



COUNTING LOSSES

The pallet hire system needs to change and the industry's key stakeholders are working on it. **Ruza Zivkusic** reports

Australia's pallet transfer system has been described as "complex", with many companies having lost pallets and paying huge sums in compensation.

Too many operators are familiar with the horror story of missing pallets but it's a situation that could soon be resolved, if 30 freight and logistics operators who are currently in talks with the Victorian Office of the Small Business Commissioner (VSBC) can reach agreement on standard

operating procedures. Significant time and money is lost when pallets go missing, with the transfer process

becoming more unwieldy, especially in the

major retail chain.

The nation's freight and logistics companies — both large and small — have been involved in a business improvement program with the VSBC during the past 15 months, and if they're open to change, the situation is set to improve.

The companies involved have come back to the table following the Victorian Transport Association's (VTA) request to develop standard operating procedures for pallets.

VTA Chief Executive Philip Lovel wants to see a national pallet code of conduct formed and is calling on the Federal Business Minister Senator Nick Sherry to employ a pallet industry ombudsman.

According to Lovel, the management of pallets — be they timber or plastic — is creating "winners and losers".

"It's a very complicated and complex business, and the fact that pallets are commercialised is a very big issue," Lovel says.

"Pallets belong to the load, but they're being commercialised as a separate entity to the load.

"You can lose pallets, you can lose paperwork and you can gain paperwork, so there are always winners and losers with pallets.

"They should be a neutral item; if someone loses, someone wins and that's not right. The aim of the VTA is to get the transport companies out of pallets; we must have that outcome and I'm not going to give up until we win that argument."

VSBC's acting Small Business

Commissioner Peter Lisle says he is very supportive of the industry's efforts to assist small business in the transport industry.

The office has initiated a collaborative process to address issues of concern with the pallet hire system following the VTA's approach.

"The office has conducted a series of facilitated meetings with key stakeholders in the pallet supply chain — the transport industry, food and beverage manufacturers and other supplier companies, supermarkets and pallet manufacturers/hirers — to address the efficiency of the pallet system and consider possible improvements," Lisle says.

Stakeholders have agreed on a number of key project aims during the initial meeting, and are happy to assist in improving the pallet hire system and to encourage industry-led change without the need for government intervention, he adds.

"The project has afforded the opportunity for all stakeholders to provide input," Lisle says.

"Over a series of meetings there has been active and proper discussion about the content of a proposed code of practice.

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"The meetings have been marked by goodwill and a genuine concern to bring about possible improvements to the system for the benefit of all participants in the supply chain."

Lisle says he is happy for the office to continue to support the process for as long as is necessary to assist all players in the pallet supply chain to reach consensus on issues of interest.

Pallet Loss Prevention (PLP) director John Stuart has campaigned long and hard with the VTA to implement pallet hire reform in Australia.

He believes pallets are lost through incompetence and says a review of the pallet transfer system is needed urgently.

Based in Melbourne's Bulleen, the office of seven staff receive countless calls from companies each year who are desperate for help after having lost pallets.

PLP helps those who want to reduce their ongoing costs and compensation liable for lost pallets by tracking them down and recovering them; its success largely dependent on the company's documentation of pallets and how old the transfers are.

The company offers online training and provides ongoing pallet management services.

It also hosts a Pallet Hire Community, which has 100 members from all over the world.

Stuart says the current 'overly complex' transfer process has contributed to a high risk of pallet loss.

"What we have is a 'dog eat dog' system, where the risk of pallet loss is so high that very few people can find a place for ethics," he says.

"Instead of it being a simple process of transferring from the sender to the receiver, many receivers transfer to the carrier and thus shift the pallet loss risk to them."

The risk of pallet loss then increases.

"In a manufacturing or warehouse environment, the raising of pallet dockets can be limited to a small number of people.

"But in a carrier environment, there are many instances where this responsibility falls to drivers," Stuart continues.

"So, instead of having to train a handful of people in a controlled environment you have to train a large number of drivers, some of whom could be subcontractors.

"They need to know that if they go to an IGA distribution centre that they don't need to provide a pallet docket, but if they go to a Coles distribution centre, then they must.

"If they go to Woolworths, it could be either way depending on the distribution centre."

There are limited ways to prevent companies making up their own transfer rules, he adds.

They can stipulate that they will not pay hire on the pallets until a month or more after they receive the pallets and they can also state that they will not accept transfers of hire pallets that are older than six months.

It is in situations like this, where rules are made by the major companies, that there is a need for reform, which may only be achieved through a code of conduct and an ombudsman, Stuart says.

"When goods are shipped from a supplier to a customer, the title of the goods does not transfer to the carrier, so why does the hire of the pallets?" he adds.

"The answer is that, in the main, carriers brought it upon themselves.

"Suppliers relied on carriers to return pallet





Pallet Loss Prevention Director
John Stuart



Acting Victorian Small Business
Commissioner Peter Lisle

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transfer authority dockets or other signed pallet dockets so that they could get the pallets transferred off their accounts and on to the customers.”

Carriers often lose these dockets, returned them too late or turned up at customer's premises without a pallet docket.

“To overcome this problem, suppliers transferred pallets on to their carriers so that the problem of missing dockets became the carrier's problem,” Stuart says.

“This problem of missing dockets has not been solved and carriers lose thousands of pallets every year because, for whatever reason, they do not get processed.”

He believes pallet hire in Australia has the potential to be the “world's best” but inefficiencies in the current pallet hire system have placed a “huge financial burden on carriers”.

“To change the current process is no easy task, but it now appears that through the good work of the VSBC's office and the VTA we are now closer than ever to achieving pallet hire reform.

“An improvement in the pallet hire system would benefit consumers as wasteful activities and costs could be removed from supply chains.”

Stuart says the extent to which companies are profiting from lost pallets is unknown.

“There really is a black hole as far as the numbers go; because anyone who does benefit from having lost pallets is not going to tell anyone else, so it's not something that you can easily put a number on.”

If a code of conduct is formed, Stuart's business, amongst others, would decline. But that is a risk he is prepared to take, as he believes it's the right way to go.

“If all goes well then the need for companies like mine would decrease — maybe even disappear.

“I would be happy, because I do think it's the right thing to do; that's why I'm [supporting] it.”

He believes companies need to train their staff in order to understand the pallet hire system.

PLP is currently working with two major logistics companies who are completing its online pallet training.

It offers courses for receiving pallets, dispatching pallets, stock take of pallets, training for pallet controllers and site managers.

His advice to companies is to not loan pallets, and to get rid of ‘receiver declare’ accounts.

And to make sure drivers have a pallet docket when they deliver to accounts and to closely monitor transfers to ‘receiver declare’ accounts.

“Many of the problems associated with a carrier's pallet accounts are beyond the control of the pallet controller, but it is not beyond the control of the carrier's senior management,” he adds. ■

KEY FACTORS IN MINIMISING PALLET LOSS

- Ensure the pallet control function is adequately resourced
- Support your pallet controllers, and insist on a monthly reconciliation report
- Establish key performance indicators and watch monthly trends — is your invoice balance increasing?
- Keep business development people under control — they need to make sure pallets are not forgotten and costed in rates
- Have a written policy for pallets, and conduct an independent annual audit
- Pay compensation each month if necessary, but it's best to take action