



MEDIA: Radio
STATION: WBBR-AM
MARKET: New York, NY
DATE: 11/18/09
TIME: 1:30 PM Eastern
PROGRAM: The Hays Advantage
SUBJECT: Bloomberg Radio w/ Greg Sizemore of CURT

01:33:07 Kathleen Hays, Host:

One of the biggest concerns overhanging the U.S. economy comes out the housing industry. We talked about that earlier today with Chris Mayer of Columbia University Business School. He's concerned about some stresses lying ahead there. But, it's the non-residential. It's the other kind of construction. It's commercial. It's public. Because this is an area where we've seen many stresses and strains as well. And, in fact, when it comes to commercial real estate, there is a sense that - even from the Federal Reserve Chairman Ben Bernanke this week - that commercial real estate is in a downturn; that the credit constraints are there. It's going to hurt small banks.

So you have to ask, what does all this mean for the construction firms themselves? If the economy's picking up, we would hope and expect to see construction picking up. And, again a very important question for the economy overall. Which is why we are now bringing in our next guest. He is Greg Sizemore. He is the Executive Vice President of the Construction Users Roundtable (CURT). He has - to give you some background - over twenty years of construction industry and management experience. Including work for three years as the Director for Labor Relations at the Associated General Contractors and Allied Construction Industries in Cincinnati and many other kinds of involvement in this industry.

So Greg, welcome.

01:34:36 Greg Sizemore, Construction Users Roundtable (CURT):

Thank you, Kathleen. It's great to be with you. Thank you for the invitation.

01:34:38 Hays:

So, tell us a bit more about the Construction Users Roundtable.

01:34:43 Sizemore:

I would be happy to.

01:34:44 Hays:

What part is this?

01:34:44 Sizemore:

The Construction Users Roundtable, commonly called CURT, is actually the legacy group of what was once called the Construction Committee of the Business Roundtable. I know most of your listeners will probably be familiar with the Business Roundtable, the hundred-and-sixty member CEO organization domiciled in D.C. with offices in New York as well. And, some years ago, when they conducted a course correction, and became a public policy focus, there was a cadre of owners who believed that the voice of the industrial commercial owner still needed to be out there, and certainly the ears of American business.

And in 2001, the Construction Users Roundtable launched, with four or five members. We now have over eighty members representing a collective spend of two hundred billion dollars annually in the construction industry. And we seek to represent industry sectors such as automotive, consumer non-durables, petrochemical, pharma, et cetera...

01:35:43 Hays:

Okay.

01:35:42 Sizemore:

So, that gets you any number of the Fortune 100 firms.

01:35:46 Hays:

So, who are some of your members? And what aspect of the construction industry do they tend to be involved in?

01:35:51 Sizemore:

Some of our members include Procter & Gamble, the DuPont Corporation, Air Products and Chemicals, Abbott Labs, Florida Power and Light, Johnson & Johnson, to name a few. And, in addition, we have a number of contractors, organizations, such as EMCOR group, Turner, and others who serve as advisors to these owner groups. You ask what role the representative plays, and I will tell you that our representatives usually are the ones that sit on top of the billions of dollars of capital spending that each of these organizations spend each year to build their plants and facilities, not only in the United States, but worldwide. So, very senior level members are representatives of the Construction Users Roundtable.

01:36:36 Hays:

So what, as you all gather, what are you hearing from people? Is business picking up? Is business still sliding? Where are they in the cycle?

01:36:46 Sizemore:

Well, I think that business is both sliding and picking up. We are very hopeful. We are just coming off of a conference entitled "Surviving and Thriving in Today's Construction Industry and New and Emerging Markets." There's a general sense that this recession, commonly called among our crowd, the Great Recession, is probably over. But, that doesn't mean things are back to normal. I think much like post 9/11, there's going to be a new normal in our industry. And, the new normal will involve new ways of approaching the business, new ways of spending, new ways of evaluating consumer demand, new ways of spending our capital dollars, relative knowledge of the consumer needs. But, also, relative to the environment, and other regulatory pressures that are upon us.

01:37:31 Hays:

Well, let, let's look at the environment. It's really going to affect consumers, businesses, but kind of a separate issue from this sense of the economy. And, you saying that your members are talking about a new normal. Is that because they see an economy that just isn't going to grow as rapidly? Is it because they look back, and say that a lot of what fueled expansion, a lot of what fueled construction was a bubble in the financial industry? Credit that was based on something that turned out to be a house of cards to borrow the title of a recent book?

