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Subs don't see big jobs as 'recession ending' signs

Some in industry remain pessimistic

By MARSHA RHEA

In the nation's heartland several major construction projects are boosting the industry's outlook, but subcontractors still take a dim view of the future.

"Stay alive till '95" is the favorite slogan of one member of the American Subcontractors Association-Chicago Chapter, according to Executive Director Perry Doubt. Chicago is getting a boost from an expansion to McCormick Place (the convention center), a new stadium for the Black Hawks and Bulls, and additional work at the airport. Still that is not enough to boost the economy to health.

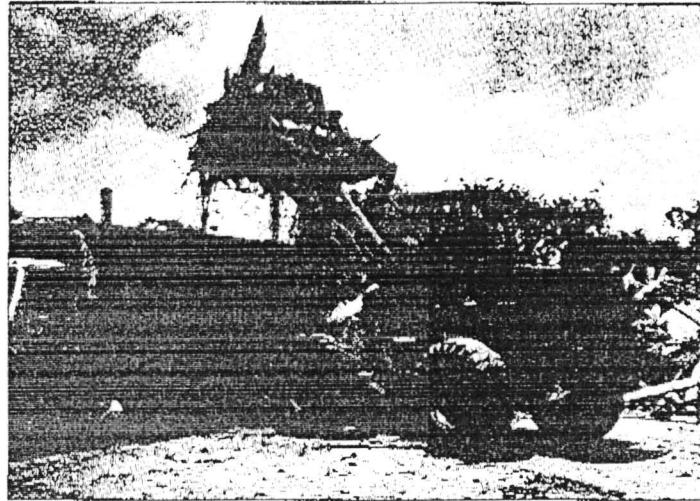
In an effort to revitalize the construction industry, the chapter became the leading construction association to endorse a proposed \$2 billion casino/entertainment center. Since the Illinois Legislature must approve the project, the chapter has been lobbying for it.

"It will put a big spark in our construction industry and provide tax revenue for the city and state," said Anne Wilson, chapter president and president of Bigane Paving Company. She admits she would rather see a \$2 billion manufacturing project come into Chicago because it would generate higher paying jobs, but no one is proposing one.

Dave Sauerman, vice president with Harris Trust Bank and an ASA-Chicago Chapter board member, said the "core commercial-industrial market is deadlier than a doornail. The general feel is that while things might get better, people better adapt to this marketplace."

"If you aren't a top notch contractor, you might as well close your doors right now," Sauerman said. "In this kind of market I am going to take a fantastic contractor with years of experience at a great price. I am still getting my building built at 96 cents on the dollar, so why take Brand X?"

In Columbus, Ohio, construction
continued on page 3



The cost of cleanup and removal are being passed to subcontractors. (Photo courtesy of National Solid Wastes Management Association.)

Subcontractors recycle construction waste for profit and by necessity

By MARSHA RHEA

Bazan Painting Company in St. Louis is transforming a potential hazardous waste problem into what may be a profitable sideline business, becoming one of the few construction companies making recycling work.

The company processes leftover solvent-based paint and dirty paint thinners through a distillation system, and sends the sludge to a local paint manufacturer for reprocessing as a mill-end primer. Overcoming the greatest impediment to construction recycling, the industrial painting contractor has created its own market

for the recycled product purchasing primer.

Walt Bazan Jr., Bazan vice president and an American Subcontractors Association board member, says, "When I get things running smoothly, I plan to hire a salesman and sell the primer to steel fabricators." He is even trying to persuade other union painting contractors in St. Louis to try his approach.

"I think it is a system that will work. It's technically illegal to accept someone else's wastes, but if you are able to make something out of it, it becomes a product," Bazan said. Un-

continued on page 3

Congress OKs bill to study subs' access to bonding

ASA initiative awaits president's signature

By E. COLETTENELSON

In the closing hours before recessing for the Republican National Convention, Congress approved and sent to the president an American Subcontractors Association initiative designed to determine if construction contractors have adequate access to surety bonding.

