Manufacturer & Rep Liaison Committee Meeting Reports

STAFDA's President and Vice President met with the Manufacturers and Rep Liaison Committees last month in Las Vegas during World of Concrete (WOC). The two Committees meet annually to discuss business conditions, industry trends, and STAFDA activities. Here's a summary of what they see in their respective industries or regions. ***Their comments are not necessarily reflective of their companies' point of view.***

Tom Carroll, C.S. Unitec, Norwalk, CT: Our company specializes in electric, pneumatic, and hydraulic power tools. We concentrate on five primary markets: commercial construction, metal fabrication, oil/gas/energy; marine; and manufacturing.

We saw steady demand in the domestic construction market in 2017 but flat growth in Canada and Mexico. Sales were strong over the last half of '17 and we're optimistic about growth in domestic commercial construction and manufacturing as well as a rebound in capital expenditures for energy industries. The price of oil is up, overall regulations are down, jobs and wages have increased — the global economy is growing. These positive indicators set a solid foundation for 2018 and here's what we see in the sectors we serve:

OSHA Silica Dust Collection Regulations: Since the silica regulation was issued in June 2016 (and officially enforced on September 23, 2017), we've seen strong sales growth of HEPA vacuums and power tools with dust collection and dust suppression. This generates a value-added opportunity and we expect steady growth for this tool group.

Infrastructure Spending: The White House is intent on introducing an infrastructure package this month. According to the **Center on Budget and Policy Priorities** (cbpp.org), the most recent report card issued by the **American Society of Civil Engineers** gave U.S. infrastructure a "D+" or "poor" rating, indicating investment needs of $2 trillion. It remains to be seen if this plan will be funded by Congress. The plan is expected to include federal spending of $200 billion. We're cautiously optimistic.

Commercial Construction (Concrete/Structural Steel): 2017 was estimated to end with a total gain of 4% ($746 billion) and the **2018 Dodge Construction Outlook** sees total construction starts for this year increasing 3% to $765 billion. According to **Dodge Data & Analytics'** chief economist, **Robert Murray**, some construction project types will see gains in 2018 while other project types will retract. Gains are predicted for residential building (+4%), non-residential building (+2%), while non-building construction is expected to level out after two years of decline. The outlook for structural steel and metal fabrication in 2018 is positive. The lack of workers, not demand, will continue to hinder expansion.

Oil, Gas, & Energy: Oil is set for a second year of recovery, according to **FXStreet.com**, especially after November's decision by OPEC, Russia, and other non-OPEC members to extend production restrictions of 1.5 barrels per day until the end of '18. OPEC is expected to discuss a gradual exit strategy from the production curb at their June '18 meeting to balance an anticipated increase of U.S. shale production output. Forecasts indicate the price of oil will remain above $50/barrel. On January 5, 2018, **Baker Hughes** reported a total of 924 drilling rigs, an increase of 259 over the same date in 2017. This rig count is an important barometer for the drilling industry and its suppliers; we anticipate steady growth in energy investment for construction, plant expansion, and rig fabrication.

Manufacturing: U.S. manufacturing increased 2.4% over the last year, according to **Chad Moutray**, chief economist for the **National Association of Manufacturers (NAM)**. This is almost a percent above predicted growth. November '17 saw a manufacturing capacity utilization of 76.4%, a reading not seen since May 2008.

Capital spending is expected to increase in 2018 at the fastest rate since mid-2011, and employment continues to trend strongly upward. Manufacturers are optimistic the business tax reform recently enacted will allow them to be more competitive globally. More than half of those surveyed indicated the reform will give them the confidence to increase capital spending, expand their business, and hire more workers.

Spencer Loveless, Dustless Technologies, Price, UT: Our company is a family-owned manufacturer of high-efficiency point of origin dust collection tools. In the world of dust control, we continue to see the government and other agencies put their foot down on protecting workers from harmful dust. The OSHA silica dust law was originally scheduled to go into effect June 2017 but was delayed for 90 days and actually went into effect in September 2017. This law limits the amount of respirable silica dust that can be exposed in the air. The old standard was 250 micrograms (100 times smaller than a grain of sand) to 50 micrograms over an eight hour work period. Workers can be exposed to silica in activities such as cutting, drilling, and grinding concrete. Silica is also found in block, brick, stone, and mortars. Diseases such as silicosis, lung cancer, kidney disease, and others can be caused by silica dust. Some of the key components to the ruling are: **1).** Reduce the exposure limit for silica to 50 micrograms per cubic meter of air; **2).** Use engineering controls to limit worker exposure; **3).** Monitor the air quality for silica exposure; and **4).** Designate someone to make sure their organization follows a plan. We have also seen many companies reverse engineer many of the products on the market in a desperate attempt to develop shrouds and vacuums to fit their products. This is an attempt to meet the standard and also take advantage of the changing laws. Most contractors in cities where OSHA is prominent are taking action quickly, whereas contractors in areas that don't see an OSHA inspector, are not as quick to adhere to the law.

