

WALTER ENERGY

GETTING BETTER ALL THE TIME



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Walter Energy Canada's continuous improvement initiatives, as implemented in its metallurgical coal mines, is helping the company navigate difficult market conditions

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As reported last year, just a year in from its \$3.3 billion purchase of Western Coal, Walter Energy had succeeded in dramatically increasing the output of the three Canadian mines. Wolverine, Willow Creek and Brule located near the towns of Tumbler Ridge and Chetwynd have all seen further rationalisation and improvement in the intervening year. Dan Cartwright, president of Walter Energy's Canadian operations, though his brow may be knitted over global coal prices and a market over which he can have little influence, has plenty to be pleased about.

Let's start with the big one. Some really significant improvements in safety have been achieved over the last twelve months. "We have seen a rapid drop in the rate of reportable incidents at all three of our operations," says Cartwright. "At the Wolverine mine for example, in September we celebrated a full year without a lost-time incident (LTI) for the first time in the facility's history." At the newer Brule mine too, a year has nearly passed with no reportable incidents at all, something that rarely happens in the endemically hazardous coal mining industry. "We are particularly proud of the Brule team and the results they have achieved," he adds.

These things don't happen by luck – it takes the efforts of the entire team, he stresses. The approach of Walter Energy is to breakdown every activity and analyse it step by step. Safe Job Procedures have been developed for the majority of tasks within the company. You can't hope to finish this process because jobs change and new jobs arise: this is part of a



Cheryl Franklin,
Brule Training Coordinator

RECLAMATION DONE RIGHT.

"THE DUZ CHO GROUP OF COMPANIES IS A GREAT EXAMPLE OF WHAT CAN BE REALIZED WITH STRONG LEADERSHIP AND A CLEAR VISION BY A PROGRESSIVE INDIAN BAND AND A CHIEF THAT IS FOCUSED ON CREATING A BETTER FUTURE FOR HIS PEOPLE."

--Blair Lekstrom,
Former BC Provincial Cabinet Minister
Duz Cho Group of Companies Vice President of Business Development



Walter Energy's ongoing commitment and dedication towards reclamation, environmental responsibility, and First Nations partnerships has put them in the forefront of NEBC's coal mining companies. The excellent communication between our companies, both in the field and in the boardroom has ensured that every project we have done together has been a resounding success. Duz Cho Construction looks forward to many more years of successful and productive work with the Walter Energy team.

--Wade Caven
Northeast Mining Divisional Manager



<http://www.duzcho.com/>

Making sure the Footprints we leave behind are ones our Children will be proud to walk in.

THE DUZ CHO GROUP OF COMPANIES



Working together with other First Nations, Federal and Provincial Governments, industry and the communities in the areas in which they operate has been the hallmark of the Duz Cho group of companies. The companies provide a wide range of services to the mining, oil and gas, wind energy, and forest industries and are well recognized for their professional conduct.

All of the Duz Cho companies are presently coming together under what will be known as the Duz Cho Group of Companies. This includes Duz Cho Construction Ltd., Duz Cho Logging Ltd., Mackenzie Wood Processing, and a new joint venture-- Northern Indigenous Crane. The Duz Cho companies have earned the respect of both industry and government and are recognized as an organization that is approachable and open for business. The quality of the work performed by these companies, as well as their understanding of the need to be competitive in their pricing, has made them a company that industry looks to when a job needs to be done on time and on budget.

Although time and cost effectiveness is a cornerstone of what has earned the Duz Cho Group of Companies their reputation, it is the safety of their workers and other workers on the job sites that is their first priority. Duz Cho's safety record is something the entire team is very proud of and is what drives each and every job to its successful completion.



