

# Submission

to

Senate Standing Committee on Employment, Workplace Relations and Education

## **Inquiry into Workforce Challenges in the Transport Industry**

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## **TTF AUSTRALIA SUBMISSION TO THE SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION COMMITTEE – INQUIRY INTO WORKFORCE CHALLENGES IN THE TRANSPORT SECTOR**

**31 January 2007**

TTF Australia (Tourism and Transport Forum) Ltd welcomes the opportunity to provide the following comments to the Senate Employment, Workplace Relations and Education Committee Inquiry into *Workforce Challenges in the Transport Sector*.

TTF Australia recently provided a submission to the Standing Committee on Economics, Finance and Public Administration Inquiry into Australia's Service Export Sector, as well as a recent submission to the Inquiry into Workforce Challenges in the Tourism Sector. In those submissions, TTF Australia identified that labour shortages constitute a significant constraint for the tourism and transport industries of Australia.

### **Background to TTF Australia Ltd**

TTF Australia is a national Member-funded organisation representing the top 200 owners, operators and investors in Australia's tourism, transport, infrastructure and education sectors. Membership comprises the most significant players in the transport industry including all major domestic and international airlines, rail and freight operators, logistics and infrastructure developers as well as bus operators and all major rental car companies.

TTF Australia's Membership also comprises many organisations that share an interest in the deficit of labour within the transport industry.

### **Introduction to the Land Transport Industry Labour Force**

Australia now has approximately 150 foreign workers arriving on our shores every day to fill the shortfall in Australian skilled labour<sup>1</sup>. This labour shortage is present across a variety of industries, and transport is no exception.

The land transport industry makes a significant contribution to Australia's economy and wellbeing. TTF Australia recognises that the Committee is aware of the contribution the transport industry makes to Australia's GDP (accounting for 4.5%)<sup>2</sup>, with road transport responsible for moving approximately 70 percent of goods.

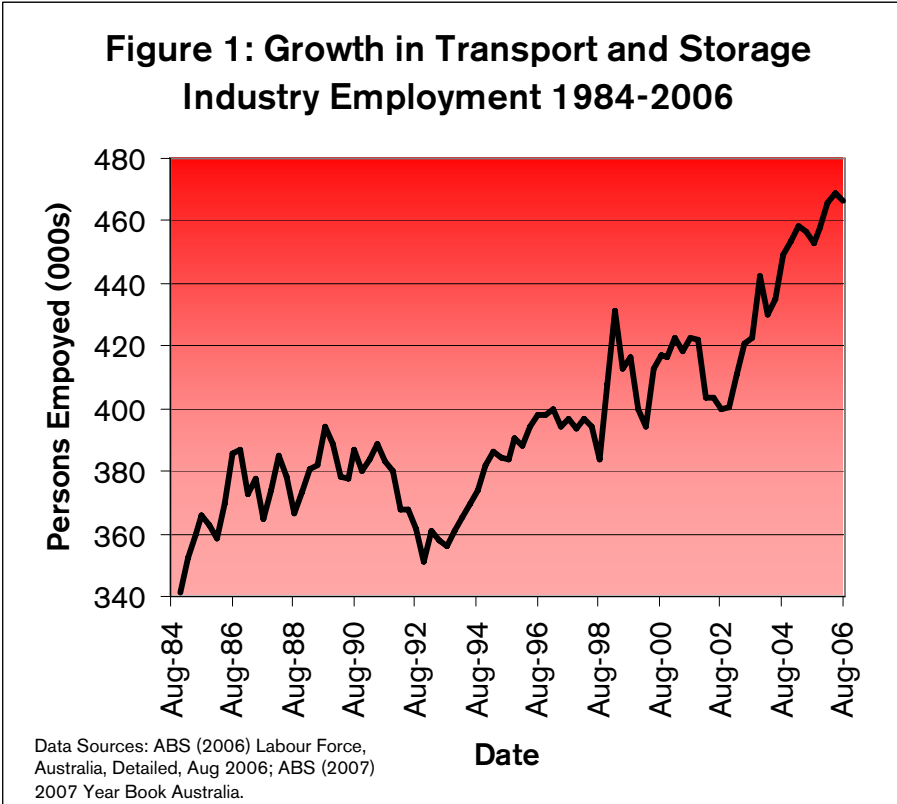
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<sup>1</sup> ABC (2006) The 7:30 Report: 'Skills shortage' hits transport industry, 06/07/06

