

INQUIRY INTO FRESH FOOD PRICING

Organisation: Transport Workers Union (NSW Branch)

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Portfolio Committee No. 1 – Premier and Cabinet

SUBMISSION OF THE TRANSPORT WORKERS' UNION OF NEW SOUTH WALES

1 Preface

- (1) The Transport Workers' Union of New South Wales (**TWU**) wishes to make a brief submission to the inquiry of Portfolio Committee No. 1 – Premier and Cabinet (**Committee**) into fresh food pricing (**Inquiry**). This submission is authorised by TWU State Secretary, Richard Olsen.
- (2) The TWU represents transport workers operating in a range of industries throughout New South Wales, including those who transport consumable goods.

2 Introduction

- (1) Figures from the Australian Bureau of Statistics report that food accounts for 16.6 per cent of the average Australian family's household spend.
- (2) In the current climate of record low wages growth and increasing energy prices, health insurance premiums and general cost of living pressures, the cost of feeding the family is clearly a significant consideration for all Australians, with any increase in food prices having the ability to impact significantly upon household budgets.
- (3) As a result, there has been intensive competition in the marketplace between the major food and grocery retailers.
- (4) The Australian Food and Grocery Council reported in its 2016 State of the Industry Report that the 'price war' on groceries waged between the major retailers in the past five to ten years – which has been focused on driving food prices down – has had the effect of forcing food and grocery suppliers to severely cut margins in order to retain work.
- (5) Certainly, media reports of Australian farmers struggling to make ends meet are frequent and disturbing.
- (6) However, this price war has also had ramifications for other players along the fresh food supply chain, including transport workers.
- (7) This submission will focus, in particular, upon paragraph (f)(i) of the Inquiry's terms of reference relating to the impact of transportation costs on fresh food prices in NSW.

3 The freight task

- (1) Transport workers, and in particular heavy vehicle drivers, are a vital link in the fresh food supply chain in New South Wales. They deliver every day food and grocery essentials from farm to market, factory, manufacturing plant or distribution centre, and ultimately to supermarket shelves.
- (2) It is a big job, and in 2016 alone manufacturing (including food and beverage) accounted for approximately 57 per cent of the freight task in Greater Sydney with 132.8 million tonnes of manufactured goods transported.
- (3) Of this, approximately 23.5 million tonnes were generated by food and beverages, amounting to approximately 17.7 per cent of total manufactured freight.
- (4) At present, the predominant mode of transport for most commodity groups (including food) is, and is likely to remain, road.

4 The freight cost

4.1 Food and grocery sector

- (1) The transport industry is, overall, a highly competitive, price taking industry.
- (2) Economically powerful industry clients (often the major retailers) hold the reigns when it comes to the pricing of transport services and, when it comes to deciding whether a transport company wins or loses a contract, price is usually the determining factor.
- (3) In the result, it is often a race to the bottom with transport companies repeatedly undercutting one another in order to win work. For the transport companies who do secure work, there is usually no option but to get the work done for the price paid, or risk losing the work altogether.
- (4) The fresh food and grocery sector is no exception.
- (5) It is apparent that transport costs contribute a significant amount to the final retail price of goods. (For example, the New South Wales Government's Draft Freight and Ports Plan which was put out for consultation earlier this year indicated that transport accounts for up to 30 per cent of the final cost of commodities in the State generally.)
- (6) With respect to the food and grocery sector in particular, there are reports that transport costs have risen even higher in the past decade. This has reportedly been caused by a combination of intensive competition in the marketplace which has impelled major retailers to (amongst other things) keep the cost of food and groceries at the checkout down, and a rapidly changing urban landscape in major

cities and regional centres which has resulted in clogged road systems and increased transit times for heavy vehicles supplying goods to supermarket shelves.

- (7) Yet, it appears that retailers have been reluctant to pass this increasing cost on to consumers, who have become accustomed to aisles full of yellow discount stickers and lower prices.
- (8) Rather, as is often the case, this squeeze has been pushed down the supply chain, with transport workers bearing the burden of increased transport costs through stagnating wages (particularly for Metropolitan based drivers employed by large transport companies) or declining rates of remuneration (particularly for Regionally based self-employed owner drivers).

4.2 Transport workers in Metropolitan New South Wales

- (1) Generally speaking, the outbound transport workers who deliver food and groceries from distribution centres to supermarkets are employed by large transport operators, and their wages and working conditions are covered by strong collective agreements.
- (2) However, even these transport workers, who are in a relatively stronger bargaining position than their Regional counterparts, have been forced to accept pay freezes in recent years in order to ensure their employers are able to retain contracts with major retail clients.
- (3) Indeed, the TWU has seen, in the last three to four years, employees at two separate major transport operators operating on major retail supply chains forced to forego pay increases that otherwise would have been afforded to them in order to ensure their employers could retain their contracts, and they their jobs.
- (4) The result is that these transport workers have had to manage the same rising energy bills and general increases in cost of living pressures as every other Australian household, but without any corresponding increase in their take home pay.
- (5) Further, a reluctance or inability to pass on wage increases to workers has resulted in many instances of work stoppages in the context of enterprise bargaining negotiations, resulting in interruptions to deliveries of essentials like bread to supermarkets throughout New South Wales.
- (6) It is likely that instances of similar industrial action affecting the delivery of food and groceries will continue or increase in frequency over the coming years if the wages of transport workers continue to stagnate.

