TRAFFIC STUDY
Smith & Kanzler Co. - Linden, N. J.
Relocation to Elgin, Illinois

DANA-100

VPD-158-0000790

COPY

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PROJECT ASSIGNMENT

At the request of Mr. R. M. Burns, a study of the existing freight rate structure and total freight cost picture was to be made of the Smith & Kanzler facility at Linden, New Jersey. Raw material transportation costs were to be analyzed also outbound finished product costs.

The results of this study were to be compared with transportation costs resulting from the possible movement of the plant to the Elgin, Illinois area. All inbound and outbound shipments were to be checked with the exception of "SPRAYCRAFT" and its' raw material components.

Method of Analysis

Inbound Raw Materials - All Accounts Payable invoices were checked for freight chargebacks, dedutions or equalizations. All freight bills from carriers were then checked for raw material application.

Outbound Finished Products - All Accounts Receivable invoices were checked for proper product applicability also all outbound Bills of Lading and Freight Bills.

The period checked was September 1, 1966 thru August 31, 1967.

Conclusion

From a TRANSPORTATION standpoint, it appears that the movement of this plant from Linden, New Jersey to Elgin, Illinois is economically feasible. The greatest portion of savings involve direct deliveries to three major Chicago accounts: Grant-Wilson Company, Harnisch Company, and Victor Divisions-Dana Corporation. The survey indicates savings based on the utilization of private trucking, either by the Victor Division or by the Smith & Kanzler Company, under a normal delivery arrangement, of at least $34,000 annually.

Traffic Study made by L. Daknis and R. Kessler -

Victor Divisions-Dana Corporation
Traffic Department

VPD-158-0000792

Submitted November 13, 1967

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RECAP OF ANNUAL FREIGHT COSTS ON INBOUND RAW MATERIALS

	Additional Cost	Savings
Asbestos Fibre	$4,660.58	
Asbestos Scrap		$2,270.53
Liquid Asphalt		5,127.68
Misc. Chemicals *	1,866.63	
	$6,527.21	$7,398.21

Saving on Raw Materials $ 871.00

RECAP OF ANNUAL FREIGHT COSTS ON OUTBOUND FINISHED PRODUCT

	Additional Cost	Savings
Grant-Wilson Co. & Harnisch Co.		**$10,706.50
Victor Division		36,282.00
Misc. Accounts	$4,931.33	
	$4,931.33	$46,988.50

Saving on Finished Product $42,057.17

TOTAL ANNUAL SAVINGS $42,928.17

* [redacted] can be purchased locally and save this expense.

** [redacted] product line may be dropped.

If we assume these costs and savings would be eliminated then the annual savings would be reduced to $34,088.30

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Traffic Study made by L. Daknis and R. Kessler -

Victor Divisions-Dana Corporation
Traffic Department

VPD-158-0000795

Submitted November 13, 1967

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RECAP OF ANNUAL FREIGHT COSTS ON INBOUND RAW MATERIALS

	Additional Cost	Savings
Asbestos Fibre	$4,660.58	
Asbestos Scrap		$2,270.53
Liquid Asphalt		5,127.68
Misc. Chemicals *	1,866.63	
	$6,527.21	$7,398.21

Saving on Raw Materials $ 871.00

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TOTAL ANNUAL SAVINGS $42,928.17

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** This product line may be dropped.

If we assume these costs and savings would be eliminated then the annual savings would be reduced to $34,088.30

RAW MATERIAL INPUT INTO SMITH & KANZLER PLANT IN LINDEN, N.J.

(ASBESTOS FIBRE)

SOURCE:
Canadian Johns-Manville
Asbestos, Quebec
Canada

Type of Asbestos	Weight consumed	Linden Cost	Elgin Cost	Difference
3K04	417.1 Tons	$6,089.66	$7,841.48	$1,751.82
6DAX2	237.1 "	2,726.65	3,058.59	331.94
6D04	568.6 "	6,538.90	7,334.94	796.04
7D04	505.4 "	5,609.94	6,014.26	404.22
7MF5	628.1 "	6,971.91	7,474.39	502.48
7M06	419.5 "	4,656.45	4,992.05	335.60
7M13	15.0 "	166.50	178.50	12.00
Paperbestos #5	658.1 "	7,304.91	7,831.39	526.48
Total.....3,449 Tons		$40,064.92	$44,725.60	$4,660.58

Additional cost to Elgin, Ill..... $4,660.58

(ASBESTOS SCRAP)

Heater treated (fiberized) scrap from Victor plant in Chicago.

