2020/21

Press Pack

Our fasteners enable innovation today to build a better tomorrow

https://www.trfastenings.com/news/in-the-spotlight

Customer service excellence

As well as offering a full range of sheet metal fastenings, with flexible manufacturing capabilities, TR has made significant investment in the level of support it offers to enhance its customer service. We deliver comprehensive support to our customers across every requirement, from concept design through to technical engineering consultancy, manufacturing, supply management and global logistics.

TR is incredibly proud of its track record in delivering outstanding customer care, which is reflected in the testimonials we regularly receive from many of our longstanding customers.

"I have been trading with TR Fastenings for the last 20 years as a buyer for a sheet metal company and have dealt with many sales staff at TR in that time. I have found all of them to be very professional with excellent product knowledge and very articulate and friendly.

"My job involves talking to people every day and it is a pleasure to deal with TR Fastenings. There is always a cheerful helpful voice at the end of the phone which is not the case with some suppliers I have to deal with.

"Thank you TR for your continued support, competitive pricing, punctual deliveries and excellent staff. I will continue purchasing from you and recommending you to other companies." **Chris Sandford – Buyer – Lund Brothers Ltd.**

"The TR team is friendly, knowledgeable and always willing to help." **Greg Gisborne, Havant Sheet Metal Ltd**

What sets us apart?

TR is a trusted Full Service Provider (FSP) offering engineering design and manufacturing expertise to a wide range of industry sectors. TR works with companies from early design stage right through to specification, manufacturing, quality control and logistics.

Throughout the customer journey we always aim to exceed expectations, offering a service that is both friendly and knowledgeable, based on expert engineering advice. Our response time is second to none.

At its heart, TR aims to offer every single customer a seamless professional sales service from the initial enquiry and assisting with product suitability through to order and after-sales support. It is why many of our customers have been relying on TR for their sheet metal fastening needs for decades. We think our customer retention levels are testimony to our success.

Our industry knowledge

Fastening solutions are helping to shape the future in a number of key sectors, including electronics and technology, telecoms, HVAC, domestic appliances and sheet metal industries.

Our teams of customer service and sales operatives have a broad knowledge of industry sectors and have a reputation for building strong relationships with customers.

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Customer service excellence

Continued

Our teams of customer service and sales operatives have a broad knowledge of industry sectors and have a reputation for building strong relationships with customers.

TR's account managers will learn everything they need to know about your company in order to deliver an effective service, be it in recognising historic requirements and new developments, or keeping up to date with challenges in specific industries. Our staff are very adept at signposting to other TR departments for engineering expertise when required and have a genuine understanding and empathy with customer requirements.

We are dedicated to helping our customers in overcoming application challenges. As well as a knowledgeable sales team, we have a bank of helpful and explanatory animations detailing product information and specific considerations.

Click here to learn more about the TR Fastenings sheet metal fastener range and how they are used within different industries.

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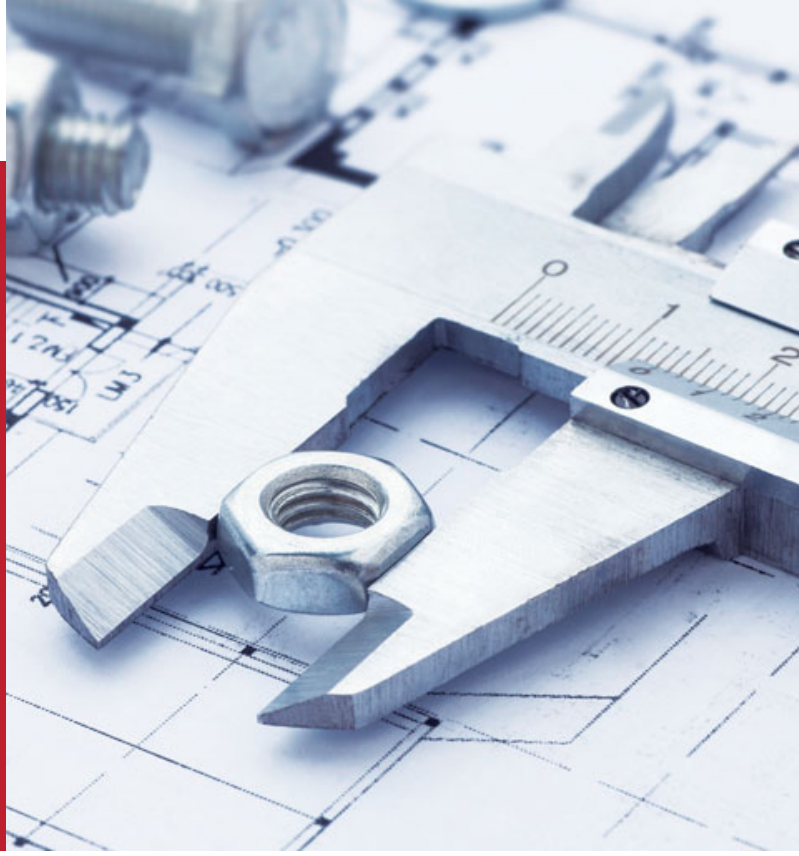
Engineering and technical back-up



There are many application challenges within the sheet metal industries. Selecting and installing the correct fasteners is one of them. Faced with increasing environmental responsibilities and unprecedented technological change, manufacturers and contractors are challenging for higher quality and smarter, application-based sheet metal fastening solutions.

