

June 2016

CASE STUDY

Metropolitan Express Transport Services

***Prioritising safety drives major
savings in operating costs***

Fleet: 220

Employees: 250



NRSP
NATIONAL ROAD SAFETY

**PARTNERSHIP
PROGRAM**

PARTNERSHIP PROGRAM

Organisation: Metropolitan Express Transport Services
No. of Staff: 250
Fleet: 220



Case Study:

Safety innovations halve insurance premium and average claims costs

Key Learnings:

- Safety improvements are an investment not a cost, as they produce significant savings through lower insurance premiums, reduced fuel and maintenance costs and increased driver retention
- Safety programs need to be designed to enhance – or at worst be neutral to – productivity
- Safety should not be a lonely pursuit. Working with a like-minded partner, like an insurance company, can generate ideas and bottom line savings
- Company culture is key, has to be driven from the top, and must be demonstrated by management attitudes to safety and introduction of proactive measures
- Linking performance, including in safety, to employee promotion demonstrates executive commitment to safety and encourages driver support for introduced measures
- Safety can generate major savings for proactive companies, in particular in reducing insurance premiums as a result of less frequent and less expensive claims.

Synopsis:

'Safety is our number one priority.' It's a common claim but rarely do companies live the motto like METS. Metropolitan Express Transport Services has created many of its own safety innovations, which are used in its own fleet without hindering drivers' everyday practices, reflecting a company-wide focus on safety that drivers support and has cut insurance costs in half.

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Introduction

In 2008, one of Metropolitan Express Transport Services' (METS) drivers was rushed to hospital after being hit in the face by a binder bar and then falling from the back of a trailer – the company's only serious incident in more than 20 years of operation.

Management resolved not to have a second serious incident, and rather than continuing to outsource its occupational health and safety responsibilities decided to manage it themselves. But METS went further than just introducing safety measures, realising that effective safety practices needed to be part of everyday operations.

It examined how the company operated and changed its focus from 'trying to survive in an industry littered with hazards to every time we make a decision to tender, we focus on engineering out hazards as an initial step in everything we do.'

In other words, METS decided to work smarter, and more safely. The foundation of this approach was to become a specialist provider and to identify and minimise specific risks associated with the specialised work it did in key industries.

Working in conjunction with its new insurance company, Zurich, it identified safety risks and then implemented a range of safety practices to address them.

Safety
"our no 1 priority"

A key tenet of METS' approach has been to create and introduce practical innovations that improve safety without hindering driver practices and productivity.

METS' approach has had a dramatic effect on its bottom line – both the average claims cost per vehicle and the insurance premiums have been halved – and been recognised by the wider industry. For example, the company won the Australian Freight Industry 'Best Practice Safety Award' and Bluescope Steel's 'Contractor Outstanding Safety and Environment Award'.

Company overview

Marking its 30th year of operation in 2016, Metropolitan Express Transport Services has grown from a fleet of 12 vehicles in its first year to now running more than 220 vehicles, including contractors, ranging in size from small courier vans to semi tautliners.

The company, which has 250 employees, has developed into four main operating divisions – Couriers, Taxi Truck, Construction and Warehousing – and its contracts cover a diverse range of customers, from collecting high school examination papers to delivering steel, plastic, concrete and timber products to construction sites.

It has secured several long-term contracts with blue chip companies, including the likes of BlueScope Steel and the Fletcher Group, reflecting its standing in the industry and its high safety standards.

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Innovation begins at home

Following the 2008 incident, METS 'took the bull by the horns' and began creating its own safety innovations to engineer risk out of its daily operations.

The first idea – a fall prevention system that involved drivers wearing a harness while on the back of the trailer – taught management some important lessons. Drivers testing the system were up-front in saying they would only use it when management was watching. METS realised any safety measures introduced needed to have minimum impact on the driver, while ensuring they could not be avoided.

Safety innovations also needed to improve efficiency – there was little point being the safest company if it wasn't delivering on time to customers. That meant safety needed to be incorporated right from the beginning of the planning process for every contract.



