

Connections

TECHNOLOGY

SAFETY

COMMUNICATIONS

EQUIPMENT



DEDICATION

INGENUITY

EXPERIENCE

One of Canada's Best!

Challenger requalifies as one of Canada's 50 Best Managed Companies in 2003

After winning the 50 Best Managed Companies Award in 2001 and requalifying in 2002, Challenger Motor Freight has once again requalified in 2003. "It's a confirmation that Challenger not only upholds the standards to which we won the award," says Dan Einwechter, President of Challenger Motor Freight, "but that we have improved on them through innovation and superior results."

This year Challenger has made significant advances under every judging category, which has a direct effect, not only on the company, but on our customers and community as well. The requalification process highlighted the significant growth in every aspect of Challenger's 2003 business. The following are just a few of the strategies, processes, and changes that we put forward:

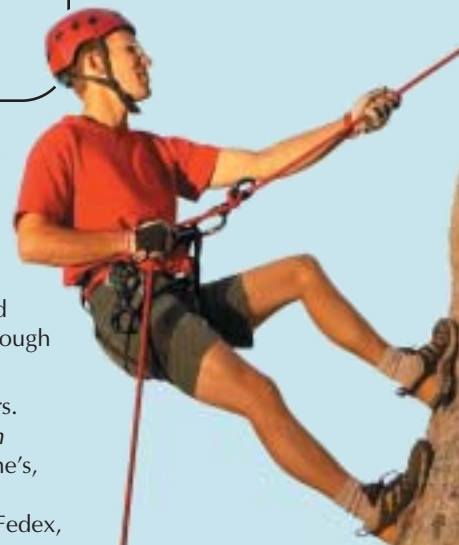
- Challenger's participation in Canadian-US Customs joint initiatives such as CTPAT, FAST, CSA, and PIP, which endeavor to promote increased security for the border and shipments.
- Challenger's demonstration of commitment to a cleaner environment through our involvement in the Clean Air Pilot – a project that is testing the reduction of emissions by the use of liquefied natural gas (LNG) in place of diesel fuel.
- The continuing effort to ensure successful communication throughout

the company, by moving the focus of leadership development from the upper management to the supervisory level.

- The complete redesign of our website, which has considered and answered the customers' needs through increased interactivity.
- Continued recognition by our peers. Challenger was awarded *Canadian Transportation & Logistics* magazine's, "Shipper's Choice Award" for the second consecutive year, and the Fedex, "Best in Class Award" for four years successively.

"Winning the award has created a pride of accomplishment with our employees, and raised the level of awareness for Challenger in our customers and potential employees," Dan explains. "It has had a snowball effect on us. The dedication of our staff has made this three-time achievement possible – yet through each win we've been motivated to reach higher."

Created in 1993, the 50 Best Managed Companies Award was presented to companies that had successfully faced challenges to growth and prosperity – but today has come to symbolize companies that have a Canadian success story to tell. The program is sponsored by Deloitte & Touche, CIBC, Queens School of Business, and National Post.



"It is a confirmation that we not only uphold the standards to which we won, but that we have improved on them through innovation and superior results." – Dan Einwechter

Challenger Logistics

At home – or around the world

Competitive companies searching for strong partners look to Challenger Logistics when consolidating and streamlining their business processes. "We are their single-point source for inventory management, warehousing, and worldwide transportation," says Paul Cooper, Director of Logistics. "Through our experienced professionals, we can find the perfect solution for all our customers' logistics requirements."

Our success comes from meeting the individual demands of the customer:

We focus on transportation that spans the globe... Challenger Logistics provides supply-chain management, truckload, less-than-truckload, rail, and expedited services throughout Canada, the United States, and Mexico. To help businesses run more efficiently on the world stage, we also manage air, and ocean freight through a network of partnering carriers – with every transaction integrated into our online tracking system and 24-hour dispatch availability.

"We have the ability to tap into Challenger Motor Freight's expansive asset-base, which additionally gives our customers access to special equipment such as flat decks and rolltites," says Christine Stewart, Outsourcing Manager. "An affiliation like this is unusual

for most third-party logistics companies." For dedicated contract deliveries, anywhere in North America, Challenger Logistics can also manage regularly scheduled runs with assigned drivers and trucks.

We offer flexible warehousing solutions...

"We can offer solutions to meet every customer's requirements," says Ernie Kuenzler, Warehouse Manager for Challenger. "It is a matter of listening to what they want and then acting on it." Warehousing customers can choose from seasonal to year-round storage and special handling such as just-in-time distribution, pick-and-pack, sequencing, quality inspections, sub-assembly and repackaging.

Challenger's website, www.challenger.com, allows customers the convenience of monitoring their in-house inventory activity on line, in a secure system. Additionally, our latest RF (Radio Frequency) inventory scanning equipment interfaces with most companies' systems, providing accurate electronic inventory management.

We provide a comprehensive customer package... To give our customers a complete inventory management system, we can complement their internal shipping processes with additional services:

- Supply-chain auditing to analyze transportation and distribution processes, providing solutions for a more efficient and cost effective system.
- In-house customs expertise, to assist customers with their cross-border shipping requirements.

"We want to manage our customers' supply chain," says Paul. "And we have the infrastructure to do it."



"We can find the perfect solution for all our customers' logistics requirements."

*Paul Cooper
Director of Logistics*

The New Customs Era

by Enno Jakobson, Vice President, Risk Management

Changes to Customs programs are occurring every day on both sides of the border. On December 12, 2003 the Government of Canada moved the Customs function of the Canada Customs and Revenue Agency (CCRA) to the newly created Canada Border Services Agency (CBSA). The CBSA will look after things such as passenger and initial import inspection services at ports of entry and also intelligence, interdiction and enforcement. The CBSA will become a part of the newly created Department of Public Safety and Emergency Preparedness. This structure is similar to that of the Department of Homeland Security in the US which was created to combat terrorism.

