

# STRUCTURAL BUILDING **COMPONENTS**<sup>TM</sup>

THE FUTURE OF FRAMING

June/July 2010

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## 2010 SBC Legislative Conference Recap

**BUILDING UPON  
RELATIONSHIPS**

*Plus...*

**The Time to Implement  
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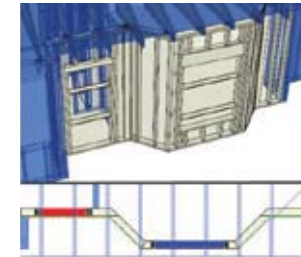
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THE FUTURE OF FRAMING

June/July 2010

[www.sbcmag.info](http://www.sbcmag.info)

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by Sean D. Shields



Find out what your fellow SBCA members learned at the SBC Legislative Conference in Washington, DC, May 5-7.

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**Publisher**  
Truss Publications, Inc.  
6300 Enterprise Lane • Suite 200  
Madison, WI 53719  
Phone: 608/310-6706 • Fax: 608/271-7006  
[trusspubs@sbcmag.info](mailto:trusspubs@sbcmag.info) • [www.sbcmag.info](http://www.sbcmag.info)

**Editor**  
Steven Spradlin  
Capital Structures Inc. • [sspradlin@sbcmag.info](mailto:sspradlin@sbcmag.info)

**Art Director**  
Melinda Caldwell  
608/310-6729 • [mcaldwell@sbcmag.info](mailto:mcaldwell@sbcmag.info)

**Managing Editor & Circulation Director**  
Libby Maurer  
608/310-6724 • [lmaurer@sbcmag.info](mailto:lmaurer@sbcmag.info)

**Editorial Review**  
Suzi Grundahl  
608/310-6710 • [sgrundahl@sbcmag.info](mailto:sgrundahl@sbcmag.info)

**Advertising Sales & Marketing**  
Peggy Pichette  
608/310-6723 • [ppichette@sbcmag.info](mailto:ppichette@sbcmag.info)

Emmy Thorson-Hanson  
608/310-6702 • [ethorson-hanson@sbcmag.info](mailto:ethorson-hanson@sbcmag.info)

Kirk Grundahl  
608/274-2345 • [kgrundahl@sbcmag.info](mailto:kgrundahl@sbcmag.info)

**Staff Writers for June/July**  
Ryan J. Dexter, PE. • Sean D. Shields

**Accountant**  
Mike Younglove  
608/310-6714 • [myounglove@sbcmag.info](mailto:myounglove@sbcmag.info)

**Computer Systems Administrator**  
Rick Saindon  
608/310-6717 • [rsaindon@sbcmag.info](mailto:rsaindon@sbcmag.info)

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The mission of *Structural Building Components Magazine (SBC)* is to increase the knowledge of and to promote the common interests of those engaged in manufacturing and distributing structural building components. Further, *SBC* strives to ensure growth, continuity and increased professionalism in our industry, and to be the information conduit by staying abreast of leading-edge issues. *SBC's* editorial focus is geared toward the entire structural building component industry, which includes the membership of the Structural Building Components Association (SBCA). The opinions expressed in *SBC* are those of the authors and those quoted, and are not necessarily the opinions of Truss Publications or SBCA.

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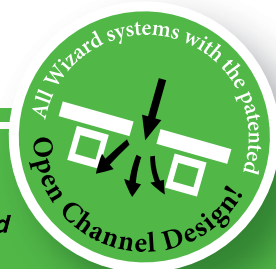
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## Editor's Message

You'll Never Know If You Don't Ask

by Steven Spradlin

A trip to Washington reminds that it never hurts to ask.

About a month ago, I joined my colleagues in Washington for the tenth annual SBCA Legislative Conference. I've gone several times before, so I thought I knew what to expect. But this year I didn't have the same old, same old experience.

I met with longtime Senator Blanche Lincoln (in office since 1998) and Representative John Boozman, in his fifth term representing Arkansas's 3<sup>rd</sup> District (since 2001). Boozman is challenging Lincoln for her seat in the upcoming November mid-term elections, which made my visits with them all the more interesting. Few people ever get the opportunity to meet back-to-back and one-on-one with opponents in a U.S. Senate race.

Now Boozman is a Republican and Lincoln is a Democrat, so I expected their positions on most issues to be polar opposite. For example, it was no surprise that Senator Lincoln touted the recently passed health care reform bill as a great thing for small businesses like mine, while one of Boozman's aides used the health care bill as an example of why the Democrats are so out of touch with small business owners. However, both of them agreed that more needs to be done to help the housing industry, particularly stemming foreclosures and freeing up credit for builders. They both agreed that our nation's immigration system is broken (they also agreed that it would not get addressed until after the election), but I don't think they see eye-to-eye on how it should be fixed.

As a side note, I brought my family along to see the sights of DC. I'd heard of the amazing U.S. Marine Sunset Parade going on at the same time, but there was no way to get tickets. So I called another lawmaker's office, Rep. Mark Pryor, to see if there was any way they could help us find tickets. What do you know, one of his assistants came through! Helps to know the right people at the right time, I guess.

There was one issue I regret I didn't have much time to talk about with either of my lawmakers: forest certification. In April, Sen. Lincoln and a couple other Congressmen from my state wrote letters to the head of the U.S. Green Building Council (USGBC), urging them to re-evaluate the certified wood requirements in the LEED rating systems. Even though I didn't get into depth during my meetings, someone else picked up my slack. A fellow SBCA Board member who works at Universal Forest Products did. David Horne met with his Senator Kay Hagan (D-NC) and an aide for Senator Richard Burr (R-NC) earlier in the week and brought this heated issue to them. "The issue sold itself. Both were genuinely concerned. Both my Democratic Senator and my Republican Congressman will be contacting Lincoln's office to assist with the issue. It truly is a non-partisan issue," Horne commented.

