

MCI and the Louisville Consolidation



by Larry Plachno

Photos by the author unless otherwise indicated

One of the biggest developments at MCI since KPS Capital Partners stepped in is the consolidation at their Louisville facility. Original plans to consolidate several MCI departments at the Louisville facility are in the process of being implemented. Here, several of the Louisville staff joined a photo in front of the facility with one of their favorite coaches.

KPS Capital Partners took over controlling interest in Motor Coach Industries (MCI) on September 20, 2010. Since then we have received numerous questions from readers asking what is happening at MCI. In fact, some people have complained that very little has gotten into print. Yes, I admit that until now there has not been a great deal to report.

To begin with we might mention that KPS Capital Partners did not walk into MCI blind. Much of the spring and summer of 2010 was spent obtaining extensive information on MCI before KPS made their final decision to get involved. Added to this is the fact that KPS previously purchased and turned around New Flyer Industries. In addition to growth in revenue and prof-

itability, New Flyer improved in quality, delivery and customer service. Hence, KPS already had substantial experience in bus manufacturing.

Among the more important changes under KPS has been a \$5 million cash infusion to parts inventory at MCI Service Parts and elimination of the old MCI debt. Over the years, MCI picked up a substantial debt load after being spun off from Greyhound Corp. In the following Dina years this got worse when more debt was shifted to MCI. This had been one of the biggest problems at MCI since the cost of servicing the debt precluded using that money for other things. Under KPS, that debt is finally gone and MCI is profitable and in a much better cash position.

Under KPS there have only been a few changes in management. Rick Heller is the new CEO while Fred Spivak is the CFO. MCI veteran Pat Ziska leads Private Sector while Tom Wagner leads Public Sector. He succeeds Michael Melaniphy, who has been named president and CEO of APTA. Jon Yarusso, who has been with MCI for more than six years, is also in a senior executive role. Mitch Guralnick continues to oversee pre-owned coaches.

An interesting development at MCI is that management is spending more time with production and product improvements. While corporate headquarters continues in Schaumburg, Illinois, across from the huge Woodfield Mall, management is spending more time at the plants in Win-

nipeg, Manitoba and Pembina, North Dakota with engineering and production.

Overall, the single biggest change at MCI since KPS stepped in has been the consolidation at Louisville. Far from being a new project, this consolidation was planned as far back as 11 years ago. Seeing both the logic and improved customer service from this move, MCI management decided it was time to complete this transaction.

Historically, MCI has had numerous locations for supplying customers with parts over the years. Originally, parts were stocked and sold out of Winnipeg. However, with expanded sales of MCI coaches into the United States in the 1960s, a U.S. parts warehouse and shipping point was very desirable. This was originally set up at the Pembina facility in 1967.

As MCI's coach sales increased so did the parts business. As a result, a new parts facility was opened in Northlake, Illinois, a western suburb of Chicago, in 1971. This facility soon began selling more than just MCI parts so the name of the operation was changed to Universal Coach Parts in 1975. An interesting side note is that in these years many of the parts were shipped to customers by bus package express. Greyhound scheduled a "combo" coach on weekdays to Northlake to pick up these packages and bring them to downtown Chicago where they would go out to customers on Greyhound buses. You could buy a ticket and ride the combo bus since it did have something like eight seats, but it was primarily used for hauling freight.

Increasing sales of MCI coaches and resulting increased parts business prompted MCI and Universal Coach Parts to set up satellite facilities to better serve MCI coach owners in different locations. Satellite parts facilities were opened in Ontario and in New Jersey in 1980. Four years later a similar satellite parts facility was opened in California.

Ongoing increases in parts sales in the late 1980s prompted MCI and Universal Coach Parts to move its primary operation and warehouse from Northlake to a larger facility in Des Plaines, Illinois. This turned out to be somewhat temporary because of substantial expansion of parts sales in the following decade. Greyhound Corp. acquired Hausman Bus Sales in 1989 and that parts business was transferred to Universal Coach Parts. In 1993, Universal Coach Parts introduced its own brand of parts called Coach Guard. Further expansion came in 1995 with the acquisition of school bus parts distribution. Another expansion came in 1997 with the acquisition of Flexible parts.

By the late 1990s, Universal Coach Parts had easily grown into being the largest bus parts operation in North America. It had also



When completed in 2000, MCI's Louisville facility was the biggest bus parts operation in North America. There are currently 32 people in the shipping operations. With these smaller racks, parts can be picked by hand but forklifts are used for the higher racks. MCI.



