



Material Control Systems Requirements And Information

Litens Automotive Group, Canada (LAP)

10th Edition Issued - November 14, 2012



Table of Contents

CONTENTS		Page
<u>Section I: Material Control Systems Requirements and Information</u>		
1.0	General Information	4
2.0	Delivery	
2.1	Delivery Requirements.....	4-5
2.2	Delivery Date or Shipment Date	5
2.3	Standard Pack / Bin Quantity	5
2.4	Minimum Order Quantities	5
2.5	Bulk Packaging and Allowances	6
2.6	Increased Release Requirements	6
2.7	Supplier Delivery Schedules	6-7
2.8	Vendor Expedites and the “Expedite Report”	7-9
2.9	Supplier Bin Tags, labels & Shipping Document Requirements.....	9
2.10	Cum Discrepancies	9-10
2.11	Setup Charges / Minimum Production Run	10
2.12	Family Tooling	10
3.0	Advance Shipping Notice (ASN)	
3.1	General	10
3.2	ASN Requirements	10-11
4.0	Rejected Material	12
5.0	Litens Supplied Bins	
5.1	Approved usage	12
5.2	Physical Count	12
5.3	ASN Requirements	12
5.4	Bin Codes and Descriptions	12-13
6.0	Customer Supplied Product	
6.1	Reporting Dates and Times	13
6.2	Physical Count Procedures	13
6.3	Litens Calculated Discrepancies	13
6.4	Salvaged Components	13
6.5	Raw Components Returned to Litens	13-14
6.6	Shipped on Samples	14
6.7	Litens’ Bin Inventory	14
6.8	Supplier Receipt Off-Premise Inventory/Discrepancy Reporting	14
6.9	Process Scrap Reporting and Disposition	14-15
6.10	Quality Rejects/Quality Hold Reporting and Disposition	15
6.11	Litens Supplied Material That is a component of defective material..	15



7.0	Premium Freight	15
8.0	Holidays, Vacations and Shut-downs	
8.1	Litens’s Holidays, Vacations and Shut-downs	15-16
8.2	Supplier Holidays, Vacations and Shut-downs	16
9.0	Wood Packaging Standard	16

Section II: Release Analysis

1.0	Past Due – 01/01/40	17
2.0	CUM YTD	17
3.0	Material Authorization (MT)	17
4.0	Fabrication Authorization (FI)	17
5.0	Final Material Authorization	17
6.0	Forecast Qualifier Field	17

Section III: Supplier Performance and Corrective Action, Delivery Performance Calculations, and Release Concerns

1.0	Supplier Delivery Performance.....	18
2.0	Supplier Delivery Corrective Action	18
3.0	Supplier Delivery Performance Measurement	18
3.1	General	18
3.2	Delivery Performance Calculations	19
3.3	Delivery Performance Disputing Process	20-21
4.0	Supplier Release Concerns	21
4.1	General	21
4.2	Release Increases	21-22
4.3	Release Decreases	22-23
4.4	Capacity Constraints	23-24

Section IV: Daily Shipping Requirements System (DSRS)

1.0	862 Release Data Report	25
2.0	862 Software Limitations	25
	Contact Information	26
	Glossary	27-32

_____ SECTION I _____

Material Control Systems Requirements and Information

1.0 General Information:

- 1.1 Any problems that may jeopardize delivery of parts shall be communicated to your Release Analyst immediately. Reasons may include, but are not limited to, the following:
 - Capacity constraints
 - Tooling or equipment failure
 - Quality issues
 - Transportation problems
- 1.2 The supplier shall use 830 Releases to plan future requirements and maintain a manufacturing system that is as flexible as possible to facilitate fluctuations in demand.
- 1.3 The supplier shall maintain an adequate finished goods inventory level to buffer against release fluctuations until flexible manufacturing can be achieved.
- 1.4 A supplier that cannot meet release requirements shall provide detailed delivery information to the Release Analyst.
- 1.5 The supplier shall maintain accurate Cum Year to Dates by checking them against releases.
- 1.6 The supplier shall provide standard pack / bin quantity information.
- 1.7 The supplier shall always keep contact information current. Coverage shall include 24 hours per day 7 days per week.
- 1.8 Do not regard any problem or question as being too “silly” or “trivial” to bring to our attention. It is far better to ask a question than risk missed shipments due to misunderstandings or confusion that could have been easily corrected.

2.0 Delivery:

2.1 Delivery Requirements

Suppliers shall ship the correct part and quantity on the correct date according to the current 862 Daily Shipping Requirements (DSR) schedule, or the 830 Release for suppliers or parts which do not receive 862 DSR schedules.

The 862 DSR schedule currently reflects shipment dates, not delivery dates. Specific route schedules for the pickup of parts will be determined by the Litens Logistics Coordinator on an ongoing basis. Suppliers shall have their loads prepared by 7 am on the assigned day(s), or as otherwise directed.

The 830 Release may reflect delivery dates or shipment dates. In order to determine supplier requirements, refer to the assigned ship pattern codes to determine specific quantities and date(s) parts are due.

The correct quantity required shall be determined by taking Litens' cum required and subtracting the suppliers cum shipped less any in-transit parts. The supplier's cum shipped shall match Litens' cum received except for in-transit parts. More information on how to determine quantity required can be found in the AIAG implementation guidelines.

Any over-shipments may be returned at the supplier's expense. Consideration will be given to volume, space occupied, and the number of days early.

2.2 **Delivery Date or Shipment Date**

The distinction between delivery date and shipment date is very important. Misinterpretation could affect many things, such as Litens' production schedules and the supplier's delivery performance ratings.

- Delivery Date - this is the date the supplier shall have parts at Litens' dock.
- Shipment Date - this is the date the supplier shall ship parts from their dock.