4.3 Food and grocery sector – transport workers in Regional New South Wales

- (1) The impact is even more severe on the inbound transport workers who deliver food from the farm to the distribution centre, which work is often performed by

employees of small companies or owner drivers based in Regional New South Wales.

- (2) Owner drivers are small businessmen and women who operate single vehicles for a single corporation which, in most cases, has the ability to unilaterally set the terms and conditions of their engagements. Most operate as their own proprietary companies in order to carry out their work, and they are responsible for all costs associated with the running of their vehicles.
- (3) Owner drivers make up a significant proportion of those working in the transport industry. However, their rates often fail to cover their capital, maintenance or labour, let alone their growing expenses including registration fees, fuel prices and toll charges. They are often paid fixed, job-based rates, typically based on a flat rate per kilometre or pallet, or by weight, rather than time-based pay, and thus many already struggle to cover their costs.
- (4) Despite their rising expenses, most TWU owner driver members report that their rates are stagnating or declining, meaning they are doing the same job but taking home less at the end of the day.
- (5) This is because the Regional owner and employee drivers who are engaged by small Regional transport companies to perform this type of inbound work are the last link in the transport supply chain. In all cases, these Regional drivers have little to no bargaining power and struggle even more than their Metropolitan counterparts to make ends meet.

5 Non-monetary price of the squeeze on transport workers

- (1) A concerning by-product of the wage stagnation or decline which has been experienced by transport workers in the food and grocery sector, coupled with the increasing pressure on drivers to deliver goods as quickly and cheaply as possible, is reduced safety outcomes on the roads.
- (2) Indeed, this is a problem which besets the entire transport industry.
- (3) As noted, the transport industry is a price taking industry. Clients at the top of the supply chain – including not just big retailers in the food and grocery sector, but also, for example, big banks in the cash in transit industry and the State Government in the waste industry – hold all the power when it comes to price setting.
- (4) Notwithstanding the fact that these clients are the real economic employers of the drivers, in most cases they award their transport contracts to the lowest bidder, taking no accountability for whether the driver at the bottom of the chain receives a fair or safe rate to ultimately perform the work.
- (5) Indeed, particularly when it comes to owner drivers, drivers regularly receive a fixed level of remuneration to deliver goods by a set time with no regard as to whether this outcome is achievable in a safe way.

- (6) In many cases there is simply an acceptance of non-viable rates, excessive and illegal working hours, and stressed and chronically fatigued drivers.
- (7) This is despite the fact that – since as early as 1990s and a very many times since, in academic research, coroner’s reports and inquiries, judgments of courts and tribunals and countless testimonies from the drivers themselves – there has been shown to exist an explicit link between rates of pay and methods of remuneration for truck drivers and road safety outcomes in the road transport industry (including public safety).
- (8) As recently as November 2016, a Macquarie University inquiry into safety in the road freight transport industry reviewed a large body of evidence investigating the link between remuneration and safety, and concluded that *“this body of evidence points to a direct link between performance-based payment systems and fatigue, and compelling evidence that payment structures contribute heavily to excess driving hours, speeding, dangerous driving practices, drug use and other traffic infringements”*. Just this past year, 93 per cent of members surveyed by the TWU reported that pressure on truck drivers is continuing or has become worse, with reports that some owner drivers are now working on as low as a 1 per cent margin because there is so much undercutting in the industry requiring drivers to do more and more runs to meet the financial needs of their families.
- (9) Put simply, ensuring safe rates for truck drivers will save lives on the roads.
- (10) The TWU has called on the Government to introduce a package of reforms that work together to attack the problems in the road transport industry at their root including by way of the establishment of an independent tribunal which can examine, set and enforce minimum rates and payment methods for drivers.
- (11) In the context of this Inquiry which is focussed on investigating fresh food prices, the non-monetary costs of the intense competition and undercutting in the industry cannot be overlooked.
- (12) The fact is that until the clients at the top of the supply chain are held accountable, transport companies, and, ultimately, the drivers themselves, will continue to be squeezed as labour rates continue to be the point of competition.
- (13) Cheap groceries cannot come at the price of lives on the road.

6 Conclusion

- (1) Whilst manufacturing generally in Australia has seen a steady decline over the past decades, the food and beverage, grocery and fresh produce sector, which represents approximately a third of total Australian manufacturing, has remained steady or grown.
- (2) Although costs associated with the transportation of fresh food and groceries have reportedly increased due to rising fuel costs and urban creep which has clogged

roads and impacted on travel times for heavy vehicle drivers, it is the TWU's submission that this rising cost has been largely borne by the transport workers working in the food and grocery sector who have been forced to accept pay freezes and declines in pay in order to simply keep doing their jobs. In other words, it is the transport workers who are paying the price for increased transport costs in the food industry.

- (3) With reports of company profits skyrocketing in recent years, and wages growth hitting record lows, the question of how food is priced and where the profits are going in the industry is more pressing than ever.
- (4) The TWU submits that there needs to be a rebalancing of the fresh food supply chain. Whilst anything that adds a further cost at the checkout is likely to make life more difficult for consumers, retailers need to be held to account in ensuring that all those along the supply chain are able make a fair and safe living, from farmers to transport workers.
- (5) The TWU commends the Committee for this Inquiry.

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