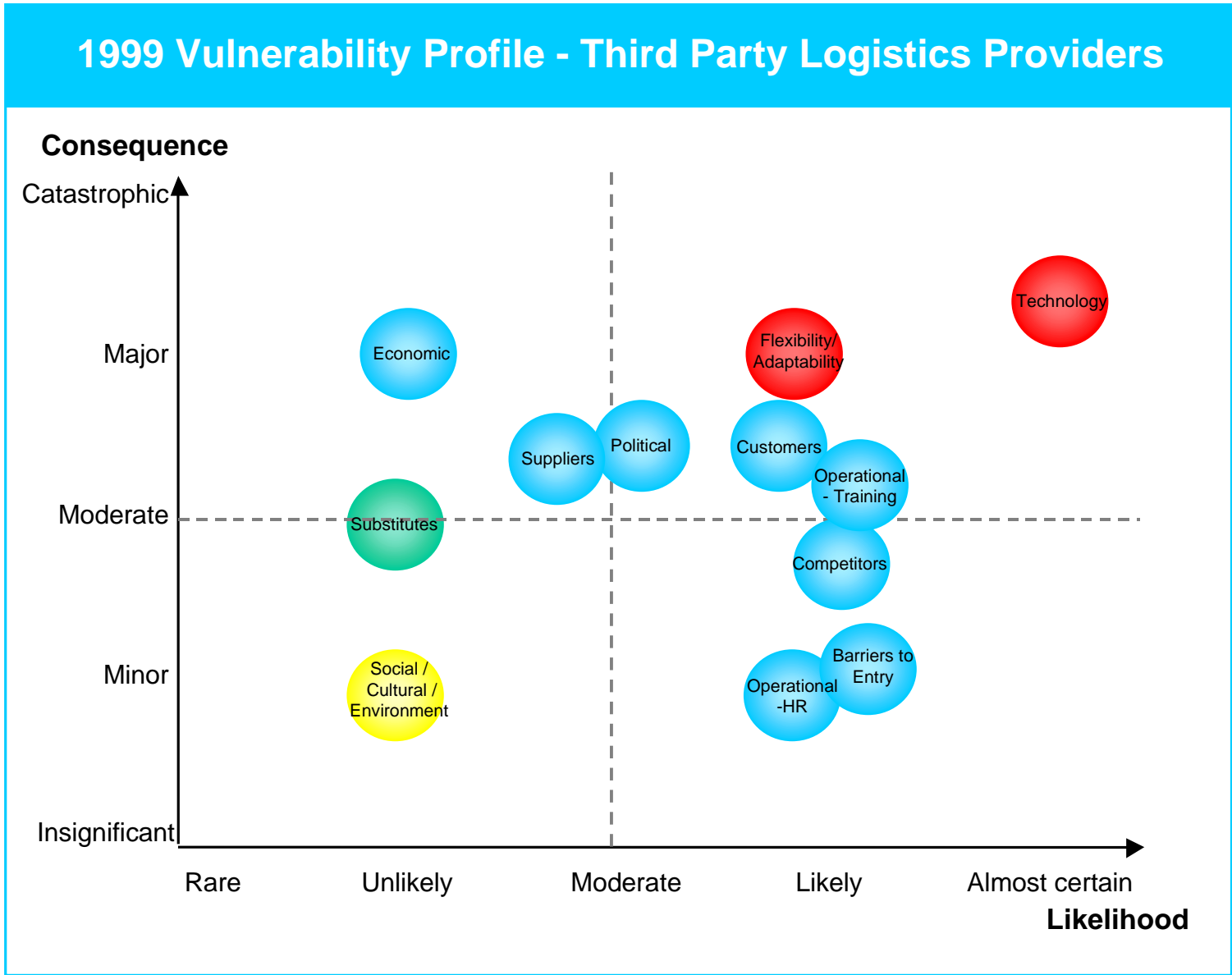




5.0 Industry Vulnerabilities
5.1 Industry Vulnerability Profile Chart 1999



1999

- High
- Significant
- Moderate
- Low





Third Party Logistics Providers Industry Report



5.2 Industry Vulnerability Summary 1999

Risk No	Risk	1999			2005			2020		
		Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating
1	Political	Moderate	Moderate	Significant						
2	Economic	Major	Unlikely	Significant						
3	Social/Cultural/ Environmental	Minor	Unlikely	Low						
4	Technological	Major	Almost Certain	High						
5	Supplier	Moderate	Moderate	Significant						
6	Customer	Moderate	Likely	Significant						
7	Risk of Substitutes	Moderate	Unlikely	Moderate						
8	Competitor Risk	Moderate	Likely	Significant						
9	Barriers to Entry	Minor	Likely	Significant						
10	Operational - HR	Minor	Likely	Significant						
11	Operational - Training	Moderate	Likely	Significant						
12	Flexibility/Adaptability	Major	Likely	High						



5.3 Industry Vulnerability Records 1999

ID	Broad Risk Area: Political Risk		Risk ID: 1
<p>1</p> <p>2</p> <p>3</p> <p>4</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Lack of consistency in Federal and State based approach to 3PL/ transport legislation. • Electioneering, ‘pork barrelling’. Pressures from other lobby groups to the detriment of 3PLs. • Changes in business taxation arrangements (Ralph Review) such as depreciation adjustments for capital assets. • Changes in government policy – Federal and State (taxation, access, occupational health and safety, introduction of performance based standards). 		<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Increased operating costs due to compliance issues and inability to fully optimise equipment. • Restricted access to some services due to non-uniform regulations by state eg heavy vehicle (road train) access. • Inappropriate infrastructure funding/development priorities. • Altered structure of industry as providers respond to changing policy (eg. recent ruling on companies taxed PAYE rate if >80% of income generated from single employer). • Potential impacts on supplying previously accepted services at same cost.
	Likelihood: Moderate	Consequence: Moderate	Risk Rating: Significant