Jude Nosek, Keson Industries, Aurora, IL: With a robust economic outlook, record stock market, and increased consumer confidence, we anticipate steady growth in 2018. There is talk of improving America's aging infrastructure. If we as a nation can move forward on this, we will all benefit. Keson Industries manufactures and distributes measuring and marking products. We are a third generation, family-owned and operated business. In 2018, we enter our 50th year serving STAFDA and other construction markets. As a relatively small supplier, it's critical we make the lives of every link in our supply chain easier. Their needs are not complicated, but meeting them can be extraordinarily challenging, especially for small companies with limited resources. Here are our four challenges, and we suspect they impact many STAFDA distributors as well. **Communication:** We spent a few years designing and experimenting with what and how we communicate. We found ways to consolidate communications so the same tool can be used by multiple and every link. Now that we have established a system, each year we only tweak it. Having a defined frequency of communication tools enables you to focus on the content rather than inventing or reinventing a plan of execution each year. Build a system of consistent, steady communication tools that deliver simple messages which can be sorted by time, media, and audience. **Consolidation:** Based on **PressureWashr's** collection of public information, 18 megabrands supply 91% of the sales in the power tool market. Also included in the study is a breakdown of the power tool and hand tool markets. As manufacturers consolidate, it makes it difficult to hold positions in distribution. For example, a power tool manufacturer buys a level company. Other level companies will likely no longer find themselves on the same shelves at a distributorship. Instead, distributors consolidate their purchasing by buying from one supplier instead of two or more, likely saving them time and money. Musician and comedian **Steve Martin** said, *"Be so good they can't ignore you."* We would suggest great products, great service, and great relationships are the ingredients of what "being good" in our industry means. If a manufacturer-consolidator makes a misstep, or a distributor-consolidator has a crisis, be ready to step in. **Amazon and online sales:** Supporting the request of online distributors will make manufacturers better companies and better marketers. A lot of work primarily done for catalogs needs to be done for the online resources. There are also new requests/demands of these distributors (and fines and chargebacks if you fail to meet them). The best suggestions are: **1).** Build a system to stay organized and consistent; and **2).** Bite the cost bullet early. The sooner your information is up and online correctly, the longer it will be serving you *and* you can pass on the system as-is to the next requester. Once completed, you will have an incredible set of marketing assets used often for all your distribution points. Brick and mortar distributors, do not lose hope. In 2017, **The Farnsworth Group** did a study of the buying habits of hardware and building product consumers. They found 73% of customers who researched something online made their purchase of that product at a local store. **Prop 65:** Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986, was enacted as a ballot initiative in California in November 1986. The proposition protects the state's drinking water sources from being contaminated with chemicals known to cause cancer, birth defects, or other reproductive harm, and requires businesses to inform Californians about exposures to such chemicals. **Manufacturers and distributors:** There will likely be lawsuits brought by citizens of California and a few very specialized lawyers who work with them. We have seen hotels with bronze placards by the doorway warning *"This building contains chemicals known to cause cancer, birth defects, or other reproductive harm."* This plaque is a result of lawsuits. We recommend avoiding the chemicals if you can (it's tough), and follow the communication guidelines if you cannot avoid them (this is as simple as a sticker or as complicated as redesigning packaging). If you do get sued, find someone who has been through it, and ask them for guidance. It will likely save you time.

Steve Olshever, Aervoe Industries, Gardnerville, NV: Aervoe Industries is a manufacturer of paints, specialty coatings, cleaners, lubricants, and MRO chemicals for the industrial, automotive, and professional markets. Prior year's environmental regulatory compliance requirements caused a distraction in our industry, and with that behind us, we look forward to moving forward in a more productive and accelerated growth pattern. Market indicators are predicting a solid increase in market growth for the industries we serve; construction, infrastructure, and manufacturing which will result in a growth year for the products we supply to these industries. We've recently done product expansions which has led us to create additional specific product categories such as, Safety, Traffic Control, and Portable Appliances and Accessories. Our focus is on continuous efforts and improvements to stay ahead of the competition.

