Southeast Minnesota Regional Freight Study

REGIONAL BUSINESS INTERVIEWS

Minnesota Department of Transportation
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Regional Interviews

1. Modern Transport and Kohner Materials

780 E. Front Street, Winona, MN
Meeting: Tony Wasinger, General Manager
May 17, 2012

Modern Transport provides storage and transportation services for customers. This company's primary commodity has traditionally been fertilizer, but they also handle livestock feed, fly ash for concrete plants, distiller’s dried grains (DDGs), road salt, and more recently silica sand.

Modern Transport does not take possession of any of the commodities it handles, only provides transportation and storage. Materials the company handles are mostly transloaded between truck and barge, or truck and rail. For instance, bulk fertilizer products such as urea move up the river by barge and are delivered to area agriculture businesses by truck. The facility also out-loads barges with dray cake DDGs into barges. Fly ash moves into the facility by rail.

With their business focused on handling bulk materials, delivery windows for products range from 1 to 2 days. Their storage and loading facility sees up to 100 trucks per day, but rarely do they need to stage trucks off-site because loads are turned around very quickly; the average load time for a fertilizer truck is about 3 minutes. Most of the truck trips the facility generates travel in the region within about a 100-mile radius, and as a result, drivers tend to make multiple trips each day.

Last winter, Modern Transport made the local news print related to a silica sand pile at its rail loading terminal on west Second Street in Winona. At one point, the sand pile reached approximately 40,000 tons and was referred to by locals as “Mount Frac.” The newspaper article stated that Modern Transport was one of six businesses washing, processing, or storing silica sand in Winona.

As with the other commodities it handles, Modern Transport does not own any sand mines or the sand. The company hauls sand by truck from the pit or mine to a washing facility. After washing, the sand is moved by truck again to the Second Street loading facility where it is transferred from trucks to rail using a rail car known as a drive-over hopper. The sand is then shipped on the Union Pacific (UP) rail line to Texas. Mr. Wasinger explained that by washing the sand before loading it to the rail cars, they are able to remove 25 to 30 percent of the transport weight. Mr. Wasinger had reported to the Winona Daily News that the Mount Frac sand pile in town last winter resulted from a temporary rail car shortage, and that it was not their intention to stock pile sand in town.

Key Issues

Mr. Wasinger believes rail capacity in Winona will be an issue in the future: “there's not much room to park a 100 car rail unit train on the UP line - it takes more than a mile of track.” He explained that three major railroads end in Winona at the port, and railroads have been one of the primary economic
drivers of the city, but he said in recent years the railroads have been in and out of an investment mode concerning regional rail infrastructure. He indicated that the UP in the past “made noise” about abandoning Winona, but the recent demand for frac sand has renewed UP’s interest in Winona.

Mr. Wasinger said they are currently doing 10 to 15 rail cars a week year, every week transporting silica sand to Texas. He believes that if sand mining operations are allowed to expand in the future, the upper limit in capacity on the UP would be about 200 cars per week. He also noted that in the fall, they handle about 15 cars per day from South Dakota fertilizer warehouses.

He has not heard of any expansion plans from the UP, but said the Canadian Pacific (CP) is looking at expansion in Winona.

Mr. Wasinger also noted that the bridge over the Mississippi River from Winona to Wisconsin is very crucial to commerce and well-being in Winona. However, he also noted that the current truck routing to keep trucks out of downtown Winona adds about 15 miles to each trip: trucks come across the bridge out to Highway 16, then down Pelzer Street. He also indicated that they could be more efficient if they could go to heavier truck configurations using more axles. He said truck traffic into the port of Winona has actually declined in recent years as more corn has gone to ethanol plants versus shipped on the river for export.

**Kohner Materials**, a separate business line operated from the same location, is an aggregate business that includes seven ready-mix plants and 30 ready-mix trucks, 12 dump trucks for hauling aggregates, and several other pneumatic trucks hauling fly ash and other materials. The supply chain behind the production and use of cement for construction is depicted graphically below.