The "Small Business Access to Surety Bonding Survey Act" would require the U.S. General Accounting Office to conduct a comprehensive survey of firms concerning experiences in obtaining surety bonding. Federal, state and local laws require contractors to provide payment and performance bonds as a precondition to the award of a construction contract. Many private sector purchasers of construction services also require contractors to provide bonds.

The survey requirement, originally introduced as individual bills by Del. Eleanor Holmes Norton (D-D.C.) and Sen. Harris Wofford (D-Pa.), was added as an amendment to a bill that would authorize more Small Business Administration loans to businesses unable to get credit at banks. President Bush is expected to sign the package.

"This study will help determine the extent to which qualified contractors have a problem in obtaining adequate surety bonding," said ASA Government Relations Committee Chairman Wayne Ruth.

In order to ensure that GAO conducts a comprehensive review, the bill establishes a base line of questions that should be included in a questionnaire sent to construction firms. It then requires GAO, in conjunction with the Small Business Administration, to prepare an assessment of the data collected by the survey and submit it to the Senate and House Small Business committees within 18 months of enactment. The bill does not require GAO to recommend Congressional action based on its assessment.
continued on page 3

INSIDE

Teamwork endures.....2	Editorial.....4
A look at the end result of the 'team' that built Oriole Park at Camden Yards.	Federal.....6, 7
OSH Act reform stalled.....6	State.....8, 9
Barrage of mail and Republican boycott responsible for the pause.	Advice.....10, 11
Beware additional insured provisions...11	Inside ASA.....12, 13, 14
ASA general counsel warns subcontractors of agreements to provide coverage they don't have.	

The rising cost of disposal is driving subcontractors to seek alternatives ...

continued from page 1
 til the sideline business takes off, Bazan is already saving money by avoiding the \$200 per drum charge to burn the waste paint at a fuel-to-energy plant.

"I think a lot more can be done with recycling of materials," said ASA President Ben C. Griggs. "The waste is horrendous."

"The biggest problem is to make the numbers add up and create markets for the recycled products," said William Baker, executive director for the National Association of Demolition Contractors. Since his members are responsible for waste disposal, they are interested in recycling. But Baker admits that few demolition contractors have set up sideline businesses in recycling.

In the Midwest, Baker says, landfill costs are still below recycling costs. That may change as lack of landfill space becomes a growing problem, and government agencies take greater

"Our big thing as subcontractors is that we are being charged more for cleanup and removal," said Sam Fromkin, president of Fromkin Brothers and president of the New Jersey Subcontractors Association.

note of the volume of debris construction generates. Depending on the region of the country, construction and demolition debris ranges from 10 to 30 percent of a community's waste stream.

"Our big thing as subcontractors is that we are being charged more for cleanup and removal," said Sam Fromkin, president of Fromkin Brothers and president of the New Jersey Subcontractors Association. New Jersey has a serious landfill problem, and disposal costs can run from \$450 to \$750 per 40-yard dumpster. General contractors are passing the cost through to subcontractors.

"As the cost of disposal continues to go up, contractors will be looking for alternative disposal sites," said Robert Brickner, senior vice presi-

dent for Gershman, Brickner & Bratton Inc., a solid waste consultant based in Falls Church, Va. "A high alternative cost is the mother of invention" and leads to recycling entrepreneurship, Brickner said.

Typically construction involves a private developer working with a private hauler, taking the debris to a private landfill. Construction debris "tends not to be the highest profile issue for municipalities," Brickner said.

Brickner said most construction materials are still placed in a single roll-off box, which lowers the value of the material for recycling. Some projects are beginning to place multiple boxes onsite to separate materials. Though uncommon, he has heard at least one general contractor making subcontractors responsible for their own disposal.

More than 95 percent of construction and demolition waste falls into three categories:

- inert granular materials (aggregate, asphalt, and dirt);
- shredded wood products; and
- ferrous metals.

For many years concrete and asphalt have been recycled. Scrap metal is reprocessed. Untreated wood and broken bricks can be chipped into landscape materials. Asphalt shingles are sent to remelt plants to use in the manufacture of asphalt. Aluminum siding companies are profiting from recycling their scrap. But in many areas, construction companies have little access to recycling companies with the technology and the markets to reuse their byproducts.

