ATN Business Sense
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Transport operators can look everywhere for good financial results and best practice. In Australia, Scott Corporation's recent report to the Stock Exchange reveals a mediocre profit in 2009-10, 2.9% of sales. However, it did a great job getting cash inflow of $5.47m giving year end cash on hand balance of $12.66m. A strong position as cash is fact and accounting is opinion.

The report describes their credit assessment process before accepting new customers and how they allocate a credit limit. It has an average credit period of 30 days with debtors and adds that it charges 2% on outstanding balances after 60 days.

Another Australian, New Zealand and international company is Mainfreight. They increased net profit from 2.8% of sales in 2009 to 3.2% in 2010. Their annual report has examples of good practice such as including the name of every current team member around the world stating "These 3,242 people are the life of Mainfreight".

Best practice is illustrated with their emerging managers' course and their continued focus on being easy to deal with customers and they train their teams on that. To their credit, they also detail their business targets from 2011 through to 2015. Their delivery performance is detailed as 95.9% down slightly from 96.1% last year. They even include the gender ratios of their employees. Their training and HR spend was 0.28% of revenue, the same as last year and training statistics are given as induction, licensing, procedural and systems.

Financially their debtor days outstanding were 37.40 down slightly from 39.52 last year. Information technology statistics including % of consignment notes received electronically in Australia were 73%, up slightly from 72% last year. They did very well increasing cash and equivalents from $7.3m to $37.6m. They even gave their ageing analysis of trade receivables at 31 March 2010, including some at +91 days. The report describes the group's credit verification procedures and how risk limits are set for each individual customer in accordance with parameters set by the board. EBIT margin (before abnormals) was 5.3%, down from 7.2% in 2006.

An American company, FedEx, says it is the world's largest express transportation company. Its long term goals are to be the premier LTL provider, to be the market leader and to be the most profitable carrier. They are clear goals and inform their people where they are heading. Net income was 3.4%, down from 5.6% in 2006. Their report has informative graphs such as revenue per package – yield which is trending upwards and average fuel cost per gallon. FedEx increased rates 5.7% in January 2009 and 5.9% in February 2010. They increased their quarterly dividend $0.01 to $0.12 in June 2010, not bad after the global financial crisis.

The questions for Australian operators are how can they learn from some of these best practice examples, and measuring ideas, how to improve their businesses. What changes should be made to better involve employees remembering that if you do not involve them in the solution they remain part of the problem. What do you need to do to reduce your slow paying debtors? You should develop a plan on how to bring them back to within your terms and keep them there. If you and your people cannot, ask outside for assistance.

What specific actions should you take now? Why not write a plan on what needs to be measured, how you are going to measure and who is responsible? Include in the plan improvement actions as you learn about current performance.

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