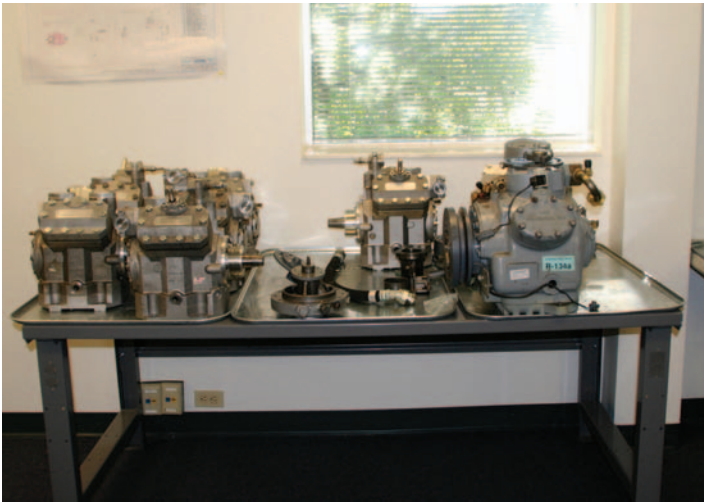
Parts are packaged all day long for shipping and can be packed at night or on weekends in the event of emergencies. A major reason for picking the Louisville area for this facility is that the nearby airport is a hub for United Parcel Service. Most of the smaller parts go out via UPS and can be shipped overnight to many locations in the United States and Canada. MCI.

outgrown its facility in Des Plaines, Illinois. Noteworthy was the fact that most of the parts were no longer being shipped via bus package express. Most of the smaller parts were going out United Parcel Service while the larger ones were shipped by truck.

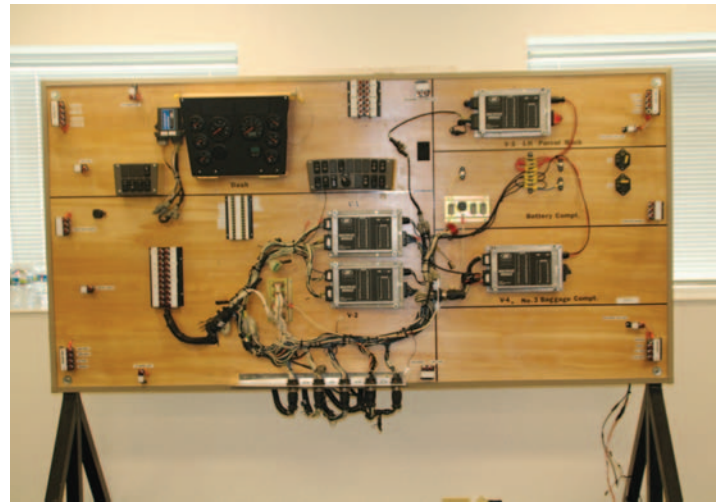
Taking all of this into consideration, management at MCI came up with a logical long-term plan for their bus parts operation that would significantly improve customer service. With Louisville Airport (Standiford Field) being a hub for UPS, MCI elected to locate its new parts facility in that area. A 31-acre site was acquired in a new industrial

park on the southwest side of Louisville and a relatively short distance from the airport.

When completed in 2000, the Louisville facility included the parts receiving, shipping and warehousing operation on one side and a large two-story office complex and training facility on the other side. Initially, much of this office space was empty, but long-term plans called for consolidating several MCI operations including customer service, training, aftermarket engineering, technical support and ERSA (Emergency Road Side Assistance) at this one location. Under KPS, the final stages of



Students get hands-on training with actual equipment. Here you can see both newer and older compressors that are used during the training sessions.



Also used during training sessions are panels like this one that arrange various components and connect them in a similar fashion as in the coaches.

this consolidation in Louisville are taking place.

Some of these departments moved to Louisville in subsequent years. For example, MCI's Technical Call Center and Emergency Road Side Assistance (ERSA) operation moved from Pembina to Louisville in April of 2003. ERSA is run by Richard Cunningham and is open 24/7 and received a total of 14,500 calls for help in 2010. In addition, they placed more than 38,000 outbound calls obtaining help including relief coaches, restaurants and motels for those who phoned in. ERSA can also arrange parts for next day air shipping, even on weekends. What makes the ERSA operation interesting is that the drivers and coach owners have had such good experience with the MCI ERSA staff that they frequently call in with problems with other makes of coaches – and the ERSA people help them.

MCI's Technical Call center is open from 8 a.m. to 8 p.m. Eastern Standard Time. They handled 43,000 technical questions in 2010. The Technical Call Center is hooked by phone to other MCI facilities in Pembina and California so that additional technical expertise can be made available to callers.

MCI's Training Center has been in operation in Louisville for several years. Located on what would be called the southeast corner of the ground level, the extensive training center comprises a fairly large area with four large classrooms and support areas. Each of the classrooms are set up with different components and displays for specific systems. An interesting feature is that the hallways are filled with photos taken at the factory showing various stations in the coach manufacturing process.

