9

London East
2003-2005

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Workforce Development Strategy
Transport and Logistics

Learning+Skills Council
London East

Our main partners and stakeholders

We, the Learning and Skills Council London East, fund training and education for those over age 16 in Barking and Dagenham, Bexley, City of London, Greenwich, Hackney, Havering, Lewisham, Newham, Redbridge and Tower Hamlets.

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Readers please note:

- in this publication where 'we' is used, it refers to the Learning and Skills Council London East, and
- we have used footnotes in this publication, shown as small numbers in the text, to acknowledge our sources of information, and the research done by other organisations.

- Basic Skills Agency
- Business Link for London
- Cogent Sector Skills Council
- Confederation of Passenger Transport UK
- Connexions
- DfES
- Education Business Partnerships
- Freight Transport Association
- Further education colleges
- Higher education institutions
- Jobcentre Plus
- Local authorities
- London Development Agency
- National Rail Academy (including RITC Ltd)
- Private-sector employers
- Regeneration partnerships
- Road Haulage and Distribution Training Council, and Skills for Logistics – the prospective Sector Skills Council
- Strategic Rail Authority
- Thames Gateway London Partnership
- The Institute of Logistics and Transport
- The Road Haulage Association
- Trade unions
- Transfed, and GoSkills – the prospective SSC for the Passenger Transport Sector
- Transport for London
- Work-based learning providers

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Foreword

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Mary Conneely
Executive Director

We are in the middle of an exciting period of change. London East's 2 million residents have seen many changes in the last 10 years. The new developments announced for the Thames Gateway show that there will be further investment and increased opportunities during the next 10 years.

In every sector there is potential for growth. The proposal for major housing development in the Thames Gateway by the Deputy Prime Minister, in February 2003, is a boost for the construction industry. The Strategic Rail Authority and Transport for London have ambitious plans to develop the transport infrastructure. Health and social care, and financial services have their own challenges to meet as legislative changes place new demands on the workforce. The cultural and creative industries are thriving, and the retail sector can continue to grow with future town-centre redevelopments planned.

Our task, with you, our partners, is to make sure that London East is ready to meet these challenges with a highly skilled workforce. The consultation paper, *Success for All*[1], in June 2002 set out the role of learning providers. It stated that "learning in an area must meet national and local skill needs… and be responsive to local employers and communities." This view was reinforced in the formal publication of *Success for All* which set out the joint plans of the DfES and the Learning and Skills Council, in November 2002, to reform the learning and skills sector and raise standards.

This series of workforce development strategies explains the issues affecting each industrial sector. Each strategy then suggests some realistic action to support the skills development of local people. The aims are to meet employers' needs, and to give individuals positive learning and employment experiences.

By delivering the actions in these 10 sector strategies, we will be helping to:

- fulfil our corporate objectives which we outlined in the Local Strategic Plan 2002-2005
- meet the requirements of the Learning and Skills Council's *National Policy Framework* for workforce development
- support the objectives outlined in London's *Framework for Regional Employment and Skills Action (FRESA)* published by the London Skills Commission, and
- meet the aims of the Skills Strategy White Paper (2003).

We hope that all partners and stakeholders in the various sectors will help deliver the plans presented in these very positive strategy documents. This will enable local people to improve their skills and make the most of the new opportunities being created in the Thames Gateway area.

Introduction

Workforce Development Strategies for London East

The Learning and Skills Council is responsible for funding and planning education and training for those over 16 years old in England[2].

Workforce development is one of the most challenging and exciting parts of our work, and in November 2002, the national office published its *Workforce Development Strategy – National Policy Framework to 2005*.

The *National Policy Framework* was published at the same time as the Government report, *In Demand: Adult Skills in the 21st century – part 2,* produced by the Strategy Unit. These two documents suggested action that would promote workforce development. They state that we should:

- "raise informed demand for employment-related skills among individuals and employers
- support improvements to the responsiveness and flexibility of the supply side, and
- contribute to the development of an underpinning framework of better skills and labour market intelligence, responsive vocational qualifications and improved links to the wider educational agenda."

Each sector strategy has an action plan which shows how we, at LSC London East, will take practical steps to meet those three objectives. By carrying out the action proposed for each sector, with you, our partners, we will directly contribute to delivering the LSC's goals, which are to:

- "raise the participation and achievement of young people
- increase the demand for learning and equalise opportunities through better access to learning
- engage employers in improving skills for employability and competitiveness
- raise the quality of education and training delivery
- improve effectiveness and efficiency."

This workforce development strategy for the transport and logistics sector is one of ten sector-based strategies. Each one describes the current issues in the sector nationally and locally. They give details of the current levels of employment and skills in the sector, and suggest where improvements in skills are necessary to meet the needs of the local and national economy.

The action plan for each sector gives details of the funding opportunities that are being made available to help individuals and organisations fulfil their potential.

[1] DfES, *Success for All – Reforming Further Education and Training,* Discussion Document, June 2002;
DfES, *Success for All – Reforming Further Education and Training – Our Vision for the Future*, November 2002.
[2] This does not include higher education provision.

The Transport and Logistics sector is one where large numbers of private-sector companies operate within a framework of public policy and regulation, using infrastructure overseen by public bodies.

The strategy covers passenger transport, freight logistics and rail. Nationally, there are about 2.5 million people in these three overlapping subsectors. In London East, in 2001, there were approximately 50,000 employees working in establishments in the sector.

The government set out a 10-year transport plan in 2000 that looked forward to a high quality, integrated, safe transport system. This would encourage people to move from cars to public transport, and companies to move freight from road to rail.