Bill Pipp, Seymour Midwest LLC, Warsaw, IN: Our company manufacturers long-handled tools, striking tools, wood repair handles, wheelbarrows, and coatings application tools for the Consumer, Industrial, Irrigation & Paint/Concrete Coatings channels. The long-handle/striking tool, repair handle, and wheelbarrow market has been flat to +1-3% the last decade and is likely to follow this trend for the foreseeable future. We see the possibility of greater growth if the current Administration is successful in implementing a well-funded infrastructure initiative. Growth opportunities for supply houses will be through market share gain from the Big Boxes and a more aggressive approach to competing for online sales which will require a more creative approach (such as pre-pick up ordering, drive-up loading, next/second day delivery to job sites etc.). Complimentary out of the box online strategies will be critical to brick and mortar locations who wish to minimize cannibalization of their sales. Distributors will need to recreate themselves, create even more differentiation in their product offering, programs, services, etc. The coatings applicator tool market continues to grow as concrete/decorative concrete suppliers expand their offerings. Coating manufacturers continue to offer new products to protect, beautify, seal, etc., and we anticipate a 7-10% increase in 2018 that may be driven higher if the government is able to put an infrastructure program in place. ***What do we see as industry challenges?*** **California's Prop 65** revisions will require close review of all labeling to ensure compliance with these new rules. It would be wise to seek guidance from well-informed legal partners on letters of compliance to supply to customers as a way of demonstrating your company's intentions to comply should you inadvertently end up in a legal challenge. **Industry Consolidation**, at both the distributor and manufacturing level, will continue the next five years driven by inexpensive borrowing, increased venture capital activity, tax incentives, and a surging stock market. A close evaluation of your customer base for the potential of them being acquired or making acquisitions and the impact on business would certainly be a prudent move. **Online marketers** via the web and phone apps are quickly changing customer expectations as it relates to how they order (pre-order & pick-up), shipping lead times, information on the products/services they are buying (video demonstrations, detailed product feature/benefit data, testimonials etc.) Even if you are a brick and mortar supply house, you need to compete with these new customer expectations created by the online community. **EDI** capabilities have become a more important requirement for conducting business. *Is your system capable of handling expanded EDI requirements to handle customers and/or vendors?* **Import & Export** unknowns are being created by volatile global markets driven by exchange rates, NAFTA negotiations, and tariff volatility. **Conflict of Materials:** *Do you know where your raw materials are coming from? How much of your business is susceptible to these unknowns, and what are your alternatives (back-up sourcing plans)?* **Career Growth Planning:** Perhaps tie training to "employment agreements." The higher the level of training, the longer the employment agreements or the use of Performance Incentive programs that "vest" over a period of time.

Keith Ripley, Diamond Products, Elyria, OH: We're a full line manufacturer of diamond saw blades and core bits and the saws and rigs that run them. The **Dodge Report** stated 2017 saw a new construction start increase of 4%. With continued increases larger than that for multiple years, it would suggest aggregate-based material jobs using concrete, brick, block, and asphalt are outpacing general construction. 2018 seems to indicate another solid increase in the diamond tool industry. Though the Dodge Report indicated just slight increases in job starts in commercial and manufacturing plant construction, educational facilities, and public works jobs should have stronger increases. As these are all historical jobs that use diamond tools, it should bode well for this sector. Highway construction is another important indicator for diamond tool use. Although the **American Road & Transportation Builder's Association (ARTBA)** expected a slight increase last year, weaker than anticipated local and state spending on highways and bridges brought spending down in 2017. But ARTBA is anticipating a 3.2% increase this year with total transportation construction and related market spending to hit $255 billion in 2018. ARTBA's chief economist, **Dr. Alison Black**, cited spending will vary from state to state, but the federal FAST Act will continue to give stability to all states. California, Florida, Hawaii, New York, Virginia, and Washington are expected to experience the largest growth. Dr. Black also cited airport terminal construction, public transit, class one railroads, private driveway, street, and parking lot construction as continuing bright spots in the market.

Robin Roberts, Protective Industrial Products (PIP), Latham, NY: 2017 was a significant improvement in most areas over 2016. The construction market continued its robust pace through most of the year. The industrial market began to show improvement particularly toward the last quarter of 2017 and indications are it will continue well into 2018. The construction industry's growth continues to be evident in most areas of the country. Commercial and multi-family housing projects are virtually everywhere you look. Recent metrics show a slowing in single family home building permits. With existing housing stocks at very low levels, this slowing may be short-lived. The industrial market's recent vigor has many possible contributing factors. Corporate tax reform, likely increase in tariffs for products made outside the U.S., and a threat to the United States' participation in NAFTA are just a few. Comments from both segments continue to point to workforce shortages. A skilled workforce is frequently cited as a significant factor in the selection process for industrial site selection for new facilities. In fact, access to a skilled workforce is now in the top three considerations for new business establishment. Just a few years ago, this would have been in the top five. There is no simple answer, but private sector and education partnerships to train workers have become very popular. The natural disasters which occurred in Houston, Southern Florida, and Puerto Rico in Q4 '17 caused incredible damage to infrastructure, commercial facilities, and private housing. Although some of these areas have shown recovery, many have a long road ahead of them. Industries such as pharmaceutical and medical device manufacturing in Puerto Rico still struggle to bring production levels back to pre-hurricane levels. The Houston market has not yet regained its position as one of the strongest growth engines in the U.S. Distribution continues to consolidate with large multi-state organizations purchasing smaller distributors. Online sellers aside, independent distribution will need to continue to develop a differentiated value proposition for their customers in the face of competitors with significant resources allowing them to bring more value to the user. Prices for many commodities have finally started to creep up. This comes after several years of lowering or stable prices. Raw material costs, increasingly higher labor rates, energy increases, and far greater transportation fees will begin to impact prices for finished goods during 2018. With high employment and even higher expectations for hiring, 2018 seems to be shaping up as a very good year for the personal protective equipment market.

