

**Engaging 3PLs to Support the Public Health Supply Chain**

**Service Specification for Outsourcing the Distribution of Health Products**

**December 2023**

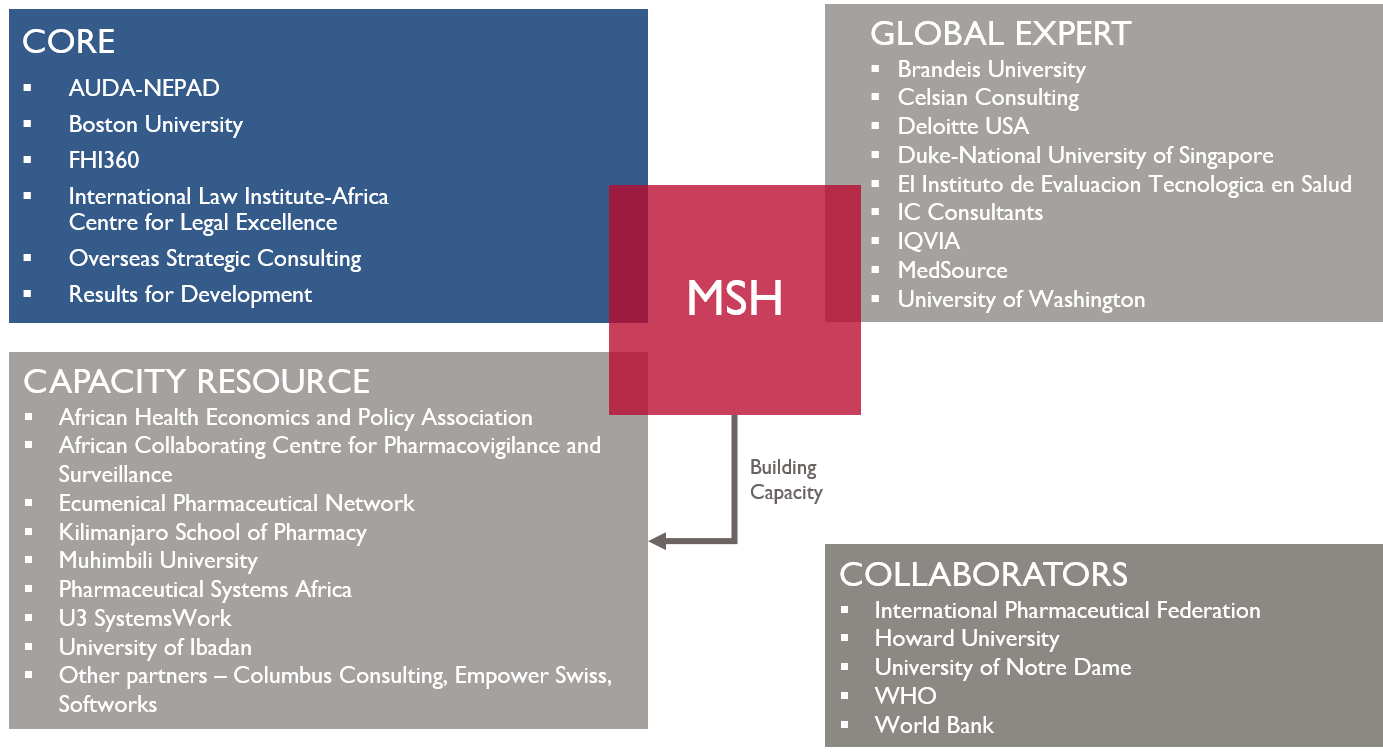


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**About the USAID MTaPS Program**

The USAID Medicines, Technologies, and Pharmaceutical Services (MTaPS) Program enables low- and middle-income countries to strengthen their pharmaceutical systems, which is pivotal to higher-performing health systems. MTaPS focuses on improving access to essential medical products and related services and on the appropriate use of medicines to ensure better health outcomes for all populations. The program brings expertise honed over decades of seminal pharmaceutical systems experience across more than 40 countries. The MTaPS approach builds sustainable gains in countries by including all actors in health care—government, civil society, the private sector, and academia. The program is implemented by a consortium of global and local partners and led by Management Sciences for Health (MSH), a global health nonprofit.

