

M.B. NEWS

July 2010 Edition

"Without prejudice"

INTRODUCTION

Approximately a month ago our E.B.A. was finalised for another three years. We have now completed another financial year and entered the beginning of a new one. The last financial year for the building industry was pretty full on and we would expect that this will be continuing throughout this financial year.

Geelong FC is again doing extremely well and they are still the bench mark of the league. There is a lot of talk about Ablett, will he stay or will he go? I personally can't see why he wouldn't look to taking up the offer, for no other reasons than to meet a new challenge and to consolidate his financial future. He has nothing more to prove, having a Brownlow and a couple of flags under his belt. A lot of supporters should realise that those flags may not have been possible without him and his ability, so I really can't see that he owes the Geelong F.C. or their supporters anything more. Whatever his decision is, I wish him all the best. Collingwood, St Kilda and even Hawthorn are now becoming contenders for the "Holy Grail". It will be very interesting over the next 6 or so weeks. We will leave the footy talk there as I have no wish to talk about the mighty Bombers at this point.

TIMBER INDUSTRY

It is interesting to see that there are going to be changes to the way timber is graded. It is 25-30 years since this was done and what it will mean is that there will be a bit of confusion, especially with MGP10. You will be able to use the old graded MGP10 up until May next year. After that you have to abide by the new standards set, but as we get closer to that date, we will be receiving timber branded as MGP10, both under the new standards and the old standards. Having that product sitting in the yard, you won't be able to tell the difference, as both will be branded the same. Why they can't brand the new as MGP10-1 or MGP10-A, at least for 6 to 12 months after the set date, to make sure that everyone is using the correct timber is beyond me. Remember the KISS principle- keep it simple stupid!

I understand the AS1684 tables will not be changed, as it will take more than 12 months and a million dollars plus to do so. How do we have a newly graded timber that is not available in the AS1684 tables? I believe it will create confusion with not only manufacturers, but builders, chippies, draft persons and inspectors. I would hate to think what the down time will be.

With the takeover by the Woolworths group of a number of timber & hardware businesses and along with the setting up of new stores, including one in Geelong, it is going to be interesting to see what happens to not only to the price of timber, but also the supply of timber. Will a number of these mega stores start sourcing timber from overseas, considering our dollar against the Euro & the US dollar (and the oversupply to their market), but more importantly will there be a supply problem in our local market?

Woolworths has acquired wood chipper Gunns' Hardware chain in Tasmania for \$40 million as the supermarket giant gears up to take on Bunnings in the multimillion dollar home handy man market. Woolworths will pay Gunns \$40M to acquire five stores, one timber joinery centre, a truss manufacturing plant and a support office. Danks was acquired in November last year by Carboxy Pty Ltd, a joint venture between Woolworths and US hardware giant Lowe's Companies, the world's second biggest home

improvement retailer. Danks also agreed to acquire Launceston based Becks Timber & Hardware business from its private ownership for an undisclosed sum. Becks have stores in Launceston, Deloraine & Scottsdale along with two roof truss wholesale centres.

There has been notification from a number of suppliers that there will be in September a price increase of around 5% on timber. All others will follow if this does happen.

THE BUILDING INDUSTRY OUTLOOK

In May there was an important announcement in regards to Home Warranty Insurance. Builders who have held domestic building insurance eligibility with an authorised insurer at any time since 1 Jan 2009, will automatically be eligible for cover for at least 12 months or until they are assessed. QBE Australia has been appointed by the Government to manage the new policies which will be underwritten by the Government through its Victorian Managed Insurance Authority (VMIA).

Armstrong Creek has finally started. I can see for the next 5 plus years, strong growth for Geelong. I have been surprised at the prices that they are asking for 450²m blocks, but if they are getting those prices, then it must add some value to our own blocks.

There is to be an increase on Foilboard Insulation products as of August 1.

FTMA AUSTRALIA

Frame Australia was held again on the 21st and 22nd June at the Sofitel Hotel. The areas discussed were the innovative developments (new software technology and the question on how many stars), sustainable buildings (forest certification and the supply chain – building products assessment and timber and carbon in dwellings), timber markets global competitive wood products industry, growing market for wood based products, timber standards and codes (timber standards review, revision to key standards and impact on bushfire codes), plant management and productive efficiencies (Estimating & Detailing).

It was a full two days and a lot will come out of it. We are seeing huge steps in the development of software, but in the other area we are seeing huge growth of the overseas companies supplying services such as Estimating & Detailing. I have stated a number of times that I believe that this area is a real concern, as we are not bringing new people through, training them to help develop our businesses and we are becoming too reliant on the overseas companies. Some think it as being too hard to keep training our own, whilst others see it as a cost saving to use the overseas market for estimating & detailing, especially giving the availability of just having to email a plan tonight and have the quote returned the next day. This session actually created one of the most active sessions for the two days.

I personally believe it does not represent a true cost saving in the long term and I am afraid it may come back and bite us in the long term. But, that is only my opinion and there are a lot out there that disagree with that opinion and would willingly argue it.

The FTMA has a new poster that represents the use of timber products being of assistance to the tackling "climate change".

Don't forget that the DVD "Prefabricated Timber Roof Truss Installation- Good Practice is out in the market place. If you want a copy they are available for \$15.00 each from Clive at M.B. *All monies go to charity.*

PREFABRICATION INDUSTRY

Things are hotting up in the timber, hardware & prefabrication industry. Closer to home we now have a new Bunning's Trade store and a Dahlsens Trade store in Leather St., Breakwater. That makes some 6 stores within a few of kilometres of each other. Dahlsens are now the biggest fabricator in Australia with some 18 or 19 plants, throughout Victoria, NSW, Qld and I believe they are now in the NT.