David Steiner, Stanley Black & Decker (SBD), New Britain, CT: SBD is a provider of construction tools and storage, commercial electronic security, and engineered fastening systems. As we step into 2018, it appears most construction forecasting experts agree this year will provide a continuation of the growth trend we enjoyed in 2017. While the overall growth as a percentage has retreated slightly at 4.8%, commercial construction starts will have a promising double digit increase over 2017, per **ConstructConnect**. While the residential markets remain strong, the biggest question is whether the Millennials will begin the transition from city dwelling renters to suburbia home owners. When and if this happens, the **AIA** predicts a decade-long upward drive to the economy. New construction planned spending of nearly $1 trillion in 2018 points to the fact the appetite for continued investment exists. Despite this cross-segment construction increase, we are facing a few unyielding obstacles. Per the **AGC**, more than 70% of construction firms reported in late 2017 they were having difficulties in filling positions for plumbers, electricians, carpenters, and masons. Per **Kermit Baker** of AIA, the larger issue is currently 30% of the construction labor force is made up of immigrant labor. *"The continued focus and possible changes to policy could further limit the availability of this labor pool."* There will be massive needs in residential construction caused by the natural disasters along the coasts. Due to the hurricanes as well as the string of fires in California, many are concerned with the ability for companies to provide adequate skilled labor to rebuild. Manufacturers and suppliers within the STAFDA community will need to continue to innovate and embrace the evolving tech products coming into market, as they have proven to be game changers in efficiency and productivity. Products such as 3D modeling, virtual and augmented reality, wireless jobsites, offsite prefabrication/construction, as well as complete modular building have been successful alternate methods of construction. Several major U.S. construction firms have noted as much as a 50% drop in labor costs by employing some or all these practices. 2017 also saw, for the first time in many years, noteworthy cost increases in all types of construction related materials. On top of the increases for drywall, roofing materials, and lumber normally associated with hurricanes, increases in copper, lithium, cobalt, steel bar, cold rolled steel, and even corrugated packaging saw 10%-50% increases throughout 2017. **Anirban Basu**, chief economist, **Associated Builders and Contractors,** noted, *"Given the expectation that the global economy will heat up even further in 2018, one would expect that material prices will continue to rise."*

Rep Liaison Committee Reports

Aime Cedrone, AMVAL Associates, Dover, NH: The largest projects in the Northeast slated for 2018 mostly involve transportation. These include two railroad projects in New York and New Jersey, the continuation of **JFK Airport** expansion, **FAA** Traffic Control system in Washington D.C., **Union Station Revitalization** also in D.C., and the Hartford, CT, **Union Station Revitalization**. Residential and non-residential starts are projected to be slightly up in most suburbs but leading the way are still infrastructure and transportation projects. This news is refreshing and is forecasted to be the same for at least a few more years. However, New England has over 3,000 construction jobs posted on **Zip Recruiter**, **Indeed**, and **Monster**. The lack of skilled laborers is by far the most difficult challenge contracting companies have to deal with in our region. **Electric Boat** with two major ship building docks along with **Portsmouth Naval Shipyard** and **Bath Ironworks** cannot recruit enough skilled welders. Larger contractors like **Suffolk**, **Walsh**, and **Cianbro** have hundreds of job postings on their sites including operations, safety, estimator, and labor. This, along with the 3-10% increased cost of construction materials due to demand from national disasters, has given many GC's problems they didn't think they would have five years ago when there were no projects to bid. At the distribution level, we're seeing aggressive large scale consolidation. **Colony Hardware**, Orange, CT, spent 2017 actively purchasing well established distributor locations as far south as Florida and west to Michigan. In even bigger news for our region, 2017 saw concrete construction supply house **A.H. Harris**, W. Hartford, CT, purchase waterproofing supply chain **Kenseal** only to be suddenly swallowed up by national building supply giant, **HD Supply**. This announcement came days after January 1 and is still too fresh to make general assumptions as to the future of that transaction. Overall, morale seems to be up (even with the subzero temperatures we started the year off with). With the lack of hirable talent and increase costs of labor and materials, we should see a general trend in construction to more technical applications. Pre-fab slabs, automated machines, tool "Apps," and real time information on mobile devices will lead to more productive job sites. Offsite construction fabrication will be a developing trend the next few years. Thankfully vocational schools in the Northeast are growing so hopefully the skilled labor force will eventually swing back as pay increases.

