

Building Supply Chain Resilience and Reducing Disruption

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As well as improving infrastructure standards, there is a genuine requirement to identify and protect critical supply chain ‘enablers’ that are fundamental to keeping freight moving, the supply chain functioning, and to the wider economy.

An enabler is a mechanism, commodity or service that is necessary to support the effectiveness and efficiency of a functioning supply chain.

An example that adequately illustrates the importance of enablers to the supply chain was the critical shortage of AdBlue that emerged in December 2021 and its widespread impact.

AdBlue is made up of 32 per cent urea and 68 per cent de-ionised water. It is injected into the exhaust system to reduce the amount of Nitrogen Oxides (NOx), a contributor to air pollution, entering the atmosphere.

Australia is a substantial importer of urea, although Incitec Pivot has a plant in Brisbane. A majority of supply, some 80 per cent of the Asia-Pacific’s supply of Diesel Exhaust Fluid (DEF) grade urea comes from China. Fertiliser grade urea is not suitable for manufacturing DEF as the resulting product does not meet the ISO standard.

The Australian Government and industry responded swiftly, quickly forming the AdBlue Taskforce, identifying new urea markets for Australia to import supply from and injecting \$30 million of funding to Incitec Pivot, to upscale capacity to refine raw urea into AdBlue at the Brisbane plant. These actions saw AdBlue supplies return to stable levels within 34 days. Without government intervention the freight industry would have come to a grinding halt, having adverse effects on Australian communities, businesses and the economy.

Governments and industry need to understand critical supply chains and potential weak spots to be able to mobilise quickly and address looming disruptions, prior to an issue evolving into a full-blown crisis.

Recommendations

- 1) Build on the work of Emergency Management Australia, specifically the National Coordination Mechanism, to target and resolve critical supply chain issues in partnership with industry.¹
- 2) Terms of reference for this body to be developed in partnership with industry to address and include:
 - a) National harmonised approach to mitigating risk and improving resilience;
 - b) Conduct critical incident planning and response preparedness;
 - c) Promote interoperability between and within jurisdictions; and
 - d) Provide financial support if required.
- 3) The Australian Government disband and reconcile existing supply chain roundtables and bodies sitting across government and replace with one body as identified above. This will eliminate duplication of effort and enable pragmatic industry led policy and program solutions to be developed.

¹ <https://naturaldisaster.royalcommission.gov.au/publications/html-report/chapter-03>