In London there are major infrastructure proposals for the Thames Gateway area. These include the East London line extension, Crossrail and additional river crossings. Already, new contractual arrangements are in place for the operation of London Underground, the Channel Tunnel Rail link is well advanced, and the Docklands Light Rail extension has started. Light transit systems are planned, and town centre transport interchange systems are receiving financial support for development.

Freight logistics is becoming increasingly sophisticated, using technology to support all aspects of freight movement up and down the supply chain. About 81% of freight in the UK is moved by road. The most significant skills issue for road passenger transport (buses and coaches), and for the road haulage industry is the shortage of drivers. There is also a shortage of engineers across the whole transport and logistics industry.

The skills shortage in road haulage is anticipated to become worse following the introduction of the Working Time Directive in the transport industry. The supply of both road passenger transport and road haulage drivers will be further influenced by the introduction of the EU Training Directive in 2008.

The main skills gaps are in management and IT. Higher-level management skills are required in logistics to maximise productivity in supply-chain management. Drivers of all types need enhanced IT skills to handle more sophisticated vehicles and equipment.

The Strategic Rail Authority (SRA) is setting up the National Rail Academy to provide leadership on workforce development in the industry. The training of new drivers for bus and freight logistics is usually undertaken by private companies who are finding difficulties retaining staff after their initial investment has been made.

Liaison with public bodies planning infrastructure developments in London East is essential to ensure training providers can prepare people to staff the increased transport activity in the Thames Gateway area. LSC London East has already invited applicants to bid for project funding to support recruitment and improve the number of people with NVQs in the rail industry. There is also scope to work with employers and employer bodies in road passenger transport and freight logistics, to look at ways in which the current and future skills shortages can be tackled.

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Image courtesy of First Group

Chapter 1
The main features of the sector

The scope of the transport and logistics sector

This is a complex industry. It is largely operated by the private sector, particularly following legislative change in the last quarter of the 20th century, but much of its operational activity has to be conducted within a framework of national and local policy and regulation.

This strategy document will identify the different elements and make recommendations to support workforce development needs across the industries.

The first issue to be addressed is the scope of the strategy. It will review the public policy framework at national and regional level, consider the range of transport-based initiatives scheduled for the London East area, and then discuss the national and local skills issues that arise from these developments. The service delivery to the consumer, and the skills issues of employees, have to be seen in the context of an industry that has infrastructure often managed and maintained by public sector bodies, while the service is in the hands of private companies.

The transport infrastructure itself is managed by different organisations. Transport for London is responsible for the 10% of London's roads which carry about one third of London's traffic. The remainder are the responsibility of the London borough councils. Transport for London will soon absorb public control of London Underground, but operational activity will be delivered by the private sector through the public private partnership programme. Transport for London has also absorbed the body that formerly had strategic oversight of developments on the river, and issued licences to the companies that plied their trade at London's revitalised piers.

A national body oversees the development of the railway industry, the Strategic Rail Authority (SRA), while a not-for-dividend company, Network Rail, manages the infrastructure. The service delivery received by passengers, and provided for freight, is in the hands of the private sector.

Service delivery for passengers on the roads and the waterways is by the private sector. In the case of bus transport, there are five major players nationally. The coach and taxi industries have many SME operators. The taxi/private hire vehicle subsector has many owner drivers running microbusinesses.

Freight transport, like the bus industry, has some major players that are household names, and these companies have broadened their service offer to include logistics. There is, again, a vast array of SMEs providing transport services, with the average haulage company only having four vehicles.

The size of the sector

The national figures are provided mainly from the Workforce Development Plans of the prospective SSCs for the passenger transport industries, and the freight and logistics industry. The local figures for London East have been drawn from the Annual Business Inquiry and may not have used exactly the same subsectoral definitions.

• Passenger transport

The passenger transport sector, according to the prospective SSC: GoSkills,[3] has just under 800,000 people employed in the UK.[4] Its table is reproduced below. Transfed has estimated that 15% of the DTLR[5] figure of 500,000 quoted for community transport is paid employment, giving 75,000 employees. The remainder are providing services on a voluntary basis to the community.

• Freight transport and logistics

The prospective SSC – Skills for Logistics[7] – compiled the table below showing that the whole industry employs about 1.6 million people. It uses a very broad definition which reflects the new business models that place transport activity as one part of a larger process. The Skills Dialogue which concentrated on transport and distribution as subsectors identified a workforce of 650,000 people (480,000 drivers, 100,000 warehouse operatives and 70,000 transport managers).

table 1

Passenger transport (not including rail)

Employment by bus and coach operators	158,000
Taxi, private hire and chauffeur sector employment (including self-employed)	323,000
Subtotal*	**481,000**
Community transport 500,000	75,000
Driving instruction	52,000
Employment by UK airlines (worldwide)	92,000
Other civil aviation employment	88,000
Transport planning	5,000
Total in proposed SSC sector	**793,000**

Source: GoSkills

*The Skills Dialogue[6] summary of employment in passenger land transport was 345,000. It suggested there were about 7,000 registered bus and coach operators nationally of which 5,000 operated five vehicles or fewer.

table 2

Freight transport and logistics

	Employers	Workforce
Freight transport by road	43,000	800,000
Storage and warehousing	6,000	400,000
Activities of other transport agencies	7,000	275,000
Courier services	6,000	25,000
Air freight (other scheduled air transport)	300	50,000
Rail freight (other transport via railways)	3	7,700
Freight inland sea and coastal water transport	400	30,000
Total	**62,703**	**1,587,700**

Source: Skills for Logistics

3 *Driving people development in passenger transport* – Expression of interest in establishing a Sector Skills Council for the Passenger Transport Sector.

4 Transfed's new publication – *Labour Market Intelligence Study*, April 2003, estimates the subtotal for bus, coach, taxi, and private hire at 580,000 people, and suggests "an estimated 250,000 people undertaking unpaid work for community transport organisations".