<sup>2</sup> BTRE (2006) Australian transport statistics: August 2006

Figure 1 below shows the steady increase of employees in the transport industry, with the number for 2005/2006 being in the region of 461,000 people. While historically, employment has kept up with increasing demand, relatively low unemployment rates and a lack of transport workers in the market may see demand for workers in the transport industry far outweigh supply. TTF Australia expects that as Australia's freight task increases, employment numbers will climb steadily higher only on the proviso that there are workers to meet this growing demand.

Skilled workers in transport are critical given the expected doubling of the freight task forecast over the next 20 years<sup>3</sup>.



**Current and Future Employment Trends**

All levels of transport workers, from drivers to supervisors, machine operators to executives, are in demand<sup>4</sup>. Transport organisations are reporting job vacancies of up to 10 percent. Many of these vacancies are in skilled professions, such as engineering, planning and construction<sup>5</sup>. Many others, however, are in so-called unskilled professions, such as truck driving or forklift operation<sup>6</sup>.

The transport industry has acknowledged that workforce shortages are a growing challenge to delivering efficient and effective business operations<sup>7</sup>.

<sup>3</sup> Council of Australian Governments (2006) COAG Meeting 10/02/06  
<sup>4</sup> Ferrett.com.au (2006) Australia's Most Wanted  
<sup>5</sup> Engineers Australia (2006) The Impact of Skills Shortages on Australia's Infrastructure, presentation  
<sup>6</sup> ABC (2006) The 7:30 Report: 'Skills shortage' hits transport industry, 06/07/06  
<sup>7</sup> Blake Dawson Waldron/Australian Contractors Association (2006) Scope for Improvement: A Survey of pressure points in Australian construction and infrastructure projects, 2006

## **Ageing Population**

Within the road and rail industry over 50% of the workforce is aged 35 – 54 years while a further 20% are over 55 years of age. Currently only 11% of the workforce are under the age of 25<sup>8</sup>. The training period for workers in the road and rail can take several years; however some positions may require training for up to 8 years. Clearly the issue of population ageing only makes this skills shortage a more pressing one, as there are currently not enough people to replace workers heading into or already in retirement.

Given the statistics with regard to an ageing population, TTF Australia makes the following observations:

- We can make the current labour force more productive, but we need more people entering it;
- The “baby boomers” (older demographic for next 15 years) will not be interested in working in the majority of jobs open in the transport industry;
- That whilst unemployment rates of below 5% are good for the economy this makes competitiveness between Australian industries intense. It may be increasingly difficult for transport businesses to keep professional staff. For example, keeping accountants, managers and executives from choosing other industries where overall terms and conditions are better. The same is true for workers in lower-income transport related positions, such as bus drivers;
- “Generation Y” (the new demographic entering the labour market) are less interested in careers for life. They are becoming more casual and more mobile in regard to their approach to work.

In the transport industry, much of the work involves manual labour, heavy lifting and construction. Such work is inappropriate for the average older Australian, and in these instances, extending the age of the workforce would be unhelpful and potentially problematic. However, other areas of the transport industry such as management and systems and logistics coordination could benefit from older workers, and this should be encouraged.

### ***Recommendation:***

- That industry recognises the value of older workers primarily in managerial and desk-based roles in the transport industry. This could be undertaken with the establishment of new retention policies for workers.

