

Commentary-Dave Pasolli-Western Wood Truss Association of Alberta

Now is the Time to Pick Your Customers and Help Them Help Themselves

For many years the excess capacity in our industry had created a dynamic where the customer was holding all the cards. It was easy for them to get multiple suppliers to quote on their projects and then grind for the best price.

The pandemic has changed our business with supply chain issues for EWP and plates and the volatile pricing of lumber over the past 2 years. Builders are now in a position that gives them less flexibility and opportunity to change suppliers. They have to adapt to ensure they can meet their customer's requirements, and yes they are more at the mercy of the suppliers. This allows the suppliers to be pickier about the customers they want.

A couple of months into the Pandemic I thought that this would be a great time to buy a new vehicle. No one would be buying and the car companies and dealerships would be discounting to make any sale. Well that is not the way it played out. In addition to outbreaks and lockdowns the manufacturers ran into their own supply problems as chips went to more profitable customers supporting people working at home and rubber became more valuable for gloves than tires. Their years of working on just-in-time delivery was not working anymore and soon dealership lots were empty with no new cars arriving.



Inventory of vehicles at Jack Carter Dealership

Businesses with repeat customers should think about who their best customers are. Biggest is not always best. High volume is good, but some builders use their volume to get rock-bottom prices. The most profitable ones may be those in the middle, with fair-sized volume but few discounts, and create fewer headaches. However a company ranks its customers, providing better service to some customers, and declining business from others, may be better than offering poor service to all. Securing these good customers for the long term.

A company might also prioritize high-margin products. If not all customer demand can be satisfied, can the business at least provide good delivery times on a subset of its product line? If so, then focusing on delivery of its most profitable offerings will boost net earnings. Will builders take a more expensive floor truss in order to meet their delivery deadline?

Those builders that easily sent their plans out for tender to suppliers that were never successful getting their business are now finding that their plans are just being returned without a price.

Across all of these approaches to supply-constrained business, honesty with customers is vital. It's better to decline business from a prospective client than to make promises that cannot be kept.

The worst strategy is anything that results in client dissatisfaction. Good work brings more work; hopefully the customers you look after will repay your efforts. But bad work—including delays—destroy the company's reputation. Turning down business that won't bring a positive experience is necessary for any business playing the long game.

Just like the automotive industry people that need a new car are having to pay the price, and be at the mercy of the dealerships, or wait.

We have had many conversations in the past about the cost of quoting jobs and how inefficient it is. The conclusion was typically "If we charge and my competition doesn't, they will get the job". Perhaps contractors will now be more willing to pay for their tendering process. Perhaps they will be more willing to become a collaborative partner rather than an adversary.

Greg Leung is the CEO of Connect Homes, a California-based builder delivering high-tech housing solutions, who also spent more than a decade at Apple as senior director of worldwide supply demand management. "Supply chain management is all about information and decision making," Leung said. "In technology, over decades of management, there is a great deal of information and stakeholders have learned to use data to make decisions on supply chain visibility and inventory, which means it can be

managed better. The building supply chain isn't as advanced. It has lots of blind spots, which makes it difficult to manage and it can cause bullwhip affect."

A good example of the bullwhip effect was lumber during the pandemic. Builders started to fear a shortage, they stocked up, it exacerbated the shortage, prices went up, and then manufacturers ramped up production. The increased production can then lead to a glut of lumber, which would then lead to dropping prices. It starts with a small disruption, and gets amplified with customer buying behavior.

He also suggests building strong, strategic relationships by choosing partners carefully and sharing your vision and private data with them, which is more difficult to do in the housing industry because it is more transactional and less collaborative.

"To drive innovation, you have to get partners to buy into the mission," Leung said. "It requires buy in and support that you can't get without a personal and professional relationship. You should help them become part of the strategy and objective, and maintain close relationships with the management of the company. That's a typical tech practice."

It has been many years since builders have had to deal with supply shortages and long lead times for basic building materials. They have very little experience with the strategies and practices of materials management in a constrained environment. The power inevitably shifts from the buyer to the supplier, and techniques like supply forecasting, hedging and buffer inventories become necessary.

