

March 2013

McColl's Transport

***Safety is unconditional
at McColl's Transport***

Fleet Size:

185 prime movers &
500 tankers of various
configurations

Vehicle Type:

Kenworth and Volvo 50/50

CASE STUDY

NRSP
NATIONAL ROAD SAFETY

PARTNERSHIP
PROGRAM

Organisation: McColl's Transport
Fleet Size: 185 prime movers & 500 tankers of various configurations
Staff: approx. 450 subject to seasonal fluctuations



Case Study:

Safety is unconditional at McColl's Transport

Key Outcomes:

- Number of crashes and rollovers reduced exponentially since major safety initiatives were introduced in 2009
- Insurance premiums and operating accident costs have declined substantially
- Support from top levels of management was integral to the success of improving safety outcomes
- Investing resources into safety has illustrated benefits in cost savings
- Safety is not a single event, it is a process that is constantly evolving

Synopsis:

After receivers were appointed to the parent company, Pure Logistics, new management focussed on safety as the catalyst for turning the company around. This new 'safety-first' mindset dramatically reduced time lost to injuries from vehicle incidents, WorkCover claims and insurance premiums, clearly demonstrating that investing in safety makes good business sense.

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About McColl's Transport

McColl's Transport is a major Australian independent milk, chemical and dangerous goods transport carrier.

McColl's Transport provides logistics and carrier services to all areas including Sydney, Melbourne, Brisbane, Adelaide, Gold Coast, Sunshine Coast, Newcastle, Wollongong, Cairns and Townsville.

The company's core values are:

- o Safety first
- o Honesty and integrity
- o Consistency
- o Mutual respect, and
- o Commercial responsibility.

"A good place to look for the success of a business is in its safety practices. If safety is well managed then the rest of the company is probably pretty tidy. If safety is a mess, then it is likely that the other key functions are also falling apart."

- Simon Thornton

The Back Story

McColl's Transport marked 60 years of operation in 2012. After a tumultuous period in the business, which included significant turnover in upper management and a period of uncertainty after the business was sold in 2005 to a private equity company, safety outcomes had reached their lowest point.

There was a decline in safety and financial performance in the two years following the sale, and the company went into administration and the parent company went into receivership. Paperwork and monitoring had been disorganised and governance non-existent so no-one really knew just how poor the company's safety record had become until new management began to examine the company's history.

What they discovered was there had been 140 traffic accidents and two deaths in the previous 12 months, and due to lack of a governance structure – as the receivers were focused on dealing with financial matters and debt – the board was unaware of these issues. Some of the significant issues that existed revolved around fatigue management, the integrity of drug and alcohol testing, lack of checking of driver diaries, and that crashes and rollovers were occurring at an alarming rate. In addition, issues were not being reported up the line.



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Introducing a 'Safety First' Mindset

In 2009, the new management team, including the CEO and National Safety and Compliance Manager, decided that serious action needed to be taken. The team reasoned that one element everyone could agree on was that safety within the company needed to be overhauled. So safety became the rallying point to turn the company around.

Safety became the priority and Chain of Responsibility legislation was the enabler for drastic change. An initial step was a customer profitability analysis which helped the business to start its safety transformation. The transport safety initiatives implemented include:

- **Drug testing:** a zero tolerance approach was taken on drug and alcohol use. The random testing drug regime was significantly enhanced, acting on a 'tip-off' basis (in that suspicions can be anonymously reported). Under the previous testing regime, small numbers of tests were conducted and those who tested positive were sent home to 'cool off' and then able to start the next shift. Drivers were tested monthly under the new regime. This had to be changed in the EBA, and the TWU was very supportive;
- **Risk management reporting:** A regular reporting regime was introduced, with a risk management 'preventative' focus. For example, a daily 7 minute call was introduced to monitor the regime for the day; and on every Friday, the safety numbers are 1st thing on the management & meeting agenda. Business segments' compliance documentation is monitored, including shifts not driven. Breaches are examined and if breaks were not taken, for example, was this the result of not understanding how to complete a work diary?