## **Labour Shortages in the Maintenance and Construction Sectors**

The issue of maintenance is increasingly important due to Australia’s ageing transport infrastructure. In many cases road and bridge infrastructure is ageing more rapidly than can be rehabilitated or reconstructed. The preservation of assets and mobility are high priority challenges for road systems and infrastructure already in place. These priorities can only be addressed with a strong labour force.

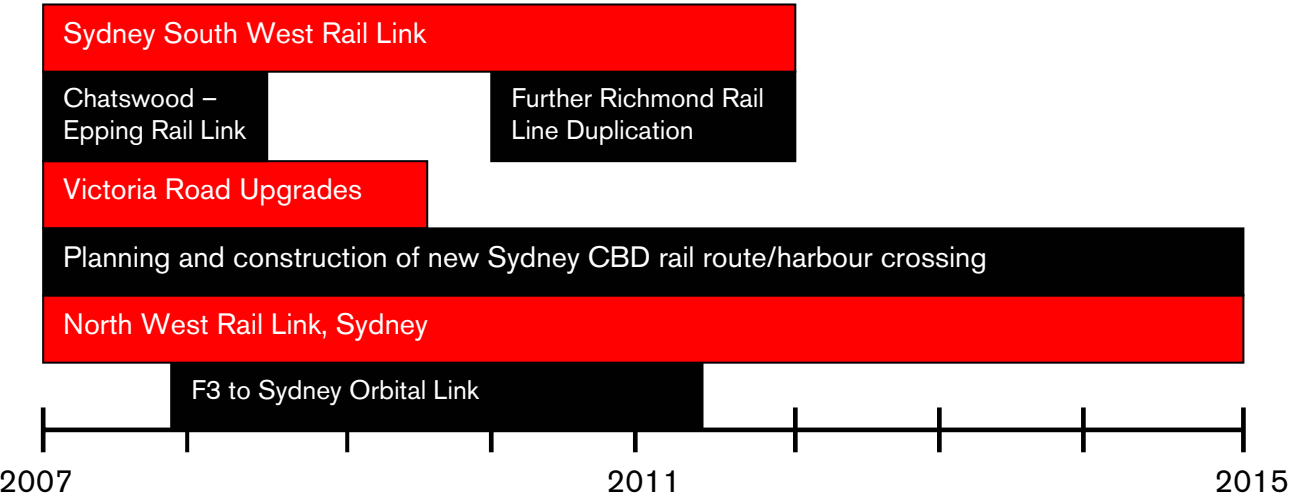
One of the most crucial industries to the development of new transport systems is construction. Infrastructure development in Australia is being hampered by the lack of engineers, in particular civil engineers. The limited availability of professional engineering

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<sup>8</sup> Australian Bureau of Statistics (2006) Year Book Australia 2006

skills will be a major factor in our ability to implement new infrastructure programs. Engineering Australia note that despite this shortage, 1,800 eligible students wishing to study tertiary engineering are being turned away every year due to a lack of university places<sup>9</sup>, and in the last 10 years 300,000 Australians were turned away. The shortage of engineers is now becoming a global issue, meaning the potential for migration to fill these gaps is increasingly limited.

**Figure 2: Timeline of some major transport infrastructure projects in Sydney to 2015, highlighting the long-term necessity of labour in the transport construction and maintenance sectors.**



The lack of engineers in Australia is an issue which has also featured prominently in TTF Australia’s own research. TTF Australia completed a Member Survey on “Labour Shortages, Skills and Training” in early August of 2006. The occupation that was recorded as being the most difficult to fill by employers was that of an engineer. In addition, 73% of members stated that they had difficulty in filling vacant positions. Clearly, the issue of skills shortages presents a major challenge to the transport sector.

Figure 2 on Page 5 shows a timeline of only some of the major transport infrastructure projects which will be constructed in Sydney alone. This highlights the sheer amount of construction workers, engineers, drivers and other transport workers who are needed for projects simultaneously and in the long-term. A timeline of major transport infrastructure projects which was nationwide would simply not fit in this document, with hundreds of significant projects constantly and currently underway.

