

COVID-19 SUPPLY CHAIN DISRUPTION AND PREPARING FOR THE FUTURE

The coronavirus has been a massive shock to supply chains – how do businesses navigate this disruption, what support is available and where can we get the latest information for their planning?

As the days and week's slowly pass the disruption to the supply chain is self-evident. There has been a cessation of most of international flights and their belly cargo. The visible knock-on impact is a shipping movement slowdown and the downward trend of associated movement of sea containers.

The Australian Government immediately responded by backing Australia's agriculture and seafood export sectors through a new \$110 million initiative to help exporters get their high-quality produce into key overseas markets, with return flights bringing back vital medical supplies, medicines and equipment critical to the ongoing health response.

The economic fall-out of this pandemic is an indication that business are ill-prepared for supply chain disruption of this scale as most do not have a business continuity plan in place.

Traditional business cycles have been impacted and with the level of disruption to the supply chain, both importers and exporters are seeking to understand how best to navigate this disruption. Key to that is understanding what support is available, where the latest information from reliable sources can be accessed and an accurate interpretation of the timing of next steps.

This unprecedented situation has evolved rapidly over a short space of time. The full effects will be felt throughout 2020, and likely into 2021 and beyond.

Historically, businesses may have taken long term views on their approach to international business activity for expansion and growth opportunities, product development and assessment of new markets.

Export Finance Australia (EFA) has ramped up their support to Australian exporters through the COVID-19 crisis by providing finance to Australian businesses when banks were unable to help. Most businesses think about supply chain risk with a very narrow focus in terms of raw goods or product.

Common questions we are being asked include, 'should we now look at the current environment through a new lens?' and 'should we be seeking to understand what is happening now; what will be happening in 3 months, 6 months, 9 months and beyond?'

Simple phasing of this view could include the following elements and timings:

1-3 months (now!)

- Understanding the impact on the supply chain
- Access to reliable sources of information
- What goods are moving? Which goods aren't?
- What support mechanisms are available?
- Funding support
- Networking support
- Grants

- No or low interest loans
- Are there domestic opportunities for the sale and purchase of products (to replace the lack of import and export opportunities)?
- What supply chain elements can I digitalise and what key processes can I automate?
- What can I do to improve my Cybersecurity?
- How can I develop relationships with potential overseas buyers and suppliers? What IT solutions are available?
- How can I better understand the immediate needs of these partners?
- Supply Chain modelling to be considered / cash flow models to be developed
- Legal risks and contractual implications
- Impact on Trade relations
- Understanding determinations of 'Force Majeure' clauses in contracts (as it relates to a Pandemic)

3-6 months

- If self-isolation restrictions are being lifted (in your jurisdiction) what does it mean for cross border trade?
- Should I be reassessing "Just in Time" model to "Just in Case" framework?
- Location optimisation (for product storage)
- Are consumers seeking my goods in this phase? If not, what are they seeking?
- Access overseas support networks to gauge opportunities – Austrade/Trade Associations/AusIndustry
- Explore and interrogate the new Export Market Development Grant (EMDG) offering and other fresh rounds of assistance

6-9 months

- Production capacity
- Negotiate freight rates
- Logistics capacity pre-booking
- Goods begin to move...pricing elements within the Supply Chain have been adversely impacted – how will this impact consumers?
- Preparation for exporting product / make full use of Free Trade agreements; and understanding how nuances apply
- In-country meetings may be available

9-12 months

- Supply chains start to function – shipping and airfreight recommences with some consistency, but services may be levied at a premium rate
- Route optimisation
- Customs simplification / until when?
- Consumer demand for products may fluctuate depending on export market being targeted (how did that country deal with COVID-19?)

Supply chain operators have highlighted that the level of disruption due to COVID-19 is unprecedented. Both demand and supply has been impacted and SMEs involved in import and export will need significant support to deal with, address and implement new measures and practices that could become the "new normal".

"Supply chains can be extremely complex and difficult to manage. Bringing digital into the mix and automating key processes should become an essential element of any business supply chain. But as we deal with the disruption of Covid-19, it is now more imperative than ever to understand both the benefits and risks of digitising your supply chain and positioning for the future." Tony Marceddo Director for Securing Digital Futures, Edith Cowan University.

After a crisis there are two types of companies, the ones that will investigate this matter and map their supply chains so that for any next sudden crisis they are prepared on multiple levels from contracts to production locations. Companies that continue “business as it was” will likely have a rough transition to the new ways of doing business. To this end it is timely and critical to understand how the old economy will transition into this new world.

“Small businesses will emerge from the COVID-19 era with a greater understanding of how the traditional analogue elements mix with new digital forms of work. In terms of efficiency and partner verification, companies will focus on the quality and trust factor of their inputs. On-shoring is set to explode as a fresh look at sovereign capability is considered for the first time in decades. Cybersecurity companies like Red Piranha, Sapien, Asterisk and Diamond Cyber in Western Australia understand the importance of protecting indigenous intellectual property and the integrity of their local supply chain.” Ian Martinus Director WA AustCyber Innovation Hub.

We will look to provide some direction initially around the immediate phase over the coming weeks as businesses contend with the flood of information around the immediate impact of COVID-19. A structured approach of dealing with the dynamics within these key periods may provide a way through this crisis for businesses involved in cross border trade.

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