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Economic Risk		Risk ID: 2
<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Global escalation in fixed costs (ie equipment and IT). • Increasing costs of key input from sector on which 3PLs are highly dependent eg. fuel. • Increased pressure to improve profit margins within sector and deliver improved shareholder value. • Preponderance of owner-operators servicing surge requirements of 3PL providers. • Growth in number of 3PLs through 1990s placing pressure on margins and profitability. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Only the largest 3PLs are best placed to invest in improvements. • Trend toward higher costs to 3PLs recouped via higher prices to customers. Fierce competition between providers for customer contracts. • Lack of reinvestment in sector (eg. IT, personnel, new equipment etc.). • Inability by private operators to optimise asset utilisation and therefore make the industry more profitable. • Unsustainable number of players in market (consolidation of industry). 	
	Likelihood: Unlikely	Consequence: Major	Risk Rating: Significant



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Social / Cultural/Environmental Risk		Risk ID: 3
<p>1</p> <p>2</p> <p>3</p> <p>4</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Increasing environmental pressures to scale down volume of road transport in attempt to reduce emissions. • Increasing awareness of traditionally ‘softer’ areas such as safety, civil rights/obligations (eg. airport curfews), and environment. • Failure to develop partnerships with transport infrastructure providers where necessary. • Fear of outsourcing core functions to 3PLs – perceived lack of visibility and control. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Significant investment required to develop ‘greener’ 3PL solutions. • Optimal asset utilisation will be compromised by environmental focus. • 3PL sector may not realise opportunity for savings by establishing partnerships with infrastructure providers. • 3PLs encouraged to invest in greater technology and systems that improve visibility in order to build confidence and credibility in marketplace. 	
	<p>Likelihood: Unlikely</p>	<p>Consequence: Minor</p>	<p>Risk Rating: Low</p>