**The MTaPS Consortium**



# Acronyms and Abbreviations

|  |  |
| --- | --- |
| 3PL | third-party logistics service provider |
| GIT | goods in transit |
| GPS | global positioning system |
| IT | information technology |
| KPI | key performance indicator |
| LLP | lead logistics service provider |
| LMD | last mile distribution |
| POD | proof of delivery |
| PPM | planned preventative maintenance |
| SLA | service level agreement |
| SOP | standard operating procedure |

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# Project Summary

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| Program Name: | | USAID Medicines, Technologies, and Pharmaceutical Services (MTaPS) Program |
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| MTaPS Partners | **Core Partners** | Boston University, FHI 360, Overseas Strategic Consulting, Results for Development, International Law Institute-Africa Centre for Legal Excellence, NEPAD |
| **Global Expert Partners** | Brandeis University, Deloitte USA, Duke-National University of Singapore, El Instituto de Evaluacion Technologica en Salud, IC Consultants, Imperial Health Sciences, MedSource, QuintilesIMS, University of Washington |
| **Capacity Resource Partners** | African Health Economics and Policy Association, Ecumenical Pharmaceutical Network, U3 SystemsWork, University of Ibadan, University of Ghana’s World Health Organizations (WHO) Pharmacovigilance Collaborating Center, Kilimanjaro School of Pharmacy, Muhimbili University, Pharmaceutical Systems Africa |
| **Collaborators** | International Pharmaceutical Federation, Howard University, University of Notre Dame, WHO, World Bank |

# IMPORTANT NOTE

One of the documents produced during this activity was a Service Specification template for use when a public health agency engages with potential third-party logistics service providers (3PLs). This template can be adapted by a range of public health agencies to fit their needs and include their context specific information. Therefore, certain phrases are indicated in blue to direct the public-sector agency for update. The Service Specification outlines the logistics services required from a potential private logistics service provider (such as a 3PL) and the way in which that service is to be provided in collaboration with the public sector client’s management team. It shares service level expectations prior to any formalization in a contract and service level agreement (SLA) so that the logistics provider can make an informed decision to enter into an agreement. The document stresses collaboration in the deployment of best practice logistics processes and explains the roles and responsibilities of the 3PL and the public-sector entity outsourcing last mile distribution functions.

1. INTRODUCTION

The public-sector agency managing supply chain is responsible for the distribution of a range of health products including medicines, vaccines, medical supplies, reagents, and equipment from warehouse complexes to health facilities of varying types and sizes. The requirement is for both ambient and temperature-controlled distribution services.

While the public-sector agency may have existing vehicle operations for transporting both ambient and temperature-controlled commodities, they may require the services of 3PLs on an ongoing basis due to an insufficient capacity to meet the required levels of delivery service. Annex 1 provides a list of operational data that needs to be considered to determine the need for outsourcing. This annex lists operational data which could be shared with potential logistics service providers and the reasoning behind the data sharing.

1. Objectives

This document specifies the service that is required from a potential 3PL to provide last mile distribution (LMD) services, and the way in which that service is to be provided in collaboration with the agency’s management team. It has the objective of providing you (the 3PL provider) with details of the public-sector agency’s requirements so that you may provide an informed response prior to any formalizing of those requirements in a contract and SLA. It is expected that the relationship will be undertaken by deploying best practice outsourcing in a collaborative manner between the various parties (the public-sector agency, the 3PL, and health facilities). Thus, the roles and responsibilities of the 3PL, the health facilities, and the agency will be outlined in this document.

1. Scope of the service

It is essential that potential logistics service providers understand the procedures and operational standards to be followed and achieved. Furthermore, potential logistics service providers should be willing to utilize their operational expertise for the benefit of the citizens. Performance reporting mechanisms and performance measures are detailed under section 4.10. of this document. The key steps and scope of the overall process that are covered under the distribution component are as follows:

* Developing a standard distribution cycle plan and delivery routes; key factors to be considered include road infrastructure, delivery point concentration, historical volume, budget, and seasonal demand
* Receiving instructions regarding individual deliveries from the public-sector agency management team
* Producing a final and dynamic distribution route plan and vehicle schedule, considering the actual weight and volume of the orders to be delivered
* Presenting vehicles for loading according to the route plan and vehicle schedule
* Transporting the items for delivery and executing the unloading, local checking, and obtaining the appropriate proof of delivery (POD) documents

Submitting the POD to the public-sector agency in the required format; copy of the POD signed by recipients with notes on any applicable discrepancies needs to be deposited with the public-sector agency after delivery

Managing and improving performance through measurement and reporting mechanisms in executing the service required, the logistics service provider’s staff must act in a professional manner consistent with them being representatives of the public-sector agency. Specifically, any communication between delivery locations and your management team must be undertaken in a polite manner and if appropriate, any agreements reached should be confirmed by email, copying the appropriate member of the public-sector agency.

1. 3PL service requirements

This section expands the steps and features of the overall distribution process that have been presented in general terms in the above section.