01:38:05 Sizemore:

Well, you're exactly right, Kathleen. And, of course, as, as your listeners know, there have been bubbles in every major economic cycle, whether they've been boom or bust bubbles. And, we've seen a return, and sometimes, a return with a vengeance vis-à-vis the economic recovery, post that bubble era. We've had the track bubble. And now the housing bubble. And, we are very hopeful that this will resurge. And, I'll give you an example of that. One of the things that our members, again, spending two hundred billion dollars a year, are looking at, is workforce development. You might scratch your head and say, "You know, in an era of unprecedented unemployment, especially in the construction industry, what in the world are we spending time, effort, energy, money, and talent, looking at workforce development for?"

01:38:46 Hays:

Mm-hmm.

01:38:47 Sizemore:

Because, we are short, and this thing is going to come back. And, when it does come back, all the pent-up demand, all of the deferred maintenance, all of the projects which have been tabled or shelved pending the fix-it of the financial markets—those will now be pulled out, dust blown off, and there will be an unprecedented demand for construction services.

01:39:11 Hays:

Well, so why is everybody talking about a new normal? It sounds to me that the picture you're painting is that there's a lot of pent-up demand. And, everyone's been so frightened since the collapse of Lehman Brothers in particular...

01:39:23 Sizemore:

Right.

01:39:22 Hays:

...that everything's tabled. Everything's on hold. Lots of workers laid off. But if all this is building up, it seems to me, this would lend itself to an environment where there's a snap-back, and things get going again. Not some kind of pathetic new normal.

01:39:35 Sizemore:

Well, you know, Kathleen, it's a lot like a bounce pass across a basketball court. The basketball will always bounce to a different height than it was let go from, and at a different place. And, to that regard, I think there's going to be a new normal in the construction industry. And, let me tell you what I think that means. Before we sing "Happy Days are Here Again," we're not going to return to what we saw in early 2000, late '90s, and of course, all the activity with what was there. What we will see is a leaner, meaner construction industry by necessity. You know, there is a sense out there among our members, that those who survive and focus on surviving may not be well-positioned to thrive when the opportunity then calls for that.

And, so we're looking at how can we improve productivity, and productivity with a guy out there and a gal out there, turning the wrench in the field? What can we do to eliminate the commonly touted twenty-eight percent, twenty-eight percent waste in your average construction project? And, that's on delayed material delivery, or wrong material delivery, or miscommunication, or a lot of folks standing around idle on a construction project, or shop drawing that are not as built, and lots of that. How's technology going to be infused from the top down? From the project manager, to the contractor, to the owner to the designer, to the craftsperson. And how are each of those industry stakeholders going to improve their productivity, improve their outlook?

And, Kathleen, let's face it. The construction industry, arguably, is probably the largest collective industry in the United States. So, as goes our industry, goes the economy. And, it's very important that we take this economic respite, if you will, and refocus our efforts on effective workforce development, good technology development, integration, and most importantly, a collaboration of all the stakeholder interests. One of the things about the industry that's always been a frustration, and causes each of us to scratch our head, is the fact that we're so fragmented. And the Construction Users Roundtable kind of prides itself being able to bring to the table...

01:41:39 Hays:

Okay.

01:41:40 Sizemore:

...the labors segment, both open-shop and union, bring together the design community, and collaborate together for improved cost-effectiveness.

01:41:50 Hays:

Okay, we're going to continue with Greg Sizemore in just a minute, from the Construction Users Roundtable, here on The Hays Advantage on Bloomberg Radio. I'm Kathleen Hays.

[Commercial break]

[01:48 PM ET]

01:48:57 Hays:

We're talking to Greg Sizemore. He's joining us from the Construction Users Roundtable. They've been holding a conference down in Orlando, Florida. We're taking a look at the industry, and what the industry, what the members of this group can signal to us about where the economy is. And, of course, where the economy is, and where it's going, and what it means for this very important part the economy.

And, Greg, I can never be sure if I can think of it as services. I guess maybe construction is counted as a service, as opposed to production of a good or manufacturing.

01:49:30 Sizemore:

That's a good point, Kathleen. In fact, I think in defense of our members, when you refer, or when the general public would refer to construction as a commodity. But, it truly is a service. And as with any service, it's differentiated by quality, by schedule, by time of delivery, and you know, by its overall usefulness and value-add to the end user. And our business is quite the same. What the owners representing CURT - the DuPonts, the Proctors, the Hondas, the southern companies -are asking contractors and even labor organizations to do this. Let's reevaluate the way you deliver services to us in a way that identifies that waste, creates a more lean environment, and lean process. And, the end result of that, Kathleen, is returning value to the stockholders. You take the typical project, that's sixty percent labor, and forty percent materials, and you've got some of these companies with a two-billion-dollar capital asset development program a year. I mean, do the math. Just cutting out a little bit of waste...

