

VICTORIAN TDL INDUSTRY ROUND TABLE (IRT)

STATE OF SUPPLY CHAIN EXCELLENCE-GATEWAY OF CHOICE

PO BOX 122,LOWER PLENTY, VICTORIA.3093

MOBILE: 0402 000 729

Email: DohertyD30@aol.com

**Mr John Brumby MP
Minister for Innovation, Industry and Regional Development
GPO BOX 4509RR
Victoria.3001.Australia.**

Dear Minister

Re: Shortage of Transport Drivers

At the last meeting of the Victorian Supply Chain Consultative Group (VSCCG) you requested more information concerning the reported shortage of transport drivers.

Your request ensued from a presentation given by the representative from our North East Regional Round Table anchored in Wodonga.

A brief summary of the situation is attached for your perusal.

I am readily available, as is my collaborator Dr Hermione Parsons from DIIRD, to discuss issues arising from the Summary. I believe we can collectively make a difference in Victoria. I look forward to your feedback.

Namaste

David Doherty

Chair-Victorian TDL Industry Round Table

19 March 2005

TRANSPORT DRIVER AND LOGISTICS SKILLS SHORTAGES

1.The Problem

- There is an evident critical shortage of truck drivers.
- This deficiency is most noticeable for line haul, heavy combination vehicle drivers, although it is now becoming apparent in local transport.
- Industry sources predict the situation will worsen in the foreseeable future.
- The lack of drivers often causes vehicles to lay idle with resultant impact on investment and productivity.
- Transport operators consider this problem to be a major impediment to growth, profitability, and customer service.
- Train driver shortages are also causing difficulties with rail freight.

2.Root Causes

The problem is complex with several factors having impact. These factors include:

- ***Ageing work force.***
 - Data collected by Transport and Logistics Industries Skills Council indicates the road sector employs 4.35% of the Australian work force, and by comparison with other industries is comprised of ageing participants.
 - Average age of drivers is estimated to be 49 years with 10% expected to retire within ten years.
 - Anecdotal evidence suggests average age of long haul drivers is around 54 years.
- ***Difficulty in attracting new entrants.***
 - Poor image of the industry and lack of respect for drivers creates a perception that the industry is not an attractive choice for young people.
 - Rewards and benefits are not attractive.

The vast majority of drivers earn less than \$50000 pa. with many line haul subcontracted drivers receiving as little as \$33000pa.

Top of the scale B-Double Tanker drivers in the best companies may get up to \$80000 pa. (around 2% of the class).

- Social factors, including prolonged absences from home and disruptions to family and other pursuits, are negative factors.
- Low morale amongst existing participants precludes mentoring to attract new people. Research shows recommendations from friends and mentors are significant in influencing career choices for young people.
- Perceptions of drug taking and unacceptable time pressures.

○ Licence System

- Graduated licensing system in Victoria is a disincentive to getting Heavy Combination (HC) drivers into the industry.
- In line with the national system, truck driver licences are based on age rather than competency. To get a Heavy Combination Licence drivers must move from one class to another (eg light van to rigid truck etc). This means drivers will be around twenty six years of age before they can drive long haul and heavy articulated vehicles. This is not the case in the defence forces.
- Age constraint does not guarantee competence of the driver.
- On the other hand some industry people believe there are increased risks with young drivers.

○ *Career Opportunities*

- Existing and prospective participants do not see Career paths for future development and promotion.
- Existing and prospective participants have little understanding of the importance, and relationship of transport to careers in Logistics and Supply Chain.

○ *Casual and Part Time Work Force*

- With increasing part time and casual labour use there is some apathy from many prospective participants who are seeking permanent employment.

- Training also suffers, as employers are often reticent to invest in short term people.
- ***Health and Safety***
 - Road safety is a continuing and growing cause of serious concern.
 - Perceived pressures to meet demanding schedules and associated risks with fatigue are negatives for prospective entrants.
- ***Competition***
 - Increasing competition from other industries experiencing labour shortages impacts on ability to recruit drivers.
- ***Profitability***
 - Thinning margins, and cost pressures from users and operators, is increasing burden on drivers to outperform.
- ***Complexity***
 - Differing transport regulations between States increases complexity of the tasks.
 - Chain of Responsibility, and Compliance and Enforcement Legislation, and other such new regulations impact on conditions of employment for drivers and operators.
 - Drivers now need skills in electronic communication, and information collection and processing.
- ***Down Time***
 - Waiting times, and mismatch of receipt and receipt times, as well as mismatch of processes, increase difficulties for drivers.
 - Subcontract and owner-drivers suffer from wasteful delay in waiting for loading or unloading.

3.Context

The driver shortage is not specific to any particular location in Victoria, or to Victoria

as a whole.

Similar issues to those evident in Victoria are being reported across Australia, and in New Zealand, US, UK, and Europe. Excerpts from recent Reports from overseas locations are attached.