306,624 lbs. shipped via railroad box car at cost of..... 2,270.53

Additional cost of Asbestos from Elgin..... $2,390.05

Comment:

Asbestos scrap can be loaded at Victor plant in Chicago after unloading of normal deliveries from Smith & Kanzler. This would be a free "back-haul" back to Elgin.

LIQUID ASPHALT (NF-O EMULSION)

SOURCE:
Emulsified Asphalts
Chicago, Illinois

9 tank cars 714,486 lbs. shipped to Linden @ $0.84 cwt...$5,991.68
Delivery cost to Elgin from Chicago @ $96.00 per car..... 864.00
Saving to Smith & Kanzler.....$5,127.68

RAW MATERIAL IMPUT INTO SMITH & KANZLER PLANT IN LINDEN, N.J.

The following items are sold on a DELIVERED basis to Linden, N.J. but would require shipping via common carrier to Elgin, Illinois.

Vendor	Shipping Point	Item	Weight	Additional Cost
Wilson Prod. Co.	Neshanic, N.J.	Paper Color Dye	25,395#	$ 713.87
Amer. Cyanamid Co.	Woodbridge, N.J.	Plastic Sizing	13,830#	376.56
E.I. Dupont Co.	Clifton, N.J.	Coal Tar Dye	710#	28.80
P. Schweitzer Co.	Lee, Mass.	Interleaving Paper	9,903#	198.00
Textile By-Products	Hudson, N.Y.	Jute Felt	4,305#	87.00
Chicopee Mfg. Co.	Manchester, N.H.	Cotton Piece Goods	4,361#	87.20
R.T. Vanderbilt Co.	Bayonne, N.J.	Chemicals	2,974#	116.00
Wood Products Co.	Brewer, Me.	Wood Plugs	7,895#	118.00
Owen-Corning Glass	Ashton, R. I.	Glass Thread	5,233#	112.20
Hammermill Paper Co.	Erie, Pa.	Bleached Wood Pulp	2,080#	29.00
			76,687#	
		ADDITIONAL COST.....		$1,866.63

Comment:

These additional transportation costs are MAXIMUM. It is possible that sources in the Chicago area could be developed. Many of the above items are ordered in small quantities, only the total quantity is indicated.

The following items are supplied on a DELIVERED basis. There should be no increase in delivered costs since the Vendors' delivery costs would be lower to Elgin, Illinois.

Vendor	Shipping Point	Item	Weight
Nat'l. Starch & Chem.	Indianapolis, Ind.	Hoosier #78 (Cornstarch)	202,000#
" " "	" "	Liq. Syn. Latex	83,072#
Amaconda Aluminum	Louisville, Ky.	Aluminum Foil	31,174#
Archer Aluminum	Winston Salem, N.C.	" "	30,851#
B.F. Goodrich	Hycar-Latex 1552	Akron, Ohio	174,473#
	TOTAL WEIGHT.....		521,570#

VPD-158-0000798

RAW MATERIALS AND PACKAGING SUPPLIES

The following items were indicated on delivery records as "delivered" items by vendors' delivery trucks.

Packaging Supplies, viz:

Cartons	Liquid Glue	Pallets
Chipboard	Gum Tape	Paper bags
Corrugated Kraft Paper	Labels	Paper Tubes

Chemicals, viz:

Aluminum Sulfate	Hydrochloric Acid	Sodium Silicate	Zinc Oxide
Aqua Ammonia	Red Oxide	Sodium Nitrate	
Black Pigment	Soda Ash	Sulfur	

Misc. items, viz:

Cornstarch Rocksalt Janitor Supplies

Comments:

It is assumed that comparable vendors' sources could be established in the Chicago area with the same delivery arrangements. If not, Victor or Smith & Kanzler equipment could be used in the "back-haul" movement to the new plant facility. Freight charges were occasionally indicated from vendors' locations 30 or 40 miles away from Linden. The same situation would apply between Chicago and Elgin. No comparison should be necessary.