My point? *It never hurts to ask.* Whether you're asking for tickets to an event or for help on an issue that's genuinely affecting your business. **SBC**

*SBC Magazine encourages the participation of its readers in developing content for future issues. Do you have an article idea for a future issue or a topic that you would like to see covered? Email your thoughts and ideas to [editor@sbcmag.info](mailto:editor@sbcmag.info).*

### at a glance

- I had the opportunity to meet with two lawmakers vying for the same Senate seat during the 2010 SBCA Legislative Conference.
- Though they come from different sides of the aisle, they agree that more legislation is needed to curb foreclosures and free up credit for builders.
- Rep. Pryor's office helped get tickets for a neat U.S. Marine Corps parade while we were in town. It never hurts to ask!

by Ryan J. Dexter, P.E.

SBCA and TPI resources for attaching multiple-ply girders



The BCS B9 Summary Sheet is a good summary of the multi-ply girder information commonly available for the market.

### at a glance

- Multiple-ply truss girders can be assembled in manufacturing facilities or at the jobsite.
- Specific ply-to-ply connections of multi-ply trusses are specified on truss design drawings.
- TPI 1-2007 defines multi-ply girder assembly requirements in section 7.5.5.1.
- Proprietary screw manufacturers will have recommendations on how to fasten plies together.

The Building Component Safety Information (BCSI) booklet<sup>1</sup> defines a girder truss as a truss designed to carry heavy loads from other structural members framing into it. Sometimes girder trusses are single ply, but they are more typically multiple-ply trusses because of the magnitude of the load they need to carry. A multi-ply truss is designed to be installed as an assembly of two or more individual trusses fastened together to act as one. It should be noted that the code-referenced standard ANSI/TPI 1-2007 *National Design Standard for Metal Plate Connected Wood Truss Construction*<sup>2</sup> developed by the Truss Plate Institute provides a limit to the number of plies a multi-ply truss can have:

#### TPI 1-07 Section 7.5.2.4 Maximum Plies.

The maximum number of plies shall be five, if the structural members imposing a load are attached to one side of the girder, or six, if the structural members imposing a load are attached to both sides of the girder.

The specific ply-to-ply connections of multi-ply trusses are specified on the truss design drawings. Depending on your market, the trusses are delivered to the jobsite pre-fastened by the component manufacturer or delivered singularly and the fastening is done by the contractor at the jobsite. The following is a question we recently received from a component manufacturer looking to begin pre-fastening roof multi-ply girder trusses.

#### Question

*Do you have any information on assembling multi-ply truss girders together in a manufacturing facility? We are looking to put together a training program for attaching plies and was wondering what resources are out there on properly fastening multi-ply girders together.*

#### Answer

There are a few sources of information on assembling multi-ply truss girders together regardless of whether it is in a manufacturing facility or at the jobsite.

ANSI/TPI 1-2007 Section 7.5.5 provides the following requirements:

#### TPI 1-07 Section 7.5.5 Ply-to-Ply Connections.

**7.5.5.1 Connection of Members.** Girders with up to three plies shall be connected by nailing, bolting, or other approved fasteners in accordance with an approved design criteria. Girders with four or more plies, and having structural members imposing a load on one side of the girder, shall be connected by bolting, a combination of nailing and bolting, or by other approved fasteners. Either nails, bolts, or other approved fasteners shall be designed to transmit 100 percent of the imposed load from one side; the values for more than one type of approved fastener in the same connection shall not be combined. Webs in girders of any number of plies shall be permitted to be joined with nails.

**7.5.5.2 Design Load.** Connections shall be designed to transmit load from ply to ply in accordance with the ply-to-ply load distribution assumed in the design of the girder. Connections shall be adequate to carry the cumulative load of the remaining plies.

**7.5.5.3 Design for Withdrawal Load.** Connections between the individual plies of a

member shall be designed for withdrawal loads equal to two percent of the axial compression force in each ply so connected, for each unbraced length of the member, or these connections shall comply with the provisions of the ANSI/AF&PA NDS for use of  $K_f$  when used per Section 7.3.2. For the purposes of this section, for members braced by sheathing, the unbraced length over which the fasteners carrying this withdrawal load are distributed shall be permitted to be 10 times the cross-section dimension parallel to the dimension in which the sheathing prevents buckling.

**7.5.5.4 Nail Spacing.** Nail spacing shall be the smaller of the two determined from Sections 7.5.5.2 and 7.5.5.3, but in no case shall the spacing exceed 12 in. on center. Nailing patterns shall be specified on the Truss Design Drawing.

**7.5.5.5 Bolt Spacing.** Bolt spacing shall be the smaller of the two determined from Sections 7.5.5.2 and 7.5.5.3, but in no case shall the spacing exceed 24 in. on center unless the bolts are used solely for reasons other than to carry loads addressed by Sections 7.5.5.2 and 7.5.5.3. Bolts shall have a diameter no less than 1/2 in. and no greater than 1 in.

In 7.5.5.1, proprietary screws are an example of common "other approved fasteners." If you are using proprietary screws, the screw manufacturer has recommendations in their catalog on how to fasten plies together and also on any related fastening needs. Typically, they allow the connections to occur from one side, eliminating the need to flip the truss to fasten the opposite side. In other words, the plies can be stacked and then fastened from one side.