Our research and technical capabilities encompass specific engineering disciplines evolved to support all sheet metal application solutions. TR offers fastener testing capabilities across a range of categories, including mechanical, dimensional, installation, and plating and finishes.

Application advice and guidance from our on-site engineers

TR's depth of engineering knowledge and technical back-up is relied upon by our customers who are seeking assistance in the selection of products best suited to particular contracts or applications. Our global technical team can offer application advice and guidance and has the expertise to assist with solutions if there is an application issue that needs resolving.

In today's competitive manufacturing environment, controlling cost and maintaining a high level of quality is a vital component of success. We offer complete confidence to our customers through our quality accreditation, which includes PPAP level 3. Here is what our existing customers say about our level of quality and expertise:

"In general it is great to work with all of the TR teams as they are always customer orientated and willing to help out. The knowledge, especially from TR's Quality Department, is great because with this they can define and detect troubles and problems.

"For specific projects, TR and HA-CO are always looking for improvements, we are now also developing a special stand-off." **Manuel Grimm, Ha-Co, Austria**

Fast response and flexible product solutions

Adapting to change in the current technologically fast-paced environment is essential. TR's global technical team is able to respond to requirements for smaller, lighter and more flexible product solutions, assist in troubleshooting and in the specifications for bespoke orders.

Where competitors' products have failed, TR's engineering team is quick to respond and in some cases this has included on-site visits to resolve application malfunction. With quality application engineers based at most TR sites, we can travel to deal with customers on a personal level if required.

Our customers, as you can see from the testimonials below, are delighted with the technical support TR offers.

"I am very happy with the way that TR Fastenings' Quality Department is providing me with solutions and answers to my concerns and questions.

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Engineering and technical back-up

Continued

The department is very skilful and their knowledge is helping us to provide our customers with the information that they require for technical problems." **Bram van Maurik, Batenburg, Holland**

"We are also very satisfied with your Quality Department. Problems are dealt with quickly and solutions are found." **Michaela Kyriakidou, Dueko, Germany**

Communication, flexibility, engineering expertise and problem solving are fundamental to the service we bring to our customers. We have a robust, organised network of engineers across the globe troubleshooting application problems and helping customers with their fastening solution challenges.

Click here **to learn more about the design, engineering and quality expertise at TR Fastenings.**

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Stock variety, variance and availability

TR Fastenings is a leading global specialist in the design, engineering, manufacture and distribution of high quality sheet metal fastenings. Operating from 32 business locations within the UK, Asia, Europe and the USA, TR's network spans two continents and includes eight high-volume manufacturing sites delivering high quality, cost-effective sheet metal fasteners.

Supplying fasteners into c.75 countries and more than 5,000 companies, TR is a Full Service Provider working with customers from early engineering and design stage, right through to specification, manufacturing, quality and logistics.

Flexibility in service and stock availability

As a major supplier to the automotive, electronics and domestic appliance sectors, TR has a robust business model for large OEM's and SME's. We hold stock of a huge range of sheet metal fastenings and related products. As a result, TR is able to deal with a variety of different applications, including where high volumes are a requirement.

TR offers real flexibility in service, in product ranges and is able to effectively and efficiently accommodate customer needs. Our customer service and sales teams are on hand to help with any problems that sit outside of the normal stock and supply issues.

"TR always provides a fast and efficient service and helpful advice on new requirements." **IC – Operations Director - OKW Enclosures Ltd.**

Our extensive stock availability ensures customers benefit from reduced costs of stockholding and storage as only a few days' stock needs to be held on the production line. Production can focus on its core function, as standard parts are always available at the point of use.

Our automated optical sorting facilities and specialist packing capabilities mean that TR can supply quality products reliably.

Inspection costs are also reduced as quality approved parts can be shipped direct to the production line.

Logistical support

TR understands that a global approach requires specific solutions in terms of communication, culture and security. Our three-tier approach, which includes local, national and international teams, is able to address all of these challenges in order to provide customers with the quality fastening solutions and economic advantages that they require.

We offer flexible dispatch times to meet with our customers' needs. The large stocks and general availability of our products mean we can respond quickly when competitor's products malfunction or when production priorities change.

Providing a range of delivery services and flexible response times, we offer next day delivery, timed if required, self-scan if certain criteria are met, or DLF (Direct Line Feed).

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Stock variety, variance and availability

Continued

Importantly, our global delivery operations ensure customers' needs are consistently met.

"TR Fastenings have been a supplier to Potters for over 25 years, and as the Purchasing Manager I personally have dealt with them for over 20 years. I have always found their service to be second to none, which is why they are our main supplier of sheet metal fastenings. team both internal and external are reliable, extremely helpful, knowledgeable, friendly and very easy to deal with.

I would recommend TR to anyone looking to buy sheet metal fastenings, as the product range meets my needs and is of an exceptional quality. The sales team both internal and external are reliable, extremely helpful, knowledgeable, friendly and very easy to deal with." **Lea Bullen, Operations Manager, L. Potter & Sons Ltd.**

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EV batteries are the future but we must drive improvements now

As the new 70-plate cars roll off garage forecourts across the UK, 2020 is predicted to be another record-breaking year for electric vehicles in this country.

A report by Statista published in May forecast that electric vehicles will make up more than 10% of new UK vehicle registrations this year – up from just 3.2% of vehicles in 2016.

It is vital now that all of us involved in the EV industry work collaboratively to help the sector grow in a sustainable way.