OUTBOUND FINISHED PRODUCT SHIPMENTS

(Chicago Area)

Products sold on F.O.B. DESTINATION basis.

Accounts involved

Grant-Wilson Co. 38 truckloads
Chicago, Ill.

Harnisch Co. 19 truckloads
Chicago, Ill.

Total weight delivered..... 1,397,732 Lbs.

Total delivery cost from Linden, N.J..... $13,556.50

Assuming that Victor or Smith & Kanzler equipment could deliver this material at $50.00 per trailerload. 2,850.00

Savings to Smith & Kanzler..... $10,706.50

OUTBOUND FINISHED PRODUCT SHIPMENTS

(Chicago Area)

Products sold on F.O.B. LINDEN basis.

Account involved:

Victor Divisions
Dana Corporation
Chicago Illinois.....98 truckloads

Total weight shipped..... 4,118,212 Lbs.

Total delivery cost to Victor Division.....$ 41,182.00

Assuming that Victor or Smith & Kanzler equipment could deliver this material at $50.00 per trailerload. 4,900.00

Savings to Victor Divisions .....$ 36,282.00

Comments:

This material is now moving in 42,000 lb. truckloads via our shipping cooperative "ASOA" in Plan III railroad piggyback service. Rates were $1.00 cwt. and were recently raised to $1.05.

OUTBOUND FINISHED PRODUCT SHIPMENTS

(Other than Chicago area)

Products sold on F.O.B. DESTINATION basis.

Number of shipments checked..... 228
Total tonnage involved.....600,616 Lbs.

		% of total shipments	tonnage affected	% of tonnage affected
Number of shipments that would result:				
in increased rates.....	206	89%	499,705	83%
in decreased rates.....	22	11%	100,911	17%

Total freight charges from Elgin, Illinois..... $13,188.89
Total freight charges from Linden, New Jersey..... 8,257.56
INCREASED freight cost to Smith & Kanzler Co..... $ 4,931.33 (59% increase)

Method used in analysis:
Each outbound bill of lading was checked against the accounts receivable invoicing to assure completeness in reporting.

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OUTBOUND FINISHED PRODUCT SHIPMENTS

Products sold on F.O.B. LINDEN basis.

Number of shipments checked	260
Total tonnage involved	774,072 Lbs.

		% of total shipments	tonnage affected	% of tonnage affected
Number of shipments that would result:				
in increased rates	189	73%	508,116	66%
in decreased rates	71	27%	265,956	34%

Total freight charges from Elgin, Illinois	$16,292.11	
Total freight charges from Linden, New Jersey	15,797.46	
INCREASED freight cost to customers	$ 494.65	(3%)

Method used in analysis:

Each outbound bill of lading was checked against the accounts receivable invoicing. Since these shipments were made on a COLLECT basis it was necessary to check each applicable rate from Linden, N.J. to the point of destination. These shipments were then rechecked to the same destination with Elgin, Illinois as the origin point.

Comments:

The rates used from Elgin are based on existing class rates. We are confident that special reduced rates can be negotiated with certain specialized Chicago carriers that will result in a savings to the Smith & Kanzler customers.

Copy To: R. M. Burns

VICTOR MANUFACTURING & GASKET COMPANY

INTEROFFICE CORRESPONDENCE

To: Mr. B. Basile

Date: August 4, 1966

From: Lou Daknis

Department: Traffic

Customer:

Reference: Report on Smith & Kanzler visit

The general purpose of last weeks visit by Bob Kessler and myself was to familiarize ourselves with the various transportation problems being incurred by the Smith & Kanzler plant. Also to offer some aid and suggestions as to future action to resolve such problems without impairing Smith & Kanzlers' marketing ability due to increased costs resulting from certain transportation changes.