The McLeod Lake Indian Band, the sole owner of the Duz Cho companies, is as innovative and progressive an Indian Band as you will find anywhere in North America. Much of this credit must go to their chief, Derek Orr. He is young and vibrant and

knows very well what it takes to ensure a future that is filled with opportunity for his band members. Chief Orr has a vision for his people. This includes development of the natural resources we are all so blessed with, while at the same time ensuring that the footprint we leave on the land base is minimized by adhering to sound environmental management of our land, air, and water.

The Duz Cho companies are led by Jim and Al Humphreys who have both helped turn these companies into the successes that they are. The key reason for their success is teamwork and Jim and Al have built a team that is not only extremely competent but each one is focused on the success of the companies that they are part of.

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Walter Energy Brule haul truck

culture of continuous improvement that by definition is never-ending.

Nevertheless the process has had a great bearing on the success achieved. "We have established a safety contact policy that requires each supervisor to make a certain number of safety contacts each week." This involves observing the person at work then taking time with them to compliment work done well, challenge where it could be better and discuss their individual risk evaluation. Before they start any task, individuals are asked to do their own inspections, walk around, and note any hazards and

how those hazards can be mitigated. This information is shared with the supervisor.

The company is going the extra mile in terms of personal protection too. High visibility reflective clothing is now a requirement, and passing beyond industry safety standards employees are now required to wear metatarsal boots. This is being augmented currently by the issuing of metacarpal gloves – between them these two initiatives will go a long way to protecting those vulnerable extremities.

Toes and fingers are the most commonly injured parts of the body. It is important, says Cartwright to address

**\$3.3
BILLION**

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**Cost of Western
Coal acquisition**



Brule mine LeTourneau loader

“OUR RESULTS SHOW IN OUR OPERATIONS
ONE OF THE MOST DRAMATIC COST
TRANSITIONS THAT I HAVE BEEN ASSOCIATED
WITH IN MY ENTIRE CAREER”

the ‘routine’ hazards as well as the more infrequent but perhaps more serious ones. “We want to eliminate the cuts and bruises while not losing sight of the bigger picture. So we ask employees the question: ‘If you were away from work and heard there had been a fatality at the mine, what would you suspect?’ In other words, what would be the first thing that would come to mind without knowing the facts of the case?” Gut feelings are not always

expressed but can provide valuable insight that could save a life, he acknowledges.

The Canadian mines all started out being mined by mining contractors. That made sense for Western, a relatively new company, but Walter Energy’s policy is to bring what is after all its core activity in-house. The last of the Canadian mines to be shifted from contract to company mining was Brule, which has a production capacity of around

two million tonnes per annum (tpa). The operation involves two big elements: people and equipment. The mining equipment had to be purchased from the contractor but the personnel could not be transferred so easily.

Most of the management and a large proportion of the supervisory staff left, quite understandably, for reasons connected with continuity of employment and the fact that most of them were not locals, having been flown or driven to the remote site. “In some ways it was a bit like starting up a new operation, particularly from a personnel point of view,” says Dan Cartwright. “We didn’t want anybody to stay who didn’t want to be there. Part of the challenge at Brule is that it is our most remote mine. But it gave us the opportunity to convert to a more local workforce. We still have quite a

few drive ins though there are no longer many people who fly in.”

Cost management, productivity and safety ideally go hand in hand. In the current climate, with coal prices well below where they need to be to sustain the higher cost operations, Walter Energy has been stepping up its program of cost reduction. One initiative that has been extended in the last year is its reliability centred maintenance, condition-based program. Reliability-centered maintenance (RCM) and condition-based maintenance practices can extend the duration between routine maintenance, improve unit availability, and eliminate some forced outages, he explains. “We also do sophisticated diagnostics and condition-based monitoring to determine the ‘health’ of key machines and to make sure that



“As a pure play producer of high quality met coal, we need to partner with companies who truly support our business. CN is one of those partners, having served our Canadian mines since the beginning. We have synchronized our supply chain expansion, growing together, and we will continue to do so into the future.”

Randy G. Craver, VP Logistics, Walter Energy Inc.

