

# M.B. NEWS

May 2009 Edition

"Without prejudice"

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## INTRODUCTION

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This is the first chance I have had to do a newsletter this year and what a start it has been. The global financial crisis has hit, money is becoming harder to obtain from the banks. Things have tightened up everywhere and on top of all the problems we have had a number of companies and investment groups fall over. As if Geelong hasn't been hit hard in previous years with Pyramid and others, on top of this we now have the \$80 million collapse of Chartwell Enterprises. A number of builders have fallen over and Geelong's manufacturing (outside of our industry) has been hit again with some companies going into liquidation. When we look at the overall economy, Victoria stands out as a far more inviting place than a lot of other states. The building industry in NSW is still a basket case (the state is broke), with some two dozen truss plants closing over the past two years, a number of builders closing the doors, including the biggest builder in NSW. Queensland has gone into a slump, but it follows their normal rise and fall of start ups with the under and over supply of buildings.

In the March quarter Victoria was up some 18% on the previous year, but a lot of this would be due to the rumours that the First Home Buyers Grant is not to be extended (more on this later).

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## TIMBER INDUSTRY

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Once again we are seeing a turnaround in the price of timber. As stock piles start to rise we are seeing price cutting of a variety of timber products. Prices have come down significantly since last year. We are seeing the importation of products from Europe in Baltic Pine and we are even seeing Douglas Fir from America coming into the country. When imported timber is being brought into the country it not only affects our trade deficit, but the local product price is pushed down, which sounds good for a lot of people, but what about the jobs? I have no problems with imported timber when we cannot get supply from local suppliers, but that is not the case here at the present time. If it can't be sold in the overseas markets, let's dump it in Australia.

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## FUEL WATCH

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Since last December the price of fuel has gone up significantly and slowly came back down, but not to the same extent. Diesel has come down slightly, but is still on average above the unleaded price and the only time we now see a reasonable comparison with unleaded fuel is on the days the fuel prices spike upwards (which can be between 10 & 17 cents).

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## THE BUILDING INDUSTRY OUTLOOK

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In America they have gone from 2.1 million starts to just over 450,000 starts. This is an incredible drop in building start ups. Obviously the flow on affects all associated industries such as timber mills, hardware & timber wholesalers & retail outlets, sales reps, car sales, fuel sales, manufacturers etc. is enormous. I know of one company that manufactured automated saws in America and sold them worldwide. It has gone from a 50-60 million dollar turnover, to \$2 million and that is in spare parts sales only. Closer to home NZ has gone from some 24-26,000 starts to around 12,000.

On Thursday the 7<sup>th</sup> May the State Government has announced that the Victorian First Home Bonus Scheme will be extended past the 30<sup>th</sup> June cut-off date. This is good news for the industry. But I believe there is still a problem with this and it is if you are buying an established home you still get \$7,000 or whatever the new rate will be. This does very little or *nothing* for the economy as a whole. The only people to benefit from this are the purchasers, the Solicitor, the Conveyance Company & the banks. When it is given to the person *building* their first home we have an absolutely enormous range of industries that will benefit from that persons decision. Carpenters, tilers, plumbers, carpet sales,

sales people, carpet layers, draftspersons, prefab manufacturers, cartage contractors, painters, electricians, building inspectors, roofers, timber merchants, hardware companies and the list goes on and on. Then there is the flow on effect of each and every one of those companies or persons, spending the money, generating more tax dollars for the Government. I think even though the world and Australia may be in a recession, Victoria is still doing better than most other states and I believe we will become stronger as we grow out of this recession.

It will be interesting in a week or so to see what the Federal Government does for the building industry as a whole.

One thing that will hold back employment is the "payroll" tax. Being taxed for employing people is an absolutely ridiculous tax, considering those that are employed pay personal income tax and the government saves on unemployment benefits. Then we could talk more about the "sales tax" specifically in relation to house sales. If a person does not have to borrow or have that sales tax to worry about when building or purchasing a home, wouldn't you think that more people could afford to do so, thus creating more work, employing more people, increasing the coppers of the government with more income tax and possibly more GST money. I must be too simplistic in the way I look at things, like the "kiss" principle - *Keep It Simple, Stupid*. It also looks like all employers will be paying "super" on any overtime that an employee works. So if you employ a person on 38 hrs a week and they work 48 hrs (10 hrs overtime) you will have to pay the extra 9% super on those hours worked as overtime. Let's see how many people will be allowed to work overtime. In a lot of factories, overtime is important to the employees. If they don't get it, they will notice a fair bit of difference in their pay packets each week. If they are earning less, then the Governments will have less income tax coming in, as well as GST, as their real spending power will be cut also. The way I also understand it, is, if you employ someone on a 38 hr week and expect them to work up to say 10 hrs over time each week and that is *already* included in their weekly overall wage, you still pay the extra super. I was talking to an IR person only yesterday about this and it looks like coming in, in July, but full details are not yet available.

