

# Chapter 1

## Introduction and background to the inquiry

1.1 The Senate referred this inquiry into workforce challenges in the transport industry to the Employment, Workplace Relations and Education (EWRE) Committee on 6 September 2006, with a reporting date of 9 August 2007.

1.2 The purpose of the inquiry was to:

- (a) Address the scope of the problem of labour and skill shortages affecting all sectors of the transport industry and the likely consequences of serious labour shortages;
- (b) Review labour supply research undertaken for the transport industry, to canvass the views of industry, consumers and unions in regard to recruitment and employment practices in the industry;
- (c) Alert Parliament to the projected labour shortage in the transport industry which will seriously affect the distribution of all goods and most travel services in the next ten years;
- (d) Make recommendations on Commonwealth-led coordination of improved training delivery for the sector, and address issues related to employment incentives that are characteristic of the industry.

### Conduct of the inquiry

1.3 The inquiry was advertised in full text in *The Australian* on 13, 19 and 27 September 2006; 11 and 25 October 2006; and 8 November 2006. It was advertised in abbreviated form from 22 November 2006 to 21 March 2007. Submissions were invited from relevant interest groups, organisations, agencies and individuals with an interest in the transport industry and workforce. Thirty-seven submissions were received, primarily from professional associations, unions, peak industry groups and the government sector. Public hearings were held in Sydney in March 2007, in Brisbane and Melbourne in April 2007, and Perth and Adelaide in May 2007, and in Canberra in June 2007. The committee also conducted a number of site visits to key industry locations during the inquiry.

### *Background*

1.4 The EWRE Committee has previously considered workforce shortages in relation to the horticulture industry<sup>1</sup>, and previously looked at skills shortages and

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1 Senate Employment, Workplace Relations and Education Committee, *Perspectives on the future of the harvest labour force*, October 2006.

how they might be addressed through a more effective training regime. Throughout the course of the current inquiry it became evident that a number of common themes exist across these investigations. Evidence of available worker supply being unable to meet industry demand; of a lack of coherent (or sometimes any) future planning on the part of governments, industry groups and employers; of debates on the possibilities presented by migrants for filling worker shortages; and of concerns around worker pay and conditions. All were touched on in both inquiries.

1.5 However, while these were common themes, the nature of the discussions, and the conclusions the committee has been able to draw, are not identical. The transport industry and its workforce have their own particular characteristics, which are considered in this report, and these provide the context for both the investigation and the committee's recommendations.

### *Industry Context*

1.6 Transport specific businesses contributed 4.5 per cent of total gross domestic product in 2004-05, amounting to approximately \$39 billion:

Table 1: Transport and storage GDP, 2000-01 – 2004-05

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>T and S GDP</b>	31777	33029	35256	36783	38682
<b>- Road</b>	10613	11262	12019	12845	13691
<b>- Rail, pipelines and other transport</b>	4530	4828	5303	5498	5488
<b>- Air</b>	4457	4205	4742	5139	5661
<b>- Services and Storage</b>	12182	12723	13177	13298	13842
<b>T and S GDP per capita</b>	1563	1625	1734	1809	1903
<b>T and S percentage pf national GDP</b>	4.2	4.2	4.4	4.4	4.5

Notes: Figures are in \$ million at 2003-04 constant prices. T and S GDP relates to transport-specific businesses. Services and storage includes water transport.

Source: Australian Bureau of Statistics, Australian national accounts, national income and expenditure (5206.14), Time series data (quarterly) 1959-2005.<sup>2</sup>

1.7 In the same period, the transport sector provided 454,000 jobs, or 4.6 per cent of total employment:

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2 Department of Transport and Regional Services, *Australian Transport Statistics*, August 2006, p. 7.

