



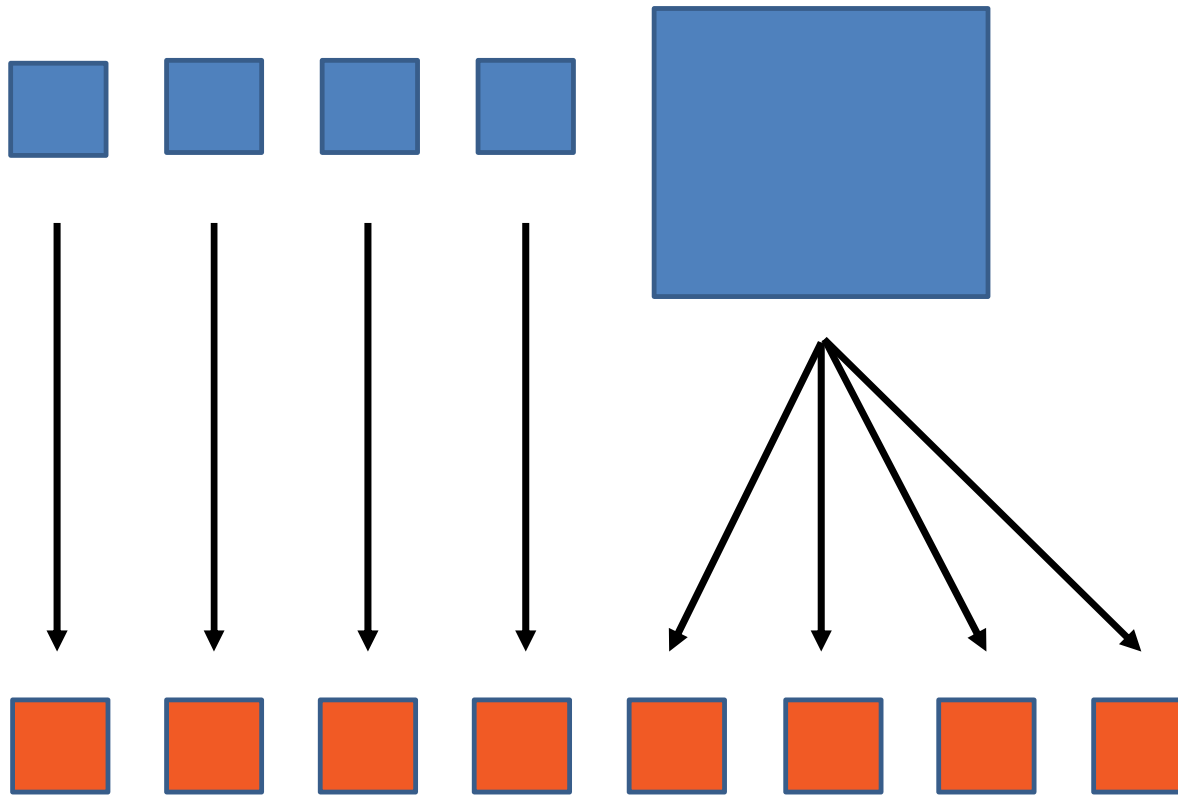
**Australian Government**  
**Productivity Commission**

# Identifying vulnerabilities in Australia's supply chains

Dr. Catherine de Fontenay, Commissioner

1. Which of Australia's supply chains are vulnerable?
2. Are firms in essential industries managing their vulnerabilities?

