

# In the News

## Cement Supply Update

### Price increases and delays likely as cement shortage spreads

Joseph Aspdin — the British stonemason who cooked up some clay and limestone in his kitchen and in 1824 patented the resulting hybrid as portland cement — would have been astounded to know that the U.S. alone used 119.9 million metric tons of cement in 2004. That's an increase of roughly 7 percent over 2003 — and according to experts, those numbers are only going to get bigger as consumption continues to grow over the next few years. The summer 2005 *Forecast Report* of the Portland Cement Association predicts that usage this year will be 5 percent higher than it was last year, and 3.3 percent higher in 2006 than in 2005.

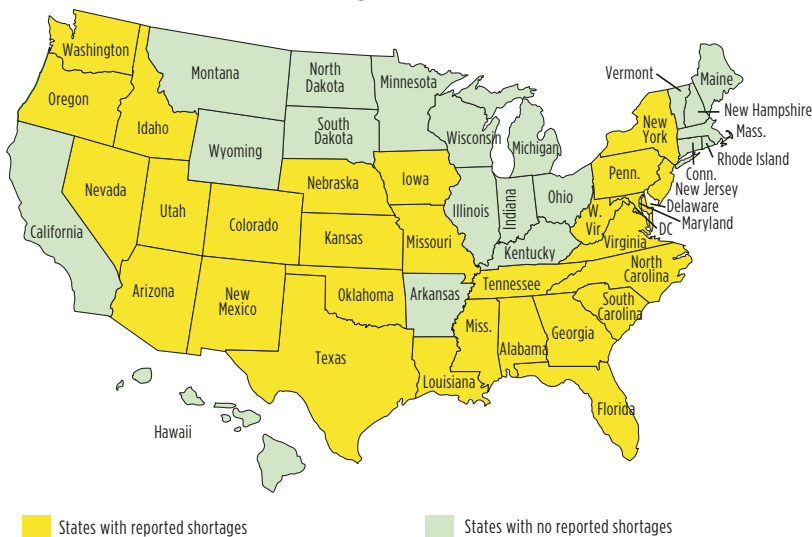
The unprecedented demand, fueled in part by record single-family housing starts, is putting pressure on cement suppliers, who are already operating with slim inventories drawn down to meet last year's demand. Ed Sullivan, chief economist at the PCA, reported in May that 23 states were experiencing regional cement shortages; in August, he said that the shortage had spread, and six more states were reporting supply problems.

In response, U.S. cement manufacturers are ramping up production and the country is importing more cement than ever, but hurdles remain. One is simply the time it takes to permit and build factories and

continued next page

### Cement Market Conditions

August 2005



Resources **2**

Wood-Trading Web Site **3**

New Energy Bill **4**

Spigot Suit **5**

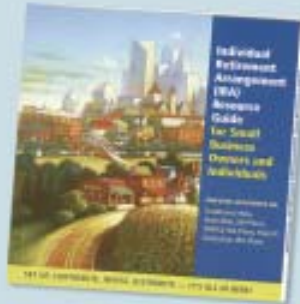
Hurricane Katrina and its aftermath of flooding have caused billions of dollars of damage in Louisiana, Mississippi, and Alabama. In a report released Sept. 2, NAHB estimates that “a large share of the more than 200,000 homes in the city of New Orleans” are “damaged beyond repair.” This compares with around 28,000 housing units destroyed by Hurricane Andrew in 1992, and some 27,500 units destroyed by the 2004 quartet of hurricanes. The report predicts that area construction labor is



going to be focused on repairing salvageable homes, rather than building new homes, and that supplies such as plywood, OSB, and roofing will be in demand. Prices for lumber and panel products had already started to rise at the end of August as a result of hurricane-related factors: Fuel prices increased due to refinery damage, lumber imports had to be rerouted from affected Gulf ports, and domestic production was disrupted at Southern lumber mills. According to NAHB, “further increases for those products, as well as for roofing, are likely.”

