

Introduction.

We hope you all enjoyed your Xmas / New Years break and you have all come back fresh and eager to face the New Year. You will be facing a number of old problems and a number of new ones over the next 12 months. We have mentioned briefly in this newsletter about a number of the things you will face throughout the following year.

The Market.

It has happened. The tap has been turning "off" for a number of weeks now. We have seen some 30% down turn in new house starts in December with a further 5.8% in January. I am not sure that it has finished yet, but I hope so. It is not just in isolated areas that this is happening. I have had half a dozen manufacturers phone me over the past three or four days asking how we are finding the market. Speaking to our old bank manager, he told me its funny the Reserve Bank has been saying for some months now that it will be putting up rates to try and slow down the market. This seemed to be the reason for interest rates to go up. Now over the past weeks the economy has slowed down, their reason for putting the interest rates up is because of the "skilled" labour shortage. Skilled labour is that hard to find that those who are "skilled" are putting up their prices, which in turn is putting pressure on inflation. I hope you have kept up with all of that, because now you know why we are having the interest rate increase. I don't believe that the .25% increase in interest rates will effect the decision as to whether or not people will borrow money.

If you take the three months Nov 2004, Dec 2004 and Jan 2005 against the same 3 months the year before, you would see a National drop of 13% and a drop of 15% in Victoria (for those same corresponding 3 months).

Prices.

After all the bad news about price rises prior to Xmas, in steel (22.5 %), H3 Pine, decking etc going up, we finally have some good news, in a way. Pine prices are starting to come down. "I say good news in a way", because we would rather see stable pricing in the industry rather than the "ups & downs" that we are now seeing and will see down the track. Our industry would rather see a set price over a 12 month or a longer period rather than the price fluctuating each month. I don't believe we have seen the end of the price decreases. As soon as one timber supplier has a back log, they discount the product to clear it. This then in turn results in other timber producers selling off their over stocks under that price again. Every time a timber product is reduced by 5%, we loose 5% off that entire product sitting in the yard. When steel prices were going up we had trouble getting our normal supply let alone buying any extra in prior to the price rise. Isn't it ironic we have one group pushing up their price and their opposition pushing down their price? We are in the middle of all this and we cannot and do not benefit either way!

Steel prices?

Scrap steel has gone up a Factor of 5 over the past 12 months. Shipping has gone up a Factor of 4. This is due to a shortage of "bulk ore" carriers. Chinas use is 70% more than previous the year. Iron Ore is up 36%. Coke is up 122% .Coal is up 49%. In 18 months we have seen an increase of 60% in steel prices. Cold rolled coils up 70% and hot rolled coils are up 83%. With all the price rises going on in with steel, its funny to see the price of a steel roof hardly go up at all, or the price of a steel frame only go up by some 4.5%. The thing is that these two products have a direct "opposition"- one being "tiles" and the other being "timber", so the steel producers have heavily subsidized these two areas to protect them from their opposition. Don't think that the producers are losing out; all they have done is put the cost of the subsidies onto the other users of steel products.

For those that looked ahead and invested in companies that dealt in steel, you would be pleasantly surprised. Bluescopes share price from a low to a high over the past 12 months has seen an 88% increase. Revenues were up 49% without any extra sales. The producers of steel have said that they have been losing money for years now and they do not foresee any substantial drop in the price of steel even when demand slows down.

Treated frames and trusses.

We are seeing more and more people asking for us to quote walls and trusses using the H2f products for termites. We believe this trend will continue. It is a pain to have all these different types of treatments but we can see down the track that we will only be able to purchase a treated timber and the standard timber will eventually disappear. The price of treatment is getting cheaper and cheaper and the products are becoming “environment friendly” by using “organic” products to treat the timber. Kiln dried F17 hardwood is now available in H2 f treated (termites).

Fascia – is it structural or not?

All quotes now are being quoted under the assumption the fascia is non structural due to the number of times we get plans to quote and then they change to say, metal fascia (which is not structural) and we have to use P12 top chords. This only applies if the eave is greater than 450 mm, which would make the overhang 600 mm. The other way to prevent the top chord going to a P12 would be for the drawings to show a trimmer going from the tail of the overhang back to a waler on the face of the wall frame.

Truss designs & timber.

Later this year we will be seeing some new regulations being brought in regarding “panel lengths” to top chords and to bottom chords. You will not see any of this, as it is at the design stage of a truss. This will be a plus for the industry in a lot of ways and should help either bring those truss manufacturers into line that take things to the limit, or help eradicate them altogether. We are seeing manufacturers who work to the “extreme limits” winning jobs and that is all they are interested in. The end result is the quality of the product is no where near as good as it should be and it reflects on the industry as a whole. We have seen problems with timber over the past two years. A lot of this was due to the timber manufacturers in conjunction with the changes made to the grading of timber from “F” grades to “MGP”. We saw a producer in New Zealand who had problems and the authorities there told him to close down the operation and not to produce any more material until they gave the all clear. This happened and it turned out that the producer hadn’t checked the calibrations on their machines for quite some time and they were out. This led to timber not making the grade that it was marked as. The problem was solved and the industry as a whole realized it had to lift their game and it has. There are certain timber producers who at this point of time that are doing even more regarding grading than is required by law. They are setting new levels for others to follow and in the end we the users and you as builders will benefit through a more consistent and better product out in the market place. We welcome these timber producers as they have set the bar to a point where if others do not follow, they will not only find trouble getting a premium for their material, they will find trouble in being able to sell their product into the market place.

