



January 2009 Newsletter

The Casino Night Party is January 16, 2009, so it's time to [buy tickets](#) and [sell tickets!!!](#) See the event flier attached to the web page.

PHCC heartily thanks these sponsors:

AAA Damage & Recovery
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WALK ON THE CAPITOL

Your business future could depend on this!

January 27

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We need you to join the fundraising committee, contribute ideas, energy and fun! Contact Ellen Lancaster at 281-705-0409 or phccclancaster@hotmail.com.

Also, remember **Career Day** is February 7, 2009, 10:00am—3:00pm.
If you can help, please call Merrill Crawford at 713-948-3162.

JOURNEYMAN/TRADESMAN PREP COURSES FOR 2009

January 17 & 18
January 31– February 1
March 14-15
April 4-5

If you are a member, your employee pays only \$315. Otherwise the course cost is \$390.

The Garrison Report #2008-11
(The Report on Strategic Thinking)
It's a Time of Opportunity

I doubt there is anyone who is not aware of the **worldwide financial crisis**. However, Peter Drucker would argue that crisis is the time of opportunities. Therefore, I would venture to say the construction industry is in the middle of an **outstanding opportunity**.

Regardless of whether your company works primarily in the private or public sector, there are outstanding opportunities. While not all potential clients will agree on how contractors can best pursue this opportunity, there are certainly more than enough for the smart contractors. Studies have indicated that **17 percent of consumers care about only value**; in other words, they simply want the best. In contrast, **27 percent are totally priced focused**.

These prospects make terrible clients because they are never loyal to the contractor; they are loyal to only the low price. These are the nonbelievers, and smart contractors try to ignore this group because they offer little or no opportunities. **This leaves 56 percent in the middle who will buy based on price or value**. They base their decisions on price when they can't differentiate the value. Therefore, it is up to the contractor to clearly identify the value it delivers that sets it apart from its competitors. When contractors do this, potentially 73 percent of prospects will buy based on value.

The key to selling value is to understand which clients are value driven. One roofing contractor in Wyoming and Colorado gets 90-plus percent of his bids accepted, and he is not the areas' lowest-priced contractor. If the prospect focuses on price, then this contractor doesn't waste its time turning in a bid. This approach isn't hurting the contractor's volume; in fact he is actually forced to turn down work because he can't handle all that it is offered.

However, opportunity doesn't come in the form of a gift from the government. Unfortunately, too many companies today are looking for handouts from the government. It is easy to understand that people want to resolve the problems as quickly as possible. Unfortunately, government aid is like losing weight using liposuction instead of diet and exercise. While liposuction will get you to thinned down faster, unless your eating and exercising habits change, liposuction will produce only a temporary solution. Therefore, if the industry doesn't address its underlying problems, the government aid will not solve the problems because the apparent need for change will be masked. **It's time the industry addresses its underlying problems in order to trim down and make itself more profitable.**

I'm not suggesting the government doesn't have a role in the process. In the infrastructure area, people talk about private-public partnerships. **What the industry needs is greater collaboration among all the stakeholders**, but there is a difference between collaboration and handouts or bailouts! For example, in a recent interview with Steve Forbes, he said that instead of a tax credit of up \$22,000 for new home buyers, the government should use Freddy Mac and Fanny Mae to reduce mortgage rates to approximately 4 percent, which would do a better job of stimulating the housing market.

In the commercial niche, the government must provide a stable banking industry so funds are available to borrow. The construction industry can't survive very long without capital. However, **the industry must work with owners to reduce the cost of construction**. It has been estimated that up to **40 percent of construction costs are wasted**. It's not that someone is ripping someone off; it's just that the process is not efficient. In contrast, when Toyota shifted from an assembly-line approach to lean manufacturing, they doubled productivity. **The construction industry needs a similar revolution.**

Ken Simonson, AGC's chief economist, reported in mid November, **2008 that the inflation rate from 2003 to 2008 for all goods was 18 percent, while it was 41 percent in construction.** This was due in part to a rapid increase in commodity prices that are impacted by worldwide demand. Many goods are produced in cheaper labor markets, allowing decreases in labor costs to offset materials cost increases. In construction this isn't possible since the labor must be done in the United States . **This means the only way to offset the rapidly increasing materials price increases is through greater efficiency and productivity.**

Infrastructure contractors need to find ways to assist their government partners. It was recently reported that 31 states are in the red. Maryland and Virginia have already reported layoffs and reductions in their capital infrastructure budgets. Contractors must work with government agencies to reduce the cost so available funds accomplish more. They have to accept the reality that they need to help them find new sources of funds. **It's time government and the construction industry accepted the idea that public-private partnerships will be critical to our nation's future.**

Some argue that a large infusion of funds from the federal government as promised by President-elect Obama will take at least 18 months to ramp up. **I don't agree.** In Minneapolis they replaced the St. Anthony Falls bridge in 13.5 months from the date of its collapse. Of course, rapid schedules like this aren't possible on every project, but this example clearly demonstrates **it doesn't take 18 months to ramp up.** When I asked Jay Hietpas, MNDOT's manager of design-build, why they went with a design-build approach, he responded, "Because if we had used the conventional design-bid-build approach, we would have been going out for bids when we opened the bridge." Obviously, work will need to be phased. Contractors working on large projects have a backlog, but the design funnel has already started to dry up, so starting new projects would provide work for the designers and keep contractors busy when current projects wind down. **Also, smaller projects certainly don't need 18 months to get started, and contractors that work on smaller projects have already been impacted by the crisis.**