2.3 **Standard Pack / Bin Quantity**

Suppliers will provide Standard Pack or Bin Quantity information for Litens' review and approval. Where Litens' bins are supplied, the supplier shall base its standard pack on the best use of bin size and expected yearly volume. Litens will review the information and may adjust the Standard Pack or Bin Quantity based on factors such as demand, cost, space available, etc.. All approved standard packs will be communicated to the supplier and may be re-evaluated by Litens from time to time or at the supplier's request.

Submission of Standard Pack or Bin Quantity information shall be initiated by the supplier's APQP process and be sent to Litens Inventory Analyst.

2.4 **Minimum Order Quantities**

Supplier minimum order quantities are determined by Litens' Purchasing Department not by the Material Control Department. Releases shall reflect minimums either through the Material Authorization or the order quantity.

2.5 Bulk Packaging and Allowances

2.5.1 Description of Bulk Packaging

"Bulk Packaging" refers to a system of packing parts in which the quantity fluctuates from pack to pack or bin to bin. This is usually found in cases where Litens' bins are used and parts are filled to a certain level so that they come close to the approved standard pack.

2.5.2 Bulk Pack Allowance

The amount of fluctuation in quantity from pack to pack is controlled by applying an allowance which limits the deviation around the approved standard pack. Suppliers shall request a Bulk Pack Allowance percentage where appropriate. Litens will communicate to suppliers any approved Bulk Pack Allowances. Allowances may be re-evaluated from time to time by Litens. The supplier may also submit a request along with a reason for changes to their Bulk Pack Allowance. Requests shall be submitted to Litens Inventory Analyst.

2.5.3 Delivery Performance

Delivery performance calculations will incorporate the Bulk Pack Allowance percentage.

2.6 Increased Release Requirements

830 Releases are recalculated on a weekly basis and 862 DSR schedules are recalculated daily. Increases received from Litens' customers along with adjustments to Litens' on-hand inventory, such as process scrap and quarantined parts, will cause a change in supplier requirements. Some changes will cause requirement for a part to go past due when previously the requirement was for some time in the future or did not exist at all.

Litens' planning process does not inhibit these changes in supplier requirements for the reason that suppliers may very well have these parts available. Please, refer to the section on Supplier Delivery Schedules for information on what to do if requirements cannot be met.

2.7 Supplier Delivery Schedules

When a supplier cannot meet release requirements, the supplier shall provide a Supplier Delivery Schedule.



Information shall include;

- part number
- quantity due
- date due
- quantities and dates parts will be available

Suppliers shall review their 862 DSR schedules on a daily basis and advise their Release Analyst / Expeditor immediately if they are unable to meet the current or next day's schedule and a minimum of 48 hour notice for all other requirements. When less than 48 hour notice or no notice at all is received the supplier's delivery performance rating will be affected.

Suppliers shall provide a written delivery schedule before noon on the second day of business after a new 830 release has been issued. Failure to provide a delivery schedule by the specified time will result in delivery performance point loss.

**Due to the release recalculation process that takes place on a weekly basis, the Litens Material Control Release Analyst will work with concerns regarding the current week only. This means the supplier shall submit their concerns each week for the current week only. Any written agreement to revise a release is not a blanket agreement and will not apply to any future week.

The Litens Release Analyst/Expeditor will review the schedule and where required will work with suppliers to finalize the best delivery schedule possible.

2.8 Vendor Expedites and the "Expedite Report"

The following is a reproduction of a section from the "Expedite Report" for your reference.

Example

202098A	Date	Litens O/H		Date	Qty	Expedite Date and Quantity
Projected O/H	06/21/01	70	Release	06/18/01	5,250	
Projected O/H	06/24/01	-4,295	Release	06/25/01	11,700	
Standard Pack: 4800		Last Receipt Date: 06/05/01		Cum Receipt To Date: 3,982,739		Last Receipt Qty: 3,225

The Expedite Report consists of a product number and pertinent data -- as shown in the example above, for every instance where our projected on-hand inventory falls below 1000 pieces. It does not include all parts on release only items where our plant production schedule drives our current on hand of raw material below 1000 PCs. or into a negative on-hand position.

Each product number has details on Litens projected on-hand inventory, current release quantities less any receipts, last receipt posted information and the

approved standard pack quantity. The information is current as of the date and time shown at the bottom of the report (date and time not shown in the above example). The projected O/H date and quantity are key information in determining and managing how much is required and when we need it.

2.8.1 Determining Delivery Date and Minimum Quantity

First, the vendor determines the date in which our on-hand goes below the Buffer Stock quantity (see additional information on Buffer Stock quantity below), then determines the minimum quantity required to cover up to the Buffer Stock amount or to cover the negative on-hand quantity plus the Buffer Stock amount.

Using the above sample and assuming the Buffer Stock amount is 150 PCs the vendor would be required to deliver 80 PCs ($150 \text{ buffer stock} - 70 \text{ on hand} = 80$) on June 21 which ensures the Buffer Stock minimum is covered, then an additional 4,295 on June 24. Using a different Buffer Stock amount of 50 PCs. the vendor would be required to deliver 4,345 PCs ($4295 \text{ negative on hand} + 50 \text{ buffer stock}$) on June 24.

2.8.2 Optimizing the Delivery Date and Quantity

After determining the appropriate date and minimum quantity we would like the vendor to optimize the process by shipping either the full release quantity or a multiple of the standard pack if the vendor does not have the full release amount available. Also the vendor has the option to ship earlier than the date determined if the parts are available. Vendor delivery performance will still be considered so the vendor shall take this into consideration before determining the final date and quantity.

2.8.3 Recording Delivery Information

The vendor provides confirmation they can meet requirements by recording the date and quantity of parts to be supplied by return communication, and is responsible to ensure the appropriate quantities of parts are received by the agreed date.