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Technology Risk	Risk ID: 4
	<p>Possible Causes</p> <ol style="list-style-type: none"> 1 • Increased reliance upon hardware that provides visibility of products movement throughout the supply chain (ie GPS technology). 2 • Increased reliance upon software technology to track goods. 3 • Increased reliance upon software to provide for asset optimisation and modelling solutions. 4 • Increased reliance upon efficient data and information transmission, including invoicing/collection. 5 • 3PLs extending IT services to include reporting, forecasting, procurement modules etc. to develop competitive advantage ie. 4PL concept. 6 • Rapid lifecycles in IT products ‘date’ systems and capabilities quickly and require constant investment to remain competitive. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Increased interdependence between transport and logistics service providers and the providers of IT software and hardware. • Increased costs to 3PLs if technology not effectively applied. • Loss of customers and potential premium revenue for provision of additional services if continual IT investment is not made. • Increased capital expenditure for 3PLs. • Optimal operational efficiencies not realised without assistance of IT tools. Small players will find it more difficult to compete leading to further rationalisation of industry sector. • Only 3PLs able to afford continual reinvestment will increase share in market.
	Likelihood: Almost Certain	Consequence: Major
		Risk Rating: High



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Supplier Risk		Risk ID: 5
1 2 3 4 5 6	Possible Causes <ul style="list-style-type: none"> • Failure to supply in key nodes. • Availability of operational personnel restricted due to union action, or employer/employee dispute. • Inability to access required capital equipment or infrastructure (ie trucks, materials handling equipment, roads etc). • General shortage of appropriately skilled personnel in provision of integrated logistics solutions. • Failure in IT system operated by key 3PLs – interdependent relationships. • Increase in cost of inputs eg. fuel, equipment. 	Possible Consequences: <ul style="list-style-type: none"> • Increased costs passed to consumer or otherwise absorbed. • Inability to service customers fully and thereby optimise revenue. Potential for loss of reputation and credibility of outsourcing option. • Misperformance on contracts. • Efficiency constrained by lack of suitable equipment/infrastructure/personnel available. • May result in temporary poor performance by 3PL and reduction in service to customer. • Costs must either be absorbed or passed on to customer. 	
	Likelihood: Moderate	Consequence: Moderate	Risk Rating: Significant



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Customer Risk		Risk ID: 6
<p>1</p> <p>2</p> <p>3</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Increasing sophistication of customer requirements. • Demands to provide fully integrated value added services (provision of information as well as product movement). • Better educated customers who are more discriminating and demanding of operations and supply chain cost outcomes. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Narrowing of industry into specialised components in order for 3PL operators to establish barriers to entry. Additional costs incurred to satisfy customers. • Increased investment required by 3PLs. Entry of global 3PL providers able to offer these services will lead to pressures on domestic providers' operating margins and technological spend. • Less loyalty to particular providers as customers are driven by outcomes, therefore increasing competition. 	
	Likelihood: Likely	Consequence: Moderate	Risk Rating: Significant



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Risk of Substitutes		Risk ID: 7
<p>1</p> <p>2</p> <p>3</p> <p>4</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Changes in tax arrangements may favour provision of services within the company rather than outsourced arrangements. • Failure to provide services demanded by customers. • Existence of integrated technology to provide multiple 3PL solution. • Change in business culture/objectives. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Decreased use of outsourced logistics service providers. • 3PL operations returned in house. • Fragmentation of industry as service providers are squeezed for margins and those failing to compete are forced to revert to delivering basic, low margin transportation services. • Potential decrease in whole industry planning and slowdown in development of multimodal integration points for whole sector benefit. 	
	Likelihood: Unlikely	Consequence: Moderate	Risk Rating: Moderate



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Competitor Risk		Risk ID: 8
<p>1</p> <p>2</p> <p>3</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Competition will place increased emphasis on investment in IT, capital equipment etc. • Domestic 3PL industry may have competitive pressure from global 3PL networks, facilitated by open market. • Failure to anticipate customer requirements, especially integration of technology solutions, data mining and customer relationship management. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Increased competition will place pressure on margins, encouraging efficiencies in operation, greater asset utilisation and subsequent rationalisation of marketplace. • Need to foster partnership with global 3PL or invest heavily in national networks to achieve world's best practice. • 3PLs with best customer relationships and access to capital will gain market share from more traditional, less innovative operators. 	
	<p>Likelihood: Likely</p>	<p>Consequence: Moderate</p>	<p>Risk Rating: Significant</p>



