

The Market.

We have spoken to suppliers and manufacturers around the state and some are noticing a reasonable drop off in quotes and orders, some just in quotes or orders. This can be interpreted in a number of ways but the overall thought is that the market has softened to what it was. There are still a lot of orders to come through from the bigger builders and a lot of the small to medium size builders have said they have enough work to see them well into the New Year.

It will be interesting to see if there is to be any increases in the interest rates and to what degree. Federal Government grants of \$7,000 and State grants of \$5,000 must assist with the first home buyers market, and the Government giving \$3,000 to those having a child with no restrictions on how it is to be spent, I wonder how many will put it towards the cost of a new home?

Housing starts are predicting to fall 9% next year and 4% in 2006 with a slow and steady climb back up in 2007. As late as yesterday we had BIS Shrapnel sprouting there will be a recession in about 3 years. What do you make of it all? Who really knows!

Prices.

The first of September saw *some* timber suppliers increase prices on some products such as H3 decking material. On 1<sup>st</sup> November the rest followed suit with a 5% increase on all treated pine products.

**STEEL** - I had read that steel prices may finally start to stabilize, but that is not the case as suppliers of steel products at present have to re-negotiate their new contracts and we understand they are looking at some **31%** increase in the cost of steel to the Australian market.

One supplier has told us that they would have around \$200,000 a month in **extra costs** if they do not pass on any cost increases. They have informed us that there will be a 22½% increase in the cost of their products in December of this year.

In *real terms* it will mean about a 2½% to 3½% increase in the cost of an average house frame and roof trusses. A bolt supplier in Geelong informed me that bolts have already gone up some 22% and washers some 40% as of last August. It will be interesting to see if the price of steel eventually starts to come down and this will be determined by demand in the overseas market. If the orders drop a significant amount I would envisage the price coming back considerably.

The problem with this is that I believe any prices for claw plates, multi grips, wall brackets, girder brackets, speed brace etc. will not be reduced by the plate suppliers, they will just forgo the next annual price rise (normally around 4% annually) which would have occurred in the next 12 or so months. Keeping that in mind we were still paying extra for the product over the last 6 months of the 12 month period.

*Here are extracts from BlueScope Steel,*

"Due to strong demand worldwide, hot rolled coil prices have jumped by over 50% in the past year. Additionally, we have witnessed some very strong price increases for freight and raw materials such as iron ore, coking coal and scrap".

"FAIR PRICING FOR OUR CUSTOMERS. Despite the challenging environment in which we are operating, BlueScope Steel commits to delivering a good value proposition for its customers at a fair price and we strive to maintain supply to our customers at high levels of delivery reliability". ***In other words they can get higher prices overseas, so if you want it you have to pay the same price!***

Back home:

It will be interesting to see when the market place slows down how long timber producers will sustain the price before they look at discounting to keep their sales up. We have seen as of the start of this month a 4% increase in the price of P12 & P15 pine. This is due to the demand on these two grades and the producers are taking advantage of it. They have openly said that it is due to the demand and the availability of being able to meet that demand; they are putting up the price to try and slow down the demand.

There has been no mention of **any increases** in the price of the more **commonly** used **MGP 10**.

We have seen a marked improvement on the development of the H2-F Termini-nator treated pine product over the past 12 months or so. It has got to a point where we are seeing the price of this product decrease considerably compared to standard pine and in the immediate future you will see only a marginal difference between the standard pine and the **new** (H2-F) treated pine. We would not be surprised to see this product becoming the norm within a 2-3 year period.

Some good news - **Finally!** - It takes about 2-3 weeks to write this newsletter with things changing and new info coming in and some changing. We have just had two of our main timber suppliers discount the price per metre they sell to us. We will be passing that saving on as of the end of the first week of December.

### Fuel.

This is one area that affects us all in our daily lives and reflects on all products produced for use in our daily living. Diesel is at an all time high with the price around \$1.10 per litre compared to some \$0.85 cents a litre some 8-9 months ago.

Diesel is far higher in price to that of Petrol, but funnily enough it does not go through anywhere near the same amount of refining to produce this product- shouldn't it be cheaper as it costs less to produce? Diesel has gone as high as 112.9 cents and hovering around the 111.0 cents a litre.

With that in mind we will see as of December a 5% increase in the cost of a delivery. The full cost has not been passed on, as some has been absorbed by the Cartage contractor. This will mean about an \$8.00 plus GST increase for a local delivery.

### Something more pleasant - Awards & Our Local Builders

We have seen a number of local builders figure predominately in the **BDAV Awards** and the **MBA Awards**.

**MG Design & Building Pty Ltd** won Best Interior Design and Most Effective use of Timber for their Anglesea Project.

In the 2004 Regional Building Awards for the MBA winners were

Best Custom Home under \$175,000 - **Pivot Homes**

Best Renovation / Addition under \$100,000 - **D & A Jarman**

**CJ Henderson Builders** won a number of awards - Best Custom Home over \$400,000, Best Renovation / Addition over \$200,000 & Best Custom Home \$275,000 - \$400,000.