My initial impression of the overall transportation situation at Smith & Kanzler is that the present shipping procedures have developed because of severe competitive conditions, unusual delivery demands where a delay of several hours to construction sites is prohibited and the reluctance of many common carriers to handle insulation products because of the lower profitability of such movements.

While at Smith & Kanzler we talked to a number of truckmen, both personally and over the phone. We received quite an insight of localized problems inherent to the New York area. It was a liberal education. Trucking in the New York City area is based on deliveries between "zones" with many variances due to toll charges. "Pay-offs" to unloading crews is a common practice leading to inflated freight rates to cover such costs.

An immediate problem at Smith & Kanzler is the operational handling of their local delivery truck presently handling deliveries to plumbing supply houses, occasional pier deliveries for our International Division, pickups of raw materials, certain construction site deliveries of SprayCraft, etc. The present truck is an antiquated unit with no rear door or protective canvas, no identification and is utilized an average of four to six hours per day. Occasionally a truck with a hydraulic tailgate is leased on a daily basis from a local leasing company to transport SprayCraft application machinery to a job site. We understand that the charges for this rental unit amounted to approximately $500 for the first six months of this year. However, a portion of this was recovered due to their not being charged for the truck that remained idle.

This truck operates across state lines therefore the proper operation is subject to I.C.C. safety rules, the driver is subject to certain requirements, etc. Two methods of operation are permissable:

1. CONTRACT CARRIAGE - Similar to our city operation between plants 1 and 5. The equipment and driver are furnished by the trucking contractor who has operating rights from the I.C.C.

2. PRIVATE CARRIAGE - The driver is an employee of the industrial firm but the equipment may be leased from an independent operator or owned by the industry. No operating rights are necessary by either party.

The Smith & Kanzler truck is operated under some rather unusual circumstances. The truck is owned by an independent local garageman "J & K Trucking" whose primary business is manufacturing truck bodies. A flat weekly bill of $250.00 is tendered to Smith & Kanzler but a deduction of $90.00 is made by us along with another deduction of $4.50 for fringe benefits for the driver. Frequently these statements had pickup charges of $25.00 added with notations of "pickup in NYC". These charges seemed unusual since this truck was supposedly operated under our exclusive use yet we were being charged for pickups. A leasing contract dated in 1959 was on file but it was never executed by either party nor was any description offered of the truck supposedly leased. No current liability insurance coverage was on file with us.

In a meeting that day with the truck owner we were informed that the $25.00 charges were the result of an oral agreement between himself and the original owner of S & K to cover the drivers' vacation and holiday pay. I informed him that this small degree of control over the drivers' wages places him in contract carriage with us placing us in violation with the I.C.C. Since he has no contract authority permits. He mentioned that he had built in a factor of $10.00 weekly for tolls. In further conversation it was developed that this amount was not paid out each week in our normal operation. We then suggested that he deduct this $10.00 from his weekly billing and S & K will pay the tolls. He agreed.

Since he was in the process of placing a newer truck in service he suggested the installation of a one ton hydraulic lift gate on his unit. His comment was that this was an installation that would cost him $3,000 over 4 or 5 years considering the original cost and maintenance. This of course would have to be reflected in a higher leasing charge. In checking with the Manufacturers' distributor in Chicago I have found that this installation would be approximately $1300.00 for the deluxe retractable model and maintenance for the first few years should not exceed $50.00 per year. We now have a better bargaining position.

The operator of J & K Trucking has been doing business with Smith & Kanzler for a very long period. He is very familiar with the entire operation and our methods of distribution. Should we phase him out of the picture at this time we may cause problems in these areas. Until we straighten out these "other areas" I suggested to Andy Johnson that we will get competitive bids from other equipment leasors in his area and use them as a lever to be sure our charges are proper. We will request a proper equipment lease with a normal 30-day cancellation provision. If it should be necessary to cancel this service it may be wise to let us handle the cancellation from this end with the appearance that we overruled the S & K management so that this individual does not directly blame them for the loss of the account. As mentioned previously, this individual is too informed on the operation. A further detailed report will follow as soon as we receive the other equipment bids.

