

LOSCAM

LEADER

THE MAGAZINE FROM LOSCAM AUSTRALIA ISSUE 14

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Australia

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Christmas
and
Happy
New Year



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ON THE COVER:

Hayden Eldridge – Hampton Park Site Supervisor

CEO speak

Welcome to our new-look Australian magazine.

In this edition we highlight what we and our customers are doing to mitigate the impact of climate change and carbon trading on the environment and our bottom lines.

The transport and logistics sector accounts for 14.5% of Australia's GDP and a similar percentage of national greenhouse gas emissions. With commercial freight doubling between 2006 and 2020, our industry will play a vital role in the nation's economic and environmental future. There is much to do and suppliers and customers must work on it together.

For me, there is one overwhelming reason to reduce or recycle: because you believe what you're doing is right. This was Loscam's philosophy when we changed from hardwood to sustainable plantation pine pallets in 1993.

Our competitors predicted disaster but 16 years later, our all-pine pallets are very successful. As well as being environmentally friendly, they are up to 15 kg lighter than hardwood equivalents, so they reduce customers' fuel and weight for freight costs.

The lesson here is that doing the right thing leads to economic and environmental benefits that are genuinely sustainable, not a quick fix. Given the long-term nature of climate change, these are the kind of solutions we need. ■

Mark Daniel
CEO, Loscam



Parmalat and Loscam: shared goals means success

The only constant is change in the dairy industry; however, Loscam's relationship with one of the major players has endured for 18 years and is still going strong.

Loscam started supplying pallets to Queensland dairy company Pauls Limited in 1991. When Italy's Parmalat SpA entered the Australian market in 1998 by acquiring 100% ownership of Pauls, they retained Loscam. Since then, Parmalat Australia has thrived despite fierce competitive pressures.

The company recently bought assets from National Foods in a deal that will add a predicted 26% to revenues. Once the transition is complete, Loscam should experience an increase of 30–40% in Parmalat's pallet needs.

We spoke to Amron Osman, Parmalat Australia's National Logistics Manager, to get his perspective on the challenges facing his industry.

Q: Describe Parmalat Australia's supply chain operation.

A: We receive 500 million litres of raw milk a year from farmer suppliers, which we use for dairy products and beverages as well as the Pauls fresh milk brand.

Before the acquisition, we had six manufacturing plants in Queensland, Victoria and Northern Territory and three key distribution centres in south Brisbane, Bendigo and Rowville. The National Foods deal adds assets in New South Wales, Australian Capital Territory and South Australia. We receive raw materials and packaging on Loscam pallets, use them to store packaged products in the cold store and warehouse, and for much of the distribution to our 6,000 retail and route customers. We move pallets intra and interstate around the eastern seaboard using a combination of our own fleet and third party providers.

Q: As National Logistics Manager, what are your major challenges?

A: Service, reliability and sustainability. We have to remain relevant in the ever-changing market. The cost of servicing our customer needs is top of mind for me. We have to be time-sensitive with our short shelf life products, and also efficient, as people expect them to be widely available, especially during marketing campaigns and peak season.

All these factors determine my priorities and our selection of suppliers. I need logistics

Loscam has helped us to reduce our risk and improve our control of pallet movement and pallet inventory management. In conjunction with Loscam, we have tightened our processes and we have practically no variations as we record and control every pallet movement. Through Loscam working together with us, we have definitely improved the management of pallets.

Sometimes we use pallet management as another visible barometer of performance. If we can't control pallets, what else are we failing to control?

Q: Why has Parmalat's relationship with Loscam lasted so long?

A: The Loscam team have built up a very strong relationship with us because they align with Parmalat's goals in the logistics area: service, reliability and sustainability. We apply these to every stage of the supply chain, including palletisation. So the two companies are a good fit.

