

Keep freight moving: the importance of Industry and Government working together to create resilient supply-chains.

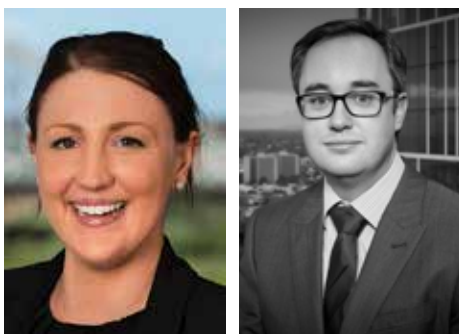
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Structural change in the maritime industry is imminent. Climate change, changing vessel types, new fuels, changes in cargo mix, and the increased adoption of digital technologies is fundamentally changing the landscape within which global trade occurs. This structural change brings with it evolving risks and opportunities that can be harnessed to unlock the full potential of our ports and supply chains, embedding resilience into the heart of the sectors operations.

COVID-19 has taught us that disruptive events are difficult to predict. While we know that disruption is coming and roughly what the event could be, we can't accurately predict when they occur, what triggers them, how long they last and what else they might impact.

Disruptive events in the maritime sector have included things like; natural disasters, extreme weather events, mechanical failures, industrial action and human errors. Future disruptive events may include; more regular natural catastrophes, more disruptive cyber-attacks, faster changing geopolitical relations, trade embargoes, and even issues related to the possible adoption of autonomous shipping.

These evolving risks represent increased systemic risk to the international trade sector and the supply chains that support it. This risk cannot be effectively managed



at the individual asset level alone, Government coordination and industry representation is critical.

Supporting over 90% of global trade, it's not hard to recognize that the connectivity of Australian maritime supply chains to the global economy is critical for our continued growth and standard of living. Our economic success depends on the transport, ports and shipping industry being efficient and resilient to disruption.

The Australian Government has recognized the need for greater understanding and reform, having recently launched several initiatives aimed at understanding supply-chain risk and vulnerabilities our critical infrastructure is exposed to. Key initiatives include the Productivity Commission's current inquiry into vulnerable supply chains, investigating the cause of vulnerability, how vulnerability can be identified and exploring risk management strategies.

Other initiatives include the 2020 Bills before parliament relating to Foreign Investment Reform (August 2020), setting out mechanisms to provide greater transparency on foreign investment in Australia, and the Critical Infrastructure Security amendments (December 2020), setting out reporting obligations for critical infrastructure owners, enhanced cyber security obligations and government assistance for relevant assets regarding cyber-attacks.

There have also been funding initiatives, such as the \$107.2 million Supply Chain Resilience Initiative announced in October 2020 by the Federal Government as part of the JobMaker plan. This funding is being used to work with industry to identify the essential goods and services during a crisis, mapping supply chains and Australian manufacturing capability, and evaluating supply chain resilience under both normal circumstances and potential crisis situations.

These initiatives provide a clear pathway for organizations and government to reflect on their current risk appetite for these future disruptive events and recalibrate to mature the industry's approach to managing risk. They also indicate the Government's desire to understand, identify and manage the systemic risk faced by the maritime sector and the supply chains that support it.

There is a critical need for industry and Government to work together to gain a greater understanding of the risks facing our supply chains, the impact of these risks at an enterprise level, the sector-wide impacts associated with a single supply chain being impacted, and the social and economic consequences of these risks.

Unlocking the full potential of our maritime sector depends on an industry that has embedded a considered and mature understanding of resilience into the heart of operations and processes. This includes a deep understanding of what makes supply chains robust and the aspects of supply chains that could be quick to repair where a disruptive event occurs.

The effective management of systemic supply-chain risk involves other institutions, such as the underlying competitive landscape the industry operates within. For example, the Australian Competition and Consumer Commission (ACCC) responded controversially to COVID-19, by allowing businesses to co-operate in ways that would typically be anti-competitive. This enabled competitors in key sectors, such as the grocery sector, to temporarily work together in a controlled manner to enable continuous supply of essential goods and services in Australia. ACCC Chairman, Rod Simms, considers that this was part of Australia's successful navigation of the COVID-19 pandemic.

There is a clear benefit for this kind of co-operation to be allowed, with the correct controls, for commercial supply chains supported by ports that could mitigate the impacts of a disruptive event.

Key to creating a more cooperative, robust, and resilient supply-chain is active participation in industry groups such as the Freight & Trade Alliance (FTA), Container Transport Alliance Australia (CTAA), Ports Australia, and Shipping Australia which enable industry and Government to continue knowledge sharing, and to better understand and mitigate individual and systemic risks.

