesTransport.ca portal, the large mining corporation organized a major multi-round reverse electronic auction.

The auction involved six rounds of bidding, which took place over a period of three weeks. The process resulted in the award of \$48 million in transportation contracts, shared between 19 carriers, covering a total of 216 separate transportation routes. The technology allowed Noranda to meet the delivery needs for six of its plants, four located in Quebec, one in New Brunswick, and one in Ontario, that of its Falconbridge subsidiary.

Noranda met its objective of minimizing its truck transportation costs by allowing existing carriers to improve their efficiencies and by giving a selected number of new carriers the opportunity to tender on the business.

"The multi-round reverse auction methodology created a favourable environment, for both Noranda and our carriers, where supply and demand could reach an equilibrium" said Chris Carson, Vice-President Global Logistics, at Noranda. "Conventional tendering processes are one-shot deals that are often suboptimal. Some carriers end up with more business than they can handle while others lose valuable business because they misread the market. In both situations, the carriers are stuck for the contract duration and, as a result, the shipper may receive poor-quality service on some lanes while paying high prices on others."

Concord Transportation Inc. is customs self-assessment (CSA) authorized!

Our valued customers can relax and know that **Concord** has demonstrated to the Canada Customs and Revenue Agency that we are a low risk carrier. This means that Canada Customs has taken an in-depth look at our business practices and procedures and found us to be a reliable and Customs-compliant carrier. Our cross-border drivers are part of this program and thereby recognized by the Commercial Driver Registration Program (CDRP). They carry a bar-coded photo ID indicating their CDRP status.

The 3rd authorized party to ensure a quick problem-free border crossing is the importer. For further information on how you can become CSA authorized, please go to the Canada Customs Web site at the following address – <http://www.ccr-a-adrc.gc.ca/E/pbg/cf/e646-fill/README.html>.

Attaining a fully approved CSA CARRIER STATUS is another positive step Concord has taken to increase the convenience and reliability we provide our valued customers. We will continue to prove that "We're Out Performing!" every step of the way. Please visit us at www.concordtrans.com to learn more about how Concord Transportation Inc. can service your over-the-road transportation needs! ■

"Carriers and shippers can, on the other hand, emerge as winners from a multi-round auction," points out Daniel McInnis, president of AlioSoft. Through this process, the former can focus on certain routes to maximize earning power of their vehicle fleet by increasing its profitability. Open bidding in a reversed auction (i.e. where the best bids are the lowest) culminates in sharper competition between suppliers who will transfer to the shippers part of their profits as a result of greater efficiency. In the case of Noranda, the connection between the company's requirements and the capacity of the carriers should also lead to better service, to the advantage of the mining company's customers.

> THE PROCESS

Noranda invited 34 carriers to participate in the auction, including many of Quebec's largest transportation companies. The carriers were required to attend an information session where **AlioSoft** provided a half-day training session. In addition, a test environment was made available to allow the carriers to gain experience and confidence with the process from the comfort of their offices. AlioSoft assisted by providing customer support through a toll-free number.

Prior to the first round of bidding, carriers received a tender information package from Noranda. The package included lane information such as origins, destinations, estimated tonnages, and hours of loading, as well as equipment specifications, draft contract documents, etc.

To start the auction, carriers were provided individual access codes to allow them private admission, through the Web, to the AccesTransport.ca portal. Carriers then downloaded their initial bid form from the auction Website. The bid form, similar to a spreadsheet, required the carriers to enter their pricing by lane, and the capacity of their equipment during both regular and spring thaw periods. The carriers then uploaded their bids to the website where the bids were consolidated. An optimization engine was then employed to determine the lowest bid for each lane taking into consideration truckload cost, truck capacity and the duration of the thaw period on each route.

Round 2, and all subsequent rounds, saw the carriers again download their confidential bid forms, which now included the leading prices (but no names) on all lanes and highlighted the lanes in which they were leading. As of this second round, carriers have not only the opportunity of improving their offer, but also of presenting combined proposals. This means grouping together routes they consider complementary, or enabling them to upgrade their efficiency. However, to win each of these routes they must submit an overall price more interesting to the shipper than the best individual offers, added one to the other.

During the bidding, AlioSoft staff played an active role by keeping in constant communications with both the carriers and the shipper. For example, AlioSoft contacted bidders when there appeared to be errors in pricing or truckload capacity or when a new tender contravened one or more of the auction rules.

Bidding continued for six rounds by which time there were diminishing returns for both the carriers and the shipper. The number of rounds was not predetermined, so as to keep bidders active from start to finish.

"We were entirely satisfied with the services provided by AlioSoft," said Mr. Carson. "Their staff was very professional throughout the process, even when we experienced a few hiccups that are associated with any new process. We will use both AlioSoft and this tool again when we believe that it will enhance our suppliers' efficiencies and where strong competition allows us to share in their reduced cost of providing the service."

Daniel McInnis, CEO of AlioSoft, admits that the process requires some work by the shipper, but that the reliability of the tenders received is greater than that with traditional calls for tenders. Furthermore, the tasks related to following up tenders are much lighter. ■