## Retirement Planning Help

Contractors interested in offering their employees IRA-based retirement plans should check out the *IRA Resource Guide for Small Business Owners and Individuals*. Available at no charge from the IRS, this CD-ROM includes information about traditional and Roth IRAs, simplified employee pensions (SEPs), and payroll-deduction IRA plans. For a free copy, call the IRS at 800/829-3676 and request publication 4395.



## Free Battery Disposal

When portable rechargeable batteries die, you can't just toss them in a dumpster — they need to be disposed of according to federal and state regulations. If you're looking to get rid of dead batteries from your cordless tools, cellphones, and other portable electronic devices, check out the free Call2Recycle program, offered by the nonprofit Rechargeable Battery Recycling Corp. While the RBRC doesn't take regular alkaline batteries, it does accept nickel cadmium (nicad), lithium ion (Li-Ion), nickel metal hydride (niMH), and small



sealed lead (Pb) batteries, as well as used cell-phones. Currently, over 30,000 retail businesses nationwide participate. To find your nearest drop-off location, or to learn more, visit [www.call2recycle.org](http://www.call2recycle.org) or call 800/8-battery or 877/2-recycle.

Cement Supply  
continued from page 1

infrastructure. Holcim's Quebec-based St. Lawrence Cement recently dropped plans to build a new plant in Greenport, N.Y., after spending more than six years attempting to acquire the 17 necessary permits for construction. Holcim is, however, going ahead with construction on a plant in Missouri, which is scheduled to open in 2008 and is slated to produce more than 4 million metric tons of cement. A number of other cement manufacturers are expanding current facilities or planning new ones. Industry projections call for a 15 percent increase in production by 2010, about half of which will occur in 2008.

In the meantime, the construction industry is relying increasingly on imports, a partial solution at best. "The big problem," says Sullivan, "is the availability of shipping. And shipping rates are up to \$50 per ton from \$16 just two years ago." *Concrete Producer* magazine reports that some 4,000 ships are being built, which should eventually relieve some of the shipping pressure.

Trade groups like NAHB and Associated General Contractors are looking south rather than overseas. They see the "anti-dumping" duty against Mexico — imposed in 1990 because U.S. cement producers objected to price competition from Mexico — as a major obstacle to accessing cement imports; both organizations have been advocating to have the duty repealed.

Sullivan, though, says that while such a repeal might help, it won't solve the deeper problem. "The shortage is bigger than what Mexico can supply," he says, "and there's a transportation constraint — Union Pacific can't get enough rail cars to move the cement." He also notes that the anti-dumping duty hasn't had a significant dampening effect on Mexican imports. In 2004, cement imports from Mexico increased by a whopping 68 percent, and so far this year imports are up another 99 percent over 2004.

Just how squeezed contractors are feeling depends on where they live and work, underlining the shortage's regional nature and its dependence on a combination of localized demand and proximity to supply. John Kaltenbach of John Kaltenbach Homes in Albuquerque and Santa Fe, N.M., reports that his company is feeling the effects in a major way: "The cement shortage hit amazingly hard and fast just a month ago," he says. "The

# In the News

Cement Supply  
continued from page 2

suppliers are limiting the amount of ready-mix that builders can get in one day and are sending out full orders for regular customers only. ... They're charging for full loads, so if you need a short load you take a huge hit."

But Gerald Poteet of Poteet-Allen Contractors in Indian Trail, N.C., says that in his area the impact has been minimal. "We haven't had any problems getting concrete in 2005," he says, though he has seen "price

increases every six months since the cement shortage came to light."

Gene Lorson, owner of Lorson Builder in Hope, Kan., says that his ready-mix supplier hasn't had trouble getting the cement it needs. And in Texas, concrete has "gone up 25 percent in price in the last six months," says Allan Edwards, of Houston-based Allan Edwards Builder, but he's been able to get his supplies. — *Laurie Elden*

## Wood-Trading Web Site Links Buyers and Sellers

In the housing industry's classic small-player market, Web commerce has big promise. One example is WoodPlanet (www.woodplanet.com), a matchmaker for buyers and sellers of small lumber lots.