As electric vehicles become more popular, the number of EV batteries coming to the end of their usefulness on the road will soar. But whereas traditional lead-based car batteries are commonly recycled in the UK – so much so that the majority of a new lead-based battery is recycled material – that is not the case for EV batteries.

Last year a joint study published by researchers from the University of Birmingham, the University of Newcastle and the University of Leicester concluded that the rise in popularity of EVs had not been matched by a solution to the problem of recycling the end of life waste of their components.

The researchers argued that there was an opportunity for the UK to be at the forefront of a new sector in the recycling industry to meet that challenge – potentially not only handling UK EV waste but also profiting by importing and recycling EV waste from abroad. In Japan, Nissan opened a factory for the refurbishment of used EV batteries for repurposing in electric cars as well as vehicles requiring less power, such as forklifts and golf buggies, and in street lights. Likewise, Toyota has linked units to solar panels to provide power to shops in Japan.

The Faraday Institution - the UK's independent institute for electrochemical energy storage research - has suggested that recycled material could be a key input for the eight Gigafactories it forecasts the UK will need by 2040 to meet domestic demand for lithium ion batteries.

Securing the raw materials these factories will need, could be a mammoth task in the face of a global rise in demand, and the fact the mines producing the minerals needed aren't exactly on our doorstep. Lithium and manganese production is dominated by Chile, Australia and China, but the majority of cobalt comes from less stable countries, in particular the Democratic Republic of Congo. Concerns have already been raised by some experts that mining output of some of these minerals will not be able to keep pace with the growth in demand for electric vehicles.

While the Financial Times reported recently (6/9/20) that a number of companies are investing in Cornish mines in the hope of sourcing low-cost lithium domestically, a secure supply from recycled sources of the minerals needed for EV battery production in the UK would provide assurance that output could continue no matter the political situation in other countries.

Work is already underway on joint projects organised by the Faraday Institute and involving scientists and industry to increase the efficiency of batteries and make them more environmentally friendly.

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EV batteries are the future but we must drive improvements now

Continued

The aim of the ReLiB project (Reuse & Recycling of Lithium Ion Batteries run by The Faraday Institution) is to secure the recycling of close to 100% of the materials in lithium ion batteries in the automotive sector, by identifying and removing the technological, economic and legal obstacles to it. It includes developing new methods of isolating the minerals used so they can be recycled, identifying second life uses for the components, reviewing the regulations on battery recycling to ensure they are fit for purpose - and of course encouraging the development of new businesses to actually carry out the recycling process.

All of us involved in the EV industry have a role to play in improving the sustainability of the market. Some parts of a lithium ion battery are already reusable as are the fasteners and components within EV battery housings, busbar assemblies and electrical connectors within the battery, as well as in the charging sockets and facilities. The fasteners and components include silver plated copper or brass connector pins, brass inserts, stainless steel bolts, steel self-drilling screws, aluminium connections and compression limiters. At the end of the battery's functional life, these should be easily removable for separation and recycled for use in other products, whilst allowing easy recovery of the spent battery cells.

But if we are to move to batteries that are near 100% recyclable, we need to do more.

Those designing the next generation of EV batteries must consider at the start of the process - rather than as an afterthought, or not at all - how units will be disposed of. How can we make the product as efficient and effective as possible, but still ensure its constituent parts can be quickly and easily separated for recycling when it runs out of juice?

Putting Design for Manufacture at the heart of the system is key. Designers working with suppliers from the outset can reduce the number of components in their product and increase their efficiency. At TR Fastenings, for example, our specialist teams work closely with our customers from the very early stage of the design process, with our engineers able to develop, test and put into production innovative solutions to problems.

If we are to keep the cost of replacing and recycling units down, we need to develop greater standardisation of batteries so that a one size fits all system can be created for end of life disposal of all of the constituent parts.

In addition, unless there is a sustained focus on tackling the end of life situation for the current generation of batteries, the green benefits of the technology are at risk of being undermined.

Find out more about TR Fastenings' role in the Electric Vehicle industry here.

Article published September 2020

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TR launches new security fastener to protect medical equipment from criminals

A new range of security fasteners has been launched to prevent offenders from stealing or tampering with equipment in hospitals and other medical centres.

The innovative 5-Lobe pin from TR Fastenings is the first complete range of security fasteners made from corrosion-resistant A4-70 stainless steel - the preferred material for all applications across the health and medical sector because of its non-reactive qualities. The fastener's five-sectioned screw head means that it can only be undone by someone with specialist tools, preventing its removal by an opportunist criminal.

A report by the think tank Parliament Street [page 4] last year revealed that suspected thefts of electrical equipment from NHS sites had increased by 33% over a three-year period. Among the items taken were cameras, computers, laptops and monitors. The losses caused not only disruption to care and extra cost to the NHS but also concerns that patient data security could be compromised.

Meanwhile, in March this year it was revealed that staff had to take urgent action after vandals were able to damage the main oxygen supply for Rotherham Hospital [source: Rotherham Advertiser 10/3/20].

TR Fastenings components are used in medical equipment, ventilators, defibrillators, furniture including hospital beds, lighting and electrical points and signage.

Fastenings for medical equipment are made with corrosion-resistant A4-70 stainless steel. The durability of the high grade material means that components need to be replaced less often and that equipment is easier to clean and maintain.

Paul Standing, Products Manager at TR Fastenings, said:

"It's vital that medical staff have the confidence that when they need a piece of equipment it is where it should be.