**Wookey Builders** won Best Display Home \$175,000 - \$275,000 & The Age Best Display Home \$200,000-\$250,000

**Q Designer Homes & Malishev Prestige Homes** did extremely well winning Best Display Home over \$400,000, Best Custom Home \$400,000 - \$500,000, Best Custom Home \$300,000 - \$400,000, Best Custom Home \$600,000 - \$1 Million, Best Quality Finished Home, Regional Builder of the Year and 2004 MBAV Regional Residential Builder of the Year – South West.

The **HIA Awards for the Geelong & Western Region** were held on Friday the 22<sup>nd</sup> October.

Best Project Home up to \$200,000- **Hamlan Homes**

Best Project Home over \$200,000 – **Pivot Homes**

Best Custom Built Home up to \$200,000 – **Pivot Homes**

Best Custom Built Home over \$200,000 – **MG Design & Building**

Finalists in this category was **MG Design & Building** and runner up was **Ashley Crowe Builders**.

Best display up to \$200,000 was **JG King**.

Runner up for Best Display over \$200,000 was **Dennehy Builders** and the winner was **Malishev Prestige Homes**.

Best Renovations & Additions was **Gold Family Homes**.

Best Residential Building Designer went to **MG Design & Building**.

Best Energy Efficient Building went to **CE & RA Tucker**.

Best Medium Density Housing went to **Mian Holdings Pty Ltd**

Home of the Year for 2004 went to **MG Design & Building**.

Congratulations to all of the above Builders on your success and its great to see Geelong Builders being recognized.

**MG Design & Building** was also runner up in the **HIA Victorian House of the Year**.

### Light Hearted.

At the 1994 annual awards dinner given for Forensic Science, AFS President Dr. Don Harper Mills astounded his audience with the legal complications of a bizarre death. *Here is the story.*

On March 23, 1994 the medical examiner viewed the body of Ronald Opus and concluded that he died from a shotgun wound to the head. Mr. Opus had jumped from the top of a ten-storey building intending to commit suicide. He left a note to the effect indicating his despondency.

As he fell past the ninth floor his life was interrupted by a shotgun blast passing through a window, which killed him instantly. Neither the shooter nor the deceased was aware that a safety net had been installed just below the eight floor level to protect some building workers and that Ronald Opus would not have been able to complete his suicide the way he had planned.

"Ordinarily", Dr Mills continued, "A person, who sets out to commit suicide and ultimately succeeds, even though the mechanism might not be what he intended, is still defined as committing suicide". That Mr. Opus was shot on the way

to certain death, but probably would not have been successful because of the safety net, caused the medical examiner to feel that he had a homicide on his hands.

In the room on the ninth floor, where the shot gun blast emanated, was occupied by an elderly man and his wife. They were arguing vigorously and he was threatening her with a shotgun. The man was so upset that when he pulled the trigger he completely missed his wife and the pellets went through the window striking Mr. Opus. When one intends to kill subject "A", but kills subject "B" in the attempt, one is guilty of the murder of subject "B". When confronted with the murder charge the old man and his wife were both adamant and both said that they thought the shotgun was unloaded. The old man said it was a long standing habit to threaten his wife with an unloaded shotgun. He had no intention to murder her.

Therefore the killing of Mr. Opus appeared to be an accident; that is, if the gun had been accidentally loaded. The continuing investigation turned up a witness who saw the old couple's son loading the shotgun about six weeks prior to the fatal accident. It transpired the old lady had cut off her son's financial support and the son, knowing the propensity of his father to use the shotgun threateningly, loaded the gun with the expectation that his father would shoot his mother. Since the loader of the gun was aware of this, he was guilty of murder even though he didn't pull the trigger. The case now becomes one of murder on the part of the son for the death of Ronald Opus.

Now comes the exquisite twist. Further investigation revealed that the son was, in fact Ronald Opus. He had become increasingly despondent of the failure of his attempt to engineer his mother's murder. This led him to jump off the ten storey building on March 23, only to be killed by a shotgun blast passing through the ninth story window.

The son had actually murdered himself, so the medical examiner closed the case as a suicide.

(A true story from Associated Press, Reported by Kurt Westervelt)

### New Lines

You may well have seen out in the market place "Blue" stained like timber. This product is called H2-F Terminator (referred to in an earlier part of this newsletter). Each manufacturer may call it a different name, but the blue colour represents the H2-F treatment. Pine Solutions call theirs Rhino Terminator. This product comes with a 25 year fully transferable warranty against termite attack. It has no odours, is not slippery to handle, is non-corrosive to fittings and is compatible to all common adhesives. It is suitable to internal framing, is UV stable and has a highly insoluble treatment.

The treatment is done with a water based organic pesticide which both repels and kills termites, but is safe for humans and animals. The best thing is that the price is getting better all the time (it is down to around \$100 a Cube to process it now). We were at a conference a couple of weeks ago and we were told that we would see the price of an average size home using this type of timber being only around some \$700 dearer than the standard pine price of that home.