New technologies such as RWIS (Roadway Weather Information Systems), GPS (Global Positioning System) and GIS (Geographic Information Systems) are greatly beneficial to both motorists and maintenance organisations, and are increasingly being used in the transport industry. However, these systems require new skilled technicians to achieve maximum operability and optimum cost effectiveness in managing these technology-based assets. A new level of highly skilled professionals will be required in order to keep these new technologies both up-to-date, and well maintained.

<sup>9</sup> Engineers Australia (2006) The Impact of Skills Shortages on Australia’s Infrastructure, presentation

**Recommendations:**

- Greater priority be given to retention, training and importation of engineers, with particular focus on expanding the number of university places for civil engineers.
- More training courses be created for the new range of high-technology systems used in the transport industry.

**What constitutes a skill? – Visa reform and the Pacific Solution**

It is expected that Australia's entire freight workload will double in the next 20 years and hence the demand for transport workers will significantly increase.

In order to address the forecast gap in truck driver numbers it is vital that consideration be given to re-categorising trades, such as truck driving, as being classified a skilled trade in the future. A working group from the Government's National Skills Shortage Strategy concluded in 2002 that "drivers will need to be multiskilled, able to comprehend accreditation requirements, legislation, regulations and insurance agreements among a host of other talents"<sup>10</sup>. Truck drivers must also be aware of a suite of other protocols, such as HAZCHEM procedures and OH&S principles. Clearly truck driving and other trades extend beyond the simple operation of a motor vehicle.

Reclassifying driving as a skill could allow its acceptance into the Long Stay Temporary Business Visa Program (457 Visa). This Visa is used by employers to bring in workers to Australia for a period of 3 months to 4 four years, providing they earn at least the average Australian income and are of an eligible profession.

TTF Australia advocates for the re-examination of the current Department of Immigration and Citizenship (DIAC) list of eligible and in-demand trades to include those which are required in the transport sector. TTF Australia considers that the upcoming inquiry into the 457 Visa chaired by Don Randall MP would be an ideal forum in which to expedite change of the eligibility criteria. It is also hoped that the inquiry could encourage the quick and efficient processing of applications. Doing so would assist in alleviating some of the demand which, if left unchecked, will hinder the freight industry in the future.

TTF Australia supports a review of the classification system determining how a migrant is 'skilled' in the transport industry. TTF Australia urges that this task be undertaken with collaboration between key transport groups and employers to identify areas of employment shortages, and that DIAC regulations be updated to reflect these changes. The Migration Occupations in Demand List is based, to an extent, on the DEWR Skills in Demand research. The transport industry therefore needs to work with DEWR to refine this.

For unskilled labour demands, such as work in the construction sector, TTF Australia recommends that the Federal Government explore the feasibility of introducing temporary work visas for workers in neighbouring Pacific Island communities. This option could have many benefits including: assisting in reducing the burden of unemployment in these

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<sup>10</sup> National Skills Shortage Strategy (2002) Road Freight Working Group.

communities; securing regional peace and bolstering international relations; and providing a source of temporary labour for the transport industry in Australia.

In many cases, migrant workers from the Pacific send sums of money in the form of remittances back to their families, and through this strategy Australia would be giving indirect financial and skills support to our neighbouring nations in the Pacific region. These remittances often take the form of paying for education and healthcare for the workers' families. These workers also then take money and work experience back to their own country when they return.

Whilst other industries, such as the tourism industry, may benefit from utilising the short-term labour force, the transport industry requires a different approach. The transport industry is not subject to the same large seasonal fluctuations as the tourism industry is. This renders the approach of using temporary employees to meet seasonal demand inappropriate. Instead, long-term initiatives are required to address the skills shortages in the transport industry.