Those suppliers and builders that figure out how to create a mutually beneficial collaborative relationship will come out the winners. Look for partners that value the service offering, parting ways with the ones who do not and are only looking for lower cost and abusing the relationship along the way.

For somebody interesting to follow check out Jennifer Castenson at <https://www.linkedin.com/in/jennifer-castenson-a650801/>

If you have an idea for a commentary or would like to submit your own commentary for a future newsletter please let me know at dave@wwta.ab.ca

Economic Update

December housing starts in Alberta were up slightly 2.5% compared to the same month in 2020 and are up 33% year-to-date. Calgary starts were up 37.5% while Edmonton was flat compared to December 2020. Alberta finished the year with 30612 housing starts, a gain of 32.85% over last year, ahead of the Canadian increase of 20.82%.

| Housing Starts Alberta | | | | | | |
|------------------------|--------|--------|----------|----------|----------|----------|
| | Dec-21 | Dec-20 | % Change | YTD 2021 | YTD 2020 | % Change |
| Alberta | 2502 | 2439 | 2.58% | 30612 | 23042 | 32.85% |
| Edmonton | 1060 | 1386 | -23.52% | 12546 | 11512 | 8.98% |
| Calgary | 1155 | 840 | 37.50% | 15017 | 9235 | 62.61% |
| Red Deer | 35 | 20 | 75.00% | 144 | 82 | 75.61% |
| Grande Prairie | 9 | 10 | -10.00% | 132 | 121 | 9.09% |
| Lethbridge | 43 | 40 | 7.50% | 639 | 499 | 28.06% |
| Wood Buffalo | 0 | 2 | -100.00% | 76 | 54 | 40.74% |
| Canada | 17797 | 17784 | 0.07% | 244025 | 201981 | 20.82% |

The trend in housing starts or Seasonally Adjusted Annual Rate (SAAR) was trending down to 236,106 units in December, from 303,813 units in November, according to Canada Mortgage and Housing Corporation (CMHC). This trend measure is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts.

Alberta Housing Market Bouncing Back

After several years of tough sledding, Calgary’s real estate market — and the broader provincial market — are gaining strength, having shattered several records in 2021.

Local sales shot up 72 per cent last year from 2020 levels to an all-time high. Across the province, annual sales climbed 52 per cent from a year-earlier period, also breaking previous records, the Alberta Real Estate Association said.

The median home price in Alberta climbed by eight per cent, “fully recovering and moving higher than the previous high set back in 2014,” In Calgary, detached homes saw a nearly 10 per cent jump in prices, eclipsing the 2015 annual high. It marks an impressive comeback from the doldrums after oil prices collapsed seven years ago.

“Our longer-term prospects are looking much better than they have for some time,” said Ann-Marie Lurie, chief economist at the Calgary Real Estate Board.

December saw record sales for many of the outlying communities as the pandemic continues to drive buyers to lower density locations like Cochrane and Okotoks where they can work from home.

The Great Affordability Squeeze? Home buyers confront rising ownership costs.
[RBC Report](#)

Greenflation

While in the past energy prices often fell as quickly as they rose, the need to step up the fight against climate change may imply that fossil fuel prices will now not only have to stay elevated, but even have to keep rising if we are to meet the goals of the Paris climate agreement. I guess that is good for Alberta.

At present, renewable energy has not yet proven sufficiently scalable to meet rapidly rising demand. The combination of insufficient production capacity of renewable energies in the short run, subdued investments in fossil fuels and rising carbon prices means that we risk facing a possibly protracted transition period during which the energy bill will be rising. Gas prices are a case in point.

“We have major investment efforts to deal with climate change and to convert everywhere from the use of fossil fuel,” David Dodge said in an interview with Reuters. This spending will lead to a “tendency for prices to have some upward pressure rather than some downward pressure” starting as soon as this year, said Dodge.

Too bad Canada cannot take advantage of supplying LNG to Europe as the price surges due to lower supply from Russia and other non-free countries. Gas and electricity prices have risen to record levels, often trading at five-to-ten times above their 2010-2020 averages. As Kermit the Frog said “it’s not easy being green”.

They are being bailed out by fleets of LNG ships, but not from Canada as we continue to resist the development of facilities and the coastal gas link pipeline by the friends of the hereditary chiefs of the Wet’suwet’en Nation and their supporters.