Our new 5-lobe pin fasteners provide a strong line of defence to prevent opportunist thieves and vandals from stealing or interfering with equipment that could be the difference between life and death for patients."

The 5-Lobe pin is rated as a level 2 enhanced security product and can be supplied with button or countersunk heads in either machine screws or self tapping screws. A4-70 stainless steel is a high tensile strength stainless steel with excellent corrosion resistance making it perfect for both internal and external applications.

It is used in the manufacture of medical surgical instruments and in the pharmaceutical industry where cleanliness is absolutely key - the addition of molybdenum to its composition provides the A4 grade with a greater level of corrosion resistance making it suitable for use in salt water environments, or certain chemical solutions."

Click here for more information about the 5-Lobe pin security fastener

For more information on how TR Fastenings can support the medical industry click here

https://www.trfastenings.com/news/in-the-spotlight

TR launches new security fastener to prevent businesses becoming victims of crime

A new range of security fasteners has been launched to help businesses to cut the cost of being a victim of crime from their overheads.

The innovative 5-Lobe pin from TR Fastenings is the first complete range of security fasteners made from corrosion-resistant A4-70 stainless steel - the perfect product for outdoor use, in particular in marine, health and medical sectors because of its non-reactive qualities. The fastener's five-sectioned screw head means that it can only be undone by someone with specialist tools, preventing its removal by an opportunist criminal.

A report by the Federation of Small Businesses (FSB) in October 2019 suggested that there are 3.8 million traditional crimes against businesses in the UK each year, the vast majority of them robberies, burglaries, thefts and acts of vandalism – an average of more than seven every minute, with each costing businesses an average of £3,340.

In July thieves dismantled and stole a 10m-long building in Hull, while in September a mobile sheep yard and sheep weighing equipment were stolen in North Yorkshire [sources: BBC 20/7/20 & Farming UK 10/9/20].

The Federation of Small Businesses report added that more than one in five business victims said they didn't report their case, with many saying they were either too busy or were not even going to make an insurance claim.

Public sector organisations are also targeted. The think tank Parliament Street has estimated [page 4] that suspected thefts of electrical equipment from NHS sites has increased by 33% over a three-year period.

TR Fastenings components are commonly used in furniture including hospital beds, lighting and electrical points, signage, medical equipment, ventilators and defibrillators.

Fastenings made with corrosion-resistant A4-70 stainless steel do not degrade if they come into contact with salt water and other chemicals that have an impact on other forms of steel. The durability of the high grade material means that components need to be replaced less often.

Paul Standing, Products Manager at TR Fastenings, said: *"Opportunist thieves and vandals are always on the look out for an easy target so it's vital that businesses have the right level of security to defend themselves and their property. Our new 5-lobe pin fasteners provide a low-cost, long-lasting line of defence against intruders that could cut the amount of money businesses lose in thefts, damages, disruption and increased insurance premiums because of crime."*

The 5-Lobe pin is rated as a level 2 enhanced security product and can be supplied with button or countersunk heads in either machine screws or self tapping screws.

A4-70 stainless steel is a high tensile strength stainless steel with excellent corrosion resistance making it perfect for both internal and external applications. It is used in the manufacture of medical surgical instruments and in the pharmaceutical industry where cleanliness is absolutely key - the addition of molybdenum to its composition provides the A4 grade with a greater level of corrosion resistance. Its composition means it is also perfect for use in marine environments.

Click here for more information

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Container shortages impact fastener supply chain

A shortage of shipping containers at major global export ports is now seriously impacting fastener availability in the UK and Ireland, the British & Irish Association of Fastener Distributors warns. The crisis is also forcing up container freight costs three-fold and exacerbating other cost drivers to fuel sharp product inflation.

Container shortages are currently the biggest disrupter according to specialist supply chain media The Loadstar1 on 1st December. That's an assessment echoed by BIAFD importer members, who say they now have major backlogs at factories, which cannot be shipped to the UK and Ireland due to the lack of containers.

The CAx, an index of container availability2, is now at record low levels. A reading below 0.5 indicates a deficit of containers. For week 49 the reading for Shanghai Port was just 0.03 – compared with 0.53 ten weeks previously, and 0.66 in Week 6 2020. The indices for other global – and also European ports - show plunging container availability over recent weeks.

The container shortages are an indirect consequence of the Coronavirus pandemic. Emerging early from the pandemic, Chinese factories recovered production and recommenced exports to global markets. More recently, export shipments increased ahead of the Chinese National Day holiday in October, further ratcheting during the peak season run-up to Christmas.

Containers are collected from port and road or rail freighted to companies. However, return times to ports in all import markets have significantly increased, due to coronavirus-related shortages of vehicles and drivers.

Container shortages have also been exacerbated by the volumes of personal protection equipment being imported. In November, the UK's main container port at Felixstowe was said to be storing some 11,000 containers of PPE ordered by the British Government. Many of these containers have now been moved to inland storage points but the containers are unlikely to be released for many months and potentially longer.

With finances hit hard by the collapse of global trade, resulting from the pandemic, shipping lines radically tightened capacity on most routes. Lack of capacity and low backhaul profitability has meant containers returning to export markets far more slowly. More lucrative transpacific routes to American markets have also taken priority for both container ships and containers over European routes.

While container manufacturers are reported to have stepped up production, output lags well behind demand, and the knowledge that the container market will eventually rebalance is a disincentive to further ramping up output.