Their service is very proactive. For ease of control and to benefit from synergies between states, we are transitioning all the new depots from competitor products to Loscam. So Loscam are working hard with our staff, suppliers and customers to make the National Foods transition program a success. They respond reliably to our demand spikes and I can rely on them to provide high quality pallets. To minimise returns, protect customer relationships and meet strict hygiene requirements, I impose high quality expectations on Loscam's pallets, and they deliver. ■



“Loscam align with Parmalat's goals in the logistics area: service, reliability and sustainability.”

partners I can rely on. Suppliers like Loscam understand our business needs, respond promptly to requests and are proactive.

Q: How does your operation handle pallet management?

A: We issue pallets across 22 Parmalat sites in Queensland and Victoria. Some of our customers have accounts, and as most people don't distinguish between different pallets, there's the risk of losing control of our pallet accountability. Losing a pallet here and a pallet there adds up.



Amron Osman

Loscam changes naturally

Transportation and logistics account for 75% of an organisation's carbon footprint so not surprisingly, green supply chain initiatives are on the rise. In a recent global research project, almost half the CEOs surveyed were changing their supply chain in response to climate change.

"In the 1990s, Corporate Social Responsibility (CSR) was about feeling good," says Loscam CEO, Mark Daniel. "Since then, fuel and energy costs have rocketed, carbon trading legislation has been drafted and the global economy has shifted. Now the commercial benefits of green programs are clear, CEOs must balance goodwill with pragmatism."

"The changes that we have introduced into the business are not just for the sake of being 'green'; they make financial sense. More importantly, the people who are making the

changes know it makes sense as they have been involved in measuring usage and seeing the decrease in cost."

Mark favours measures that flow organically from the business, believing they increase the chance of long-term cultural change.

"By being sustainable we are also delivering cost benefits."

"For a company our size, change is best achieved from within," he says. "We ask people to apply their experience and to do things better. Coincidentally in our case, better also means more sustainable. That is really the story behind our pallets and pooling."

"The pooling system allows pallets to flow through many users many times. It is a natural

form of recycling. The fact that our pallet is also made from plantation pine just adds to our green story."

"We try to recycle or reuse as many components as possible. The Operations Managers in our repair centres are passionate about providing a great quality product and just about everything is put to use. Again, by being sustainable we are also delivering cost benefits. I am not sure which came first, but either way it makes sense."

"We have taken the view that our green measures have to be simple and that people have to see an outcome from them. What gets measured gets done. Most of us are parents and understand that the greatest critics if we do nothing will not be our peers or government, but our kids." ■

Greening the supply chain



Bunnings reduces and recycles

In 2007, Loscam became the preferred pallet supplier for Bunnings and its supply chain when the company sought to improve efficiency and pallet quality. Now, Bunnings uses Loscam pallets in addition to its own branded pallets for display, storage and delivery of products.

As Australia and New Zealand's leading retailer of home improvement and outdoor living products and a major supplier of building materials, Bunnings is committed to providing sustainable products and information for customers and its team members and to driving the sustainability agenda with suppliers.

"Working collaboratively with like-minded suppliers such as Loscam allows greater transparency within our supply chain. This enables Bunnings to reduce inefficiency and waste and allows us to develop actions that deliver better environmental outcomes," says David Beards, Bunnings Company Secretary.

Loscam recycles its pallets and only uses pallets made from sustainable plantation pine. These green initiatives fit well with Bunnings'

commitment to only using and selling sustainable timber products and packaging, and to recycling.

The decision to eliminate plastic bags from stores completely in April 2008 was part of a wider initiative to reduce all packaging waste to landfill and increase sustainable practice within its supply chain. Between 2007 and 2008, Bunnings reduced total landfill waste by 22% and doubled recycling rates across its Australian stores.

In 2007 Bunnings began a two year, \$8 million investment in environmental initiatives that focused on reducing water usage and becoming carbon neutral by 2015 or earlier. To date, collecting and harvesting rainwater and reverting to hand watering in store nurseries has reduced average water consumption in a typical warehouse store by up to 10,000 litres a day.

Significant energy savings have resulted from the installation of energy efficient lighting systems in stores, including low mode light switching devices for night-time work, e-tronic



lighting and new trials of LED (Light Emitting Diode) lighting in outdoor nurseries, under canopy lighting and car parks. The wider program has also seen the introduction of hybrid fleet vehicles and purchase of energy from renewable sources.

