



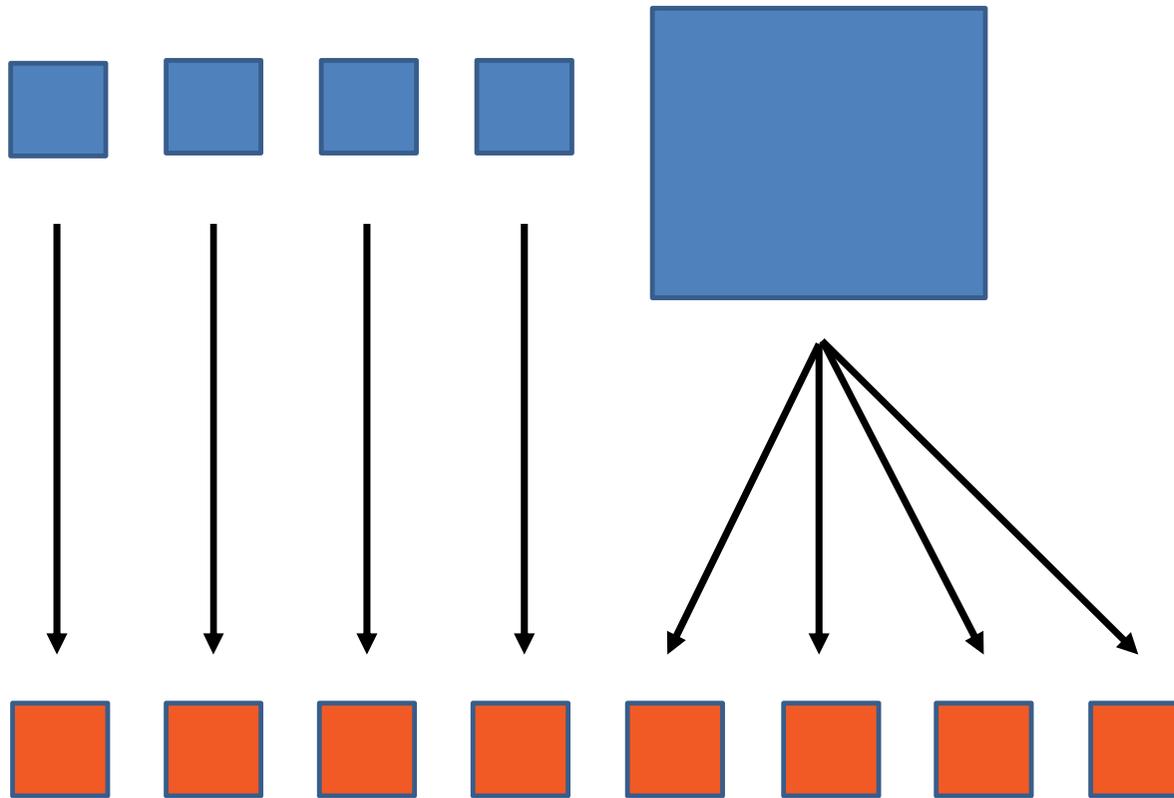
Australian Government
Productivity Commission

Identifying vulnerabilities in Australia's supply chains

Dr. Catherine de Fontenay, Commissioner

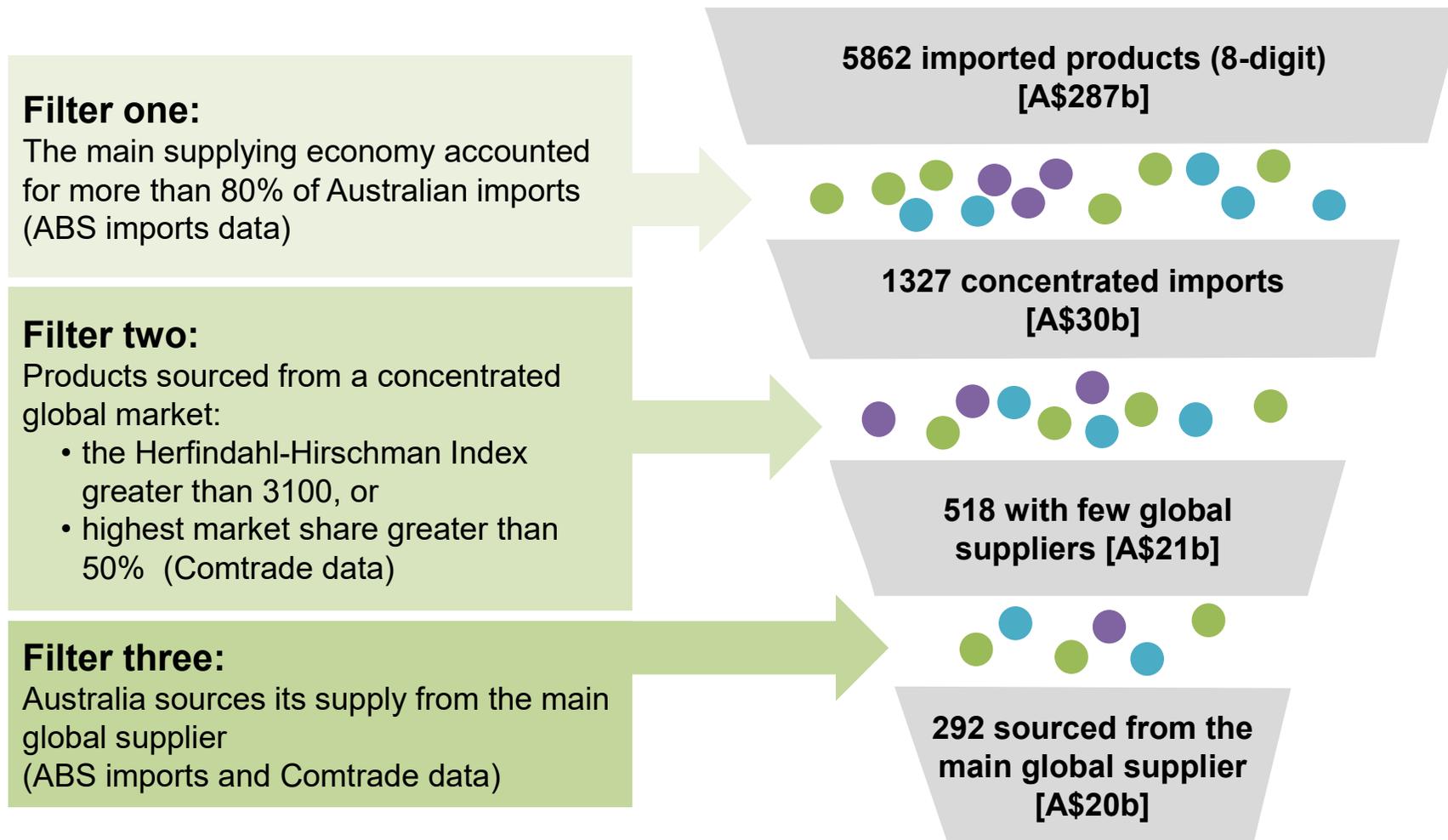
1. Which of Australia's supply chains are vulnerable?
2. Are firms in essential industries managing their vulnerabilities?

