

## PRESIDENT'S MESSAGE

Under the cloud of a war against terrorism, an economy that just can't find its footing and the unfolding of one corporate scandal after another, it is easy to see why caution, pessimism and demands for change abound. While some of this is warranted, I submit that there is much that is still good "as is" and even more to be optimistic about looking forward.



Change is an everyday part of the business world. Technology, competition, new opportunities and even new problems foster an environment where change is constant. The events of September 11, 2001 have created new concerns and considerations requiring change within our industries. On the warehousing front, our procedures have adapted to further ensure the safety of the food supply chain. These changes stand to benefit everyone. On the construction side, we have experienced significant instability in the insurance and reinsurance industries. These changes are not entirely good or even warranted in many cases. We explore both of these topics in greater detail within this edition of Briefings.

While the above reference examples of beneficial change, as well as change based on emotions or opportunists, there is much that should remain the same and even resist the temptation to change. We need look no further than the existing crisis in corporate integrity to renew our commitment to good business practices.

In this regard, I am proud of our company's history of treating our customers and employees fairly, under-promising and over-producing, giving back to the people and communities that have been a part of our success, and finally, striving to do the "right thing" each time the alternative became an option. Some things should never change.

Sincerely,

Chuck Tippmann  
President

## PREVENTATIVE MAINTENANCE

Key to this program is coupling it with a repair-tracking software package called *FleetKeeper2*. This, too, can help one make better decisions in the long-term. Carefully tracking preventative maintenance and repairs allows Interstate to see costs, time and other factors to make more informed decisions.

We have seen increased productivity in our warehouses by implementing a few simple, yet effective procedures. Here are some of the key points to our savings:

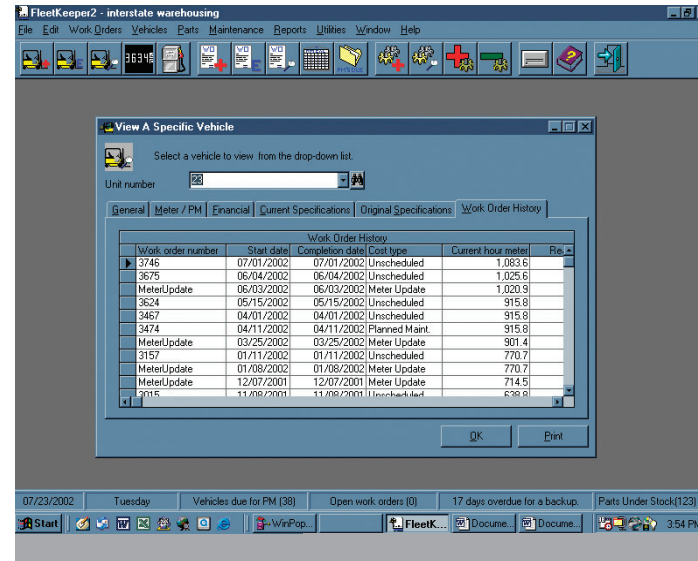
**A high percentage of forklift repairs come from damage caused by an operator. Improve the operator and you reduce damage. Therefore, we have increased warehouse employee training.**

**Interstate has greatly improved training of our maintenance staff, as well. Our staff now attends several training sessions a year, constantly advancing their skills. The better trained our staff is, the more repairs can be done in-house at a more manageable cost.**

The tracking software has helped us identify trends and/or problem areas. For example, we found that replacing several motor control components as a package significantly improves the life of the motor on our older machines. Therefore, maintenance can focus on known problem areas during preventative maintenance.

Additionally, the software can show us a trend on a certain warehouse operator. If we see a trend on damage/repair with a certain operator, we can implement training programs to address that specific problem.

A proactive approach to maintenance does more than just extend the life of forklifts. It leads directly to an increase in productivity, and a decrease in maintenance costs. For us, it has been a formula for success.



Carefully tracking preventative maintenance and repairs using *FleetKeeper2* allows Interstate to see costs, time and other factors to make more informed decisions.

### IWI PREVENTATIVE MAINTENANCE CHECKLIST:

Forklift systems reviewed every 200 hours of operation

- Visual Inspection
- Battery & Cables
- Clean & Lubricate
- Hydraulic Pump & Motor
- Drive Unit
- Power Cables & Control Wiring
- Contactor Panel & Power Contactors
- Brakes
- Steering
- Hydraulic System
- Mast Assembly
- Operational Check & Test Drive
- Attachments
- Wipe Off Truck & Clean Area

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TIPPMANN GROUP

TIPPMANN  
CONSTRUCTION  
INCORPORATED

interstate  
warehousing

## HEIGHTENED SECURITY MEASURES

U.S. Health and Human Services Secretary, Tommy Thompson, says his sole worry is contamination of the food supply. It could have catastrophic results. Once terrorism and, more specifically, bio-terrorism became a viable threat, Tippmann Group/Interstate Warehousing and the entire industry took a step back to reconsider current standards and to implement more stringent processes to ensure the safe delivery of the nation's food supply.

The industry responded with a revised and augmented HACCP standard, one that minimizes threats in our warehouses.

At Interstate Warehousing, this meant pinpointing our most vulnerable procedures in receiving, handling, storage and shipping. We then clamped down on these vulnerable points and put in place a thorough auditing procedure to ensure effectiveness and allow for improvements and changes.

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By pinpointing our most vulnerable procedures in receiving, handling, storage and shipping, we were able to implement more stringent processes to ensure safe delivery of the nation's food supply.

