

Senate Inquiry: Importance of a viable, safe, sustainable and efficient road transport industry.

Thank you for giving me the opportunity to respond and make comment on this Senate inquiry.

I am a Transport and Logistics consultant who has had the opportunity over the past 40 years to not only consult to the transport industry, (road and rail) but also manage transport companies in Victoria, NSW and the N.T. These companies include TNT Group, Kalari Transport, Bulktrans / AFD and VSuthern.

In other roles during my career I have purchased freight services, issued contracts and negotiated rates with CEO's and sub-contractors alike: also working for 3 years as a Risk Manager for a leading Transport Insurer in OAMPS assessing over 100 large, medium and small transport operators on their safety and risk management procedures and compliance.

In our current business we also advise small to medium sized businesses on their safety and compliance, risk management, contracts and logistics rates modelling. I think that I have had enough practical and hands on experience to qualify me to comment on this Senate inquiry into the transport industry.

Up front I should say that I agreed in principal with some aspects of the previously proposed RSRT legislation when it was put forward, however it fell far short of being "even handed" for all participants in the industry.

I am not interested in the politics surrounding this Senate inquiry, either from the union side or the Govt. side or the transport associations, but what I do know is that some positive outcome is necessary or the small to medium sized companies and owner drivers who put everything on the line when they buy a truck, including their houses, their marriages, their safety and their health and wellbeing is constantly put at risk by the unacceptable behavior of some of the companies they work for.

It is probable that if owner drivers were to achieve minimum payments and changed outcomes that transport prices would rise and this may have an impact on the cost of freight and in turn the CPI. But is this a reason to not address these methods that have been prevalent in the industry for the 40 years that I can recall?

I would like to specifically respond to categories, (a), (c), (d) & (f) as offered in your submission list:

(a) The importance of enforceable minimum award rate and sustainability standards and conditions for all stakeholders in the road transport industry.

The transport industry, (trucks on the road) is very diverse and each company has a different set of circumstances to contend with depending on the needs of its customer.

It is possible to establish minimum award rates in some areas however as a general comment I do not believe they are enforceable due to that diversity of requirements.

Setting of "minimum rates" may be possible in a "closed loop" as in a wharf cartage, a metropolitan delivery situation, or a contract situation" but not elsewhere.

2.

There is no doubt that we can achieve sustainable standards and conditions, and that is where a difference can be made, especially for sub-contractors and small to medium sized operators. This will require establishing a set of legislative standards that cannot be manipulated or interfered with by their customers.

Those standards start at the very beginning of the life of a participant in the transport industry whereby they should be issued with a “license to operate” based on a pre-qualification process.

Today's world:

- Anybody can enter the transport industry as there is no requirement to have any specific training, or qualification as is mandatory in other industries, other than obtaining a truck license.
- To obtain work they would usually have to demonstrate that they have certain insurance coverages only, in most cases but not in every case.
- Financiers will lend people the money against security of an asset of recoverable value, sometimes their family home, but that does not mean that they can run a profitable business.
- In my experience, especially with small operators they have limited understanding of their costs and therefore limited understanding of the “minimum” rates that they need to “buy themselves a living”.
- Many have poor negotiating skills and a poor understanding of the importance of cash flows and how to deal with financiers or their customers in this area.
- Many end up paying very high rates of interest for overdrafts and/or joining quick cash flow payment schemes whilst they themselves wait to get paid. This usually erodes their profits by 2% to 3%.

My way of conducting business with owner operators / sub-contractors has been to "open book and model" the work requirements with them and get their agreement on the returns that they require to ensure their viability. This was not only in their interests but also mine as I needed continuity and reliability and it is the only fair approach to the issue.

This approach works well in a contract situation or within a “closed loop” as previously mentioned.

Given the diversity of requirements of the industry; when you are engaging a sub-contractor to do an intrastate / interstate consignment it is a case of "offer and acceptance" and it is up to the contractor to take the risk on getting a return load in a reasonable time frame to ensure the level of productivity and remuneration that they need to achieve.

