



Fire Industry Association

Leading Excellence in Fire Since 1916

Fire and Rescue Services Supply of Products and Services

Advice on Inflationary Pressures Facing Suppliers

As we're all acutely aware, inflation in the UK has been rising markedly for some time and in April 2022 was recorded at 7.8%, up from 6.2% the previous month. These figures are the Consumer Price Index [CPI] which is generally predicted to peak at around 11% over the coming months and is based on a typical basket of goods and services purchased by consumers. This is only part of the story, of course, as some prices have risen by far greater than the CPI, the cost of vehicle fuel and energy being two clear examples of which I'm sure we are all familiar.

Businesses have also been affected not only by the underlying rate of inflation but, in many cases, by extraordinary increases in the raw materials and goods on which they rely to produce their saleable output. Electronics manufacturers raised their prices by an average of 14.5% in 2021 with further rises of 7-8% expected this year and some as high as 50%. Standard thermoplastics prices in 2021 rose by 70%, steel prices have risen 60% and reached a record high after substantive increases throughout the last decade with the price of aluminium also having risen by over 60% relative to the previous year. Shipping costs also rose four-fold from mid-2020 to the end of 2021.

This represents a serious problem for suppliers to our Fire and Rescue Services who wish to remain competitive but need to maintain the financial viability of their businesses.

The Services themselves have seen central government grants cut by an average of 13.8% over the last five years with some experiencing cuts of 10-44% over that period. Latest figures show an annual increase this year of 4.4-9.4% depending on the Service in question which is some improvement but fails to alleviate pressures on FRS procurement across the country relative to past expenditure capability.

In common with supply chain issues which were covered in a previous communication in October 2021 [see Appendix A], we ask that Fire and Rescue Services engage with suppliers to reach a mutual agreement, this time on pricing. We would recommend that longer term fixed-price contracts and call-offs from Frameworks over an extended period should now be subject to formal recognition of inflation and any extraordinary cost increases of components and raw materials as they relate to the products in question.

The Fire and Rescue supply industry will continue to work with the NFCC Procurement Hub Team and individual Fire and Rescue Services as required to assist its customers over this most difficult period. We are therefore encouraging closer partnership working between suppliers, Fire and Rescue Services and procurement to mitigate the effects of these increases and to ensure that there is minimal, if any, interruption of supply of critical resources to individual Services.

Finally, we wish to refer please to the matter of the vital importance of our Fire and Rescue Services offering forecasts of their equipment requirements, preferably collectively or at least individually, to the supply base with as much notice as possible and ideally with a five year horizon. Suppliers accept that such forecasts are subject to change but they will offer significant assistance to suppliers who are looking to manage their resources effectively. With supply chain issues affecting our members' ability to receive components and raw materials for their manufacturing processes now and into the future, this has never been more essential to us as providers to the sector and to you as the Fire and Rescue Services in maintaining and improving your service to the public.

Yours Faithfully

Bernie Higgins, Chair of the Fire and Rescue Equipment and Services Council on behalf of the FIA

Appendix A

An FIA Statement on Supply Chain Issues Prepared by FIRESA Council October 2021

You will all be aware of recent media stories regarding a shortage of raw materials and the effects that these are having on supply chains affecting a number of products from vehicles to food and, in some cases, resulting in increased shipping costs.

On behalf of our members who supply products to the Fire and Rescue Services, we wish to make you aware of the issues and how you can help suppliers to mitigate the effects.

On 7th September, the Financial Times wrote the following:

‘Across the world, manufacturers of everything from cupboards to cars or computers are still grappling with a logistics crunch that has disrupted supplies of essential inputs, threatening the post-pandemic economic rebound and boosting inflation.’

A shortage of raw materials has caused a number of issues including price rises.

Semiconductor shortage

A global shortage in semiconductor availability started at the beginning of 2020, particularly for 200 mm wafers which are the type used for chips embedded in many consumer products and similar devices.

The shortages caused manufacturing shutdowns for, amongst others, General Motors, Honda, BMW Mini and Jaguar Land Rover.

Many of the reasons are explained in the following BBC Article from the 27th August 2021:
<https://www.bbc.co.uk/news/business-58230388>

This has also led to a shortage in available chassis for fire appliances which will inevitably hit all of the businesses who supply products and equipment that go onto these vehicles.

Shipping Containers

Since the first lockdown at the start of the pandemic there was disruption within the shipping market, initially due to shipping containers falling out of their normal global cycle. Subsequently, high shipping costs and delivery delays because of bad weather and Covid-19 shutdowns in major Asian ports are major pinch points.

Polymer shortage

Factors such as the impact of Covid and extreme weather conditions in the US have also impacted injection moulding raw material availability, especially in Europe, so severe that ‘European producers have been declaring increased numbers of Force Majeure cases’:

<https://packagingeurope.com/no-end-in-sight-to-ongoing-shortage-of-raw-materials/>
<https://hbr.org/2021/03/the-latest-supply-chain-disruption-plastics>

Pallets

There are shortages of shipping pallets driving the price of pallets up by 400%:

<https://www.supplychaindive.com/news/pallet-shortage-lumber-inventory-supply-chain-produce-truck/600484/>

Cardboard shortage

Even the supply of cardboard for packaging has been hit:

<https://www.bbc.co.uk/news/business-57568239>

The effects of these current shortages will affect supply chains well into 2022 and probably beyond. These effects will also be felt by a significant number of companies who supply goods and services to UK Fire and Rescue Services.

What can you do to help?

Please do not overorder products in a bid to ensure that your service has ample stock – this will inevitably mean that another service, who may have a greater need, cannot then obtain these products

If you are already experiencing supply chain issues, please contact the NFCC Procurement Hub for advice; the FIA has a good relationship with the Hub via our FIRESA Council and we will do all we can to assist in getting you the products and services you need.

Give suppliers the earliest possible sight of your procurement intentions over the next 12 to 18 months – if possible broken down into quarterly figures. This will help suppliers to plan ahead in terms of putting in place reliable supply chains to meet demand.

Collaborate wherever possible – especially in terms of higher cost items such as vehicles as this may help the coachbuilders to secure the chassis needed – and please use existing NFCC Frameworks.

Give the Procurement Hub team early notification if you think you are likely to have an issue procuring equipment. They can offer advice and guidance.

**FIRESA Council Chairman Bernie Higgins on behalf of the FIA and its FIRESA Council
October 2021**