In certain regions of Australia the skills shortages are already affecting the transport industry. Recently, the BTRE revealed that in South Australia's Limestone Coast region "on any night 15–20 trucks are unable to move"<sup>11</sup>. As our freight task grows, this problem will only be exacerbated unless the issues are addressed now and the workforce demands are able to be met.

The transport industry is considerably labour-intensive, and as such requires a large workforce base to sustain its growth. TTF Australia supports the Government's goal to address this issue given the industry's critical importance to Australia's economy.

**Recommendations:**

- The DIAC list of in-demand and eligible industries be re-examined to identify whether trades requiring significant training and experience, such as truck driving, should be re-categorised as a 'skilled' profession;
- That further emphasis be given to utilising the 457 Visa for in-demand transport related trades;
- That the preliminary findings of this inquiry, and the inquiry into workforce challenges in the tourism industry, are taken into consideration for the upcoming "Randall Inquiry" into the 457 Visa.
- That transport industry employers continue to embrace the 457 Visa as a means to supplement current labour;
- That Pacific Islanders are recognised as a valuable unskilled labour force for the transport industry, and that working in the industry is seen as a means for Islanders to improve their communities at home through sending remittances back to the Pacific Islands, and improving their work skills.

**Education and Training to Resolve Skills Shortages**

TTF Australia refers to the *Australian Financial Review* article of 23rd August 2006, where OECD data states that Australia lags behind other industrialised nations with regard to education levels. Similarly, the World Economic Forum has recently noted that

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<sup>11</sup> BTRE (2006) Skills Shortages in Australia's Regions: Working Paper No. 68

Australia's mathematics and science teaching falls behind many other countries, including India, Indonesia and Barbados. It behoves both Federal and State Governments to work together and act quickly to resolve school leaving rates and the quality of our education. The Productivity Commission has previously noted that if secondary education attainment levels were improved, the rate of productivity once young people join the workforce would grow significantly.

The Productivity Commission has also shown that current vocational education and training (VET) requires significant reform. This is particularly important for many of the professions in demand in the transport industry which the government terms unskilled or semi-skilled. TTF Australia agrees with the general points raised by the Commission, but also observes that transport and logistics businesses must develop an approach to make all levels of students, from those in secondary school, to VET achievers, to tertiary students, "want" to work in the industry.

TTF Australia also supports training programs to be undertaken in Australia to utilise the labour force of the Australian Indigenous community. The work of DEWR in creating the Indigenous Australian recruitment and career development strategy is to be commended. TTF Australia argues for a new strategy to be developed with collaboration between DEWR and the Department of Education Science and Training (DEST), and also the Department of Families, Community Services and Indigenous Affairs (FaCSIA), to encourage further engagement of Aboriginal Australians in the workforce, and to specifically target those industries which are experiencing the greatest labour shortages.

***Recommendations:***

- Commonwealth and State Governments should work together to improve numeracy and literacy levels at primary and secondary education in all schools and all areas of the country.
- Increase awareness of the transport industry as a viable career sector for all levels of education, including secondary school and tertiary (VET) programs.
- A greater focus is given to improving the engagement of the Indigenous community in industries with labour shortages, and that the development of a plan to meet these labour demands be developed with cooperation between DEWR, DEST, FaCSIA and Aboriginal communities.

**Innovative workplace measures to support further employment opportunities and business growth in the transport sector**

The transport industry must consider new and innovative approaches to employment and provide opportunities to meet current skills shortages. This will minimise future shortages to ensure that the transport industry is able to meet both the social and economic needs of the future.

**1. Welfare to Work**

There may be scope for the transport industry to access this pool of labour. Retraining may be required, however positions suitable could vary from drivers to managers. Federal Government support for this area is required through Centrelink encouraging employment in industries with labour demands, as well as responsibility falling on the transport industry to utilise welfare-to-work employees more frequently.