Table 2: Employment in transport and storage, 2000-01 – 2004-05 ('000)

	2000-01	2001-02	2002-03	2003-04	2004-05
<b>Road</b>	213	221	218	231	215
<b>Rail</b>	37	32	36	39	37
<b>Air and space</b>	53	51	46	45	47
<b>Water (sea)</b>	13	14	13	13	14
<b>Other transport</b>	1	1	1	1	1
<b>Services to transport</b>	68	69	66	69	77
<b>Storage</b>	30	24	27	30	44
<b>Transport and storage nfd*</b>	3	2	2	5	21
<b>Total employment T and S**</b>	419	413	408	433	454
<b>Total employment – all industries</b>	9057	9168	9395	9560	9845

Notes: Figures represent the annual average of quarterly data. \* Not further defined. Insufficient detail was collected from survey respondents to allocate them to a specific industry code. \*\* Figures may not sum due to rounding.

Source: Australian Bureau of Statistics, *Year Book Australia 2006* (1301.0)

1.8 In February 2006, the National Transport Commission (NTC) released a report entitled *Twice the Task – a Review of Australia's Freight Transport Task*.<sup>3</sup> This report responded to forecasts that Australia's land freight task would double between 2000 and 2020, and agreed on balance that the freight task will indeed increase significantly in a relatively short period of time<sup>4</sup>.

#### *Mining and drought: factors driving demand*

1.9 The report found that the key influences on demand driving this increase would include

...increases in demand for minerals and agricultural production, and the substitution and growth of imports as both consumer goods and raw material inputs. The increasing desire to reduce inventory will see growth in air freight and probably a continuing reduction in average delivery size to end destinations.<sup>5</sup>

3 National Transport Commission Australia, *"Twice the Task" A review of Australia's freight transport task*, February 2006.

4 National Transport Commission Australia, *"Twice the Task" A review of Australia's freight transport task*, February 2006, p. 2.

5 National Transport Commission Australia, *"Twice the Task" A review of Australia's freight transport task*, February 2006, p. 2.

1.10 The committee heard evidence supporting aspects of this statement, and other conclusions of the report, such as the problems caused by the lack of a nationally consistent regulatory regime, and the need to plan for future upgrading of road and rail infrastructure. A recurring theme was the interaction between the commodities boom and the transport industry, and the need for effective transport and logistics systems to support economic growth being driven by the mining sector. Some witnesses suggested that realising the full potential of the mining sector could be jeopardised if more attention was not paid to finding solutions for current workforce problems in the transport industry:

In whichever documents we read and in whichever reports come out, transport and logistics hardly ever seems to get a mention. We would like to make the point that without it nothing will happen. With a lot of the development that is mooted to happen in the north west of this state, there is a fair chance that it will not happen because we just will not have the people to make it happen.<sup>6</sup>

1.11 Similarly, the Department of Employment and Workplace Relations submitted that:

...despite commodity prices surging over recent years, mining companies have been stymied in their efforts to increase the export volume of resource commodities due to a number of factors. These factors include the existence of pockets of transport 'bottlenecks', and general transport related constraints.<sup>7</sup>

1.12 The practical effect of the mining sector's requirement for efficient transport systems and workers to move minerals and ore, and its capacity to attract workers away from other operators with large salaries, is dealt with in more detail later in the report. Unfortunately, this was not a matter the committee was able to pursue with the major mining companies.

1.13 The committee also heard evidence supporting the *Twice the Task* report's suggestion that increased agricultural production could exacerbate existing stresses in the transport industry workforce, particularly in the event that the current drought breaks and agricultural production revives. Mr Ron Finemore explained, in relation to the trucking industry, that:

We have 175 drivers. And today we are 17 short. For the last 12 months, we have always been between 10 and 20 short on any day. Forty-nine of these are casual, and if we get rain in the southern half of Australia, half of these will disappear back to their family farms to drive tractors for the cropping season.<sup>8</sup>

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6 Mr Fred Heldberg, *Committee Hansard*, 2 May 2007, p. 11.