* 1. DISTRIBUTION CYCLE PLANNING, VEHICLE ROUTING AND SCHEDULING

The overall distribution planning and detailed routing and scheduling are undertaken by the 3PL, in collaboration with the public-sector agency, and encompass the following activities:

* The development of a top-level plan, for budgeting purposes, and establishing an indication of the assets needed to deliver the plan effectively; the plan will be based on historical data, including both shipment volumes involved and seasonal demand patterns, and any short-term policy changes regarding delivery frequency and treatments being provided.
* The production of individual routes considering the actual orders to be shipped after the health care specialists and program managers have finalized the amounts of each product to be shipped to each health facility; the routes will include an estimate of the delivery times for each health facility and an overall time to complete the entire route.
* A loading plan should be developed, in consultation with the management team of the warehouse, that is consistent with the vehicle departure time in the final and dynamic distribution route plan and vehicle schedule.
* Activities should be managed to ensure that the required vehicles in terms of size and type are made available in a suitable condition for transporting pharmaceuticals at the times prescribed in the loading plan.

All POD documents should be returned to the public-sector agency, appropriately completed by the receiving health facilities, within five days of making the delivery. To facilitate this process, the public-sector agency will provide suitably qualified personnel to travel with the vehicle. The public-sector agency representative will be able to address issues related to the identification of the products being delivered and answer questions relating to the quantities being delivered, if they differ from those expected by the recipient at the health facility. The key activity is the confirmation that the goods being delivered are consistent with the delivery documentation. A provision will need to be made for returning that representative to the warehouse if the vehicle is not scheduled to return directly to the complex.

**In-transit product security**

Product security, in terms of both loss and damage, throughout the entire distribution process is of prime importance to the public-sector agency. In addition to securely closing and locking the cargo compartment of the vehicle after every individual delivery, the following best practice operating methods will support in-transit product security:

Drivers should act in a courteous and professional manner to other road users at all times. Driving in a manner which does not attract unwanted attention not only protects your image and reputation but also helps maintain the security of the items being transported by both minimizing theft and reducing in-transit damage. Drivers should drive in a manner that respects any legal regulations, such as speed limits and mandated rest periods. Professionalism should also be extended to the staff of health facilities receiving the delivery, the long-term aim being that your staff develop a joint loyalty to both your company and the public-sector agency.

* Driver training is to be provided to all personnel with regard to road safety and product security, including varying the choice of locations for driving breaks and overnight stops and with special consideration to any civil unrest.
* Vehicle markings should not have any reference to the carriage of health products. Vehicles can display the company name and contact details but not any indications relating to the type of products being carried in the vehicle.
* Routes and delivery schedules should be revised to vary the days and times of the deliveries to reduce predictability. In addition, schedules should be established that do not require drivers to rush on poorly maintained roads, which risks in-transit damage.
* Driver debriefs should be undertaken after each trip with product security as a separate topic.
* Information sharing regarding security issues, such as social unrest, will also support the delivery of pharmaceuticals in a secure manner. A protocol will be agreed upon with the selected 3PL regarding decision-making in the event of civil unrest and/or other security issues impacting the delivery activity.
  1. VEHICLE SPECIFICATIONS

Appropriate vehicles are required to ensure that pharmaceutical quality is preserved, and products are kept securely and undamaged while in transit to, and from, health facilities. A range of vehicle types and sizes will be needed to reflect the size of an individual route and the extent to which temperature-controlled transport assets are needed. With specific reference to cold chain transportation, when the volume of items requiring temperature-controlled resources exceeds 10 cubic meters, these must be transported in a refrigerated box-van. However, when the volume requiring temperature-controlled resources is less than 10 cubic meters, the 3PL may use insulated boxes using icepacks as the refrigerant, if they can ensure there is no temperature excursion during transport. Discussion will be needed to determine the best way of transporting products requiring temperature-controlled conditions, taking into account not only the size of the consignments but also the distances involved, and therefore the length of time the products will be away from appropriate temperature-controlled storage conditions. Poor road conditions will potentially require smaller vehicles with four-wheel drive transmissions and enhanced ground clearance levels.

