



Logistics Industries ENVIRONMENTAL SCAN

November 2011

**Warehousing
and Logistics**



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Overview

Warehousing and logistics play a pivotal role in the transport and supply chain. Logistics is an integrated approach to transport, storage and distribution of goods aimed at ensuring that the right products reach the right place in the right quantity at the right time to satisfy customer demand. The warehousing industry is characterised by large, medium and small enterprises, and is one of the primary battlefronts in competition wars between some of Australia's biggest companies in reducing costs and therefore increasing profits.

Warehouses have developed into high-tech distribution centres which are virtually paperless and use the most sophisticated equipment, including conveyor picking and packing processes, voice activated systems and systems which can scan and track goods anywhere in the world.

The industry provides third party storage or warehousing services excluding grain storage. The storage activity can be under contract which may include distribution, or on an ad hoc basis such as self-storage. Warehousing services can be private or public, but both services attract a fee for storage of goods.

General warehousing accounts for more than half of all warehousing with cold storage accounting for a lesser percent and bond storage, distribution services and self storage accounting for the remainder.

Trends Analysis

Structural changes linked to the growth in e-commerce and increasing vertical integration and supply chain management are occurring in warehousing and distribution across retailing, warehousing and distribution organisations. Entry level positions are some of the most difficult to fill and retain due to the perceived low pay rates and lack of understanding of potential available opportunities.

Occupations in this industry include storepersons, transport and despatch clerks, purchasing supply and logistics clerks, forklift operators and supply and distribution managers.

Storepersons receive, handle and despatch goods in stores and warehouses.

Supply and distribution managers plan, organise, direct, control and coordinate the supply, storage and distribution of goods produced by organisations.

Transport and despatch clerks verify and maintain records of incoming and outgoing goods, prepare goods for despatch, arrange clearance and collection of imported cargo from customs and bond stores, and arrange shipment of cargo for export.

Purchasing and supply logistics clerks prepare and process orders for goods and services, monitor stock levels and supply sources and maintain stock and inventory levels, record and coordinate the flow of materials between departments, prepare production schedules, and administer and coordinate storage distribution operations within organisations.

In this industry sector there is a high proportion of full-time jobs with most occupations averaging above 80%.

Regulatory Requirements

- Bonded warehouses (customs, excise, excise issues) are regulated by the Department of Transport, Australian Customs and Border Protection Service.
- Forklift driving training is a regulatory requirement under Occupational Health and Safety regulations 1996 regulated by WorkSafe WA
- The National Licensing Standard requires operators of forklifts to hold a national licence issued by WorkSafe.
- New Dangerous Goods Code DG07 introduced in January 2010 is regulated by Department of Mines and Petroleum.

It is still perceived that warehousing remains the least regulated of all the transport and logistics industries. Steps need to be taken to address the lack of stringent policies that would ensure warehouse managers and supervisors are equipped with the correct training to deal not only with the increasing demand in use of technology but also the safety element (occupational safety and health and licensing requirements).

Demographics of Workforce

Men still dominate in this sector, partly due to perception of the heavy lifting involved, however some companies have made significant progress with a number of employers managing to establish a 50/50 workload in some areas, eg administrative roles.

Age Profile

- There are some concerns regarding the level of maturity of younger workers, especially when dealing with the operation of heavy machinery and occupational health and safety issues. There are also concerns regarding hiring of younger staff, due to the issue of reliability and the level of pay which they would expect to be matched to the mining sector. In addition there is an issue with licensing.
- With the pending issue of an ageing workforce, some companies have started looking into the possibility of fully automated sites for their operations. This is being considered only as an option of last resort due to the high set up and maintenance costs involved. Unlike the flexibility of conventional labour, there is stoppage time to take into consideration.

Main Employing Industries

The main players span across the dry goods, auto spares and frozen storage. They are all different in their own right however face similar challenges.

Impact of Globalisation

There has been an emergence of third party logistics (3PL) providers who provide a one-stop shop service to customers. These typically specialise in integrated operation, warehousing and transportation services that can be scaled and customised to customer's needs based on market conditions and the demands and delivery service requirements for their products and materials.