E.G. on a Melbourne to Brisbane run 70% of the rate offered will be paid by the industry to go Northbound and 30% of the rate offered will be to come Southbound, with no guarantees by the Northbound consigner that the transporter will be able to get a return load.

In this example the transporter will take the 70% and may not be able to get a return load, (less freight in Brisbane than there is in Melbourne) and will either stay in Brisbane trying to get a load out or will travel empty to some other location where a load may be offered: generally at less rate than the operators cost!

More often than not they take whatever freight and rate is offered just to keep their "business" operating, quite often below operating costs with no chance of recovery.

They may also rely on a freight broker to obtain loadings for them with the freight broker taking a percentage, and in some cases, they will be engaged in a "Dutch auction" for the freight which further erodes their returns.

In all cases the consigner of the goods will not pay the transporter 100% of the return trip costs!

Supply and Demand. This situation occurs Australia wide.

As a small to medium trucking company (10 to 20 trucks) or an owner / operator when working for large companies, some very large companies, a number of which may also have their own fleets, and their own logistics models, it is not unusual for those companies to "benchmark" the work and the rate they are prepared to pay against their own internal allocation of costs.

This usually results in a conversation that goes along these lines:

"Your rate is too expensive and we can do it on our own trucks for 10% less. We don't want to put our own trucks on but if you want the work you will need to do it for this rate".

Given their size and their method of the ROI calculation, and the spreading of overheads across the whole of their business, apples to apples are not being compared.

So; the "contractor" has to make a decision and that is usually in favour of the Corporate in the hope that they will pick up the profits along the way, which rarely occurs.

Quite often a contract / written agreement is not on offer, and if it is it will not be "even handed" and the payment terms are usually very unfavourable for the contractor; 60 to 90 days when 50% of the costs in the business are occurring weekly.

In some cases; they will simply refuse to pay in June for reasons of tax accounting and the effect on cash flows for the small to medium size business is very significant and they often cannot get bridging finance from financiers to cover the period. If they are able, the rate of interest charged is above 12%.

The question of allocation of overheads is particularly interesting. The Corporate will spread their overheads over the whole of their business, however the contractor is required to demonstrate that they meet all legislative requirements, and in many cases need to engage a full time Compliance Manager at great cost to their small to medium sized business, which is very difficult to fully recover in the rates.

The industry has to also cope with farmers who have cost subsidy's and other advantages, with no overheads to consider and will put their truck to work when it is not needed on the farm. That situation also needs to be looked at.

In a closed loop or in a Metropolitan situation, minimum rates could work, but there will always be price cutters, who are driving the transport rates down. These operators are doing whatever they can to buy themselves a living with no regard for others who are operating legally.

(c.) The regulatory impact, including the appropriateness, relevance and adequacy of the legislative framework, on all stakeholders in the road transport industry.

The purpose of any legislation relating to the transport industry should be to recognize that the Transport Industry is fraught with dangerous situations on a daily basis and objectively we should be aiming to ensure that it is as safe as reasonable for all road users.

I think we need to start at the beginning and introduce a “License to Operate”.

To qualify to work in the industry you need to be able to demonstrate competence, preparedness to meet legislative requirements and put in place policy & procedures around speed and fatigue (drowsiness), which are the predominate causes of death and injury in the transport industry. Obviously, the entry criteria would have to cover many other aspects as well

This “license to operate” would require one entry audit only and no other auditing of the transport business would be needed.

IF there were concerns by the licensing authority about the behavior of an operator, that authority would conduct a “trigger audit” and expect the operator to be compliant or run the risk of losing his or her accreditation to operate in the industry

If they were repeat offenders, they lose their license to operate in the industry. (3 strikes and you are out).

There is no better incentive to do the right thing.

This would apply to all participants, including farmers, the price cutters and the private fleet owners.

There would be no need to conduct annual audits and operator’s costs would be reduced.

On the question of audits:

The current auditing systems that are used in the industry are open to corruption. I am not suggesting that this is occurring all of the time but I have had personal experience of this occurring.