Regardless of the size of the vehicle, delivery vehicles will be required to be:

* Fitted with a global positioning system (GPS) for both performance monitoring and enhancing product security
* Constructed with a separate closed, insulated cargo compartment for the carriage of goods in ambient conditions and insulated containers for small amounts of goods requiring temperature-controlled conditions; although products requiring ambient conditions and insulated containers can be carried in cargo compartment, pharmaceuticals and medical supplies cannot be transported with any other type of cargo per World Health Organization guidelines
* Equipped with a cargo compartment door-closing mechanism that can accommodate both key-activated and seal-based security systems
* Constructed with a channeled floor enabling air circulation around the load; alternatively, although not ideal, layer of fumigated pallets can be used to create air circulation under the load
* Fitted with seats and safety belts for three people (the driver, the pharmaceutically trained public-sector agency representative, and a laborer, as required)
* Fitted with load restraining equipment to prevent movement of the load in the cargo compartment
* Equipped with a spare wheel, spare tire, wheel changing equipment, a fire extinguisher, and a first-aid kit
* Equipped with ambient temperature monitor
* Cargo compartment bodies utilizing insulated panels in their construction
* Refrigeration equipment that can be serviced and maintained locally to avoid long periods of downtime due to the lack of local expertise and spare parts
* Plastic curtains at every cargo compartment door
* Roof height ducting to facilitate air circulation from the front of the compartment to the rear
* Temperature monitoring equipment with an alert facility in the driver’s compartment
* Temperature recording and reporting equipment

While this section refers to road trucks, of various sizes and capabilities, a further paragraph refers to other types of transport. This document focuses on road-going vehicles such as vans, which may be temperature-controlled, or small 4WD trucks. However, it is accepted that in certain circumstances, such as the remoteness of the delivery point or security issues in the vicinity of the specific health facility, other types of vehicles such as drones, motorcycles, and small boats may be deployed. The logistics service provider is expected to manage the use of other types of delivery modalities/vehicles in the same professional manner as deployed in managing the traditional delivery vehicles, in terms of planning, scheduling, and equipment maintenance. You will be required to provide specifications of the equipment that you intend to use to execute those deliveries.

* 1. VEHICLE MAINTENANCE STANDARDS

Maintaining distribution vehicles in good working condition, including cold chain equipment when applicable, is essential in order for delivery schedules to be executed as planned. Best practice is the achievement of a low level of vehicle downtime as a result of undertaking planned preventative maintenance (PPM) during times of low operational activity. PPM will, in any event, reduce the level of vehicle breakdowns. Undertaking PPM in the evenings, during periods of low seasonal demand but in accordance with the manufacturer’s recommended maintenance intervals, will support the objectives of high levels of vehicle availability. To further support the overall aim of low vehicle downtime, driver debriefs, an equipment defect reporting process, and driver training—particularly regarding temperature-controlled equipment usage—are essential. Driver debriefs, after every trip, are important to not only identify equipment issues, but also for gathering information regarding delivery issues at particular delivery points and overall route planning.

Thus, to meet the vehicle availability targets, your organization needs to demonstrate the standards to be achieved and the levels you currently have achieved. To demonstrate the standards, best practice operators:

* Develop a schedule for PPM
* Implement performance measures to monitor vehicle downtime using several reason categories
* Hold driver debriefs after every trip
* Incorporate ‘spare’ vehicles into LMD contracts
* Develop and implement standard operating procedures (SOPs) for equipment defect reporting and facilitate the management of the reported defects
* Implement breakdown procedures, utilizing a network of vehicle breakdown specialists to expedite the recovery of defective vehicles
* Allow time for daily vehicle inspections by drivers

To deliver a cost-effective high-quality operation, the agency would expect that you pursue the above characteristics of a best practice transport operator.

* 1. REVERSE LOGISTICS

While outbound deliveries from the agency’s warehouse complex to health facilities are the primary focus of this service specification, there will be a need, on an as required basis, for delivery vehicles returning to base to either collect health product from local manufacturers or expired and/or damaged products, being returned for disposal or repair, from health facilities to the agency’s warehouse complex. All of the products will require the same rigorous security practices as those deployed for the transport of products from the storage locations to the health facilities.

Reverse logistics will be discussed with you by the public-sector agency, as needed, during the route planning and vehicle scheduling exercises. Suggestions from logistics service providers regarding ways of achieving, and charging for this work intermittently, are welcomed by the public-sector agency.

* 1. INSURANCE COVERAGE AND RISK MANAGEMENT

It is expected that the 3PL/lead logistics service provider (LLP) and its sub-contractors will have purchased standard levels of insurance for the operation of road vehicles. However, the maximum level of coverage provided for goods in transit (GIT) is typically insufficient for health products. The 3PL/LLP and its sub-contractors will be required to demonstrate the level of coverage obtained for the loss of a complete load while in transit. To facilitate the purchase of the required levels of insurance coverage, the public-sector agency will provide information to enable the 3PL/LLP and its sub-contractors to obtain an adequate level of GIT insurance. In addition, a Risk Register will be required to be maintained by the 3PL/LLP, and mitigation strategies developed and reviewed with the public-sector agency management team on a regular basis.