5 Department for Transport, Local Government and the Regions

6 DfES, *An Assessment of Skill Needs in Transport*, 2001

7 The partners include: British Association of Removers, British International Freight Association, Despatch Association, Freight Transport Association, Road Haulage Association, Road Haulage and Distribution Training Council, Transport and General Workers Union, UK Warehousing Association, United Road Transport Union.

• Rail

The RITC published *Employment in the Rail Industry* (2002) and identified a total industry workforce of approximately 145,000 with the largest single employer being London Underground. It suggested that approximately 40,000 were employed by the train operating companies, and a further 11,000 were employed by Railtrack. Railtrack has now been replaced by Network Rail, and the public private partnership programme is moving ahead in London.

Under PPP, London Underground is "responsible for the overall strategy and management of the tube network, as well as passenger-facing activity, including the operation of train services, ticketing, fares and travelcards, timetables and the closure of lines and stations."

Tube Lines, Metronet Rail BCV Ltd, and Metronet Rail SSL Ltd will be responsible for the maintenance and upgrade of the tracks, signalling, stations, bridges, embankments, trains and tunnels, with the priorities of the modernisation programme determined by London Underground. The final contractual agreements were signed in April 2003 with the Metronet companies, Tube Lines having taken over its new role on 31 December 2002.

RITC table of employment is shown below.

table 3
Rail transport

Business categories	**Estimated number of employees**
Infrastructure controller	15,576
Rail operating companies – passenger	56,073
Rail operating companies – freight*	7,080
Train manufacture and / or maintenance	12,744
Rail support services	837
Infrastructure maintenance and renewals	29,736
Engineering consultancy	7,080
Labour supply (core)	5,664
Train control (signal) systems	4,248
Base	**141,598**

Source: Employment in the Railway Industry, 2002

*there is overlap with *table 2* (previous page) – Freight and Logistics

London East

Table 4 below gives figures on transport industry employees derived from the *Annual Business Inquiry*, which is a survey method based on gathering information from business establishments. These figures are probably an underestimate, as a number of transport activities are organised pan-London and the workforce operates not only beyond borough boundaries, but across sectors. By contrast, the exclusion of telecommunications businesses would reduce the number of employees to 33,213.

The presentation of the borough workforces *(table 5)* is based on the lower figure, without Telecommunications.

The forecasts for future employment devised by IER / Cambridge Econometrics for London East include additional occupations particularly related to infrastructure and show a higher base figure.

The broad thrust of the forecast figures (to be found in Chapter 2) is that in spite of the growth of transport activity as a result of public and private sector initiatives, the greater productivity per employee will see a decline in the total numbers employed. This is a trend that has been evident for some time. The tables at the end of Chapter 2 deal with future demand issues.

The employment forecasts are for the industry as a whole. Transfed suggests there is less scope for productivity gains in the bus industry, and expects bus driver numbers to rise, unless the driver shortage gets worse. It also anticipates an increased demand for taxis, but the number of private hire vehicles to decline because of the impact of driver licensing by the Public Carriage Office.

table 4

Number of employees in the transport and telecommunications industries, London East, 2001

Rail transport	1,823
Other scheduled passenger land transport, including: - Inter-city coach services - Other scheduled passenger land transport	11,328
Taxi operation	811
Other passenger land transport	384
Freight transport	4,828
Passenger and freight water transport, including: - Coastal transport	908
Scheduled air transport	33
Non-scheduled air transport	4
Space transport	0
Cargo handling	121
Other supporting land transport activities	2,093
Other supporting water transport activities	574
Other supporting air transport	326
Activities of other transport agencies	6,282
Courier services	2,859
Telecommunications	15,511
Renting automobiles	548
Renting other land transport	285
Renting air transport equipment	6
Total	**48,724**

Source: Annual Business Inquiry 2001, ONS Crown copyright (2003)

table 5

Number of employees in the transport industry by borough, London East, 2001

Barking and Dagenham	4,114
Bexley	2,391
City of London	2,582
Greenwich	2,369
Hackney	4,408
Havering	2,827
Lewisham	2,456
Newham	3,364
Redbridge	2,940
Tower Hamlets	5,762
Total	**33,213**

Source: Annual Business Inquiry 2001, ONS Crown copyright (2003)

2.1 Subsector definitions

• Passenger transport

In this strategy document, the coverage includes:

- buses
- coaches
- taxis and private hire vehicles

There is not space to cover community transport, water and air transport, although it is recognised that they have a role in London East.

There are five national providers in the bus/coach market, and there are thousands of small coach companies nationally. The taxi and private vehicle hire market also has thousands of small and microbusinesses nationally.

• Freight logistics

Skills for Logistics gives the following definition of the industry, it suggests that by

'freight logistics' we mean: *the process of ensuring that the right products reach the right place in the right quantity at the right time to satisfy customer demand*.

It continues by explaining that "...freight logistics is about the strategic management of the whole supply chain, and indeed the whole network of supply relationships," and tracks the process from initial procurement of raw materials through to product delivery.

It identifies subsectors of:

- freight transport and distribution
- storage and warehousing
- international trade
- courier and despatch, and
- removals and storage.

The main occupations in the industry are driving and warehouse activities. The growth of logistics as a more extensive business model has raised the need for higher levels of management and professional expertise in the sector.

• Rail

The rail industry provides services to passengers and freight, and government policy aims to increase its role in both.

Post-privatisation, it is estimated that there are 260 companies operating in the rail sector. "*Train operating companies make up 40% of total employment in the rail industry,*" according to the SRA.

It is an industry with a *relatively high skill structure* – a disproportionately large share in associate professional occupations (which includes train drivers) and skilled trade occupations, but a low share of elementary occupations. Its managers and professional staff are *better qualified* than for the economy as a whole. The industry tends to be dominated by men (89% of the workforce) and full-time rather than part-time employment (only 2%).

