Transportation and Logistics Risks 2016

KPMG presents our view of the top risk by value driver faced by corporates in the Transportation and Logistics sector.

Global
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Emergence of fast evolving digital technologies, increased regulatory pressure and global economic uncertainty are key factors in the current risks landscape. KPMG Risk Consulting assists clients to develop robust risk mitigation methods by interpreting the underlying drivers of global risks.

### Strategy
- Slowdown in China’s economy backed by decreasing demand for commodities and a drop in Chinese exports and imports, negatively affecting shipping business.
- Uncertainty in customer demand due to changes in shipping and freight market from general economic fluctuations, decline in international freight demand and increasingly severe competition.
- Intensive competitive environment driven by a number of companies competing in one or more segments of the industry with limited firms having a global network.
- Reliance on asset-based third party provider of logistics services with rising concerns over potential supply and financial well-being of vendors.

### Growth
- Expanding international operations leading to risks due to non-compliance with various regulations, economical and political developments, discriminatory fiscal policies etc..

### People
- Operational risk resulting from disruption by labor unions, strikes, work stoppages.
- Inability to attract and retain qualified personnel while appropriately managing costs related to employee benefits.

### Profitability and Liquidity
- Volatility in commodity and fuel prices leading to instabilities in revenue streams and operational costs of companies.
- Financial risks relating to credit risk, liquidity and refinancing risks can adversely hamper a company’s liquidity.
- Fluctuations in freight rates in container liner business due to significant structural imbalances between supply and demand.
- The risk of adverse movements in interest rates and exchange rates.
- Owing to the capital intensive nature of the industry, inaccuracy in forecasting future capital requirements can affect liquidity and access to capital.

### Operational Excellence
- Operational risks from overcapacity, congestion, backlogs and bottlenecking due to recent increase in number of larger ships carrying bulkier cargo in fleets.
- Cyclical nature of business as seasonal fluctuations affect volumes, revenues and earnings.
- Exposure to supply chain disruptions due to lengthier supply chains, harsh weather conditions and uncertainty due to varying international operating procedures.

### Health, Safety and Environment
- Major upheavals such as terrorist acts, diseases, strikes, and other natural disasters can affect operations in national and international markets.
- New developments in environmental, health and safety laws and regulations leading to higher litigation costs.

### Technology
- Increasing competition from startups and tech giants implementing emerging technologies Big Data analytics, driverless cars, 3D printing) and providing platform-based and dedicated delivery solutions.
- IT risks relating to malfunction or disruption in the operation of the systems, or a security breach, could adversely impact the company’s ability to compete.

### Compliance
- Regulatory and compliance risk due to changes in international and domestic laws, rules, policies, tax regulations, technical standards and trade policies.

### Reputation and Ethics
- Risk to reputation/brand as a result of negative assessment or comments from stakeholders.

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