

THE PARLIMENT PAGES

January, 2006

The Parliment Prediction for 2006 –

Several weeks ago I was having dinner with a customer. We were talking about this particular newsletter and the subject of all of our “predictions” came up. He was most curious as to how we made the predictions and how uncannily accurate they were. And here we are once again, at the beginning of yet another new year, and it is prediction time again.

First, let's make clear that our predictions are based on dozens of different sources of information. We talk to leading national and regional economists. We read all sorts of different publications, we talk to you, our customers, and your customers. We discuss business with the manufacturers and importers. We study leading indicators and chart and graph numerous trends. And with all of this science behind us, we still factor in the often used SWAG formula. For those that don't know what that means, it stands for Systematic Wild Ass Guess. For a while, it was a cakewalk as every single source of information said the same thing.

Well now it seems that there is a lot of disagreement as to what is taking place in the market. That makes predictions a lot harder. However despite these contradictory sources of information, we will once again boldly set forth our market expectations for the next 12 months.

The Price and Supply Side of the Equation

The US economy was predicted to hit a soft landing in the 3rd quarter of 2005. It is expected to recover from this softness in the late 2nd or early 3rd quarter of 2006. This forecast was made several years ago and has in fact happened just as predicted. We have seen signs of this national slowdown mostly manifested by better supply of products and a slight softening of prices. Let's understand that softening means now, and in the foreseeable future, no price increases. Over the past couple of years, our industry has absorbed approximately a 25% increases in prices. Those increases appear to be the permanent benchmark from which future increases will be measured.

As this soft landing turns into a recovery, demand nationally will pick back up and will start to cause some product shortages and the related increases in prices. So beginning at the end of the 1st quarter you should be prepared for another round of increases and even some product shortages. Across the board, we don't see huge increases, however, certain products could become very scarce and the prices will skyrocket. While it is too early to tell for sure, we suspect that 2006 will see some spot shortages of certain sizes of rebar. Our sales force will keep you apprised of these shortages as we get closer to them.

The big unknown elephant is still China. China produces and consumes so much in resources. Last year they consumed over 50% of world's cement production and 40% of the world's steel production. And they recently announced that they plan to double the size of their economy over the next 5 years. Will their production match their consumption? If they don't hit their growth projections, they may flood the market and if they exceed their projections by just a little, there will be massive shortages.

The Demand Side of the Equation

The demand side of our business is really the most important. Price increases are merely a matter of adjusting the computer and making sure you are buying right. The demand side is

You Can Rely On Us

3031 Westside Blvd. Jacksonville, FL 32209

Ph# 904-387-8444 Toll Free – 866-387-7601 fax 904-387-8465

Parliment Building Products, Inc.
You Can Rely On Us

where our businesses can succeed beyond expectation or fail miserably. The nation has experienced 3 straight years of housing-start increases exceeding 15%. Nationally, that is beginning to look unsustainable. Projections for 2006 are more in the 5% - 7% range.

However, hold on. That is nationally. Regionally we have a whole different story. We believe demand will stay at the 12% increase level for at least another 7 – 10 years. That's right!!! The fundamentals are in place and this is one prediction we are certain of. There may be some pockets of resistance, but by and large in the vast majority of our territory the rocket ship ride will continue as there is still plenty of fuel left in the tank..

This brings on a very interesting dilemma. Over the past 3 years, most of your businesses have grown to, or in most cases, past your capacity. Very few of our customers have enough physical space or personnel to handle this surge in business. Many of you have been reluctant to change because you fear we are in a bubble and it will burst. Well, we may be in a bubble, but that bubble has a skin that is so thick that it can't possibly burst until 2012 or 2013. Can you imagine running your business another 7 years with the stress that you have had for the last 3 years? You will either kill yourselves, your employees or your businesses.

We have said it before and we will say it again. Position your business for sustained growth. Invest in the people and the infrastructure to handle at least a 10% compounded growth. There is little downside risk and the upside potential is huge.

Industry Consolidation –

Several months ago, Home Depot purchased Williams Brothers, which is a major multi-location supplier in Georgia. This comes on the heels of their purchase of a Midwest and West Coast operation named White Cap. We also know that the guys in the orange aprons are in the market to aggressively purchase other multi-location pro sale dealers. These guys would not be shelling out these big bucks if they didn't sense an opportunity. We believe the opportunity they are sensing is the continual strong market growth combined with a bunch of timid dealers who are not investing in the capabilities to handle the future growth. Look over your shoulder because there is going to be big bucks thrown into our industry.

Interest Rates –

We are finally seeing some movement in long-term interest rates. It has confounded most of us to understand how prime could march steadily upward, yet mortgage rates remaining so low. There are a lot economic reasons for this, but the simple answer is that mortgage rates have crept up. What's in store for 2006? We believe short-term rates will take one more ¼ point increase and then will level off. By the end of 2006, they may even drop some. Long-term rates will move up slightly and slowly and will have no impact on the market. The days of record low mortgage rates are behind us, probably forever. However, there are no signs of any superheated high rates on the horizon. This creates a nice steady market that will not scare anyone.

Fuel Prices –

Gas fell back after the horrendous \$3 a gallon pricing. However, don't get too comfy. While it may not happen immediately, you should prepare your business for continued increases in fuel cost. We will go out on a limb here, but we think you will see gas hitting and staying at \$3 a gallon within the next 36 months. From there, it will be a gradual escalation with no end in sight. Fans, we are running out of oil and demand is skyrocketing. The market will drive oil up. Period!!