Specifically, some 30% of employees work in London.[8]

2.2 National policy

The government's *10-Year Transport Plan*[9] launched in 2000, and updated in 2002, stated the following:

"Our Vision is that by 2010 we will have a transport system that provides:

- *modern, high quality public transport, both locally and nationally. People will have more choice about how they travel, and more will use public transport*
- *more light rail systems and attractive bus services that are fully accessible and integrated with other types of transport*
- *high quality park and ride schemes so that people do not have to drive into congested town centres*
- *easier access to jobs and services through improved transport links to regeneration areas and better land use planning*
- *modern train fleet, with reliable and more frequent services, and faster trains cutting inter-city journey times*
- *a well-maintained road network with real-time driver information for strategic routes and reduced congestion*
- *fully integrated public transport information, booking and ticketing systems, with a single ticket or card covering the whole journey*
- *safer and more secure transport accessible to all*
- *a transport system that makes less impact on the environment."*

The implementation of this plan is of more significance to London East than most subregions because of the changes proposed for transport infrastructure in the area. These are presented in section 2.3. The skills levels needed to deliver these changes in terms of transport planning, operator capability, maintenance, ICT and customer handling are very demanding.

An important part of public policy is to shift people from cars on to public transport, and freight from road to rail. The Strategic Rail Authority (SRA), in national terms, is supportive of this agenda and repeats in its 2003 Strategic Plan its goals from the Strategic Plan 2002, *"namely:*

- *growth over the period of the Government's 10-Year Plan of 50% in passenger traffic (measured in passenger kilometres)*
- *and 80% in freight traffic (measured in freight tonne kilometres)"*

It continued by emphasising its responsibility towards London, with a further goal which is

- "reducing overcrowding on services within the London area to meet standards set by the SRA".

The SRA states that since privatisation "passenger ridership has increased by 36% with 20% more trains running, and 50% more freight carried on..[the]..railways".

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Image courtesy of Serco

[8] Rail statistics in this section supplied by SRA from work by IER, 2001.
[9] DETR

2.3 Regional initiatives

There are key rail initiatives including:

- the Channel Tunnel Rail link
- East London line extension.
- Crossrail
- Docklands Light Railway extensions

These will have an impact on the staffing requirements for the services if all are enacted.

In terms of regional policy in the capital, *The Mayor's Transport Strategy* (July 2001) presents a picture of increasing use of public transport. It states that:

"Transport for London is already demonstrating that it can deliver significant improvements. In the past year passenger journeys increased by 6% on buses (16% on Night buses), 8% on the Docklands Light Railway ...and service levels on these modes increased to meet this rising demand. More than 1,200 new, accessible buses are operating."

A more recent publication[10] looks at TfL's current view of the future:

"A programme of transport improvements has been developed which will deliver an increase in rail capacity of 44% and an increase in bus capacity of 50% by 2016. Major new infrastructure projects are a key part of the increase in capacity – Crossrail line 1 will provide two fifths of the additional rail capacity. The transport improvements will also improve accessibility to many areas across London, including key regeneration areas such as the Thames Gateway."

The *Technical Report* acknowledges the overcrowding problems that will be caused if Crossrail does not get approval.

The Strategic Rail Authority in its *Strategic Plan for 2003* states that it is working on the details of this proposal. Powers will not be sought until at least November 2003, at the earliest. This project has always been seen to be of significant importance to East London and appears to have been deferred again as a cost-benefit analysis is awaited.

The Strategic Rail Authority's presentation of the situation on the East London line extension is more optimistic in that *"enabling works and land acquisition are currently underway, but no concession has been let."* The target date of 2006 is unlikely to be met with 2008 being more likely.

The furthest advanced of all is the Channel Tunnel Rail Link passing through Stratford. The Transport for London *Technical Report* indicates that the first section of the route will open in 2003.

This strategy cannot predict which major projects will gain approval in the next decade. It briefly lists the proposals (inset) which will affect London East, and acknowledges that they will, if enacted, each make an impact on the demand for professional and technical skills.

Thames Gateway Bridge and other river crossings

There are four proposed projects to facilitate movement across the Thames. Transport for London has endorsed them, and the Thames Gateway London Partnership is actively promoting them:

- *an extension of the Docklands Light Railway between North Woolwich and Woolwich Arsenal;*
- *a connection of Crossrail Line 1 through Canary Wharf to the North Kent Line as far as Ebbsfleet;*
- *a multi-modal bridge between Gallions Reach and Thamesmead, now known as the Thames Gateway Bridge which would also carry a dedicated public transport system;*
- *a crossing, on bridge or in tunnel, between North Greenwich and Silvertown, known as the Silvertown Link.*

In its Press Releases, *"The Partnership believes that all crossings can be delivered and operational by, or shortly after, 2010, with the DLR Woolwich Extension completed by 2007."*[11]

Light Transit

"Transport for London is also seeking powers to construct and operate East London Transit immediately, whilst continuing development of plans for the Greenwich Waterfront pending application for powers. The two schemes[12] would carry 16 million passengers a year in their initial phases at a combined cost of £60 million, funded by Transport for London."

Transport interchanges

There has been some funding made available for developing transport schemes, with the Thames Gateway London Partnership (TGLP) receiving a £1.4million funding settlement from the Mayor for London for developing transport schemes in collaboration with its boroughs in 2003-2004. It includes capital funding for town centre and interchange schemes in Woolwich, Ilford, Barking, Bexleyheath, Belvedere and Beckton with provisional commitments to 2006 to continue a number of schemes over the medium-term.