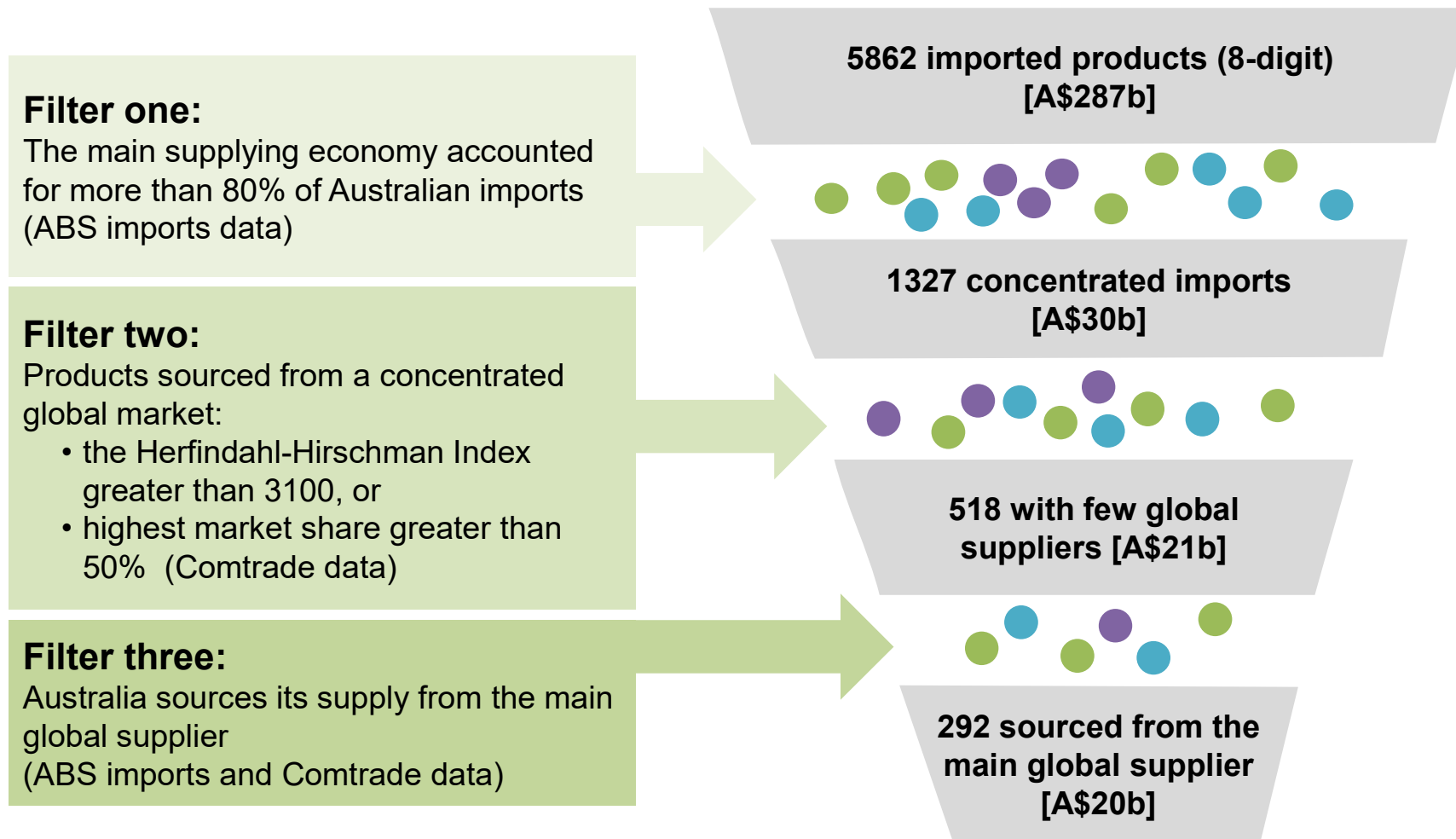
► **Vulnerability of a country's supply:**  
**Similar to a firm thinking about alternative suppliers**



