

Commissioners de Fontenay and Coppel
Vulnerable Supply Chains Study
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne VIC 8003

Dear Commissioners,

Accord is pleased to provide this submission on the Commission's Interim Report on Vulnerable Supply Chains (the Interim Report).

Accord is the peak national industry association representing the manufacturers and marketers of formulated hygiene, personal care and specialty products, their raw material suppliers, and service providers. Accord member companies make and/or market fast-moving consumer and commercial goods including hygiene, cosmetic, personal care and specialty products, sunscreens, food contact sanitisers, industrial and agricultural sanitisers, household pesticides, disinfectants and specialty commercial products. Member companies include large global consumer product manufacturers as well as small dynamic Australian-owned businesses. A list of Accord member companies is available on our website: <http://accord.asn.au/about/members>.

Headline statistics¹ for our industry's economic footprint include:

- Accord's membership is approximately 100 companies.
- Collectively, Accord member companies directly contribute more than 12,000 full-time equivalent jobs.
- Nationally, more than 175 offices and more than 65 manufacturing sites are operated by Accord member companies.
- 80% of member companies export products overseas.

We thank the Commission for the considered analysis of supply chains and factors that lead to vulnerability. As a member of the Department of Industry's Supply Chain Roundtable, we appreciated the presentation overview provided recently by Commissioner Catherine de Fontenay, and use this submission to supplement the industry comments made in that fora.

We also thank the Commission for the acknowledgement that supply chains are neither simple nor linear; that they are complex networks with inter-dependencies.

Within our industry, the formulated hygiene products sector is a good case study to expand the complexities in supply chain as it relies on an intricate network for supply of raw materials and components to produce its products. Once the products are manufactured, they are then supplied to other industries and become a part of further supply chain for those manufacturing sectors e.g. medicines and food, by providing products that keep the manufacturing facilities and equipment clean and hygienic.

We have attached the 2019 EY Economic State of the Industry Report for the Hygiene, Personal Care and Specialty Products Industry that was published in September 2019 and draw the Commission's attention to the product investigation into sanitisers and disinfectant cleaning products by way of demonstrating the diversity of sector use of such products.

¹ Results from Accord Industry Size and Scale Survey 2018

As manufacturers and importers of formulated hygiene and personal care products which includes disinfectants, hand sanitisers, detergents, soaps etc., our members experienced unprecedented supply chain disruptions in early 2020 when COVID-19 restrictions were first introduced in Australia. The cause of the disruptions to different strands of the supply chain were (and remain) varied and include themes already identified in the Interim Report such as surge in demand, 'diamond-shaped' supply chain and regulatory restrictions that prevent rapid response to the disruption.

While our member product supply shortages have been addressed somewhat, we are continuing to see the impact of the disruption unfold. Some organisations are now using supply chain mitigation strategies as identified in the Interim Report, such as stock piling and supplier diversification. These changes lead to difficulty for suppliers in forecasting future demand, cashflow, which in turn lead to potential for further future supply chain disruptions.

As reiterated by many during the Supply Chain Roundtable, sea and other transport modes and their associated logistics are significant ongoing issues across a range of import and export supply chains.

Accord stands ready to share this industry intelligence along with our other learnings on supply chain disruptions during the pandemic and into the recovery period with the Commission and/or other areas of government for the further assessment of vulnerabilities in specific supply chains.

This would also extend to the industry expertise that is recognised in the Commission's findings as being necessary to further consider the vulnerability of particular chemicals and other inputs into essential products, noting too that the Commission's consideration of potentially broadening the narrow definition of 'essential' included in the Interim Report would be welcomed by industry.

As found in the Interim Report for many products, the main supplier of vulnerable imports is China. We would however reiterate here that the value of an input, regardless of source, should not necessarily be used as an assessment of whether it is critical in the supply chain, and we would suggest that this too would be an area of industry expertise that could further refine and assess vulnerability.

Importantly, we note that Commission's consideration of the role of the government in supply chain vulnerability. We are strongly supportive of the Commission's general consideration that the government should ensure that companies do not face unnecessary constraints on how they plan and respond to disruptions. This requires the government to actively consider current rules and regulations that may limit the ability of companies to respond to supply chain disruptions, and a change in regulator culture generally, to assist industry.

The following is a short list of actions that were considered by companies to ease supply chain pressures in 2020, that could not be implemented due to existing, complex, Australian rules. These are broad descriptions of specific issues – more information can be provided if requested.

- Importation of products marketed in an overseas jurisdiction with equivalent regulatory oversight e.g. the EU, Canada, USA and New Zealand.
- Use of locally manufactured ingredients to replace imported ingredients.
- Consideration of new packaging suppliers as interim measures.

Thank you for your consideration of our submission. If you have any queries regarding any of these points, please feel free to contact us.

Yours sincerely,

Unsigned for electronic distribution

Bronwyn Capanna
Executive Director
4 May 2021