Best way for Canada to get to net zero is to export LNG
[MORE](#)

Quality Control

This month I am going to shift the Q.C. message away from lumber defects and plate placement to one of the most important components of any good Quality Management System. What goes on before the factory floor.

Truss companies that implement a good customer feedback program quickly find that most customer issues do not arise because a plate was not placed properly or that the lumber was not correct. Although these are very important, how would they know? Their issues are because something does not fit properly, or their life has been made harder in some way. Quite often these issues are around delivery or lack of communication.

If you currently do not have a good system gathering customer feedback that is reviewed by the quality team you do not have a good QMS. These need to be reviewed and root causes need to be addressed to prevent the same issues from arising in the future.

But for now, let's focus on the Design Department. If there are problems in the Design Department it really does not make much difference if the truss is built correctly or not.

Someone from the Design Department has to be involved in your Quality Management System and the Quality Management System has to be incorporated in the Design Department. If you are having a regular Design Department meeting make sure that you set aside some time on the agenda to talk about your quality processes that include customer feedback. By documenting this it supports your Quality Audit.

The best systems I see make sure that there is a representative from the Design Department that attends the monthly Q.C. meetings so that they can build relationships with the manufacturing department and understand their issues.

How many designers have never set foot on the production floor to understand how the product they are designing is actually built?

In addition to customer feedback what a quality auditor is looking for is processes that are developed and followed to insure that errors are minimized.

- Is the software current with the applicable building codes?
- How are new designers trained and how is their work checked?
- Is there a checklist developed to review the work against a standard?
- Are regular meeting held that address quality issues?
- Is the submittal package accurate, uniform, and complete?

Currently I am not diving into a plan to see if the loads are correct or the heels are the right height, but looking for the processes that the department uses to make sure those details are addressed.

In the upcoming CSA S349 Quality Standard the company will have to demonstrate that trusses are designed according to the current TPIC standard and that the minimum requirements are met by actually reviewing a minimum of 3 designs from random designers. Specifically the company will have to demonstrate compliance with Appendix H which included the minimum information required on the Truss Design Drawings.

Your builder customers probably just take for granted that designers are following the correct guidelines and that there are no mistakes, but they would also believe that these issues are verified through a quality review. They also may think everything that comes out of the plant is reviewed by a professional engineer. I am sure that it gives engineers

great comfort in knowing that your Design Department has good structure and processes in place to maintain standards.

Ensure that your Q.C. manual has specifically addressed design. In the WWTA Quality Management System Manual Template it is located in Section #3.

Health and Safety Toolbox

Similarly to the Quality topic the WWTA would like to give you a monthly item you can discuss when doing your Safety Toolbox meeting. This month we are going to focus on **Emergency Response and specifically Emergency Response Drills.**

An emergency response plan helps ensure appropriate and efficient actions will take place in the event of an emergency or disaster.

If your company has a Certificate of Recognition (COR) for health and safety emergency response is covered in element 7.

When most of us think about Emergency Response Drills we naturally think about a Fire Drill and evacuating the building. Reviewing Health and Safety audits over the year the Fire Drill is by far the one that is done in the majority of drills.

Fire drills...shall be held at intervals not greater than 12 months for the supervisory staff. Alberta Fire Code, Division B 2.8.3.2

Drills are an integral part of your ongoing emergency response training program. Legislation dictates that fire drills be conducted at least once a year. Holding drills for other types of emergencies is equally important.

It is important that companies explore all the potential Emergency Responses that may be applicable to them. In addition to fire they may include train derailment, bomb threat, release of hazardous materials, forest fire, armed intruder, airplane crash, severe weather events etc. Some of these may be location based emergencies.

Drills are important. They:

- reinforce emergency response training
- create an opportunity for workers to demonstrate competency
- prevent panic
- help to identify gaps in the emergency response plan
- help keep workers and others at the work site safe
- promote ongoing worker engagement.

The training ...must include exercises appropriate to the work site that simulate the potential emergencies identified in the emergency response plan. ...[Training exercises] must be repeated at the intervals required to ensure that the designated rescue and evacuation workers are competent to carry out their duties.

