

business issues

THE FABRICATOR KNOWS BEST

BY JOHN CROSS, P.E., AND
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Want to put a finger on the pulse of the construction industry? Don't just rely on reports or speculation; ask those who are in the thick of things.

IN THE 1983 MOVIE *Never Cry Wolf*, government biologist Tyler Smith is sent to the wilderness of Alaska to study the declining caribou population. The government agency backing the study has already spent significant funds and reached the conclusion that the decline has been caused by wolves killing off large portions of the caribou herd. Yet no one has visited Alaska or actually seen a wolf kill a caribou.

Against the backdrop of his experiences in the wilderness (which include befriending a local wolf pack by playing the bassoon), Tyler meets a local Inuit who shares with him that nothing unusual is happening; the size of the caribou herd has always been cyclical and the wolves are not the problem. During the summer migration, Tyler is then able to verify that the wolves are not ruthless, savage and indiscriminate killers, but rather nature's way of keeping the caribou population strong by culling sick and injured animals from the herd.

The lesson to be learned is that the best way to get good information isn't to sit in an office and speculate, but rather to go into the field and ask the people who know best. The answer of what was happening to the caribou didn't require a government study; all that was required was to ask a local Inuit.

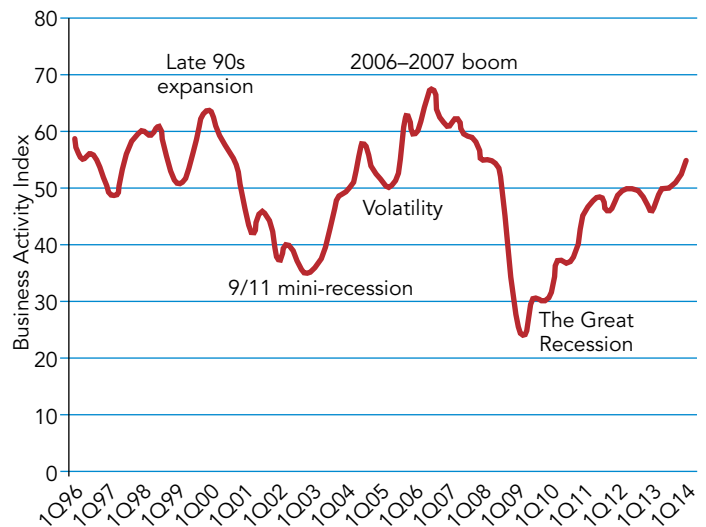
When it comes to the construction market, the same is true. We can look at GDP growth rates, employment levels, economic projections and government projections to predict construction growth, but the best way to measure construction activity is to ask those most directly engaged in the construction of buildings and bridges.



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AISC does that through our quarterly AISC Business Barometer. The fabricator members of AISC are surveyed relative to their perception of both the condition of the current market and where they see the market heading over the next quarter. This survey takes into account a variety of factors such as general business conditions, tonnage sold, tonnage shipped, bidding activity, order backlog, profit levels, lead time on fabricated steel, lead time on purchased steel and material costs.

The most recent survey, for the 2nd quarter of 2014, shows that even after a difficult winter there is a continuing upward trend in overall business conditions (a composite evaluation of the factors listed above). How accurate has this indicator been in the past? The below chart tracks this composite trend since 1996 and shows a very positive correlation between the index and overall economic trends. It should be noted that the composite index is a qualitative look at the marketplace, not a quantitative evaluation. We cannot extrapolate the rate of growth from this data, but we can identify the direction of the market. Those closest to the construction market in general and the structural steel fabrication market specifically are seeing a rebound in the market and are optimistic about the future.



Fabricator Business Conditions

If business conditions are improving for the structural steel industry, the question becomes how we are preparing for those improving conditions? Clearly, as an industry we have been through this cycle before and we have responded well. Coming out of those cycles the industry has improved productivity through the use of technology, expanded capacity, brought in and trained new staff, created innovative solutions using structural steel, provided better tools and support for those who design and build with structural steel and become even more responsive to the needs of the construction market. Those things are happening today. However, there is one element of responding to the recovery that the industry must be careful

not to overlook. After several very trying years, every *individual* working within the structural steel industry needs to recognize their value within the steel supply chain. The effort of every worker is integral to the contribution that structural steel makes to our country and economy.



To help address this human aspect of the recovery, AISC has initiated the Steel Proud campaign. This campaign will help every member of the industry personally express pride in their role in their industry. That expression will take the form of the following series of simple statements accompanied by a visible reminder of being Steel Proud:

- I work in the structural steel industry.
- We provide the steel used to build thousands of buildings and bridges every year.
- Steel framing allows buildings to have large open spaces with long spans and small columns.
- Buildings and bridges built with steel are attractive and adaptable for changing requirements.
- Building with steel is fast, safe, durable, economical, predictable and green. In fact, steel is the most recycled material in the world.
- Our steel is produced at steel mills in the United States by American workers and stocked throughout the country at steel service centers.
- We detail, cut, drill and weld that steel to high-quality standards in fabrication shops throughout America to meet the specific design requirements of each project.
- We lead the construction industry in meeting America's need for new buildings and bridges through the use of advanced technology, computer modeling and American expertise.
- I'm proud to work in today's 21st century structural steel industry.

The next time you see a member of the structural steel industry, ask them why they are Steel Proud. ■