Solutions being tried in those locations are of great interest to us but innovative ideas and genuine collaboration may be the keys to success for Victoria.

Attracting, recruiting, retaining and developing people is an essential part of the Industry Round Table Plan aimed at creating Victoria as the State of Supply Chain Excellence and Gateway of Choice.

All industry sectors embracing SME's, Contract Drivers, Owner-drivers, Contractors, Logistics Providers, and Industry leading companies are all affected in by the dearth of drivers. Users and consumers are of course the end victims.

4.Outlook

Current trends indicate a worsening shortage of drivers.

The trend to larger road vehicles and difficulties with road, rail, and freight infrastructure combine to create a looming inability to meet future trade and service needs.

At the same time as the pool of driver resources is dwindling the demand for freight transport services is forecast to increase at a significant rate. This imbalance between demand and supply will certainly have a major adverse influence economic activity in Victoria from 2005 into the foreseeable future.

5.Action

5.1 The problem is identified and acknowledged. Many disparate groups are pursuing their own solutions usually in isolation to others, or to serve their own particular motives.

- We need innovative and collaborative action to succeed.
- The IRT has been planning a mini industry conference via our Regional Round Table to be held in Wodonga. That mini-conference will be a useful start from a regional perspective.
- However we need to conduct an all parties forum embracing all sectors of the Victorian Industry, Unions, Government Agencies, Educators and Trainers, Recruiters, and existing and prospective participants (drivers).

- Under your auspices the IRT will facilitate the forum with intent of:
 - Clearly articulating the issues
 - Establishing a clear, consistent and collaborative action plan.
 - Defining accountabilities and timelines for the plan.
- As a precursor to the forum the IRT will facilitate completion of a targeted Survey as a basis for dialogue at the forum.
- This is the same process adopted to successfully produce the TDL Industry Action Plan and the ensuing creation of the VSCCG and the IRT.
- The forum should be scheduled for late May.
- Limited funding will be required to mount the Survey and the Forum.

5.2 The work of the IRT Education and Training in building an innovative Career Map needs to be expedited.

- The Victorian Education Department is assisting with production of the final product.
- The Career Map is intended for use as an Industry wide career and training and education pathway for existing and prospective participants to make real decisions for their future.
- Promulgation and use of the Career Map across Victoria will be an important promotional tool.

5.3 The Business Activities Harmonisation Study being pursued under the auspices of The Victorian Freight and Logistic Council, the IRT, and the Freight Inter-Modal Efficiency Group need to be actively pursued.

- The outcomes from that Study will be useful in redefining some industry practices with resultant reduction of pressures on operators and drivers. Increased efficiency and lean logistics practices may reduce the number of drivers required in the longer term.

5.4 The IRT Education and Training Model deals with issues concerning demand for people, image of the industry, and attracting, recruiting, retaining and developing people.

- This implementation plan for this model needs to be expedited. A dedicated resource will be the key to implementation.
- We must have a consistent and coordinated image presented by all industry participants. Piece meal and contradictory promotions are not producing the required result. Well-intentioned groups are unfortunately adding to the confusion for prospective entrants by presenting conflicting messages about the industry and/or careers.

5.5 Driver licensing system needs to be totally reviewed to determine best means of achieving all the objectives.

5.6 Driver training and education needs to be reinvented from a whole of industry perspective.

5.7 Regulations between States need to be harmonised to remove impediments and waste from cross border freight movements. This should include a collaborative assessment of the complexity and practicability of related regulations.

5.8 Encourage alternative rostering and turn around arrangements to alleviate disruption to social and family life for line haul drivers.

5.9 Encourage females and under represented ethnic people to become drivers.

5.10 Pursue innovative approaches to enhance health and safety for drivers. This work should build on the good work already in train from Victorian Transport Association, Transport Workers Union, Australian Logistic Council, and others.

5.11 Incentives for effective training and education, and reward systems for drivers must be reinvented.

6 Conclusion

This Report has dealt primarily with Road Transport Drivers. There are many similarities to the current situation with Rail Transport (Train) Drivers.

The issues are complex and there is no single solution.

It seems other developed countries are experiencing similar problems.

Importing overseas labour is not a real or long-term solution.

The Industry wide forum should be a starting point for a consistent and coordinated approach. Innovation and collaboration are necessary key elements.

Your support for the proposed forum will send a valuable message to the industry.