-Occupational Health and Safety Code, Part 7, Section 117(3-4)



Alberta Truss destroyed by a tornado in 1987

Once you have identified the potential emergencies you need to develop a plan and practice it. Employees must know their responsibilities in the plan by practicing a drill. The practice could be an actual drill or a table top exercise.

By doing fire drills over the years employees are probably pretty knowledgeable in evacuating the building and going to a muster point, but what about when they have to shelter in place or lockdown.

Once the drill is completed there is a requirement to review and correct any deficiencies. The company must also keep documented records of the drill. An actual emergency does not replace the requirement for doing a drill.

There is a very thorough publication on emergency response planning by the Alberta Hospitality Industry at:[emergency response planning](#)

So I would encourage companies to consider doing alternative drill in 2022, you have probably done enough fire drills.

Management should ask themselves what would happen if:

We were in the path of a tornado.

A train derails on the property.

There is a forest fire.

There is a suspicious package left at the front door.

A disgruntled employee is on the site.

All examples of other types of drills that could be conducted.

The Alberta Government has a new format OHS eNews you can subscribe to with all kinds of good material at: <https://ohs-pubstore.labour.alberta.ca/>

Reminder Changes to OHS Legislation

The updated *Occupational Health and Safety (OHS) Act* and regulations took effect Dec. 1, 2021. The updates eliminate duplication and simplify language. This makes OHS laws easier to understand and follow, resulting in healthier and safer workplaces and supporting investment attraction and job creation. Workers continue to have the same rights and protections under the revised OHS laws.

Learn more, read: [Changes to OHS laws](#)

News and Events

WWTA AGM

At this time we are planning on having our Annual General Meeting April 1 at the Fantasyland Hotel. Please look out for your invitations that will be sent out shortly. Based on the survey of members over 80% preferred to have an in person meeting this year. The agenda is not tied down at this time due to Covid uncertainties, but please save the date. It will likely be an abridged version of the previous meetings depending on the restrictions that will be in place at the time.

WWTA Conversation

In 2022 I am going to try and do a monthly conversation virtual meeting with one of our fantastic preferred suppliers. We are going to kick it off on Feb 2 at 9:00 with Martin Carter of Carter Forest Products and he will be talking about the wild lumber ride and forecasting lumber pricing. If you would like to volunteer for a conversation or have any suggestions please contact me at dave@wwta.ab.ca, to schedule it.

Conversation with Martin Carter of Carter Forest Products
<https://global.gotomeeting.com/join/806052101>

WWTA Steering Committee

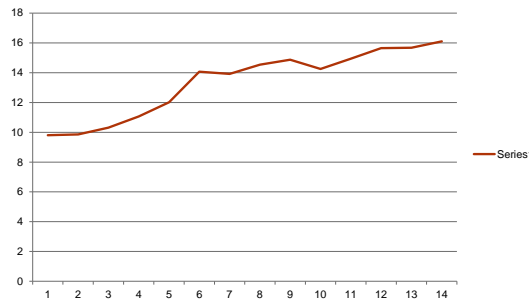
The WWTA Steering Committee met 7 times in 2021 and the report is almost finalized. Thanks to the participants of the committee, there was some great conversation and ideas generated. The report will be a topic of discussion at our Annual General Meeting.

Certifying Partner Activities

As reported previously the WWTA discontinued acting as a Certifying Partner for the COR program effective January 1, 2022. If your company has a COR with the WWTA and you need help transitioning to another Certifying Partner or have any questions please let me know in order to make your transition as smooth as possible.

WWTA Wage Survey

It is almost the time of year when the WWTA will be conducting our annual wage survey. **Only those that contribute will receive the results as usual.** Please consider contributing information so that you are able to make informed industry decisions for hiring.



Average hourly wage for an assembly worker 2001-2014

Virtual Meetings

One day we will get back to meeting in a room I hope, but in the meantime if you have any topics you would like the WWTA to hold a virtual meeting on please let me know.

WWTA Online Training

If you have not yet taken a look at the WWTA online training program I would encourage you to, as no doubt you will be hiring new workers in the near future and it is a good method to get them productive earlier and safer. If you want an overview of the program go to the WWTA website at: <http://www.wwta.ab.ca/truss-training-online.html>