Steel prices went up between 6 & 15% in April of this year. It wasn't on all products, mainly the imported products, which were affected by the Aussie dollar.

As of May 1st this year the "new building codes" came into force. This will not directly affect most builders as it is in the loads applied to roof trusses. By introducing this it can mean an increase in the price of roof trusses from 1 to 4%, depending on the situation. We do not have to worry about this because we have been operating on the new system since October last year, unbeknown to us. When we introduced the new roof truss system, unbeknown to us the new code had been switched on. In the case of a Commercial job, the price can actually decrease as previously the engineering built an extra safety factor into things such as "girders". With the new code being implemented, they re-evaluated those areas and due to the design, they didn't require those extra safety factors; thus reducing the price. We understand everyone will be given between one and two months to conform to the new building codes, before you will find you will be being knocked back on approvals.

## **FRAME & TRUSS MANUFACTURERS ASSOCIATION AUSTRALIA**

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The FTMA has appointed a new executive officer, Kersten Gentle (by name only) and she comes with excellent credentials and many years of experience in the timber industry. We look forward to her future success.

We have requested information regarding the results of the failure of the golf club in SA, some 6 or 7 years ago and to date we have not received any final information.

We have copies of the DVD "Prefabricated Timber Roof Truss Installation - Good Practice" for \$15 each.

## **ADVANTAGECARD**

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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!

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## PRE FABRICATION INDUSTRY

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I have been pushing for a while to get Estimators & Designers in our industry not only categorised in some sort of an award, but to have a *career path* set out for those that are in the industry and for those looking for something in our industry. At the present if you are looking for a career in this industry, it is hard to find any information and what is there is limited. I spoke late last year at a Forest Works (Training group) convention and from that we have finally got in motion some preparations to sort out a structure for an Award and set out a career path for people to see what is available to them in our industry. Previously if you were looking for information in regards to what positions for a career in the Pre fabrication industry, there was none. This probably could not have been timelier as we have seen over the past 12 months or so some 4 companies set up in places such as Vietnam, Thailand, India & Pakistan, all are now doing Estimating & I believe some are doing roof truss designing also.

These people are working for about \$6 per hour, which is good money for them, but the difference between them and an Estimator in Australia is anywhere between 5 and 9 times (all up costs) . They work 50 weeks a year, 10-12 hrs per day, and 6 days a week. I have not been in favour of this since its inception, as all it does is drain jobs from Australian workers and we end up losing those skills. But it is all about cutting costs, yet we are still to see if that really does happen.

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## HIA GEELONG AND WESTERN DISTRICT BRANCH

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Last month Adam East was appointed as the new chairperson. He took over from Michael Dahm after a successful two year stint. Anne Preston has resigned as secretary of the branch after a couple of years and we thank her for all her work. We appreciate your support in the past and the Branch looks forwards to your future support. Remember it is there for your benefit.

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## LIGHT HEARTED

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A big mining company recently hired several cannibals. "You are all part of our team now", said the HR manager during the welcoming briefing. "You get all the usual benefits and you can go to the cafeteria for something to eat, but please don't eat any of the other employees".

The cannibals promised they wouldn't do that.

Four weeks later their boss remarked, "You're all working very hard and I'm satisfied with your performances. However, one of our payroll girls has disappeared. Do any of you know what happened to her?" The cannibals looked at one another all shaking their heads indicating "no". After the boss had left, the leader of the cannibals said to the others, "Which one of you idiots ate the payroll chick?"

There was silence and then a hand rose hesitantly, to which the leader of the cannibals continued, "You fool! For four weeks we've been eating Managers and Supervisors and no one noticed anything, but noooooo, you had to go and eat someone important!"

## 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 4419
Davin Pate	Truss Designer	5249 4410
Matthew Lauder	Truss Designer / Estimator	5249 4409
Andrew Graham	Wall Frame Designer	5249 4415
Neil Edwards	Estimator	5249 4407
James Compston	Estimator	5249 4408
Elliot Connell	Trainee Estimator	5223 2888
Neil Thomas	Trainee Estimator	5223 2888