

Aerospace Logistics

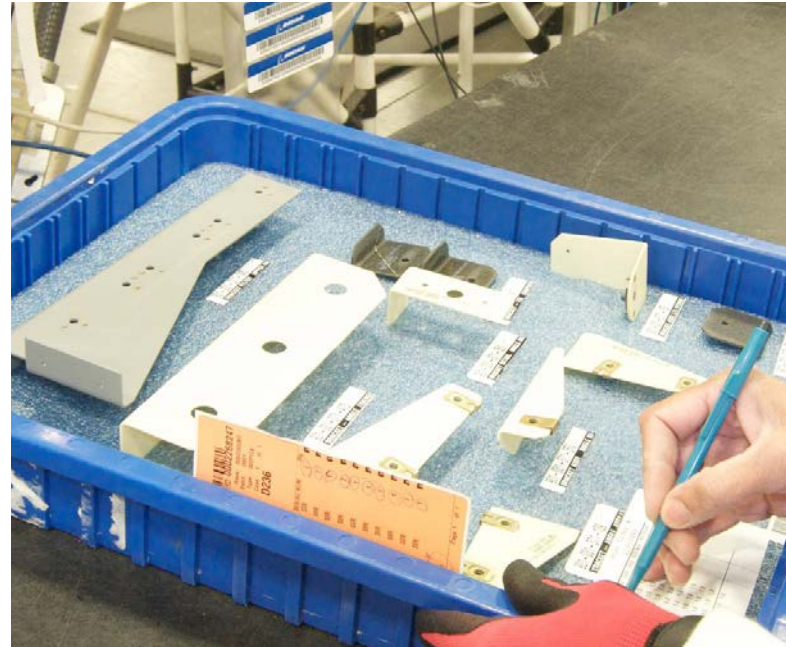
Our comprehensive approach to supply chain optimization delivers a competitive advantage through a broad range of integrated services:

Since 2004, XPO Logistics Supply Chain has enjoyed a successful and continually expanding relationship with one of the world's largest aerospace companies.

This partnership is built on XPO's demonstrated success in the implementation and management of numerous high-profile operations, integration with our client's systems, and support of aggressive implementation timelines—all supported and enabled by significant investments that XPO has made.

We have demonstrated our understanding and ability to respond to this client's requirements through the successful operation of numerous contracts. We currently process hundreds-of-thousands of orders per year in support of their worldwide operations, while providing just-in-time (JIT) manufacturing support, as well as service parts distribution, expansive kitting, packaging, vendor managed inventory (VMI), and other value-added services. XPO integrated our suite of supply chain and asset visibility systems with many of our client's systems to ensure seamless data interaction and decision-making. These systems give our client's users full visibility to the status and position of their inventory and online access to order systems.

XPO's major engagements with this client include a defense contract, a rotorcraft contract, support in the launching of a new commercial airliner, and the creation of both an aggregated standards network and a comprehensive aftermarket support network for both current and legacy aircraft models.



ROTORCRAFT

We began our relationship with this client when their rotorcraft manufacturing unit recognized opportunities to increase efficiency at its manufacturing operations. The plant maintained 20 storage areas within a seven-building campus that occupied significant space and impeded the flow of goods to the manufacturing line. Additionally, our client's assembly mechanics spent too much time looking for and unpacking individual parts, then disposing of packaging materials—costly tasks when performed by a skilled production worker.

In response to our client's needs, XPO implemented a comprehensive solution that supported Lean manufacturing strategies, including:

Off-campus storage of all materials, eliminating non-manufacturing-related storage and labor in its plant. XPO has FAR 45 certification for government property management. XPO has also been delegated parts-release authority by the Defense Contract Management Agency.

Management of more than 85,000 SKUs of high-value inventory. XPO's IT operations integrated XPO's web-based order management and warehouse management systems with eight client systems to manage order processing and provide visibility of inventory and orders. The RF-based process scans product at every move, providing real-time visibility. Parts stored range from tiny consumables to 30-foot-long holding fixtures.

Assembly of tools and parts into ergonomically designed, prefabricated kits. XPO industrial engineers worked with our client to design and create 4,000 kits, which improve manufacturing efficiency by presenting manufacturing engineers with groups of tools and parts sequenced to the assembly process. Trays that hold the parts are bar-coded, so inventory can be managed by individual parts or kits. Trays are then returned to the distribution center and reused.