* 1. OTHER SERVICES

**Proxy deliveries**

The term “proxy delivery” is used to describe a delivery that is not executed as directed on the delivery documentation. They can be either of the following different types:

* Site proxy delivery: A situation in which the goods are left at a different location from that indicated on the delivery documentation for staff at that location to execute the delivery
* Personnel proxy delivery: Goods are left at the correct location, but not with the designated recipient (for example, leaving goods destined for the laboratory with security personnel or the Village Head)—unofficial recipient then subsequently completes the delivery

The main reasons for needing to make a proxy delivery could be:

* A lack of security regarding the products and/or delivery staff in the immediate area of the declared delivery point
* An in-transit delay resulting in the delivery vehicle arriving outside of the opening hours of the health facility
* The inability to receive the delivery due to a lack of a responsible staff member to accept the delivery
* A lack of secure storage space at the health facility

Proxy deliveries should be relatively rare and should be considered as exceptions to service requirements. However, they should, if possible, be authorized by the public-sector agency in advance. Whether pre-authorized or executed because of expediency, all proxy deliveries need to be recorded and the reasons for doing so provided. An analysis of the various reasons will provide a useful input to management discussions related to developing ways to reduce the number of proxy deliveries.

Deploying the use of the proxy delivery process relies on the availability of an alternative receiving person or location. The Returns SOP exists for the process to be followed if a delivery cannot be made as instructed and alternative arrangements are not available. Your team will be required to make themselves familiar with the SOP during the staff training that the agency will support.

**Other ad hoc transport requirements**

The public-sector agency will want to make use of your expertise, as and when required, with transport activities not directly related to the routine distribution of pharmaceuticals and medical supplies. Possible requirements include the initial stocking of the pharmacies at new health facilities, the distribution of both new pieces of equipment and spare parts for that equipment, and the distribution of long-lasting insecticidal nets and product recalls by suppliers. The public-sector agency will specify the exact requirements and discuss the costs associated with the provision of the service in advance of the service being provided.

* 1. SUB-CONTRACTING

In certain circumstances, the contract-winning 3PL’s service coverage may not be available in all regions or during periods of unusually high seasonal demand. The need to sub-contract, when required, must be pre-authorized by the public-sector agency. The contract-winning 3PL will act as an LLP and the public-sector agency will continue to monitor and manage the single 3PL as if that 3PL was delivering the complete service to the required service area.

As a result of the LLP and the public-sector agency having discussed a list of suitable sub-contractors, immediately after the award of the contract, the LLP will not need to seek authorization each time that the need to sub-contract arises.

* 1. STAFF TRAINING

In order to work effectively with the public-sector agency, your staff will require training in the specific processes of the supply chain activities from order capture to POD via route planning and vehicle scheduling, dispatch procedures, in-transit product security, and delivery processes including obtaining POD at the point of delivery. The public-sector agency will provide copies of the appropriate SOPs to enable the training to take place. Although not necessarily delivering the training, the public-sector agency will make available appropriate members of the management team to ensure the 3PL’s management team fully understands the processes and the need for their effective implementation. Any training that is needed is additional to that required by the 3PL’s staff in terms of driving skills and the correct use of the vehicle’s equipment such as tail-gate lifts and cold chain equipment, if fitted. The agency expects your drivers to be at least 25 years of age with over 3 years of driving experience. Should your own insurance company stipulate more stringent conditions, in this regard, the agency would welcome being advised of those stipulations.

It is expected that the 3PL (LLP) will train its staff to follow the required processes and to deliver the required level of service effectively. Your own human resources policies will highlight general training requirements in the areas of communication with our staff and staff at the health facilities.

* 1. DATA SHARING AND ACCESS TO THE PUBLIC-SECTOR AGENCY’S IT SYSTEMS

While interoperability and system integration are ideal objectives, the key requirement for an effective relationship is the ability to share data between our two organizations efficiently. In order to provide the required level of service, in terms of planning activities and meeting the required delivery lead times, you will need to have implemented information technology (IT) systems that can interface with the order processing and POD systems of the public-sector agency. A Confidentiality Agreement will be required to obtain access to the public-sector agency’s IT systems, to obtain information and report performance levels, and for the agency to obtain access to your IT systems to assess the status of individual deliveries and view the GPS information.

