

REAL

November 2021

Torque

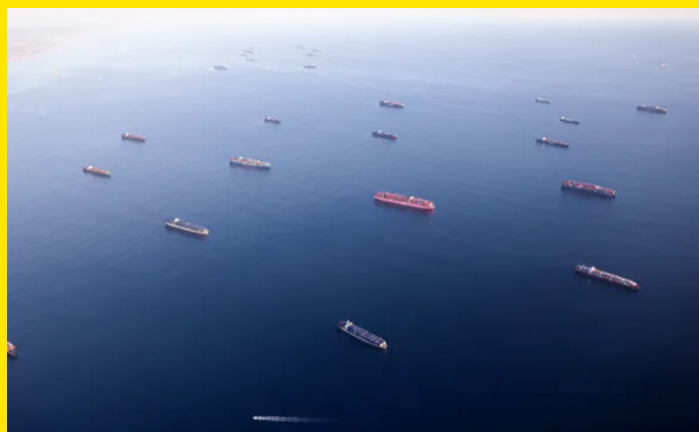
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Global Supply Chain Issues

The entire global supply chain is experiencing immense pressure because of the stresses caused by COVID-19 and subsequent logistics and transportation issues. There is a global supply chain crisis in our industry that we have not experienced before. At a high level, there are many issues causing the supply chain issues.

The specific issues for the NZ transport industry are:

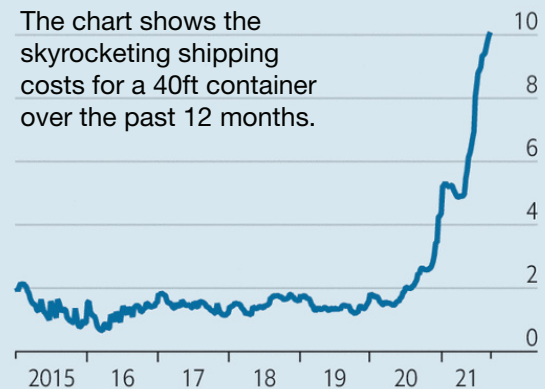
- Parts availability and cost – increased global demand and increased shipping times or shipping delays mean local stock holdings are low & huge shipping cost increases.
- New chassis supply – the lead times for some new trucks have gone out to 16 months.
- Labour shortages for mechanical and engineering workshops due to the borders being closed. This has created a smaller and less experienced workforce. As a result, we have seen a significant lift in labour charge out rates.
- Increasing prices on raw materials, like steel - almost daily, we receive letters notifying us of price increases, delays due to sea and air freight, and extended lead time notifications. The price increases we are receiving are mostly between 5% and 30%. This includes items we use lots of, such as oil, parts, tyres, steel/alloy.
- A combination of huge demand and outstripped supply has been compounded by a global Semi-Conductor supply shortage limiting the supply of Microchips.



High-water mark

Global container-freight costs*
\$'000 per 40-foot container

The chart shows the skyrocketing shipping costs for a 40ft container over the past 12 months.

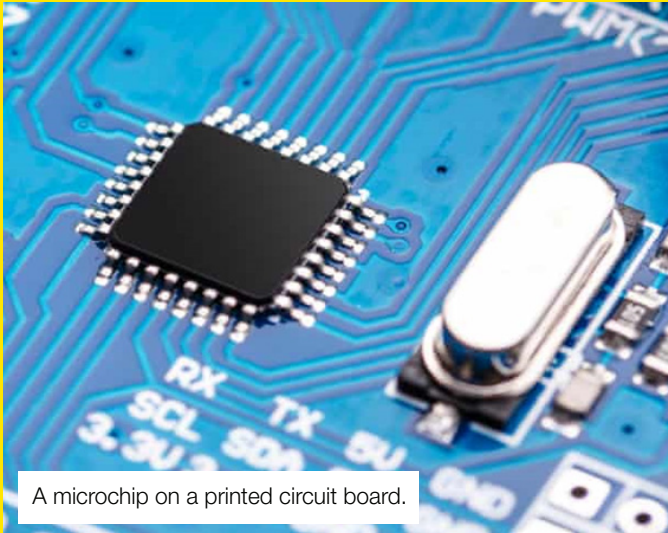


Source: Drewry

*Based on eight major shipping routes

Ships backed up off the California coast as of September 2021, 65 Ships were waiting and the queue grows by 10 per week.





A microchip on a printed circuit board.

Why is there a Microchip shortage?

In March 2020, the Global Pandemic prompted car & truck manufacturers and suppliers to close down. The global economy was heading for a recession.

Manufacturers who have previously experienced recessions quickly cancelled orders of parts that included chips, thinking the world was heading for a crash. Sales quickly rebounded and manufacturers were caught short.

So when factories restarted, the stronger than expected demand for vehicles outpaced production and it has yet to catch up.

Chip capacity was largely consumed by Phones, Computers & video games, leaving car & truck manufacturers with limited supplies. There was also a fire at one of the worlds largest chipmakers.

It has been reported that there could be up to 1.28 million cars and trucks not produced this year alone due to the shortage.

What can you do to help?

- ▶ **More than ever, to help keep gear on the road, we ask that services and COFs are booked in well in advance. This will ensure you get a spot and help workshops to get all the parts required before you arrive.**



Cars lined up outside a factory in the USA awaiting components that rely on chips to operate before they can be finished and sold.

Tips and Tricks



TR Tips

- ▶ **TR Group's Parts Manager has set up monthly meetings with OEM's to keep across stock levels, backorders, delays (both manufacturing and transport).**
- ▶ **As a part of the work we have been doing with OEMs, we have forecasted most of the components we normally swap out preventively as we do our Mid-life Replacements to ensure supply. This also flows into the trucks we are preparing to keep for longer due to chassis supply.**
- ▶ **We have increased our 'swing componentry' inventory across many different makes and models, stocking up on engines, gearboxes and diffs. We are holding these components at different locations across the country.**
- ▶ **We have ordered additional chassis' and brought forward many orders as we cannot get replacements on time, and we encourage you to look at this as an option.**

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Making heavy vehicle fleet management easy for you