Canadian Paint and Coatings Association
Association canadienne de l'industrie de la peinture et du revêtement

Supply Chain Management
Regulation & the Coatings Supply Chain

CPCA ISSUE BACKGROUNDER

Supply Chain Management

Most major chemical companies, including manufacturers and suppliers of raw materials, additives, and resins to the paint and coatings sector, have implemented enterprise resource planning and supply chain management systems (SCM). A company deciding to implement an SCM solution directly or in concert with distributor partners have already taken a critical initiative. For many years the paint and coatings industry has embraced SCM by having knowledgeable people making key planning and scheduling decisions based on experience via a trusted supply chain management system.

Supply chain management systems assist in the gathering and analysis of data to enable accurate demand forecasting, which is then coupled with internal knowledge of production and delivery. There are five aspects of supply chain management that paint and coatings companies are particularly interested in: forecasting; order processing and execution; warehouse management, production planning and execution; and distribution resource planning. Scheduling must be sufficiently detailed to represent the many unique aspects of the coatings industry that include tank scheduling, shared resources, and linkages between production and filling. Of course, most of these functions have become part of the digitalization across the SCM spectrum.

Increasing emphasis has been placed on forecasting demand, or demand planning, especially when key ingredients for the coatings sector is placed on allocation. Accurate demand forecasting in order to increase service levels to customers while minimizing the amount of inventory, and therefore cost, is critical. Increasingly coatings companies are embracing the demand side of SCM and are using forecasting models to predict future sales. The key to demand planning is the achievement of better communication throughout the supply chain and the need for an acute understanding of the customers' product demand requirements. All of this dictates the supplier/distributor requirements. Increasingly companies retain less inventory with many raw materials now sourced globally, often in tight supply, with costs increasing in all areas of the supply chain.

There are numerous channels of distribution such as "big box" and lumber supplies, company stores, hardware stores, merchandisers, and small general shops, all of which add complexity to the supply chain. However, for paint and coatings companies, point-of-sale data and information on upcoming marketing promotions is often available to the manufacturer. Even the large discount stores now provide data to paint companies in order to improve their supply chain management.

Canada Context

Powerful industry trends across the supply chain including increasing international competition, industry consolidation, and heightened customer expectations continue to add pressure on chemical manufacturers to improve efficiencies, especially in the supply chain. A critical part of this effort means complying with regulations and standards for formulated products vis-à-vis human health and the environment. Canada is at the leading edge of this regulatory effort and has been for the past ten years with an elaborate process for the assessment of all chemicals of concern in commerce.

Industry leaders in the coatings industry focus on ensuring they protect the reputation of their brands with ongoing R&D investments in more environmentally sustainable products. They also put a great deal of time and effort into managing the distribution and placement of products. This includes determining the number of optimal warehouses with adequate control exercised over them. They also rely on digital technologies and analytics to run more efficient supply chains.

About half of all the paint and coatings products sold in Canada today are imported from the United States by multinational companies operating on both sides of the border. This creates a significant requirement to have a highly efficient supply chain. A comparative analysis of Canadian and U.S. regulatory frameworks

and approaches for the risk assessment of existing chemicals was completed in August 2015. It investigated similarities and differences in critical aspects of assessment such as: regulatory authority, timelines, priority setting, information gathering, science-based risk assessments, science policy, and public consultation. Opportunities for improved alignment and future collaboration were identified, such as in the areas of data gathering and sharing, guidance documents for risk assessment, which included the use of common terminology. Potential challenges to alignment were identified such as the:

- ability to share confidential business information (CBI)
- inability to assess certain chemicals regulated under other federal statutes or that fall outside the regulatory scope of the Canadian Environmental Protection Act, 1999 (CEPA 1999) or the Toxic Substances Control Act (TSCA)
- inclusion of occupational risks within the scope of assessments under TSCA, but not under CEPA 1999.

These challenges can wreak havoc with even the most sophisticated supply chains and must be fully addressed.

Cross-border Supply Chains

To determine whether a chemical is safe for use in Canada, it is the manufacturer and importer's responsibility to be aware of emerging science and risks related to substances in the products they sell. They are also expected to:

- monitor scientific literature and post-market data both domestically and internationally (if available); and
- take appropriate corrective measures as soon as available safety information suggests the need for action (i.e. product may no longer be compliant with the FDA, HPA-HPR/CCPSA, CEPA and other Canadian Regulations and Canadian Border requirements).

Sources to help stay informed include, but are not limited to:

- tests, studies, or research related to substances in their products
- regulatory decisions or actions put forward by other jurisdictions
- research and conclusions related to similar product areas
- positions taken by other relevant authoritative organizations outside of government (review panels, advisory groups, associations, etc.)
- adverse events, injuries or trends with respect to a product

Other members of the supply chain are encouraged to discuss safety related monitoring activities with manufacturers and importers given the fact that anyone selling a coatings product is responsible for the safety of products made available to consumers.

Environment and Climate Change Canada, Health Canada and the United States Environmental Protection Agency (EPA) are collaborating on efforts to develop common approaches for regulatory reporting requirements for new uses of chemical substances or Significant New Activity (SNAc) provisions in Canada and Significant New Use Rules (SNURs) in the U.S. The work plan also provides an opportunity to collaborate on efforts to improve the flow of information on chemical substances throughout the supply chain and develop consistent and effective approaches to compliance promotion for chemical use per the SNAcs and SNURs.

These three entities on both sides of the border will also continue to collaborate in efforts to develop common approaches to address emerging risk issues and are jointly considering how the use of novel data can inform the assessment of chemical substances. These partners will continue working together to develop an Assessment Collaboration Framework that will facilitate and enhance cooperation between these organizations for the risk assessment of chemicals within their respective regulatory frameworks.

Canadian Paint and Coatings Association
Association canadienne de l'industrie de la peinture et du revêtement

Canadian Paint and Coatings Association
900-170 Laurier Avenue West
Ottawa, ON K1P 5V5

Follow CPCA or Visit canpaint.com
for more news and information

About CPCA

Since 1913, the Canadian Paint and Coatings Association has represented Canada's major paint and coatings manufacturers, and their industry suppliers and distributors in three primary product categories: architectural paints, industrial products and automotive coatings. In Canada, CPCA members have more than 261 paint manufacturing establishments, own more than 3,000 retail outlets, supply products to another 5,000 retail stores and more than 7,500 auto body shops. This represents annual retail sales of more than $12.3 billion, employing directly and indirectly 86,300 employees.