Fall protection

With those principles in mind, METS' first effective safety innovation was designing a pull-out ladder with a handle on it and installing it on all trailers. This meant drivers had a three-point contact safety ladder, with the three points of contact making inspecting their load a safer and more secure exercise.

METS revisited the issue of preventing falls from trailers, and came up with its own Fall Prevention Safety System (FPSS), a trailer with independently articulated roof and side curtains that features a collapsible safety barrier that cannot be passed over while the load area is occupied. The FPSS removes the need for safety platforms, harnesses or loading docks and provides a safer work environment while on top of a loading platform. An in-built safety barrier encloses the entire work area, eliminating the risk of falls when drivers are adjusting loads. A flexible roofing system eliminates the need to tarp the load or access the roof while allowing for overhead crane loading. The system has been installed on all trailers supplied as part of a longstanding contract with Bluescope Steel.

As part of its contract with METS in the construction industry, USG Boral wanted to introduce a crane on its trucks to unload plasterboard. There wasn't enough room for a crane and the plasterboard so METS came up with a 'sausage skin type arrangement'. The truck has a fully enclosed roof and sides and instead of a crane sliding forward or back and taking up space on the truck, METS designed automatic extension arms that could unload the product.

This removed the hazard of manually handling the product on a building site, which often involved walking over rubble and uneven surfaces, and also allowed plasterboard to be directly 'boomed' to a second floor when required.

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The next step

METS' next innovation is an automated gate system that removes the need for drivers to manually lift gates off by hand. A time and motion study METS conducted for one of its clients showed the system improved delivery times by a quarter, while again addressing manual handling issues in an ageing workforce.

The company's continued partnership with Zurich will also see METS introduce Zurich Fleet Intelligence, an on-road risk management system, to its fleet operations. This innovative system uses advanced telematics that enables drivers to monitor their performance with real time comparisons across the fleet.

Range of safety measures

METS' key objectives in increasing its focus on safety was improving management of its work-related road risks to reduce the risk of harm to employees and others; reduce the number of incidents and claims and therefore costs; fulfil and exceed its legal health and safety obligations; and meet planned corporate social responsibility objectives.

A major factor in achieving those aims was a strong partnership with its insurer, Zurich. METS has worked closely with Zurich Risk Engineering since 2009, beginning with an initial heavy vehicle risk assessment as part of the insurance quoting process. The insurer's risk engineers assessed four fundamental areas of heavy vehicle road risks: the driver, the journeys they make, the vehicles they use and management controls. The assessment provided a comprehensive insight into 27 identified risks the company faced, allowing METS to prioritise where action was needed and what interventions were required.

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In response to the risk assessment and other METS-driven initiatives, several safety practices have been introduced that have directly improved METS' safety performance, risk grading and claims frequency including:

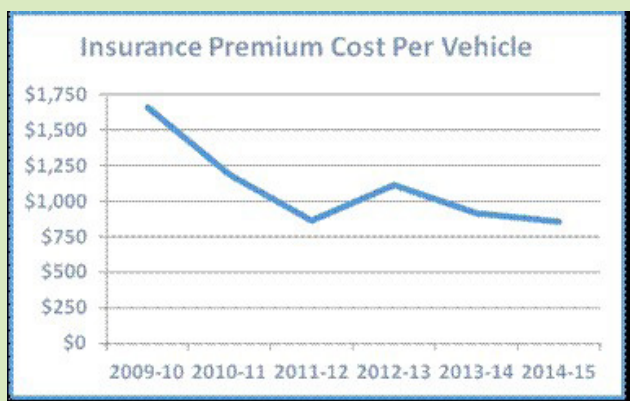
- *A driver and load audit program, where half of all loads are audited each week. Driver and vehicle audits are conducted at the same time.*
- *Rewriting the Driver Handbook with formal testing for the content and annual refreshers.*
- *Twice yearly driver's licence checks for demerit points.*
- *Improving driver health management including pre-employment and on-going driver medical assessments, which has identified drivers with sleep disorders. Sleep machines have been installed in those drivers' trucks to ensure they sleep well.*
- *Use of the National Heavy Vehicle Regulator (NHVR) fatigue management medical with additional hearing and drug and alcohol testing. The company knows if drivers can comply with fatigue management before employing them.*
- *A safety and service performance-based graduated pay structure for drivers including an internal demerit point system.*
- *Saliva-based random drug and alcohol testing.*
- *Significantly boosting driver assessment and training resources through a Driver Support Team of seven people, including two trainer-assessors and five senior drivers.*
- *Delivering the Safety Assist program, which focuses on general safety in shorthaul trucking, to drivers annually.*
- *Introducing BFM accreditation, focused on safety management, for all drivers despite it not being required to meet regulations.*