JIT delivery of material to the point-of-use location on the line where they are required. Runs are both scheduled and unscheduled and make use of vans, flatbeds, and tractor-trailers.

As a result of this collaboration, our client was able to reduce manufacturing cost through a streamlined process for inbound logistics, boost production capacity by maximizing manufacturing space and increasing the efficiency of assemblers, and reduce time formerly used to remove and dispose of packaging materials as well as to segregate tools and parts prior to delivery to the assembly point.

COMMERCIAL AIRLINER LAUNCH

In 2005, to support aggressive manufacturing goals, our client's production team again partnered with XPO to help create an automated, efficient inbound logistics process for the launch of a new commercial airliner. XPO was tasked with managing the receipt, storage, and delivery of parts, tools, and supplies.

Assemblies and components for this aircraft are built in 33 countries around the world and received at XPO's facilities, with many suppliers using a XPO-designed and implemented VMI model and web portal for more effective collaboration and visibility. XPO deployed industrial and facility engineers, IT personnel, program management experts, and other resources to work collaboratively with client subject-matter-experts to design and implement a solution that consolidates the inbound material streams into one product stream that

enters the facility using a pull-based, pre-kitted, point-of-use delivery model.

This program has enabled our client to dramatically reduce manufacturing turnaround times and has provided significant cost reductions. XPO helped streamline the assembly process and maintain high levels of quality and accuracy, while our automated and integrated processes and systems implemented standardization across thousands of global suppliers and parts.

As a testimonial to XPO's performance in support of this launch, we were awarded (on a sole-source basis) a 10-year contract to support this operation at a second production campus when the program expanded.

COMMERCIAL SPARES (AFTERMARKET SUPPORT)

XPO provides aftermarket and spare parts support for all of this client's commercial aircraft models, including both current production and legacy commercial aircraft. The client was experiencing unacceptable on-time order fill rates and inventory levels due to a lack of inventory visibility and inefficient fulfillment processes. These challenges resulted in unsatisfactory customer service levels and increased overall operating costs.

XPO established a 24/7 aftermarket and spare parts fulfillment operation, providing fulfillment of critical orders within four hours from order receipt. Additional services that XPO provides in support of this contract include receipt, storage, picking, and distribution of more than 40,000 commercial part numbers. We provide parts for eastern North America and all of Central and South America, as well as secondary coverage worldwide for parts not available in the region's primary distribution center.

XPO's systems are fully integrated with our client's, providing real time visibility to orders, inventory, metrics, and other critical data.

Additionally, XPO has FAA certified Organization Designation Authorization (ODA) personnel on site to inspect and certify the airworthiness of returned parts.

Our order fulfillment processes, integrated systems, and high-performing inventory accuracy programs have enabled our client to improve service levels and quality, increase customer satisfaction, and reduce overall inventory investment.





AGGREGATED STANDARDS NETWORK

Our client routinely experienced shortages and inventory hoarding of standardized parts due to several production sites managing demand separately. This lack of a standardized network created artificial competition that increased costs and reduced availability. XPO developed a solution to rationalize their purchasing and distribution for fasteners and other standardized parts.

XPO's total supply chain solution consolidates and aggregates the global demand and distribution for standardized parts. XPO forecasts aggregation for raw materials, capacity planning, supply-base management, inbound transportation, storage, order processing, and outbound transportation. This self-regulating, consumption-based inventory management and order replenishment solution ensures optimal inventory levels at all points in the supply chain.

XPO developed a supplier portal for this program that provides complete inventory visibility to all members of our client's supply chain. The portal includes a comprehensive inventory position for each part managed, and serves as a mechanism for entering and receiving actionable data, including forecast and transportation updates, engineering change notices, and advanced shipping notices.

As a result of this network, XPO was able to significantly reduce shortages and deliver \$250 million in annual cost savings. Our solution has enabled our client to leverage their parts spend across the market and gain central control of distribution and prioritization of parts manufacturing.

Continuing Partnership

The combination of XPO's deep understanding of the aerospace industry and our best-in-class processes has enabled XPO to cement a long-term, collaborative partnership with a global, industry leader in the aerospace industry. Our relationship extends across multiple divisions, and we are involved in some aspect of almost all of the aircraft our client makes.