WATER SERVICES
ASSOCIATION OF AUSTRALIA

30 April 2021

Ms Yvette Goss
By email: supplychains@pc.gov.au

RE: SUBMISSION TO VULNERABLE SUPPLY CHAINS INTERIM REPORT, MARCH 2021

Dear Ms Goss

The Water Services Association of Australia (WSAA) is pleased to provide a submission to the Vulnerable Supply Chains Interim Report.

WSAA is the peak body that supports the Australian urban water industry. Our members provide essential water and sewerage services to over 24 million customers in Australia and New Zealand and many of Australia's largest industrial and commercial enterprises. WSAA facilitates collaboration, knowledge sharing, networking and cooperation within the urban water industry. The collegiate approach of its members has led to industry wide advances on national water issues.

The urban water sector supports the intent of the Productivity Commission's Vulnerable Supply Chains Interim Report – March 2021. The sector acknowledges that a large majority of supply chain risk for water utilities involve direct domestic supply rather than foreign supply chains. However, there appears to be gaps in identifying some direct and indirect intermediary critical supply chain global inputs to enabling and maintaining essential water supply, services, infrastructure and equipment e.g. direct consumables, indirect chemicals, critical equipment, spares and components.

We therefore support the notion that the scope for the extension work proposed under Section 4.5 in relation to determining critical aspects of the supply chain should be extended from determining which vulnerable imports are 'critical' to essential industries, to determining critical aspects of the supply chain both domestic and imported that are 'critical' to essential industries.

Furthermore, it might also make sense to consider determining essential and critical products and services upfront, then subsequently derive more accurate and focused vulnerability risk, impact and related mitigation strategies. In this regard, with specific reference to the water treatment chemicals illustrative case in Annexure B, it would appear as if the >80% first level concentration filter might be too narrow or high and does not accurately reflect the true extent of potential risk contained with substitute alternatives and related switching risk resilience, capability and capacity.

In conclusion, we recommend that the current approach be strengthened by enhancing market/sector specific determination of criticality of the good or service. An example would be the supply of chlorine to the Australian water sector, where an existing single point of local bottleneck manufacturing failure is heavily reliant and exposed to global import contingency supply at scale (refer to Appendix 1 for a detailed case study). The overall value of this product to both the supplier and the economy is relatively low, however, failure of this supply chain would have significant community, health and economic implications.

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The sector would welcome further discussion with the Productivity Commission on these supply chain components that are ‘essential’ and ‘critical’ for the delivery of water services in Australia. Please contact Peter Gee, WSAA’s Manager Performance Improvement.

Kind regards

Adam Lovell
Executive Director

Appendix 1
Case study ''Potable Water Disinfection -Liquefied Chlorine Gas''

WSAA Members, their customers, communities, regulators and key stakeholders must have confidence in the ability to access what we need to continue to deliver safe and reliable world class water. As an industry we must have acceptable supply chain resilience for supply of chlorine to the Australian Water Industry. Regulators and customers have an expectation that, for essential services such as water, there will be guarantees in place and a strong level of supply chain redundancy. Whilst there has been concern around this supply risk for some time amongst WSAA Members, COVID-19 has further highlighted and escalated collective awareness and concern.

Chlorine in the water sector

Chlorine is used widely throughout the water sector to remove the risk of water-borne diseases, such as gastroenteritis. It is supplied in a liquid form and may be used either as a liquid or a gaseous in the water treatment process. As water is an essential service, secured supply for water treatment chemicals, in particular chlorine, are of utmost importance to the Australian water sector.

While alternatives to chlorine for disinfection do exist, most notably sodium hypochlorite, and are used in some instances, many Australian water treatment facilities are currently not configured for their use and would require significant capital investment in many cases to be capable to do so. Furthermore, these alternatives can present unique logistical challenges when used at scale. Sodium hypochlorite as an example requires approximately eight times the physical volume of product as compared to chlorine. Water and wastewater treatment facilities configured for using chlorine for disinfection cannot in many cases be readily adapted to using alternate products at short notice i.e. if significant chlorine supply disruption occurred. Importantly there is currently a reliance on a sole supplier for production and bottling with limited importation.

Loss of Supply Risks

Immediate loss of supply of chlorine would have a major impact on supply of drinking water across the country. Without chlorine, disinfection could not be achieved in most instances either at all, or at least in a viable manner with alternatives for extended time. The impact of loss of supply is that customers would need to boil all drinking water prior to consumption until supply resumed.

In summary, the industry currently determines the loss of supply of chlorine as a low risk with extreme consequences (inability to disinfect water which would lead to an unacceptable public health emergency). This illustrates the national significance of chlorine for the sector, the importance of the product to the essential service being delivered, and to managing the expectations of regulators and the community.