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Barriers to Entry		Risk ID: 9
<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Moderate capital investment required (leasing options decrease the barrier). • Strong business relationships required (ie must be part of someone else's value chain). • Government regulation (overseas ownership rules). • Strong multimodal relationships/arrangements required to optimise service provision at least cost. • Access to global networks and IT solutions. • Shortage of logistics personnel. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Facilitates entry of both domestic and international competitors and result in increased competition. • Consolidation of industry as globalisation is fully embraced. • Difficult for new entrants into sector as domestic partnerships need to be established. • Investment required to provide adequate network to meet customers requirements. • Inability to compete with international best practice. • Capacity not realised due to personnel shortage and business operations less effective. 	
	Likelihood: Likely	Consequence: Minor	Risk Rating: Significant



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Operational – HR		Risk ID: 10
<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Inappropriate skillset of personnel. • Inability to recruit people with the required skills and expertise. • Occupational Health and Safety and lifestyle concerns act as detractor to entry. • Union action/involvement in negotiating Australian Workplace Agreements (AWAs) and Enterprise Bargaining Agreements. • Unsatisfactory remuneration or perceived career path. • Succession planning as workforce ages. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Substandard service provision and optimisation. Limited response to changing requirements of industry. • Potential to grow business may be impacted – need to ‘headhunt’ personnel. • Greater demands for compensation/income to mitigate perceived hazards of the job. • Potential to perpetuate uncompetitive work practices and reduce productivity improvements. • Difficulty in attracting people to the industry. • May lead to retention problems. 	
	<p>Likelihood: Likely</p>	<p>Consequence: Minor</p>	<p>Risk Rating: Significant</p>



Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Operational - Training		Risk ID: 11
1 2 3 4	Possible Causes <ul style="list-style-type: none"> • Small margins do not promote effective training. • Effective training perceived to be on the job rather than formally based. • Lack of identification of the skillsets required to perform the various tasks/roles within the sector. Little succession planning as workforce ages. • Demand for 3PL personnel not formally recognised in the education system. 	Possible Consequences: <ul style="list-style-type: none"> • Skill shortage leads to inability to meet customer requirements. • Restricted ability to position industry at cutting edge of technology. • Inappropriately designed training courses offered and competencies poorly defined. • Lack of potential employees seeking career path, thus reducing the capability of the sector. Potential for lack of innovation within industry sector. 	
	Likelihood: Likely	Consequence: Moderate	Risk Rating: Significant



