

Securing Australia's Defence Supply Chains

The security of Australia's global supply chains is under increasing strain. This is driven by both traditional supply chain challenges such as the COVID pandemic, as well as strategic factors associated with rising geopolitical competition.

While supply chain risks are felt economy-wide, they are especially pressing for mission-critical Defence and defence industries. There is now a globally-recognised need to invest in improving the resilience of defence supply chains.

Developed with the support of the Department of Defence's Strategic Grants Program, this report takes stock of the security of Australia's defence supply chains, and maps a resilience agenda for the industry's future.

Since 2020, a range of new strategies and policies have been developed to improve the security of Australian defence supply chains. Similar efforts have been launched by our allies and defence partners, including the US, UK, Japan and others.

Defence has matured its supply chain approach in recent years, including via investments in new tools and capabilities to identify and protect vulnerabilities. However, there remains areas where further effort is required to properly secure Australia's defence supply chains.

Decision-makers require more detailed information on the structure of defence supply chains, particularly beyond first and second tier suppliers. Limited visibility over the deeper levels of the supply chain obscures mission-critical vulnerabilities that may present during a crisis.

As strategic risks to supply chains increase, stronger governance structures and policy frameworks are also required. These should set core concepts and definitions for supply chain security, provide risk assessment frameworks, and identify options for interventions to address identified vulnerabilities.

Greater collaboration with defence industry is critical to achieving supply chain security. This can be achieved through information sharing and consultation with industry, as well as a sharper focus on supply chain issues during procurement and contracting.

As Australia's allies and partners undertake similar efforts, there are opportunities for international collaboration for defence supply chain resilience. Both government-to-government and industry-to-industry partnerships offer opportunities for Australia to build 'trusted' defence supply chains with like-minded partners.

The policy recommendations of the report include:

- Defence to develop a comprehensive strategy and action plan in relation to the strategic protection of defence supply chains.
- Strengthening supply chain considerations into the full Defence capability life cycle and decision-making.
- Establishing robust and scalable mechanisms for generating information on defence supply chain risks.
- Establishing governance structures that allow regular and organised engagement with industry.
- Reviewing and developing appropriate resourcing for supply chain resilience initiatives.
- Developing a clear methodology to identify, select and resource supply chain interventions to identified risks.
- Increasing the priority accorded to supply chain issues during Defence procurement processes calibrated by risk.
- Collaborating with international partners to enable trusted capability supply chain options.
- Creating a structure for inter-agency collaboration on supply chain resilience initiatives.

Framework principles for defence supply chain security

<p>Informational resources</p>	<ul style="list-style-type: none"> • Map supply chain geometry to identify critical nodes • Assess current and future flexibility requirements • Include supply chain at start of project life cycle
<p>Assigning risk</p>	<ul style="list-style-type: none"> • Identify nodes facing above-normal traditional risks • Assess likelihood and impact of strategic risks • Forecast risk assessments over project life
<p>Calibrating interventions</p>	<ul style="list-style-type: none"> • Analyse and assess interventions: stockpiling or diversification strategies • Build trusted capability networks • Develop sovereign capability
<p>Government – industry collaboration</p>	<ul style="list-style-type: none"> • Agree definitions and shared understanding of supply chain concepts • Establish governance and mechanisms for information sharing • Incorporate supply chain security into contracting

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