A continued research partnership with Western Australia's Murdoch University has identified new energy efficiency opportunities; trials in solar power and wind power micro-generation began in October.

Bunnings continues to work towards further improving its store network supply chain and seeks suppliers with a strong focus on sustainability. ■

Linfox: in it for the long haul

Australia's largest privately-owned supply chain solutions provider, Linfox employs over 15,000 people across 260 operational sites in 11 countries. Not surprisingly, Linfox is a leading player in the logistics industry's efforts to reduce its carbon footprint.

"Our Chairman, Peter Fox, believes that climate change is real and that as a significant corporate player, Linfox must play its part," says David McInnes, Linfox Group Manager, Environment and Climate Change. "The commercial transport industry accounts for 14% of Australia's greenhouse gas emissions, a percentage that is increasing. So we can make a major difference."

A 2007 environmental audit revealed that 80% of Linfox's carbon emissions were from diesel fuel and 13% from electricity. David designed a comprehensive environmental plan to tackle both. The target is a 15% reduction (based on 2006-07 levels) in Linfox's carbon footprint by 2010. The plan includes business practice improvements and creating a "Green Fox" workplace culture.

"The single most important initiative is the Eco-Drive training program, which teaches environmentally friendly driving techniques," says David. "It made a major contribution to the 9% reduction in our 2007-08 rates of carbon dioxide equivalent emissions. As part of our industry leadership position, we have put the program online so it is available to other companies."

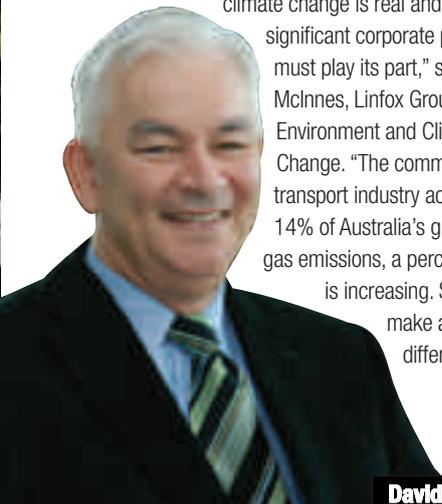
Linfox has also pioneered supply chain emissions mapping, using software that measures the carbon impact of every element. The mapping has made a 3% contribution to the Group's carbon reduction results and Linfox is now using it to help

customers find the most efficient transport routes and warehouse locations.

Energy consumption is another focus. Twenty-five Linfox sites trialled energy saving measures such as smart lighting systems and identified the most effective. Many of these technologies feature in Linfox's new headquarters in Melbourne, a five green star rated building that optimises energy and water use.

Loscam has been the preferred pallet supplier for Linfox and its contract partners for seven years and Linfox is Loscam's largest customer in the logistics sector. David predicts more collaboration with Loscam and other key suppliers in the future.

"With suppliers, price and availability will always be significant, but their carbon usage also has an impact cost for us," he points out. "As carbon becomes a pricing consideration for our customers, our suppliers' green credentials will become more important. We will eventually expect them all to be part of our greening approach." ■



David McInnes

New repair line greener

Safer, smaller, better!

In a major coup for Loscam, a new repair line that drastically reduces the risk of injury, uses much less energy, reduces noise levels and takes up considerably less physical space is about to be pressed into action. Even better, output is significantly greater than the existing equipment.

According to Peter Burgess, Loscam's National Operations Manager, repair lines have come a long way. "The physical stress on workers was considerable before automation was introduced to Loscam's depots," Peter says.

In response, auto letdown machinery has been rolled out across Australia over the last 12 years. It boosted repair productivity significantly; however, the sheer size of the conveyor belt and extra machinery meant that depots began to run out of space.

It became apparent that once again a shift in thinking and design was required. The brand new "Destacker Repair Line" has been launched.