If the number of hours being logged began to creep up there was a check on log books, toll ways, GPS records, pick-ups and drop-offs to ensure that the figures correlated;

- **Work diaries:** Stringent guidelines were put in place and enforced around work diaries for all drivers, not just line haul drivers;
- **Fatigue:** Implementation and enforcement around fatigue management and shift scheduling;
- **Simulator training:** A vehicle simulator was purchased as a driver training tool, allowing drivers to practise manoeuvring through different 'real world' environments without being on the road. The simulator replicates difficult situations, including a steering tyre blowout or brake failure. Drivers must spend at least eight hours a year training on the truck-mounted simulator, which regularly moves from city to city. An investment in safety infrastructure, the simulator translates to a better outcome on the road;



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- **Rollover awareness:** McColl's collaborated with VicRoads on a vehicle rollover awareness video, which is a central part of training and induction for new drivers;
- **McColl's Co-Pilot:** The company invested in an integrated GPS-based solution that manages vehicles around Australia in real time to improve fleet safety and productivity. It manages fatigue while the driver is on the road;
- **Delivery times:** The company does not pressure drivers to meet delivery windows and has implemented support mechanisms that allow it to manage fatigue while meeting customers' requirements. For example, McColl's invested in a yard near key customers to allow drivers to rest after a long haul and the cargo was delivered by local employees into the specified slot;
- **Record keeping:** Records are kept around employee training completion;
- **Targeted training:** Relevant training is delivered for specific skill sets. Driving a milk tanker, for example, is different because milk tankers cannot be compartmentalised for hygiene reasons like other tankers, which makes the liquid more likely to 'slosh' while the tanker is in motion, causing instability and increasing the chances of rollover. Chemical tanker drivers require similar skills as well as specialised knowledge of Dangerous Goods Codes for the safe transport and handling of dangerous bulk liquid;
- **Competitive wages:** Drivers are paid in the top 25% in the industry to attract/retain the best people and reward their professionalism. McColl's is then able to charge customers a premium because they know the company will comply with Chain of Responsibility;
- **Targeted compliance:** Stopleveline is a targeted compliance system where anyone, including the public, can raise concerns or provide tip-offs to a third party, who will work with McColl's management to investigate and determine if there is any truth through, for example, targeted drug testing, schedulers not properly documenting breaks, etc;
- **Coordinated approach:** Business and operational processes are interlinked.



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Chain of Responsibility

In addition to internal measures around Chain of Responsibility (CoR), such as fatigue management, work diaries and shift scheduling for drivers, McColl's also has an external focus on CoR that includes educating existing and potential clients regarding their responsibilities under this legislation. CoR principles are adopted in such a way that the needs of shareholders, clients and employees are balanced.

Management and Financial Leadership

The safety mindset has been driven from the top down and underpinned by mutual respect for all staff. This is based on the idea that an environment of sharing information enables issues to be dealt with.

On the surface, McColl's overheads appear higher because it has safety infrastructure in place that enables it to guarantee compliance with the law and therefore the safe and efficient delivery of goods. However, savings made in other areas, including insurance premiums, WorkCover claims and accident operating costs, contribute to the company's overall good financial outcomes.

The McColl's example illustrates how investing in road safety initiatives can have financial benefits for business.

Investing in Road Safety Pays Off

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The cost of WorkCover claims, for example, in 2011-12 was less than one-fifth of the cost three years before. Additionally, similar decreases in accident operating costs shows significant reductions in the time lost to injuries as a result of vehicle incidents.