Frank Devine, Quality Line Sales, Katy, TX: To understand the South Central territory, we live and die with the price of oil and the health of that industry. It doesn't matter if you're talking housing construction, commercial construction, plant maintenance, plant construction, fabricating facilities, factories, MRO, infrastructure, institutional healthcare development, schools, road construction, or public works, somehow it all leads back to energy for the largest portion of our economy. 2014 was the height of the energy sector and we're fighting to regain that ground. 2017 was a step in the right direction and we're counting on 2018 to confirm that we're in another growth cycle for the industry. If oil will remain around $65/barrel or better, things will be all right. There are successful, continuing efforts underway to expand our economy into other areas. This past year, the Austin economy grew at 8.7% quarterly annualized growth, Dallas at 6.8%, and Fort Worth at 5.2%. According to 2018 projections, this territory should average increased construction growth between 5% and 6%. Texas is forecasted to have a 10% construction growth rate, Oklahoma 9%, Arkansas 5%, Louisiana 0%, and Mississippi 13%. Among the top 50 metropolitan statistical areas, Oklahoma City is expected to see 17% construction growth and Houston should get back on track after a year of being slower than the rest of the state with 14% growth (assisted by the Hurricane Harvey reconstruction). On the other hand, New Orleans is expected to decline by 14%. **Houston** is looking at over $2.4 billion in eight major construction projects continuing or starting in 2018. Those projects include **Memorial Herman TX Medical Center**, **Mickey Leland International Terminal** at **George Bush Intercontinental**, **Museum of Fine Arts and Moody Arts, Rice University/Awty School/Houston Community College**, and the **Kirby Collection** — offices/25 story residential tower/retail mixed use development. Roadwork in and around the Houston freeways should total $2.8 billion. The **Gulf Coast States** enjoy many refineries and chemical processing plants and the list of 2018 maintenance turnaround programs scheduled in this region is staggering. There are over $2 billion in expenditures for turnarounds already committed for 2018, spread over five states. If oil stays above $60/barrel for the year, we'll see a very large ramp up of the oil field supporting industries, machine shops, manufacturing plants, and fabrication shops. This will lead to a much-needed shot-in-the-arm for our industrial distributors across the region. **Dallas/Fort Worth** has high profile projects in The **Rangers Globe Life Park**, **Wade Park** mixed usage development which will wrap up in 2018, **Gates of Prosper, American Airlines Corp. Campus & Training Center**, the **GM** plant in **Fort Worth Arlington Automotive Logistics Center**, and the **Fort Worth Data Center**. The **Corpus Christi** area has the **Exxon Mobil** plant breaking ground, the **Cheniere LNG** plant and terminal, and the **Ship Channel Bridge** expansion. **San Antonio** has **Microsoft Cloud Centers** being built, U.S. Highway 281, and **Austin** has $1 billion in five high rise condos under construction. **Samsung**, in Round Rock, is starting a new large expansion project. In **Arkansas**, there is the I-30 **Arkansas River Bridge**, two Little Rock high schools, and **Bank of America** campus. **Oklahoma** developments include the **Oklahoma City Convention Center** and **Omni Hotel**, the **University of Oklahoma** expansion, **Oklahoma City Central Park**, and **Tuttle Wind Farm**. **Louisiana** is continuing construction on the **Sasol Plant** in Westlake, the **New Orleans Airport** terminal expansion, and **CCJV Cameron LNG** plant. **Mississippi** has an I-269 MDOT road construction project underway and a **Continental Tire and Technology Center** with construction spread out over the next 10 years. With interest rates holding steady, low inflation, a President who partners with industry through continued proper deregulation and tax reform, we look for a growth year in 2018 that we all can enjoy.