All the indications are that it will be several months before equilibrium is restored. With backlogs rapidly growing at exporters and an early Chinese New Year putting further pressure on capacity, it looks improbable the situation will return to any level of normality until the end of quarter one 2021. UK and Irish importers have faced additional challenges, due to persistent delays at Felixstowe Port,

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Container shortages impact fastener supply chain

Continued

which have knocked onto other UK ports. Some carriers have applied substantial port congestion surcharges, further adding to importers' costs.

More problematically, some shipping lines are by-passing UK ports to avoid delays, dropping containers at Northern European ports - which typically adds a further two weeks to lead times, placing further pressure on availability.

In addition to creating availability challenges, all of these factors are driving major increases in freight costs for importers. BIAFD importers report container freight costs tripling, without factoring in port surcharges or costs of rerouted shipments. This means an effective on-cost to products often well in excess of ten percent.

Other inflationary pressures on fastener costs were already becoming evident. Asian steel prices have increased sharply in the last month, with further increases predicted, as supply tightness is compounded by a serious accident in a major Korean steel plant. European steel lead times have also extended sharply, for some wire grades tripling to more than twenty weeks, and steel producers are expected to introduce substantial cost increases early in 2021.

References

1. The Load Star - 'Container shortages the biggest disrupter: where are all the empty boxes?' - 01.12.2020

2. CAx

Original articles published by The British & Irish Association of Fastener Distributors (BIAFD)

The British & Irish Association of Fastener Distributors represents the interests of more than 85 United Kingdom and Ireland fastener importers, wholesalers and distributors.

www.biafd.org

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Update 26.01.2021: Container crisis wasn't just for Christmas

The global crisis in freight container availability, and consequence massive escalation in sea freight costs, made mainstream headlines in December – as parents worried there would be no Barbie dolls or Peppa Pig toys in stock for Christmas. A month on, the decorations are down, but the fastener supply chain continues to struggle with the severe impacts on product availability and costs, with little outlook for rapid improvement.

At the beginning of December, the BIAFD warned that the shortage of shipping containers at major global export ports was seriously impacting fastener availability in the UK and Ireland, forcing up container freight costs three-fold.

The situation in January is significantly worse. The problem is global, and not directly related to the UK leaving the EU. That said, issues at Felixstowe Port, which knocked onto other UK ports, have exacerbated an already critical situation. The escalation of Covid-19 infections in the UK now also means shipping lines continue to avoid British ports, preferring to off-load in Northern European, adding a further two weeks before goods are received in the UK.

The latest picture from BIAFD importing members show Asia-North Europe container freight costs have continued to rapidly escalate: pushing them five times – in some instances even more - higher than mid 2020. For a container of some standard fasteners with a low value per weight, that could easily mean the freight cost now equating to a third of the value of the consignment. As a result, some BIAFD members have reluctantly decided they simply cannot afford to bring in product, even though current inventory is rapidly eroding to support increased demand from construction and manufacturing. Most fastener importers, however, are competing against high value consumer goods for scarce containers and being forced to pay massive premiums. Insult is added to injury, when they are then presented with additional charges of several hundred dollars, to ensure a container is collected in time to be loaded for its sailing.

There are signs of limited improvement in container availability in key Asian exporting ports, as shipping lines actively reposition empty containers and container manufacturers work all out to supply new boxes. However, container availability remains substantially in deficit with little immediate prospect of major improvement, and now the Chinese New Year is rapidly approaching. The most important Chinese holiday period, this year in mid-February, always means a surge of export activity ahead of factory closures, increasing pressure on extremely limited container capacity, followed by several weeks of catch up, once factory, haulage and port operations return to work. As early as the second week in January, BIAFD importers were being told by freight agents that there was no possibility of their containers being shipped before the Chinese New Year.

Governments around the world may be losing patience with the apparently out of control shipping rates and

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Update 26.01.2021: Container crisis wasn't just for Christmas

Continued

and supplementary charges. However, threats of capping shipping costs or competition authority investigations are currently doing little more than shaving the very tip of the iceberg.

BIAFD currently sees little probability of significant improvement, either in availability or freight costs, until well into the second quarter 2021. Its members' highest priority is to maintain the best possible availability for critical manufacturing and construction supply chains. That inevitably means fastener costs will increase significantly, as at least some element of the massive hikes in freight costs are unavoidably passed on, alongside the impact of major increases in steel and stainless steel raw material costs.

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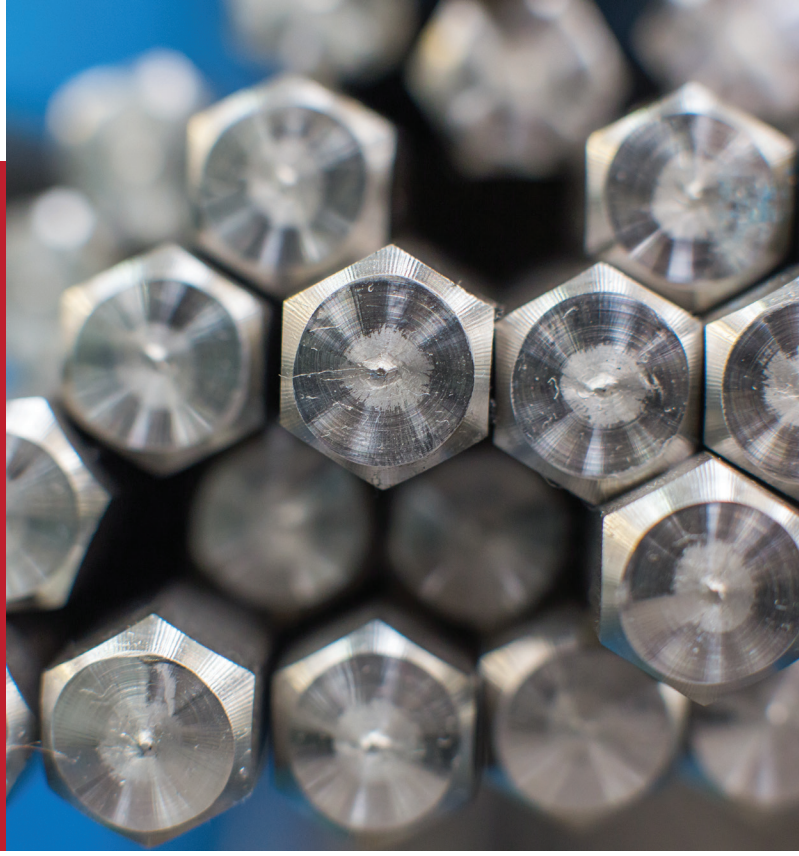
No let-up in freight and steel cost pressures