2.4 Other economic drivers

• Passenger land transport

The result of public policies identified above will be to potentially increase passenger vehicle mileage by a third in the period from 1996 to 2031 according to the Skills Dialogue. If buses (and rail) are to be successful in supporting an environmental agenda that more effectively moves East Londoners about, the industry will need to raise its capacity to meet exacting performance targets.

• Freight logistics

There is a continuing demand for greater efficiency and productivity from the buyers of logistics services. More efficient packing methods – such as containerisation – have continued to drive down costs. There is an expectation that the industry will continue to make more extensive use of tracking technology in managing delivery, and that it will be able to handle more sensitive, and more high-value cargo effectively. It is also an industry where partnership approaches to supply-chain management, particularly amongst larger companies, are becoming the norm.

E-commerce will place new and different demands on an industry which has seen goods movement increase by 15% in the last 10 years, but the number of lorries falling by 37,000 as vehicles are used more efficiently, and more intensively.

In the discussion of skills shortages, drivers feature strongly, and there is a concern that problems will become more acute as further regulation is brought in. The Working Time Directive is to be applied to transport workers, and this will reduce overtime/rest day working and possibly necessitate recruitment of additional drivers. *"The petroleum industry (and others transporting dangerous goods) will see the introduction of revised ADR* regulations during the course of 2004."*

• Rail

The rail industry has to manage a growing demand for its services in this post-privatisation era. Although a very safe form of transport generally, it has to deal with public concerns about safety, and meet targets in terms of punctuality and performance. It needs to maximise its use of new technology operating, organising and selling its services.

Privatisation has brought in uncertainties because of franchise arrangements. This has led to a greater use of outsourcing and the use of contract labour. This, in turn, needs new sets of skills in managing projects, and has resulted in skills shortages where training investment has not been made because of market uncertainties. Nevertheless, the most recent trends show industry employment growth of around 6%.

* *Accord Dangereuse Routiers*
(in full: "Accord European Relatif au Transport International des Marchandises Dangereuses par Route"): regulations for the international movement of hazardous goods by road.

[10] Transport for London, *Analysis of the Transport Programme to Support the Draft London Plan, Technical Report*, January 2003

[11] 12 October 2002

[12] *East London Transit will be a bus-based system with the first phase linking Ilford, Barking and Dagenham Dock by 2006 with later extensions to Barkingside, Rainham, Romford, Harold Hill, Gallions Reach and Collier Row; Greenwich Waterfront Transit will operate between North Greenwich and Abbey Wood by 2008, extendible to Greenwich Town Centre. Initially a busway, this scheme could ultimately be upgraded to tram technology as development in the corridor proceeds.* – This announcement was made in May 2002, in the *Technical Report*. The implementation date for the 4 light transit schemes in London is *"by 2011"*.

2.5 Employment forecasts – London East

The economic forecasts for the transport sector are an estimate of the numbers that will be employed in the industry. They take into account the demand for labour that will arise from new developments.

It is expected that the industry will show greater efficiency while it is growing, and the total number of jobs as a whole will show a marginal decline. The decline will be in male full-time employment, with a steady increase in female full-time employment (*figure 2*).

"Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom." It is possible to obtain forecasts by subregion, and *table 7* shows the anticipated growth in the transport and logistics sector in East London, and its contribution to the economy. This will rise by 40% over the eight years to 2010.

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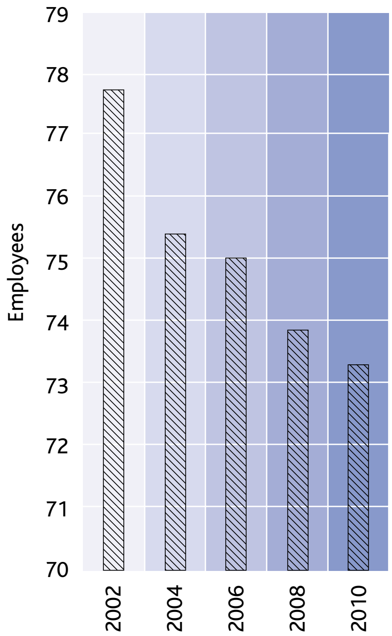
table 6
Transport employment – London East

Total employment (thousands)	2002	2004	2006	2008	2010
Aerospace	0.3	0.3	0.3	0.3	0.3
Transport equipment	1.2	0.9	0.8	0.8	0.8
Rail transport	2.8	3	3	3	2.9
Other land transport	29.3	27.5	26.8	26.2	25.9
Water transport	1.5	1.6	1.6	1.6	1.6
Air transport	0	0	0	0	0
Other transport services	17.1	16.7	18.1	18.1	18.7
Communications	25.8	25.4	24.4	23.8	23.2
Total	**78**	**75.4**	**75**	**73.8**	**73.4**

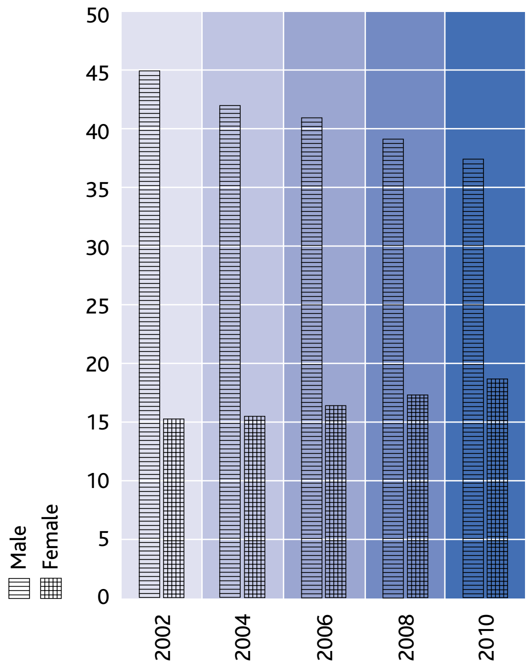
Source: CE/IER LEFM 2002

figure 1
Total employment in the transport sector, London East, 2002-2010 (thousands)