**Supply Chain Depiction for Cement and Ready-Mix Concrete**
The production of cement is an energy-intensive business that is very consolidated and has very high barriers to entry. Only four cement plants exist to supply ready-mix plant across the upper Midwest: one in South Dakota, two in Iowa, and one in Missouri.

The newest cement production plant in the Midwest was built by Holcim Group in St. Louis, MO. The permitting process alone for the plan took eight years, and construction cost over $1 billion. Cement production requires heating limestone with small quantities of other additives such as clay, aluminum and iron compounds, and silica sand in a kiln to 2,700 degrees Fahrenheit. The resulting substance, called 'clinker', is then ground with a small amount of gypsum into a powder form that is ready for transport.

Cement is distributed through a network of cement terminals. A cement terminal is similar in design and purpose to a grain terminal. Rail and barge are the most common modes utilized for transporting cement from the plant to cement terminals. When possible, barge transport is utilized due to the higher efficiency (1 barge can carry the equivalent of 48 belly dump trucks) and low speed to market requirements. The Midwest plants in Sioux City, SD, Davenport, IA, and Mason City, IA ship by rail and truck. The St. Louis plant ships primarily by barge and rail. A cement terminal typically serves multiple ready-mix concrete plants using for-hire trucking companies compared to transport between the bulk terminals and the concrete plants. In the Minneapolis area, a population of nearly 3.5 million is served by just four cement terminals.

Once the cement reaches regional terminals, it is ready for use in the production of ready-mix concrete. Unlike the cement market segments, the ready-mix concrete business has low entry barriers.

Ready-mix concrete is made by mixing cement with sand, gravel (aggregates), and water. To produce one cubic yard of concrete requires 504 lbs of cement, 1,200 lbs of sand, and 1,800 lbs of gravel. However, ready-mix is one of the most perishable products on earth – many road construction contracts require the concrete be poured within one hour of mixing the batch.

Another major input to the ready-mix product is aggregate or gravel. Concrete mixing plants often source their aggregates from the same location (sometimes three or four ready-mix plants per gravel pit). Ideally, ready-mix plants are located at the sand and gravel deposit, to reduce the transportation requirements from pit to plant. Once the cement and aggregate materials are consolidated at the concrete processing plant (ready-mix), they are mixed to create concrete building materials. The final delivery of concrete to the end customer is generally a short road journey by a concrete mixer and can be significantly impacted by local and regional freight bottlenecks, unforeseen delays due to road construction or a traffic incident can render a batch of ready-mix unusable at a construction site.

2. Mikrut Properties/Seven Rivers Terminal/Port Logistics

Mr. Mikrut is currently developing three transportation sites in Winona, with plans for six. The meeting with Mr. Mikrut began at a new rail intermodal terminal development. Mr. Mikrut describes the Seven Rivers Terminal as an incubator site, but one of the first products the terminal will handle is frac sand. He indicated that the silica sand would be washed, dried, and shipped by covered hopper to
North Dakota. The facility will also load and ship DDGs. Facilities served at the Seven Rivers Terminal are served by both UP and CP railways.

Mr. Mikrut said that although it has taken him 14 years to realize the Seven Rivers site as an active terminal, a recent decision by Ashley Furniture in Western Wisconsin to no longer handle other shippers’ freight at its intermodal site has created demand for container service and an opportunity for the Seven Rivers site. He said they currently have demand for about 50 containers per day for shipping DDGs, corn, and soybeans. The facility will have seven tracks and they will do their own shipping.

From the Seven Rivers Terminal site, the interview proceeded to the entrance of the UP yard. Mr. Mikrut wanted to call attention to an intersection that was not designed to accommodate trucks trying to enter the UP rail yard off Bierce Street (near Bierce Street and Second Street). A Canadian Pacific crossing adjacent to the intersection drew complaints from the CP that trucks turning into the UP yard were coming too close to passing trains. As a result, MnDOT closed the intersection and the entrance to trucks. Mr. Mikrut said the closure resulted in circuitous routing that costs sand haulers additional money. He also explained that trucks coming off the interstate bridge over the Mississippi River turning onto 4th Street have to encroach upon opposing lanes of traffic.