Plaster problems?

Experiencing problems out on site with plaster? We have seen a few cases where hair line cracks are appearing in the plaster and it is mainly where the plaster is joined. The problem is the plasterers are not “back blocking” the plaster, as they are required to do by the Australian Standards. We are seeing ceiling joints being supported by tape only in some cases. We are seeing other areas being supported with tape and a few clips. The Australian Standards 2589:1: 1997 states that the plaster has to be “backed blocked”.

Regulatory changes in 2005.

Some are already here and some are on their way. The introduction of common law that came in in January 2005. Stage 2 of the 5 star rating is coming in on July 1. The big one that comes in on July 1 this year is one that I spoke about some 4 or 5 years ago at the local HIA meeting and everyone thought I was mad and it wouldn't happen- the right of entry on to your building site by a union representative and that includes your home office (under certain requirements). Good luck and may God look down upon you all with compassion. We have seen some legislation come in such as the 5 star rating which in real terms saves us nothing, does not help the environment and if anything costs us more to produce to meet these requirements than what we are supposed to be saving. When will these minority groups be driven out of existence and how do these minority groups obtain such power. The country does not ride on the sheep's back – it's the housing industry that drives this economy. The flow on effect of a vibrant building industry is nearly immeasurable.

Retailers & Refunds. Do you know your rights?

How many times have you bought something and it has not performed as it was advertised, for one reason or another. It has not lasted very long or it has broken.

Do retailers have to give refunds?

Yes if:

- # Goods are faulty or they become faulty soon after buying them.
- # Goods are unfit for their purpose - which means they don't do as the consumer reasonably expected them to do.
- # Goods don't match the retailer's description or sample.
- # Retailers have offered any voluntary, or extra, warranties or promises about refunds.

No if:

- # Customers simply change their minds after buying the goods.
- # Customer has discovered they can buy the goods more cheaply or on better terms somewhere else.
- # The customer knew about the particular fault before buying the goods.

Retailers are not allowed to:

- # Refuse to refund the full price of defective goods.
- # Make a false or misleading representation about a customer's right to a refund.
- # Refuse to provide a refund for goods just because consumers don't have a receipt, provided they have satisfactory proof of purchase.
- # Limit the time in which a consumer can make a claim, within reason.

To claim a refund consumers should:

- Return the goods within a reasonable time.
- Not dispose of or destroy the goods.
- Not damage the goods.
- Provide proof of purchase, such as the store's receipt or credit card receipt.
- Provide details of how the goods are defective.

This information is provided by the Australian Competition & Consumer Commission.

Phone Numbers.

CUSTOMER DEVELOPMENT OFFICERS:

Call **Tim Watson** on **0407 232 884** or **Lisa Montagnat** on **0409 940 757**

Gary Monteith can be contacted on **0409 818 287** for any information or quotations on Trus joist, roof battens, Foil Board, veranda materials and treated pine.

New Accounting System.

Approximately six weeks ago we installed a new accounting package. Teething problems occur with many new systems however we have been relieved that this has not appeared to have caused much, if any, inconvenience to our customers.

Light hearted

Ugliness.

A very homely person made an appointment with a psychiatrist. The homely person walked in to the doctors office and said, "Doctor I am so depressed and lonely. I don't have any friends, no one will come near me and every body points their finger at me and laughs at me. Can you help me except my ugliness?"

"I'm sure I can," the psychiatrist replied.

"Just go over and lie face down on the couch."

Crazy people talk.

A Doctor of psychology was doing his normal morning rounds when he entered a patient's room. He found patient #1 sitting on the floor, pretending to saw a piece of wood in half. Patient #2 was hanging from the ceiling, by his feet.

The doctor asked patient #1 what he was doing.

He replied "can't you see I'm sawing this piece of wood in half?"

The doctor inquired of patient #1 what patient #2 was doing.

Patient #1 replied, "Oh, he's my friend and he is a little crazy. He thinks he's a light bulb.

"The doctor looks up and notices patient #2's face going all red.

The doctor asks patient #1, "If he's your friend, you should get him down from there before he hurts himself?"

Patient #1 replies, "What – and have to work in the dark!"

New Works

We have finished the new truss shed and we have just about finished the installation of all the new equipment, the older jigs are yet to be shifted. Unfortunately we are still waiting to get into the new shed. We have no power! We paid for the power some 9 months ago and have been now given some three different dates to have it connected. It now seems to be the 18th April. When Powercor took over a number of years ago, they culled a number of the work force. They haven't replaced anyone who left or haven't trained any new people such as apprentices. They have to by law set aside 25% of their available hours for the purpose of fire fighting, during the fire season. That means that they still have to provide a service in only 75% of the total time available to them, with about 40% less work force they used to have. The job of connecting the power is a two day operation. We have been waiting 9 months. We have been lead to believe that the company has been taken over by a Japanese company and the unions are now on a go slow because all the profits are going out of the country. Privatization is such a wonderful thing!

In closing remember the words of Robert Louis Stevenson, "Politics is perhaps the only profession for which no preparation is thought necessary".