

5 May 2021

Productivity Commission
Locked Bag 2, Collins St East
Melbourne Vic 8003, Australia

Response to the Vulnerable Supply Chains Interim Report

To the Commissioner,

ALC is the peak national body representing major companies participating in the freight logistics industry. ALC's policy focus is on delivering enhanced supply chain efficiency and safety.

Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators.

Similarly, the freight supply chain provides the materials to build and operate critical community infrastructure – roads, hospitals and schools – which are fundamental to our society.

An inefficient and unproductive national supply chain can ultimately result in lost export income, reduced employment, higher consumer prices and Australia becoming less competitive in the global market.

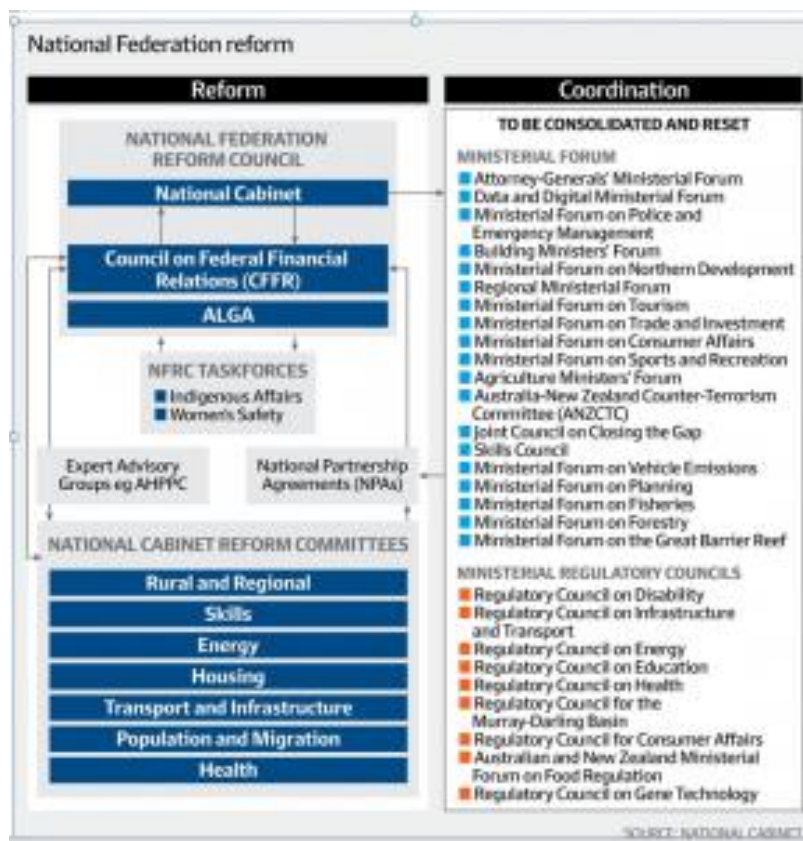
This Vulnerable Supply Chains reference provided to the Commission, together with the work being done by the Industry Department on [modern manufacturing policy](#) and the [Department of Home Affairs](#) on [critical infrastructure](#) would appear to be the Government's way to learn the lessons from the COVID pandemic so as to ensure that Australia's supply chains can withstand the effects of external shocks.

At a high level, ALC agrees with the observations made in Finding 5.2 of the Vulnerable Supply Chains Interim Report (**the Interim Report**) that business is best managed by those who have direct incentives to mitigate against them.

That said, governments can assist the risk mitigation where unanticipated risks to the supply chain exist, such as the authorisation provided to the ACCC that allowed supermarkets to take coordinated approaches to ensure grocery supply during the Covid pandemic as well as the International Freight Management Mechanism that was established to deliver regular freight services in the absence of commercial passenger flights.

They were actions that were dynamically designed to respond to particular risks that appeared during the early responses to the COVID pandemic by representatives of government and industry working together.

This experience, together with discussions with the work being led by the Department of Home Affairs in relation to critical infrastructure protection suggests there should be some formalised expert standing group comprising both industry and government members so as to provide practical advice to the National Cabinet process where a shock to the Australian supply chain has occurred or is imminent. Such a mechanism forms part of the National Cabinet process, as indicated by this graphic:



More generally, as recognised on page 18 of the Interim Report, the freight and supply chain is the 'link' between consignor and consignee.

Any structural barriers to the efficient movement of freight down the supply chain should be removed.

One set of government responses to the COVID pandemic was the relaxation of certain laws that impeded the efficient operation of business. For example, curfew laws were recently relaxed to allow the efficient movement of freight after the commencement of the COVID pandemic.

Regrettably, some of these relaxations are perceived as being temporary in nature.

Yet industry experience has shown that these relaxations has promoted supply chain efficiencies that has allowed participants to manage shocks to the supply chain.

ALC believes there should be a coordinated review of all the legislation that was relaxed during the COVID period at a national level with a view of permanently removing structural barriers to the efficient operation of the supply chain.

ALC also agrees with an observation made during an industry workshop conducted by the Commission on 21 April 2021 that governments should give effect to commitments they have made to implement the national Freight and Supply Chain Strategy.

