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Precast Forecast 2019



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PRECAST FORECAST

2019

OPPORTUNITIES and Optimism



NPCA members from across the U.S. discuss where they feel the market, product lines and the industry are trending.

There's no shortage of topics to occupy the headlines these days, especially with our 24-hour, always-on news cycle. From politics to pop culture and everything in between, the conversation never ends.

With all this noise, important conversations can get lost in the shuffle. The economy, for one, does not always make the same splash. While there has been a

lot written about the state of the U.S. economy, it's not top of mind for most.

As NPCA members look to the future, they remain optimistic about the precast industry, where it's headed and how it will fare in the face of uncertainty in both the economy and federal policies.

INFRASTRUCTURE AND THE LONG WAIT FOR FUNDING

There's no question infrastructure investment is the bread and butter of the precast industry. The problem is funding at the federal level has been hit-and-miss in recent years. And while there is plenty of talk about a major infrastructure bill in Washington, D.C. these days, whether that translates into actual dollars invested and dirt moved remains to be seen. Even with the uncertainty of a major infrastructure

package, precasters anticipate staying busy through 2019 and beyond.

"While current federal programs fail to provide sufficient funding to improve America's aging infrastructure, we are seeing positive momentum at the state and local level to fill the gaps," said Jason Jackson, president of Oldcastle Infrastructure, West Region. "We continue to remain optimistic about the infrastructure market as a whole."

Also in the West region of the country, Stephanie Loud, president and owner of Mountain West Precast, said there are still plenty of opportunities, with airport, municipality and corporate projects keeping her company busy in 2019.

"We continue to see high demand for department of transportation and residential product lines," Loud said. "Given the current make-up of Congress, we are anticipating a healthy focus on infrastructure spending. So, we would expect to see more precast projects that touch bridges and roads."

In the Midwest, Steve Mader, president of Crest Precast, has experienced no shortage of work for underground infrastructure products. In fact, volume was up 17% in 2018.

"All sectors of underground wastewater, including lift stations,



Photo courtesy of Smith Midland

water treatment units and primary electric products are very busy,” Mader said. “Sound walls for DOT use and private use are strong markets as well.”

Moving on to the East Coast, Ashley Smith, president of Smith-Midland Corp., whose company has several locations along the Atlantic Coast, he also had an ongoing demand for infrastructure products thanks to public private partnerships, which have created opportunities that otherwise may have taken decades to break ground. Smith also noted that projects funded at the state and local level are filling the gaps.

THE POLICY PIECE OF THE PUZZLE

While commercial projects and locally funded government work help to fill the production schedule for precasters, funding from all levels of government is required to keep the industry healthy.

Oldcastle Infrastructure’s Jackson has seen local bonds and state-led gas tax initiatives tie directly to the funding of infrastructure projects recently approved in his region. In the upper Midwest, Mader said he saw a significant increase in precast concrete use in Minnesota, Wisconsin, Illinois, Iowa and South Dakota as result of the Tax Cuts and Jobs Act passed in 2018.

While the tax bill helped, another federal action didn’t. The tariff issue and its impact on steel prices have been a tough pill to swallow.

Mountain West’s Stephanie Loud noted that rising steel costs affected her company in 2018 and that the impact of rising steel prices was likely felt throughout the industry.

“We definitely have been impacted by the tariffs,” said AJ Krick, chief financial officer with Smith-Midland. “We have seen about a 30% rise in the cost of our steel. What we were expecting was that the Chinese steel prices would go up and American prices would stay the same, but as soon as the tariffs went into place, the American steel companies raised their prices as well, so that has had a major impact on our cost and margins.”

On the positive side, Krick agreed that the tax law changes had a positive impact on Smith-Midland Corp., and enabled the company to reinvest in itself and its people.

CATERING TO INDUSTRY NEEDS

While product lines that are industry stalwarts are still thriving, precasters are also adding new offerings as the market dictates. For example, modular building is a worldwide construction trend, spurred by new technology, labor shortages, site restrictions and accelerated timelines. Loud said Mountain West has seen an uptick in this trend in her area, leading to demand for precast buildings.

“Modular buildings are a huge time saver for contractors,” Loud said. “We can show up on site and drop a building in place in only a

“Given the current make-up of Congress, we are anticipating a healthy focus on infrastructure spending.” – Stephanie Loud, *Mountain West Precast*



few hours. So, in that aspect, manufacturing modular buildings has changed everything about how we do business.”

On the East Coast, Smith says his company is taking advantage of a booming multi-family residential building market in the D.C. area that goes hand-in-hand with construction of the new Silver Line metro rail from Falls Church, Va., to Dulles International Airport and beyond.

“They call it transit-oriented development,” Smith said. “It means wherever the stations are located along the metro rail, there is tremendous amounts of new construction.”

Smith-Midland has also stayed busy with high-rise office buildings, as well as fielding a rising demand for wall panels and modular buildings, similar to what Loud has seen in the West.

“It’s going to move to a lot more construction off-site, thus reducing production which results in quicker delivery,” Krick said of the trend toward modularity. “This off-site construction also reduces the number of contractors on site and provides fully delivered packages which, in turn, reduces costs and provides shorter lead times.”

Smith added that the loss of 20% to 30% of the construction workforce during the Great Recession continues to fuel the push for modularity. In addition, the remaining workers are retiring at a higher rate than the pipeline of young contractors coming into the industry. Companies are dealing with the declining workforce by deploying innovative techniques to reduce on-site labor.

AN UNCLEAR, BUT HOPEFUL, FUTURE

The industry has welcomed the uptick in work each year since the end of the recession, but challenges still abound. Unfortunately for precasters, labor shortages are not confined to field contracting work. A common theme heard at NPCA meetings, in classrooms, hallways and social events, is the tremendous challenge of finding quality labor

to keep up with demand. No matter the region or even the type of position – plant floor or office, manager or laborer – the pool is small.

Mountain West’s Loud said they are experiencing an extreme labor shortage thanks to 3.1% unemployment in the region, making it difficult to maintain a qualified labor workforce. But in her eyes, these are welcomed challenges that the industry will overcome. For her, perspective is important. While labor is tight and the market will see a dip at some point, recent memory helps her keep a bright outlook.

“After 2008 things were tough,” she said. “I remember sitting in an NPCA class when Joan Blecha (NPCA’s former chairman of the board) asked, ‘How many of you have seen this kind of downturn before?’ She responded with, ‘Well, you haven’t, because this kind of downturn has never happened before.’

“But, 10 years later, the industry has rebounded, and you now see precast concrete products going in everywhere – above and underground – if you know where look for it.”

Loud said that while the Great Recession was a huge challenge, the companies who survived are better equipped for the future because of it. Companies have learned how to work smarter and leverage technology.

Smith agrees and has placed a heavy emphasis on lean manufacturing at his company, while Oldcastle Infrastructure’s Jackson said the industry’s ability to move forward will depend on a commitment to innovation and being a proactive leader.

Quality production practices have long been a focus of the precast industry, but as it moves forward, innovation in product lines, labor-saving production practices, lean practices and technology use will keep the opportunities coming and the optimism flowing. **PI**