2.8.4 Transport of Goods

Vendors on a Pre-Scheduled Delivery Route. Please note that available truck space shall not be consumed by shipping the full release quantity if there are other parts on expedite which require the space. If we have not supplied enough truck space to support the date and minimum quantity, the vendor shall contact their logistics coordinator.

2.8.5 Frequency of Reports and Response Time

Expedite reports will usually be issued on Monday and Wednesday each week with both reports generated from our most current production

schedule. We do not carry over previously received vendor delivery dates or quantities. **Once a new report is received any previous responses will be disregarded.** It is up to the vendor to recognize changes to dates and the projected on hand, to reevaluate requirements and record their new delivery date and quantity.

In regard to response timing, the vendor shall do a first pass of the report and respond to any same day or next day requirements and return by 2 p.m. the same day. Generally, this rush response can be reduced or eliminated by the vendor meeting commitments made on prior reports however it also may be unavoidable if we process significant customer increases. All other responses shall be returned by 10 a.m. the following day or earlier if possible. **Responses are required for the full date horizon of the report.**

2.8.6 Buffer Stock

At the bottom of each page -- not shown in the above example, there is information regarding "Buffer Stock". This is where we list the first three digits of the vendor part number along with a quantity. The buffer stock strategy is designed to guard against instances of line scrap, bin count variances and topping up partials from finished goods. Ensuring appropriate buffer stock is critical to maintaining firm plant production schedules that will result in less fluctuation to the vendor releases and limit the necessity of hot part expedites.

2.9 Supplier Bin Tags, box and skid labels & Shipping document requirements

- All supplier bin tags, labels, packing slips, and ASN's shall include the correct Litens part numbers, revision levels, and quantities. Refer to Litens Bar Code Specification posted on Litens website.
- Inaccurate paperwork may result in the shipment being returned at the supplier's expense. Vendors shall ship their full release quantity according to the date determined and their window time as outlined by the Logistics Group. Additional costs incurred for additional deliveries due to not shipping the full release quantity are the responsibility of the vendor.

- All shipments shall be labeled with approved box and skid labels.
- Skid labels information shall match exactly with the information entered in the ASN.
- For local suppliers, shipping document must accompany the shipment. Failure to do so might result in payment discrepancy.



- For overseas suppliers, 4 copies of the shipping documents shall be attached to the shipment.

2.10 Cum Discrepancies

The supplier shall track and resolve any discrepancies between its cumulative year-to-date shipped total and the Litens cumulative year-to-date received total on a weekly basis for 830 Releases and daily for 862 Releases. The supplier shall ship parts according to Litens' cum less parts in transit until the discrepancy has been resolved.

2.11 Setup Charges / Minimum Production Run (Applicability to Individual Suppliers Will Vary)

Suppliers will use the YTD High Authorization field when planning their production runs in order to keep the setup charges being billed to Litens at a minimum. When the YTD High Authorization field contains an amount that covers requirements out into the future, Litens expects suppliers to do a single production run to bring them up to the YTD High Authorization and charge for a single set up.

Requests for minimum run authorization or setup charges shall be submitted in writing to the Material Control Supervisor for approval. Upon receipt the Material Control Supervisor will review production requirements and may choose to accept the setup charge / minimum run or provide an alternate quantity.

2.12 Family Tooling (Applicability To Individual Suppliers Will Vary)

Litens is aware that there are occasions when the amount of parts on order for family tooling parts do not match. In instances such as these, suppliers are authorized to produce both parts to the higher of the two YTD High Authorizations even if the release does not reflect this.

3.0 Advance Shipping Notice (ASN)

3.1 General

All shipments to Litens shall be followed by an Advance Shipping Notice (ASN). The ASN must be sent immediately after the parts have left the supplier's dock. ASN shall be sent by EDI/WEBEDI. There must be only one ASN per shipment.

3.2 ASN Requirements

All ASN's Shall Contain The Following Information and should match exactly with the information on the skid labels

Date and Time:	The date and the time at which the vehicle carrying the parts left the supplier's dock
Bill of Lading Number:	The bill of lading or packing slip number on which this shipment of parts will appear. There shall be a single packaging slip for each plant per shipment to Litens. Note: Do not send one part number / packing slip. The packing slip number must be referenced as the shipper number on the ASN. This number must match the number that is sent on the invoice (ideally, the shipper number on the ASN would be the packing slip number which would then be the invoice number).
Litens Part Number:	Correct Litens part numbers including revision for each part shipped.
Quantity Shipped:	The correct quantity for each part shipped
Number of Containers:	The total number of containers (Litens' bins, skids, boxes, totes etc.) used in the current shipment. In the case of Litens' bins, the number of each type of bin. (See Item 5.4 in Section 2 for more information)
Mode of Transportation:	The mode of transportation. These may include; <ul style="list-style-type: none">▪ Litens Truck▪ Litens approved carrier▪ Supplier's Truck▪ Federal Express▪ Courier▪ Air Freight Service



Way Bill Number: For air freight services and courier services a way bill number must be provided.

4.0 Rejected Material:

When parts are declared defective by Litens Quality Assurance Department, the defective material may need to be replaced. Once Litens QA has informed the supplier about the rejected material, the supplier shall provide a Supplier Delivery Schedule for replacement parts to the Litens Release Analyst/Expeditor. After the schedule has been received and agreed upon, the Release Analyst/Expeditor will issue the appropriate release.

Suppliers shall ship the replacement material to Litens at their own cost. Suppliers can contact the Release Analyst/Expeditor to request authorization to ship replacement material, or to have defective material returned, using the Pre-Scheduled Delivery Route. If approved, freight charges will not apply.

Please note that when a quantity of parts is returned as being defective, the cum received for that item will be reduced by an equal quantity.