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Lastly, the BCSI B9 Summary Sheet explains how to determine the proper number of plies, attachment methods, types of fasteners and standards of fastener installation. It is a good summary of the multi-ply girder information commonly available for the market. **SBC**

To pose a question for this column, call the SBCA technical department at 608/274-4849 or email [technicalqa@sbcmag.info](mailto:technicalqa@sbcmag.info).



# Legal Edge

## The Time to Implement Risk Management & Liability Avoidance Procedures Is NOW

by Kent J. Pagel

Implementing solid policy and procedures and following industry best practices are your best defense against claims.

**T**he housing market collapse has many component manufacturers tooling up on training, education and developing new company processes and procedures. I've heard from many of you that you have the time and are anxious to tackle the return of housing better equipped, wiser and battle-ready. One area that manufacturers ought not overlook is improving on their best practices and liability avoidance systems and procedures. We are in the midst of a highly litigious cycle! The downturn has not deterred plaintiff lawyers filing lawsuits against component manufacturers; in fact, they seem to be looking harder at component manufacturers than in past years. We do not expect that fact to change as the housing economy returns.

DO NOT let failed risk management and liability avoidance procedures impact your company's bottom line. Learn from what other manufacturers, both large and small, have failed to do. Defined policies and procedures, if followed, will mean less loss in terms of productivity and settlement payments and legal fees. What do I mean? Here are some examples:

- A component manufacturer who either did not receive or did not retain approved truss design drawings and truss placement diagrams settled an otherwise defensible case for a mid-six figure amount.
- Not having terms either prepared or attached to a signed bid form was the reason a manufacturer was not able to collect a high five figure purchase price from an overzealous customer.
- Signing a one-sided customer subcontract form without review or negotiation was the reason one manufacturer was called on to defend a lawsuit filed by an injured worker against the component manufacturer's customer even though the injured worker did not allege wrongdoing on the part of the manufacturer.
- Not having an adequate jobsite package enabled an injured worker to testify in a truss collapse case that he did not understand the do's and don'ts of truss handling, installation and bracing.
- Not adequately preparing company executives for their depositions prompted a plaintiff's lawyer to target his case against the component manufacturer where otherwise her case was targeted against the framing contractor.
- Not managing the transportation side of the business caused one component manufacturer to pay for hauling done by a third party carrier twice. But no worries, the amount was only in the low five figures.
- Hiring an expert without adequate knowledge of truss design and manufacturing practices forced a component manufacturer to settle at mediation because the manufacturer was not prepared to refute the plaintiff expert's opinions at trial.
- Ignoring an insurance company's reservation of rights letter until after the jury returned an adverse verdict caused one unsuspecting component manufacturer to write a check for a low to middle six figure amount where the manufacturer was led to believe the lawsuit was covered by insurance.

What can you do to avoid being in situations like these? Being proactive NOW is the best advice I can give.

**Start with a checklist.** If each manufacturer had a crystal ball, risk management

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### at a glance

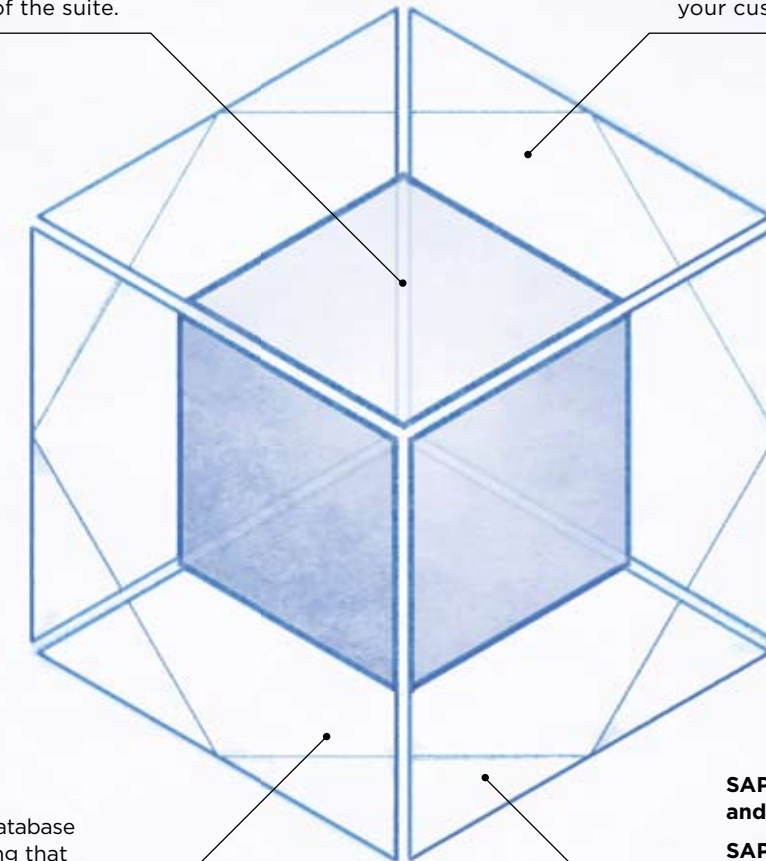
- Use a checklist to make sure you don't skip an important step in your risk management procedures.
- Don't reinvent the wheel—use the SCORE program, BCMC and ORisk as tools to develop best practices around.
- Effectively use attorneys, and be very careful when agreeing to allow an insurance company to defend you.

