

CIRCUIT

Breaking News | Spring 2010

Northeastern Illinois Chapter, NECA

Don't Blink Too Fast! You Might Want to Miss 2010

Every year, CISCO (Construction Industry Service Corporation) hosts their Annual Meeting in Schaumburg, Illinois, and graces the Chapter with a very informative event including an award ceremony, executive speeches, and this year – an enlightening presentation given by Mark Sherwood of *McGraw-Hill Construction*, who presented the economic construction forecast for 2010. Mr. Sherwood updated an audience full of multi-trade contractors, associations, building trades, and Union representatives across the Northern Illinois and Chicago metropolitan areas on both regional and national construction economic development. *McGraw-Hill* says that there may be a very optimistic but small uptick in our area – as far as construction starts. But overall, 2010 will still be a tough pill to swallow.

Across the Nation

Nationally, it is not a surprise that the economic market is weak, consumer spending is to a minimum, and investors are ever so vigilant in where their money goes. Unfortunately, these actions trickle down the totem pole and reduce the demand for infrastructure in retail, manufacturing, commercial, and residential construction. Although both Sherwood and *Constructor Magazine*, a publication of *McGraw-Hill Construction*, state that total construction starts will jump 11% nationally in 2010, which seems to be very encouraging – especially after following a 25% decline in 2009. In addition, it was determined that construction starts have dropped an average of 39% from 2006 to 2009, which

makes the projected 11% increase of 2010 somewhat unrealistic – but very probable. *McGraw-Hill* reports that one positive insight is the construction of universities and hospitals, depending on the stock market and the availability of open bond markets. Additionally, the federal government plans to flow more stimulus money into government projects in an incisive fashion compared to 2009. Regrettably, the momentum produced from that projection will not have a significant change in the declining economy due to the selectiveness of who is awarded government projects.

Region, State and Local

Looking at a more in-depth outlook for our state and local market, *McGraw-Hill* thinks the Chicago land area will experience a rebound in 2010 of 18% after taking a gigantic hit of 46% in 2009. Even if construction starts come close to that proposed 18%, the number of construction starts will be compared to numbers from 2004 that include projects in retail shopping centers, hotels, healthcare facilities, public works, and educational buildings. Sherwood mentioned in his presentation that the Midwest, particularly, will jump up 6.8%, respectively.

The New Year does not look promising for certain segments of the construction industry. Public buildings in the area are looking at a loss of 1%, compared to last year. Healthcare facilities have declined 8.6% in 2009 and are assumed to stay constant

CIRCUIT SPOTLIGHT



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ELROY KADLEC,
Kadlec Electric
President of Northeastern
Illinois Chapter, NECA

Opening up the doors to a new decade, we naturally look for new beginnings and hold on to the best elements of the past. During this unfortunate economic time, we – as the voice of the industry – look at every possible aspect of our market from recent years to help maintain the future. Constant studies, evaluations, and research projects are being developed from various entities across the nation, giving an array of knowledgeable and valuable information on Market Share. Not all studies show parallel numbers or figures, but it is evident that they do, in fact, show the same downward trends. One example of these Market Share studies is composed by our very own NLMCC, or the National Labor Management Cooperation Committee.

The NLMCC has produced a market evaluation study that consists of both Employment Share and Wage Share from years 2004 to 2008. Employment Share is a measurement of the number of employees in the unionized electrical construction industry and comparing

it to the gross number of employees in the total electrical construction industry. Wage Share is a measurement of the employee wages within the union electrical construction industry, which is compared to wages of entire electrical construction industry. The union employee and wage data is sourced through the NEBF (National Electrical Benefit Fund) office, whereas the rest of the electrical construction industry information is gathered through the Bureau of Labor Statistics.

The results of this study show that trends are drastically declining and that our market is losing to the non-union. As the Northeastern Illinois Chapter of NECA continue to disclose the NLMCC Market Share numbers at our Division meetings and to our NECA members, we keep in mind that the methodology of these numbers are mutually agreed upon by both the IBEW and National NECA. In other words, it is not a secret that the trends are showing a need for change in our industry and I feel we need to find ways to get back the Market Share that was once ours.

Don't Blink Too Fast! *(Cover Story Continued)*

throughout 2010. Office building starts are to fallback back 3% in conjunction with the catastrophic unemployment rate. More and more corporations are reducing travel expenses and as employee vacations lessen, the need for occupying hotels is diminishing – with construction starts to drop 9%. This presumption would follow a horrific 2009 year for the hotel industry with occupancy levels falling 57% in just the first eight months and a decrease in revenue by over 18%. General retail construction has also experienced a substantial shortfall of 5% from 2009 to 2010 and will hit the lowest levels since late 1950's. *McGraw-Hill* says that a spark in the retail market may occur due to the projected increase in residential communities, but unlikely because the assumed drop in consumer spending.

Residential Market

Both *McGraw-Hill* and Mark Sherwood have thoughts that the proposed nationwide increase in construction starts is actually initiated by a rise in the residential construction industry, surprisingly enough. Referring to their *Construction Magazine*, single-family housing could start to rise up to 30% in 2010 with 560,000 starts, as opposed to an estimated 430,000 starts from 2009. Overall, homebuilding would

still be a total of 65% below the 2005 peak even after the presumed rebound. *McGraw-Hill* says that the increase will be a result in low mortgage rates and specific home tax credits. In addition, it is predicted that multifamily housing will also rise 14%, but will not be considered a substantial rebound because the deficit was not affected like the single-family housing market.