Ian Jones, Trainor Associates, Medina, OH: We serve industrial, engineering, utilities, medical, transport, commercial, multi-residential, healthcare, infrastructure, energy markets. Each segment seems to be demonstrating growth as we head into 2018, and every state in our territory is set to reap the benefits of a project or projects upward of $500 million. In addition, the **Dodge Pipeline** lists $43.2 billion of work in pre-design and design which will sustain construction for the foreseeable future in Ohio, Michigan, Indiana, Kentucky, West Virginia, and Western Pennsylvania. STAFDA distributors across the region are optimistic about business in 2018 and 2019. **Energy** — The cracker plant in Beaver, PA, continues to dominate the area with jobs being added monthly and an expected workforce of 6,000 before completion. This project tops the list at over $6 billion. The **Rover** and **Nexus** pipelines are being built to move natural gas from the fracking boom in Ohio, Pennsylvania, and West Virginia to distribution centers in the U.S. and Canada. From natural gas to wind, every state in our region has some kind of power generation project currently being built or in the design stage. **Tech** — Construction has started on the new 900,000 square foot **Facebook Data Center** in Columbus. The initial phase of the project is approximately $750 million. The land purchased for this project suggests future additional buildings, further increasing its value. **Amazon** is also building in the Midwest, announcing five more fulfillment centers in our area: three in Ohio and two in Michigan. They are in the planning stages of a $1.5 billion **Prime Air Hub** at **Cincinnati-Northern Kentucky Airport** and three cities in our region have made the short list for HQ2: Pittsburgh, Columbus, and Indianapolis. **Healthcare** –The **Health Education** campus in Cleveland will complete construction in 2018, just as **Cleveland Metro Health** begins a new phase on their main campus. **Nationwide Children's Hospital** in Columbus will add another tower to an ever-growing campus, and **Cincinnati Children's Hospital** is moving forward with a $550 million tower and parking garage. The VA announced in late 2017 a $925 million hospital in Louisville, KY, is in the planning stages, and **Indiana University** is working on a new health tower in Bloomington. **Infrastructure** — Major bridge projects, highway rebuilds, and substantial construction and design changes to highway intersections are occurring across the territory. The **Dodge Pipeline** shows nearly $3 billion of bridge construction in the pre-design and planning stage. This number indicates orange barrels should be in stock at every STAFDA house in the region. Average unemployment rates across the territory are 4.6% through November 2017. The bump in construction during 2018 should bring more workers into the workforce. In summary, STAFDA distributors will see increased traffic as we move toward spring. The typical start date of March for road construction will coincide with the start of some large building projects increasing demand for STAFDA-related products. The outlook is optimistic for 2018, and hopefully, that translates into increased revenue and jobs throughout the region.

Bob Koenig, Continental Divide Marketing, Golden, CO: Our agency covers Colorado, Utah, Wyoming, Montana, Idaho, New Mexico, and El Paso. Overall, we had an exciting 2017 as the majority of our distributors saw a sales increase of 5-15%. Industries hit the hardest in 2017 were coal, oil and gas, agriculture, and timber. Our three largest markets are the Front Range of Colorado which includes Denver, Fort Collins/Greeley, and Colorado Springs/Pueblo. In Utah, the Wasatch Front includes Salt Lake City, and Ogden to Provo. The Albuquerque market is where the majority of the business is in New Mexico. **Growth** — Idaho was ranked first in the nation with a 2.2% growth in 2017 and now has a population of 1.7 million. Utah came in third with an increase of 1.9% and has a population of 3.1 million. Colorado was ranked eighth with 77,000 people migrating into the state. A nice increase for sure, but less than the 99,000 who moved into the state in 2016, but it puts Colorado at 5.8 million people. New Mexico was again flat for growth in 2017 and hovers around two million people. Montana had less than 1% growth and they are now just over one million. Wyoming's population dropped again for a second straight year due to oil and gas, and the low demand for coal. Wyoming has around 565,000 people statewide. **Unemployment** — The 2017 unemployment rate nationally was 4.1%. Colorado and Idaho were 2.9%, Utah at 3.2%, Montana came in at 3.8%, Wyoming ended up with a 4.2%, and New Mexico had a tough year at 6.1%. The nice growth in Idaho, Utah, and Colorado has brought many good jobs, new amenities, and some of nation's lowest unemployment rates. The downside is not enough qualified workers, traffic congestion and outdated roads, rising housing costs, pollution, and water worries. We really don't have many manufacturing facilities in the region, but all this growth equals many construction projects in the housing, commercial, industrial, and government sectors. There are some great construction projects in progress or expecting to start in 2018. **Colorado** — The **Gaylord Rockies Resort and Convention Center** project with 1,500 guest rooms and 500,000 sf of convention space is on target to open late 2018 or early 2019. The **Denver Airport's** 39-gate concourse expansion is underway at $1.5 billion. A $1 billion I-70 Freeway expansion through Denver is set to start in 2018. $2.9 billion will be spent on construction and building upgrades for public schools this year. Denver is also on the short list for the new **Amazon** second headquarters. **Utah** has a $1.8 billion, 1.7 million sf terminal replacement project at the **Salt Lake City Airport** in progress, which should be completed by 2024. There is also a $1.2 billion-prison project that started in 2017 with a completion date by 2020. The I-15 and I-80 freeway corridors are scheduled to have major work done in 2018-2019. **Utah State University** has a projected expansion worth $101 million. **New Mexico** had another tough year as the state's growth is stagnant. The **Facebook** project at Los Lunas, south of Albuquerque, announced another four buildings which will boost its total investment to more than $1.5 billion. An estimate of 400 additional construction jobs should be added. Overall, things look great here in the West. The building boom means more boots on the ground. Construction employment grew by 12,000 employees in 2017 and the same increase is expected again in 2018. More workers = more housing = more strip malls, restaurants, movie theaters, and retail = more workers needed = more housing = etc. A nice problem to have! 2018 will be another good year for the Rocky Mountain Region and we should experience another nice business increase in the construction sectors. During these growth times, it seems most all of us are having fun. Never a dull moment!