* 1. PERFORMANCE MEASUREMENT, REPORTING, AND REVIEW PROCESSES

This section outlines our expectation of your involvement in the production of the performance measures, reporting processes, and performance review procedures. In this section a range of key performance indicators (KPIs) and performance measures are presented to provide an indication of the requirement for 3PLs/LLPs responding to our published intentions. Once the specific 3PL/LLP has been selected, the particular performance measures will be formulated, in general, and the various parameters will be defined fully.

The reporting procedure, and the associated performance measures, has three elements which are described below.

**Strategic level:**

At this level, there are only a few KPIs and performance measures to consider quarterly. However, they will provide an indication of the overall view of distribution activity performance by considering:

* The level of on-time deliveries
* The level of customer satisfaction assessed by an analysis of the complaints process and a six-monthly questionnaire technique (given the data collection requirements of the technique, this KPI will only be reported at every second quarterly meeting)
* The level of conformance to budget levels of expenditure with cost and volume variance analyses

Quarterly reviews will enable sufficient time between reviews to enable the senior management to gain an understanding of the impact of any initiatives introduced in the interim. The reviews also allow our two management teams to address any issues that have arisen without resorting to the formal dispute resolution process detailed in the contract between the parties. It is hoped that by following best practice processes and adopting a collaborative philosophy, a good working relationship will be established and the need to resort to the use of a dispute resolution process will be rare. With the scheduled meetings taking place between the various levels of management within the public-sector agency and yourselves, potential disagreements can be resolved both amicably and quickly. The formal contract will have a Dispute Resolution paragraph highlighting appropriate mediation sources.

**Operational level:**

Given that the agency should only hold our 3PL/LLP accountable for those areas that they control, there will only be a few further meaningful measures to add to those obtained at the strategic level, including:

* The level of on-time deliveries for different types of health facility or by local government areas or ward; measure provides a more granular analysis of the strategic KPI, once an agreement has been reached on the types of health facility to be monitored individually
* In-transit product loss and damage
* Temperature control failures
* Overall schedule compliance in terms of total trip time
* An analysis of the reasons for proxy deliveries; initial research will be required in order to define the main reasons for making a proxy delivery prior to monitoring the situation regularly

The statistics should be produced monthly, by your team, and circulated in advance of a monthly review meeting attended by our contract manager and your head of operations. These two executives may be invited by the senior managers to attend the quarterly reviews. However, it is unlikely that the more senior managers would attend the monthly events.

**Departmental level:**

Within transport activities the departments that manage planning, driver management, and vehicle maintenance can be considered separately, although the actions of one department may have an adverse impact on other departments within the overall distribution operation. The measures will be designed to enable research to be undertaken in those areas in which the performance at the operational level is failing to meet the required level of performance. Initially, we envisage the following measures being required:

* The level of vehicle downtime with an analysis of the reasons for vehicle non-availability
* The level of on-time vehicle availability
* The level of routes experiencing issues such as delays and non-conformance to schedule
* The level of sub-contracting and the reasons behind the need to do so
* The extent to which PPM is undertaken as planned
* The number of vehicles rejected by quality managers at the time of loading

The above measures refer to the performance of the 3PL providing the service and may support the public-sector agency and the 3PL to jointly identify challenges and areas to improve. In the two-way best practice relationships, the client has various obligations to their 3PL. Measures need to be developed during final negotiations and formalized in the SLA. Such measures include:

* Compliance with payment terms
* The timely provision of new product data
* Adherence to loading schedule

To make good use of the various types of measures outlined in this section, both the agency and the 3PL will need to put in place organization structures that reflect the various levels within the reporting structure. Doing so will enable appropriate communication and issues resolution to take place in a timely manner. Day-to-day operational matters will be dealt with by the two operations teams. Scheduled monthly and quarterly meetings will enable the more senior managerial groups to meet and review progress against the particular KPIs and performance measures, taking appropriate managerial interventions as needed. For success, it is essential that the organizations are staffed by suitably qualified personnel.

In the event that the agency and the 3PL/LLP subsequently do work together, figure 1 indicates the anticipated relationships with regard to the reporting process between our two organizations.

**AGENCY’S ORGANIZATION YOUR ORGANIZATION**

GOVERNING BOARD MEMBER SENIOR EXECUTIVE – MANAGING DIRECTOR

EXECUTIVE SECRETARY OPERATIONS MANAGER

WAREHOUSE COMPLEX MANAGER OPERATIONS TEAM:

Dispatch Supervisor Distribution Manager(s)

IT Systems/Data Manager

Safety And Quality Manager

Figure 1. The relationships between the 3PL/LLP and public-sector agency

In addition to the regularly produced performance measures, a daily operations report is required to provide an indication of the overall status of the operation. It is a snapshot of a moment in time, typically 06:00, describing the extent to which the operation reflects the plan for that time of day. The frequency of such a report may be changed to weekly or monthly once the intensity of the new operation has been established. A suggested format for a daily operations report relating to transport activities is presented in Annex 2.