"Starting in the mid-90s, coaches began to make technological leaps," said Scott Crawford, MCI technical training manager.

"New technology requires new training. Look at how we live now. Knowing how to use a BlackBerry or iPhone makes our lives easier. It is the same with coach technology. With training a technician can quickly diagnose problems rather than play guessing games, wasting time or money on unnecessary parts. My goal is to convince every operator on the value of MCI's training programs."

MCI's Technical Tune-Up Sessions are one of the best bargains you will find. These sessions take the guesswork out of fixing a coach. The good news is that these sessions are free to MCI customers and many mechanics and technicians claim that they are the best training in the industry. All you need do is to pay for transportation and lodging for your technicians. In addition to the training, MCI even supplies many of the

meals. The bad news is that registrations are limited because MCI restricts the size of the classes to insure a good ratio of technicians to instructors. Hence, you need to register as far in advance as possible to make sure you can get in. Check www.mcicoach.com/training for dates.

These sessions include an enhanced Electronic Stability Control and an expanded air systems class. Other class topics include air conditioning compressors, introductory laptop diagnostics and kneeling systems. Additional topics include disc brakes and a more comprehensive multiplexing and schematics class. New this year will be the "MCI Challenge." Crawford said that "students will break into teams and go out to identify and retrieve things on the coach with the help of a worksheet."

MCI's Training Center is also based in the Louisville facility. Four modern classrooms like this one are used for a wide range of classes. The number of students in each class is limited to ensure the quality of the training sessions.



Undoubtedly a sign of the times, MCI also offers Webinars that can educate technicians and others about different systems and components. A total of 46 different Webinars are already archived online and can be viewed as you have interest or as time allows. (Visit www.mcicoach.com/webinars.)

Another group that has already moved to Louisville is Aftermarket Engineering. They have a wide range of responsibilities that includes supporting warranty work, they support the call center and are the main technical support of the warehouse. They evaluate suppliers and are responsible for warranty parts. Aftermarket Engineering listens to feedback from customers and works on special projects such as the CNG engine, the Detroit 2010 engine, lug locks, heavy duty wiper blades, and changing the Horton cooling system clutches to the new system.

Aftermarket Engineering gets new products ready to go to customers and makes sure that inventory is in place for new parts. They are also responsible for aftermarket quality control. It is noteworthy that MCI typically provides a six-month warranty. However, if a vendor provides more than a six-month warranty, that warranty is extended to customers.

Formerly located at the Roswell, New Mexico facility, the publications department has been relocated in Louisville. They work with three people in Winnipeg but the actual printing is outsourced in Louisville and Winnipeg. These days the publications people are doing increasing work with printing on demand, data on CDs and information online. They are currently revising docu-



A special feature of the MCI training area is this group of photos on the hallway wall. In order, the photos show the various manufacturing stations in the coach manufacturing process. This gives the students an overview of how the coaches are built on the assembly line.

ments and going back to the old arrangement with separate driver, parts, maintenance and repair manuals.

However, the big news at MCI is the completion of the transition to Louisville that was started back in 2000. This involves the movement of 17 accounting positions and the entire Customer Service department from Schaumburg to Louisville. We decided to drive our coach to Louisville to get a first hand look at what MCI is doing.

In spite of the fact that the parts operation was moved to Louisville and several

other departments followed, MCI's Customer Service department remained in Schaumburg. This created an awkward situation where customers ordered parts from MCI people in Schaumburg but the parts were shipped by MCI people in Louisville. Space had been provided at Louisville for the Customer Service people when the building was constructed but it had sat unused for 11 years. Now, the new management at MCI decided to complete the transition to Louisville with the Customer Service department.

While there were pros and cons, the positive side and benefits to customers were clearly in the majority. Having the parts order takers in the same building as parts order shippers would offer several major advantages for MCI customers. These included more opportunity for the order takers and order shippers to interface and more opportunity to provide greater service to customers. There was also an undeniable synergism in having Customer Service at the same location as ERSA, Technical Support, Training and Aftermarket Engineering. The only negative was making the move. Approximately nine or 10 of the existing Customer Service people made the move to Louisville while some new Customer Service people had to be hired and trained. The Customer Service department usually requires a staff of 16 people.

Recruiting for new Customer Service people started in April with an initial group who went through training. A second group was also hired and went through training by mid-May. This rather comprehensive training included MCI departments, computers, parts, policies and procedures. Each of the trainees then shadowed an experienced staff member to learn how things are

MCI's purchasing group at Louisville takes a minute to pause for a photo. From left to right: Rosita Napier Brown, Lindsey Rich, Elizabeth Calloway, BJ Lepping, David Burt, Darlene Swanagan, Erin Stelter and Ilet Kesheshian.