7 Department of Employment and Workplace Relations, *Submission 16*, pp 10-11

8 Mr Ron Finemore, *Committee Hansard*, 12 March 2007, p. 2.

1.14 It could be expected that an up-turn in agricultural production due to changed weather conditions would contribute to increased freight loads, placing further pressure on transport systems, and associated infrastructure. The Australian Logistics Council, in commenting on the commodities boom, told the committee that:

...there is a question about this boom. It is not a matter of whether it is going to continue or not but whether the real level of skills shortages is masked by the drought. The best case scenario would be that we have record mineral prices continuing into the future and therefore record demand for minerals, and it rains again and the agricultural sector also places demand on the transport and logistics sector. So the best case scenario would even further strain our capacity both from a hard infrastructure perspective and from a people perspective moving forward.<sup>9</sup>

1.15 Concurrently, the continuing drought may in itself put pressure on transport systems through increased movement of livestock, with farmers offloading animals, through slaughter or forced sale, which have become too expensive to feed. There could also be increased need to transport fodder and water to drought affected areas.<sup>10</sup>

#### *Passenger services*

1.16 Movement of freight was not the committee's only concern. The effects of worker shortages in the transport industry also extend to commuter passenger services in larger capital cities. The committee heard evidence, particularly in relation to railways, of an increasingly urgent risk that worker supply is already, or will soon be, out-stripped by demand. The Australasian Railway Association submitted that, in addition to an expected increase of non-bulk freight of 82 per cent in tonne-kilometre terms between 2003 and 2020, and the continuation of rail being the preferred mode of transport for bulk freight, passenger services were also expected to increase:

All governments are increasing investment in passenger services due to community demands for improved rail services and reliability. In 2004 there were 589 million passenger journeys on urban rail and tram services and 9.4 million passenger journeys on long distance services, and this is expected to increase. Without considerable effort to improve the labour force's availability, flexibility and quality, the rail industry carries a high risk of not realising its objective of providing the transport mode of choice.<sup>11</sup>

1.17 The committee noted development of more sophisticated urban transport developments in discussion with TransAdelaide about the introduction of the new Flexity tram system, and with TransPerth, concerning the extension of services in both cities. The larger established networks of Sydney, Melbourne and Brisbane, meanwhile, are under increasing strain from lack of capacity.

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9 Mr Hal Morris, *Committee Hansard*, 12 April 2007, p. 8.

10 Department of Employment and Workplace Relations, *Submission 16*, p. 9.

11 Australasian Railway Association, *Submission 18*, p. 1.

*Shipping and aviation*

1.18 While the committee benefited from substantial evidence provided by road transport and railway operators, the terms of reference for the inquiry require broad investigation of other sectors of the transport industry too, including the maritime and aviation sectors. The committee found that considerable workforce challenges exist in these sectors as well. For example, the Australian Shipowners Association submitted that:

Evidence suggests within Australia the demand for suitably qualified seafarers is extremely high, particularly with respect to deck and engine officers. Some employers/operators have suggested that any future growth will largely depend upon their ability to attract, train, recruit and perhaps most critically, retain a competent and sustainable workforce.<sup>12</sup>

1.19 The Maritime Union of Australia told the committee that Australia's international seaborne trade grew substantially in recent years, with an annual growth rate of 9.3 per cent. Further, forecasts for world commodity demand and Australia's increasing reliance on oil and other imports are projected to further increase external maritime trade, as well as the annual domestic shipping task, which may increase by as much as 26.6 per cent by 2013.<sup>13</sup> Of particular note was the statement that:

In net terms, Australia currently relies on imports for 17 per cent of overall petroleum consumption, but by 2020, the Australian Bureau of Agricultural and Resource Economics estimates the figure will rise to 46 per cent. Other industry analysts think this view is optimistic, with the Australian Petroleum Production and Exploration Association saying our oil import dependency will rise to 78 per cent over the next 10 years. Even on the lower estimates, this means a huge increase in the shipping task required to import clean petroleum products into Australia<sup>14</sup>.

1.20 In aviation, the industry context appears to be heavily influenced by competitive market pressures, particularly in association with passenger travel, but also with aircraft maintenance and some freight services. The committee visited Aviation Australia, which is the leading provider of aeroskills, or basic aircraft maintenance training in Australia, and one of the leading aircraft maintenance training organisations in the world. The committee heard that while major airlines and the military historically had a major role in training and employing aircraft maintenance apprentices, this responsibility now increasingly falls to other organisations as the airlines strive for competitive advantage and economic efficiency.