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CANADIAN NATIONAL RAILWAY CO



CN is a true backbone of the economy, with access to over 75% of the North American population, we transport C\$250B worth of goods annually. A key driver of our business is Western Canadian coal. We have been partners with Walter Energy since day one; collaborating and innovating together to form a fluid supply chain.

Whether customers are shipping domestically or internationally, we are there to help them win in their market, wherever it may be. CN provides rail access to Walter Energy’s U.S. destinations, given that our network extends to three coasts. With nearly 20% of Canada’s exports moving over our rail network, CN has also given Walter Energy worldwide reach. We have been able to supply them with direct rail access to two West Coast ports and three bulk terminals, including Ridley at Prince Rupert, the closest port to Asia. One thing that CN and Walter Energy definitely have in common is the understanding that supply chain partnerships are just that,

partnerships. We work together to balance and align capacity, improving the coal supply chain from mine to mill. We have expanded our capabilities to synchronize our growth with the growth that our customers, as well as the ports, are planning.

This collaboration is based on continuous communication. We have a bulk logistics team that is engaged with our customers, connecting with them on a daily basis. With this visibility and in-depth understanding of our customer’s business, we can remain nimble and adapt to their needs.

We have a solid supply chain with Walter Energy, one where we share the same goals and work hard every day to keep getting better and gain efficiencies. CN is proud both to be their partner, and to be able to play a key role in keeping Canada at the forefront of the global economy.

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Brule mine shovel loading haul truck

we are listening when the machine is telling us work is due.”

As an example, oil changes are no longer just time based. OEMs and agents tend to stay on the safe side when specifying maintenance schedules, but components and fluids can often work far longer before needing to be replaced. Using things like vibration analysis and thermography the condition of the machine can be monitored very closely. The machine rather than just the manual will decide when it needs help!

There was a lot of room for improvement when he took over the job 18 months ago, he admits, but that slack has been taken up. “Our results show in our operations one of the most dramatic cost transitions that I have been associated with in my entire career. We have

seen reductions in cost that range between 20 and 50 percent.” But make no mistake, this has been achieved primarily by the application of common sense on the part of the people who actually have to implement it, he insists. “It is our people who make us what we are.”

While emphasising the role of teamwork in safety, productivity, maintenance and lean working, he does not forget those team members who don’t work for Walter. “One of the things we have been doing is to reach out to our partners in the supply and delivery

chain to see how we can work together better.” He singles out the Caterpillar dealer Finning, which has been working with Walter to make the RCM work, optimise performance and at the same time preserve its reputation by avoiding equipment failure. “The leadership of Finning in British Columbia has done a really good job in working with and helping us. I believe that our success will be their success in the long run and they recognise that.”

Mines and railroads are sometimes viewed as natural enemies and there’s no doubt a

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Walter Energy
Brule Pit

coal mine can be a demanding customer for a railroad. There is tension between the mine's need to have trains ready to take loads whenever the mine is ready and the rail operator's need to not have trains waiting. But this can be overcome by better communication and Canadian National Railway (CN) and Walter's transportation group have done a great job in sharing information. "Both sides are now kept informed so they know our mining plans and we know their plans and commitments too." He says. "It has turned a good relationship into an exemplary relationship!"

In the end, the steelmakers of Korea and Japan who take most of the BC coking and PCI coal do have other sources to turn to so, the mining companies, the logistics operators and the ports of western Canada need to sell themselves as a united supply chain. The good news is that the railroads and port authorities have been responding to this situation. Westshore, Neptune and Ridley Terminals have recently seen over \$1 billion invested in improvements to the efficiency and capacity of their terminals. This includes the addition of more than 20 million tonnes in coal handling capacity. Of all the commodities carried by rail and handled by ports in Canada, coal ranks number one, and an efficient and inter-connected network of rail and port infrastructure is critical to get Canadian coal to market, Dan Cartwright believes. **BE**

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Walter Energy visit:
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