After viewing the situation, it was agreed that MnDOT would re-evaluate the intersection and possibly take some action to re-open the intersection such as install a cross-buck and stop sign, prohibit left-hand turns, and place a concrete barrier between the traffic land and the CP railroad passing by.

3. Cenex Harvest States (CHS)

988 Riverview Drive, Winona, MN
Meeting: Larry Laber, Terminal Manager; and, Kenneth Garness, Market Analyst
May 17, 2012

Cenex Harvest States’ primary business is handling corn and soybean from area farmers. Corn business has dropped by 60 percent over the last two decades due to ethanol. He said that 20 years ago, they were doing 45 to 50 million bushels of corn per year, and that has now dropped to 20 million. He said that ethanol growth has reached a plateau, but corn yields continue to increase, so he expects the export market may begin to grow again as well. He also said that there are fewer ethanol plants on the Wisconsin side of the border so grain coming to the facility from Wisconsin has been growing.
All corn and soybeans go out to the facility by barge. CHS also receives rail cars from Canada loaded with canola meal. CHS has been doing more merchandising for ethanol plants as feed stocks have at times become tight. The facility also handles inbound fertilizer.

The facility doesn’t ship anything outbound by rail – Winona has historically been a destination. Currently, the CHS facility sees between 100 and 300 trucks per day depending on the search. They load 1 or 2 barges per day all for international export. Barges leaving Winona loaded with grain proceed downriver to the CHS export elevator at Myrtle Grove, LA where grain is transloaded to ocean-going vessels. Mr. Laber said that CHS is investing an additional $10 million in load-out facilities at Myrtle Grove because they believe bigger ships coming through the Panama Canal will change the business.

He explained that because some buyers are willing to pay a premium for non-GMO grains ($.30 per bushel more), they hold non-GMO grain in a separate tank until they have enough volume to fill a barge.

He said CHS is currently evaluating how they might use or “fit-in” to the new Seven Rivers container loading facility that will open soon.

Mr. Laber said the only issues their facility experiences is some congestion at shift changes, and when volume gets up in to the 300 trucks per day range, trucks have to stage on side streets due to the lack of staging on facility grounds. There is no set schedule for incoming trucks, and due to the bulk nature of the shipping, more orders are made with a 2 to 4 week delivery window.

He did say that the TH-43 river bridge over to Wisconsin is critical to both the residents and businesses in Winona. The bridge supports 1,800 employees who work in Winona each day but live in Buffalo County, Wisconsin. He said that he believes in a few years that grain trucks crossing the bridge will rival the number of sand trucks crossing the bridge. So keeping the bridge open, and in good repair to accommodate the growth in truck and commuter traffic, is critical to the vitality of the community.

4. ADM & ARTCO

(ArtCO is a division of ADM that provides transportation services)

1155 Riverview Drive
Meeting: Byron Schmidt, Manager; and, Randal Sveum, ARTCO Area Manager
May 17, 2012

The ADM facility sources grain from about a 50 to 60 mile radius. Wisconsin grain has been growing – the genetics used by Wisconsin farmers has been getting better and their yields are growing significantly. The facility loads barges with soybeans and corn for export through New Orleans. ADM also loads some rail cars bound to Chicago.

Mr. Schmidt said that due to the volume of grain coming from Wisconsin, the TH-43 bridge is a growing concern, because when the bridge closed, trucks had to detour 80 to 100 miles. He said that they are anticipating 1,400 sand trucks per day will cross the bridge in both directions. He said he has heard some proposals to build rail facilities on the Wisconsin side, because replacing the bridge is not a matter of “if”, it is only a matter of “when.” He said if the bridge closes it would have significant economic impacts to the city.
Mr. Schmidt said that ADM pays out approximately $500 million to regional farmers for crops each year. Most of the trucks hauling grain are farmer-owned and he said some drivers and truck operators have left the area to work in North Dakota.