This former open area on the second floor of the Louisville facility was recently equipped with partitions and desks for the incoming staff.



Appropriate photos on the walls on the second floor at the Louisville facility include this Model 200 as well as an MC-7 and an MC-8.

done. It is noteworthy that all of the Customer Service people receive a minimum of 30 hours of training annually to keep them up-to-date with current developments and new products.

“Most of our new people have either strong customer service skills or technical knowledge,” says Ken Russell, senior vice president of MCI’s Aftermarket Business. “We are very pleased with the caliber of the people we have, and we’ve put together a very good training program that will be key to their ability to uphold our highest standards of service.”

The synergies of having everyone under one roof are already paying dividends. For example, a standard procedure has been to put three Customer Service people along with either a Technical Support or Service Tech person into a four-person partitioned

“pod.” If the MCI customer asks a technical question, a technical staff member is right there to help out. The positive impact on having parts ordering and parts shipping under one roof is undeniable. Added to this is the fact that the Customer Service and Aftermarket Engineering people provide both support and input to each other. Another benefit is that MCI customers who attend the training sessions in Louisville will now have a chance to meet with the Customer Service people. It is obvious that this move has provided numerous positive advantages to MCI customers.

It is interesting that some of the Customer Service people specialize. In particular, some have more experience in the public sector market while others deal mainly with private sector customers. There is also some regional differentiation. However, everyone is crosstrained so that any of the Customer

Service representatives can handle any incoming call if necessary.

Movement of Customer Service to Louisville also coincides with several improvements on the parts side of the building. Incorporating more than 350,000 square feet of area, the parts warehouse keeps more than 60,000 distinct parts in more than 160,000 picking locations. Orders received and packaged by late afternoon can be trucked to the UPS distribution center for next day delivery virtually anywhere in the United States and parts of Canada.

Currently, there are more than 120 people working at MCI Service Parts in Louisville. In recent months, the parts fill rate has improved more than 27 percent and inventory value levels have increased 23 percent. In addition, MCI Service Parts has boosted inventory by adding 32,000 pieces, representing more than 125 popular maintenance items. MCI continues to have the largest selection of parts in the industry, and their staff have continually shown themselves to be highly skilled at helping operators obtain hard-to-find parts.

Stan Dzierzega, executive director of operations for aftermarket operations, said that “One of the reasons for buying parts from MCI is that MCI has been working hard to make smart purchasing decisions from partnerships that will save customers money. One example is brake drums. Because MCI has been able to lock in pricing, customers who are shopping around will likely find the best deals at MCI. We’ve been the only ones with the bandwidth available to do that.”

It was noted that MCI Service Parts engineers work closely with factory engineers to create aftermarket kits when new technology appears on its models. For example, MCI has developed a conversion kit for the new A/C compressor for the J4500 and E4500. This is the same compressor that comes standard on current

Here, the MCI staff from bids and pricing at Louisville take a moment to gather for a photo. From left to right: Sharon Marra, Adjo Blabuh, Eric Cox, Jeannette Jackson, Steve Killian, Natalie Fabian, Michael Flaherty.



MCI models. The conversion kit comes with everything needed for easy installation. Their private brand, Coach Guard, was originally launched by MCI in 1993. It typically represented good quality at reasonable prices. Plans are to relaunch the Coach Guard line with the help of several departments.

MCI parts engineers are also dedicated to finding improved components. They offer

a new 50DA air-cooled brushless alternator with a 50 percent increase in efficiency, reliability and service life more than an oil-cooled alternator. Some of the newest parts available from MCI include the FireCaddy FlameOut® fire suppression system, the Safety Lug Lock™, new heavy-duty wiper blades and seat belt retrofits.

The MCI parts management team of Ken Russell, Stan Dzierzega, Janice Karijolic and

Valerie White represent more than 50 combined years of expertise at MCI. They have been working hard to complete this transition to Louisville. Peggy Hanzalik and Scott Robertson are also included in the MCI Service Parts management team. The entire transition has been completed and customers should take full advantage of this new arrangement. In fact, MCI Service Parts is surpassing a 90 percent fill-rate on the critical coach parts that maximize up-time. □

Several docks in the warehouse are dedicated to receiving and are constantly unloading trucks. This group of cartons and packages in the foreground will be placed on the appropriate shelves and racks.



MCI's Louisville parts facility has more than 350,000 square feet of area and more than 160,000 picking locations. Higher shelves such as these and heavier parts usually require a forklift for picking.



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transmissions. We can help you find even the most obscure parts, and can custom-make special parts. Speak to your MCI service parts representative or go online to www.mcicoach.com/parts, where you can select from your order history and enjoy a 1% online discount.



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