According to Peter, the benefits of the new machinery are remarkable. "During the extensive trial period," he says, "the Destacker has proved to be maintenance free and it's 40% more efficient in terms of power usage."

The space issue has also been a bonus. The new repair line is 30% shorter, meaning overall space for a new depot can be cut 25%. As for output, Peter is delighted. "The performance is virtually double what two men did in the old days with the manual system and considerably more than what we are achieving with the existing line." ■

"The performance is virtually double what two men did in the old days with the manual system and considerably more than what we are achieving with the existing line."



Equipped for success

The nirvana for business is the sweet spot where environmental and economic benefits converge. A million dollar overhaul of Loscam's Wetherill Park pallet repair facility has hit that spot, transforming it into a world class equipment processing centre with green credentials.



Located in south-west Sydney, the depot's history mirrors Loscam's success. Over the past five years, its pallet turnover has increased by 50%, with a further 30% uplift by 2012 predicted.

Sustaining high growth demands premium equipment, and last year the Wetherill Park plant began to show its age; Loscam had been there for 14 years and some machines were even older.

"We were pushing everything to the limit and were so busy keeping up with demand, there was no time for maintenance," says Loscam's NSW State Manager, Barry Wellard. "This led to machine breakdowns and subsequent downtime, then paying staff overtime to catch up. So we made the upgrade a priority."

"Our goal was to improve efficiency and safety and at the same time leverage new technologies to reduce our environmental impact."

The nine-month project was completed in March this year. The 60-strong depot team now works in premises that are 25% bigger, using an array of new and refurbished automated and mechanised equipment.

Adding two more automated repair lines has led to a 35% increase in capacity. As well as being more reliable, safer and productive, the new machinery includes many components that are much more efficient, which maximises

productivity and optimises electricity usage. The upgrade also included new sensors that automatically switch off lights when natural light levels are high enough.

"We found technologies and equipment that simply weren't around last time we fitted out this depot, such as smart lighting and energy-efficient machinery, which have financial as well as environmental benefits," says Barry. "We process one third more pallets but our month-on-month energy bill is the same. We have also reduced energy usage and increased productivity by having a regular, rather than reactive, machine maintenance program."

"Overall, we have reduced Loscam's carbon footprint, brought down bottom-line costs and created a safer and more pleasant working environment. So there are benefits from every perspective." ■



Barry Wellard

Super effort for supersized pallet

Warrnambool Cheese & Butter (WCB) has been a valued customer of Loscam since 1993.

You may not be familiar with the brand but Warrnambool Cheese & Butter, opened in 1888, is Australia's oldest dairy processor. Loscam is WCB's preferred pallet supplier.

With its manufacturing plant based at Allansford in Victoria, the company produces 44,000 tonnes of cheese and 7,000 tonnes of butter every year as well as whey protein and cream products, Sungold fresh milk and several food supplements. A major export earner for WCB is milk powder, which is used in recombined milk, infant formula and dairy and bakery products. It takes 1.4 million litres of milk to make 135 tonnes of milk powder and WCB produces up to 30,000 tonnes a year.

"Although Loscam's standard wooden pallet is ideal for our cheese and butter products, milk powder poses a different problem for us. We need a double-width pallet that holds 1.8 tonnes. Historically we purchased these ourselves, as hiring this type of equipment was not an option then. Faced with an impending shortage of these pallets, due to their age, I approached Loscam to see if they could assist," said John Casamento, WCB's Operations Planner.

Loscam were more than happy to review our requirements and worked with us to ensure we met our production schedules. I gave the go-ahead and the first pallets were produced within one month of the order being placed. We have now replaced all our old double-width pallets with Loscam's and built their hire into our term agreement," says John.

"This kind of friendly, hassle-free communication is why we stick with Loscam – their service is impeccable." "The request was a bit out of the ordinary but they acted quickly and willingly because it was important to our business."

WCB use plastic pallets in manufacturing and food-grade wooden pallets for storage and distribution, applying stringent quality control processes.