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## Legal Edge

Continued from page 10

and liability avoidance policies and procedures could be created to target those risks, claims and lawsuits that were approaching. UNFORTUNATELY, business will never be that easy! Instead, manufacturers should start with a comprehensive checklist. Whether preparing to fly a plane, conduct an audit or perform an intricate surgical procedure, even the most experienced professionals use checklists to make certain they don't omit an important step or detail. While mistakes in arranging an appropriate risk management and liability avoidance program won't result in disability or death, they can be financially crippling. A checklist will enable your company to identify areas of risk and what policies and procedures ought to be developed first. Ultimately, as time permits, the checklist will serve as a table of contents or index to the many risk management and liability avoidance procedures you have implemented.

**Know the likely risks of your operations.** Conduct an exhaustive analysis of your company and use legal counsel familiar with industry risks as well as industry best practices. There are many areas you will need to consider. Here are a few examples:

- Who are your customers—developers, large builders, custom builders, lumberyards, or framing subcontractors? This is a big factor in evaluating risk.
- Do you sell primarily residential or commercial? If you sell commercial, does this include townhomes or condominium projects?
- Do your customers ask you to sign their one-sided form customer contracts?
- What is your intended scope of work and is it accurately stated at the time of bid, signing of contract, through shop drawing approval, in your jobsite packages and in the course of litigation?
- How do you bid and what type of bidding documentation is used?
- Have you developed an appropriate set of terms and conditions of sale and do you go through a proper execution process at the time a sale closes?
- What is your policy regarding review and negotiation of customer contract forms?
- Do you install or hire installation subcontractors?
- How do you evaluate customer credit and do you comply with lien and bond notice requirements?
- Do you have a formal design policy?
- What about a manufacturing QC process?
- Are you adequately managing in-plant liabilities?
- How do you manage your transportation risks?
- What past claims and lawsuits have you been involved in and how successfully have these claims and lawsuits been handled?
- What type of insurance coverage is in place—and are you familiar with the endorsements to your policy and what alternative endorsements are available?
- Do you need professional liability insurance protection?
- What about your company's other contracts and leases that it signs?

The list goes on—but hopefully you are catching on.

**Catch up—don't reinvent the wheel.** Education and training is a step prior to the actual implementation of procedures. Commit to achieving one of the levels of SCORE, which includes ORisk. Consider re-reading past **Legal Edge** articles published in **SBC** (they can be found online at [www.sbcmag.info/legal](http://www.sbcmag.info/legal)). Attend BCMC educational sessions that involve risk/industry best practices and don't overlook the semi-annual OOM Component Manufacturers Roundtable meetings. But if you are committed to change and improve, education and training is great, but policies and procedures need to be developed that go DEEP into your organization.

**Putting it all together.** Below is a listing of topics (with comments, of course) of various practices, processes or procedures that you ultimately ought to consider implementing if you truly want to improve risk management and liability avoidance for your company.

- **Marketing**—Review all company marketing/advertising material (this includes your website) to make sure the promises and representations being made do not go too far. The risk here is creating unnecessary liability.
- **Bidding and Terms and Conditions of Sale**—This is such an important topic that we devoted 19 modules in ORisk to this topic. Many companies enrolled in ORisk have gone the further step of asking our assistance in developing unique, company-specific bid and credit application forms as well as terms and conditions of sale. In some instances, we have also assisted with creating procedures that relate to preparing, negotiating and executing bids.
- **Customer credit review and approval**—It is surprising how few companies actually have formal policies in place with regard to credit review of new customers, credit verification of existing customers and collection practices. Guaranty agreements are ignored, joint check agreements are overlooked, and securing project information for lien and bond purposes is deemed unnecessary.
- **Letters of Intent**—What do you know about letters of intent and how do you instruct your employees when receiving a letter of intent from a prospective customer? Do you assume you have a contract? What if the letter of intent refers to a comprehensive customer contract form you have not received?
- **Customer contract form review, negotiation and execution**—Start with the **SBC** article "7 Contract Provisions to Never, Ever Overlook" at [www.sbcmag.info/legal](http://www.sbcmag.info/legal). Continue with a review of the *Risk Transfer* and *Successfully Negotiating a Customer Contract* tracks in ORisk. Repeat both steps and have your employees

Continued on page 14



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## Legal Edge

Continued from page 13

do the same. Finally sit down with legal counsel and consider how your company will do a better job reviewing and negotiating the one-sided customer contract forms you're asked to sign.

- Customer Contract insurance requirements—Again ORisk can be a fertile area for information—see the *Insurance 101* and *Risk Transfer* tracks. However, as insurance coverages and endorsements change and as customers change the requirements they impose on their suppliers and subcontractors, it is important to keep up with the changes—education and training are crucial.
- Installed Sales—For those manufacturers offering installed sales to their customers, start by reviewing “The Importance of Reviewing Customer Contracts When Selling Turnkey” ([www.sbcmag.info/legal](http://www.sbcmag.info/legal)). When hiring framing subcontractors to undertake the work you have agreed to perform for your customer, these policies MUST be in place:
  - Due diligence of your subcontractor—are they competent, credit-worthy, insured, previous claims, etc.
  - Adequate subcontract forms
  - Adequate insurance for the subcontractor and any sub-subcontractors
  - Adequate supervision and policies for addressing defective or untimely work
  - A plan exists to manage the performance and claim risk that comes with the business of installed sales.
- Jobsite packages—Step #1: Read the **SBC** article: “He Who Supplies the Jobsite Package ‘Makes the Rules’ in Litigation” published in the June/July 2009 issue. Consider purchasing the SBCA JOBSITE PACKAGES and deliver a package with each product delivery. Make providing and documenting receipt of a jobsite package a policy or procedure within your company that is NEVER overlooked.