Delivery problems have been encountered by S & K on their trailerload deliveries into New York City. The consolidation agent of "ASCA" who is presently spotting and pulling ASCA loads out of S & K is very interested in this move. It would be a "natural" if they could drop in an empty trailer for ASCA type loading into Chicago and then return to their terminal in Jersey City with another loaded trailer for local delivery in New York City. We agreed with Andy Johnson that he would try them on the next few loads. This trucking firm would not quote costs until they check time elements on these construction site deliveries. A further report will follow.

Andy Johnson agreed to load a fifty foot box car within the next two or three weeks with our plant's asbestos rolls on a trial basis. The B & O RR will consider this material as "Roofing or Construction Materials" and apply a cheaper rate than ASCA. We are preparing a release of material with Art Johnson and we will unload this car through our copper vault freight door. Once the in-transit time is verified and after we check various other factors we will submit a appropriation request to build an inexpensive steel unloading ramp at our fibre door #13 at Plant #2. It is possible that we can reduce our delivery cost by 25-30%. It is also possible that we can later move in S & K's pipe covering in the same car at the cheaper carload rates and we can deliver this in our Victor delivery equipment on a cost basis. It appears that we can equal their present Chicago delivery costs via other methods.

I also contacted a Bob McCuen, an individual who has hauled loads out of S & K into various points in Pennsylvania and other states on a return basis from his normal operation into New York. Because of lack of proper authority he recently refused to handle these movements in order not to jeopordize his other permit authority. He is now filing for contract rights covering our products and we worked out a program of our helping him in securing these rights. He is applying for authority from Linden into such points as Baltimore, Philadelphia and Washington, D.C. Al Binger and Andy Johnson have a high regard for him and we should do everything possible to help him in this regard. Copies of my correspondence to him indicating our "need and necessity" for his service will follow.

VPD-158-0000806

The trucker handling the S & K movement into Chicago on accounts such as Grant-Wilson Co. and Harnisch Co. will be in Chicago Monday or Tuesday of next week. We will then discuss his operating authority and the possibility of our helping him in this area.

We also had a meeting with a Mr. E. Lippa of Lippa Transportation Co. who are common carrier specialists in hauling building materials. He supplied us with a complete file of his tariffs which will enable us to supply S & K with a simple route and rate guide sheet to the New England area.

With regard to our Mack Truck movement into their parts distribution center in Somerville, New Jersey, Bob and I had a very nice discussion with a Mr. Pete Renaldi, their local traffic manager. He is aware that we can reduce their delivery costs on his material but he is a little hesitant regarding the timing in deliveries. He suggested that we write up a formal proposal so that he can have something concrete to work with. We are working with Mr. Nielsen in this regard. We left ourselves open on freight charges or F.O.B. terms. This is up to Mr. Nielsen to propose to the Mack Truck management. In general, we should not have any problems with their traffic department. Their plant is located directly on highway #22. Our truck route will pass directly in front of their plant.

While in New York City I spoke to Mr. Fred Hague, Traffic Manager of Dodge & Seymour, Ltd. regarding certain problems in balance due bills we have received from the Clipper Carloading export movement of a year or two ago. Without mentioning particulars in this report this could have involved our paying four or five hundred dollars in excessive charges because of a tariff technicality that Clipper is trying to enforce. With Mr. Hague's help we should be able to cancel these additional bills.

We then visited the Moore McCormick Steamship Lines freight traffic department regarding freight rate increases that we have had on our export shipments of aluminum pre coated steel to our Buenos Aires, Argentina plant. We have had a long battle with this line and the steamship conference in the application of a $24.50 per ton rate instead of the $45.50 per ton rate now being charged. Our prior results have been to reduce this rate down to $36.50 per ton as a compromise. As a result of this meeting we believe that we have the proper information to secure the original $24.50 per ton rate and file claim for all of the excess billings in the last six months.

In summary, we believe that the trip was very successful. We have a much better perspective of S & K's problems and we can properly fit in changes without unduly disturbing their cost situation. These changes cannot be done quickly but they must be made if we are to protect our legal status with regard to the I.C.C.