You Can Rely On Us

3031 Westside Blvd. Jacksonville, FL 32209

Ph# 904-387-8444 Toll Free – 866-387-7601 fax 904-387-8465

Parliment Building Products, Inc. *You Can Rely On Us*

Labor –

I have never met with a customer where we didn't talk about the labor problem. Between not enough, too lazy, overpaid and not dependable, there is never an end to the complaints and exasperations. Well, I have some bad news and some more bad news.

First, the cost of employees is going up. After a period of basic wage stagnation, be prepared for a new round of hourly increases. As we come out of the national soft landing, unemployment will drop further and there will be demand for higher wages. Second, don't expect a sudden surge in job applicants with extraordinary talents. They are not out there. Our industry in particular will be hit with this shortage of qualified people. As a result, your first impulse will be to hire whoever shows up for the interview in a relatively sober condition.

This will be a recipe for disaster. Because we know how strong that impulse is, we are dedicating the next few newsletters to talk about employee recruiting and hiring. A bad hire in times of high business stress can cost your company many present and future profit dollars. If you agree, read on...

Employee testing and profiling –

We have all been in the position of interviewing a candidate for a job position. Maybe we were distracted, maybe we were not prepared, or more likely we were desperate to fill a hole left by someone quitting or getting fired. At the end of the interview, we feel pretty good and offer the candidate the job. Two days later we realize that the ugly twin has shown up for work. Where is that person that we thought we hired? How could I have gotten it so wrong? And now what am I going to do with this person who in no way seems to resemble the person I interviewed? And the most important questions is how much is this bozo gonna cost me?

Unfortunately, for most of us, the immediacy of filling a hole in the organization outweighs the intelligence of hiring the right person. How many times can you look back at your hiring decisions and realize that you were just "settling?"

A sound interview process can spell the difference between good hires and bad hires and productive employees and duds. Yet most of us will spend more time figuring out which copier to buy than which employee to hire. Why is that?

I think there are a number of reasons. They typically are: no one else applied; really had a lot going on and could not spend the time necessary; didn't really know what questions to ask; trusted my instinct and really thought the guy would work out. Well, I learned a number of years ago that buying the right hammer sure beats pounding nails with the heels of my shoes. So with all of the tools available, shouldn't we take advantage of them to minimize one of the most potentially costly mistakes we make as we run our businesses.

Over 15 years ago, I discovered a simple profile test that is now done online and is completed with results in your hands in less than 15 minutes. This profile will draw conclusions on four distinct behavioral patterns: 1. A person's ability and willingness to work without close supervision; 2. Their tendency towards introversion and extroversion and how well they will get along with customers; 3. The ability to multi-task and handle several projects at once without being bogged down; 4. Their willingness to follow procedure and stay within guidelines.

You can spend hours designing and asking interview questions to uncover these same behavioral traits, but why do that when a simple profile test can do this in just minutes and do it far better. If I have piqued your curiosity, good. Now the good news. These profiles only cost \$50 and will give you a 20 something page detailed report on your potential employee. Not only will it address those four key behaviors, but it will also give you insight as to how effective a sales person will be

You Can Rely On Us

3031 Westside Blvd. Jacksonville, FL 32209

Ph# 904-387-8444 Toll Free – 866-387-7601 fax 904-387-8465

Parliment Building Products, Inc.
You Can Rely On Us

or how meticulous a warehouse person will be or even how careful and accident free a driver will be.

If you would like to know more or maybe don't believe the claims, we have a deal for you. Sit down at your computer and give us a call at 866-387-7601 and we will make arrangements for you to complete a complimentary profile on yourself. After reading it, you will understand how accurate it is and how useful it will be in helping you hire the right people.

Upcoming speaker presentations –

On Wednesday, February 15 , we have Alan Beaulieu coming to make a presentation to our customers. Alan is one of our key economic sources and is preparing a program that is going to be very specific to our industry. We bring Alan in every 18 months or so. We used to do it that frequently because we thought we could play the game of “You blew it.” But Alan's predictions have been so accurate that cynicism has been replaced with anticipation. The session will begin at 8:30 and will last through lunch. Come prepared with tough questions. Be sure to call us and let us know if you are coming and we will fill you in on the specifics of the location.

Big Change at Parliment –

Sometime between January 15 and February 1st we will be totally settled in our new location. We are moving from 37,000 sqft to new digs that will have over 110,000 sqft. Even as we plan the move, we are beginning to plan expansion of that building because we know that we will outgrow even that space with the next year or so. This is one of the most significant events in our company history as it will allow us to better improve service and take on more products. To better reflect who we are, we are also changing our name to Parliment Building Products.

Any time you are in the area, we would love to show you our new facility.

Specific Product News-

We have taken on two new products that have us extremely excited. First, we are now dealers for ProCell which is a closed cell composite decking material. We like this product so well because we have finally found the product that actually does what every other has tried. There are over 60 different types of composite decking on the market and all of them have small subtle differences that are supposed to be the answer to such nagging problems as: mold, discoloration, cracking and splitting, hot to the touch, staining and a whole host of others. Well, we finally found this product that is not a composite in the traditional sense, but a whole new technology that does fix the problem. So, why sell something that won't work.

The second product that has us jumping up and down is the Quick Drive screw gun. Quick Drive has been around for a while but it was recently purchased by Simpson. In typical Simpson fashion, big money has been put into product improvement and development. They are also planning on capitalizing on the emerging market of using the right fastener in subflooring to eliminate the dreaded squeaking that is so prevalent. The immense Simpson marketing machine has been engaged and it will not be long before there really will be no other credible product other than Quick Drive.

Both of these products are in stock and available now.