It particularly urges the proposed [National Urban Freight Planning Principles](#) (which forms part of the Strategy) are adopted in a way that permits the continuous movement of freight down the supply chain to reduce in particular efficiency pressures experienced by ports that can exacerbate supply chain vulnerabilities.

ALC members advise that particular actions that have been taken by them to manage supply chain vulnerabilities include:

Supply chain risk management strategies such as:

- diversification of sourcing of inputs
- vertical integration of supply chains
- decentralisation of manufacturing capacity
- emphasis on supply chain visibility
- localising supply chains (e.g. Modern Manufacturing Initiative in Australia)
- merging of B2B (Business-to-Business) and B2C (Business-to-Consumer)/flexibility in supply chains, and
- managing supply shortfalls.

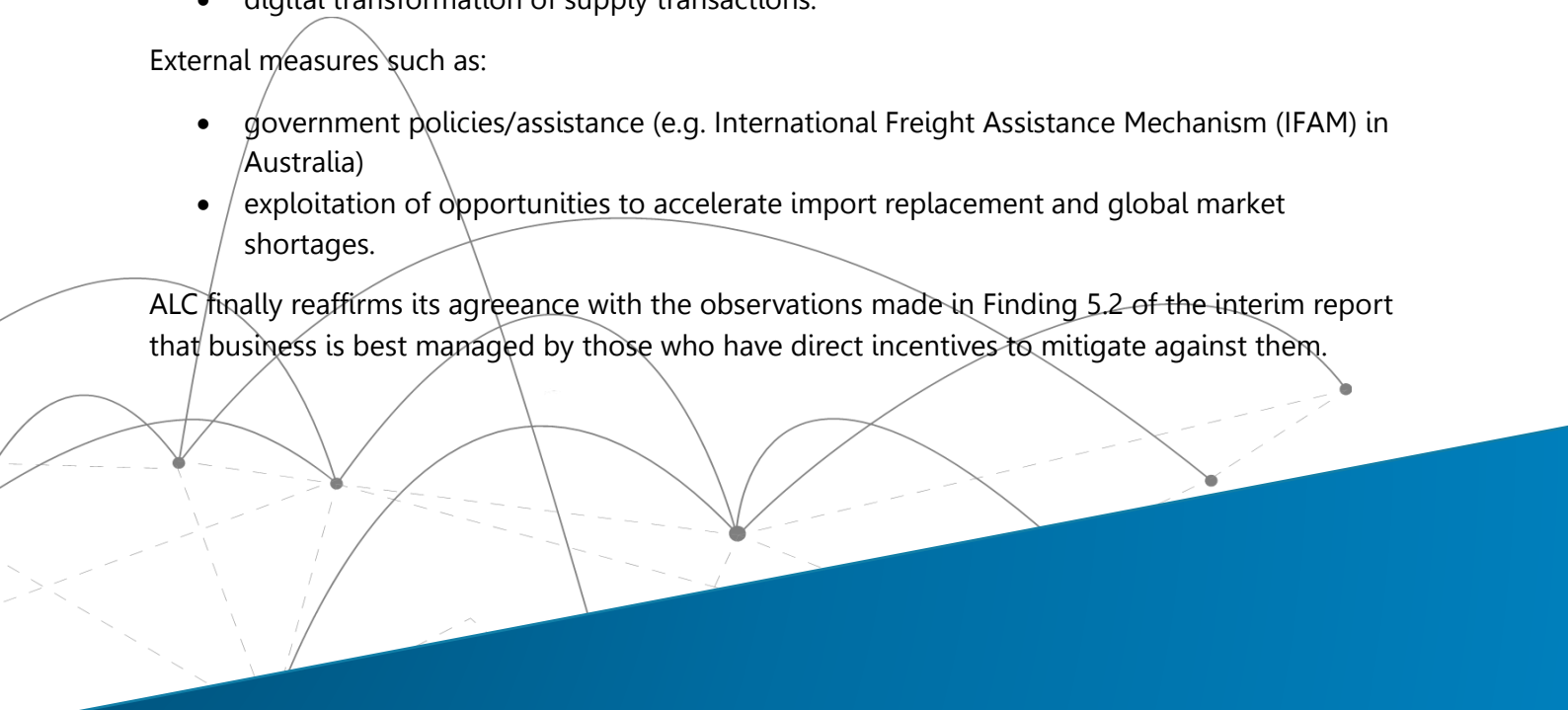
Internal measures such as:

- investing in online distribution channels
- digital transformation of supply transactions.

External measures such as:

- government policies/assistance (e.g. International Freight Assistance Mechanism (IFAM) in Australia)
- exploitation of opportunities to accelerate import replacement and global market shortages.

ALC finally reaffirms its agreeance with the observations made in Finding 5.2 of the interim report that business is best managed by those who have direct incentives to mitigate against them.



ALC is committed to working with the Government in the development of any new regulatory framework that seeks to enhance the security resilience of our supply chain in an efficient, effective and affordable manner, and welcomes the opportunity to provide its comments on the interim report.

Should you wish to discuss this submission further, please contact Rachel Smith, Director – Policy and Advocacy.

Yours sincerely,

Kirk Coningham OAM

Chief Executive Officer