It may be some years before the Metropolitan Services District headquarters project in Portland, Ore. is a typical project. Dubbed the "Resourceful Renovation" project, the project is a model for both recycling construction waste and specifying that recycled products be used whenever possible.

This solid waste management agency elected to renovate a former department store for its offices. Not only did Metro insist on salvage operations during demolition work, the agency included a waste management plan in all subcontract packages. In



Photo courtesy of the National Solid Wastes Management Association.

the specifications, all subcontractors were encouraged to propose how they might use recycled products in their work as well as recycle waste materials.

When the bids were filed, the subcontractors ignored the call for recycled products and "did it the old way", so general contractor Hoffman Construction had to go back out for bids again. Because landfill costs are

high in Portland, Wayne Drinkward, Hoffman executive vice president, said the company would have tried about 70 percent of the recycling specifications anyway. It took the owner's insistence on using recycled products to provide the incentive for them.

"It has always been good business to recycle where it makes economic sense," Drinkward said.

Subs holding on until economic rebound ...

continued from page 1

starts are off 35 to 40 percent, but there is a lot of bidding activity, according to Chet Gibson, crane manager for George J. Igel & Co. Inc. and Legislative Committee chairman for ASA-Central Ohio.

"Everything is getting tighter. All the bids are tighter. A lot of people have downsized to keep going until the industry rebounds," Gibson said. Although payments have slowed down, there are few bankruptcies.

In the Akron/Canton area, ASA Chapter Executive Director Ann Makley said the industry is better than it has been in the last two years. "That's not saying a lot because the year before was the pits," she said. She is seeing more project plans in the chapter's plan room, although there are not a lot of big jobs.

"I think a lot of our people are trying very hard to hang in there," Makley said.

"I'm very reluctant to tell you it's great because it will attract outside competition," said William Allen of A & A Mechanical Inc. in Louisville, Ky. "There's a lot of contracting capacity in this area that just isn't being used," said the ASA-Kentuckiana Chapter president.

In Louisville a \$660 million Ford truck plant expansion was heralded as a much needed boost, but local contractors are now disappointed that most of the work is going to out-of-

town contractors.

Indiana subcontractors are looking ahead to a \$400 million United Airlines maintenance facility, which is expected to employ about 370 subcontractors. "This project was the plum of 1992," said Gary Price, executive director of the Indiana chapter of ASA. "Other than that the vacancy rate is high downtown."

"It's uneven. Some subcontractors are having a record year, while others are barely keeping up with prior years," Price said.

Subcontractors are like other business owners who are skeptical about the possibilities for economic growth, according to a quarterly economic survey released in August by the National Federation of Independent Business. The Optimism Index slid more than two points to 100.0 (1978=100), reaching its lowest ebb since March. The percentage of those expecting favorable conditions for expansion declined four points from April's figures to 12 percent.

Small businesses increased hiring slightly during the quarter, according to the NFIB survey, but expect a tighter job market ahead. Only a net 2 percent of the respondents plan to add workers in the coming quarter, the weakest July figures in a decade.

"It's not really a good idea to hold onto a big costly organization in the hopes that things will turn around," Sauerman of Chicago advised.

Surety bill awaits president's signature ...

continued from page 1
 ment.

The Foundation of the American Subcontractors Association, the National Association of Minority Contractors, and George State University have underwritten surveys which seem to show that some contractors have problems in obtaining surety bonding.

However, representatives of the surety industry have challenged the validity of these studies.

The most recent FASA survey, conducted in 1990, generally revealed:

- a surety market that is placing

increasing demands on its contractor clients, through increased underwriting requirements and increased premiums - and a reluctance by some contractors to meet those demands;

- a pattern of surety bond agents not providing their clients with needed information;

- an effort by specialty trade contractors to satisfy their bonding requirements outside of the standard surety market; and

- an underclass of principally small contractors who refuse to or are unable to provide surety bonds for a variety of reasons.