During peak season, the facility unloads 150 trucks per day, and loads 2 to 3 barges per day. He said their facility can dump 36 trucks per hour at their dual unload facility. Mr. Schmidt said there are a lot of infrastructure needs on the river, including dredging and lock and dam repair/replacement. The upper Mississippi can handle 15 barge tows that must pass through 27 locks. He said the harbor north of TH-43 bridge is a bottleneck and that the harbor needs additional dredging. He said that when the lock before the Minneapolis upper harbor closed temporarily they notice a drop in traffic to Minneapolis/St. Paul. He said because the upper river is a seasonal market due to weather, they must be able to handle a year’s worth of volume in 8 months, making it even more important that lock and dam infrastructure be maintained to afford good efficiency when the river is open.

Locally, Mr. Sveum noted that the completion of upgrades to Pelzer Street have been very helpful. He believes some of the public concerns over the high volumes of commodities moving on Riverview Drive would benefit from a public education campaign.

He also noted that the state’s Port Development Program is very important for continued success of the state’s waterway systems.

5. Fastenal

2001 Theurer Boulevard, Winona, MN
Meeting: Chris Duffenback, National Logistics Manager; and, Kevin Larson
May 17, 2012

Fastenal began first began operations 1967 when company founder Bob Kierlin opened the very first Fastenal store in his hometown of Winona, MN and adopted the business philosophy of "Growth Through Customer Service." Today, Fastenal has over 2,600 store locations and employs over 10,000 people. Each Fastenal store is a local, one-stop source for a spectrum of OEM, MRO and Construction supplies including a broad core inventory of commonly used products, as well as items that are custom-stocked to meet individual customers’ needs.

The customer-centered philosophy has resulted in annual average growth of about 20 percent. Fastenal’s largest distribution facility is in Indianapolis where they have installed an Automated Storage Retrieval System (ASRS). However, of the approximately 500 containers Fastenal receives each month from suppliers in Asia, about 20 percent are dropped in the Twin Cities and then unloaded in Winona.

The Fastenal truck fleet operating out of Winona services about 25 routes each night; the fleet of 38 tractor semi-trailer units log approximately 500,000 miles each month. Drivers leave each evening and two-thirds of all the company’s deliveries occur before 7:00 a.m. The Winona fleet services locations such as Fargo, Duluth and Eau Claire, WI. Drivers go out and return, often through the Twin Cities where they pick-up vendor products.

The companies’ distribution system also runs 5,500 pickup trucks. Pick-up trucks make deliveries to individual stores or facilities where the company dispenses products from vending machines. For example, in some manufacturing plants Fastenal vending machines allow employees to pull parts by
entering a job number. The system automatically tracks inventory and allows plant managers to track employee use of parts.

A typical store receives a couple of pallets loaded with mixed industrial supplies, weighing on average 8,500 pounds. Mr. Larson said their typical distribution center line-haul trucks weigh out at about 70,000 lbs., while delivery trucks typically weigh less than 60,000 lbs. Weighing out is a concern as they continue to grow, but they have attempted to hold the weight of their trucks under the maximum legal limit by using composite materials for pallets, bubble wrap, etc.

The company operates retail stores in all of North America (U.S., Canada, and Mexico). They also have stores in Europe, Brazil, and Puerto Rico, and are entering the Chinese market.

To date, the company has not been significantly impacted by the changes to driver hours of service, but the adoption of CSA 2010 safety standards has increased the truck driver shortage issue. Fastenal has been able to keep their driver turnover rate to 34 percent; they believe because drivers are not required to stay overnight, makes their driver jobs more attractive.

6. MBM Logistics
4950 North Service Drive, Goodview, MN
Meeting: Randy Galewski
May 17, 2012

In business since 1997, MBM Logistics is very involved in dry van transportation and intermodal services. The company operates 280 truck units, and warehouse distribution facilities in Wisconsin, Utah, Nevada, and Oregon. Key customers include Peerless Chain, Miller Scrap, Basic Milling, Technical Dye, IKON, MOM Foods Products, and Ashley Furniture.

