

Brand New - Universal's Logistics Solutions

Warren, Michigan USA Site Visit

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By

Richard Armstrong

Key Personnel:

H. E. "Scott" Wolfe, Chief Executive Officer

Don Cochran, President

David Crittenden, Chief Financial Officer

Mike Bautch, President – Universal Specialized

Donald J. Berquist Sr., Senior Vice President – Operations

Joe Goryl, Vice President – Enterprise Sales

Mark Limback, Executive Vice President – Truckload Group North

Tim Phillips, President – Mason Dixon Intermodal

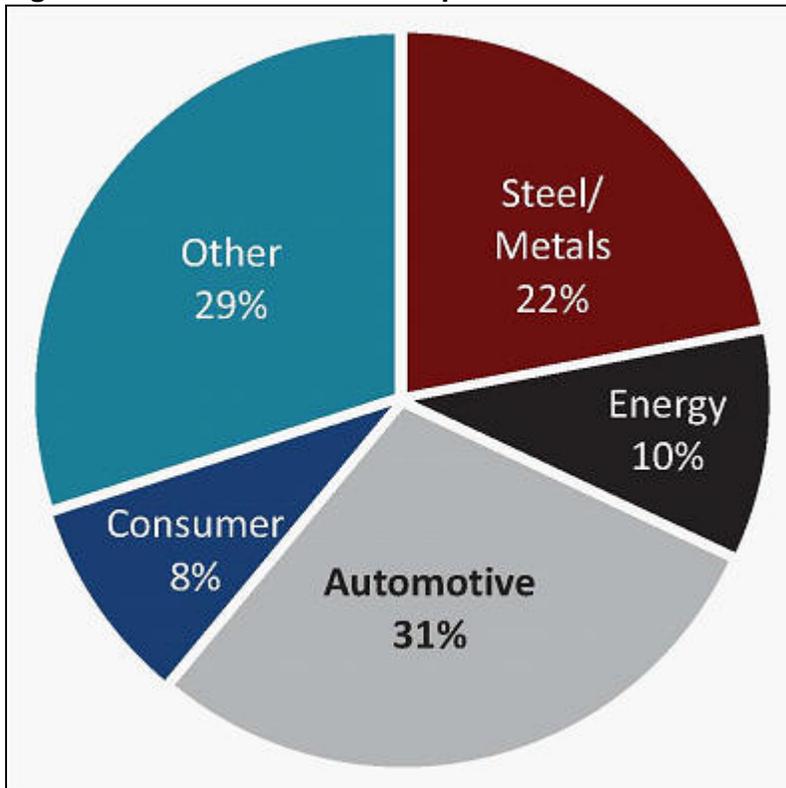
Michael J. Silverwood, Executive Vice President – Truckload Group South

Universal Truckload Services, Inc. has put its specialized transportation and value-added third-party logistics services together under its new brand name "Universal". Transportation services (including both transactional and dedicated), and primarily flatbed and heavy-haul, are 70% of the mix. Blended into transportation services are Universal AM-CAN, Mason Dixon, CTX, Louisiana Transport Inc. and Great American Lines. The key logistics piece is LINC, a well-known, value-added third-party logistics provider (3PL) with a long automotive materials management and inventory control history. Universal has also expanded its international operations and customs brokerage services with the recent combination of two freight forwarding companies, ULSII and CGE.

Total revenues for Universal are \$1.03 billion with 70% in Transportation Services, 17% in Value-Added Services and 13% in Intermodal. Overall, 72% of the business is transactional: 28% are on long-term contracts. There are over 2,500 employees.

Universal and its predecessors have always been heavily involved in providing services to the automotive, steel, and energy sectors. Modifications over the last decade have expanded the emphasis to retail, industrial, aerospace, government and other new verticals.

Figure 1. Universal's Market Expertise



Trucking operations are light asset. Only 18% of 4,100 pieces of power equipment is owned. Overall transportation revenues exceed \$700 million a year the majority of which is generated through Universal's 177 agents with revenues of over \$1 million each (several of these generate over \$10 million).