5.0 Litens Supplied Bins:

5.1 Approved Usage

Some suppliers are provided with Litens' bins for packing parts for shipment. Suppliers shall not use Litens' bins for storing finished goods beyond the Fabrication Authorization, or the Material Authorization if Fabrication Authorization is not given. Litens' bins shall not be used for storing quarantined parts, work-in-process parts or scrap material. Litens will determine the number of bins allotted to each supplier and will monitor the level of bins at each supplier's facility.

5.2 Physical Counts

Litens' bins are considered customer supplied product and are subject to periodic requests for physical counts and reconciliation.

5.3 ASN Requirements

Suppliers shall record the number of each type of bin involved in a shipment on their packing slips and ASN's.

5.4 Bin Codes and Descriptions

Container sizes and representative codes Litens may use from time to time are as follows:

**Dimensions given for bins
are internal**



F	FULL SIZE BIN (LIT1)	L96 cm x W70 cm x H64 cm
H	HALF SIZE BIN (LIT2)	L96 cm x W70 cm x H32 cm
Q	QUARTER-SIZE BIN (LIT3)	L96 cm x W70 cm x H16 cm
S	SKID	VARIABLE
B	BOX	VARIABLE
T	TOTE	VARIABLE
O	OTHER	VARIABLE

6.0 Customer Supplied Product:

This section applies to all suppliers who use Litens' supplied material.

6.1 Reporting Dates and Times

Suppliers shall conduct a physical count every month, or more often as requested by Litens. Regular monthly counts shall be conducted to coincide with the end of Litens' monthly accounting periods or according to the schedule provided by your release analyst. Please, note that accounting periods do not exactly match calendar months. At the beginning of each calendar year, Litens will provide suppliers with a listing of exact accounting period dates.

6.2 Physical Count Procedures

The supplier shall reconcile physical count variances according to generally accepted accounting principles. From time to time Litens may perform its own physical count at the supplier's location and / or audit any physical counts and procedures. All unresolved discrepancies for the current accounting period, arising from physical counts shall be reported on the form Statement of Off-Premises Inventory MCF-030 in the appropriate field.

6.3 Litens Calculated Discrepancies

If a discrepancy exists between Litens' calculated off-premises on-hand inventory and the suppliers closing balance it will be reported in the "Litens Use - Variance" column and faxed to the supplier for reconciliation. The supplier has ten days in which to resolve these variances. If the supplier fails to resolve the variances within that time, the supplier shall be billed for the full value of the parts shortage.

6.4 Salvaged Components

Any components previously reported as QA Reject/Hold or Process Scrap that are returned to stock for use in production shall be reported in the "Salvaged



Components” field. This quantity shall also be added back into the on-hand balance.

6.5 Raw Components Returned to Litens

From time to time, Litens may request that a quantity of raw components be returned. These quantities shall be recorded in the “Raw Components Returned” column and deducted from the on-hand balance.

6.6 Shipped On Samples

The “Shipped on Samples” column shall only be used to report quantities of components that have been used to manufacture sample parts. Do not use this column to report raw components returned to Litens or parts that are shipped against production releases.

6.7 Litens’ Bin Inventory

Suppliers shall conduct a physical count of Litens’ bins once during any Litens accounting period and submit the results to Litens. These counts are used to reconcile the bin tracking process and help to maintain optimum quantities of bins at each supplier’s location.

6.8 Supplier Receipt Off-Premises Inventory/Discrepancy Reporting

All goods shipped to the supplier shall be accompanied by a Material Control Form. The MCF shall contain Litens’ part number, quantity and lot number. At time of supplier receipt any discrepancies shall be noted on the MCF then signed and a copy given to the driver. Additionally, any discrepancy noted after receipt shall be recorded on the appropriate MCF and faxed to the Material Control department at Litens within twenty-four hours of receipt unless otherwise specified by Litens. All discrepancies shall be resolved in the current month and acknowledged by return fax from Litens Material Control Manager or Supervisor. A discrepancy exists when the MCF does not match parts received in the way of part number, revision level, or quantity. Parts received that do not comply with quality records shall be reported as QA Reject/Hold. See additional information under “Quality Rejects/Hold Reporting and Disposition”.

6.9 Process Scrap Reporting and Disposition

Process scrap is defined by Litens as any scrap generated during the set up of a machine or scrap generated due to normal production processes, quality testing, and research and development. Ongoing efforts by the supplier shall be made to reduce loss of inventory through scrap.

Process scrap for the current accounting period shall be reported in the “Process Scrap” field on the Statement of Off-Premises Inventory MCF-030. In order for Litens to maintain effective inventory control and Material Requirements Planning integrity the reported quantity shall be adjusted from Litens’ inventory records even though disposition may not have been determined.

Disposition of process scrap shall be given in writing by Litens Purchasing Manager with specific instructions and procedures on a case by case basis.

6.10 Quality Rejects/Quality Hold Reporting and Disposition

The supplier shall report for the current month the total of all parts held and or rejected due to quality issues on the Statement of Off Premise Inventory Form MCF-030 in the “QA Reject / Hold” field.

In order for Litens to maintain effective inventory control and Material Requirements Planning integrity the reported quantity shall be adjusted from Litens’ inventory records even though disposition may not have been determined. Disposition of rejected parts shall be given in writing by Litens Purchasing Manager with specific instructions and procedures on a case by case basis.

6.11 Litens Supplied Material That Is A Component Of Defective Material

Suppliers shall be held responsible for all Litens’ supplied material that is lost due to our Quality Assurance Department rejecting their parts. After determining whether or not the Litens’ supplied component can be salvaged from the defective material, suppliers shall report the total quantity of lost components under the QA Reject / Hold field of the Statement of Off-premises Inventory Form MCF-030.

