

Going Local Amid the Global Supply Chain Crisis

Considerations to Ensure Product
Availability for Building Projects

INTRODUCTION

When designing and manufacturing plumbing and drainage systems in Australia, one of the first decisions you have to make is whether to make the product locally or outsource it from overseas. Offshore manufacturing is attractive as it provides the capability to produce large quantities of a product at relatively low cost. Depending on the country, labour is often cheaper and raw materials in abundance. In addition, environmental and ethical employment regulation is often significantly less than in Australia.

While the industry assumption has always been that it is more cost effective to manufacture and source products offshore, this is not necessarily the case in the current global climate. Issues with quality control and rising costs for transportation, delivery and insurance must also be considered as their impact will be passed to the customer. Australia's strict regulation of building products, especially drainage systems, and the recent changes to the National Construction Code (NCC) mean that products made overseas often fail to meet local standards for quality and performance, putting projects at risk of non-compliance.

Of critical importance to trades and builders in general is reliable and timely delivery of cost-effective products to ensure the sequence of construction is maintained. Australian-made products are insulated from off-shore logistics issues, and are often superior in quality, performance and in terms of compliance with the NCC. In other words, if you have a choice between an imported drain or an Australian made, owned and invented drain – it is always better to go local.

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COVID-19 AND BEYOND

The impact on global manufacturing and supply chains

Plumbing and drainage systems incorporate intricate components or sophisticated materials that require specialised skills and technology to make. In most industries, manufacturers have turned to overseas suppliers and subcontractors to realise efficiencies in large-scale manufacturing. This approach is supported by a global supply chain that enables the distribution of goods and services throughout a worldwide network to maximise profit and minimise waste.

The onset of the global COVID-19 pandemic exposed many vulnerabilities in global supply chains and raised concerns about their long-term viability. Measures implemented to contain the spread of COVID-19, as well as shifting patterns of consumption, put an unprecedented strain on global supply chains, requiring businesses to make changes to their supply arrangements.¹

The Reserve Bank of Australia describes two phases of supply chain issues during the pandemic. In the early stages of the pandemic, activity restrictions and lockdowns in China and other countries lead to production issues, with Australian firms reporting delivery

delays and difficulties sourcing products from overseas factories.² As global demand returned from mid-2020, transportation, particularly the availability of sea freight services, became the key supply chain issue, while some production constraints remained in some geographies.³

Global supply chain issues continue to this day due to unprecedented demand and constricted effective logistics capacity. Rising prices in shipping rates and schedule delays have arisen, with some key trading routes suffering more than others. Pandemic lockdowns in China in 2022, a major global supplier, is one the key contributors to the current crisis, in addition to backlogs and port delays, labour shortages in related occupations and disruptions to inland distribution networks.⁴ Reports indicate that sea freight shipping rates will remain high, and are not expected to return to pre-pandemic levels.⁵

To mitigate risk in an uncertain global environment, manufacturers are moving production closer to customers. They are also minimising their dependence on one medium or high-risk source (a single factory, supplier, or region) through diversification of their supply base.⁶ Whatever risk minimisation strategy is adopted, it is clear that sourcing and manufacturing products from overseas comes with an inherent risk now and into the future.





CHOOSING LOCAL FOR STABILITY AND CERTAINTY

Why is local better?

Beyond the satisfaction of supporting Australian businesses, buying locally designed and manufactured products provides you with a number of logistical and financial advantages. Local manufacturers have greater supply chain stability, higher quality assurance, less waste, fair working conditions and adhere to strict safety standards. So, before you look for an offshore importer of drainage products, you should see what options you have in Australia first.

Notably, Australia is the source of many innovative building solutions. Linear drains, such as shower channels, were invented in Australia by Stormtech. Any similar product bought from overseas will be an imitation, and more likely to have been 'valued engineered' to make it cheaper while removing many of the benefits of the original product.