## THE INSURANCE FACTOR

SINCE SEPTEMBER 11, IT HAS BEEN EXTREMELY DIFFICULT TO FIND STABILITY IN THE INSURANCE AND REINSURANCE INDUSTRY

**Tippmann has discovered that the bottom-line result is fluctuating costs in both primary insurance and reinsurance. Tippmann has also found certain safety measures in warehouse construction—once deemed unessential to the insurance industry and inefficient and/or ineffective for warehousing—have become requisite. In contrast, guidelines once deemed necessary have been, in many cases, cast aside.**



Instability in the insurance and reinsurance industry has impacted Tippmann Construction's design considerations in new warehouse construction by forcing them to both satisfy insurance companies and keep costs to a minimum.

This moving target has impacted Tippmann Construction's design considerations in new warehouse construction. It has forced us to look for new ways to both satisfy insurance companies and keep costs at a minimum.

The most vivid example of this volatile climate is in-rack sprinkler systems. Warehouse operators know sprinklers can do more harm than good. They can easily be knocked loose by forklifts, are costly to install and maintain, and are under-effective as a safety measure. Also, sprinkler systems are immobile, therefore warehouse floor plans and storage rows must remain fixed. When insurers were asked why they are requiring sprinklers, nine times out of ten the reply was: To increase life safety.

If life safety is the intended goal, we believe there are better options. Sprinklers are the most costly and not always most effective tool in life safety. There are

much more practical measures a warehouse operator can take, short of installing sprinklers. Through warehouse design, Tippmann has included more exits, more heat and fire sensors, warning bells and alarms etc. These are much more effective tools for saving lives. If presented effectively, these alternatives historically have swayed insurers to accept sprinkler variances.

There are numerous other factors, such as sprinklers, which are being treated inconsistently in the post-September 11 insurance industry. This has forced Tippmann to take under consideration the insurance element before design work begins. In the past, the insurance factor would fall into one of the final stages of warehouse design and planning.

If one insurer isn't receptive to alternative design measures, Tippmann is forced to search harder for insurance companies willing to work for the best solutions. Warehouse operators should be aware that there are other insurance options out there, but it entails aggressive problem solving and, sometimes, shopping for a new insurance company.

## PREVENTATIVE MAINTENANCE

EXTENDING LIVES OF FORKLIFTS

**Warehouse operators and supervisors know a forklift fleet can be a perpetual pebble in the shoe. Not any two are alike. Some last longer than others. Some require more maintenance than others.**

But at \$35,000 each, it would be nice to have more control over these essential components of daily warehouse operations.

Interstate Warehousing has taken a successful stab at doing just that through our new preventative maintenance program.

Like many warehouse operators, we were faced with the nagging and inefficient fact of never knowing when some of our machines would require repairs or maintenance. Of course, this resulted in unplanned and unexpected downtime, for both equipment and labor. In addition, Interstate Warehousing was using third party repair/maintenance service at a significant cost in both real dollars and loss of productivity.

With our program, every 200 hours Interstate rotates maintenance schedules for each machine. We have also significantly increased our in-house maintenance staff. In the short-term, it has allowed us to reduce and control our fleet numbers. In the long-term it has lengthened the lives of our forklifts from an average of two and one-half years to five years. Again: five years, doubling a forklift's cost effective lifespan. The preventative maintenance schedule allows Interstate to catch small problems before they fester into larger, more costly repairs.

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Interstate Warehousing's preventative maintenance program calls for rotating maintenance schedules every 200 hours for each machine—helping double a forklift's effective lifespan.

### INTRODUCING INTERSTATE WAREHOUSING, GRAND JUNCTION, COLORADO



IWI utilizes 15,000 - 20,000 sq. ft. of perishable space in this facility for a case pick, liquid dairy operations, servicing City Market Stores, a division of Kroger. The remaining 75,000 sq. ft. of perishable and frozen space is designated for public warehousing.

**TOTAL FACILITY**  
92840 sq. ft.  
26 dock doors  
38 ft docks  
22 ft. stackable height  
Fenced lot

**COOLER AREA**  
Dock 9200 sq. ft.  
16 doors

**STORAGE AREA**  
40930 sq.ft. Total  
15470 sq. ft. dairy (currently being used)  
25460 sq. ft. available

**FREEZER AREA**  
Dock 7270 sq. ft.  
10 dock doors

**STORAGE AREA**  
27800 sq. ft total  
21500 sq. ft. available at -5 degrees  
6300 sq. ft. available at -20 degrees

**OTHER AREAS**  
Machine Room 1900 sq. ft.  
Battery Changing Area 3160 sq. ft.  
Offices 1280 sq. ft.  
Misc. 1310 sq. ft.

## HEIGHTENED SECURITY MEASURES

A good example of our revised procedure is in receiving. While we have always had strict security procedures, IWI's focus of warehouse receiving was more on liability. We wanted to make sure we documented how and when we received, the shipment's condition, etc. Now we have a much stricter procedure for receiving, including:

- When a shipment comes in, there is limited access to the building.
- There are restricted areas where employees are trained to spot and confront any unknown persons.
- All non-employees must have an escort.
- We have drivers escorted in and out of docks and we thoroughly document how the product was received and by whom.
- No shipments from unauthorized contractors are accepted.
- The chain of custody must be a spot-on match.
- The trailers must be sealed and the bill of lading must be in perfect order.
- There is a thorough inspection of the exterior of the trailer to make sure there are no holes or signs of foul play.
- After the exterior there is an interior inspection to check temperature and look for any residues, leaks, oils or powders.

This is one example, but like procedures occur at every critical point during handling, storage, and shipping. To ensure effectiveness there is an auditing system to allow for making any changes or improvements on short notice.

With these augmented steps, the industry and the nation can rest easier about the safety of the food supply in this age where the threat of terrorism looms large.