7.0 Premium Freight:

Suppliers shall be held responsible for expedited and non-expedited freight costs when any of the following situations arise:

- The return of defective material to the supplier and the shipping of replacement parts to Litens, unless the supplier receives authorization to ship these parts on a Pre-scheduled Delivery Route vehicle.
- The supplier did not ship according to the current release.
- The supplier has over-shipped and parts are being returned.
- The supplier did not use a Litens approved carrier.

The supplier shall maintain proper documentation in order to dispute any freight charges.



8.0. Holidays, Vacations & Shut-downs:

8.1 Litens' Holidays, Vacations & Shutdowns

If a scheduled ship day or delivery day falls on any of Litens' recognized holiday's or planned shut-down, suppliers shall contact the Release Analyst/Expeditor or Inventory Analyst for instructions. The requirements may be brought forward, pushed back, or dropped depending on variables in our production cycle. Do not assume that Litens will not require parts due to the holiday.

Suppliers will be notified of alternate contact(s) when the Release Analyst/Expeditor will be away on vacation.

8.2 Supplier Holidays, Vacations & Shutdowns

If a scheduled ship day falls on a supplier's non-production day, the supplier shall contact the Release Analyst/Expeditor or Inventory Analyst for instructions at least one month in advance.

When Litens' normal contact(s) at the supplier is going to be away for vacation or other reasons, suppliers will provide an alternate contact(s). All supplier requirements including delivery performance will not be jeopardized or compromised due to vacations.

Suppliers shall provide Litens with dates of summer, Christmas, and other shut downs as soon as they are known so that Litens may plan accordingly.

10.0 Wood Packaging Standard

All suppliers of production parts must conform to ISPM #15, the International Standard for Phytosanitary measures No. 15 Guidelines for Regulating Wood Packaging Material moving in International Trade, issued by the Government of Canada's Canadian Food Inspection Agency. This standard has been in effect since January 2, 2004. This policy requires that wood packaging complies with the controls in place and must be:

1. Heat treated or fumigated using methyl bromide AND
2. DISPLAY an internationally accepted mark applied to the wood packaging.

In accordance with ISPM 15, which can be found at: www.ippc.int/IPP/En/ispm.jsp, wood packaging that is made entirely from manufactured wood (plywood, oriented strand board, etc.) from wood less than 6 mm thick or from wood with peeler cores is exempt from import regulations.

If you require further information regarding this standard, please see:
www.inspection.gc.ca/english/plaveg/for/cwpc/wdpkge.shtml.

If these guidelines are not met and the containers are held due to these above issues, Litens Automotive will require the suppliers to air freight a new shipment at the suppliers own expense to ensure that the flow of production is not interrupted.

____ SECTION II ____



Release Analysis

1.0 **PAST DUE - 01/01/40.**

The date 01/01/40 is the date format used to indicate parts are past-due.

2.0 **CUM YTD**

The Cum YTD (Cumulative Year-To-Date) field of the release indicates the total amount of that particular part number that Litens has received during the current model year.

3.0 **MATERIAL AUTHORIZATION (MT).**

The Year To Date Highest Cumulative Authorization for raw material.

4.0 **FABRICATION AUTHORIZATION (FI).**

The Year To Date Highest Cumulative Authorization for fabricated material has been implemented since June 2005.

5.0 **FINAL MATERIAL AUTHORIZATION**

The Final Material Authorization Quantity indicates a maximum cumulative amount authorized for production and is usually issued due to the part undergoing an engineering change. **It takes precedence over any other authorization.**

6.0 **FORECAST QUALIFIER FIELD.**

Currently, all releases are issued with a Forecast Qualifier Field (FQ). This field contains the letter **D** which is the AIAG standard code to represent planning quantities. In the future this field will be utilized for Firm, Planning and Prior Cum numbers.

SECTION III



Supplier Performance and Corrective Action, Delivery Performance Calculations and Release Concerns

1.0 Supplier Delivery Performance

- 1.1 It is each supplier's responsibility to establish systems to support 100% on-time delivery and to complete internal corrective actions to improve delivery and communication of delivery problems.
- 1.2 It is each supplier's responsibility to ship material according to the specified transportation mode, routing, standard pack, container, Advance Shipment notification or other Litens requirement.

2.0 Supplier Delivery Corrective Action

- 2.1 Corrective Actions may be requested for issues concerning delivery, transportation mode, routing, standard pack, container, Advance Shipment Notification or other requirement when the supplier is in non-conformance.
- 2.2 Litens requires the 8D Problem Analysis format (QAF-117, available on Litens website) for corrective actions along with appropriate management sign off.

3.0 Supplier Delivery Performance Measurement

3.1 General:

3.1.1 Delivery performance ratings for 830 and or 862 Releases consider parts that are received during regular receiving hours and according to our stated requirements.

3.1.2 Litens will establish these requirements including over/under ship allowance, Advance Shipment Notification, bar code labeling, container, approved standard pack, or other as required from time to time.

Example: A bin or skid of parts which is in our dock but not received due to a problem with an unscannable bar code label will not be considered in the delivery performance calculations.

3.1.3 It is the supplier's responsibility to ensure that Litens records are updated with appropriate standard pack and container information.

3.2 Delivery Performance Calculations

A “PASS” or “FAIL” is awarded to indicate whether or not the delivery performance criteria were satisfied. Only parts that had a requirement due during the week are measured.

3.2.1 Step 1- Determine if an over ship or under ship condition exists.

3.2.2 Under-ship Calculation

Cum YTD Required	(current release)	10,000
- Cum YTD Received	(Prior to week’s receipts)	<u>-8,000</u>
Minimum Requirement		2,000

Total receipts by end of week : 1,500 pcs.

The Supplier did not meet minimum requirement and receives a “FAIL” status.

