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APRIL 21, 2004

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: JOHN B. LATOE, JR.
DEPUTY CHIEF EXECUTIVE OFFICER

SUBJECT: WORKERS' COMPENSATION AND SAFETY'S FIRST PROGRAM
UPDATE

ISSUE

The Board requested regular updates on workers' compensation. This report incorporates an update on the progress in the Safety's First program through January 2004.

BACKGROUND

In October 2001, the MTA initiated an aggressive, comprehensive program to prevent and reduce accidents and injuries, lost time injuries, and the associated costs. Staff developed a comprehensive program covering all aspects of loss prevention and control. The MTA engaged DuPont Safety Resources (DSR) as its consultant to assist in making the change to a safer organization. At that time, the MTA was recording an average of 264 workers' compensation claims each month. By the end of the First quarter of FY'04, that rate was reduced to 166 claims on average per month¹.

In January 2002, the MTA developed the 2003-2007 Strategic Plan with a top goal to "Create a 'safety' conscious culture throughout the MTA and its customers and business partners." Objective A is to "Reduce bus, rail, employee and customer accidents and injuries by 51%." The Safety's First program is the MTA's principal means of achieving this objective by creating management systems, business processes and staff skills to increase our ability to consistently operate safely.

After spending much of the first two program years focused on training and building safety management skills, the MTA embarked on the organization's most comprehensive business

¹ MTA was subject to a strike for 35 days beginning October 13, 2003 through November 17, 2003. Data for that period is artificially reduced and is therefore not reported here.

process change effort in July 2003. This effort involved the creation of seven project teams focused on key business processes the MTA needed to implement to continue the progress in safety improvement. General Managers or senior MTA executives led each team and were charged with defining the way the MTA would conduct its business in each of the following areas:

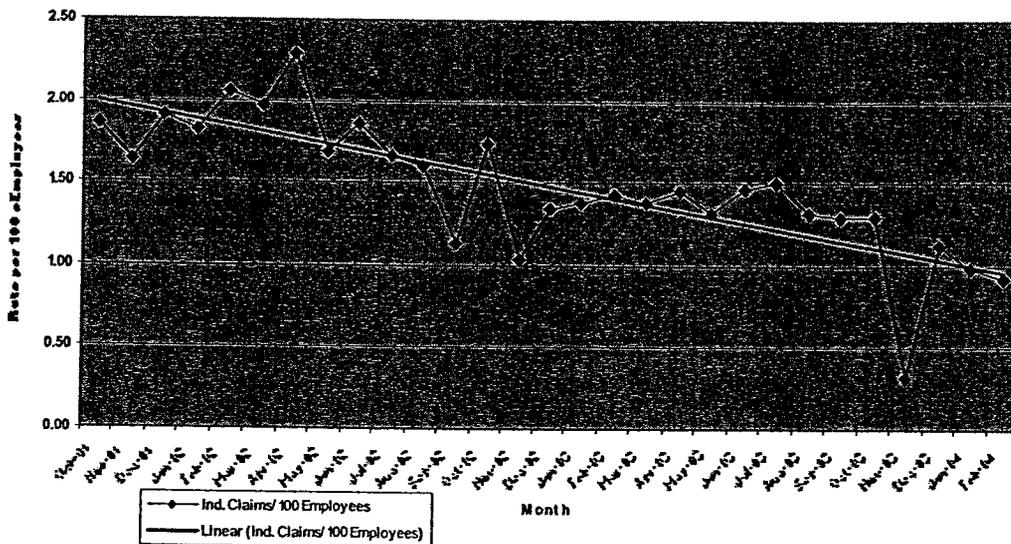
- Incident Investigation
- Field Observation and Feedback
- Return-to-Work/Transitional Duty
- Performance Management
- Communications
- Ergonomics
- Rules and Procedures

DISCUSSION

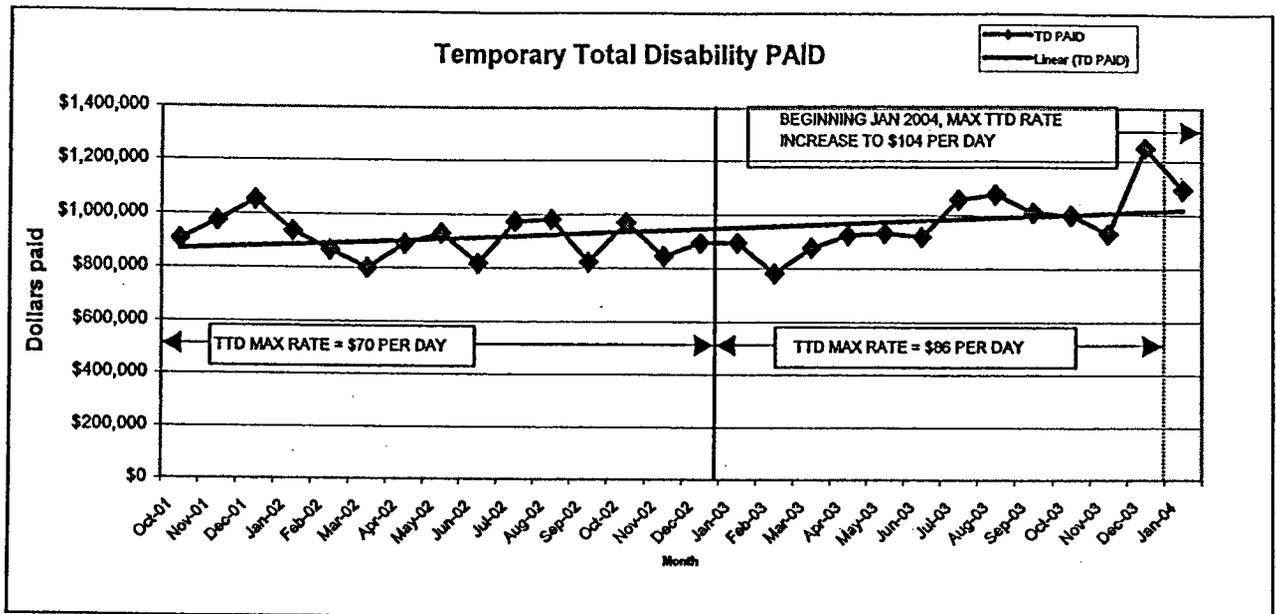
Four of the seven teams have completed the majority of their work and the associated policies and procedures are implemented. Return-to-work is in a pilot phase in the San Gabriel Valley sector, pending resolution of specific legal and labor issues. The Ergonomics and Performance Management documents are being finalized as MTA programs.