METS also has a strong focus on compliance. For example, daily diaries enable METS to comply with fatigue regulations, and it believes it is the only company in Australia that makes all employees complete Advanced Load Restraint, which goes beyond buddy training and National Transport Commission requirements.

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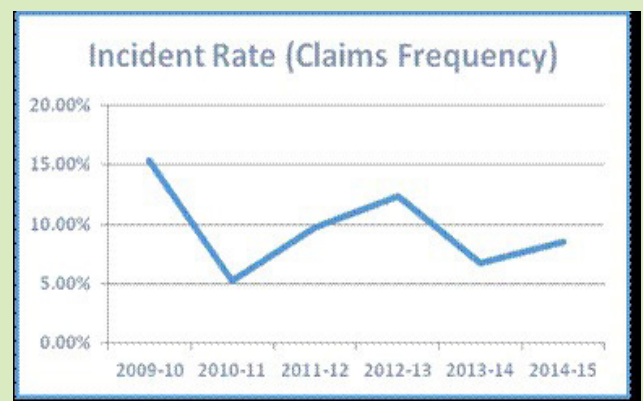
Results

METS' focus on improving safety has had a remarkable impact on the company's bottom line, demonstrating that investing in road safety initiatives can drive financial benefits.



The company's insurance premium cost per vehicle has halved, from \$1658 in 2009 to \$856 in 2015.

Claims frequency has dropped 44 per cent and the average



cost of a claim has reduced by 12 per cent.

Zurich's Risk Grading of METS also improved from 'good' to 'excellent'.

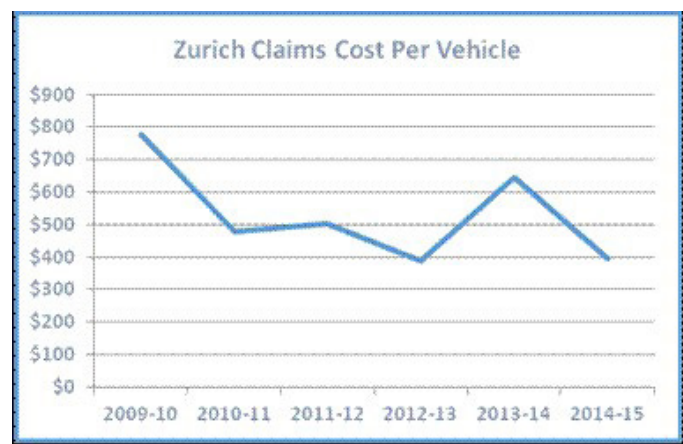
Zurich compared the average claims cost per vehicle to the insurer and also the average non-insured incident cost to METS, which is essentially the excess payments METS has paid.

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The cost of METS' road crash claims to its insurer reduced from \$5,043 in 2009 to \$4,673 in 2014, at a time when insurance claims costs increased generally by at least 25 per cent due to increases in labour and parts for repairs.