"It's every bit as bad as it was". Grimly taciturn but typifying responses to the BIAFD's latest check with members on fastener cost and availability pressures, emanating from the ongoing sea freight crisis and escalating metals costs.

The common theme running through global Purchasing Managers Index reports for February was the sledgehammer impact on manufacturing of rising costs driven by supply- chain disruption and raw material shortages. As a vital supply-chain to UK and Irish manufacturing and construction industries, members of the British & Irish Association of Fastener Distributors confirm these pressures are at unprecedented levels - and that they show no signs of easing in the foreseeable future.

Any hope of improvement in sea-container freight rates and availability, once the Chinese New Year holidays were behind us, has rapidly been dashed, according to BIAFD members. As February closed, the hope was the holiday respite in Asian shipments might allow recovery of containers to key export ports. However, there is no evidence of improvement on the ground. Cargo is piling up in Asian ports and any capacity gains will be rapidly eroded as global demand continues to surge. One thing is sure, there is no let-up in container freight rates, which BIAFD members continue to report as five to six times higher than a year ago. Importers are facing 'all up' costs of up to £6000 for a 20DC container shipped from Asia to the UK.

Depending on the product involved that can equate to as much as a third of the value of the box contents. If anything, rates look set to harden as shipping lines apply $500 seasonal surcharges early and seek to recover increasing fuel costs.

With replacement inventory urgently needed to meet buoyant demand across many sectors, plus freight industry warnings of little better than 50/50 chances of containers sailing on schedule, importers are having to 'bite the bullet' and pay exorbitant rates to try to ensure earliest possible arrival. While Mainland China is at centre of shipment unreliability and escalating costs, BIAFD members report Taiwan being little better and arranging bookings from Vietnam 'extremely difficult'.

The outlook? With a massive backlog of all types of sea-going cargo, continued major congestion in global ports, and surging demand as economies recover from Covid-19, freight agents are warning importers not to expect any improvements until at least June and most likely well into Quarter Three.

BIAFD members have always invested heavily in inventory to smooth out the impact of the inevitable headwinds that beset long-range importing. However, these are not headwinds: overworked as the expression often is, 'perfect storm' really is an apt description right now.

There are unavoidable realities for fastener consumers in all sectors. Shortages are now appearing for particular, in some cases high demand, sizes of nuts, bolts or screws.

The levels of freight cost inflation simply cannot be

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No let-up in freight and steel cost pressures

Continued

absorbed and is now having to be passed on as substantial cost increases, with more inevitably to follow.

The inflationary pressure from freight is further compounded by radical cost increases in steel and other key fastener manufacturing materials, including nickel, a major value element in stainless-steel fasteners. Carbon steel wire costs have escalated by more than twenty percent, with increases of ten percent or more already notified for Quarter Two. The picture is not unique to fasteners, as any steel buyer knows right now. Capacity is constrained and steel inputs, such as iron ore, are holding at historically high cost levels. Nickel market prices have escalated by more than forty percent year on year - driving sharp cost increases in wire for stainless steel fastener manufacturers. Equally concerning, wire lead-times are continuing to extend, with factories reporting real difficulty in sourcing all the material they need.

Whatever and whenever the eventual improvement in container availability, freight rates and material costs, it is clear they will not subside to anywhere near the levels enjoyed in previous years. Fastener importers and distributors have no choice to commit to the current extraordinary cost levels if they are to stand any chance of fulfilling their core role of providing supply continuity for industry and construction. With lead times upwards - in some cases beyond 30 weeks - those commitments are set to impact fastener costs in the UK and Irish fastener markets, indeed fastener markets throughout Europe, for the rest of 2021.