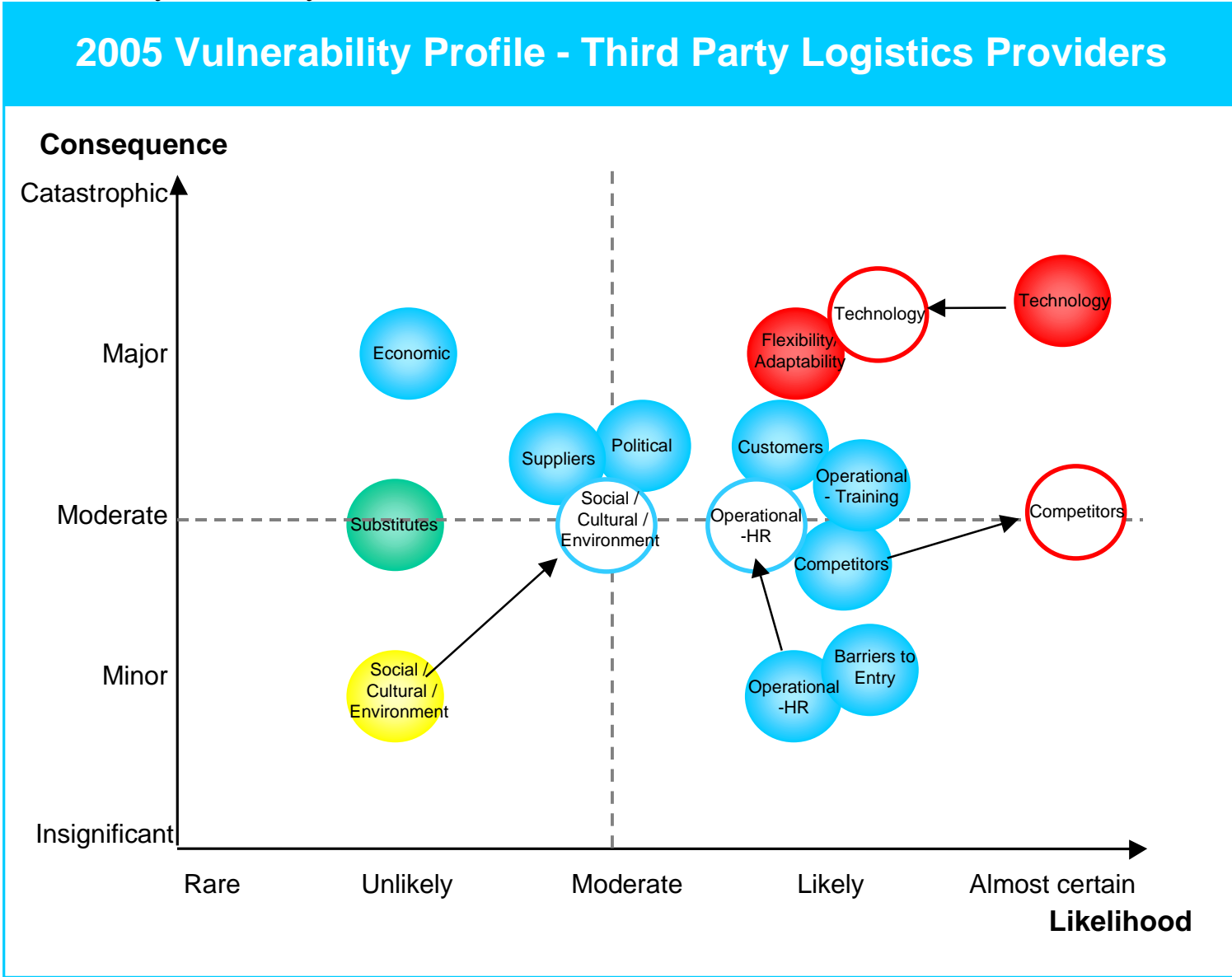
Third Party Logistics Providers Industry Report



ID	Broad Risk Area: Flexibility / Adaptability		Risk ID: 12
<p>1</p> <p>2</p> <p>3</p> <p>4</p>	<p>Possible Causes</p> <ul style="list-style-type: none"> • Inability to adopt and implement new technologies. • Lag in response to emerging customer requirements and service extensions. • Failure to adapt to changing regulatory environment or social/cultural/environmental expectations. • High fixed costs and long contract periods. 	<p>Possible Consequences:</p> <ul style="list-style-type: none"> • Inability to adapt to customer demands or provide required solutions. • Failure to capitalise on changing situation for competitive advantage. • As above. • Inability to respond quickly to changes in market environment. 	
	<p>Likelihood: Likely</p>	<p>Consequence: Major</p>	<p>Risk Rating: High</p>



5.4 Industry Vulnerability Profile Chart 2005



- 2005**
- High
 - Significant
 - Moderate
 - Low
- 1999**
- High
 - Significant
 - Moderate
 - Low
- 45



Third Party Logistics Providers Industry Report



5.5 Industry Vulnerability Summary 2005

This table records change where either the rating or the nature of the vulnerability has altered during the time period.