1.21 For its part, Qantas Airways submitted that international aviation is conducted in an increasingly competitive and distorted operating environment, which has been highlighted over the past five years. In this time, the global aviation industry has

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12 Australian Shipowners Association, *Submission 29*, p. 7.

13 Maritime Union of Australia, *Submission 13*, p. 4.

14 *Ibid.*, p. 5.

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experienced unprecedented shocks and pressures for change, to which Australia's airlines have not been immune. In particular, Qantas has felt the effects of an increasingly globalised market in which there is ever increasing competition from government owned or supported 'national agenda' carriers, which have caused Qantas' market share to decline from 40 per cent at privatisation in 1995 to 32 per cent now<sup>15</sup>. Competitive pressure from low-fare carriers is also increasing.

1.22 The committee noted with particular attention that:

The structural advantages of these carriers have a significant impact on Qantas' competitiveness in international markets. These include government ownership and support, bankruptcy protection, lack of competition regulation, better access to capital, funding of security and insurance costs and more favourable taxation frameworks...Further, globalisation means that companies are increasingly able to source their goods and services, including labour and skills, from a worldwide market. Boeing as an example, is reported to be outsourcing over 70 per cent of the manufacturing of its new 787 aircraft. The above factors challenge legacy business models such as ours, and mean that we are constantly having to find new ways to increase our own competitiveness to ensure our ongoing viability. This includes the need to continually seek efficiencies from all areas of our operations, including our workforce. Ensuring that our workforce has the right skills and capabilities, and that the maximum efficiency and effectiveness is gained from these has never been more important than now<sup>16</sup>.

1.23 The committee heard that competitive pressures in the aviation industry have been further heightened by rising fuel costs, with both Qantas and Virgin Blue introducing fuel surcharges into their fare structures for both domestic and international flights in recent times.<sup>17</sup> Interestingly, the Department of Employment and Workplace Relations noted that although fuel costs also make up an important component of total operating costs in the road transport industry:

...it appears that the high fuel prices experienced in 2006 have not materially dented road transport employment due to the continued strong demand for road freighting services. With petrol and diesel prices currently easing, it is possible that road freight operators may benefit from reduced cost pressures, presenting a further potential upside risk to employment in that sector over the coming year, assuming that overall demand for freighting services remains at its current level.<sup>18</sup>

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15 Qantas Airways Limited, *Submission 26*, p. 3.

16 *Ibid.*, p. 3.

17 Department of Employment and Workplace Relations, *Submission 16*, p. 10. It is also noted that in line with falling fuel costs towards the end of 2006, Qantas moved to reduce the surcharge on international flights. However, in general terms the costs of fuel continue to be a factor driving competition in the industry.

18 Department of Employment and Workplace Relations, *Submission 16*, p. 10.

1.24 Overall, the committee understands that pressures of increased demand for transport services are common across all sectors, and that most future projections are for increases. The industry's ability to meet these demands is dependent in large part on the availability of suitable transport workers; and here too the committee heard that there are important challenges.

### ***Workforce Context***

#### *Effects of low unemployment*

1.25 Low unemployment levels are generally considered to be a positive economic indicator, usually correlated with strong growth and appropriate monetary policy. The committee recognises that an extended period of economic growth in recent years has resulted in historically strong labour market conditions, with unemployment generally below five per cent, and participation at around 65 per cent.<sup>19</sup>

1.26 In line with this, employment growth in the transport industry has trended steadily upwards, with particularly strong increases in the past 12 months. The largest increases have been in the services to transport sector, followed by the road transport and railway sectors.<sup>20</sup> The Department of Employment and Workplace Relations advised the committee that:

An examination of vacancy trends shows demand for labour has increased over the last five years, with growth in vacancies. Additionally, employment projects for the industry suggest continued labour demand for growth over the next five years, albeit at a slower rate.<sup>21</sup>