3.2.3 Over-ship Calculation

Cum YTD Required	(current release)	10,000
- Cum YTD Received	(prior to week’s receipts)	<u>-8,000</u>
Minimum Requirement		2,000

Authorized Standard Pack : 750 pieces

Bulk Pack Allowance : 10% over

Total receipts by end of week : 3,000

Shipping Requirement Rounded to Standard Pack	2,250
+ Bulk Pack Allowance @ 10%	<u>+225</u>
Adjusted Maximum Shipping Requirement	2,475

Cum YTD Received (after total week’s receipts)	10,400
- Cum YTD Required (adjustment maximum shipping requirement)	<u>-10,363</u>
Over-shipment	37

The supplier exceeded the maximum requirement and receives a “FAIL” status.

3.2.4 Step 2 - Calculate rating

To calculate your rating percentage take the number of accurate receipts (those with a “PASS” status) and divide by the total number of receipts required.

Multiply by 100 to get the rating in percentage format.

$$(\text{Number of Passes} \div \text{Total Number of Receipts Rec'd}) \times 100 = \text{Rating Percentage}$$



3.3 Delivery Performance Disputing Process

*** Suppliers MUST NOT attempt to use the weekly disputing process as a negotiation tool to manage their delivery rating.**

*** Suppliers can only dispute Litens caused errors; failure to comply may result in a Supplier Performance Problem Report (SPPR).**

3.3.1 Dispute Process

* Provide a brief explanation of the Litens caused error you were penalized for along with the required documentation by the dispute deadline date. Dispute deadlines are 5 working days from the e-mail date posted in the Litens Supplier Rating System. Late disputes will not be considered.

* Any supporting written proof submitted for disputes must come from the Litens Material Control Manager, Supervisor or Release Analyst. Any other documentation from other people or departments within Litens will not be considered.

Send dispute documents to;

supplierdeliveryrowntree@litens.com

supplierdeliverycourtland@litens.com

Or fax to;

Rowntree location 905-856-6356, attention Release Analyst

Courtland location 905-760-9186, attention Release Analyst

Required Documentation

* Supplier disputes will only be considered when the following is provided:

1. Increases - must submit proof of a written agreement for a revised release or must submit proof of a written blanket agreement to allow shipments against prior week release.

2. Decreases - must submit proof of a written blanket agreement to allow shipments against prior week release.

3. Over or Under Ship - must submit proof of a written agreement of your approved standard pack.

4. Capacity Constraints - must submit proof of a written agreement for a revised release quantity.

3.3.2 Non- Disputable items

The following supplier disputes will not be considered: Please see section on Supplier Release Concerns for more detail.

1. Cum imbalances are not disputable.



2. Capacity constraints when yearly capacity has not been previously approved, in writing, by the Litens Purchasing Manager.

Increases, Decreases, or Capacity constraints can not be disputed unless you received written agreement but did not receive a revised release for the week the concern took place.

Adjustments made to the weekly ratings will be reflected in your next monthly report card. You will be advised in writing of any revised ratings.

DISPUTES RECEIVED AFTER THE DUE DATE WILL NOT BE ACCEPTED

4.0 Supplier Release Concerns

4.1 General

-The supplier shall provide all necessary documentation, by e-mail or fax.

-Requests to revise a release must be received before noon on the second business day after Litens' has issued releases. All requests must be accompanied by a delivery schedule or they will not be considered.

-Delivery schedules must detail dates, quantities and indicate how the supplier plans to catch up to Litens requirements.

-Upon receiving appropriate documentation, the Litens' Material Control Release Analyst will review and either respond in writing, by e-mail or fax, followed by a revised release or, simply send a revised release.

****Due to the release recalculation process that takes place on a weekly basis, the Litens Material Control Release Analyst will work with concerns regarding the current week only. This means the supplier shall submit their concerns each week for the current week only. Any written agreement to revise a release is not a blanket agreement and will not apply to any future week.**

4.2 Release Increases

4.2.1 A supplier can request a revised release if the current weeks 830 release and 2 prior week's releases exceed a 10% increase. .

Example: The supplier receives release 22 and there is an increase of greater than 10%, then checking back through the prior 2 weeks the supplier had increases greater than 10% for release 21 and 20 as well.

Release #21 for 05/31/2004 was 1000 PCs and release #22 for 05/31/2004 is 1140 PCs which is greater than 10%. etc.

Release # 22 - 05/31/2004

05/31/2004 1140 06/07/2004 1100 06/14/2004 1200 06/21/2004 900



Release # 21 - 05/24/2004

05/24/2004 1440 05/31/2004 1000 06/07/2004 1100 06/14/2004 1200

Release # 20 - 05/17/2004

05/17/2004 1008 05/24/2004 1200 05/31/2004 1000 06/07/2004 1100

Release #19 - 05/10/2004

05/10/2004 1000 05/17/2004 900 05/24/2004 1200 05/31/2004 1000

Submit copies of the current weeks 830 release as well as the prior 2 weeks 830 releases with a brief explanation.

4.2.2 The supplier can request a review of the assigned Logistics Program when the supplier is required to ship in advance of receiving their new release.

Example: The predetermined Logistics Program causes the supplier to ship on Thursday in order for the freight to arrive on Litens dock by 10 am Monday morning. 830 requirements sent to the supplier on Friday for the following week requirements indicate an increase but the parts would normally be in transit.

In these cases the Logistics Program can be reviewed and changes may be implemented or the supplier may receive written blanket authorization to ship against the prior weeks release. In either case they will be in writing. **This must be done in advance so it can not be negotiated through the delivery dispute process or on a week to week basis.**

4.2.3 A supplier can request a revised release if the supplier identifies a large increase in the current week, based on the table below.

