

Managing Supply Risks

This document provides a practical guide to resources companies to ensure supply risks to business critical services and products are identified, assessed and managed.

The resources sector is an essential sector

As well as being an essential industry to the Australian economy and the communities in which it operates, the resources sector is essential to the more than 1 million people employed in the mining and METS (mining equipment, technology and services) sectors.

The joint State and Commonwealth Resource Ministers' [communiqué](#) of 24 March 2020 made a clear and unambiguous statement that the resources industry is essential to the Australian and State economies.

Ministers also recognised that resources sector operations are a key priority, along with the implementation of new health measures. Accordingly, key service providers and suppliers critical to the continued operation of the resources sector can be considered essential service providers.

Services providers and suppliers are also essential businesses

Mining services, supply chain logistics and suppliers that are critical to continuing mining operations and production are also essential businesses. This includes businesses, facilities and services that support and facilitate the movement of essential goods within Australian and global supply chains.

The MCA has prepared a [template letter](#) that mining operators may use if suppliers seek or require confirmation of their "essential status" to the mining and resources industry.

This letter confirms the Australian government's position that the Australian resource sector is an essential industry and as a consequence, suppliers and service providers critical to the sector's continuing operations are also essential.

The next step is to formalise this letter with governments.

Assessing who is an essential supplier

The mining and resources industry relies on geographically-distributed supply chains to sustain continuing mining operations. Restrictions on the movement of freight and people internationally, interstate and intrastate would prevent access to services and supplies which are critical to continuing operations of this essential industry. These essential services and supplies include:

- Health, hygiene and safety products where supply is needed to reduce the risk of disease transmission and to reduce potential risks to workers conducting normal activities in the course of the operation
- Explosives, fuel and chemicals required for mining production, transport and refinement, and their raw materials: the manufacture, transport and storage of hazardous goods is highly regulated, and these goods are delivered on a just-in-time basis to minimise risk. Governments need to be aware of the significant impact that supply disruption and transport restrictions will have on mining operations
- Machinery and equipment parts and consumables, lubricants, fire suppression materials and tyres, all required to repair and maintain mining's operating equipment to safe standards: where possible, and working to avoid demand shocks similar to those experienced in retail sectors due to panic buying, inventory of non-perishable consumables and parts should be deepened. Additional suppliers should be identified early and engaged

- Mining services providers and specialist consultants that are integral to the production, processing and transport of the mining operators are also essential suppliers.

Protocols for essential resource companies and their supply chains

The definition of essential resources companies and essential supply chain companies means that resources and supply chain companies:

- Work cooperatively to identify and manage business-critical products and services including to share inventory with communities and other businesses where volumes are available
- Identify key products and global and domestic supply lines which may present risks to the Australian resource sector and essential supplier companies and work cooperatively to identify and manage key risks.

The mitigation and management of these risks ensures that the resources sector is able to continue to support the health and safety of the workforce and communities, as well as the sustainability of the economy, supply chains and essential service inputs.

Analysis of risks to supply

Global supply chains for health, hygiene and safety, and machinery parts and consumables are being affected by COVID-19 infection rates and consequential government actions. A large proportion of manufacturing in Europe, USA and India has shut down. Other countries, such as China, are emerging from COVID-19 shutdowns and recommencing production.

In this context, operators and suppliers should consider:

- Assessing the status of business-critical inputs: inventory in the system, demand, lead time (current and future), and estimated lead time impacts due to production or shipment delays that may become stress points. Deepen inventory where possible
- Determining suppliers who could face prolonged challenges
- Identifying potential alternative suppliers.
- Confirming a common view that mining operators and suppliers:
 - Recognise each other as essential
 - Adopt and integrate the national COVID-19 health and safety protocols.

How can safety and quality and reliability of the products be confirmed?

- The specifications of the products companies are sourcing should be at least the same as those previously sourced
- For products that are new as a procurement line item and being sourced in response to the COVID-19 pandemic, products specifications should be at least the same as those set out for the Australian health system
- Information can be checked on the Australian Register of Therapeutic Goods (ARTG) and at the TGA Coronavirus (COVID-19): Information on medicines and medical devices page.

Companies to seek undertakings from suppliers on health and hygiene practices and controls

- A communications/coordination point identified in each to facilitate cooperation
- Both parties should share and work through management plans to ensure a common understanding of the procedures in each plan and clarify/adjust any gaps or risks.

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