- Develop an in-plant best practices policy document that addresses delivery risk to the plant and delivery/transportation risk from the plant.
- QC—Quality Control is a very important risk management and liability avoidance process. Understand why and determine what best practices ought to be implemented by your company to manage the risks of manufacturing claims.
- Accident procedures and policies, including fall down accidents on the jobsite (claims handling in general)—In my opinion, every company ought to have a formal procedure or policy for all claims and occurrences such as truss collapses and jobsite injuries involving your products.
- Notices given to perfect liens and bond claims—Do you know what notices are required and the various deadlines to perfect lien and bond claims in those states in which you conduct business?
- Learn from past mistakes/claims—Develop procedures and policies that target mistakes of the past to make sure they never occur again.

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and lawsuits—These can be complex in nature and often overwhelming in the commitment of time and resources to fully respond. I would bet there is a 99% chance that you have handled or are handling construction defect lawsuits incorrectly!

**DO NOT let failed risk management and liability avoidance procedures impact your company's bottom line.... Defined policies and procedures, if followed, will mean less loss in terms of productivity and settlement payments and legal fees.**

- Customer close-out requirements, including warranties—Develop a company-wide warranty for products and services you offer and understand the reasons for the language contained in such warranties.
- Care and feeding of your insurance broker and underwriter—If you are not using an insurance broker who is enrolled in the SBCA insurance partner program, at least evaluate the best way to choose a broker and how to court your underwriters.
- What to look for in your insurance policies and why—The *Insurance 101* track in ORisk is where you can start, but you truly need to understand what types of coverages/endorsements you have in comparison to what alternative coverages/endorsements are available.
- Deal with your company's professional/design liability exposure—Each company has varying risks of being viewed as the project design professional. The **SBC** article “Design Liability: Are Component Manufacturers Adequately Protected by Insurance?” published in the June/July 2007 issue is a great place to start to understand these types of risk.
- Investigating and handling construction defect claims
- Responding to a customer complaint of mold—Do you know how first to deal with mold issues in your bid or contract? What about when you are first contacted by a customer complaining of mold—do you know what to do and what not to do?
- Review vendor contract terms and conditions and all contract or lease provisions—You must make sure to properly allocate risks in all types of contracts your company executes.
- Effectively use attorneys, including attorneys assigned to defend you by your insurance companies—If you EVER have your insurance company agree to defend you and yet reserve its rights in some fashion, you are now on a slippery slope unless you have hired your own counsel knowledgeable in your business or the industry to make sure you are not left without coverage at the time the case should settle or in the event of an adverse verdict. **SBC**

*Kent Pagel, a Senior Shareholder for Pagel, Davis & Hill, a Professional Corporation, is the author of the Legal Edge series. Kent and his firm have served as national counsel for SBCA since 1994. He can be reached via email at [kpagel@pdhlaw.com](mailto:kpagel@pdhlaw.com). Also look for him to answer your questions at the SBCA booth at BCMC 2010 in Charlotte, NC.*

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## BUILDING UPON RELATIONSHIPS



by Sean D. Shields



Mike Karceski (Atlas Components) visited Rep. Donald Manzullo's (R-IL) office to discuss the Canadian softwood lumber dispute and convinced him to sign on to a letter to the Department of Commerce urging a proactive approach toward finding a long-term solution. "This was an incredibly productive meeting. Even though times are tough, I'm very glad I took the time to come here to DC," said Karceski.

### at a glance

- ❑ At the 10<sup>th</sup> annual SBC Legislative Conference, component manufacturers and industry suppliers traveled to Washington, DC and visited with several members of Congress.
- ❑ This year, they lobbied lawmakers to address systemic problems related to the housing finance system and free up credit for builders.
- ❑ They also raised concerns about labor issues like EFCA and immigration reform, as well as the detrimental impact cap and trade energy legislation could have the SBC industry.

**Y**ou win some, you lose some, you wreck some." No one would know better how to classify American car racing than Dale Earnhardt, a man who won seventy-six races and seven championships during his career. Interestingly enough, he could have just as easily been talking about what it has been like being a lawmaker during the current 111<sup>th</sup> Congress. When the Structural Building Components Association (SBCA) members visited their lawmakers last month in Washington, DC, the overwhelming feedback they got was that their elected officials are worn out.

More than one member of Congress exclaimed, "we've had our foot so hard on the gas pedal over the past year and a half...we're just exhausted." From multiple economic stimulus bills to financing two wars to an overhaul of health care to reforming the nation's financial system, the current Congress has enacted a lot of significant, and contentious, legislation. Truth be told, you could just as easily use the analogy of a heavyweight prize fight in the twelfth round as a grueling car race to describe the mood component manufacturers encountered in the halls of the U.S. Capitol.

With mid-term elections looming in November, it was clear many lawmakers were already looking forward to the campaign trail, particularly when majority control of both the House of Representatives and the Senate are potentially up for grabs. Within this environment, you might think that our industry's concerns regarding housing, labor, energy, transportation and trade would either fall on deaf ears or get swept aside till the next Congress convenes in 2011.

Not so.