Seventy percent of their business is done within 550 to 600 miles of their warehouse facilities due to CSA and hours of service. Mr. Galewski said that the last round of HOS changes were welcomed, but the current proposal under consideration by the Federal Motor Carrier Safety Administration (FMCSA) would impact operations significantly. Currently, most of his drivers head out Monday morning and are back on Friday and then have the weekend to reset their hours. Under the new proposal, many drivers would not be able to leave again until Monday afternoon or evening.

Mr. Galewski indicated that there are a lot of market changes underway. He said in the lower priced freight categories (class 50 to 70) are finding it more difficult to get service due to consolidation in the less-than-truckload (LTL) market. He indicated that if Yellow-Roadway Company (YRC) fails, it would create huge challenges to long-haul LTL shippers. He said for starting a new company, TLM Express was to provide a measure of backup for this market segment. He noted that that capacity in the LTL market is currently around 90 percent.

Mr. Galewski also questioned whether the new Seven Rivers intermodal terminal will be a viable business model. He noted that the intermodal ramps in Fargo (Dilworth), ND and Green Bay, WI are failing due to the railroad’s pricing model and the tough time of getting steamship lines to drop containers at intermediate locations. He noted that CH Robinson and J.B. Hunt had started buying their own containers to assure they have access to equipment when it’s needed.
Like the others interviewed, Mr. Galewski said the TH-43 bridge was the biggest infrastructure issue in Winona – not so much because of the impact on the logistics business if the bridge was closed, but it would be a huge human resource issue as many people would not be able to easily access their jobs.

7. Crenlo Cab Products

1600 4th Avenue NW, Rochester, MN
Meeting: Loy Shappel, Logistics Supervisor
July 25, 2012

Crenlo Corporation operates two distinct product lines: 1) heavy vehicle cab enclosure products; and, 2) office enclosure products. While very different looking products, each business line draws upon the same skill sets: world class metal fabrication, cutting-edge robotic welding, high-level paint finishes, and value-added assembly.

Loading Docks at Crenlo Cab Products

Ms. Shappel works in an office at the firm’s Cab Products assembly plant in Rochester. All together, Crenlo employs nearly 1,000 people in the Rochester area. She indicated that Crenlo is probably the largest truck shipper in Rochester and that each day they get approximately 15 to 20 trucks in and out of their facilities. They operate a private truck fleet of 13 units.

Inbound transportation is primarily from domestic suppliers, but they do get some containers from Asia. Ninety percent of their outbound product also remains within the U.S.; East Coast, and Kansas.

Ms. Shappel said they have not had issues with truck size and weight, as their products don’t weight out or require over-dimension permitting. Sometimes their driver’s backhaul steel which can get them up to near federal weight limits.

Transportation considerations that are very important to Crenlo’s business included transport reliability, as their facilities operate in a just-in-time (JIT) environment; delivery windows are typically measured in hours. Cost is always important, as is shipment visibility or traceability. Crenlo is also committed to good environmental practices and all of their trucks run APU units to avoid idling.
Overall access to I-35 and I-90 are the greatest benefits of their location, and overall their supply chain management is very important to the company's success. When asked about any weaknesses in the regional transportation assets, Ms. Shappel noted that if Broadway Street in Rochester closed it would cause major headaches for the sister plant, because that is a truck route that the company uses to get steel to that plant.

8. McNeilus Truck

524 County Road 34 East, Dodge Center, MN
Meeting: Karl Harman-Ney, Logistics Manager
July 25, 2012

McNeilus Companies is an industry leader in the Concrete Mixer and Refuse truck manufacturing industries. McNeilus mixers have been delivering concrete to virtually every major construction project in the U.S. since 1975. In 1998, McNeilus was purchased by the Oshkosh Truck Corporation, makers of fire trucks and other specialty truck equipment.

