

All Stakeholders Can Play a Role to Mitigate Supply Chain Issues and Price Volatility

With price volatility and supply chain issues remaining a significant challenge for the construction and mechanical contracting sector, and changing daily, the Mechanical Contractors Association of Canada is reminding all stakeholders of the measures that can be taken to mitigate the effect and negative impact of these issues.

At its most recent Board of Directors meeting, the association identified price volatility and supply chain as a major issue affecting members across Canada. The association is calling on all stakeholders, including buyers of construction and design consultants, to consider the various ways they can ease these challenges.

“We have heard from our members across Canada that price volatility and supply are having a significant impact. In some cases, regional challenges are only further exacerbating these issues,” said Dave Holek, President and Chair of MCA Canada. “These impacts extend beyond just price increases or lack of supply. They can negatively affect productivity, while placing a significant burden on contractors. There are some efforts that can be taken at all levels to reduce these negative effects, and we would encourage all stakeholders to give consideration to these.”

Some of the steps to be considered include:

Look at Early Involvement of Key Stakeholders to Ensure Project Budgets Reflect Pricing and Supply Trends - Early consultation and involvement of Contractors can assist Owners and Consultants in understanding current market realities. Some materials have seen price increases of 35 per cent in weeks with no indication of staying stable anytime soon, and most likely will get worse, while other materials may not even be available. Involving subcontractors and suppliers early can ensure products are ordered and available for the project.

Allow for Material Price Change Clauses in Bids - Given the worldwide uncertainty on supply and pricing, the inclusion of price escalation and/or reduction clauses can provide confidence for bidders and buyers that price increases/decreases can be managed in a fair manner for all.

Consider Reducing Award Period on Projects - In many cases, suppliers and mechanical contractors are only being provided 7–14-day terms on their pricing, some just 2 days, and in other cases, only up until the material arrives. Shortening the bid approval timeline to reflect this reality can provide more price certainty for the project.

Work with Contractors to Ensure Timelines and Schedules are Realistic - With the pressures of supply, the availability of skilled labour, and still any effects from the COVID-19 pandemic, early discussions with Contractors can ensure expectations from all parties on a project are communicated and understood.

Maintain Regular and Consistent Communication - Regular communication between all stakeholders can make parties aware of any potential or unforeseen challenges that may arise.

“While these are only a few steps that can be taken, each encourages ongoing collaboration with all stakeholders,” Holec added. “With the unique circumstances driving price volatility and supply chain issues around the world, now more than ever is the time to work together to address these issues.”