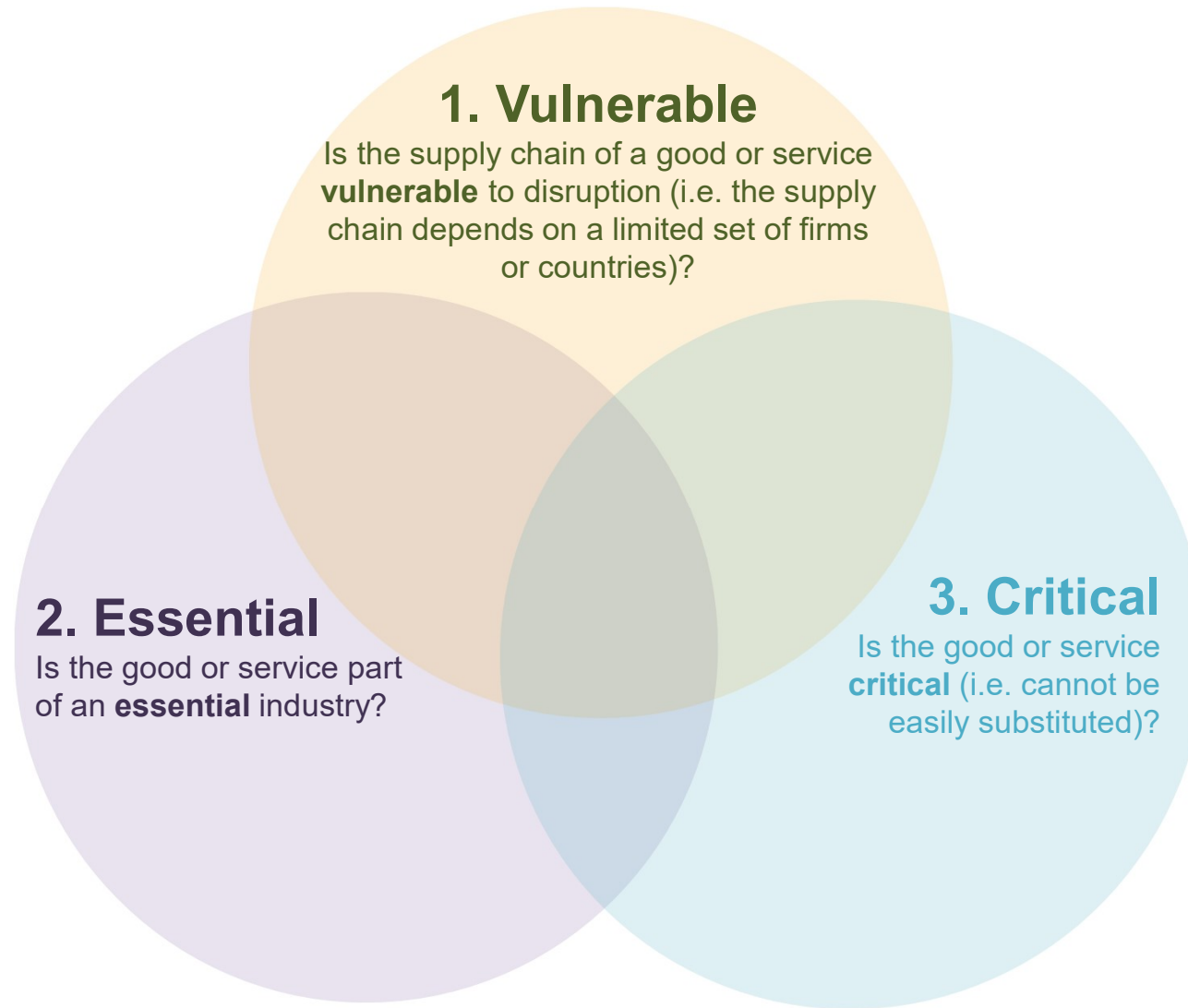
If my supplier is large, and has an interruption, the other suppliers may not have enough capacity to replace him.



## ► Identifying vulnerable imports



## ► Where is the risk to Australia?



► **Firms are drawing on a range of risk management strategies**



Better  
planning and  
information  
gathering and  
use



Stockpiling



Diversifying  
markets and  
suppliers



Contingent  
contracting



Domestic  
production



► A global trading system offers...

- Concentration in large-scale plants or in high-productivity locations.



**More risk**

- Alternative sources of supply
- New sources of supply, not yet known
- Suppliers who can expand quickly, not yet known



**Less risk**



## ► Risk ownership and the role of government

### 1 Identify relevant supply chains

**Firms own responsibility for managing their own supply chain risks.**

This includes government agencies that directly deliver or purchase essential goods and services.

### 2 Examine possible role for government

**Rationale for government intervention may exist where there:**

- is a divergence in risk appetite between firms and the community
- are regulatory impediments to firms having the incentives or ability to manage risks effectively

**Many feasible options exist for governments to help better manage risks:**

- Information provision and expertise
- Direct investment: Subsidising stockpiling or local production
- Removing trade/regulatory barriers



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