The MTA is generating substantial benefit from this program. To date, New Workers' Compensation Indemnity Claims per month are down from 1.86/100 employees (October 2001) to 0.93/100 employees (February 2004).

Indemnity Claims/100 Employees



Total employee payments for Temporary Total Disability, however, continue to rise due to statutory increases in daily indemnity rates and the backlog of long-term-injury employees who have not been successfully returned to work or separated from employment with the MTA. In January 2003, the maximum statutory rate increased from \$70 per day to \$86. In January 2004, that rate was increased again to \$104 per day.

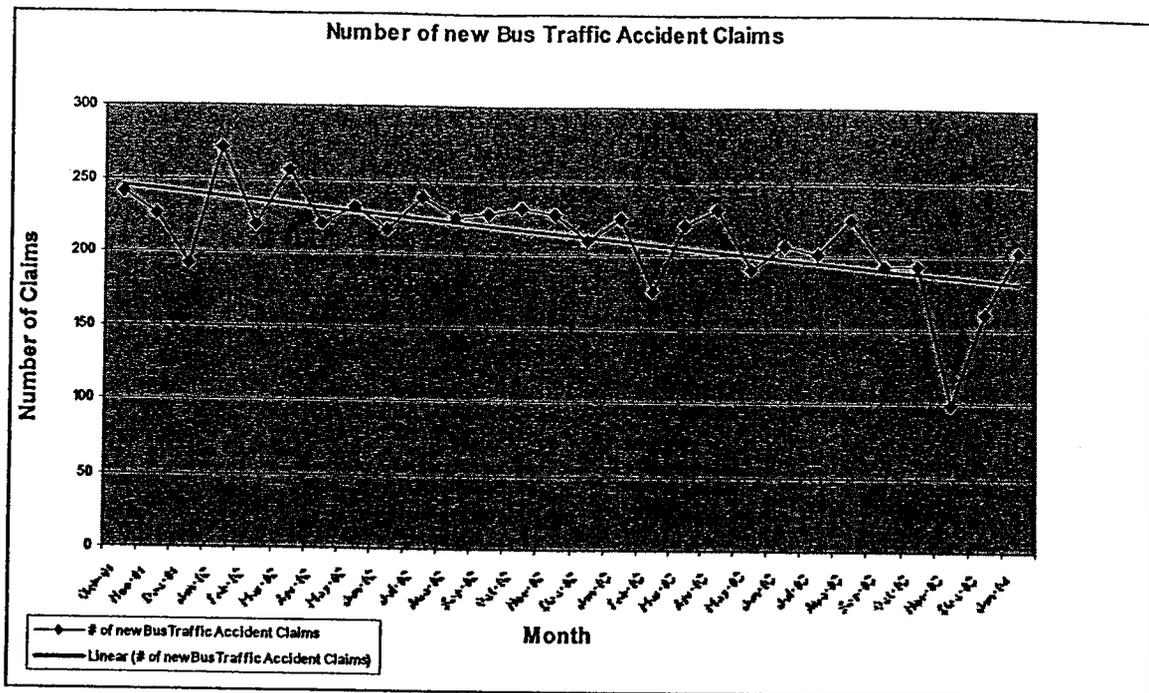


Taken together, the statutory adjustment in maximum rates, combined with rising medical costs is keeping our temporary total disability payouts at about \$1 million monthly.

Bus accident claims are also showing a positive trend. In the chart shown below, bus accident claims have declined sharply since October 2001 when the Safety's First program began. The reduction is attributed the agency's focus on safety and prevention, continued training of our employees, and, most importantly, the dedication of the field staff to the principles of the safety program as a whole.

It should also be noted that throughout this process, MTA has become a recognized leader in the State in controlling costs due to employee injuries. The MTA has been recognized by both the Los Angeles County Grand Jury as well as been recognized on a recent PBS special program called "California Connections." With the introduction of the seven safety program areas and tools for effective monitoring and feedback² in place, staff expects to see continued improvement in the trends displayed here.

² The new tools are available through Transitsafe™, ATMS, Valley Oak (Risk Management) and M3. Staff is taking advantage of the available computer systems for reporting, analysis and problem targeting.



NEXT STEPS

The next steps include:

- Formalize the existing Executive Safety Committee, chaired by the CEO and staffed by the MTA's senior managers and leaders. The Corporate Safety department will support this committee and the Risk Management Department to provide policy and procedural oversight over the key business processes established over the past year.
- Finalize the Return-to-Work program procedural guide in the 4th quarter and work with our union partners so that the current pilot process can be implemented agency-wide.
- Complete the development of the Ergonomic and Performance Management programs to further advance the MTA's efforts to improve workplace safety.