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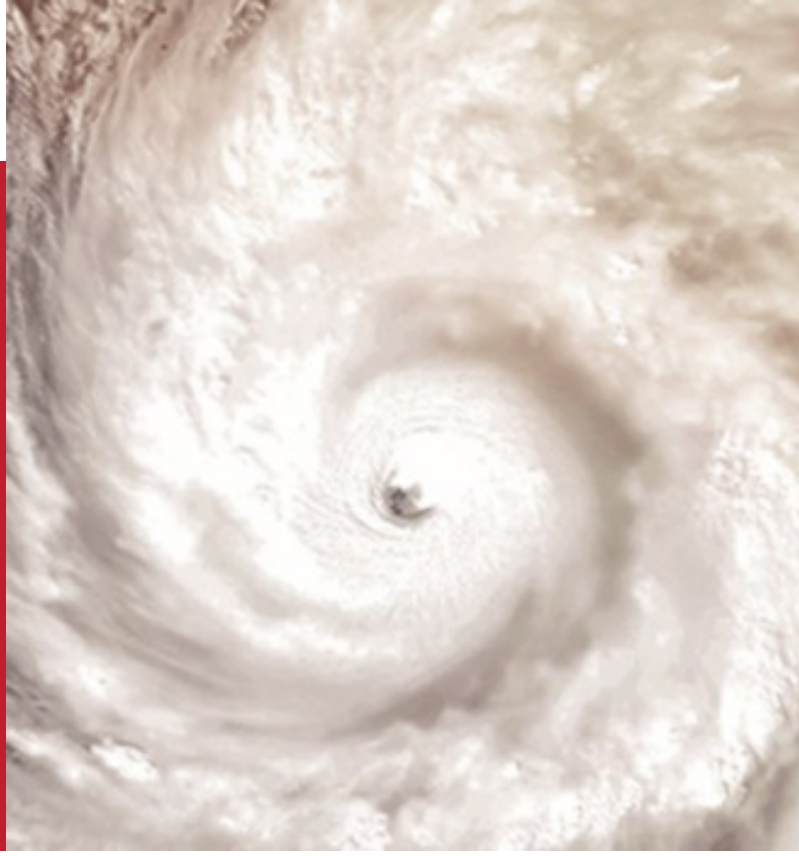
Fastener sector facing the Perfect Storm



The dictionary definition of the Perfect Storm is 'a rare combination of individual circumstances that together produce a potentially catastrophic outcome'. The expression crops up daily across the fastener industry right now, so at Fastener + Fixing Magazine we thought we ought to explore whether it's justified.

Credit: Will Lowry – Editor - Fastener + Fixing Magazine
www.fastenerandfixing.com

The context, of course, is the coronavirus pandemic and all that is now ensuing from it. On the upside, as most economies recover from Covid-19 restrictions, demand across most industries is at minimum growing and, in many cases, surging to near record levels. Long may that prevail and those economies, still severely blighted by the virus, begin to climb the recovery curve.

Where it all starts unravelling is the supply side, for virtually every manufacturing sector, including fasteners. Where to start? Steelmaking raw materials; availability and cost of any grade of steel, and many other metals? Global container freight availability and cost? Workforce availability? Constrictive trade measures?

Global steel capacity has simply not kept pace with the upsurge in demand. With the exception of China, steel capacity was definitely slow to return online from widespread shutdowns when Covid-19 first struck. While there have been questions about whether the steel industry hung back in order to push up prices, there are unquestionably structural reasons for the lag. Shutting down a blast furnace is complex enough, restarting takes far more time and effort.

It's also a prerequisite that demand will be sufficient to sustain a 24/7 production process. Actually, world crude steel output in Q1 2021 increased to 487Mt, some 10% higher than the same period 2020, and Q1 2020 output was virtually unchanged year-on-year1 – so there has been real output growth. However, that growth is imbalanced. Asian output has increased 13% in Q1 2021 and that primarily means China. European Union output increased 3.7% year-on-year, but North American output declined by more than 5%. Global demand, though, continues to outstrip supply, with consequent rampant price escalation. More damaging in many respects are lead times that initially more than quadrupled and now extend well beyond that, if indeed availability exists at all.

As steel production ramps up, the costs of input materials are also surging to record highs. As this is written, iron ore costs have surpassed 2011 record levels and are nudging US$200/tonne. Coking coal costs have similarly escalated, as have those for scrap.

Many fastener factories across the world are simply declining to accept orders at any price, even from regular, major customers, because they are unable to secure wire. Where orders are being accepted, quoted production lead times in Asia are typically eight to ten months, although we've heard some instances of more than a year.

Another increasingly reported factor, is shortages of production personnel. In some countries that is a consequence of continued coronavirus outbreaks and/or restrictions, with India almost certainly the worst hit.

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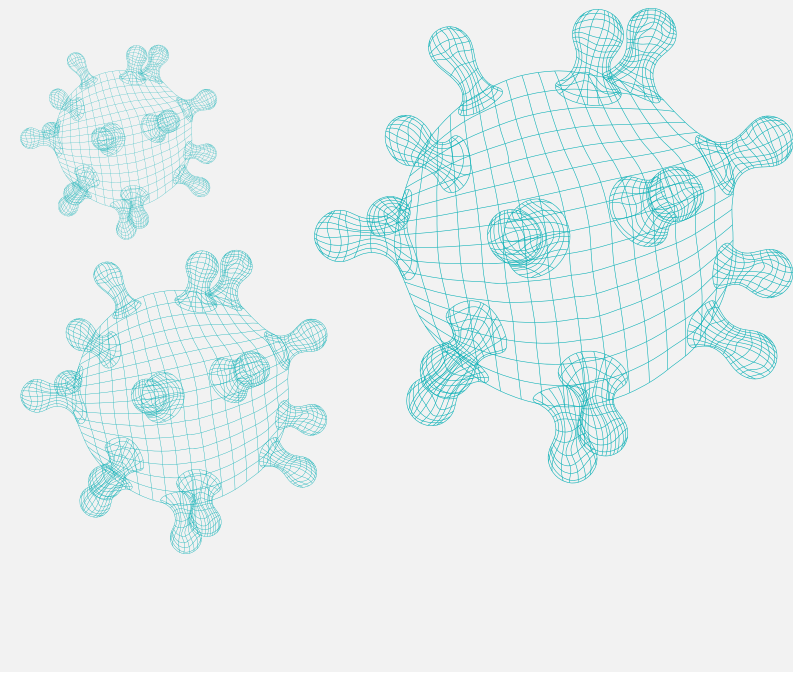
Fastener sector facing the Perfect Storm



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However, even in countries with blessedly low infection levels, for example Taiwan, factories cannot hire enough labour, skilled or otherwise, to meet increased demand. Talking of Taiwan, anyone following news of the global shortages of semi-conductors, will also know that country is suffering unprecedented drought conditions currently, impacting the whole spectrum of manufacturing.

