

28 April 2021

Mr Michael Brennan  
Chair  
Productivity Commission

Dear Mr Brennan

### **Chemistry Australia – Vulnerable Supply Chains – Interim Report - Submission**

1. Chemistry Australia is pleased to provide this submission on the Commission's Interim Report on Vulnerable Supply Chains.
2. Chemistry Australia (formerly the Plastics and Chemical Industry Association) is the peak national body representing the chemistry industry. Chemistry Australia members include chemicals manufacturers, importers and distributors, logistics and supply chain partners, raw material suppliers, plastics fabricators and compounders, recyclers, service providers to the sector and the chemistry and chemical engineering schools of leading Australian universities. Chemistry Australia's affiliate members include the Australian New Zealand Industrial Gas Association (ANZIGA) and Australian Paint Manufacturers' Federation (APMF).
3. The chemistry industry is the third largest manufacturing sector in Australia. Our industry directly employs more than 61,500 people (FTE) and supports approximately 212,000 FTE jobs across the economy. The industry directly contributes \$11 billion to gross domestic product (or \$38 billion including indirect contributions), supplying inputs to 108 of Australia's 114 industries.
4. Chemistry is an essential part of our everyday lives; ensuring 25 million Australians can access a safe and plentiful supply of fresh food, clean drinking water, world-class healthcare; providing support for energy generation and storage technologies; ensuring the supply of high-quality construction materials for our towns and cities and protecting our critical infrastructure. During the COVID-19 crisis, chemistry has been vital to the response, delivering sanitisers and PPE, supplying the oxygen needed to support those requiring intensive medical care; and producing key inputs to the development, manufacture and distribution of vaccines.
5. The expansion of global trade and global supply-chains has enabled the world economy to expand over many decades, improving living standards as more people have shared in the prosperity this growth has delivered. However, this shift in trade has had a significant impact on Australian manufacturing, as it has struggled to remain globally competitive against manufacturing in lower cost jurisdictions operating with economies of scale focused on supplying global markets. At the same time, modern business structures and disciplines, aided by the growth of sophisticated enterprise resource planning (ERP) platforms, have focused on supply-chain and working capital management efficiency, resulting in a fine balance between supply and demand across many sectors.

6. The COVID-19 crisis has demonstrated that existing global supply-chains cannot cope with simultaneous increases in demand across all regions of the globe. It has also shown that key parts of those supply-chains are vulnerable to disruption as governments seek to ensure that critical goods are not exported or due to the closure of ports, transport infrastructure or manufacturing plants.
7. No country would be able to supply all the goods and services that are needed to maintain a modern society or economy. Global trade will always be critical to the supply of goods and services. This is particularly true for Australia which represents less than 1 per cent of global trade.
8. With regard to the Interim Report, Chemistry Australia supports the Commission's:
  - analysis of the complexity of modern supply-chains;
  - views regarding the on-going importance of global trade;
  - proposed framework for working through industry sectors to identify vulnerable supply-chains; and
  - proposed process for determining the appropriate government response to any identified supply-chain vulnerabilities, including the options of providing financial support to:
    - i. enhance and/or establish a domestic manufacturing capability; or
    - ii. build strategic stockpiles of critical goods and products.
9. Chemistry Australia would strongly recommend that the ongoing task of working through the framework outlined by the Commission be allocated to the Department of Industry, Science, Energy and Resources (DISER). The task should not be outsourced to consultants. Chemistry Australia believes that the framework provides a valuable opportunity to strengthen links between DISER and Australian industry, foster key capabilities within DISER and build an institutional memory within DISER. All of which will provide a basis for better informed industry policy going forward.
10. Chemistry Australia and its members look forward to working with government as part of this important and strategic project to build a more resilient Australia, positioned to address future challenges that may confront us as a nation.
11. If you would like to discuss aspects of this submission, please do not hesitate to contact me

Yours sincerely

**Bernard Lee**  
**Director – Policy and Regulation**