Range of PCs	% Increase
0 to 1,999	50%
2,000 to 12,999	30%
>13,000	20%

The supplier must look at the prior week's release and determine which range the increase falls into. So, if the prior week's release quantity ranged between 0 and 1,999 PCs then anything greater than a 50% increase can be submitted.

Submit a copy of the current week and prior weeks releases with a brief explanation.

4.3 Release Decreases

4.3.1 The supplier shall ship according to the predetermined Logistics Program and meet any decreased requirements starting at 7am the following business day after Litens' has issued the release.

4.3.2 The Logistics Program can be reviewed when the supplier is required to ship in advance of receiving the new releases.

Example: The predetermined Logistics Program required the supplier to ship on Thursday in order for the freight to arrive on Litens dock by 10 am Monday morning. Requirements sent to the supplier on Friday indicate a decrease but the parts would already be in transit.

-In these cases the Logistics Program can be reviewed and changes may be implemented or the supplier may receive blanket authorization to ship against the prior week release. In either case they will be in writing. **This must be done in advance so it can not be negotiated through the delivery dispute process.** Blanket authorizations to ship against the prior week's release can be carried forward week to week to cover future releases. The written blanket authorization can be submitted by the supplier as part of the dispute process if required.

4.4 Capacity Constraints

4.4.1 A supplier can request a revised release when the average weekly quantity using the current weeks release and 3 prior weeks releases exceed the Adjusted Weekly Capacity amount. The Adjusted Weekly Capacity amount is calculated by dividing the approved yearly capacity by 46 weeks. The supplier's yearly capacity must be predetermined and approved in writing by the Litens Purchasing Manager.

Example: The supplier receives release 22 and feels it exceeds capacity and then pulls and reviews the prior 3 weeks. The supplier has an approved yearly capacity of 205,000 PCs which has an Adjusted Weekly Capacity of 4457 PCs. (205,000 divided by 46 = 4457 PCs). To determine if the releases exceed capacity the supplier totals up the 4 weeks which equals 18,110 (4500 + 4800 + 4590 + 4220 = 18,110 PCs) then divides by 4 which equals 4528 PCs and compares it to the Adjusted Weekly amount of 4457 PCs. The supplier sees that it exceeds the Adjusted Weekly Capacity amount.

*Release # 22 - 05/31/2004
05/31/2004 4500*

*Release # 21 - 05/24/2004
05/24/2004 4800*

*Release # 20 - 05/17/2004
05/17/2004 4590*

*Release #19 - 05/10/2004
05/10/2004 4220*



-Submit copies of the current weeks 830 and the prior 3 weeks 830 releases with a brief explanation.

4.4.2 Any concerns regarding 830 releases with continuous capacity problems should be brought to the attention of the Material Control Manager as well as the Purchasing Manager. The dispute process should not be used to negotiate these concerns on a week to week basis.

_____ **SECTION IV** _____



Daily Shipping Requirements System (DSRS)

1.0 862 Release Data Report

Only selected suppliers will receive a fax 862 Release Data Report detailing daily requirements. Suppliers shall expect to see a revised schedule three working days prior to any major changes in daily requirements.

2.0 862 Software Limitations

Software limitations at this time cause Litens to issue a weekly shipping schedule that is not driven by our shop schedule which in turn causes a breakdown in the pull system that is intended by 862 Releases. Litens is currently working on this software issue and will implement changes in the future.

Contact Information



REFERENCE LITENS WEBSITE (www.litens.com)



Glossary:

A

ABC classification -- Classification of a group of items in decreasing order of annual dollar volume (price multiplied by projected volume) or other criteria. This array is then split into three classes, called A, B, and C. The A group usually represents 10% to 20% by number of items and 50% to 70% by projected dollar volume. The next grouping, B, usually represents about 20% of the items and about 20% of the dollar volume. The C class contains 60% to 70% of the items and represents about 10% to 30% of the dollar volume. The ABC principle states that money can be saved through applying tighter controls to the high-dollar-volume class items than will be applied to low-dollar-volume class items. The ABC principle is applicable to inventories, purchasing, sales, etc.

Advance Ship Notice (ASN) -- AIAG transaction set 856. A form of pre-invoicing including details of shipment about to arrive. The ASN is sent to Litens by a supplier when a shipment leaves to allow Litens to review and correct problems in the shipment before the parts are received.

ANSI X.12 -- The components of EDI, including Weekly Release (830), Ship Schedule (862), Advance Ship Notice (856), Application Advice (824), and Receiving Advice (861).

Application Advice (824) -- Response to incoming EDI transactions immediately to improve the accuracy of Inventory Advice (846) and ASN (856)

Advanced Product Quality Planning & Control Plan -- APQP

Automotive Industry Action Group (AIAG) -- a group formed to improve productivity through cooperative effort of North American vehicle manufacturers and their suppliers.

B

Bar Code -- Electronic tag located on a container or pallet label containing specific shipment information. Shipment information in bar codes is read by a scanner and integrated for other business operations.

Beginning inventory -- A statement of the inventory count at the end of last period, usually from a perpetual inventory record.

Bill of Material (BOM) -- A part structure list for a production unit. A listing of all the subassemblies, intermediates, parts, and raw materials that go into a parent assembly showing the quantity of each required to make an assembly. It is used in conjunction with the master production schedule to determine the items for which purchase requisitions and production orders must be released.

Bin -- A storage device designed to hold small discrete parts.



Blanket purchase order -- A long-term commitment to a supplier for material against which short-term releases will be generated to satisfy requirements. Often blanket orders cover only one item with predetermined delivery dates.

Buffer -- 1) A quantity of materials awaiting further processing. It can refer to raw materials, semifinished stores or hold points, or a work backlog that is purposely maintained behind a work center.

Buffer stock -- safety stock.

C

Capacity -- 1) The capability of a system to perform its expected function. 2) The capability of a worker, machine, work center, plant, or organization to produce output per time period.