Will this agency develop programs to mirror the US initiatives? Can we expect to see –

- 1) Advanced Manifesting Rules? Prior notification of cargo destined for Canada to screen for potential security threats, much the same as we have seen on the airline passenger manifests.
- 2) Increased efforts to register importers for Partners in Protection (PIP)? The equivalent of the US Customs and Trade Partnership Against Terrorism (CTPAT).
- 3) Bio-terrorism legislation to protect our food supply?
- 4) Cross-training of inspection personnel to deliver the core services of Customs, Immigration and Food Inspection at the inspection line?

Based on US experience, it is possible that those importers that have not registered for PIP can expect to receive increased scrutiny for shipments – clearly a message to Canadian shippers. From a CBSA viewpoint they would like to concentrate inspection and enforcement resources on higher-risk unknown importers instead of those who have registered. The increased examinations result in decreased efficiency and increased costs for both the importer and the carrier.

What can you do to prepare for the new Customs era?

- 1) Know your service providers. Ensure your partner carrier and suppliers are registered in programs such as CTPAT and PIP.

Letter From Dan



As we move into the second quarter of 2004 it is hard not to contrast the industry climate of today with the year just past. Business is strong. Demand is high. Shipping volumes have reached unprecedented heights for this time of year. Companies unprepared for our rebounding economy have been caught unaware. Challenger is not among them.

Through our proactive approach, we have met and exceeded the initiatives placed on our industry. We have been at the forefront of pilot programs such as the Clean Air Corridor project and, with yet another Canada's 50 Best requalification, we continue to perform from a position of strength. Many carriers still reel from the rapidly rising dollar, the sustained high cost of fuel, the continued increases in insurance costs, and the acute driver shortage, and they may not have the

working capital and resources to meet their clients' needs.

After a dismal year in the truck manufacturing sector, production has suddenly mushroomed, but it is too little to meet the increased volume needed today. We have been further tested, as the recent CN Rail strike compounds the demands on the industry's already burgeoning capacity levels. Though Challenger has allocated significant resources to this crisis, we want our core clients to know that our primary commitment remains with them.

For years, deregulation has forced carriers to cut margins leaving owner-operators and drivers to take it on the chin. Those of us left are wiser and more efficient in our cost-effective and competitive efforts, but now is the time for a better sense of balance and control. We need to encourage a better relationship and understanding of the new industry regulations and the associated costs with our customers. For those who understand and appreciate this and are willing to compensate us and our drivers, fairly, we will be there for them through thick and thin – as we have proved in the past.

We are looking forward to building that relationship with you as we go forward.

A handwritten signature in black ink, appearing to read "Dan Einwechter". The signature is fluid and cursive, written over a light background.

Dan Einwechter

- 2) Implement security policies and procedures to cover all aspects of your production process.
- 3) Audit your security program regularly and implement measures to bridge security gaps that may leave your processes vulnerable to breaches.
- 4) Register in the voluntary programs such as CTPAT and PIP.

An ounce of prevention is worth a pound of cure. Failure to implement the necessary security programs could make your company less attractive to carriers and generally leads to additional costs. These may occur through inventory shrinkage, increased product damage, employee turnover and certainly higher transportation costs.



Emissions Control

For years, the trucking industry has been scrutinized by the media and subjected to an endless series of emissions-control initiatives by governments throughout North America. Keeping up-to-date on the standards and putting them into practice is part of Challenger's daily routine – but what significant changes can we expect to see when it is all said and done?

"Regulations will only get tighter in the coming years," says Wayne Scott, Director of Maintenance for Challenger. "What most people don't know is how much they will cut down on emissions."

According to the Ontario Ministry of the Environment, when the first phase of the new Drive Clean standards takes effect on April 1, 2004, Ontario's emissions standards for heavy-duty diesel trucks and buses will be the strictest in North America.

"Challenger has been cycling-out older non-EGR (exhaust gas recirculation) engines for

2002 compliant ones for a few years now," says Wayne, who confirms that Challenger's fleet already surpasses the Drive Clean diesel opacity standard of 40% for this year. It is also below the 40% opacity level set for next year and, on average, dips beneath 20%, which could result in Challenger moving to bi-annual testing. A huge achievement so early in the process.

Nevertheless, Challenger is far from resting on these achievements. Among the constant updating to newer engines, the company has dedicated itself to reducing harmful greenhouse gas emissions by participating in the Clean Air Corridor project, making us one of the first companies to deploy heavy-duty engines operating on liquefied natural gas (LNG). [see: Connections Vol. 6-3] These trucks should begin regularly scheduled routes this year.

Challenger's responsibility to the environment extends to fuel economy as well. "We are constantly looking for ways to increase fuel mileage, which in itself reduces particulate matter," says Wayne. When looking at the specifications for a new truck, Challenger considers factors such as automatic transmissions, aerodynamics of the cab and trailer, horsepower, tire sizes, and gear ratio with relation to mileage. "We've also reduced truck idling times by installing cab air heaters to keep the drivers warm so they won't need to run their engines at night."

Taking their clean air philosophy one step further, Challenger is installing waste-oil boilers, which recycle used engine oil by burning it as a heat source. As Wayne explains, "By using a specially designed EPA certified incinerator, we plan on burning all our used oil to heat the shop in our new facility."

"Regulations will only get tighter in the coming years."

– *Wayne Scott*
Director of Maintenance

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