## **2. Migration**

A general migration program will continue to be necessary because:

- Australia's natural birth rate is too low for population replacement;
- Re-skilling is not possible for everyone;
- Older workers will not join the industry in large numbers, particularly in professions such as driving.

### ***Recommendations:***

- The Federal Government consider an option for some grant assistance for transport businesses that wish to employ welfare to work applicants and provide on-the-job training for appropriate candidates with relevant fit for roles in transport.
- The Federal Government to increase the skill stream within the Australian Government's Migration (non-Humanitarian) Program.
- The transport industry utilise the 457 Visa which enables periods of stay of up to 4 years where employers are prepared to sponsor an employee.

The problem of labour shortages in the transport sector can be described at the moment as urgently needing attention. TTF Australia considers that the situation will become critical in the coming years if significant and appropriate processes, planning and structuring are not implemented.

## **Conclusion**

A key result of this inquiry should be defining exactly what is meant by "labour shortages". The transport industry needs to ensure that there are clear definitions of where problems lie and recognise different degrees of shortages – by work type and work location. The transport industry is a loose term often used in a highly unspecific manner. It can concern freight and logistics, tourist travel, infrastructure, transport management, rail, shipping and aviation. It would be an appropriate starting point for the industry and government to determine which jobs are part of the transport industry, and then which of those have skills shortages. This will be a crucial first step in combating the lack of workers in transport-related jobs.

The BTRE have noted that "the impact of skill shortages on the economy is not well defined, but can include lower production and the delay or cancellation of new projects"<sup>12</sup>. TTF Australia recommends that, in beginning to address the issue of skills shortages, it would be prudent to run investigations into the effects of said shortages on the transport industry, and the Australian economy at large.

### **Key Recommendations for Industry:**

1. The industry examines ways of "capturing" the working style of Generation Y, and encourages students to consider careers in transport, to benefit businesses.
2. It is critical that the transport industry establish new retention policies, particularly in ensuring that older workers are able to stay in the workforce longer.

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<sup>12</sup> BTRE (2006) Skill Shortages in Australia's Regions Working Paper No. 68

3. The industry, in the medium term, should resolve appropriate changes to the DIMA criteria by identifying an appropriate examining body for transport associated skills and qualifications.
4. Since the Migration Occupations in Demand List is based, to an extent, on the DEWR Skills in Demand research, the industry needs to work with DEWR to refine this and examine whether positions in demand, such as truck driving, should be included.
5. Academic institutions to work with the industry to ensure that the transport sector is seen as a viable and enjoyable industry in which to work.
6. Industry to utilise the 457 Visa which enables periods of stay up to 4 years where employers are prepared to sponsor an employee.

**Key Recommendations for Government:**

1. Federal and State Governments to work together to improve numeracy and literacy levels at primary and secondary education in all schools and all areas of the country.
2. To alleviate immediate skill shortages, the government should modify the criteria for overseas sponsorship to include shortages identified by industry.
3. Identify and define what employment is constituted as being a part of the transport industry, and which areas have labour shortages.
4. The Federal Government to explore the feasibility of introducing short-term temporary work visas for workers in neighbouring Pacific Island communities. This option could help to alleviate unemployment in these communities, foster regional peace and international relations while at the same time, providing a source of temporary labour for the transport industry.
5. The Federal Government to consider an option for some grant assistance for businesses who wish to employ welfare to work applicants and provide on the job training.
6. Government to increase the skill stream within the Australian Government's Migration (non-Humanitarian) Program.

TTF Australia applauds the Australian Government on this initiative to take a leadership role in addressing labour shortages in the transport industry. A major benefit of this inquiry could be developing a greater understanding of what the causes of skills shortages in the transport industry are, and how the Government can begin to rectify the situation through cooperation with the States and Territories and the private sector.

TTF Australia would be happy to participate in follow-up work from this submission, including attending hearings or providing further information.

Yours faithfully,



**OWEN JOHNSTONE-DONNET**  
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