01:50:39 Hays:

Mm-hmm.

01:50:40 Sizemore:

...returns multi-millions back to the stockholders. And, that's what we're examining during this respite.

01:50:45 Hays:

What are you hearing from your members about some of the proposed legislation in Washington, starting with healthcare reform?

01:50:50 Sizemore:

Well, we have intentionally stayed away from commenting on those issues, and I'll tell you why: because our membership is so diverse, representing so many different sectors. We've hesitated to take up a position that might be diametrically opposed to another members' organization.

01:51:05 Hays:

What do you hear from your members about capital spending?

01:51:07 Sizemore:

Well, on capital spending, I think we're seeing that capital budgets are reduced, but spending is still very robust. And, I tell you, where the private sector has diminished, the public sector—this is no secret, this is no news— but, the public sector is incredibly robust. We had four representatives of government agencies, whom I might add, are also members of the Construction Users Roundtable, on a panel just a couple of hours ago. U.S. Army Corps of Engineers, the Federal Bureau of Prisons, the General Services Administration, and one other. And together they had six—those four fellows up there—sixty billion dollars in spending responsibility. Just enormous spending—the State Department was the fourth one that also was with us today. So, where you're seeing a diminution in the private sector, we're seeing a stepping up and a ramping up, primarily due to stimulus legislation in the public sector now.

And the interesting integration there is the public sector has reached a right hand of fellowship, if you will, to the private sector owners, and saying, "Help us do better for our taxpayer. We don't have stockholder value to return, but we have taxpayer value to return. We want to maintain our transparency, we want to be even more so. And help us do that." And, we're excited, Kathleen, about the public part—private partnerships that the Construction Users Roundtable's developing.

01:52:31 Hays:

Okay. Now, the, the commercial real estate downturn, and the fact that the expectation is that more deals are going to go belly-up, and more firms going belly-up, and that's going to hurt the small and regional banks. What part of your membership does that affect? What's the link between that and the Construction Users group?

01:52:48 Sizemore:

Well it's hard to tell, frankly. You know, again, we represent, typically, the director of construction, the vice president of construction engineering. And, so we don't interface too much with the CFOs of our organizations. So...

01:53:02 Hays:

But, over broadly, are people talking about this at this conference? Is it...

01:53:05 Sizemore:

Absolutely. Absolutely.

01:53:06 Hays:

And, what do they expect? What do they see?

01:53:07 Sizemore:

They're shaking their heads and thinking, you know, that this is a very likely outcome. Until the financial markets are fixed, money's flowing freely again. It's going to have the impact that you just described...

01:53:20 Hays:

Okay.

01:53:20 Sizemore:

...on those guys.

01:53:20 Hays:

Now, what you're painting a picture of, is a government, then, taking up, going in and offering business to the construction industry, construction services industry, that could take up some of the slack from the private side. What about the playing out of the stimulus package? More of the spending in line for next year. And, what does this mean for the construction industry?

01:53:45 Sizemore:

Well, and that's exactly right. I think you are going to see the impacts of that stimulus package more in 2010. At the same, I think we're in for some pretty strong headwinds in the private sector in 2010. So, we're hopeful that that will bridge the gap until this thing recovers more robustly. And, let's face it, the consumer's driving this—the consumer's much more cautious, I hesitate to say fearful. But, I do think they're cautious.

What we have found is consumer savings is up a little bit. They're trying to reduce their debt load. They're not spending on a new washing machine, a new car. They may be buying more of a generic brand than a brand that they've been loyal to over the years. This affects the outputs of these companies that we represent. And, so, until we get the mainstream consumer feeling comfortable about his and her job, and good about public policy, you're really not going to see the return to the numbers we had just a few years ago.

01:54:43 Hays:

Quick final question: any talk about the Federal Reserve? Possibly higher interest rates? Is that a concern? Or, is it much more this focus just on the bottom line of the business and the consumer spending?

01:54:51 Sizemore:

Bottom line on business and consumer spending, that's what we're watching. We're watching what the government's doing. The most important thing is current—is working collaboratively with every stakeholder in the business. Every stakeholder in the business was represented at this conference. The design community, the labor community...

01:55:07 Hays:

Okay.

01:55:07 Sizemore:

All of them. We are committed to improving this industry. And there will be a new economy. There will be a new construction industry. And we will be at the forefront of championing these causes.

01:55:18 Hays:

Greg Sizemore, thanks for joining us.

[Total runtime: 22:11]