Todd Offner, Baxter-Rutherford, Inc., Seattle, WA: Our agency covers Washington, Oregon, Alaska, and Idaho. 2017 construction trends in the Pacific Northwest were very similar to that of 2016 with an increase in residential and commercial construction. Due to the wealth of new construction projects, residential builders are struggling to fill their labor force, slowing down the timelines for projects. A large portion of the residential construction in Seattle is due to the influx of technology professionals and their families moving into the area. A significant commercial construction project underway is the renovation and waterfront expansion in downtown Seattle. As always, **Seattle's** economy relies heavily on the success of its technology companies. This increase in professionals puts a strain on our infrastructure and calls for transportation reform. Public transportation has become a high priority in the tri-county area, with government agencies calling to expand our light rail system. Currently this transportation project total estimated cost is $5.8 billion. **Oregon** continues to see strong economic and demographic growth, particularly in the Portland and surrounding areas. **Amazon** is expanding into the Oregon market, investing in large distribution centers as well as data centers. Professional, technical, and business services have been critical throughout Portland's economic recovery since 2011. The growth in these sectors easily outpaces that at the national level. It's expected tech growth may slow due to a tightening labor market, but it will still remain above the national average. **Alaska** saw cuts to the state's capital budget curtailing public building projects and low oil prices deterred industry activity in early 2017 which left many construction companies looking for work outside of Alaska. In contrast, summer 2017 brought $976 million in construction contracts for 128 projects in 45 communities across Alaska as the season for both tourism and construction got underway. Some of the most significant developments in the Pacific Northwest in 2018 include: **Alaskan Way Viaduct Replacement Program**, ($3.2B); **Sound Transit LINK Light Rail Expansion** ($3B); **Elliott Bay Seawall Project** ($410M); **Amazon** e-commerce operations (1.2 million sf warehouse operation, Hillsborough, OR); **Amazon Umatilla Data Center** project ($1+B); **Nike's** headquarter campus with 1.3 million sf of space ($1B); and the **LNG Pipeline** (Alaska) **Project** is making strides due to Federal government support. The outlook for business in the Pacific Northwest for 2018 is very positive. The residential construction housing market is expected to be the hottest market in the country, according to *Forbes* magazine. With multiple commercial projects continuing in 2018, we expect our distribution partners to continue solid growth in 2018.

John Spadafora, McConnell-Spadafora, Burlington, ON: Canada's economy grew from a 1.2% GDP in 2016 to a 2.6% GDP in 2017. This trend started midway through 2017. The driving factors were the energy sector began a slow recovery and widespread gains were achieved in manufacturing, wholesale, and retail. Not only did Canada's economy grow, but year-end unemployment levels reached 5.7%, the lowest since 1976. It's important to mention full-time job growth has kept pace with part-time throughout 2017. The forecast in 2018 is for a 2.2% GDP growth. The provinces of Alberta, British Columbia, Saskatchewan, and Ontario will drive this growth. The reminder of the Provinces and Territories will experience slower growth of 1% or lower. One of the few negatives in 2017 was **Acklands Grainger's** new marketing approach of emphasizing e-commerce sales and closing the majority of their 200 branches. Both potash and uranium mining are going through various stages of buyouts and amalgamations. **Potash** and **Agrium** just merged to become the world's largest potash miner.

