

SEA FREIGHT COUNCIL OF QUEENSLAND

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19 December 2006

The Secretary
Senate Employment, Workplace Relations and Education Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sirs

The Sea Freight Council of Queensland is pleased to provide this submission to the Australian Senate Inquiry into Workforce Challenges in the Transport Industry.

The Sea Freight Council of Queensland is an industry body that represents all sectors within the sea freight logistics chain, and is part of the national network of freight logistics councils with united links to the Australian Logistics Council to provide a collective approach in addressing future challenges facing the Australian freight logistics industry.

Transportation is a diverse industry, encompassing a wide range of sectors to provide end to end solutions to meet customer requirements. However, both literature and anecdotal sources indicate that transport operators are finding it increasingly difficult to meet these requirements as a result of both labour and skills shortages. This is of considerable concern to the members of the Sea Freight Council of Queensland.

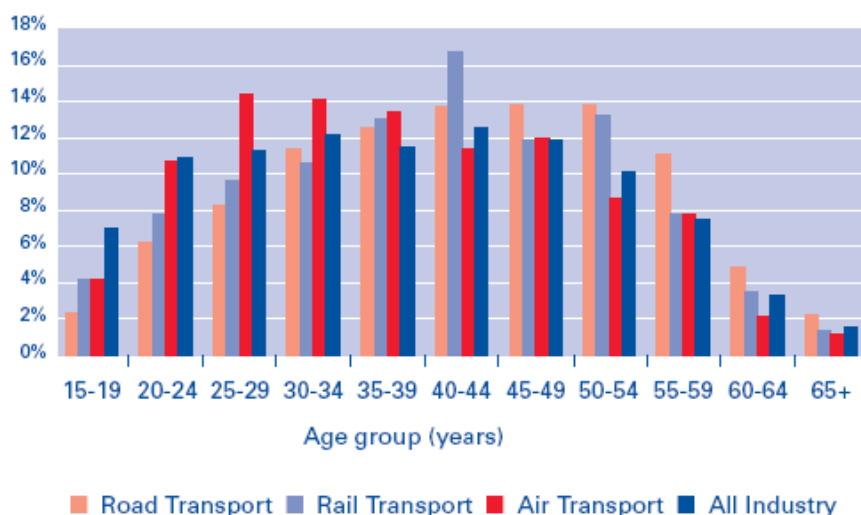
Age distribution

It is widely acknowledged that the average age of workers in the transport industry is among the highest in the country, with 54% of the workforce over the age of forty five. This is primarily due to ageing of the existing workforce; however, the issue has become exacerbated by the inability to attract younger workers to the sector. The Sea Freight Council of Queensland expects many aged workers to either retire or leave for medical reasons over the next ten years, resulting in a significant loss of experience and skill. Replacement of these workers, given the labour decrease over the 2003-2005 period of 7% in road transport (ABS 2006), compounded by projected growth in the freight task, will see serious shortcomings in the ability of the road transport sector to meet forecast volume and customer demand.

As shown in Figure 1 below, the age distribution of labour in the transport industry as a whole is top-heavy. This is the case even when the relatively younger age profile of some sub-sectors such as freight forwarding is taken into account.

A line of forty trucks in which not one driver was under the age of fifty was recently observed by our members travelling to the Port of Brisbane's terminal facilities.

FIGURE 1: AGE PROFILE OF ROAD, RAIL AND AIR TRANSPORT (2003-2004)



Source: Monash Centre of Policy Studies, June 2004 in ANTA (2005, p. 26)

Retention and recruitment

Many members and associates of the Sea Freight Council of Queensland are working hard to retain their skilled workers in the face of constant commercial and operating pressures. In the current tight labour market, our logistics industry is experiencing difficulties in sourcing adequate numbers of skilled and experienced workers for roles in administration, forklift operations, maintenance, warehousing and both short and long haul driving. Fortunately, although reliable, skilled workers are scarce and difficult to locate, once the hurdle of permanency is achieved turnover among our members' workforces is generally low. However, the same cannot be said about attracting and retaining drivers.

