

MAY 25TH, 2020

**NOTES FOR REMARKS BY: CHRISTIAN BUHAGIAR, PRESIDENT AND CEO, SUPPLY CHAIN CANADA**

**TO: THE HOUSE OF COMMONS OF CANADA STANDING COMMITTEE ON INDUSTRY, SCIENCE AND TECHNOLOGY**

Thank you Madame Chair. And thank you to the members of this committee for inviting me to appear before you.

Founded in 1919, Supply Chain Canada is a non-partisan, not-for-profit corporation that acts as the voice of the supply chain community in Canada.

I would like to start my remarks by expressing my sincere thanks to the hundreds of thousands of supply chain professionals who have been working tirelessly to keep Canada moving across every sector and every industry from coast-to-coast-to-coast. I would respectfully ask that the Committee also recognize the tremendous work of our Canadian supply chain professionals.

In the interest of time, I will focus my remarks on some of the lessons that are being learned as we move through the crisis.

Today's supply chains are global and interlinked and vulnerable to a range of risks, with less margin of error for absorbing delays and disruptions. They are enormously efficient, which is meant to lower costs, but they are often more efficient than they are effective. Many are too linear and transactional and challenged with a long latency. Most supply chains are often slow to sense and adapt to market and consumer demand changes. Supply is primarily determined by historical sales order data and not by actual consumption and market data. During this crisis, latency has caused the dichotomy of shortages in some products and excess in others. Future agile and resilient supply chains must reduce latency times and strengthen their ability to predict consumer demands due to market changes. This will require more visibility throughout the entire value chain. Visibility will require more data and analytics. All of which will require a digitization strategy of the end-to-end value chains. We believe that there is a role for the Federal Government in supporting this transition to digitization.

Supply chain agility and resiliency will also mean increasing geographic diversification. We have seen through the crisis that excessive dependency on single countries or regions is a risk. We have also seen that long supply chains over vast geographic distances are a risk. There is little doubt that more regional and local supply chains will be, at least, a short-term result of the crisis, particularly for critical items. Whether onshoring becomes a broader, longer strategy is yet to be determined.

Resiliency of supply chains also requires the safety of their supply chain workforce – safety and resiliency are inseparable. It is in the interest of companies to protect their workers, and we believe that companies can be left to determine how to meet guidelines. But guidelines need to come from government more quickly than they have to date. Guidelines must be clear and consistent across the country and we believe that the Federal Government has an important role to play in establishing consistent guidelines and leading national emergency management. During the crisis, province-by-province guidelines have created a patchwork and sometimes conflicting approach for companies that have to operate supply chains nationally and internationally.

Interprovincial trade restrictions must also be examined to ensure that in an emergency we can quickly and easily shift production and distribution from one region to another. We encourage the Federal Government to provide the national leadership needed to revisit all interprovincial trade regulations that, in the face of an emergency, may hinder agility.

There is much discussion now about the need to have larger inventories, particularly with respect to critical items. There is no doubt that inventory and stockpiles will need to be examined based on the challenges that we have seen during the crisis. This should include a future state framework for critical assets supply chain including sourcing, procuring and pandemic stockpile management with a system for total visibility for all stakeholders, federal and provincial. We strongly encourage this to be overseen by a Chief Supply Chain Officer for Canada, leading the functions strategically, and building the digitization solutions and end-to-end trade-offs to ensure success. However, we also believe that more important than inventory and stockpile management is to have what we call 'strategic capacity' – the ability to understand and anticipate what we can make when needed in Canada and to turn on that corporate capacity quickly and effectively. This is an opportunity that we believe will strengthen and protect Canada and likely calls for a public-private partnership. We encourage the Federal Government to lead such a national strategy together with industry.

In the longer term, it is clear that supply chains will need to change. How we train supply chain professionals will also need to change. Investing in reskilling our supply chain workforce will increase our ability to manage agile and resilient supply chains. Canada should aim to become a world leader and we would encourage the Federal Government to invest in this training.

Thank you very much and we are happy to take your questions.