

CB Group



Over five years, it is estimated the return on investment for the CB Group investment in an upgraded WHS system is \$3.22 of benefit for every \$1 of cost.

Background

CB Group is a civil construction company based on the Gold Coast that specialises in energy. It has a workforce of 123, comprising office and field workers. CB Group undertakes a wide variety of civil construction work and specialises in underground work associated with telecommunications, streetlights and traffic signals. The energy division is also involved in renewable energy such as solar.

CB Group appointed a new work health and safety (WHS) manager in 2013 who reviewed its work health and safety systems and recommended a substantial upgrade, including triple ISO certification. This required the introduction of:

- an accredited safety management system (SMS)
- quality management system (QMS)
- environmental management system (EMS).

The SMS required the development of safe work method statements (SWMSs) to cover the variety of work tasks that CB Energy employees would undertake. The WHS manager was assisted in these tasks by a temporary employee who was employed for three months.

Benefits

The new SMS at CB Group has resulted in two main benefits:

- safety improvements
- success in competitive tenders that require an SMS as pre-condition for bidding.

Based on an analysis of claims data, it was assumed that the changes have resulted in and will continue to result in the avoidance of 50 work days lost per annum through injury, at an avoided cost per work day lost of \$611 (based on the Queensland average cost of one day of a time lost claim). Hence it was assumed the total financial benefit would be \$30,573 per annum through workers' compensation premium savings.

The workplace health and safety manager also noticed that as the number of lost time injuries per total hours worked (lost time injury frequency rate – LTIFR) has decreased by 53 per cent, reporting has increased (e.g. reporting of near misses), meaning that hazards and risks can be addressed before they result in injuries.

Other benefits included:

- positive feedback from developers on CB Group's approach to work health and safety, quality and the environment
- less downtime through not having to replace people when they get injured
- reduction in claims paperwork.

Costs

The total upfront costs of implementing the new SMS, QMS and EMS was \$47,500, including the employment of temporary staff for three months to assist in development (\$20,000) and approximately \$27,500 in application fees and auditor fees relating to the accreditation.

CB Group employees take part in morning pre-start meetings, which provide communication and coordination benefits, and toolbox talks on safety every week. However, given the attested communication and coordination benefits that are expected to enhance productivity, time spent at pre-start meetings was not considered an ongoing cost associated with the intervention. It was considered to have benefits that at least met and possibly more than offset the costs.

Return on investment

Over a five year period, the changes made by CB Group are estimated to provide a return on investment of around \$3.22 of benefits for every \$1 of expenditure.

The payback period for the upfront costs was around 1.5 years.

Data and assumptions in ROI calculation – CB Group

Item	Value	Calculation details
Upfront costs		
Temporary employee	\$20,000	Cost estimate provided by CB Group for hiring temporary employee for three months to assist in development of new systems.
Application & audit fees	\$27,500	Cost estimate provided by CB Group.
Total upfront costs	\$47,500	
Benefits (annual)		
Expected reduction in workers' compensation premium (assuming claim cost reductions flow through)	\$30,573	Based on an estimate of a reduction of 50 workdays lost per annum, valued at \$611 per workday lost (based on average payments per workday lost for time lost claims across Queensland, averaged over 2011-12 to 2013-14).
Total benefits	\$30,573	
Return on investment		
\$ of benefits per \$1 of cost over five years	\$3.22	
Payback period for upfront costs	1.5 years	

Source: Adept Economics, 2015.

Note: This is a high-level analysis and should not be relied upon in making any future business decisions. Proponents are strongly urged to make their own estimates and decisions based on their individual business modelling.