Universal's trucking operations often involve project logistics. Current operations are extensive in the Bakken Shale area and Texas. Here are some examples of previous success:

- A national steel manufacturer in the Gary, Indiana marketplace needed to improve its all rail service into the local marketplace due to the demand for increased inventory for coiled steel serving the automotive industry. Universal provided specialized equipment within the local market which allowed a flow of over 200 loads per night between the mills and processors.
- The 842 Transportation Battalion of the U.S. Army's Surface Deployment Distribution Command needed to have 181 pieces of equipment moved from the Port of Beaumont to the Red River Army Depot. A combination of truck and barge was used to move the mostly over-dimension equipment in two weeks.
- Universal's Heavy Haul Division handled a host of oversize wind turbines in 2012 as part of its Super Load Project. Special route permits were required for most loads. The turbines were moved on extended trailers.

In addition to its Specialized Trucking operations, Universal has a large dedicated contract carriage fleet. DCC operations run \$150 million a year using 800 tractors (190 owner-operators), 1,550 dry vans and 150 drop deck trailers. Key customers include Ford, General Motors, Chrysler, Ryder, Case New Holland and Wal-Mart. The owner-operator fleets are primarily short haul. They are based in Detroit and southern Ontario and work primarily on automotive related business.

Other services include shuttles, switching and yard management and drive away. Its brokerage operations account for 20% of revenue.

Universal's Intermodal Services represents an expanding 13% of revenue. Intermodal is a combination of short and long haul. Port and rail drayage operate from 42 terminals with lengths of haul of less than 100 miles. Imports and exports are each about one-third of intermodal business. Domestic intermodal is done with 53-foot containers involving primarily retail products. There are 11 container yard operations with chassis, container service and drayage. Intermodal flatbed operations are longer haul.

Universal's Value-Added Service offerings operate from 41 facilities generating \$176 million a year. This division started as LINC Logistics in 2001 and provides mission critical supply chain services in the form of dedicated customer solutions, frequently with a higher level of labor involved. Leading the way in its high volume, high velocity operations are its Sequencing and Sub-Assembly operations developed to service Detroit's big three automobile companies.

Table 1. Universal's Value-Added Services

Central Materials Area Operations	Order Fulfillment
Cross-Docking	Project Management
Expedited	Returnable Container Management
Freight Forwarding	Reverse Logistics
Kitting & Repacking	Sequencing & Sub-Assembly
Line Side Delivery/KanBan	Shuttle Transportation
Material Handling & Consolidation	Warehousing

An example of Universal's ongoing automotive services is the Lake Orion Assembly Center (OAC). Regional Manager, Denny Roland, runs this operation. He is an effective, modern manager who knows the details and drives continuous improvement. The OAC produces ≈660 small model automobiles daily. The facility was originally opened in 1984, was completely mothballed in 2009, and has been retooled to incorporate all production and material handling.

Universal handles more than 340,000 parts a day providing extensive sequencing and kitting. Kitted and sequenced parts are delivered to the assembly line in car order so that the assembler has exactly what he needs when he needs it. Major sequencing and kitting operations include doors, headliners, dashboards and trim. Overall, 37 commodities are sequenced.

Universal manages 300 hourly and 30 salaried employees at the OAC. Five employees are industrial engineers. The software and hardware for materials management/sequencing are Universal's. This operation for Universal's customer is truly a cooperative partnership.

Another example of Universal's value-added services is its operation for a large manufacturer of agricultural equipment.

Universal's customer desired a company that could deliver significant results throughout the entire supply chain. The challenge involved almost 1,000 suppliers providing more than 15,000 current parts for multiple product lines in a basically manual environment. Additionally, the customer wanted a provider with proven IT systems capable of real-time inventory visibility and accountability every step of the way. Lastly, a crucial component to the success of the project was to team with a firm that could transition the entire operation from an incumbent 3PL while concurrently re-engineering the supply chain and maintaining strict production schedules.

After awarding the challenge to Universal, specialists were assembled several months prior to the transition date to perfect and execute the strategy.

