

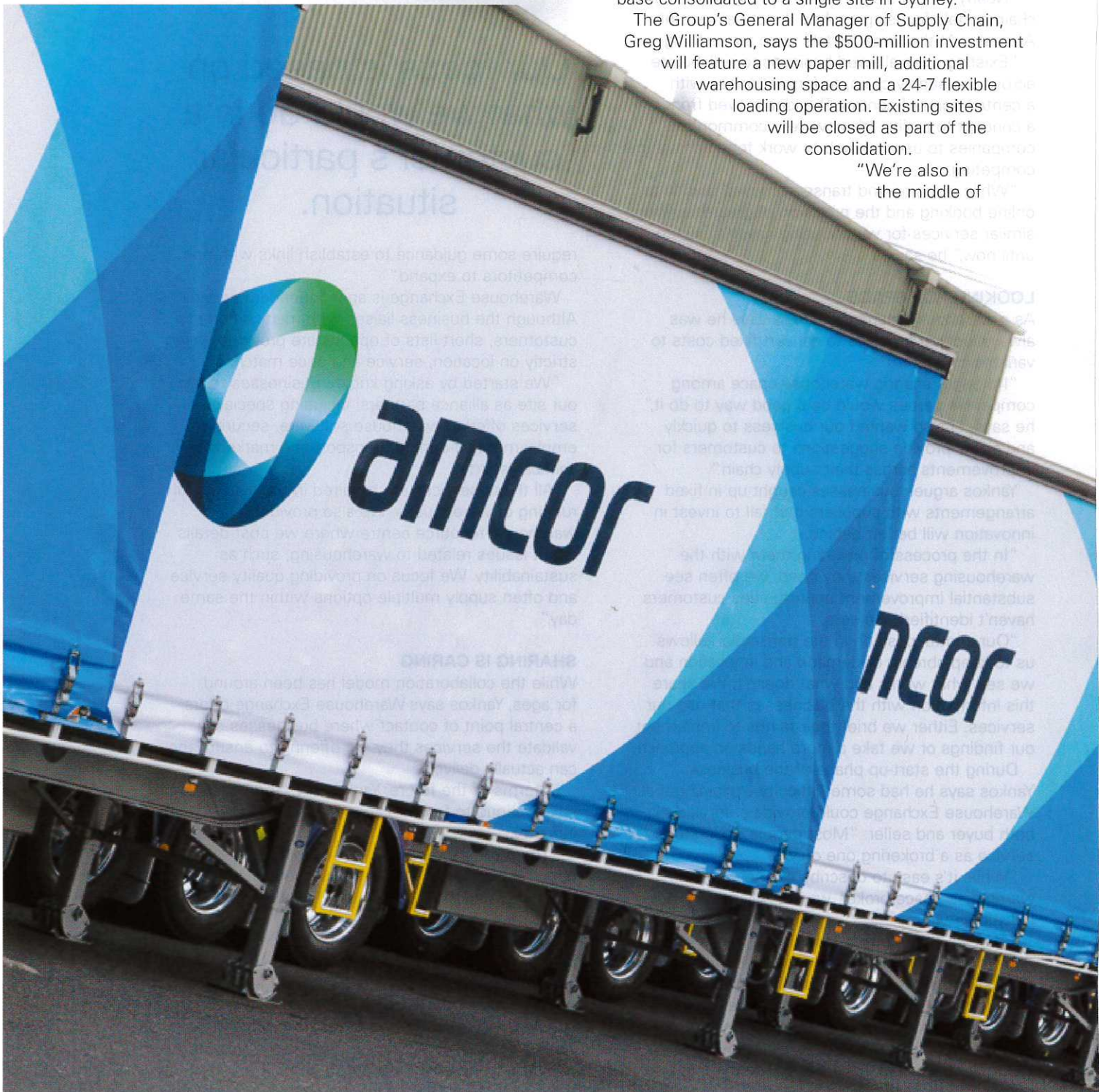
# Neat & trim

A new mill, a new warehouse, and greater modal flexibility will reduce double-handling and inventories for Amcor's Paper and Recycling Group, *Nicole Holyer* writes

**P**ACKAGING GIANT Amcor Australasia's Paper and Recycling Group is part-way through a supply chain reinvention that will see its manufacturing base consolidated to a single site in Sydney.