Out of the many meetings manufacturers and industry suppliers held with their elected officials during the conference, some surprising details and promising opportunities were uncovered. More importantly, relationships with powerful people were forged and seeds were sown on important issues facing the structural building components industry. The following pages will walk you through the positions taken by the SBCA on these issues, along with feedback conference participants got from their lawmaker(s).

The goal going forward is that Congress finds a way to adopt solutions on these issues, either this year or next, that allow you to win and avoid the wreckage that appears to be around the next turn!

## •HOUSING

### Structural Building Components (SBC) Industry Position

The SBC industry manufactures many products used in residential construction, and therefore plays an important role in the promotion of home ownership and the growth of affordable housing. We believe it is important that Congress continue to take steps to further reduce foreclosures, increase lending, strengthen home ownership and, ultimately, restore housing as a cornerstone of our nation's economic strength.

**FINANCIAL REFORM:** U.S. Senators were just settling into debate on financial reform legislation while SBCA members stopped in to visit them. Most of the legislation is focused on consumer protections and making large financial institutions more accountable for their actions while further restricting some of their lending practices. Unfortunately, one important aspect of the nation's financial crisis was not addressed through this bill: housing.

In talking to members of Congress about financial reform, SBCA members found that, in general, the Republican party was pushing inclusion of reforms to the country's housing finance system, specifically the government-sponsored enterprises (GSEs) like Fannie Mae, Freddie Mac and the Federal Home Loan Bank System to ensure the flow of housing credit remains reliable and affordable. The Democratic leadership appeared to favor putting this kind of reform in a separate bill focused on housing.

If a housing-only bill were created, component manufacturers and suppliers argued that a heavy emphasis should be placed on solutions that will ensure responsible homeownership and help prevent foreclosures. In addition, they asked their lawmakers to support reforms that will improve oversight of our country's credit and mortgage lending institutions. The hope is that these kinds of reforms will help avoid the irresponsible lending and borrowing environment that contributed to the recent collapse of the housing market.

**GREEN BUILDING:** In recent years, Congress has been taking steps to encourage more environmentally-sustainable construction methods. For instance, many new federal office buildings and military construction projects have attained U.S. Green Building Council LEED certification. However, this exclusive endorsement of LEED by the federal government has as much to do with how successfully LEED has built name recognition on Capitol Hill as it does with how beneficial their system is to the environment.

Participants advised their lawmakers that as green building programs become more prevalent, it is important for the marketplace to decide which green building rating programs are most effective. Congressional efforts to impose mandates that give preference to one system over another will only serve to stifle further improvements to this increasingly popular approach to rating sustainable construction.

As SBCA President Steven Spradlin's column mentioned, one of the biggest problems with LEED for the structural building components industry is the fact it only recognizes wood certified by the Forest Stewardship Council (FSC). This issue resonated strongly with lawmakers from the southeastern states like Florida, Arkansas and North Carolina because FSC certified southern yellow pine is not currently locally available. This total absence of a regional supply means that component manufacturers who produce only wood components are hindered, due to high lumber costs given the restricted supply, from competitively bidding on many government and military construction projects.

### Bottom Line to the Component Manufacturer (CM)

*Both a finalized federal plan to restructure and support GSEs and a federal outline on reforms to the entire home lending system will restore much needed confidence to lenders who, in turn, will free up more credit for builders.*



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## •LABOR

### Structural Building Components (SBC) Industry Position

As the housing industry begins to recover, we expect that the SBC industry will need to begin hiring employees to meet the growing demand. Our industry has significant concerns about providing adequate health insurance, preserving employees' rights to a private vote regarding union representation, and protecting employers from unfair hiring burdens due to an unworkable immigration system.

**PRIVATE BALLOTS:** As mentioned earlier, mid-term elections will be held in November to determine all 435 seats in the U.S. House of Representatives and 32 seats in the U.S. Senate. Most national polls and media stories have Democrats worried about their ability to retain enough of these seats to continue holding majorities in each chamber. This concern may be a powerful motivating factor for leadership in the House and Senate when they look for ways to prove to their constituents they have been responsive to their needs.

One troubling piece of legislation touted by one of the Democrats' largest constituencies, organized labor, is the Employee Free Choice Act (EFCA). In concept, this measure would replace the current process of private ballot union representation elections with a system called "card check," which allows union organizers and their peers to publicly gather support for the creation of a union.

SBCA members were quick to point out, some from personal experience, that this public process can also invite intimidation and threats in the workplace as well as harassment because an employee's decision for or against unionizing is public to everyone.

Most members of Congress have heard this concern from the employers in their districts since EFCA was introduced last year, and is the major reason why it wasn't quickly enacted. However, recent compromises on EFCA have centered on mandatory binding arbitration. Conference participants pointed out this approach is no better for business as it restricts the ability of employers and employees to negotiate mutually acceptable employment terms.

While some lawmakers insisted EFCA was dead and will not come up for a vote again this session, our industry will have to remain vigilant in monitoring other labor-related legislation, such as immigration reform, to ensure EFCA is not amended onto it at the last minute.

#### Bottom Line to the CM

EFCA legislation will have a detrimental effect on the relationship between employers and employees. Making union ballots public will erode relationships between employees on opposite sides of the vote. Binding arbitration will eliminate any incentive for employers and employees to reach a collective bargaining agreement.

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**IMMIGRATION:** Conference attendees received mixed messages on the possibility that Congress will still take up immigration reform before they leave Washington, DC for its August recess. The problem is that as the economy improves, the immigration rate is moving upward once again. Attendees argued that now is the time to address the broken immigration system, before immigration-related problems get out of hand.