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

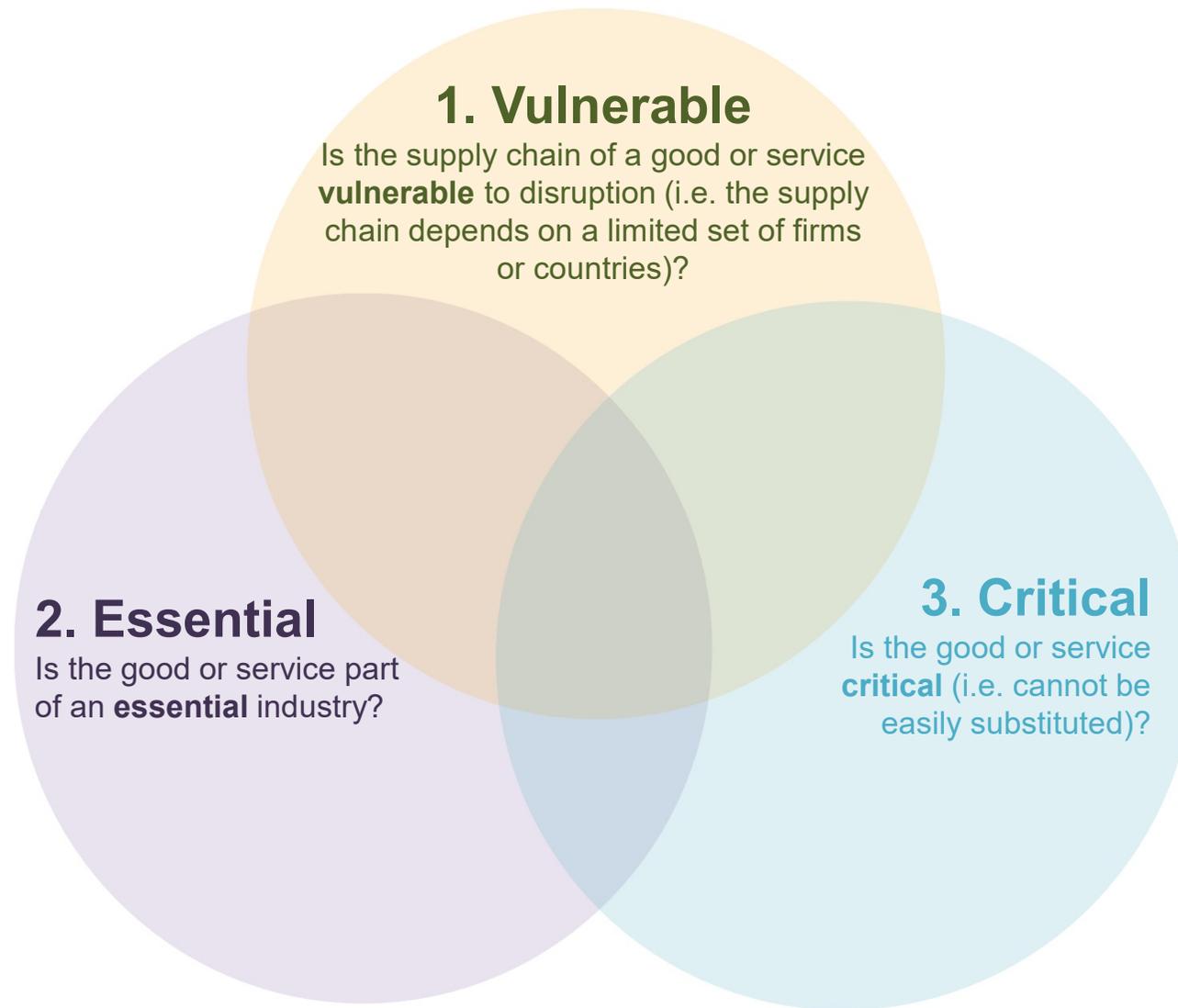


If my supplier is large, and has an interruption, the other suppliers may not have enough capacity to replace him.

► 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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