- A launch team was mobilized to manage the entire process, construct a launch wall, recruit, hire and train associates, establish processes, design and procure necessary JIT/JIS/Kitting conveyances, assemble material handling and transportation equipment, set up warehouse including supermarkets and visuals, identify safety procedures, create sub-assembly cells, establish protocol to communicate with the client and ensure all timelines were met in accordance with the strategy.
- An IT solutions unit arrived on-site to meet with client resources and begin preparations for a "go live" date. This involved interfacing with client systems, initiating and integrating Universal WMS (warehouse management system), establishing full RF (radio frequency) capability within the warehouse and plant for scanning, designing/adapting programs for inventory control, sequencing and bulk pull signals, error – proofing, eKanBan, ASNs (advanced shipment notices), AIAG (Automotive Industry Action Group)

labeling, KPI/KAI (key performance/activity indicator) report mechanisms and other facets as required.

- Industrial engineers were deployed to evaluate and reconfigure the current state of the warehouse to establish static and dynamic part locations, FIFO (first in, first out), maximize space utilization, optimize performance and increase efficiency in order to reduce operating costs. A LSET (line side engineering team) was charged with re-engineering and managing all line stocking activities including stocking locations, visuals, material presentation, replenishment cycles, min/max levels and loop sizes to remove excess inventory, expendable packaging and dunnage from manufacturing and assembly floor.
- Finally, an off-site team was established to begin mining part data from the customer and suppliers for a PFEP (plan for every part) program widely used in the automotive industry that would serve as the foundation for the inventory control program and all part activity moving forward. Universal drove the process in contacting suppliers to retrieve important part detail that was then input into the dynamic PFEP document and integrated into the Universal WMS.

After several months of preparedness, it was time to go live and transition to Universal. The 400,000 square foot facility includes areas for receiving, repacking, containment, bulk and rack storage, supermarket, kitting, sequencing, JIT/JIS (just in time/sequence), shipping, various sub-assembly cells, weld and fabrication as well as a crating operation for shipping components and kits. In addition to warehouse activities, the project included hourly van and flatbed shuttles to the plant, receiving material at the plant, line side delivery, YMS (yard management system) and service parts shipping. Much of the material is replenished using a rolling stock system to reduce material handling, fork lift activity and congestion and to increase speed.

The Universal WMS captures part scan history throughout the cycle and provides real-time visibility. It also greatly enhances inventory accuracy, allows for standardized part ordering and improves fulfillment by introducing total systems integrity. Intensified scanning functionality allows associates flexibility and the ability to create unique labels, kit parts, repack, sequence and more, all in an error proofed and electronic format. Scanning at the POU (point of use) clocks off parts, validates replenishment and generates next pick automatically. Returnable containers are also managed using Universal systems.

Initial and continuous process improvements have greatly enhanced performance and cost containment/reduction in numerous disciplines and applications:

- Inventory reduction and accuracy
- Cycle counts and audits
- Physical inventory frequency
- Obsolete and scrap material
- Management of high value parts
- Operating cost
- FIFO
- ASN compliance
- AIAG label compliance
- Standard packs
- Pick and ship accuracy

- Downtime
- KPI/KAI
- Damages
- Shrinkage
- Hot shipments
- QRR
- Engineering changes
- Days on hand
- Replenishment frequency
- Plant output
- Safety

Through partnering, understanding its clients business, providing leadership, ingenuity and applying past experience, Universal has successfully helped its customer navigate into World Class Manufacturing. Success demands a great deal of trust, hard work and skill. Universal and its customer have a mutual appreciation and a high degree of satisfaction in working collaboratively to achieve desired results.

Other major operations for Universal are the assembly plant for Cummins in South Carolina and its GM operation in San Luis Potosi, Mexico. This location includes transmission and car assembly and a tire/wheel assembly plant across the street. Universal has 1,000 employees at San Luis Potosi. They provide essential sequencing/materials management functions.

Universal's cross dock operations includes a 376 door facility for Ford Motor in Romulus, Michigan and a 183 door Regional Integrated Logistics Center for Chrysler in Detroit. In addition to operating the 200,000 square foot RILC for Chrysler, Universal runs 80 dedicated contract carriage routes a day. Most are traditional milk runs to pick up parts from suppliers.

The RILC has a large returnable container processing area. Five hundred and fifty unique types of containers and transportation racks are handled. In addition, a large cardboard recycling process complete with a special machine operates continually. The software and hardware used at the RILC are Universal's. Regular communications with Chrysler are primarily by ASNs.

Summary

Universal Truckload Services, Inc., LINC Logistics and other well-known companies have recently merged together into Universal, a Top 30 domestic logistics provider.