



## ***Supply Chain Shortages***

April 22, 2021



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## **What is going on?**

- The U.S. roofing industry is facing an unprecedented supply chain disruption
- The disruption spans most of the industry from residential roofing to commercial and industrial roofing
- It includes disruptive problems with asphalt shingles, lightweight metal, fasteners, reinforcement mats, polymers and insulation



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### **How did we get here?**

- The Covid pandemic was a global disrupter
- Fires in the upper northwest in 2019 and 2020
- Numerous hurricanes in the southeast in 2020
- The energy shutdown and freezing temperatures in Texas during the 2021 winter
- A blockage of the Suez canal
- Trade war and tariffs between trading partners and China



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### **Now what do I do?**


- Communicate, communicate, communicate!
- Participate in industry surveys to let us know your anticipated future demand
- Communicate with your specific distribution and manufacturing suppliers of your needs. Both current and future
- Communicate with your CUSTOMER! And do it repeatedly and often about any changes in your anticipated delivery date
- When you sign contracts make sure you cover yourself on future price increases and potential delays



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**Now, on to some specifics...**

- Mark Graham, NRCA Vice President of Technical Services will now take you through some strategies, including how to deal with FM and building code compliance



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**NRCA Legal Resource Center webinar**  
April 9, 2021




**COMBATTING  
MATERIAL PRICE  
INCREASES**

SPEAKER: TRENT COTNEY  
APRIL 2021




[Link to webinar](#)

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**HENDRICK PHILLIPS  
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**Managing Volatile Material Pricing**

Recent price volatility of construction materials, including steel, copper, lumber, and PVC, has left contractors faced with another challenge in completing their work at the price they quoted. This is especially true for contractors that have already entered into a fixed-price contract. Absent a contract provision to the contrary, the general rule is that the contractor bears the risk of increases in the price of materials in fixed-price construction contracts. So, what can contractors do to manage the risks of price volatility and escalation?

[Link to newsletter](#)



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**FOR MEMBERS ONLY**

National Roofing Contractors Association | 5205 W Higgins Road | Suite 600 | Rosemont, IL 60018-3607

April 2021

Dear Member:

In February, I briefly wrote about supply-chain disruptions being one of the many unforeseen effects of the COVID-19 pandemic, and it appears these disruptions are starting to affect the roofing industry and could present possible risks to your company.

This past year has seen General Motors shutter multiple U.S. manufacturing plants because of a lack of needed materials, surges in demand of some products creating shortages in others and temporary closures that have ripple effects lasting months. Welcome to COVID-19, 2021 Edition.

The just-in-time inventory strategy that has long benefited manufacturers (as well as consumers via lower-priced goods) has backfired in 2020-21. Weaknesses in global supply chains were quickly exposed and exacerbated as sources of raw materials or components were closed, slowed or reduced. This wasn't limited to one manufacturer, source or material. When entire countries are locked down, the effects are wide-ranging.


However, a slowdown in supply is only part of the issue. As any Economics 101 professor will tell you: Supply plus demand equals the market, and when supply slows for one reason or another, estimates for demand simply can be off. Many producers expected demand to slow during the pandemic, which was reasonable considering the unemployment rate spiked to 15% throughout the U.S. and uncertainty crept into every aspect of the economy.

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**NRCA's For Members Only newsletter**

April 2021

[Link to NRCA FMO](#)



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*If there is an increase in the actual cost of the labor or materials charged to the Contractor in excess of [insert applicable percentage] subsequent to making this Agreement, the price set forth in this Agreement shall be increased without the need for a written change order or amendment to the contract to reflect the price increase and additional direct cost to the Contractor. Contractor will submit written documentation of the increased charges to the Prime Contractor/Owner upon request. As an additional remedy, if the actual cost of any line item increases more than 10% subsequent to the making of this Agreement, Contractor, at its sole discretion, may terminate the contract for convenience.*

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## **“just-in-time” inventory management**

“just-in-time” can work successfully during normal times

- Disruptions in anywhere in the procurement process can result in delays

Consider ordering and, if necessary, receiving and storing materials “early”

- Include provisions in contracts for early material procurement, billing... and payment



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*Be extra cautious of contracts with specific schedule/completion requirements or liquidated damage clauses*



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### **Material/product substitutions**


Base on availability

- Coordinate with manufacturers
  - Any substitution should be well documented
- Coordinate with GCs/CMs and/or designers/consultants
  - Any substitution should be well documented
- If the project is FM Global insured, coordinate with the FM Global engineer assigned to the project
  - Get an updated project approval letter noting any substitutions
- Communicate with the building owner
- Coordinate with the AHJ (building code official)



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... over communicate and over document...



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**Questions...**  
*Live Action Alert: Supply Chair Shortages*



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