Other factors include the resurgence of regional warehousing to reduce transportation costs in light of oil prices, particularly in the food industry. The increased use of the internet and low cost of products from countries such as China, have also resulted in a huge surge in direct marketing.

The movement towards a more efficiently harmonised supply chain has resulted in the streamlining of not just the delivery of goods and services but also the storage of materials. Apart from those that cater for the resources sector, most companies opt for retaining a centralised warehousing system/distribution centre as opposed to duplicating costs and procedures by setting up in regional centres.

In an effort to remain competitive some companies have formed partnerships with clients through networks, therefore pooling resources to attain mutually beneficial outcomes in terms of price and delivery of goods and services

Impact of Government Policy/Decisions

As part of a national OHS harmonisation initiative the Commonwealth and each State and Territory have agreed to amend their OHS legislation so that each is consistent with the national Model Work Health Safety legislation (Model WHS legislation). The legislation is due to commence on 1 January 2012.ⁱ However, Western Australia is not intending to adopt the whole of the model but will likely adopt a significant portion of the proposed model laws. Four areas which have been highlighted will not be adopted by WA. These relate to Penalty Levels; Union Right of Entry; Health and Safety Representatives' Capacity to Direct the Cessation of Work; and Reverse Onus of Proof in Discrimination Matters. WA considers that its inclusion is contrary to one of the issues that initiated harmonisation.ⁱⁱ

Technological

Modern warehousing systems are highly ICT (information and communications technology) reliant and a growing part of this sector requires workers with a knowledge and understanding of ICT systems and systems management. New technologies such as the use of logistics management technology and systems, including freight tracking systems, electronic data interchange systems, supply chain management systems, on-board communications and control systems and portable and automated label recognition systems, are constantly evolving. Some companies are planning to introduce automation in the picking process, which would require less staff and result in lower staff numbers.

The upgrading of operating systems and scanning equipment can be a costly exercise which can be difficult to justify. Expenses and priorities for warehouses, ie forklifts and scanning apparatus can sometimes be sidelined, with funding being allocated to other areas, eg office software upgrades.

Economic Drivers

Labour accounts for 55% of the total cost of warehouse operations, with the cost of warehouse space also being a major consideration. Other drivers include:

- Cost of equipment
- Impact of the Australian dollar
- A declining number of new warehouses being built and the high interest rates affecting the levels of new business

Size and Distribution

WA is the fourth largest employer of warehousing workers, employing between 10-12% of the national workforce. This is expected to remain steady of the next few years.ⁱⁱⁱ

A number of larger distribution centres have emerged in Perth, particularly around the International Airport where there has been a huge growth in warehouse related activity. This has caused some issues regarding access for those who rely on public transport, as there are still limited services, and for some great distances to be travelled.

The viability of sustaining warehouses/distribution centres in the remote parts of Western Australia is being reviewed. It would appear that it is more cost effective to have goods transported from Perth as opposed to incurring high maintenance and set up costs associated with remote locations.

Though a national trend is perceived to be taking place in the growth of third party logistics (3PL), in WA the opposite is occurring. Companies are reverting back to centralising their operations out of Perth instead of incurring maintenance and set up costs for warehouses in remote locations. Other factors such as frequency of use, downtime, demand constraints, capacity and eligible staff who meet requirements have contributed to this change.

Regional Focus

A bulky goods centre is planned for Karratha as part of the town's transition to a regional city. The complex will be the retail base for a range of stores including whitegoods, hardware and electronics.^{iv} This will involve in increased activity in the warehousing sector.

Sustainability

A survey conducted by the TLISC indicates that companies are still coming to terms with the question of sustainability. Warehousing facilities have the largest potential in terms of reducing environmental impacts, with the following areas being targeted. In addition all employees using the facilities need to be trained in using them efficiently, especially in relation to company purchasing strategies.^v

Green Building or Energy Efficient Buildings:

- Reduced energy use and increased energy efficiency of vehicles and in buildings
- Increased water efficiency

Warehouses have the largest potential to improve energy efficiency. Considerable steps have been taken by some companies in implementing long-term strategies to recycle and reduce energy use. Ideas noted included the conversion to censored LED lighting systems which alleviates the need to have unused areas illuminated. Other ideas include the installation of rain water collection tanks for reuse in cooling machinery. However companies are reluctant to invest in machinery if it is limited to one task.