Overall, the future of the construction industry is bright. **As long as the population continues to grow, the demand for construction will remain strong, not to mention the continuous need for replacement of existing facilities as they wear out.** Opportunities will be outstanding for contractors and designers that step up to the table with solutions—not just for them, but for the nation, their community, and their clients. **The industry must escape the confrontational approach to business that has been so prevalent throughout the industry and begin using its vast resources of knowledge to offer solutions facing the nation. The American public desperately wants solutions, not more self-serving performances.**

I'm not suggesting the industry forfeit profits. In fact, I think the industry needs to increase its profit margins so it can invest in technology and developing its people to meet the challenges of the 21st century. I'm sure Flatiron-Manson made an outstanding profit on the I 35W bridge, but no one is complaining since their aggressive schedule saved the community more than the cost of the entire construction of the bridge.

The opportunities are there. **The advantage of the current crisis is that it will force government agencies and private clients to look for new solutions. Our industry has been known for thousands of years for some amazing projects; the pyramids, the great cathedrals of Europe, the Great Wall of China and Hoover Dam are just a few. It's time as an industry and as individuals we step up and provide solutions, not only for innovative structures, but for innovative construction processes. Those that do will see their fortunes rise. Instead of just being the second largest industry in the United States , it's time we became the best industry.**

WE NEED A “HERD” TO BE HEARD !!!

TEXAS CONSTRUCTION ASSOCIATION

81st Texas Legislative Session PAC Roundup & Walk on the Capitol

PAC Roundup

January 26, 2009 - Monday

5:30—8:00 p.m.

J. Black's , 710 W. 6th Street, Suite B
Austin, TX 78701

Walk on the Capitol

January 27, 2009 - Tuesday

Doubletree Guest Suites Hotel, W. 15th Street

Breakfast & Legislative Briefing 7:00 - 9:00 a.m.

TCA's Walk on the Capitol 9:30 a.m. - 4:00 p.m.

Only with a “HERD” of participation will the Voice of the Texas Subcontractor be heard during the upcoming 81st Texas Legislative Session.

PLEASE BE ADVISED . . . the success of TCA depends on **YOU**. For subcontractors to achieve **INDEMNITY RE-FORM** and reach our other legislative goals, extraordinary participation is required from TCA members statewide!

The **Roundup and Walk on the Capitol** is where the rubber meets the road. Take this opportunity to educate your legislators on the Texas Construction Association's Legislative Issues, and let them know how unfair contractual risk shift-ing negatively affects your business! Only **YOUR** efforts can lay the foundation for TCA success during the 81st Legislative Session.

TCA has a block of rooms available Sunday & Monday nights at the Doubletree Guest Suites in Austin. Call 1-800-222- 8733 and refer to the Code: TCA for the discounted rate of \$189.00/ Night or go to the TCA web site - www.texcon.org - and click the Events button for a direct link to the TCA reservation page at the hotel web site.

Texas Construction Association

REPRESENTING TEXAS SUBCONTRACTORS AND SUPPLIERS

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Subcontractor and Supplier Construction News-December, 2008 The Session Approaches

**TCA ROUND-UP AND CAPITOL WALK ON JANUARY 26-27....See Attached Flier!
LEGISLATURE, DESPITE PLEAS BY SOME, STILL SET TO MEET IN JANUARY 2009.**

Going against the spirit of the often repeated joke about the scrivener who wrote the 1876 Texas Constitution getting the numbers transposed—the scrivener wrote in the State Constitution that the Legislature meets for 140 days every 2 years instead of writing that they meet for 2 days every 140 years—the Leg is set to reconvene on Tuesday, January 13, 2009.

TWO AGENDA ITEMS THAT ALWAYS PROVIDE LEGISLATIVE FIREWORKS.

Budget

Sunset Process

One of the other agencies being reviewed is the Texas Residential Construction Commission.

This agency was specially set for review during this legislative session despite being in existence only 5 years. This is the agency which registers homebuilders and provides for arbitration of disputes between builders and homeowners, among many other things. During the review process that took place during the legislative interim, Sunset Commission staff recommended to the Sunset Commission (consisting of 5 Senators, 5 House Members and 2 Public Members) that the agency be abolished because of various real or perceived shortcomings. The Commission declined to accept that recommendation and instead will look at various changes to the agency to be included in proposed legislation continuing the agency.

CONSTRUCTION ISSUES FOR THE 2009 SESSION

In a typical session, many issues or concern to the construction industry come before the Texas Legislature. Early projections show that all of the below items will be in play. Watch for TCA's next newsletter for details.

- Alternate Delivery Systems for Public Work
- Commercial Contractor Registration
- Consolidated Insurance Programs
- Construction Trust Funds
- Immigration
- Indemnification/Additional Insured
- Lien Law Revisions
- Retainage
- Safe School Bill Revisions
- State Sovereign Immunity
- Workers' Compensation—Sole Remedy
- Workforce Development & Worker Safety