

Productivity Commission
c/o Yvette Goss
4 National Circuit
Barton ACT 2600
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RE: Vulnerable Supply Chains - Interim Report

Dear Productivity Commission

Thank you for the opportunity to make a brief comment on the *Vulnerable Supply Chains, Interim Report*. As Australia's largest medicines company, Novartis helps to improve the lives of more than 2.8 million patients across Australia and New Zealand. We are invested in the health and wellbeing of Australian patients and recognise the importance of strong and reliable supply chains in achieving positive health outcomes.

Novartis is reimagining medicine by using innovative science and technology to address challenging healthcare issues and our rich pipeline has 200+ projects in development and an industry leading clinical trial footprint in Australia. We are leading the Australian pharmaceutical industry in bringing new technologies to Australian patients.

A vital component of our business is our supply chain with which we have ability to ensure patients have access to the treatments they need when they need them. The covid-19 pandemic has put global and local supply chains under the spotlight and exposed their strengths as well as weakness. We value this chance to provide information to strengthen our systems for the future.

We recognise that there are four factors key to ensuring a robust supply chain, these are: supply readiness, supply diversity, digital readiness, and collaboration with health authorities.

- **Supply readiness:** Close interaction with suppliers to ensure adequate levels of raw materials and to provide uninterrupted supply for patients. Our goal is to become faster, more agile, and more efficient to create fully integrated and automated end-to-end supply chain planning.
- **Supply diversity:** Companies with a diverse global footprint can leverage best practice sharing to accelerate learning. Geographic diversity allows Novartis to maintain dual supply points which provide vital flexibility throughout the entire value chain.
- **Digital Readiness:** Novartis' approach emphasizes strong digital capabilities, including using predictive analytics and AI to generate supply/demand forecasts.
- **Collaboration with governments and health authorities:** Maintaining constant engagement with governments and health authorities/agencies helps ensure open lines of communication.

Besides maintaining a global manufacturing and supply network, Novartis invests in mitigation actions such as dual sourcing, as well as business continuity plans to mitigate any risks upcoming for stock levels on any product or raw material. The level of investment to a mitigation action depends on the type of product involved (essential medicine, etc.), the markets in scope, the manufacturing costs, source supplier/site and the risk exposure. For the majority of our key products we have already in place second source of supply and we have plans to introduce it for the ones not covered yet. We use this measure for selected key products in addition to inventory strategies that also contribute to reduce supply continuity risks.

We understand the call for increased local manufacturing, however our experience globally is that national localisation measures pose barriers to a consistent medicines supply. At a time when health authorities raise concerns about increased supply needs, countries should implement health and

economic policies that support a competitive, transparent and market-oriented approach that welcomes products from a broad, global manufacturing network. Novartis through our partnership with Cell Therapies, has established the first and only approved commercial manufacturing site for Kymriah® (tisagenlecleucel), a chimeric antigen receptor T cell (CAR-T) in Australia for both clinical trial and non-clinical trial patients. This one time treatment is approved for the treatment of a lymphoma in adults and a type of leukaemia in children and young-adults. We would be interested in discussing similar local manufacturing arrangements and tech-transfer agreements moving forward.

While these strategies provide a robust and diverse supply chain, leaving no single point of failure, the risk is on the shoulders of our industry. These measures only go so far and commitment to establish improved communication systems between our industry and Australian governments is essential to build greater information sharing. An area we see could be improved is transparency, particularly on key targets and forecasting assumptions. Ensuring the safety of Australia's supply chains is a joint responsibility between industries and governments. We suggest greater sharing of data around population caps, intended target coverage rates and forecasting, and arrangements for sharing risk on locally-stored contingency supplies. It is important that risk is shared between governments and industries to ensure both are invested and accountable for the success of supply chains.

We welcome further opportunities to discuss or to provide further insights based on our experience.

Sincerely,

Louise Carter
Country Head of Public Affairs