Risk No	Risk	1999			2005			2020		
		Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating
1	Political	Moderate	Moderate	Significant						
2	Economic	Major	Unlikely	Significant						
3	Social/Cultural/ Environmental	Minor	Unlikely	Low	Moderate	Moderate	Significant			
4	Technological	Major	Almost Certain	High	Major	Likely	High			
5	Supplier	Moderate	Moderate	Significant						
6	Customer	Moderate	Likely	Significant						
7	Risk of Substitutes	Moderate	Unlikely	Moderate						
8	Competitor Risk	Moderate	Likely	Significant	Moderate	Almost Certain	High			
9	Barriers to Entry	Minor	Likely	Significant						
10	Operational - HR	Minor	Likely	Significant	Moderate	Likely	Significant			
11	Operational - Training	Moderate	Likely	Significant						
12	Flexibility/Adaptability	Major	Likely	High						



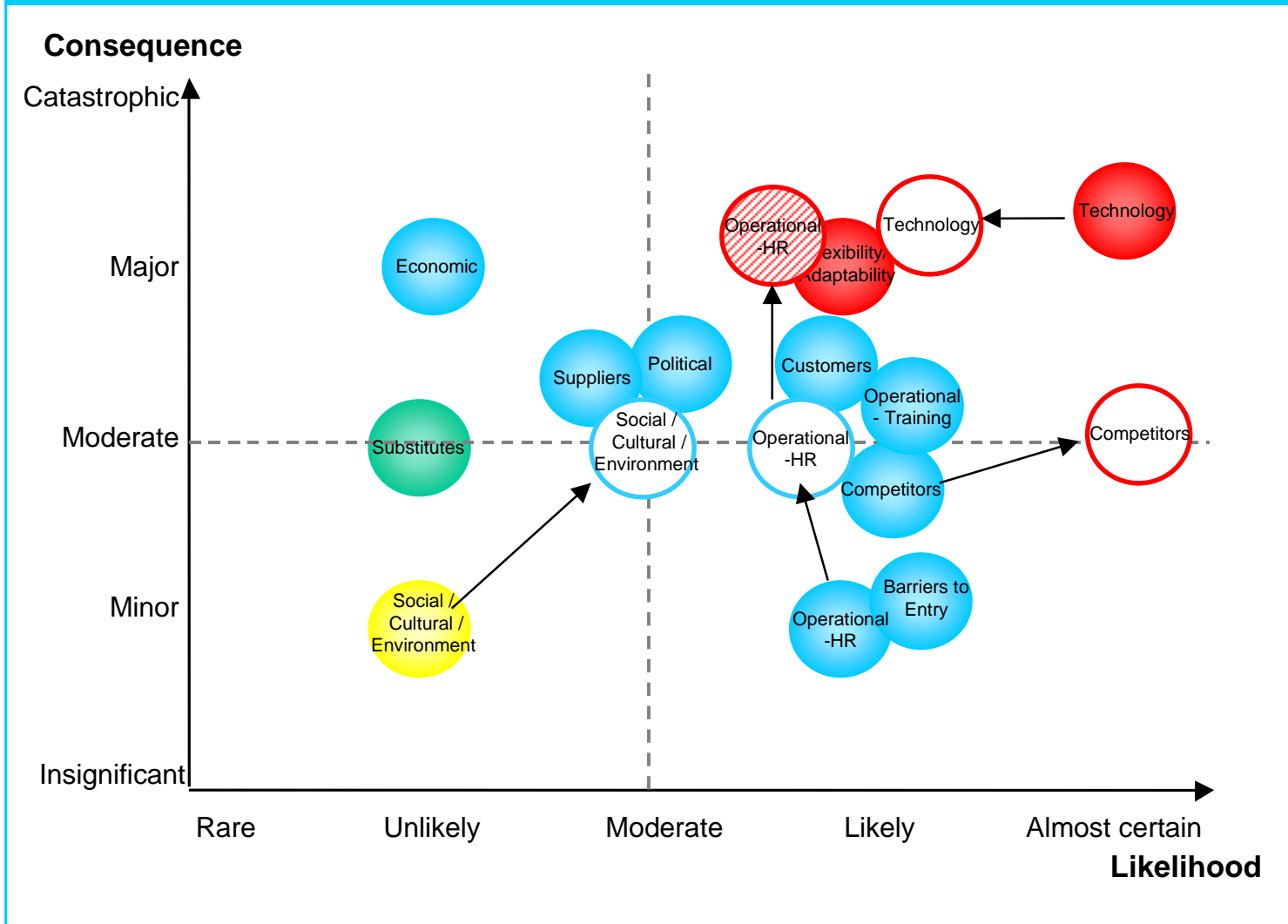
5.6 Industry Vulnerability Records 2005

Sector: Third Party Logistics service providers						
ID	Broad Risk Category	Causes	Consequences	Consequence Rating	Likelihood Rating	Risk Rating
1	Social/ Environmental/ Cultural	<ul style="list-style-type: none"> Increasing environmental accountability in operation of equipment providing third party logistics services. 	<ul style="list-style-type: none"> Greater compliance costs incurred by third party providers. Possible change in mix of service modes utilised to provide services in order to decrease environmental impact eg. greater utilisation of rail. 	Moderate	Moderate	Significant
1	Technology	<ul style="list-style-type: none"> Reliance on the use of IT and Communications to operate/manage services provided by 3PLs and guarantee visibility of supply chain. 	<ul style="list-style-type: none"> Interdependency results in vulnerability to any IT dysfunction or interruption to services. 	Major	Likely	High
1	Competitor	<ul style="list-style-type: none"> Highly competitive activity between Third Party Providers as market continues to rationalise. 	<ul style="list-style-type: none"> Increased capital costs incurred by players in order to differentiate through more sophisticated IT services. Increase in partnerships and joint ventures in order to maximise network reach. 	Moderate	Almost Certain	High