Sellers pay the Web site's way, while buyers, including builders and remodelers, use it for free. Explains company executive Tami Kaufman, "We don't take a cut. We just help the buyer make that initial contact with the seller, then we step away." Sellers post offers to sell wood on the site, and buyers post requests for quotes on their particular need. Posts expire after 60 days.

WoodPlanet does keep tabs on transactions, says Kaufman: "After a couple weeks we follow up with the buyers and sellers to find out what happened." Success rates vary depending on the material. "Hardwood lumber and flooring are easy for us to help buyers with. Typically a buyer finds a supplier and a price they like, and they purchase within a few days," she says. "But some custom orders are more difficult to fill, such as a custom flooring shape in a hard-to-find species."

Vendors range widely in size. Newburyport, Mass.-based Keiver-Willard Lumber Corp., which can run tens of thousands of feet of moldings daily, offers imported tropical hardwoods alongside stock sawn from New England species. But a seller also might be a small landowner who has a woodlot to thin out and a friend with a portable band-saw mill.

Newport, Tenn., lumber dealer Tom Hames runs Possumneck Lumber, specializing in Mississippi cypress shingles. Hames deals with buyers large and small. "I'll sell you 200 square feet or 200 semi loads," he says. "Obviously, I'd prefer to sell the semi load. But you try to keep everybody happy. So if some guy in California wants 300 square feet of pecky cypress, I'll go pull it, put it on a pallet, take it to the trucking company, and send it to him in California."

Builders can gain direct access to a nationwide market of small suppliers. Evan Moore, of Evermore Custom Homes in Dallas, has found WoodPlanet vendors to be a competitive source of hardwood flooring for his houses. "I found a gentleman who drives to Missouri, picks up a load of oak, and brings it back to Texas and mills it. And



Builders  
can gain access  
to a nationwide  
market of small  
suppliers.

## In the News

Web Site  
continued from page 3

I paid \$2.50 at his location a couple hours away, for the same thing they charged \$4.15 for here in Dallas.”

Quality is also an issue, notes Moore. “In Dallas there are only two or three places to get rough lumber. And typically, they won’t surface it.” With suppliers he finds on WoodPlanet, Moore says, “you can get surfaced four sides, straight line rips, tongue-and-groove four sides, or whatever you’d like.”

There’s a risk to doing business with strangers, though, cautions Moore: “Until your order gets to you, you aren’t sure of what you have. That’s kind of a nail-biter. But you can call WoodPlanet back and say, ‘Hey, I didn’t get the grade or quality that I ordered.’ And it only takes one or two bad reviews, and no one will do business with that vendor any more.” Says WoodPlanet’s Kaufman, “We always tell both the buyer and the seller to do their due diligence before they send out a check or accept an order.” — *Ted Cushman*

**So you think you’ve met the client from hell?** Check this out. According to papers filed in Brooklyn federal court and recently reported on by the *New York Times*, retired NYC police detective Louis Eppolito told a federal informant about some stern advice he had for the contractor working on his house when the project fell behind schedule. “I said, ‘If you don’t finish this job today or tomorrow,’ I said, ‘I’m personally going to kill you in front of your friends. Then I’m going to kill your friends.’” Eppolito was arrested on mob-related murder charges before he was able to make good on his threat; he is now free on bail.

**In reaction to the frenzy of “defects” litigation** over the last decade, more and more states are enacting laws that give a fair shake to builders accused of shoddy workmanship. Missouri recently became the 27th state to enact a “notice and opportunity to repair” (NOR) law. In effect since August 28th, the law requires a homeowner to give the builder written notice of the alleged defect, which the builder then has 14 days to inspect. If the builder decides to remedy the problem, he must do so within a “reasonable” time.

## Incentives Sweeten Energy Bill for Builders and Homeowners

If you were a student in the 1970s, you might remember walking or riding the bus to school in the dark. Following the 1973 oil embargo, Congress extended daylight saving time through the winter months of 1974 and 1975 in an attempt to cut down on energy use. While subsequent analysis has proven that the policy was sound, it was an unpopular experiment that ended when oil prices stabilized. But with oil prices soaring once again, Congress is reimplementing this tactic as part of the newly signed Energy Policy Act of 2005, though on a more limited basis. Starting in 2007, most areas in the U.S. will begin daylight saving time three weeks earlier, on the second Sunday in March rather than the first Sunday in April, and end on the first Sunday in November, one week later than usual.