WorkCover claims cost history FY09 to FY12

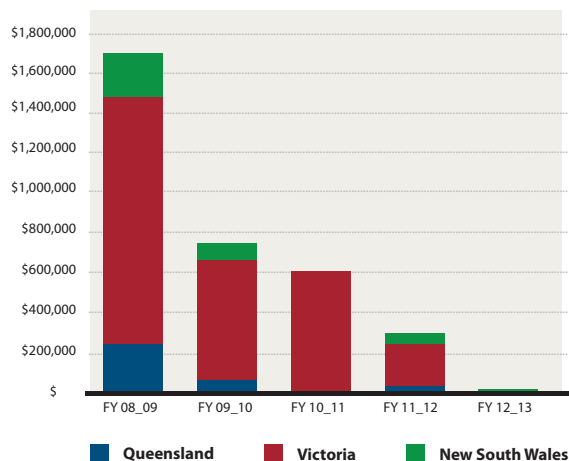


Figure current at September 2012

Operating accident costs

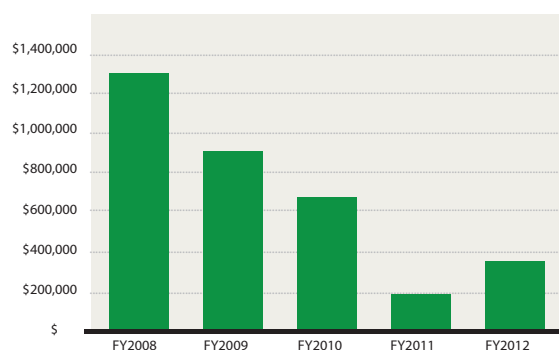
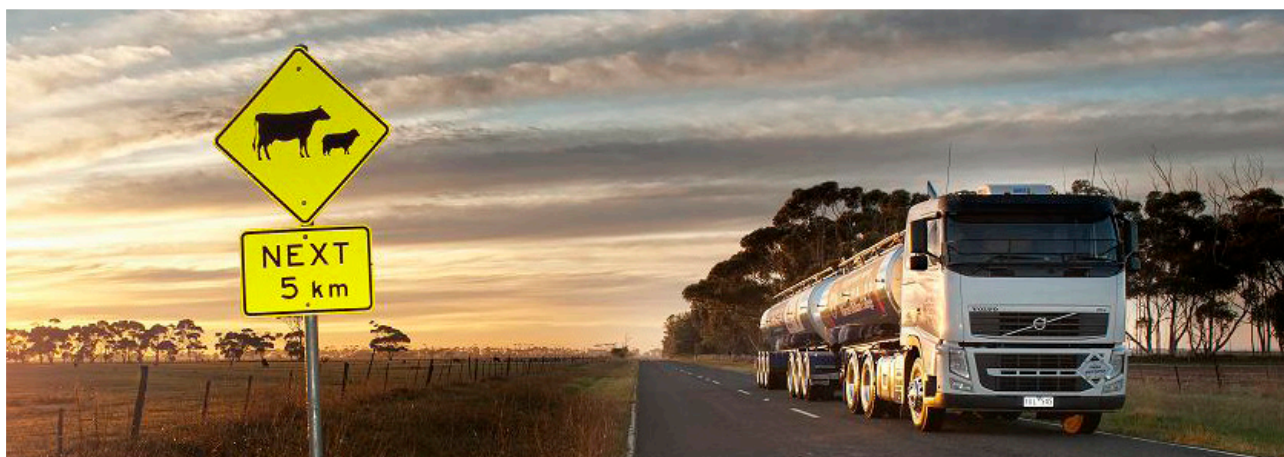


Figure current at March 2013

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Reaping the Rewards

The McColl's example illustrates that safety is worth investing in. Spending money on safety pays off in the long run, as demonstrated by the cost savings in areas such as time lost to accidents, reduced WorkCover claims, and lower insurance premiums. These kind of outcomes are persuasive in demonstrating to company CFOs that investing in safety makes good business sense.

Anecdotal evidence also suggests that drivers are attracted to working for companies that put safety first, and where they are not pushed to achieve unrealistic deadlines or work under unsafe conditions. This suggests that by adopting a safety mindset, an employer can also become an 'employer of choice' and attract the best people.

With the advent of, and increasing focus on, Chain of Responsibility legislation, especially in the heavy vehicle industry, McColl's has led the way in being a company that aims for consistency, safety and compliance, rather than being the 'fastest' or cheapest.

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