First, they stressed immigration system reforms should provide additional tools for employers that are easy to use to ensure compliance with the law. Whether it is through the online E-Verify program or something similar, employers should be able to quickly and reliably find out if they can legally hire an applicant. Employers need clear guidance and assistance from the federal government in recognizing individuals who are not eligible to work in the U.S. before they are hired, trained and put to work in the facility.

In addition, they urged Congress to provide additional pathways to legal immigration, which will expand home purchases while ensuring U.S. employers can meet ongoing employment demands as the nation's economy improves.

#### Bottom Line to the CM

The current system places the burden on the employer to ascertain whether a prospective employee is eligible to work in the U.S. With the widespread availability of forged citizenship documentation, employers many times have invested months of training in an employee before it becomes evident they are in the country illegally. Through reforms to the system, the federal government can provide a better process for employers to verify an applicant's eligibility.

## •TRADE

### Structural Building Components (SBC) Industry Position

The SBC industry supports efforts to promote free trade. An unfortunate aspect of current U.S. trade policy is, in the two cases that affect our raw material supply—steel and lumber, countervailing and anti-dumping duties have been imposed with no consideration of the adverse impact on us as buyers of steel and lumber or on the overall housing market.

**SOFTWOOD LUMBER:** According to SBCA's bi-annual financial performance survey, lumber, as a raw material, makes up 40 to 50 percent of the cost of a manufactured structural building component. As you know all too well, U.S. softwood lumber producers alone cannot meet domestic demand, and Canadian softwood lumber imports account for 30 percent of construction lumber used in the U.S. However, the importation of lumber has been the sources of one of the longest-standing trade disputes between the U.S. and Canada.

This trade is currently governed by a seven-year agreement. However, it appears this arrangement is already unraveling, and once this agreement expires in 2013, there will once again be marketplace uncertainty if no enduring resolution is created in the meantime. Component manufacturers and suppliers impressed upon their lawmakers that only a long-term solution will allow U.S. companies the ability to compete in their marketplaces on a fair and equitable basis.

Fortunately, this argument was heard and embraced by more than one lawmaker. SBCA has drafted a letter urging the U.S. Department of Commerce (DOC) to proactively pursue negotiations with the Canadian provincial governments in order to find and agree to a long term softwood lumber trade solution before the current agreement expires. We are currently working with Congressional offices to have lawmakers sign onto this letter to show their support before it is sent to the DOC.

#### Bottom Line to the CM

U.S. trade policy has directly harmed the SBC industry by placing trade tariffs on imported foreign steel and softwood lumber. These duties created volatility in the marketplace and artificially increased the cost of your raw materials. Through raising awareness of the downstream harm some protectionist trade remedies have caused, our industry has been effective at convincing members of Congress to evaluate how U.S. trade policy is formed.

Steven Spradlin (Capital Structures) visited Rep. John Boozman (R-AR), who is running for the Senate seat currently held by Blanche Lincoln (D-AR). "Boozman was very receptive to many of our industry's issues, and I was impressed by his commitment to help his constituents," remarked Spradlin.



June/July 2010



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# • ENERGY

## Structural Building Component (SBC) Industry Position

In considering various proposals to reduce the emission of greenhouse gases to address global climate change, find alternative energy sources and increase efficiency in energy consumption and generation, the SBC industry believes Congress should review the effect changes to energy policy will have on citizens' free choice of where they can live and work, affordable housing, and the quality and quantity of domestic jobs.

**RESIDENTIAL HOUSING:** While some attendees were visiting with the offices of their U.S. Representatives, those lawmakers were in the Capitol debating the merits of the Home Star Energy Retrofit Act, a bill designed to spur demand for more energy-efficient products. From that perspective, attendees explained that SBCs are the most environmentally responsible framing method available, due to their use of engineering, which allow homes and buildings to be designed to minimize material consumption and maximize energy efficiency.

The "Cash for Caulkers" bill, as it was dubbed in the media, will likely not have a significant impact on component manufacturers, unless you have a strong remodeling business. Fortunately, it approaches the challenge of improving home energy-efficiency in a beneficial way for businesses, using tax incentives (read: carrot) instead of cost-prohibitive penalties (read: stick) to spur consumers to use in-plant manufactured energy-efficient products and materials in building construction.

**FUEL COSTS:** Exactly one week after SCBA members visited their lawmakers, a new version of energy policy reform legislation was officially introduced by Senators John Kerry (D-MA) and Joe Lieberman (I-CT). "The American Power Act" contains over 1000 pages of proposed changes to the nation's energy policy, the most significant of which is the creation of a cap-and-trade program on carbon dioxide emissions. In theory, this program places a threshold or cap on the amount of emissions allowed on an annual basis. Entities that produce carbon dioxide, such as power plants and manufacturing companies, would purchase credits from the government allowing them to emit a certain amount of carbon dioxide. They can then buy additional permits on an exchange market to produce additional CO<sub>2</sub>, or face the threat of a financial penalty. The problem is that it will hit the power plants the hardest, which will lead to higher energy prices.

SBCA members warned their lawmakers that an energy policy shift that will result in higher and more volatile fuel and energy costs will likely alter the make-up of construction projects due to rising transportation costs. In the long term, this move will result in a shift away from suburban residential and commercial development, the lifeblood of the SBC industry. In the short term, higher fuel and energy costs will make homes more costly to build and maintain, making it harder for the average American family to buy a home.