"We inspect pallets thoroughly before they enter our automatic loading system, checking for foreign matter, chips, hanging boards or protruding nails," says John. "A substandard pallet could slow down the production line or interfere with products."

"We use each pallet four or five times, until it's too dirty or chipped for food-grade then replace it. In 16 years, we've never had an issue with Loscam pallets. On the rare occasion we reject one, they replace it immediately without question." ■



Some positive signs for a stronger New Year

From the desk of Sirin Limpaitoon, Managing Director Asia

As the year draws to a close, stability seems to have taken root throughout Asia with some positive signs of stronger sentiment in some of our markets such as Indonesia and Vietnam.

"The fmcc and retail sectors have always seemed to display resilience in the face of economic adversity and this crisis has been no different," says Sirin. "Whilst certainly margins have dropped as a result of strong discounting and promotional activity, retail store traffic continues to be quite strong and volumes continue to strengthen."

A consistent response to the economic crisis across all countries has been the reduction of inventory levels as retailers lean up their supply chains and focus on moving smaller amounts of inventory faster. It remains to be seen whether inventory levels will rise as sentiment improves with most experts predicting lower inventory levels and increased product velocity are here to stay.

"We have seen inventory reductions of up to 20% and 30% in some Asian retail sectors placing pressure on downstream suppliers to respond quicker. Loscam Asia as a major supplier to this sector has also been challenged to respond with reduced lead times and much greater focus on inventory management," says Sirin.

"Having just gone through peak season in Indonesia and experienced quite strong demand, we are hoping the build up to Christmas, Chinese New Year and Thai New Year will also be favourable and that this sets the scene for a positive 2010 for our customers, consumers and for Loscam across Asia." ■



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Community activity



Channel 9 Australia TV show *Random Acts of Kindness* is about thanking ordinary Australians who have dedicated their lives to helping others, often at great personal sacrifice, by showing them a “random act of kindness” in return.

It began airing in June and recently Loscam in conjunction with Peters Motorsport donated a ride in the Loscam Race car to Len Snowden, a double amputee, for the show.

Mr Snowden lost his arm and leg in a 1992 train accident at the Port Kembla steelworks, but has since gone on to become a motivational speaker and member of Support Amputee Family and Friends, which provides hospital visits and practical advice to amputees. He is also well known in the Illawarra as the vice-president of the South Coast Disabled Surfers Association.

In 1998 Len started sailing and has since competed both nationally and internationally in the elite singles class of yachts and was chosen to carry both the Olympic and Paralympic torches in the Illawarra region in 2000.

“I’m absolutely honoured to be on this show,” Mr Snowden said. “I can’t believe they picked me to be a recipient.” The secret to Len’s success was embracing life and living it to the full. “It’s ... making the most of what I can do rather than what I can’t do,” he said. ■

People on the move

We welcome **Irene Huigens** as our new State Manager Queensland. Irene joined Loscam in 2004 and has played a key role in building our Queensland business as State Sales Manager. **Michael Collins** will be moving to Perth as WA State Manager.

Daniel Bunnett has been promoted to the role of Commercial Manager Australia to assist state managers with driving efficiencies and new business

success. **Daniel Moore** is our new State Manager Victoria after joining Loscam following a successful career at Pacific Brands.

“These changes to staffing and introduction of some fresh blood into the state management team will really help to position us for delivering further service and operational excellence for the new year,” said Keith Dargavel, Regional Director Australia.



News briefs

Customer satisfaction top priority

Over the past few weeks we have been interviewing a cross section of customers across Australia and Asia to find out just how well we are doing and identify customer needs for the coming year. Many thanks to those who have participated. Results should be out early in the New Year and we look forward to sharing the outcomes with you. The major themes that have emerged will be a key platform for our strategic and action planning for the coming years.

Loscam launches new website

In response to the increasing demands of the market for new and improved information about Loscam and our services, we will be launching a revitalised multi-lingual website at www.loscam.com in the next few weeks. As our business grows and becomes more diversified in both geographical reach and product and service offering, we felt a new website would enable us to better communicate this to customers and the industry at large.



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