The facility is located in Dodge Center; McNeilus Truck is a separate business from McNeilus Steel, also located in Dodge Center. The McNeilus Truck plant in Dodge Center fabricates and assembles refuse trucks. The plant employs between 500 and 1,000 employees. McNeilus Truck also maintains 25 facilities across the nation for aftermarket parts and service.

The company purchases chassis and other parts and the trucks are assembled in Dodge Center with a variety of engines and other components. Mrs. Hartman-Ney said that garbage trucks using compressed natural gas (CNG) engines have been McNeilus’ fastest growing market, and currently 60 percent of the trucks going out the door are equipped with CNG engines. Components for fabricating trucks come from nearby McNeilus Steel, Wisconsin, Alabama, Ontario, and South America. Outbound, McNeilus ships trucks to all 50 states, Canada (London Machinery in Ontario another Oshkosh company and strategic partner), and Mexico.

The company produces about 300 trucks per month, and it contracts out all of its transportation services. Outbound freight is primarily finished trucks either driven to the customer or hauled on flatbed trailers. (Also an occasional rail move from the Twin Cities to British Columbia). Inbound freight consists of hundreds of parcel, less-than-truckload, and truckload shipments of parts on a daily basis.

Mrs. Hartman-Ney said that CNG trucks now leaving the plant can be driven to the East Coast because the CNG fueling infrastructure is now in place, but that the route that must be taken is not always the most direct.

California and Seattle are two of the company’s fastest growing markets; however, CNG trucks moving west must be transported by flatbed because the refueling infrastructure does not exist in the Upper Great Plains. Refuse trucks moving on a flatbed require the acquisition for over-height special permits,
which often take a long time to get. She said that not only does getting a permit take too long, but permits are not issued on weekends, which is another issue.

The company does sometimes run into maximum weight issues, but these can typically be mitigated by moving axles apart to conform to the federal bridge formula.

The company has season peaks that coincide with the construction season. Following the recession, the lack of housing starts hurt new sales somewhat but after-market parts were very strong. Generally "on-time delivery" is measured in days.

Overall the company has not experienced many transportation issues. At times it has been somewhat difficult to get the right equipment for delivering finished trucks – McNeilus likes to use Removable Goose Neck trailers, but at times this equipment is hard to find.

Regarding the regional infrastructure, I-35 and I-90 were viewed as crucial infrastructure. Trunk Highway 14 has historically been lacking, but with the last segments of the highway either under construction or soon to be under construction to create a 4-lane facility between Rochester and Owatonna, this road should no longer be an issue.

9. **McQuay International**

300 24th Street, Faribault, MN
Meeting: Will Fort, Vice President; and, Don Johnson, Logistics Manager
July 25, 2012

McQuay International delivers engineered, flexible solutions for commercial, industrial and institutional heating, ventilation and air conditioning (HVAC) requirements with reliable products, knowledgeable applications expertise, and responsive support. As part of Daikin Industries, a Fortune 1000 company, McQuay is the second largest air conditioning, heating, ventilating and refrigeration company in the world.

In Minnesota, McQuay operates three factories and several warehouses. Intercompany logistics between McQuay’s six facilities in Faribault, Owatonna and Fargo is a significant part of its overall logistics program. The company employs between 500 and 1,000 employees in the state.

Currently, McQuay moves 40 million pounds (20,000 tons) from Chicago to Faribault all by truck (roughly between 750 and 800 truckloads per year). There is no rail spur into their Faribault facility, but there is a spur to Faribault Foods that comes within a couple hundred yards of their plant, but to date rail service has not fit their needs for smooth ride, timeliness and reliability.

About 63 percent of inbound shipments are purchased are purchased subcomponents with the remainder primarily metals such as steel, copper, and aluminum. Ninety-five percent of inbound
shipments are sourced domestically, with Wisconsin and South Dakota being two primary supply states.

Outbound markets include the East Coast of the U.S., California, Alaska, and Canada. Outbound products consist of commercial air conditioning units from very small to very large.