The Group's General Manager of Supply Chain, Greg Williamson, says the \$500-million investment will feature a new paper mill, additional warehousing space and a 24-7 flexible loading operation. Existing sites will be closed as part of the consolidation.

"We're also in the middle of



implementing a new computer system as part of updating our systems to align ourselves with our new mill," he says.

"It's due to commence operation in late 2011 or early 2012."

The group runs two recycled paper mills with three paper machines to serve the needs of the box-making group within the wider Amcor business. Its footprint includes a mill at Fairfield in Melbourne, and a mill with two paper machines at Botany, in Sydney.

"Our main purpose is to supply our internal customer, but we do supply to other parties in Australia," Williamson says. "We make the paper and we supply it in two-and-a-half or three-tonne reels to the corrugated box business.

"Part of the network we run also includes the cartonboard mill in Brisbane. It's not part of the paper group, but the logistics network we manage also services that mill."

That logistics network comprises three warehouses; each run independently of the mills situated in Melbourne, Sydney and Brisbane.

"We use that space as an overflow," Williamson says. "Sometimes the box plant's paper inventory orders don't match current demands and we also use these to store mill safety stocks.

"At the moment, the warehouses at the mills are small, which means that the mill manufacturing cycle doesn't allow much storage of product on-site when it doesn't match up properly with box plants needs.

"That inventory accumulation tends to go to outside storage, which means double-handling when it is eventually sent to the customer."

With limited storage space and scope for elasticity, Williamson says the group wanted to "create some flexibility" within the warehouses onsite and at the mill.

"[That] will allow the inventory to flex within the mill warehouse," he says. "It will allow us to hold that inventory onsite rather than double-handle it."

The group worked with supply chain consultants GRA to review and



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design a new facility on its existing premises at Botany, and to overhaul the supply network.

"GRA did a fantastic job in analysing our future stock needs and proposing a warehouse solution," Williamson says.

"It's a brown field site. We're constructing a new mill and warehouse, we're buying a brand-new paper machine, and as part of that we went through an exercise of working out what the supply chain model would be for that mill.

"The best supply chain model that we came up with was a larger warehouse onsite so that we could collapse some of our external network back into the mill site.

"We would actually close the warehouse in Sydney and significantly downscale our requirements in Melbourne as part of building a larger warehouse onsite at the mill."

Williamson says the redesign will allow the group to also reduce excess inventory.

"If you take our overall inventory into account, we're probably sitting on three weeks worth of stock between us and the box plants," he says.

"At the moment we've got stock of product at external warehouses, which generate safety stock. Hopefully we can reduce all of that by having the one major holding. We'll still have small holdings in Victoria and Queensland, but that's more about





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managing third-party supplied products and providing additional support for box plant stores.

"Hopefully we can get that down by reducing the double-handling."

The redeveloped Botany site will include a 24-7 loading operation with a mix of road, rail and sea freight transport.

"We also do a lot of export," Williamson says. "When we have excess capacity we export to Asian customers. We also use sea for domestic as well — we ship product via sea freight to Perth and we also supply our internal customers in New Zealand. The Botany site is right opposite the port so it's a fantastic location."

The transport task itself is run by a third-party logistics provider.

"We've outsourced everything, where, even at Botany, our mill-dispatching areas onsite are outsourced," Williamson says.

"We've handed the operation of the warehouse plus all the logistics and the Botany dispatch area over to Toll."

Amcor made the decision to use a single, national operator for its transport needs after it issued a call for a competitive tender almost four years ago.

"With our national footprint we had multiple, regional carriers doing parts of the work," Williamson says. "We decided the best thing to do was to consolidate that and put it out to tender to see if we'd get an advantage by handing the whole thing over to a national operation, a national carrier."

"Our network was such that we could see a lot of synergies if we put the whole thing together."

"Toll ... put forward their submission and we decided to go down that path; which has led to some real advantages."

With the new facilities due to come on-line within the next two years, Williamson says the paper group aims to upgrade its technological capabilities where feasible.

"Trying to forecast in the corrugated paper business or our customers' businesses is quite difficult because it's heavily exposed to produce markets, in particular."

"We tend to rely very much on historical off-take to help us with forecasting, but the corrugated business sees the value in getting better at this, which will give us some real advantages in improving our mill rough-cut capacity planning. The forecasting process currently in place is fairly manual."

"The fact that we're upgrading our computer system will also allow us to have better warehouse management capability, which we haven't had in the past."

"Big changes are planned over the next 18 months."||