Source: CE/IER LEFM 2002

figure 2
Employment levels in the transport sector, male and female full time, London East, 2002-2010 (thousands)



Source: CE/IER LEFM 2002

table 7
Levels of gross value added – London East

Levels (£millions at 1995 prices)	2002	2004	2006	2008	2010
Aerospace	27.9	29.1	31.1	33.1	35.1
Transport equipment	15.5	17.9	19.3	20.6	21.7
Rail transport	125.1	126.8	127.4	130.0	135.0
Other land transport	458.4	494.6	515.2	538.6	560.3
Water transport	75.9	83.0	86.7	91.3	95.6
Air transport	2.7	2.8	2.9	3.0	3.1
Other transport services	406.6	429.4	462.8	485.2	513.3
Communications	1,607.0	1,802.7	1,975.7	2,194.5	2,432.5
Total	**2,719.1**	**2,986.3**	**3,221.1**	**3,496.3**	**3,796.6**

Source: CE/IER LEFM 2002

2.6 Recruitment and retention of staff

• Passenger land transport – bus industry

The main issue in the passenger transport industry – buses and coaches – is retention. In the London area, the turnover figure is running at between 30% and 40% per year. Nationally, there is a requirement to recruit and train 20,000 to 30,000 drivers per annum.[13] [14] When there are downturns in the economy the industry is more likely to retain its drivers, because the bus industry offers guaranteed employment. Also when there are downturns in the construction industry, there is a drift back into the bus industry.

Conversely, when the economy is buoyant there is a movement into "white van" driving, which is regarded as less stressful.

The coach subsector prefers older drivers and they tend to stay longer, although coach companies are not immune to the problem of poor retention.

• Freight and logistics

The issue for the freight transport subsector has been the failure to recruit sufficient drivers over the last decade, leading to a current shortfall of 47,000 drivers. It is an ageing workforce where the numbers have reduced by 64% in ten years. The Road Haulage and Distribution Training Council found that in 2000, 72% of companies were short of drivers. As an industry, it needs to recruit 25,000 drivers a year overall, and its recruitment level is currently half that number. Future demand is estimated to be 600,000 by 2010, while the current number of drivers is only 500,000.[15]

• Rail

Historically, the industry has been successful in attracting staff and developing industry specific technical expertise in them. Recent changes have meant downsizing, but now the industry is back in the market for specialist expertise and is competing with other sectors, and at times, in an international market. It is the need for rail specific skills which makes recruitment from other sectors difficult.

On the other hand there is competition for staff from other industries, especially in engineering, and customer-facing skills, and retention levels can suffer.

2.7 Skills gaps and shortages

• Passenger land transport – bus industry

Skills shortages

The shortages tend to be in engineering, for fitters and technicians and at supervisory levels. The problems are more acute in London, because of a lack of apprenticeship schemes.

There is not a skill shortage in relation to bus drivers, according to Transfed. There are established drivers in the market place. Transfed says:

"As there are more persons with PCV licences than there are industry vacancies, then there is no skills shortage as such. However, there is a very real and deepening *driver* shortage. The right recruits are not coming forward and retention of drivers is a major problem. This is not merely a matter of pay. Our latest estimate of the number of new drivers required across the UK in 2003 just to stand still is 32,500 (coach as well as bus)."

It appears there are two problems.

Firstly, at present, those with appropriate driving licences are not necessarily choosing to work in the industry. There are several factors including poor salaries and working conditions that *push* them into other jobs. There are stresses in dealing with some types of bus user: poorly behaved school children and some late night passengers make the job unpleasant to the point of dangerous. Where companies can keep drivers for two years they are likely to stay for ten. It is the initial retention period that is problematic.

Secondly, the industry needs to encourage new entrants to meet employer requirements.

• Passenger land transport – Taxis and private hire vehicles

According to GoSkills,[16] there is an estimated 10,000 shortfall in private hire vehicle drivers nationally, and "bottlenecks" in the training and licensing system for taxi drivers leading to shortages.

Passenger land transport – general

Skills needs

Looking forward, a series of issues will affect the industry.

- New technology which will provide information to customers, passenger protection systems, and new electronic ticketing systems all have skills and training implications.
- Vehicle construction will demand different skills in terms of maintenance, where component replacement rather than repair could be the norm.
- Increased passenger numbers will increase the need for good customer-handling skills on the part of drivers particularly, who may be the only personal contact between company and customer.

At a professional and technical level, there will be an increased requirement for transport planners to make national and local strategies work. In terms of infrastructure management, those appointments are now being made by bodies such as Transport for London.

• Freight and logistics

Skills shortages

There is a shortage of warehouse staff, goods vehicle staff and specialist administrative staff and there is a growing need for highly qualified distribution and supply-chain managers.

Skills gaps

Skills for Logistics highlighted the impact of technology on the sector, and said that it had raised wider issues about the *"low levels of basic and higher level skills in the workforce."* It implies that staff, at all levels, need to be operating at a higher skill level. It continued by citing research from the Basic Skills Agency *"which suggested that the road freight industry has the greatest gap between current skills in numeracy and literacy and employers' anticipated needs"*.

There are several contributory factors to the need for upskilling:

- more sophisticated supply-chain management requirements
- compliance with health and safety legislation
- compliance with employment regulations, and
- compliance with environmental legislation.

These gaps in managers, supervisors and operatives all need attention.

For drivers, the industry trends will demand multi-skilling, particularly the development of customer-handling skills as haulage becomes one component of a larger logistics process.

