

WHEN OPPORTUNITY KNOCKS...

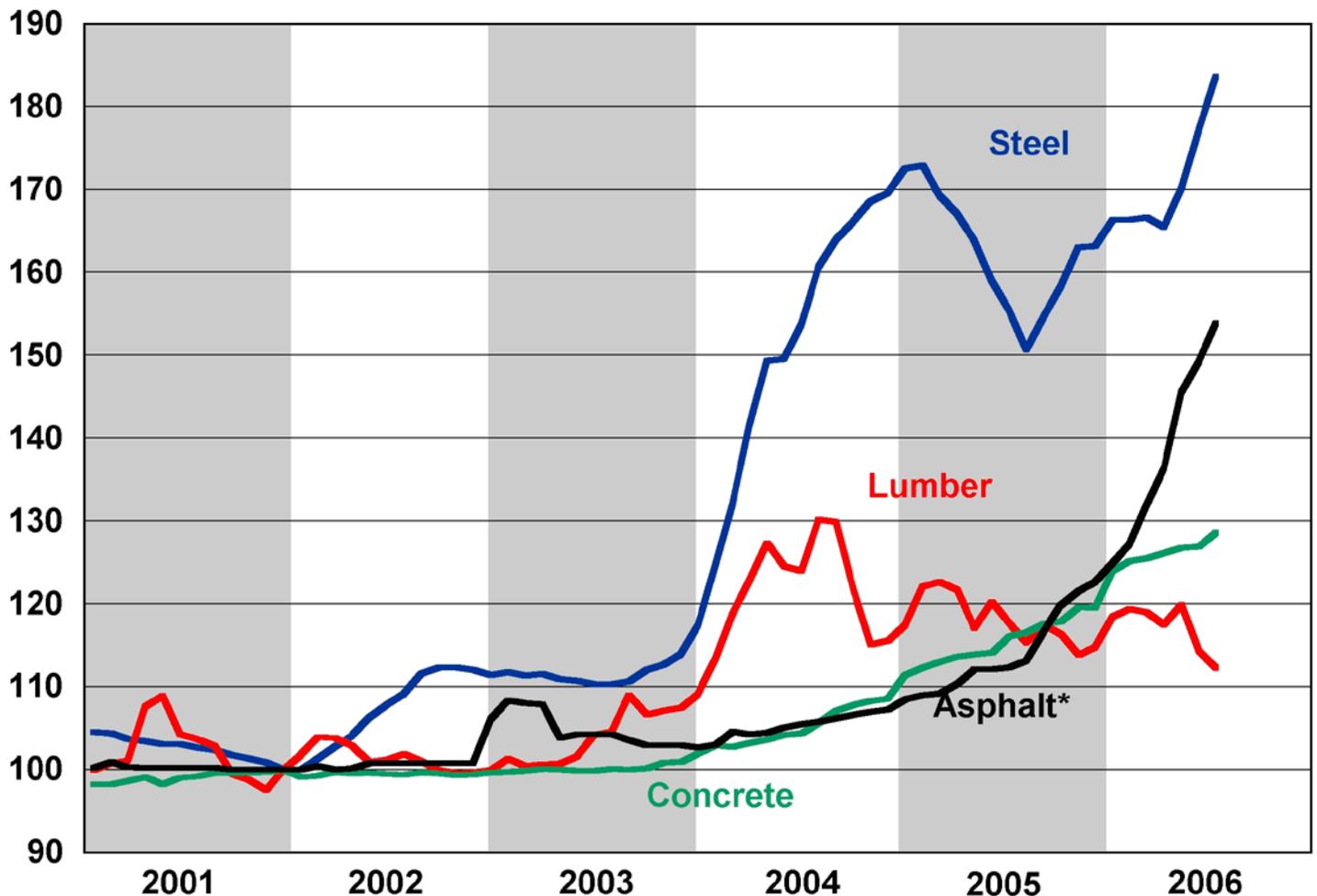
By Randell C. Riley, P.E.

Opportunities in this business sometimes are fast and fleeting. Other times they are of long duration extending across several years. I cannot say for sure how long this one will last, but in my 29 years involvement in the concrete industry, I have never seen such an opportunity as I see now.

You are only too well aware of what has happened to fuel prices over the last year or so. Have you thought about your fuel cost increases and implications of what that means to the price of asphalt? *Figure 1* from PCA's Department of Economic Research based on Bureau of Labor Statistics data shows the price of assorted building materials. Though the price of concrete has gone up, the price of asphalt has gone up at a significantly greater rate. In many cases around the country, the price of the liquid asphalt has more than doubled. The implications for this are obvious. In the parking lot and street market, you are now more competitive than you have ever been even with designs that inherently favor the asphalt industry.

Producer Price Index January 2002 = 100

Figure 1



*BLS series "Paving Asphalt" through 2003 (discontinued) then "Asphalt Paving Mixtures and Block"

Source: Bureau of Labor Statistics

Though the price of oil is a big driver of this price increase, it appears from talking to some of my contractor members under the other hat I wear is that availability of asphalt is increasingly becoming an issue. The higher prices the oil producers can now command for the lighter refined products due to worldwide demand means that they can spend a little more cracking the heavy bottom of the barrel materials that the asphalt industry depends on for survival into fuel and plastic products that carry a higher margin. Somewhere along the line, the oil industry has figured out that storing that entire bottom of the barrel waste product requires an expensive distribution system and inventory capability to carry them through the winter months when asphalt pavers are not working in this area of the country. Saving money is making money in any business and until the margins rise on asphalt due to demand the oil producers are probably going to continue the current trend. This is simple free market Econ 101 at work. Capitalism is great for it creates opportunities for others!

As evidence of what is going on around the country, you see the clips from web articles shown in this column. These are all articles clipped since June of this year. Increasingly highway departments, counties, municipalities and developers are beginning to look for other solutions. You as a local producer now have the opportunity to step in, fill their need, and provide that “concrete solution” to their problems. You need to do it now!

The grapevine is good in the highway industry. The asphalt pavers are actively looking for ways to justify thinning up their sections,

using more recycled sometimes marginal material, create mixtures at lower temperatures and just in general sell an even more inferior product. The opportunity for us as an industry will not last for long. Recent discoveries in the Gulf of Mexico will find their way here in another five to seven years so if we hope to regain a piece of the local roads and parking lot market and put concrete back in the mind of the specifiers, now is the best time you will likely ever have.

Over the last 18 columns, I have written for IRMCA I have detailed some ideas and things that you can put to use in your promotion and sales efforts. It is time to dust them off. In August, under the joint banner of the Illinois Concrete Industry Alliance that IRMCA and IL ACPA uses for joint efforts, Executive Director Grohne and I sent out a broadcast mailing reminding consultants, counties and municipalities across the state of the concrete alternative as a solution to their problems. However, we cannot reach all of the developers local individuals within your area.

The packet contained a cover promotion piece, a map showing the UTW/Whitetopping projects in Illinois and the specifications and guide design procedures from Illinois Department of Transportation for both types of sections. We will be placing the packet on the web by the time you read this article in an Adobe Acrobat format for easy reprint and mailing or better yet personal delivery at your location.

Take advantage of it! It could be just what you need to respond to that opportunity at your door!

About Randell C. Riley, P.E.

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