The moves taken towards reducing, reusing and recycling are not just limited to the larger companies with large spending budgets. Many smaller companies in this sector are also making efforts to reduce their energy use.

Like most other companies the warehousing industry is anxious about the implications of the proposed carbon tax as some of the warehouses have a trucking arm to their operations.

Supply Chain Influences:

Purchasing materials, products and services, in addition to hiring power and product selection supporting sustainability, such as:

- Electricity, storage and distribution of goods
- Hiring drivers/distributors
- Sustainable packaging through reuse (CHEP) or minimizing storage and transport materials
- Initiating new sustainability initiatives with your business partners and suppliers, distributors, transporters

Qualification Profile of Workforce

Traditionally warehousing has been considered an unskilled area, however, the introduction of traineeships and qualifications pathways have resulted in an increased uptake of training, and the industry is attracting more educated workers. Whilst some companies provide training to minimal regulatory requirements, there is an emerging training culture involving structured in-house training, traineeships and some pre-employment training being delivered.

- Nearly 80% of warehousing workers have no post-school qualifications. However, new training package pathways and take-up of traineeships by industry should see a shift in this data.
- Entry level positions are some of the hardest to fill and retain, not just because of the low rates and lack of understanding but also the skills level of the individuals and their aptitude, and perception of an industry without clear career pathways.
- Though structural changes are taking place along with vertical integration and the rise in e-commerce, industry in WA has had to cope with a smaller market in comparison to the eastern states; hence there is a need for higher level qualifications to deal with a broader scope of tasks to be covered.

Warehousing and Logistics

- Most companies tend to opt for in-house training for staff as this is more tailored to the requirements of job roles with their respective organisations. In addition to this some companies prefer to employ pre-qualification workers.
- Some employers have indicated that they would rather employ a person based on attitude rather than qualification, having found that those without a qualification were easier to train.

Social Impact

Warehousing was previously considered an occupation for unskilled workers, predominantly male, with women in administration roles or order picking. However, more women are now working in the sector, and qualifications pathways are attracting more educated workers.

Critical Skills Shortage Occupations

- Storeperson
- Forklift Operator
- Supervisor
- Supply And Distribution Manager
- Warehouse Manager
- Trainer And Assessor
- Dispatching And Receiving Clerk
- Logistics Clerk
- Supply Clerk

LOGISTICS MANAGEMENT

As a result of the move towards a more coordinated, vertically integrated, multimodal transport and logistics industry, involving the full supply chains for both freight and passenger transport, logistics management has become a major occupational outcome.

Logistics management is anticipated to grow as a result of the following initiatives:

- New trends in the use of logistics management technology and systems, including freight tracking, electronic data interchange systems, supply chain management, onboard communications and control systems, and portable and automated label recognition systems.
- Streamlined systems of compliance, including safety and security management, border security, customs, quarantine, load management and human factors management (including personal safety and security, communications, teamwork, leadership, problem-solving, adaptability and the taking of appropriate initiatives when dealing with critical situations).
- Development of multimodal freight terminals and 'inland ports'.
- Government initiatives to redirect a significant proportion of freight from road systems to the rail networks and the infrastructure implications.
- Increasing consumer demands for goods and services to be provided just-in-time and with exceptional service.

ⁱ ALB Legal News on line: <http://au.legalbusinessonline.com/online-practice-area-editor/>

ⁱⁱ Ian King, CEO WARTA, WA Transport Magazine, October 2011

ⁱⁱⁱ Australian Government. (2010) Job Outlook – www.joboutlook.gov.au

^{iv} West Australian Newspaper, 9 November 2011

^v Greenskills, January 2010, National Centre for Sustainability, TLISC