David Doherty

ATTACHMENT A TO TRANSPORT DRIVER SHORTAGE *NEW ZEALAND*

- Estimated shortage of 1250, or 5.5% of drivers required.
- Shortage is placing considerable additional pressures on existing drivers
- Expensive trucks and other vehicles are under-utilised
- Truck and vehicle purchasing decisions are being delayed with resultant increased maintenance and safety issues.
- Industry is unable to recruit to meet increasing demand.
- Annual growth of 4% in freight demand over past five years (this is consistent with European experience)
- Future anticipated shortfall in skilled drivers will have major impact on NZ economy.
- Level of skill required to be a driver is similar to those required by a number of other sectors also experiencing labour shortages.
- **Proposed strategies that will improve truck driver recruitment include:**
 - (a) Making entry into the industry more affordable for potential new recruits
 - (b) Making entry into the industry faster
 - (c) Improving percentage of trainees who successfully complete their training and become proficient drivers.
 - (d) Making entry easier for prospective recruits by providing work experience opportunities
 - (e) Ensuring potential recruits have essential skills and attributes to become good truck drivers
 - (f) Reducing demand for new drivers through productivity improvements.
- **Proposed strategies that will improve truck driver retention include:**
 - (a) Improve truck maintenance to prevent need for drivers to use badly maintained or illegal vehicles
 - (b) Reduce pressure on drivers to breach regulations
 - (c) Target enforcement action on persistent offenders and generally improve driver and operator understanding of legal requirements
 - (d) Avoid presenting drivers with illegal loads to haul
 - (e) Avoid presenting drivers with task that are impossible to perform without breaching regulations
 - (f) Reduce level of dangerous overtaking

- (g) Improving communication of new regulations to drivers and others concerned in order to reduce inadvertent breaches
- **Proposed strategies that will improve both recruitment and retention include:**
 - (a) Improve industry image, making entry more attractive to new recruits, and more attractive for existing drivers to stay.
 - (b) Provide Career path for existing drivers that recognises differing levels of skill required for various vehicles and freight tasks.
 - (c) Achieving remuneration that is perceived by drivers as being adequate or good.
 - (d) Achieving employment conditions that are perceived by drivers as being adequate or good.
 - (e) Improve management culture to avoid workplace dissatisfaction.
- Four prioritised initiatives for future action are:
 - Highest Priority
 - Initiative to enhance truck driver recruitment and training process
 - Initiative to improve pay and conditions
 - High Priority
 - Initiative to improve the standing of the industry and of truck drivers
 - Initiative to reduce the demand for drivers through productivity improvements
- The driver shortage is not an issue the industry will be able to solve on it's own. Those Government Agencies that are in a position to help must be engaged.

ATTACHMENT B TO TRANSPORT DRIVERS SHORTAGE USA

- Experiencing a continuing and growing shortage of experienced and/or skilled drivers
- Most acute in companies requiring drivers to be on road for days at a time
- Cuts across the industry and impacts on small and large fleet operators
- Larger companies have employed full timer recruiters
- Better benefit packages are being negotiated in all sectors
- More flexible programs are being implemented to increase retention rates It is less expensive to retain than recruit.
- Drivers get no respect from the community or users
- Irregular routes and absence from home are key issues
- Thin margins for freight companies and time sensitive deliveries. In a highly competitive environment, suppliers and consumers are squeezing the last cent from the process to maximize efficiencies. This ultimately results in pressure on drivers.
- Rail freight lines ebb and flow with equipment availability.
- Reducing inventories and closer to Just In Time operations again influences route planning and scheduling with impact on drivers.
- Building and maintaining a truck fleet is expensive. Around 78% of trucking firms in US have less than 20 trucks and it is very challenging to run with small fleets. Fuel costs, high insurance costs, lack of drivers wide scope of regulation, and high maintenance costs all work against freight companies.
- Time taken to load and unload is critical for drivers and contractors.
- Aim is to keep trucks constantly on the road and this leads to fatigue and health issues.
- Freight rates for most part remain flat while costs escalate.
- Poor pay scales and deteriorating working conditions have led to high “churn rates”
- Retirements of existing drivers, tougher safety rules reducing hours of driver service, and young people don’t like the lifestyle.

ATTACHMENT C TO TRANSPORT DRIVERS SHORTAGE

UK AND EUROPE

- Growing shortage of qualified drivers will soon reach crisis proportions unless urgent steps are taken to dramatically expand training and recruitment programmes.
- Number of new drivers entering the industry is declining at an alarming rate just as general logistics business growth and new legislation look set to substantially increase requirement for skilled people.
- Some companies are reporting acute levels of staff turnover.
- Drivers in some volatile market areas are simply moving from company to company.
- The European Working Time Directive also increase requirement for qualified drivers.
- There is no follow on generation coming through to replace the current ageing generation
- Freight and Logistics Industry urgently needs to modernise its thinking on driver recruitment, retention and training issues.
- The importance of extensive, well structured and continuing training when it comes to recruiting and retaining drivers is paramount.
- There are very few female drivers and the number of ethnic minority people is relatively low.
- There is increasing need to offer drivers a proper career with decent status and good prospects for advancement.
- High cost of training is deterring employers and prospective participants, and unsocial hours is a key disincentive.
- Must devise innovative and collaborative solutions to resolve long-term driver recruitment and retention.
- Train distribution centre people who are interested in pursuing a career in transport
- Training will be done at off peak times.