Component -- Raw material, part, or subassembly that goes into a higher level assembly, compound, or other item. This term may also include packaging materials for finished items.

Container -- A large box in which commodities to be shipped are placed.

Corrective action -- The implementation of solutions resulting in the reduction or elimination of an identified problem.

Cumulative receipts -- A cumulative number, or running total, as a count of parts received in a series or sequence of shipments.

Customer service -- 1) Ability of a company to address the needs, inquiries, and requests from customers. 2) A measure of the delivery of a product to the customer at the time the customer specified.

Cycle counting -- An inventory accuracy audit technique where inventory is counted on a cyclic schedule rather than once a year. A cycle inventory count is usually taken on a regular, defined basis (often more frequently for high-value or fast-moving items and less frequently for low-value or slow-moving items). Most effective cycle counting systems require the counting of a certain number of items every workday with each item counted at a prescribed frequency. The key purpose of cycle counting is to identify items in error, thus triggering research, identification, and elimination of the cause of the errors.

D

Daily Shipping Requirements System (DSRS) -- A just-in-time inventory and manufacturing system developed and used by Litens Automotive Partnership

Delivery Schedule -- The required or agreed time or rate of delivery of goods or services purchased for a future period.

Demand -- A need for a particular product or component.

8D Format -- 8 Discipline Problem Solving Report format

E

Engineering Change Request -- (ECR)

Electronic Data Interchange (EDI) -- The computer-to-computer transmission of business data in a standard format.

Engineering Change -- A revision to a blueprint or design released by engineering to modify a part.

Electronic Drawing -- Watermarked electronic copy of drawing equals the post “OK to Tool” drawing.

Expedite -- To rush or chase production or purchase orders that are needed in a relatively greater priority.

Release analyst expeditor -- A production control person whose primary duty is expediting.

F

Family Tooling Parts -- Two or more different items which are produce together in the same mold or cast.

Finished Goods Inventory -- Those items on which all manufacturing operations, including final testing, have been completed. These products are available for shipment to the customer.

Potential Failure Mode & Effects Analysis -- (FMEA)

Forecasting -- The planning function that attempts to predict demand so that manufacturing can take place in the appropriate quantities.

Freight On Board -- (FOB)

Functional Acknowledgment (997) -- An AIAG transaction set used to confirm successful communication.

G

H

I

IMDS -- International Material Data System

Inbound Data -- EDI transactions coming in to Litens from suppliers.



Intransit inventory -- Material moving between two or more locations, usually separated geographically.

J

Just-In-Time (JIT) -- A manufacturing principle where the material required in the manufacturing process arrives at the production line when it is needed. More broadly, it means the elimination of waste.

K

L

M

Manufacturing Resource Planning (MRP II) -- The method used to effectively manage the total resources in a business enterprise.

Master Packing List (MPL) -- A document that itemizes in detail the contents of a particular shipment.

Material Requirements Planning (MRP) -- A set of techniques that uses bill of material data, inventory data, and the master production schedule to calculate requirements for materials. It makes recommendations to release replenishment orders for material.

Material Release -- See Weekly Release (830).

Material Control Form -- (MCF)

MMOG -- Materials Management Operations Guideline

N

O

OEM -- Original Equipment Manufacturer.

Outbound Data -- EDI transactions leaving Litens to suppliers.

P

Packing Slip -- A document that itemizes in detail the contents of a package, carton, pallet, or container that is being shipped to a customer.

Parent Part -- Assembly composed of component parts.



Past Due Order -- An open customer order that has a scheduled ship date that is earlier than the current date.

Physical Count -- The process of determining inventory quantities by actually counting the material rather than by following computer records or continuous balance sheets.

Production Deviation Notice -- (PDN)

Parts Per Million -- (PPM)

Production Part Approval Process -- (PPAP)

PSW -- Part Submission Warrant

Q R

Receiving Advice (861) -- EDI transaction sent to a supplier when a discrepancy is noted between shipment data on an ASN and actual shipment receipt.

Rejected Material -- Material that does not meet quality requirement but has not yet been sent to rework, scrapped, or returned to a supplier.

S

Safety Stock -- A quantity of stock planned to be in inventory to protect against fluctuations in demand or supply.

SCAC -- Standard Carrier Alpha Code.

Setup -- The work required to change a machine, work center, or line from making the last good piece of unit A to the first good piece of unit B.

Setup Charge -- The amount that a supplier charges its customer for setting up its machine, work center, or production line to make a certain material or part. Usually used when the quantity to be produced is smaller than normal production lot sizes.

Ship Schedule (862) -- A short term delivery requirement to confirm detailed times for firm delivery requirements or altered demand patterns.

Standard Pack -- The exact quantity of an item that is always packaged in a specified box or returnable container.

Supplier Profile Form -- Form containing supplier information used to ensure accurate electronic transactions between trading partners.

T



Text Message (864) -- EDI transaction used to communicate messages, special labeling requirements, explanations, and one-time instructions such as production plan changes, production calendars, and scheduled overtime in support of other EDI transactions.

Tier 1 Supplier -- A component manufacturer that sells directly to an original equipment manufacturer (OEM). Also known as Direct supplier.

Tier 2 Supplier -- Manufacturing companies selling directly to Tier 1 suppliers. Products include raw materials and parts lower in the “value-added” chain.

Time Bucket -- A defined period of time used for material release and forecasting purposes on Ship Schedules (862), or Purchase Order (850).

U

V

W

Weekly Release (830)--A forecasting tool listing anticipated parts requirements. Requirements are forecast in daily, weekly or monthly time buckets. Also known as Material Release.

Work In Process (WIP) -- Products that are in various stages of completion throughout the plant. Any material that has started the first manufacturing process but has not yet reached total completion and inspection.

X

Y

Z