As usual as things develop prices do fall, due to better and more cost effective ways of doing things and this has already started to happen. L.O.S.P is another treatment that is on the market, but this is not for Termite Proofing. It is for moisture protection from "rotting". Remember when cutting an overhang and the timber is exposed, make sure you paint on a "Protim" treatment product to protect that exposed timber. This process (LOSP) is about \$200 a Cube to have done.

**Confusion** - You will see a different colour for different company's products. An example of this is the Hybeam ("I" beam) that when treated it is "yellow". We also see that some other "I" beams are "red". Do you know what product is H2, H3 or H4 treated? The treated pine groups & manufacturers should get together and have the same color for each of their products that are of the same "grade of treatment". An example of that is "Yellow" could mean it is H2 treated and can be used above ground and covered. "Blue" may mean it is H3 treated and can be used above ground and exposed. H4 could be "Red" and it can be used under the ground level. Then when you go to a timber supplier you know by the color what it can or cannot be used for. If you look at the market place today you not only have different colors from different manufactures, but you then have to make sure that the grading is correct for that use (e.g., H2, H3, H4 etc).

### Staff

We have put on a new trainee estimator by the name of **Alex Rubilar** and he has been with us for some 7 months now and is coming along very well. He is developing a very good understanding of roof lines etc. and with another 12 months or so under his belt; we believe that he will become a very competent estimator.

**Lauren Barrow** has worked for a number of months in the office area on a casual basis and now has been employed full time.

Since our last newsletter we have appointed **Darren Benn** as our **General Manager**. Darren has been with us for some 14 years. In that time he has developed in a number of positions taking on each with gusto and doing very well. He has come from the floor as a plate cutter. He was taught how to detail walls by hand through to detailing on a computer and took on the responsibilities of logistic manager and head detailer. We are quite proud of his development and we are extremely happy to have him in this position, as he is quite capable of dealing with any problem and achieves the best outcome for all concerned.

**Glenda Culleen** had been with us for 16 years on the 14<sup>th</sup> November and has made the decision to retire. We wish Glenda all the best in her retirement and we thank her for her contributions made to the company whilst she has been with us.

**Gary Monteith** has been employed to look after and develop our Trus Joist, Flooring, Foilboard, Fedtrim vents, Treated Pine Products including Fascia and Veranda products. Gary comes to us with a number of years experience. He was employed by Barwon Timber for some 15 years. Prior to that he was with Belmont Timber for a number of years and prior to that he worked as an Estimator for us. We welcome him aboard and we look forward to a long and fruitful relationship.

#### **Phone Numbers.**

##### ***Estimating:***

Damien Marchant 5249 4409, Steve Grant 5249 4405, Matthew Lauder 5249 4407 & Alex Rubilar 5249 4406.

##### ***Customer Development Officers:***

Tim Watson 0407 232 884 or Lisa Montagnat 0409 940 757

***Truss Detailing:*** Davin Pate 5249 4410 or Damien Marchant 5249 4409.

***General Manager*** (Logistics Manager & Head Wall Detailer) Darren Benn 5249 4403.

***Directors Direct Lines:*** Doug Maxwell 5249 4411 or 0417 506 075  
Clive Martella 5249 4412 or 0409 946 093.

#### **New Works.**

We have completed the new timber shed and it is now fully operational. More importantly, we have (after some 6 months of waiting) finally got the two new factories started and they are really starting to take shape. The truss shed should be operational early in the new year.

We have finalized the purchase of some new Jigs, which will after a short time of adjustment be able to increase our production capacity. Technology in this field is changing and expanding all the time and we are now seeing the integration of computers and equipment to not only improve the productivity but make us more professional and better at what we do.

#### **HIA.**

The new HIA Offices in Geelong have opened providing an information centre for the local builders as well as a centre for training etc. This took some time and effort to have this arranged for the local builders so we hope that they support it and keep it viable.

#### **TMA Awards.**

On the 19<sup>th</sup> of November the Timber Merchants Association held their awards night at the Soffitel Hotel. MB Pre-Fab was again nominated in a number of categories. We were "knocked off" in the "Employer of the Year" by Faggs Mitre 10. If we had to lose to someone we are glad it was them, especially in their 150<sup>th</sup> year of operation (only 123 years older than us) and we kept the award in Geelong.

We did win one award with the "Employee of the Year", being Darren Benn, one of a number of our employees nominated. This is his second win in this category. Thank you to those who helped with input for the nominees.

#### **To Finish Off:**

Our next newsletter will be in the new year. From all of us at MB (including Doug & myself), we *sincerely* thank you for your support throughout the year and we look forward to it continuing in the future. May you and your families have an absolutely wonderful Christmas and an terrific new year.

*In closing remember the words of Groucho Marx, "I find television very educating. Every time somebody turns on the set, I go into the other room and read a book".*