The demand for HVAC products is cyclical with the construction trades. On an average week, the company ships between 15 and 30 truckloads. McQuay receives 15 to 20 truckloads of steel, with another 2 to 4 truckloads of copper, plus many LTL shipments. Finish components do not weigh-out, but some shipments require over-width permits. Inconsistencies between the states in permit operations are a problem, and can delay shipments for weeks.

Other transportation issues the company faces include difficulty getting some types of equipment: covered flatbeds (Conestoga flatbeds), and double drop trailers were cited as examples. They said that some equipment types tend to “go south” during winter months making it difficult to get the equipment they need during some months. Accessing some border crossings during spring road restrictions was also mentioned as an occasional issue. Cargo theft has been a problem, as the price of copper has resulted in some of their units being stripped before reaching their destination.

The company also feels that the hours of service regulations are forcing truck drivers out of business. The federal age limit is 21 for interstate drivers, deterring new drivers from entering the market, and often insurance companies will not issue policies for drivers unless they are 25 or older.

Rough roads are also an issue for their equipment; not only do rough roads wear out trucks and raise rates, but the company did a study and measured the forces on trucks traveling between Minnesota and California. The study found g-forces of up to 16 Gs from potholes, enough force to ruin copper joints.

Overall, supply chain operations are very important to the company. McQuay ships a wide variety of relatively light-weight products, and transportation makes up 4 to 12 percent of sales depending on the product. The company is constantly reviewing its supply chain to reduce environmental impacts and reduce costs. They have consolidated warehouse space and, whenever possible, consolidate LTL shipments to truckload. However, they currently have a large imbalance of shipments with steel coming by truck from Chicago and little going back, making their rates high. While they have explored rail options, they don’t believe their products would withstand the rougher ride and rocking that rail cars can expose shipments to, and since much of their equipment goes directly to job sites, it would require additional handling.

The company representatives said that driver shortages and artificially high diesel prices are key issues they face. Mr. Johnson believes that fuel tax increases are leading to carriers repeatedly issuing fuel surcharges.

Mr. Johnson provided a page of written comments at the conclusion of the interview, which are included as Attachment A.
Additional Comments from McQuay

Demands from freight placed on the regional transportation infrastructure?

The local regional carriers have been able to handle all regional shipments with ease at this time.

They are able to meet demands due to the slow economic situation (slowdown); Carriers are able to handle the volumes now but will be stretched to new limits if the economy grows due to the reduction in carriers.

The carriers have reduced in number but are more efficient that prior to the slowdown and are able to take gains but the question is to what limits.

If the economy was to grow to prior levels the shortage of drivers/equipment would be tight. They would probably increase their rates to remove some volumes and deal most directly with current accounts than securing new ones.

Government involvement in continued changes in DOT rules makes it difficult for carriers to set personal business standards only to have them changed later (that is an issue). Such as: Hours of service

Carriers normally are able to adjust over a short period of time if they are not burdened by government

Hear from the business community what transportation related concerns or issues that we have.

The lack of drivers is a critical issue The Government has allowed the insurance companies to apply heavy rules on carriers (25 years of age and 2 years of experience). Obviously, this is impossible to accomplish by its own description of requirements. The drivers staying in the business are getting older daily thus increasing the shortage by retirements.

Homeland security and DOT testing of drivers does not allow for drivers that may know what they are doing but cannot take computer tests well.

The road systems fall short of the professional level they should be in. Damage to vehicles is a factor on today’s roads.

Unity in state laws is another issue that put more issues on shippers to comply with the laws and increasing rates.

Fuel taxes continue to cause carriers problems thus creating fuel surcharges that must be passed onto consumers. Governments needs to lower state and federal taxes on fuel.

Fuel needs to be stable. Diesel needs to have a time period of at least one month that is stable for shipper, clients and carriers.

How well the region’s transportation assets are serving our needs. Assets by carriers seem to meet all our requirements at present levels.