Operators are able to negotiate directly with Auditors regarding costs and this way of negotiating payment for the auditing of transport companies should be changed. If companies are to be audited then the audit costs should be pre-set, (as they originally were) which would reduce the cost and influence of audits and auditors on operators. Of course, changing to a “license to operate” would also curtail the need for audits.

The two main issues causing accidents on our roads is speed and fatigue with those two factors accounting for 60% of all injuries and fatalities.

On the speed side; trip rates, load rates and parcel rates are the main concerning factors.

By example: Truck & Dog operators paid by the load are likely to speed, (and do) to get another load done before the close of business. Even a Govt. influenced business in Australia Post is guilty of paying operators parcel rates, adding to the risk factors, so these ways of paying contractors needs to change.

In the fatigue space, subcontractors and small to medium sized operators, especially when under pressure to pay their bills, are likely to take loads and take risks when their drivers are fatigued.

5.

Corporations of all persuasions who are engaging sub-contractors, exonerate themselves from prosecution by having the contractor “sign off” that they are “legal”, fatigue free, drug free, and able to complete the task. This is where CoR responsibilities should be better explained and understood, especially to Corporations, if those responsibilities are to have any real influence on questionable behaviors.

(d) the training and career pathways to support, develop and sustain the road transport industry.

One of the biggest issues facing the road transport industry is the increasing scarcity of drivers and the poor skills sets that many new entries to the industry demonstrate.

The average age of drivers is the mid 50's, many are simply worn out through well-known lifestyle issues prevalent within the industry and they are not being replaced at a rate required to meet the needs of the future.

We are building more trucks and bigger trucks but we do not always have the drivers or in many cases the skills required to drive them.

In previous times it was not unusual for a Grandfather, a Father and a Son to transition through the transport industry, often in the same company. But times have changed and this now rarely occurs. Training was a lifetime experience and most of these drivers and contributors were very well educated in the industry that gave them a career.

Now we have gravitated to training for training sake, we have created a whole new industry to appease the requirements of legislation and the auditing processes. That does not make for better and safer drivers.

We need to engage young people into the industry at a very young age and demonstrate to them that the transport industry is a worthwhile career path for them.

As it stands, truck driving is not a recognized skill, it has a stigma attached to it which discourages early age participants. It is a career not encouraged through the school system, (not everyone is suited to a university education) and the insurance companies compound the problem by penalizing companies who employ young drivers.

This situation has to change by way of apprenticeships if we are to encourage young participants to the industry and be given the opportunity to educate them within the industry and on the job.

(f) efficient cost-recovery measures for industry stakeholders, including sub-contractors.

Without the risk of repeating myself there needs to be a lot more education of all participants, especially new participants, as to how to deal with the practices within the industry.

Those practices are unlikely to significantly change, so it is up to the individual to become smarter, become better educated and develop the ability to say no.

6.

It starts with them having a good understanding of business principals, avoiding the clutches of financiers where possible, knowing their costs and what those cost drivers in their business are, ensuring that legitimate cost increases are recovered as they occur, not in 12 months - time as is often the case, reducing costs by addressing the overreach of Govt. red tape and auditing systems, and getting paid within 30 days (or less) of completing the work, no if's or buts.

Legislators cannot save everyone and you cannot legislate to avoid stupidity, but you can make some changes to the way business is conducted which will make it easier for sub-contractors and small to medium sized companies to survive and prosper.

There needs to be a lot more work done on what is a complicated issue.

People who actually work in the industry, who understand the industry and how to cost it up and do not have an agenda of their own, need to be the ones who are involved in finding the solutions to unfortunately what has become a political football.

These solutions will not be found by only listening to the Associations or the Unions alike, but they will be found by widening the scope of experience that exists in the industry and taking notice of what these people have to say.

Hopefully, through this Senate inquiry the solutions, when they are determined, will not be overly influenced by these Unions, Associations or the hands of Govt. employees who do not have the interests, understandings, credentials or qualifications to make the changes that work for all participants within the transport industry.

Unless these conversations are had and unless these changes occur, the issues faced and recommendations made on behalf of the transport industry through this inquiry will continue to be put in the bottom drawer and nothing will change.

Thanks & regards,

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