As this timid one-month extension of daylight saving time suggests, the final version of EPAct 2005 is filled with compromises and concessions. The first major energy policy initiative since 1992, it passed after nearly five years of negotiations only after key stumbling blocks — such as liability protection for makers of the gasoline additive MTBE, and oil drilling in the Arctic National Wildlife Refuge — were dropped. Also omitted were new vehicle fuel economy standards, which most analysts agree are critical to reducing dependence on foreign oil.

An economic nudge rather than a major course change, EPAct 2005 awards incentives and tax breaks totaling nearly \$14 billion to boost the production of oil and natural gas and encourage the development of new nuclear plants, while offering smaller tax incentives to prod consumers into using cleaner-burning fuels. Supporters point out that the new bill establishes higher efficiency standards for a number of consumer products and promotes the long-term development of gas-electric hybrid vehicles and cleaner-burning coal, while critics say the bill fails to address such key issues as the rising cost of fuel and U.S. reliance on Middle East oil, and weakens laws that protect the nation’s air, water, and other natural resources.

Despite its flaws, the energy bill does offer builders tax incentives aimed at improving energy efficiency in new

continued on page 5

## In the News

Energy Bill  
continued from page 4

---

construction. For example, a tax credit of up to \$2,000 per home is available when construction exceeds by 50 percent standards set by the 2004 International Energy Conservation Code for insulation, heating, and cooling. Manufactured homes can qualify for a \$1,000 tax credit when they exceed the standards by 30 percent. Beyond that, the bill's vague language makes it hard to pin down further details; Bill Prindle, deputy director of the American Council for an Energy-Efficient Economy, points out that many issues concerning the tax credits remain unresolved, such as which standards will be used as benchmarks and how to certify compliance. "I'm not sure how that 50 percent savings will be calculated, but it doesn't look like this is going to be an easy goal to achieve," he says.

Meanwhile, homeowners making energy-efficiency

improvements will have an easier time of it, as long as the work meets 2004 IECC standards. They can receive a credit equaling 10 percent of expenditures on energy-efficiency improvements (up to a \$500 maximum credit), which includes such items as new windows and exterior doors, insulation and other items related to the building envelope, and heating and cooling system components. In addition, both PV and solar hot-water heating systems are eligible for a 30 percent tax credit (up to a maximum of \$2,000) on either type of system. As Prindle notes, the exact formula and criteria for determining eligibility has yet to be determined, but most incentives apply to work performed during 2006 and 2007.

For a summary of available tax incentives, go to [aceee.org/energy/legsttus.htm](http://aceee.org/energy/legsttus.htm). — *Andrew Wormer*

## Faulty Faucet Floods House

**A**fter a Washington state couple's home suffered water damage from a leaking faucet, they sued the faucet's manufacturer, Price Pfister, for losses exceeding \$300,000. The damage occurred when a lavatory faucet "turned itself on," sending more than 17,000 gallons of water running out of a second-floor bathroom into the rest of the home. But when the homeowners went to court seeking \$240,000 in personal property damages and \$75,000 in loss of value to the home, which was for sale at the time, a federal jury rejected their claims and instead awarded them \$125,500, according to a July 16 article in the *Seattle Times*.



A forensic engineer who examined the faucet blamed the deluge — which occurred while the house was vacant and on the market — on a bad casting. Price Pfister admitted liability before the trial, but declined to identify the faucet model or whether there had been any similar failures on other faucets; the company had reportedly offered to pay nearly \$180,000 to cover repair work, cleanup costs, and other expenses. Because liability was never at issue, the faulty faucet was never admitted as evidence in the trial, so a motion by the attorney for Price Pfister to preserve the faucet as evidence in the event of future litigation was rejected by the court. The faucet — presumably no longer in service — remains in the possession of the homeowners. — *Andrew Wormer*