[13] GoSkills, *Driving people development in passenger transport*, 2002

[14] Transfed's *Labour Market Intelligence Study*, April 2003, estimated "the industry – bus and coach – needs to recruit 32,500 drivers …in 2003 just to run the current level of services".

[15] Statistics from the Freight Transport Association.

[16] GoSkills, *Driving people development in passenger transport*, 2002

• Rail

Skills shortages

The recent progress report[17] on rail industry skills identified skills shortages as follows:

table 8
Analysis of skill shortages by priority skill areas

Occupational Group	Occupation	Population	Number of skills shortages June 2001	%	Number of skills shortages November 2001	%
Trade Occupations	Train driving	19,000	855	4.5	1,019	5.4
	Signal operation (and control)	6,500	795	12.3	486	7.5
	Electrification	1,800	522	29	557	30.9
	Track laying & maintenance	10,000	1,200	12	670	6.7
	Signal engineering	9,000	720	8	237	2.6
First line/middle management		18,650	755	4	380	2.0
Graduate and professional staff		20,000	1,638	8	2,530	12.6
Other occupations		45,050	*	*	*	*
TOTALS		**130,000**	*	*	*	*

Source: DfES, SRA Second Progress Report: Delivering the Framework for Skills for the Rail Industry, 2002

*no totals were provided in the original report

In other reports, technical and engineering skills have been described as shortage areas, and with the new organisational structures, project and financial management have surfaced as skills needs.

Skills gaps

In survey work reported by IER in 2001, it was suggested that there were 24,000 reported skills gaps covering 17% of the workforce – which was higher than for the economy as a whole.

Future skills needs

Technology is going to impact on job roles across the industry. Customer-facing tasks related to ticketing and information-giving will need good IT user skills. More sophisticated trains and signalling systems will demand skills development for drivers and signalling staff. As with the maintenance of buses and coaches, rail engineers will need to develop greater competence in fault diagnosis, using technological support, and be able to replace components rather than repair them.

Chapter 3
Skills supply for the sector

Each part of the industry has an image problem in attracting recruits. There are sophisticated, high-skilled and interesting posts in many of the subsectors, and the real issue for the industry is to get the message across to young people.

One broad area where there is a shortage is in engineering. Studies on manufacturing and engineering have noted two trends: a decline in engineering jobs generally, but an unsatisfied demand in terms of supply coming through. There is an ageing engineering workforce which is leaving the industry quite rapidly. Further and higher education institutions need to recruit and retain sufficient new students to meet the replacement demand need.

All three sectors – Passenger Transport, Freight Logistics and Rail – are in need of engineers of various types, and in competition with other sectors as well.

Each subsector has initiatives in hand to enhance supply into the industry, but there appear to be two options which have not been exploited fully:

- increasing the opportunities for part-time working of suitably qualified staff, and
- promoting employment opportunities to women, who are significantly under-represented across several subsectors.

In terms of bus, van and lorry drivers, retention is an important factor in reducing the need for new supply. There is also a need to attract back those who have drifted into other occupations where pay and working conditions are better. However, a combination of the statistics provided by the Freight Transport Association on the decline in the numbers acquiring LGV qualifications, and the future impact of EU Working Time, and Training Directives, mean that supply problems regarding drivers in the logistics industry need to be addressed urgently.

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Image courtesy of Serco

[17] DfES, SRA *Second Progress Report: Delivering the Framework for Skills for the Rail Industry*, August 2002

Passenger transport

• Bus industry

If the administrative arrangements around the acquisition of the vocational driving licence were streamlined, then the supply of drivers could be boosted.

There are problems with recruitment, part of which is the bureaucracy surrounding qualification. There are waiting lists for different aspects of the PCV test and final licence accreditation. These potential drivers are only paid the training rate while waiting for the licence to come through, and therefore seek alternative occupations.

An EU Training Directive that will come into force by 2008, which will demand professional competency, also has implications for the industry and the workforce. It may restrict supply if additional testing is required to certify competence. For drivers who meet the Directive's requirements their value in the labour market may increase, and they will have the bargaining capacity to seek higher wages.

The beneficial effect of the Training Directive is that the new rules will allow training to be front-loaded, with the capacity for young people to take an NVQ in driving at 17, and then to progress on to PCV training at 18.[18] The other major problem to be overcome is punitive insurance rates for the under-25s which limit recruitment.

Freight logistics

The road haulage industry will face similar challenges to bus and coach companies in complying with EU directives, and will need to put in place training opportunities for new and existing staff.

Research commissioned by the Road Haulage Association[19] estimated the impact of the implementation of the Working Time Directive in March 2005. It suggested that "at least 60,600 additional drivers will be required and the number of vehicles required will increase by 2-3%..." nationally.

These legislative changes will place additional demands on the supply-side.

The Road Haulage and Distribution and Training Council in its *Workforce Development Plan*[20] had already identified barriers faced by the sector in meeting its demand for drivers, including legislation which places a minimum age of 21 for holding an LGV licence, and thus "restricts the sector's ability to take advantage of publicly-funded training for young people".

The RHDTC, in supplying evidence for this strategy document, reinforced this issue about the supply-side difficulties. Most training is by private providers offering qualifications and licences that are outside the national qualifications framework and thus do not receive funding support from the state. The training cost has, therefore, either to be borne by the individual, or a company.

Up to now, individuals and companies have made the investment in training, although many companies have concerns about the "poaching" of staff by other organisations. The RHDTC, in looking at the impact of the EU Training Directive, feels that individuals may find the new arrangements too expensive. If potential drivers are no longer able to self-finance their own training, as they have done in the past, the driver shortage will be exacerbated.