Factors that may disrupt our forecasted growth are: **1). NAFTA renegotiations** Two-thirds of Canada's goods and services go to the U.S. Depending on the results, these renegotiations may have a significant impact on our exports and Canada's economy; **2). The Canadian dollar** (loonie) is currently trading at .78-.80 cents against the U.S. dollar. This has made Canadian exports attractive to world markets. Any major swings (up or down) could also have negative effects on the economy; **3).** In 2018, most of Canada's Provinces will increase the **minimum wage levels** considerably. In 2017, the minimum wage in Ontario was $11.40/hour. Beginning on January 1, 2018, it was raised to $14/hour. Both employers and employees are in a tug-of-war of give and take which may result in labor disruptions. **4).** As the global economy continues to grow, **interest rates** will likely increase. This may determine the greatest effect on our economic forecast. Here are the top projects by Province: **British Columbia: Kitimat Clean Refinery Project** ($29B); **Aurora LNG Project** ($28B); **Eagle Spirit Oil Refinery/Pipeline** ($14B); **Alberta: Ellis River Oil Sands Facility** ($17B); **Sasol Natural Gas to Liquid Refinery** ($17B), **May River InSitu Project** ($12B); **Saskatchewan: Somerset Neighbourhood Concept Plan** ($.5B), **Regina Pipeline Expansion** ($.5B); **Manitoba: Keeyask Hydro Generating Station** ($6.5B); **Bipole** transmission line ($4.5B); **Ontario: Bruce Power** refurbishment ($13B); **Darlington Nuclear** refurbishment ($12.8B); **Eglinton Crosstown LRT** ($9B); **Quebec: Romaine Complex** ($6.5B); **Reseau Electrique Metropolitan** ($5.9B); **New Champlain Bridge Corridor Project** ($4.2B); **Maritimes:** This area represents 6.7% of Canada's population and economic growth is steady at 1.2%. GDP is generated by mining, agriculture, fishing, and energy. Crude oil production was a significant factor prior to the major downturn. Shipbuilding has now returned to this area with the **Irving Shipyards** in Nova Scotia adding jobs, projected to employ 5,000 people in the next two years. The momentum heading into 2018 is healthy, but if the pace for Canada begins to cool, then tough decisions will need to be made on interest rates, trade strategy, and competitiveness.

Rob Wallace, Ron Wallace & Associates, Clover, SC: The Southeast experienced a very strong 2017 in the construction market and has every expectation this growth will continue into 2018. We have projects on the books across the region from hospitality to municipal buildings, mixed use, metropolitan projects to the energy sector. All in all, this should be another strong year in the Southeast for our STAFDA partners. **North Carolina** continues to grow with projects in the hospitality, financial and transportation markets. The **Charlotte Douglas Airport** terminal expansion will continue throughout 2018 and into 2019. This is a large job and has been ongoing for several years. The **AC Hotel** and the **Grand Bohemian Hotel** are on the rise in 2018 as well. Several mixed-use projects are on the books including **620 Tryon, 550 Stonewall**, and the **Crescent Stonewall Station**. A large job from the last couple years that is continuing is **The Ally Financial Center at Tryon Place**. **South Carolina** continues to thrive with SCDOT projects, including the Interstate 85 corridor in the Greenville area. The Charleston market is also strong with the **Volvo** plant being constructed as well as ongoing work at the airport and **Boeing**. **MUSC Children's Hospital** is another project in Charleston. The **Michelin Distribution Center** in Spartanburg is a continuing project in the upstate. One negative is the **VC Sumner Nuclear Power Plant** in Jenkinsville that was halted mid-year 2017 and abandoned 5,000 construction jobs. **Tennessee** had a strong 2017 and should have a very solid 2018 as well. Nashville is a thriving construction market with multiple downtown projects underway and scheduled for the near future. **Mars Petcare** corporate offices are building in Franklin and will be a good project for that area. The TDOT still has projects moving into 2018. **Florida** looks to have a promising 2018 especially in larger markets. There are more new construction projects on the books now than any of the last three years. **Disney** continues to grow and adds attractions along with multiple road projects across the state. **Georgia** is a very strong construction state for 2018. Several high-rise projects in Atlanta are coming out of the ground with more scheduled to start in 2018. **Plant Vogtle** in Waynesboro is an ongoing project for 2018 and the **Elba Liquefaction Project** is a $2B project in Savannah. In addition, there is a $1.3B hospital project in Brookhaven, GA; the **Mercedes Benz** corporate office in Sandy Springs; and the **Atlanta Hartsfield Airport** still in a long-term renovation project. **Alabama** had a very strong 2017 with multiple projects that will carry over into 2018. The Huntsville area should be strong with aerospace work. The **University of Alabama-Birmingham** is amid renovations throughout the campus and the announcement of the **Toyota/Mazda** joint venture will be a large project for the state. This is a small sample of some of the projects in the Southeast and places where our STAFDA partners are and will be successful. Overall, we foresee our STAFDA partners having a very solid 2018. We expect around 8-10% growth in the Southeast mostly in the non-residential market that will be sustainable into 2019.