Economies of scale that allow for cheaper unit costs come at the cost of commoditisation. This means less choice, and a 'one-size-fits-all' style of product design. These type of products do not suit the building industry in many situations. For example, a simple nail for softwood is not suitable for hardwood. Reducing choice limits the trades' ability to construct fit-for-purpose buildings. Furthermore, one-size-fits-all commodity products severely restrict the ability of architects and designers to create sustainable and harmonious environments for their clients.

In addition, overseas manufacturers lack the experience and expertise in meeting Australian product standards.

Drainage products from overseas may have no compliance certification, or sometimes have false, misleading, expired or outright fraudulent certification.

What does it mean to be a local manufacturer?

When looking for 'Australian-made' manufacturers, be wary as not all manufacturers are as 'local' as they seem. Some manufacturers operate small pop-up assembly warehouses, but the vast majority of their production is actually done offshore. In such cases, these manufacturers simply take an imported channel and grate, cut it to length and assemble, then claim that it was made in Australia.

It is common for manufacturers to outsource part of the manufacturing process to third parties, particularly if they do not have the resources or equipment needed to fabricate specific components. However, extra scrutiny should be placed on 'local' manufacturers who do very little work on-premises, as you will not gain the usual benefits of local manufacturing.

Manufacturers who are transparent about their processes provide customers confidence that any claims about being 'Australian-made' are true. Manufacturers like Stormtech, who created a world first by inventing and manufacturing the linear grate and drain system for bathrooms, do everything under one roof, investing and manufacturing innovative new products with complex components. This flows down to continual staff development, apprenticeships, intellectual property and technological developments, all enhancing the sovereign capability of Australia.

LEVERAGE THE BENEFITS OF LOCAL MANUFACTURING

The case for local manufacturing has never been stronger. It is a myth that Australian manufacturing is more expensive or less efficient than outsourcing production overseas. In fact, not only can Australian manufacturing be just as cost-effective, in some cases it is even more so. This is not to mention the efficiencies gained by the lack of shipping and custom barriers, more flexibility and collaboration, and a better understanding between manufacturer and customer.

That said, cost is only one factor driving your decision when selecting and purchasing drainage solutions. Below we discuss five benefits of local manufacturing that you should strongly consider:

- supply chain stability;
- quality assurance;
- reducing emissions, pollution and waste;
- good working conditions; and
- adherence to safety standards.

Supply chain stability

Stabilising the supply chain is a primary goal for Australian manufacturers. The growing political, economic and environmental uncertainty all over the world means that the global supply chain crisis that began with the pandemic will likely be one of many disruptions businesses will need to manage over the coming years.

Local manufacturers shield themselves from global supply chain issues and can deliver their products to Australian customers with relatively few barriers. They are not subject to ever-increasing shipping costs, tariffs or custom inspections, or the long shipping delays experienced in ports around the world.

Quality assurance

Manufacturers who are situated close to their manufacturing facility have greater oversight and control over the production process and the quality of their product. Australian manufacturing is also subject to strict quality standards and testing requirements that protect customers from products that are not fit-for-purpose or do not perform to the level claimed by the manufacturer.

Australian manufacturers, such as Stormtech, have a special advantage in relation to complex drainage solutions. Not only are they experts in engineering such products, they have also invested heavily in quality assurance processes. Customers can receive, test and approve prototypes as they are made, a collaborative hands-on approach that leads to higher quality products.

Reducing emissions, pollution and waste

Locally made products and materials will not need to be shipped as far, which reduces transport emissions. Ocean and air transit, in particular, are among the most carbon-intensive forms of transport. By choosing to avoid unnecessary forms of international transport, you can reduce your environmental footprint.

Furthermore, some overseas manufacturers require a minimum order quantity (MOQ) because the shipping process is more complex and costly and can be done at a lower cost in bulk, which ultimately leads to waste as tastes change. Unencumbered by MOQ requirements, local manufacturers have the flexibility to produce at a smaller scale and reduce wastage. This provides architects and designers with greater choice and, in some cases, the ability to specify tailor-made solutions that meet the specific needs of their project.