1	Operational - HR	<ul style="list-style-type: none"> Management required of more complex customer requirements, as the use of IT solutions increases in industry. 	<ul style="list-style-type: none"> Need for more highly skilled employees in industry sector in order to secure growth required. 	Moderate	Likely	Significant



5.7 Industry Vulnerability Profile Chart 2020

2020 Vulnerability Profile - Third Party Logistics Providers



- 2020**
- High
 - Significant
 - Moderate
 - Low
- 2005**
- High
 - Significant
 - Moderate
 - Low
- 1999**
- High
 - Significant
 - Moderate
 - Low



Third Party Logistics Providers Industry Report



5.8 Industry Vulnerability Summary 2020

This table records change where either the rating or the nature of the vulnerability has altered during the time period.

Risk No	Risk	1999			2005			2020		
		Consequence	Likelihood	Rating	Consequence	Likelihood	Rating	Consequence	Likelihood	Rating
1	Political	Moderate	Moderate	Significant						
2	Economic	Major	Unlikely	Significant						
3	Social/Cultural/ Environmental	Minor	Unlikely	Low	Moderate	Moderate	Significant			
4	Technological	Major	Almost Certain	High	Major	Likely	High			
5	Supplier	Moderate	Moderate	Significant						
6	Customer	Moderate	Likely	Significant						
7	Risk of Substitutes	Moderate	Unlikely	Moderate						
8	Competitor Risk	Moderate	Likely	Significant	Moderate	Almost Certain	High			
9	Barriers to Entry	Minor	Likely	Significant						
10	Operational - HR	Minor	Likely	Significant	Moderate	Likely	Significant	Major	Likely	High
11	Operational - Training	Moderate	Likely	Significant						
12	Flexibility/Adaptability	Major	Likely	High						



5.9 Industry Vulnerability Records 2020

Sector: Third Party Logistics service providers						
ID	Broad Risk Category	Causes	Consequences	Consequence Rating	Likelihood Rating	Risk Rating
1	Operational - HR	<ul style="list-style-type: none">Ageing population has led to contraction in skills available for employment in all industry sectors, particularly in IT related functions a critical component of 3PL activity.	<ul style="list-style-type: none">Severe skill shortages leading to aggressive employment market.	Major	Likely	High

Next Section →