

Aaron Jorgensen
Sr. Director, Medtronic Supply Chain Logistics Integration
A Division of Medtronic Global Business Solutions

Aaron Jorgensen has been with Medtronic, Inc. for eight years and is currently responsible for Global Logistics and Transportation functions. Utilizing Lean Sigma methodology, Aaron, with his worldwide Medtronic Logistics Team & Strategic Logistics Partners, has been able to significantly optimize Medtronic Supply Chain Logistics to serve the Medtronic Mission. His experience spans over 30 years in transportation & logistics having served as Vice President of Logistics at Wells Fargo Bank, Director of Transportation & Distribution Operations at Continental Airlines and positions in Industrial Engineering, Hub & Feeder Operations, Transportation Technology and Operations at United Parcel Service. Aaron started his career as a Package Car Driver for UPS. Aaron is a graduate from St. Olaf College with a BA in Psychology and a concentration in Pre-Med.

National Surface Transportation Policy and Revenue Study Commission

Written Testimony by Medtronic, Inc.

Aaron Jorgensen, Sr. Director, Medtronic Supply Chain Logistics

Medtronic is the global leader in medical technology – alleviating pain, restoring health and extending life for millions of people around the world. Each year, Medtronic provides medical professionals with products and therapies to help improve the lives of nearly 6 million patients. Founded in 1949, Medtronic serves physicians, clinicians and patients in more than 120 countries. The company is headquartered in Minnesota and has research, manufacturing, education and sales facilities around the world. Medtronic employees nearly 38,000 people worldwide.

Within the realm of transportation, currently Medtronic ships more than 2.5 million small package shipments domestically a year through express carriers such as Federal Express and United Parcel Service.

We are focused on developing solutions that will meet and exceed our customers' expectation of delivery excellence. To meet Medtronic's Mission, our products, devices and therapies must be delivered on time, at the right place, to the right person and in the right condition.

This does not mean they always have to be delivered the fastest way possible, such as same day or over night delivery. The goal is to have the products where and when they are needed.

We are in a new age now where volatility seems common place in the transportation environment. We have experienced strains in our logistics efficiencies attributed to dramatic increases in fuel costs, global air and surface security actions, road and port congestion and commercial airline instability as well as shortages in logistics providers' drivers and equipment.

To address these issues we have innovated a number of programs. We have coined our transportation reformation process "Lean Sigma Logistics."

Across Medtronic, teams are being certified and are utilizing the concepts of "Lean" thinking for improved efficiencies combined with reduction in variation with the use of "Six Sigma."

To reduce transportation inefficiencies we have invested in more effective planning. This has reduced the number of products shipped via overnight services from 75 to 35 percent. As part of a continuous improvement process, we will continue to look for additional efficiencies.

To plan more effectively you have to communicate more effectively. Medtronic has invested in a multi year project to "standardize" our ERP IT systems using SAP software. With systems communicating more effectively we know what products need to be where in the world and by when.

Our Medtronic strategic logistics partners have played a central role in our transportation evolution. We have 33 strategic partners in 15 logistical categories.

Our key logistics partners include FedEx, UPS, Eagle Global Logistics and Expeditors, and we have welcomed minority logistics partners such as Seminole Logistics and Anderson Cargo.

We have set high expectations for our strategic logistics partners. We perform detailed quarterly business performance reviews and exchange "best practices" at our annual Global Transportation & Logistics Conference. Our main theme has been "Partners working with Partners." By synergizing transportation processes between partners, we have designed solutions that have exceeded customer expectation, reduced lead times, eliminated touch points, reduced costs and created a high confidence in delivery consistency.

Federal Express is an excellent example of one of our "Partnerships in Action" at Medtronic.

FedEx has fully dedicated a team of 15 professionals around the world to Medtronic. We currently have an "on site" FedEx Supply Chain Logistics professional working side-by-side with our team in our corporate offices. FedEx stations and operation crews are housed in Medtronic facilities, thus reducing travel and transport time.

FedEx and Medtronic have jointly designed a FedEx service called Priority Alert and established the Medtronic Early Warning System. FedEx professionals at their Global Operations Center in Memphis, TN monitor all Medtronic Logistics movements from flights to trailers to ensure that delivery will be made by the committed date and time. If an issue develops, FedEx takes proactive steps to help ensure that the delivery will be made and effectively communicates any changes that are necessary.

FedEx and Medtronic designed and developed the Mobile Professionals Program at the new FedEx Kinko's Operations across the world. Because of this program, Medtronic Field Representatives can redirect shipments, prepare packages for shipment and also electronically direct manuals and documents for print without having to ship them.

We have also worked closely with the Federal government to ensure that Medtronic satisfies all security requirements. We are members of the US Customs C-TPAT program, which stands for Customs Trade Program Against Terrorism. Medtronic's commitment to Import and Export Compliance, Security and DOT regulations keeps shipments moving to their final destination and prevents having to engage other means of transporting product if shipments become delayed.

In the event of the need for life saving, time critical shipments, Medtronic has joined forces with the banking industry to utilize their late night Lear jet network that they use to deliver checks and financial instruments across the US. These Lear jets allow Medtronic products to move to the doctor where the product is critically needed. Transportation services are dual utilized and lives have been saved through this process.

Medtronic is committed to an efficient Supply Chain by positioning inventory as close to the customer as possible. The Medtronic Logistics long term strategy is to utilize forward stocking locations and to use third party logistics operations, to store and deliver product when and where it is needed. These actions will take strain off the surface and air transportation infrastructure.

Through the Supply Chain, Medtronic fulfills its Mission to patients and customers through the delivery of medical devices and therapies at the right time, at the right place and in the right condition. Through the utilization of proactive measures such as Lean Sigma Logistics, Standardized Information Technologies, Strategic Logistics Partnerships, Transport Compliance & Security as well as innovative inventory solutions, we are preparing for our growth and our future, and optimizing transportation and effectively delivering in an ever changing environment.

Thank you.