In New Zealand where a lot of the bigger timber & hardware businesses some time ago started setting up truss plants to complement their timber & hardware and to value add to their timber side, as people were turning to pre-fabrication. Now it has done an about turn and a lot of these are now consolidating their businesses, by closing down a number of their plants. They are then supplying their customers from set areas, rather than the expense of running a number of plants. I understand you can't give away a truss plant at the present time.

We have seen another increase in the cost of steel. This time we are looking at a percentage increase between 4% and 9.5 %. The things that we use a lot of will be 9.5% and the things we use little of will be 4%. To give you an idea of what that means, if a job is \$5,000 it would add approximately \$ 50-60 to the cost of the job. These come into force in August.

We are looking forward to the next few weeks when we are to receive our new Hundegger saw from Germany. With its implementation and allowing some period of time for us to understand the most effective way to operate this machine, we will be capable of increasing our output in the trusses by some 80%. This will bring back our lead times.

THINGS TO WATCH ON SITE

Some builders have informed us that they have had some frame inspections knocked back, due to the fact that they have been using coil nails to nail the multigrips on. What has been happening is they have been nailing beside pre allocated holes, sometimes partly nailing the sides of these holes, which means there could be movement and the nail loses its holding capacity. The coil nails are slightly narrower than the supplied single clouts. We have spoken to Pryda about this and they have informed us that if a person is using the correct coil nails, they have to nail away from the holes (do not use the pre punched holes) and they have to put 20% more nails in. That is, a metal roof requires 10 clouts normally; using the coil nails they will require a minimum of 12 nails. In a tiled roof situation and your normally required 4 nails, then you would have to put in 5 nails (20% more).

ADVANTAGECARD

Have you considered using AdvantageCard points to reduce the amount of your monthly statement?

You have the chance to get extra benefits for the dollars you spend – by using M.B. Pre-Fab Framing and other AdvantageCard suppliers and being rewarded for your loyalty! All of our account holders have been sent an AdvantageCard, so if you aren't actively using yours, then you are missing out. There are a number of AdvantageCard suppliers in the Geelong area where you can earn points and this will only increase with time.

The way it works is, for every dollar you spend with participating suppliers, you will earn reward points. With us, for example, if you purchase \$10,000 (ex GST) worth of walls and roof trusses, and you pay for them within the required period, your card will automatically be credited with 10,000 points. If you were to do this say three times a year, that would mean 30,000 points on your card. Then if you went to Faggs Mitre 10 and over a year spent another \$30,000, you would end up with another 30,000 points bringing your total to 60,000 points from just two suppliers. You are not restricted to use your AdvantageCard only in Geelong; you can earn points with any participating business listed on the AdvantageCard trade website, just open an account with them – there are even some online businesses that reward you up to 10 points per dollar or more! Imagine how many points you could earn if you were building three or four houses a year and your main suppliers were AdvantageCard suppliers!

The points you earn hold a dollar value, so 10,000 points is equal to \$65.00 to spend, and you can spend these points with any participating business in the program. You even earn points when you make a redemption! AdvantageCard is not like other reward programs; you don't lose the points if they aren't used, as they don't hold an expiry date, there is simply an annual renewal fee of 1000 points (which you are exempt from if you are an MBA AdvantageCard member). Remember, you are going to spend that money anyway, so why not get some extra benefits for your dollar!

LIGHT HEARTED

John Howard, Queen Elizabeth, and Vladimir Putin all die and go to hell. While there, they spy a red phone and ask what the phone is for. The devil tells them it is for calling back to Earth. Putin asks to call Russia and talks for 5 minutes. When he is finished the devil informs him that the cost is a million dollars, so Putin writes him a cheque. Next Queen Elizabeth calls England and talks for 30 minutes. When she is finished the devil informs her that the cost is 6 million dollars, so she writes him a cheque. Finally John Howard gets his turn and talks for 4 hours. When he is finished the devil informs him that the cost is \$5.00. When Putin hears this he goes ballistic and asks the devil why Howard got to call Australia so cheaply. The devil smiles and replies: "Since Rudd took over; the country has gone to hell," so it's a local call.

My cousin was talking to me the other day and he told me that he was having an affair with twins. I was not only taken back by this statement, but I was also curious as to how he told them apart. He said it was simple, Colleen had blonde hair and Brian has a moustache.

STAFF

We have just taken on two more trainees. Jess Sferco comes from an accounting & banking background, whilst Zac Napper was a third year apprenticeship carpenter. We look forward to a long term relationship with them both.

DIRECT LINES

If you need to know something or require any assistance please do not hesitate to use the contacts set out below. Remember if you need a set of plans picked up; give one of the C.D.O.'s a call or call our office. We will arrange a time and place convenient to you.

Contact	Area	Phone Number
Doug Maxwell	Longreach Floor Trusses	5249 4411 Direct Fax 5223 1022
Clive Martella		5249 4412 Direct Fax 5223 1022
Darren Benn	General Manager / Logistics Manager	5249 4403
Anne Preston	Deliveries / Orders / General Enquiries	5223 2888
Lauren Barrow	Accounts / General Enquiries / Orders	5223 2888
Tim Watson	Customer Development Officer / Estimator	0407 232 884
Paul Christie	Customer Development Officer / Estimator	0409 940 757 or 5249 4423
Davin Pate	Truss Designer	5249 4410
Matthew Lauder	Truss Designer	5249 4409
Ryan Darling	Truss Designer	5249 4419
Andrew Graham	Wall Frame Designer	5249 4415
James Compston	Estimator	5249 4420
Elliot Connell	Estimator	5249 4421
Tim Blosfelds	Trainee Estimator	5249 4406