One way forward is to build on innovative arrangements such as the new Academy of Logistics and Transport that has just been launched (March 2003) in the Thames Gateway in Thurrock (and adjacent to the LSC London East area). The Academy is working with FE colleges and offering a range of qualifications in Transport and Logistics, and is working with HGV training providers.

Rail

Historically, the rail industry has recruited well, with more of the workforce at level 3 than below. It also has a comparatively good training record. The problems it does face are threefold:

- to give coherence and a framework to skills needs of the industry as a whole, so that skills development can be managed
- to recruit and train 5,000 new people each and every year for the next 8 to 10 years, and
- to upskill the existing workforce to meet the anticipated changes in the delivery and management of rail services.

There is a good base to build on. IER reported in 2001 that there was *"more training reported for the rail industry than for the economy as a whole. For on-the-job training the rail industry scored 95% compared with 78% for the economy as a whole*.

Employers also reported *"off-the job training for 56% of their workforce in the preceding 12 months"* with *"expenditure on training amounting to £120 million, ranging between 0.6 and 2.5% of turnover"*.

The Strategic Rail Authority Plan (2003) says that it intends to *"encourage development of the supply side of the industry, through setting out achievable investment priorities and hence giving the supply industry confidence to invest"*.

The SRA is taking forward *proposals for a National Rail Academy*[21] to help the delivery of the ***Framework for Skills for the Rail Industry***. The National Rail Academy will not be delivering training itself, but it will be establishing the setting in which it can effectively take place. It will be helping the industry define its needs, and will work with providers to make the training happen within a coherent qualifications framework.

More particularly, the SRA, through the new franchise arrangements for the franchised train operating companies, will be able to influence workforce development strategies to the benefit of the industry as a whole.

[18] It should be noted that Transfed intends to introduce a young driver scheme based on a Foundation Modern Apprenticeship in the near future.

[19] CEBR, *Impact of the EU Working Time Directive*, 2003, Road Haulage Association

[20] RHDTC, *Workforce Development Plan for the road haulage and distribution sector, 2001-04*, 2001

[21] Note that *GoSkills* also has proposals for a passenger transport academy in its expression of interest to become an SSC. Its aims would include the delivery of specialised management and other training.

The challenges for London East will be:

- anticipating the pace of policy implementation and infrastructure development, and
- developing workforce skill levels to match those needs.

Public policy announcements have suggested new rail lines, extensions of existing ones, additional river crossings, road improvements and developments in town centre transport interchanges. The aims are to improve the environment, support economic development and make travelling easier by making more effective use of public transport systems, and moving freight, where possible, on to rail.

In the logistics industry, improvements in efficiency continue to be sought, and the rise of e-commerce is likely to increase the number of delivery vehicles on the road on a local basis.

Two factors need to be managed by the passenger transport and freight logistics industries: the potential improvements offered by technological development, and the changes in regulatory frameworks that affect human resource training and the deployment of staff.

The vital issue for bus and coach companies is the retention of drivers. For bus, coach and freight logistics companies, steps need to be taken to increase the supply of younger drivers into the industry. There is scope for filling some of the vacancies by increased recruitment of women and part-time employees.

The rising use of technology across the industry brings out a need for increased IT awareness and user skills at all occupational levels. In passenger transport and freight logistics there is evidence that the basic skills and customer-care skills of administrative and operative staff need to be raised.

All branches of the industry are suffering from a shortage of engineers. Freight logistics is raising the skills levels required from its transport managers and professional staff so that supply-chain management is more effectively executed.

There is a greater demand for transport planners in public bodies to see through the management of infrastructure changes. The rail industry expects its managerial and professional staff to become more adept at managing projects and outsourced contracts, in an era when safety and performance standards are both under the spotlight of public scrutiny.

London East is the focal point of many new developments in rail infrastructure and new passenger transit systems. It is also ringed by the M25 and its industry and economy depend on the continuing development of a well-managed logistics industry. It is not a large employer by comparison with other sectors in London East, but it does have a pivotal role in sustaining others. In terms of labour and skills supply, the problems are similar to the national ones, but the urgency to resolve them is greater, particularly the recruitment and retention of drivers in bus, coach and road haulage industries.

Chapter 5
Strategic recommendations

The LSCLE will:

- liaise with policy-making public bodies over the timescales of infrastructure development to give learning providers early indications of supply-side needs in the transport industry
- work with the prospective Sector Skills Councils in Passenger Transport, and Freight Logistics, and the National Rail Academy in the development of learning and training activity that can be appropriately accredited to meet industry need
- engage with local employers in the private sector to identify potential ways that public-sector funding could support them in meeting their skills shortages
- encourage the industry as a whole to review its human resource management policies with regard to more flexible working patterns, and encourage the employment of non-traditional groups into the various subsectors
- support the industry in raising its appeal as a positive career choice
- work with other bodies to raise the profile of engineering as a curriculum area that is essential to the future of the London East economy, and
- work with LSC Essex in supporting the new Academy of Logistics and Transport in the Thames Gateway.

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Standard industrial classification codes	Transport and logistics
60.1	Rail transport
60.21	Other scheduled passenger land transport, including:
60.21/1	Inter-city coach services
60.21/2	Other scheduled passenger land transport
60.22	Taxi operation
60.23	Other passenger land transport
60.24	Freight transport
61	Passenger and freight water transport
61.1	Coastal transport
62.1	Scheduled air transport
62.2	Non-scheduled air transport
62.3	Space transport
63.11	Cargo handling
63.21	Other supporting land transport activities
63.22	Other supporting water transport activities
63.23	Other supporting air transport
63.4	Activities of other transport agencies
64.12	Courier services
64.2	Telecommunications
71.1	Renting automobiles
71.21	Renting other land transport
71.23	Renting air transport equipment

Source: Annual Business Inquiry 2001, ONS Crown copyright (2003)

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