Good working conditions

Australian manufacturing gives you confidence that workers have safe and fair working conditions. While many offshore manufacturers adhere to fair labour practices, some do not and visiting their manufacturing plants to confirm their claims in this regard is a costly and time-consuming task. The use of cheap overseas labour decreases supply chain visibility, making it difficult to know whether or not producers are purchasing inferior quality materials or engaging with suppliers who promote harsh working conditions.

If you choose a local manufacturer, you can see first-hand how they treat their workers. In addition, Australia's advanced regulatory environment ensures that locally manufactured products are completed to a very high standard, with workers fairly treated and compensated. In addition, the Australian government is taking a global leadership role in combating modern slavery, which is the term used to describe serious exploitation and undermining of freedoms, and requires businesses to take action to combat modern slavery in their operations and supply chains.

Adherence to safety standards

Many forms of manufacturing can expose workers and customers to health and safety risks, whether it be working with heavy machinery or exposure to hazardous substances. This fact makes offshore manufacturing a high risk for unsafe labour practices without adequate oversight.

Australia enforces a comprehensive range of safety standards that overseas manufacturers do not need to follow. The best manufacturers in Australia are completely transparent as to their safety policies and procedures, making it easy to confirm which manufacturers are protecting the health and safety of their employees and customers.

MADE IN AUSTRALIA

Stormtech's commitment to delivering the highest quality products



Stormtech is a family-owned business started by concreter John Creighton 35 years ago. Due to a lack of suitable options in the market, John began designing aesthetically-pleasing drains to complement the concrete he laid – and almost organically, a specialised drainage business was born. Today, with John's son, Troy Creighton, at the helm, Stormtech has stayed true to its core values of Australian-led design, innovation and delivering the highest quality product.

Stormtech's dedication to the Australian-made ethos has ensured it has weathered the global supply crisis, establishing reliable, closely vetted supply chains and delivering high quality products to their customers. Stormtech championed Australian-made products throughout its entire history, even when emerging competitors rushed off shore to realise cheap commodity manufacturing pricing. This has allowed them to continue to innovate and support Australian design and construction.

As a local manufacturer, Stormtech shields itself from supply chain disruptions related to tariffs or customs inspections, and long shipping delays. The company actively works to ensure the health of its suppliers as a key indicator of the health of their own business.

Stormtech has demonstrated a commitment to high quality product since its inception. If you are creating a complex drainage solution, it requires expert engineering, high quality materials and a local, trustworthy producer to work with. The company spends years on quality assurances before even thinking about releasing a product to the market, and are so meticulous about the importance of quality that they have been accredited with ISO 9001.

Everything that Stormtech manufacturers also adheres to the strictest sustainability benchmarks in the world. They are the only manufacturer of drains worldwide that have been accredited with GreenTag Platinum certification, and were awarded 'beyond compliance' for their excellence in PVC stewardship and actions taken in relation to Energy Efficiency and Greenhouse Gas Emissions by the Vinyl Council of Australia in 2021-22.

Stormtech is firmly committed to selling products that are manufactured under legal, safe, and fair working conditions in factories where employees are treated fairly. The company's Ethical Sourcing Policy is designed to ensure that their global sourcing supply chain operates in compliance to all applicable laws governing issues such as anti-slavery and human trafficking, child labor, forced labor, wages, benefits, working hours, harassment, health and safety and factory security. They also have a zero-tolerance approach to modern slavery and enforce effective systems and controls to ensure modern slavery is not taking place in their own business or supply chains.

Working with a local manufacturer like Stormtech gives you the opportunity to create solutions tailored to your needs and requirements. You can discuss your requirements directly with Stormtech representatives, and test and approve prototypes as they are made. Stormtech does not have minimum order requirements, so you can produce at a smaller scale and not waste materials on excess product. This hands-on approach leads to better quality products and shorter product development timelines.

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