

Biography

Tim W. Coats

As Vice President, Supply Chain Logistics, Strategy, and Grain Operations, Coats' responsibilities include: demand forecasting, inventory and production planning, warehousing, transportation, special pack operations, as well as grain procurement and merchandising activities.

Coats is a member of the Sales and Technical Community senior leadership teams serving as a liaison in the development of customer supply chain strategy.

Before joining General Mills, Coats was Senior Vice President of Operations for Pillsbury's \$6 billion world-wide food business. Prior to this appointment, he was responsible for purchasing, materials technology, contract manufacturing, inventory/production planning and distribution for Pillsbury.

Coats joined General Mills in 1978 and holds both a Bachelors and Masters in Agricultural Economics from the University of Missouri.

Coats currently serves as an Executive Board Member on the Supply Chain Management Research Council at the University of Arkansas. He is an active community volunteer and past board member of Courage Center, a nationally renowned facility serving people with physical disabilities, as well as The Minneapolis Metropolitan Economic Development Association, whose mission is to promote the development of minority owned businesses.

Mr. Coats is married and has three children.

**Comments of
Tim Coats
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General Mills**

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Introduction

Thank you for the invitation to address the Commission.

My name is Tim Coats, and I am the Vice President of Supply Chain Logistics, Strategy and Grain for General Mills.

On behalf of General Mills, I'd like to welcome you to Minneapolis, our hometown for over a century.

Our company's history is intertwined with the history of Minneapolis, beginning with a flour mill on the falls on the Mississippi River just down the road from where we sit today.

Today, General Mills is a leading global manufacturer and marketer of consumer foods products.

General Mills' mission is to innovate to make people's lives healthier, easier and richer around the world.

With annual net sales of \$12.5 billion, our global brand portfolio includes Betty Crocker, Pillsbury, Green Giant, Häagen-Dazs, Old El Paso and more.

Transportation at General Mills

General Mills produces over 800 million cases of food each year. Those product cases would circle the earth 7 times.

As you can imagine, it takes a lot of coordination to move all this food around. While we don't operate our own private fleet, we do spend over \$750 million per year on transportation services. Trucking represents 85% of our transportation spending.

General Mills puts approximately 2,000 trucks on our nations' highways each day. In total, that product travels over 300 million miles a year. The average shipment travels 700 miles passing through multiple major metropolitan areas.

Our view of the emerging issues in transportation is driven by two critical constituencies – our customers and our carriers.

Emerging Customer Demands

While *consumers* buy our products off the shelves, at General Mills, our *customers* are the retail partners who bring those products to the shelves.

This includes traditional grocery stores, and increasingly wholesale outlets, dollar stores, and convenience stores. Our customers also include wholesale distributors who supply these outlets.

I'm fortunate to be joined by one of our key customers – Target, another great Minneapolis-headquartered company.

Two key priorities of our customers are driving our business and impacting the transportation system in general.

First, our customers are reducing their costs by keeping less inventory on hand.

Inventories at our major customers are now decreasing at a rate of 10% or more a year.

Second, our customers are placing increased emphasis on keeping shelves fully stocked at all times.

So while the customers want less inventory on hand, they also need to have exactly the *right* inventory on hand at precisely the time they need to put it on the shelves.

To meet this challenge, greater levels of responsiveness and reliability are required.

Transportation Challenges

Growing traffic congestion on our nation's highways, especially in urban areas, represents a growing obstacle to overcome.

If you were driving the family across the country to Los Angeles, you'd pass through several major metropolitan areas until you finally got to L.A.

You'd likely encounter congestion in most cities, and definitely in L.A.

Now imagine that you need to get to L.A. within one-half hour of your scheduled arrival time after driving through all those cities.

Our freight carriers have the added challenge of meeting this schedule while adhering to strict driver hours of service requirements.

Congestion related delays impact cost as well as service.

Every one mile per hour reduction in speed below the posted limit results in \$2 million dollars in higher costs to General Mills carriers.

Congestion also significantly impacts work quality for drivers impacting job satisfaction and employment.

As older truck drivers retire, recruitment of new drivers has become increasingly difficult.

The American Transportation Association estimates that in the next 10 years, the demand for long-haul drivers will exceed current supply trends by 110,000 drivers.

As consumers, we experience growing frustrations brought on by increased road congestion. For businesses like General Mills, this congestion creates service challenges, higher costs and reduced transportation availability.

Industry Initiatives

In light of these emerging trends in the marketplace, General Mills strongly supports industry-led initiatives that drive greater supply chain speed and predictability.

Over the last two years, General Mills has removed 10,000 trucks from our nation's highways by optimizing cases loaded per truck. This is an important component of General Mills' overall sustainability efforts.

We support further investigation into the American Trucking Association's recommendations presented to this Commission.

The potential productivity benefits of changes to size and weight regulations are very significant. General Mills supports a review of current weight regulations and increasing the maximum gross weight of 6-axle tractor semi-trailers.

The ATA's Freight Corridors Initiative would fund highway projects in highly congested areas that hold the greatest potential for improving movement of freight.

We are also intrigued by the idea of highways limited for the exclusive movement of trucks. General Mills would be willing to participate in efforts to identify targeted corridors.

Each of these ATA proposals has the potential to increase transportation efficiency and reliability.

I also want to recognize that intermodal transportation is critical and needs to be addressed. But for this to be competitive for our business, we must see changes in the capacity and service of rail.

Funding issues

Of course, all of these changes cost money.

In general, we support funding sources that are:

- Tied to highway use
- Simple and cost-efficient to implement and administer; and
- Not disruptive to inter or intrastate commerce

Here in Minnesota, General Mills has been a leader in supporting increased funding for transportation.

Last year, we helped lead the effort to pass a ballot measure that dedicated funding for transportation in the state – both roads and transit.

We look forward to working toward additional solutions that help relieve congestion in Minnesota and our nation's highways.

Closing

Thank you for the opportunity to share our thoughts and recommendations.