Conference participants encouraged their lawmakers to support measures that will increase our domestic supply of energy and encourage the development of and access to alternative fuels to provide relief from volatile fuel costs. The oil spill in the Gulf of Mexico will likely make passage of any energy reform difficult during the current session of Congress, but our industry will have to monitor this issue closely next year.



Joe Kannapell (MiTek Industries) visited Rep. Tom Perriello (D-VA), and ended up walking with him to the Capitol for a vote. Kannapell explained, "We come here to learn and discuss the issues that matter to our industry. Our lawmakers welcome us into their offices, and through our participation we make a real difference."

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### Bottom Line to the CM

Higher energy prices caused by a cap and trade system will have a significant impact on affordable housing, and will likely have a long term impact on American's ability to afford living outside densely populated urban centers. Volatile energy and fuel costs will make it very difficult for manufacturers to estimate operating costs as well as accurate bid out contracts.

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Steve Stroder (ProBuild) visited Rep. Steve Buyer's (R-IN) office during his first trip to lobby Congress. At the conclusion of the conference, Stroder commented, "It's evident that a lot is going on here, some of which has a direct impact on our business operations. This is a valuable exercise I think all component manufacturers would benefit from participating in."

# • TRANSPORTATION

## Structural Building Components (SBC) Industry Position

The SBC industry relies heavily on the ability to receive raw materials on a reliable basis and deliver their manufactured products to construction jobsites on time. Deteriorating infrastructure and heavy congestion on our roads and rail lines severely hampers our ability to effectively conduct business.

On September 30, 2009, the legislation that provided federal funding for transportation projects across the nation expired. Since then, Congress has passed supplemental funding bills to pay for projects already underway and several emergency transportation projects. However, the lack of a multi-year federal "transportation reauthorization" bill has made long-term transportation planning virtually impossible for most states. While many lawmakers expressed doubts that Congress will tackle this hefty task this year, SBCA members laid the groundwork for what will likely be contentious debate next year as lawmakers try to decide which transportation priorities will be addressed with taxpayer dollars.

With almost all of the products manufactured by the SBC industry transported from manufacturing to construction jobsites utilizing commercial motor vehicles (CMVs), good and reliable road infrastructure is a key part of the business. Road congestion and the deterioration of the quality of roads and bridges have made it more and more difficult to deliver products when customers need them.

In addition, the current patchwork of road weight and cargo size limitations, coupled with numerous permitting requirements requiring significant paperwork, can make compliance for component manufacturers very difficult and time consuming. Conference participants informed their members of Congress when they consider transportation reauthorization, not only should the legislation include significant increased road infrastructure funding, it should also include national mandates to standardize the oversize and overweight permit issuing process.

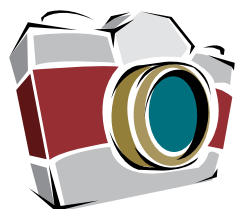
### Bottom Line to the CM

The SBC industry relies heavily on transportation infrastructure, whether it is for the delivery of raw materials via rail and road or for timely delivery of their products to their customers. It is vital that Congress allocate sufficient funds to roads and rails to ensure these modes of transportation remain viable for conducting business.

## We Need to Fight for Our Position

Admittedly, while attendees talked about the issues and problems facing their businesses and the SBC industry right now, Congress is not ready to act on some of these issues. Perseverance is the most important thing our industry has learned through its grassroots advocacy efforts. In summer 2000, a handful of component manufacturers traveled to DC to educate members of Congress about the softwood lumber trade dispute between the U.S. and Canada. It took seven years of subsequent visits, long hours devoted to relationship building, and a lot of sound arguments in order to for us to have a voice and positively influence the softwood lumber agreement currently in place.

As another example, our industry has been talking with members of Congress and the White House about the importance of immigration reform since 2005. It can be a long, grueling race to the finish line where a bill finally becomes a law; and just like in a car race, there is a lot of hard work, preparation and jockeying that has to occur in order to be situated well for the final lap. If you haven't participated yet in the process, now is the time to get involved—the SBC industry needs your help educating lawmakers on these issues. Join in the "race" today, and help us with the planning and quick decision making needed to avoid the wreckage we see looming ahead. **SBC**



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The Sacramento Habitat home featured as our May cover story was handed over to new owner Francesca Flores on April 24. Just a few weeks following the dedication ceremony, the final LEED point total came in: A whopping 94 points! Just 80 were needed for Platinum certification.

Despite achieving the highest level of LEED certification, the newly-certified home does not contain any wood building components made with FSC certified products.

SBCA member Homewood Truss (Loomis, CA) designed and built the roof trusses for the job. Design manager Bryan Wagner said his group is designing more and more raised heel trusses for organizations like Habitat—a sign that green building is evolving. Marketing manager Corey Magleby worked closely with building designer Norm Scheel, SE, LEED AP HOMES. Magleby said, “Norm brings great technical ability and is on the forefront of the green building revolution.”

The education process on high efficiency homes won't stop with a green certification on their résumés. Habitat and Scheel plan to monitor the Platinum home for at least a year. “We'll be comparing it to another [Habitat home] that didn't have all the advanced framing we used in this one, comparing utility bills, and conducting infrared camera energy analysis,” said Scheel. **SBC**



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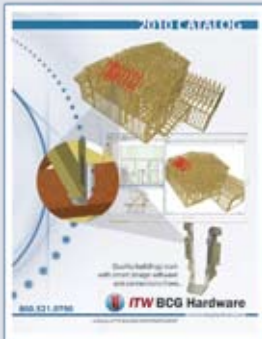
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