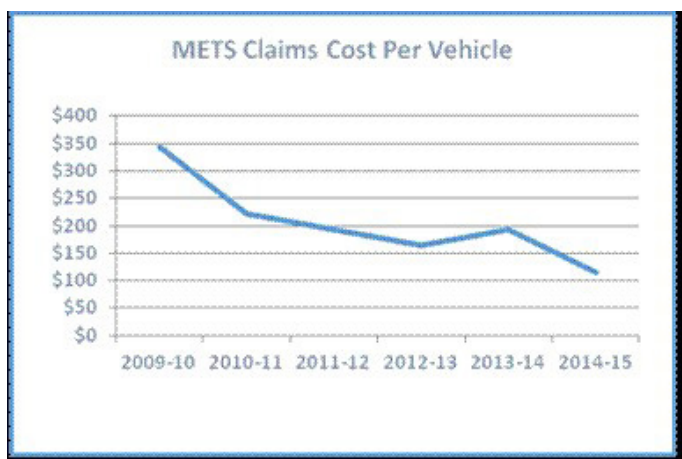
The average cost of claims or incidents per vehicle for METS – the cost of annual excess payments divided by number of vehicles – reduced from \$344 a vehicle in 2009 to \$115 in 2015 – a third of the original figure.

The average cost of claims per vehicle for Zurich also reduced from \$776 per vehicle in 2009, to \$396 per vehicle in 2015.



Therefore, the cumulative 'road risk' cost to METS per vehicle – the cost of insurance and the cost of claims excess payments – has reduced from \$2002 per vehicle in 2009, to \$971 in 2015.

While resulting in a significant premium reduction, this all adds up to a major return on investment for the safety initiatives introduced by METS, improving its cost base and profitability.



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Driving implementation

How METS introduced additional safety measures played a critical role in acceptance by drivers and, in turn, their success.

Rather than simply imposing new procedures, the company's focus on improving safety was supported by a comprehensive training program linked to additional remuneration. The training program includes a variety of practical skills, ranging from load restraint to forklift training.

METS implemented a system of grading drivers (A, B or C), with remuneration increasing 5 per cent for each level without any increase in workload. New drivers join the company at C level.

To achieve B level, and the extra 5 per cent in pay, drivers must have successfully completed the initial training program, been accident free for 12 months and complied with all necessary procedures.

Typically, an A level driver needs to complete additional training modules and become multiskilled across a variety of clients. Failing to meet requirements results in drivers being demoted down a level.

The tiered promotion structure creates an environment where those who want to excel are considered for higher positions. A level drivers become part of the Driver Support team if they prefer to keep driving trucks or are promoted into the managerial team, starting as leading hand and moving into supervision.

METS' approach also meant the introduction of safety measures met little resistance from drivers. Every driver at all but one depot signed up immediately. When two drivers at the final depot completed their training and achieved B level within four months, all remaining drivers, who realised the additional training was not designed to make drivers work harder, came on board.

The approach has the added advantage of acting as succession planning for the company as drivers are promoted into managerial positions.



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Culture is key

Recognising and rewarding performance through the promotion system is one way METS has bred a culture that values safety.

Support of management and company directors is also critical.

To build a safety culture, company leadership must be willing to invest in safety, have the energy to follow through on decisions and continually educate employees.

The passion MET's leadership shows for safety rubs off on its drivers, and that commitment has been evident from the beginning. METS saw the value in prevention and embedding risk management more strongly into its culture, reflected in the company embracing its insurer's risk assessments and improvement advice and utilising its risk grading as a framework to guide safety actions and report progress.

It takes time to build a culture, and company expectations and safety procedures need to be constantly reinforced and reiterated to site managers and drivers. Looking out for signals that something is wrong, such as different body language or unusual reactions, also identifies when drivers may be distracted by personal circumstances and need reminding about correct safety procedures.

Commitment to a safety culture is also reflected in being prepared to lose drivers who don't share the same attitude, which sends a strong message that the company is serious about safety.

METS has dismissed employees who refused to comply with its safety culture, including for refusing to take a drug and alcohol test and working at heights without a helmet. Clients who have shown a similar commitment to safety have taken similar action.

All these factors combine to create an environment where safety is valued and continual vigilance and improvement is the standard.

'There's never a finishing line in our system. We're only as good as today's results,' METS director Sam Pantou said. 'If we have a bad accident tomorrow, that's what we're going to be remembered for. That's why we keeping pushing the boundaries in improving our safety practices. Do you we make mistakes at times? Yes, but I'm confident that we learn from those mistakes and improve how we operate.'