Difficulties experienced in locating suitably skilled workers with the right work ethic by our members, has resulted in the use of outsourced recruitment services. While the outsourcing has resulted in an increased cost to business, the internal cost required to perform this task in-house is much greater, particularly for our many small operators who do not have the luxury of in-house HR professionals. This does however provide the benefit of shifting some training functions back to the recruiter.

Truck drivers

Anecdotal information suggests that a shortage of skilled truck drivers is due in part to the resources sector boom and the subsequent relocation of transport workers for inflated wages. However, an even more significant and longer-lasting factor is the dramatic growth in the volume of domestic and international freight being transported in Australia, which is outstripping the labour growth rate of the transport industry. This has been the case for some operators whose workforce has grown from 3 to 26 in the last two years. As a result, skilled truck drivers are in such high demand and short supply that they can dictate the terms of their employment and command higher than standard wages, effectively lowering already tight profit margins in the order of 3-5%. Given these circumstances, our members are seriously concerned about the capacity of the transport sector to support an expected doubling of the land freight task by 2020.

In some areas, particularly Northern Queensland, premiums to keep long-haul drivers are up to 20% above the market rate due to labour competition with other industries. In addition, some larger operators have had to resort to paying casual rates to their permanent workforce. While efforts such as these attempt to control cross industry labour movement, our members are finding an increasing trend for drivers to move from one transport operator to another to chase more attractive wages and conditions. This is leaving smaller operators who cannot afford premium wages in a labour crisis.

Our members have had to absorb the increased recruitment and labour costs into their already low profit margins, in order to continue providing a service offer which meets customer needs, even to the point of operating at a loss on some routes. Those that cannot absorb the increased cost may drop critical services – which are then taken up by larger national operators, thus increasing service concentration.

Our members also fear that labour shortages and rising wages may force a compromise on skills and service quality and in turn lower truck driver safety standards. For some smaller operators, the labour crisis may signal the end of their businesses.

In order to manage this skilled labour shortage, our members have had to offer a significant amount of overtime, beyond what would be considered acceptable. While some operators wish to increase their level of staffing and provide a better work-life balance, it has been almost impossible to attract drivers prepared to work at night.

Long-haul driver challenges

Reported turnover rates in long-haul drivers for individual organisations have been in the order of 30% per annum for the last 3 years, but have now reached 40% per annum. Ideally our members would like to see turnover rates reduced to less than 15%.

▪ Lifestyle

Long-haul drivers are clearly the biggest area of concern for the transport industry, particularly those on interstate runs, especially when extended and unpredictable periods of time away from home are the norm. These drivers are now tending toward short-haul roles to achieve a better work-life balance. In response, our members have adopted initiatives to try and minimise the amount of away time, most notably by the increasing adoption of trailer exchanges at near half distance, so that drivers can make a return trip home on the back half of their shift. But, this does not suit all, and the strategy introduces significant challenges in ensuring compliance to fatigue regulations.

- Regulation

Regulation and law enforcement has had a significant impact on transport industry labour, particularly on interstate drivers, and it is a major contributing factor to the accelerated rate of departure of long-haul drivers from our members' businesses. Many drivers feel harassed by what they believe is trivial enforcement of minor issues, particularly in NSW as a result of this state's recently introduced fatigue management regulations.

The majority of disputed penalties relate to log book offences, where drivers are penalised for spelling mistakes, errors in adjusting for daylight savings between QLD and NSW, and incorrect estimates of time travelled between towns.

The continued challenge of driver integrity and professionalism, and threat to their income earning ability – through a loss of licence, has created a hostile work environment for these drivers. This feeling of constant harassment and the perception of being second class citizens is forcing our long-haul drivers off interstate freight routes, preferring to make short-haul trips, or long-haul runs west where conditions are more favourable than south.

Industry Image

According to members, remuneration in the freight logistics chain is above average, and there is no financial disincentive for people, particularly those that are young, to enter. Rather, the lack of new entrants to the sector appears to be more a consequence of a lack of desire to work in the transport industry *per se*. It is widely acknowledged that the transport industry, in particular long-haul driving, has faced significant image problems, compounded by sensationalist media, over recent times.