The measures indicated for the departmental level should also be produced and reviewed monthly, and only elevated to the monthly review should they be needed to support any root cause analysis being undertaken at the meeting. The monthly reviews should take place around two weeks prior to the operational monthly review meetings.

Baseline performance and targets shall be set for the agreed list of performance measures and monitored regularly. Annex 3 provides a template that can be used to capture baseline and target levels of performance. More details on the list of performance measures, calculation formulae, and reporting frequencies are provided in the performance management plan document.

It is anticipated that you will collect the data for the performance measures detailed in our joint SLA from your own operational systems, either manually or preferably electronically, and produce the performance measures for circulation within the public-sector agency.

Furthermore, for quarterly reviews to be effective and to support the development of an excellent ongoing working relationship, the agency proposes, although subject to negotiation, contracts of at least three years in length incorporating an annual review at the end of the first and second years.

1. The role of the public-sector agency and health facilities in the relationship

The relationship between the public-sector agency and the selected 3PL/LLP can be characterized as a two-way situation. Consequently, the agency must support the relationship adequately in order for you to deliver the required levels of service effectively. The agency commits to provide both information in a timely manner and suitably qualified human resources to collaborate with the various levels of management involved. The main areas of support can be summarized as follows:

* The provision of operational information in a timely manner: to professionally support the planning and scheduling tasks, you will require a considerable amount of information. There will be an initial need to provide information regarding the details of the products in terms of weight, volume, and temperature considerations. In addition, details of the delivery points will also be required in terms of, at least, the address, contact names and telephone numbers, opening hours, and any vehicle access constraints. While this activity will initially require a considerable allocation of resources, our team will implement procedures to ensure that information relating to new products and additional delivery points are communicated in advance of the planning for the next distribution cycle. Of particular importance is the sharing of any information that is available regarding terrorist activity and civil unrest with the 3PL.
* Pursuing feedback relating to issues experienced at specific delivery points: the public-sector agency team will investigate any issues raised by the 3PL with the management of the specific delivery point involved. Should any health facility have a complaint regarding the service provided, that will also be investigated through the various reporting and review meetings.
* Communicating with health facilities in advance of making a delivery, as indicated in the distribution cycle plan: the aim is to ensure that the appropriate personnel and adequate storage space will be available to receive the delivery.
* Ensuring health facility information is up to date: having the latest information relating to opening hours and access difficulties at all health facilities will limit the level of delay resulting from inaccurate information.
* Providing the estimated average order size, in terms of weight and volume, to each delivery point based on forecast quantities of each product: of particular importance will be information regarding any seasonal variations in terms of overall volume and average order sizes. Advance information regarding campaigns aimed at particular elements of the overall population is also very useful knowledge for your organization.
* Providing load value data on a regular basis: this will allow you to purchase and demonstrate that you have purchased the appropriate level of GIT insurance.

Enabling access to our IT systems to enable interfaces between the logistics service provider’s IT systems and those of the public-sector agency to be put in place: while security and confidentiality concerns need to be addressed, in terms of a confidentiality agreement, the smooth transfer of data between our two organizations is essential from both an accuracy and an efficiency perspective. Although the performance measures that you will be responsible for producing are likely able to be produced from your own systems, individual delivery order details such as the delivery point location, the consignee, and the product weight and volume need to be transferred electronically. The agency will make available members of its IT team, as necessary, to ensure any interfaces or interoperability issues are resolved effectively.

* Making available suitably qualified team members to support and witness the delivery of health products to each facility: packing orders in sealed cartons would eliminate the need for qualified staff to accompany each delivery and should be considered whenever feasible.
* Facilitating the training of your staff: SOPs will be provided in the operational areas of vehicle loading, maintaining load security, vehicle unloading, order checking, the POD process, and any other operational aspects that you will need to train your staff.
* Undertaking the training of health facility staff: this will reduce the time delivery vehicles remain at health facilities while the delivery is unloaded, checked, and POD documentation produced.
* Making available suitably qualified team members to staff the review meetings and ensure that the review meetings are executed effectively: good meeting disciplines such as action point notes, indicating the action, the responsible person, and the deadline for taking the action will be deployed to ensure the timely progress of agreed actions.

1. Conclusion

This document has described the essential features of a two-way relationship between the public-sector agency and a 3PL providing distribution services from a warehouse complex. The nature of the multi-faceted operation has been explained from the planning of the routes to the presentation of POD to the public-sector agency.