1.27 The committee became aware during the inquiry that, although there are important and widespread benefits associated with such low levels of unemployment, particularly at the macroeconomic level, some transport operators are struggling to attract and retain workers in a climate of tight labour market demand. The Australian Logistics Council told that committee that 'We are...a labour intensive industry at a time of national labour shortage. We are in the competition for labour in this country like never before...'.<sup>22</sup> Similarly, the Transport Forum WA noted that:

I think that probably the most important thing I can say is that we are in a very diverse and extreme competitive environment and, like a lot of other industries that we see and hear about, 'skills shortage' are not buzzwords; the skills shortage is a reality. We are facing a very hard road ahead...<sup>23</sup>

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19 Department of Employment and Workplace Relations, *Submission 16*, p. 3.

20 *Ibid*, pp 3-5.

21 Department of Employment and Workplace Relations, *Submission 16*, p. 6.

22 Mr Hal Morris, *Committee Hansard*, 12 April 2007, p. 1.

23 Mr Ian King, *Committee Hansard*, 2 May 2007, p.11.



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### *Ageing of the current workforce*

1.28 The committee further heard evidence from all quarters that skills shortages resulting from tight labour market conditions are being exacerbated by the ageing of those currently employed in the transport and logistics industry. More than 40 per cent of workers are aged 45 years or older, and substantial workforce attrition through retirement can be expected in the next five to ten years. Although the effects of ageing are likely to be more severe in the mining and manufacturing sectors, some estimates suggest the transport and storage industry faces a shortfall of up to 10,000 employees over the next five years.<sup>24</sup> There are some variations across sectors, which will be dealt with in more detail later in the report.

### *Image problems*

1.29 The industry is not only expected to suffer worker shortages due to ageing. The committee heard consistent evidence that many employers and operators are having considerable difficulty attracting young people, and women, to enter the transport and logistics field in the first place. There are a number of reasons for this, but one of the most common cited by witnesses at public hearings, or in written submissions, was that negative stereotyping associated with industry image is a major inhibitor to engaging young people. The committee repeatedly heard such comments as:

The T&L industry doesn't have a good image as a career choice by potential new T&L entrants or the community at large. To a great extent this is a legacy of the past with lasting images of cowboy drivers, militant unionists and blue singlets.<sup>25</sup>

The freight logistics industry's inability to attract young employees is not helped by its image. When asked, few young people would nominate freight logistics as their desired career path – regardless of the financial rewards to do so. The image of freight transport as a dirty, nuts and bolts – or old economy – industry contributes to this perception.<sup>26</sup>

I think we are still seen as running around with blue singlets and beer bellies and sucking on cigarettes that we should not be smoking and taking so many drugs to let us stay awake until we are Superman. I cannot deny that may well have been the case in the past. We need to overcome that.<sup>27</sup>

1.30 In conclusion, employment as a long haul truck driver has few attractions to young people with families. Anecdotal evidence to the committee suggests that many current drivers would give up the work if they could, because of this dislocation to family life.

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24 Department of Employment and Workplace Relations, *Submission 16*, p. 11.

25 The Chartered Institute of Logistics and Transport, *Submission 3*, p. 2.

26 Dr Daryll Hull, *Submission 15*, p. 3.

27 Mr Fred Heldberg, *Committee Hansard*, 2 May 2007, p. 15.

1.31 In the contemporary workforce context, then, many employers and transport operators are experiencing some difficulty securing appropriately skilled workers, in sufficient numbers, to satisfy the industry's increasing employment demand. Considerable attention and energy is being devoted to finding effective ways to attract and retain workers, particularly in terms of favourable workplace conditions, image change and effective training, and these will be discussed in detail later in the report, along with the committee's own inquiry findings.

1.32 Chapter 2 of this report will investigate in more detail problems with attracting employees to the industry, with special attention to young people and women. Chapter 3 discusses ways in which training for the transport and logistics industry may be reviewed to better address workforce challenges, which may be read in conjunction with chapter 5 on strategies for retaining workers. Chapter 4 outlines some of the major issues faced by employers in managing the transport and logistics workforce, while chapter 6 discusses longer-term strategies and overarching policy conditions.