Additionally, community perceptions about the work, lifestyle and dangers involved, have been a significant deterrent for those considering entry into the industry.

Our members have made significant investment in the modernisation of their fleets, both to comply with regulations, and to provide a positive image as a way of attracting new entrants to their businesses whilst also satisfying the needs of their existing workforce. However, this has only resulted in the movement of labour within the industry rather than stimulating a desire for new entrants to seek opportunities in transport.

Sectors within the transport industry, such as freight forwarding, typically have a low profile. Many of our associates, believe this is due to the backroom “nature of the business”, and the low level of interaction with the wider community. As a result of this general lack of knowledge, very few people aspire for careers with organisations in these sub-sectors.

The responsibilities that a driver carries in doing his work are enormous. These responsibilities include social, economic, legal, commercial, operational, and environmental. Yet, no one in the community sees this and certainly the average hourly pay rate does not reflect the value of these responsibilities.

Training and education

Our members have acknowledged the efforts by government to assist in the up-skilling and multi-skilling of the existing workforce, particularly as a result of increased technology and changes in regulation. However, some members are concerned about the quality of training provided, or the spasmodic delivery of the training, under subsidised schemes. Some members have reported that while it was apparent that efforts to enrol staff in training programs did occur, actual delivery of the training has been slow. As a result, the benefit of these training schemes has not yet been fully realised, even though the opportunity for improving staff skill levels exists.

While external and internal training opportunities are available to those already in the industry, the major issue experienced by our members is attracting suitably skilled workers. Although our members prefer to seek people already with the appropriate licenses and qualifications, some operators do employ and train young individuals if it is believed that they have potential.

This is the exception rather than the rule; most, of the training required for entry into the transport industry places the financial burden on the individual, who may not be able to afford it.

Many drivers interviewed still see their job as unskilled carrying little respect from those with whom they interact. It is more to do with image, education and attitude to the work than the work itself.

Future Impediments

With the anticipated doubling of the freight task in the next 10-15 years, it is foreseeable that any shortage of labour, particularly with long-haul drivers, will have a significant adverse impact on road and rail freight movement, both in metropolitan and regional areas. Any skilled labour shortage will also negatively impact the movement of international freight, as failure to meet volume demand for both import and export goods will compromise trade efficiency.

Doubling of the freight task introduces additional concerns for the transport industry as a whole, most notably that of congestion resulting from size and mass limitations. Our members have raised concern over the adequacy of existing road and rail infrastructure, and the fact that the doubling of the freight task may translate into a greater number of trucks on the road – particularly if Super B Double volume capabilities are not considered. If these issues are not addressed, existing congestion issues will be compounded. One of the consequences of congestion is increased driver idle time: its worsening will further intensify demand for skilled truck drivers as shippers and truck operators try to meet the growing demand for quick, just in time deliveries. This situation will inevitably push up freight rates in order to offset increased operator costs.

Recommendations Forward

There are many challenges ahead that will affect the future success of the transport industry and our members. As discussed throughout this submission, there are a considerable number of concerns raised by our members that affect the continued provision of quality services. Therefore, it is critical for the transport industry, as a whole, to develop targeted strategies that deal with current and immediate issues, and those of the foreseeable future.

In dealing with these issues, it would be prudent to examine opportunities for raising the industry image, overcoming barriers to entry for labour, improving the work lifestyle balance of truck driving, making regulation and its enforcement more palatable.

References

ANTA 2005, *Transport and Logistics Industry Skills Council – Industry Skills Report*, Australian National Training Authority, Brisbane.

Australian Bureau of Statistics 2006, *Year Book Australia 2006*, Commonwealth of Australia, Canberra.

We acknowledge the generous support given by the following companies and organisations:

AGS World Transport
Chalmers Industries Pty Ltd
Cliff Cox Transport
Kagan Brothers Consolidated
OBM International Trade Services
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Australian Institute of Export
Chartered Institute of Logistics & Transport
Customs Brokers and Forwarders Council of Australia Inc.
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