The communication and reporting responsibilities of both parties have been presented, which include suggested performance measures for strategic, operational, and departmental levels of management. The agreed upon performance measures will be formalized in the SLA and contract between our organizations. Although the agency expects the required levels of service to be achieved by your organization, it will undertake the necessary supporting actions for achieving the required level of service cost effectively and in a timely manner. Such actions include the training of your staff and working with our “customers,” the health facilities, to remove any operational difficulties that arise.

Working in a best practice outsourced relationship is much more collaborative than a traditional fee-for-service contractual relationship. It will promote peer learning and a sustainable operation. This document has outlined the professional style of working together needed to deliver benefits to both of our organizations. Professional practices and standard performance monitoring processes will deliver the required levels of service cost effectively on an ongoing basis over several years. However, it requires efforts such as change management and trust between our two organizations to be successful. By operating in a best practice manner, with standard processes and leveraging established structures, our collaboration will achieve the levels of service required to support the health care vision and mission of the service area.

# Annex 1: Operational data and information

Note: The template provided below describes the type of data and presents spaces which can be populated with current data and information about supply chain activities in area of interest. The extent of the potential elements of the supply chain being outsourced will determine the types and amount of information provided to potential partners at an early stage of the process. It is important to note that only distribution activities, not the entirety of the supply chain, will be outsourced. The following operational data and information list will align with this indication.

|  |  |  |
| --- | --- | --- |
| **OPERATIONAL DATA** | **ACTUAL DATA For period XX to XX** | **REASONS FOR SHARING** |
| The geographic areas to be served | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | The information will provide an overview of the operation and allow the logistics service provider to make use of their depot network, if it exists, for the benefit of their client |
| The number of delivery points by type. For example: Hospitals, clinics and health posts | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | Further information to provide more in-depth understanding of the requirement |
| The locations of each delivery point divided into appropriate State sub-divisions | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | Additional geographic information to help a potential logistics service partner provide a professional bid |
| The average weight and volume of the individual deliveries to each type of health facility | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | Further information to help estimate the types and size of vehicles required and subsequently the cost of the operation |
| The sizes and types of the vehicles currently deployed, For example: 3.5t GVW, 7.5t GVW, 4x4 and temperature-controlled | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | Such information will enable a potential logistics service provider to calculate the number required and the related costs |
| The temperature-controlled operating ranges | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | The logistics service provider will use the temperature range and information regarding the geographic area to be served to respond to the need in terms of equipment and cost |
| Lead times from receipt of instruction to vehicle loading and dispatch | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | A key input to ensuring that enough assets are available to achieve the required service level |
| The operating hours of the central loading facility | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | Hours are limited to comply with safety and security policies. Logistics service providers will need to ensure their scheduling incorporates those limited hours |
| Average vehicle loading times for a range of vehicle types and size | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | To ensure effective use of the available vehicle fleet, these times will be a key element of the logistics service provider’s vehicle scheduling activity |
| The operating hours of the various types of delivery point | TO BE PROVIDED BY THE PUBLIC-SECTOR AGENCY | Another key input to vehicle scheduling and cost estimation. It also will indicate the possible need for secure overnight parking locations in the event of multi-day routes |

# Annex 2: Daily operations report template

Name of third-party logistics service provider:

Loading location:

Date and time of completion of this report:

Number of outgoing loads scheduled to have departed yesterday:

Number of outgoing loads scheduled to have departed not yet loaded:

Proposed actions to load and dispatch late departure:

Next 24 hours, concerns, and planned interventions:

Completed by:

# Annex 3: Baseline and target levels of performance indicators

|  |  |  |  |
| --- | --- | --- | --- |
| KPI/Performance Measure | Baseline | Target 6 months | Target 12 months |
| Level of customer satisfaction |  |  |  |
| On-time delivery (%) |  |  |  |
| Compliance to budgeted costs (%) |  |  |  |
| On-time deliveries by health care facility type (%) |  |  |  |
| In-transit product loss and damage (%) |  |  |  |
| Temperature-control failures (%) |  |  |  |
| Schedule compliance (%) |  |  |  |
| Proxy deliveries by reason |  |  |  |
| The level of vehicle downtime (%) |  |  |  |
| Truck on-time availability (%) |  |  |  |
| Level of routes experiencing issues (%) |  |  |  |
| Level of sub-contracting (%) |  |  |  |
| PPM schedule compliance (%) |  |  |  |
| Level of rejected vehicles pre-loading (%) |  |  |  |
| Loading schedule compliance (%) |  |  |  |