Two consequences are inevitable. Fastener manufacturers and distributors simply cannot absorb the current extraordinary levels of inflation – not if they are to survive as a business – and have to pass on substantial and multiple cost increases. Isolated shortages of some fastener types in the distribution supply chain are now becoming widespread. One wholesaler recently received more than forty containers of screws – more than two-thirds was absorbed by back orders and there is no way of anticipating when further stocks will be received.

Then, of course, there is the global freight industry, which has already gone through six months of radical container shortages. China's rapid recovery from the pandemic initiated that crisis, exacerbated by the Christmas peak season demand. Then, the coronavirus impacted container handling, particularly in North America, slowing the return of the boxes to ports of origin. By the beginning of 2021 freight costs had multiplied several-fold – in some cases six times higher than a year earlier. By early March there were faint glimmers of improvement in container availability and some softening of freight rates.

That was until 23rd March, when a 400m long container vessel lodged across the Suez Canal for six days. This might not seem that long, but it could take up to nine months before the global container freight industry fully normalises as a result. The ultra large container vessels that now ply most routes, whilst slower steaming to conserve fuel, may only make four complete 'loops' a year. So, a six day delay, compounded by the inevitable port congestion that follows it, knocks everything out of kilter. Ships and boxes are now all out of position.

At the beginning of the year there were protests that the shipping industry was constraining capacity to boost rate levels. Maybe so. However, latest reports indicate that less than 1% of the entire global container fleet is now idle. New, even bigger vessels are being ordered – but will not come into service until 2023. So serious is the ship availability, that lines are reported to be transferring smaller coastal container vessels to deep sea routes, good reason – if the Ever Given was not enough – to ensure your container is insured.

So, freight costs are ratcheting upwards and show every sign of exceeding February's peaks. Once again, it's availability that counts - and there isn't any. Certainly, on Asia to Northern Europe routes, importers are being told there is no shipping space until well into June. Sailings have simply been blanked because ships are out of position.

New containers, costing double because of steel, have been brought into service. However, port congestion and slow box return continues to be a major issue.The worry now is that the peak season is not that far off; consumers in the US have received a financial boost from President

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Fastener sector facing the Perfect Storm

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Biden's recovery plan; and there are pent up consumer savings in most economies itching to be spent.

Did we mention regulatory impacts? President Trump applied US 'Section 301' tariffs on imports of fasteners alongside other products from China. Although the WTO subsequently ruled these tariffs contrary to world trade rules, incoming President Joe Biden has so far chosen to maintain them. All trade remedies distort the market – that is their purpose, although all too often the distortion has unintended consequences. These tariffs resulted in major volumes of US fastener orders being diverted from China to other Asian sources, including Vietnam and Taiwan.

In December 2020, the European Commission initiated anti-dumping proceedings on imports of fasteners from China. It's not for this magazine to prejudge the outcome of the Commission's investigation – the 'predisclosure' of its provisional measures will be published in June. However, the very existence of the investigation means importers, all too aware of the previous fastener tariff levels of 85%, have not dared place orders on Chinese factories, which might arrive after the July date on which provisional measures are scheduled to be applied. Conversely, Chinese factories are refusing to accept orders, for fear they would be cancelled when/if anti-dumping measures are applied.

With US importers having absorbed capacity elsewhere in Asia, and steel availability critical, options for European importers are severely limited. The trouble is coronavirus travel restrictions make it near impossible to carry out physical audits of new suppliers to assess quality and manufacturing capability.

Place orders in Europe, then. Not so easy. European fastener production capacity is reportedly overloaded, with virtually no additional raw material to be obtained. Steel safeguarding measures, placing quota limits on imports of wire and bar, also limit flexibility to source wire from outside the EU. We're hearing that lead times from European fastener plants, assuming they are prepared to accept the order at all, are between five and six months.

Two thoughts to conclude. Firstly, whatever the legitimacy for anti-dumping measures on Chinese fasteners, the timing could not have been worse and the consequences, if significant tariffs were to be applied similar to those in 2008, will seriously impact European fastener consumption industries. The other thought is simply to reflect on how important fasteners really are. Not just to those within the industry who, perversely perhaps, love these miniature pieces of engineering, but to all those consuming industries, which – dare we say – regularly undervalue and take them for granted. Fasteners rarely account for more than one percent of the value of a finished product or structure. However, if they are not there, that product or structure simply cannot be completed. The reality for any fastener consumer right now is that continuity of supply overrides cost and that having to accept higher prices is infinitely better business than halting production.

So, Perfect Storm? Media is often accused of being prone to exaggeration. In this case, we suspect, if anything we'll be accused of understating the reality.

Source WorldSteel Association www.worldsteel.org

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