Public Enemy

As stated earlier in this article, getting federal funding for construction projects will be as hard as winning the lottery – and it seems the same will be in effect on a state or local level. Again, with high unemployment, a drop in retail and consumer spending, and a loss in home values; local municipalities and agencies are suffering from less tax revenue and trimming budgets. Schools are also likely to feel the effect, especially colleges and universities, having to deal with lower enrollment and less tax dollars to build additional dormitories and classrooms. Generally speaking, educational buildings were down 23% in 2009 and will continue to decline another 8% in the New Year. Also in 2009, health care projects were down 36%, but will continue to flat-line in 2010, which – in retrospect – is a pretty good thing.

Summary

All in all, many will cope with reality and feel that our industry will be at about the same standpoint as 2009, but hopefully not worse. *McGraw-Hill* states that they estimate the commercial and manufacturing sectors, specifically, will continue to struggle throughout the year with a drop of 6% in the combined value of construction starts. This estimate will bring levels down to half of what they were in 2007. They also claim that a significant rebound in the construction industry will not begin until 2011, but other analysts say it will be 2012 or later until our nation sees anything positive. But for now, as stated in *Construction Magazine*, "...contractors will be particularly vulnerable in 2010 as most nonresidential sectors continue to suffer and many contractors complete their existing contracts."

Henry Wadsworth Longfellow, a historic poet and professor once said "Go forth to meet the shadowy Future without fear and with a manly heart."

Sources: Mark Sherwood; Vice President, *McGraw-Hill Construction*, www.constructor.construction.com, www.midwest.construction.com, www.famousquotesandauthors.com.

Successful Energy Audit MEI course



Back on December 10, 2009, the Northeastern Illinois Chapter hosted "Facilities Energy Audit Education: Phase I" – a MEI course attended by 44 of our NECA Contractors and their company staff members. David Wylie of ASW Engineering taught the first of three phases – Screening Survey Workshop – and provided the class with information on how to conduct a screening audit for energy efficiency on commercial, industrial, and institutional facilities. Because of the high turnout and positive feedback, the Chapter will host

Phase II: The Preliminary Energy Assessment (PEA) Audit, which covers a more in-depth energy audit process. After the second phase of this course, a Contractor will be able to identify the potential energy savings to their customers, easing them of high electricity consumption and costs.

The Chapter has tentatively requested Phase II of the Energy Audit class in May but is looking to get Mr. Wylie in our area much sooner. Completing this class will enable a participant to attend the third phase of the course which will allow Contractors to become certified Energy Auditors.

Thanks to all of the NECA firms and their employees that participated in the success of this MEI class. We hope obtaining the Energy Audit certification increases the industry market and amplifies your customer base. We encourage all to come back for the second round in May!

Around the Corner Grand Geneva



Make way for the ever-so popular Annual Summer Chapter meeting at the infamous Grand Geneva Resort & Spa in Lake Geneva, Wisconsin! This year, the Summer Chapter meeting will be held on July 9-11, 2010 and will be packed with meetings, golf, and fun family activities for all ages. Last year, we hit a homerun with attendance and expect nothing less for 2010. The Chapter has a number of management discussion topics that will

benefit all, as well as a line-up of exciting events for the entire weekend!

Being one of the top-rated resorts in Wisconsin, the Grand Geneva has renovated all of its existing rooms to enhance every aspect of your weekend stay. They have also restructured their outdoor pool, spa, and salon, along with maintaining their award-winning 36-hole golf courses, the Brute and the Highlands.

Downtown Lake Geneva also has its gems with historic mansions, over 40 restaurants and cafés, and remarkable lake views – there's no wonder why this place is such a hit! Information for this event will hit your desks very soon so keep a lookout!



New Member Update

Our Chapter is always reviving our membership by recruiting in more and more members from our Chapter-wide area. Please welcome **Select Pro Tools, Inc.** to our Chapter from the Lake County Division. **Chris Hargen** will be representing Select Pro Tools as the newest Northeastern Illinois NECA Chapter member out of his office in Lincolnshire, IL.

During these barbaric times of a suffering construction industry, companies and owners are looking for guidance and help to maintain their businesses and battle through the rough times. There is no better time for prospective NECA members to join our Association than right now. If there are any contractors in the Chapter-wide area who are interested in joining, please do not hesitate to contact Bruce or Giuseppe at the NECA office.

Did You Know...

- ⚡ If you scuffed your feet long enough without touching anything, you would build up so many electrons that your finger would explode!
- ⚡ The first lighthouse to use electricity was the Statue of Liberty in 1886.
- ⚡ During the whole of his life, Thomas Edison received only three months of formal schooling and was dismissed from school as "disabled".
- ⚡ The electric chair was invented by a dentist.
- ⚡ If you had a light on the moon connected to a switch in your bedroom, it would take only 1.26 seconds for it to light up, 238,857 miles away.

Calendar of Events

MARCH 21-24, 2010

Midwest Regional
NECA Conference
JW Marriott Desert Spring
Resort & Spa
Palm Desert, California

MAY 4-6, 2010

NECA Legislative Conference
Marriot Metro Center
Washington, D.C.

JULY 9-11, 2010

Summer Chapter Meeting
Grand Geneva Resort & Spa
Lake Geneva, Wisconsin

AUGUST 3, 2010

11th Annual Chapter
Golf Outing
Cantigny Golf Course
Wheaton, IL

OCTOBER 2-5, 2010

NECA National Convention
Boston, Massachusetts

"Thanks" to Dr. McGinn at NIU

Dr. Vincent P. McGinn, former Faculty Advisor for the NIU-NECA Student Chapter, has recently donated \$1,000.00 toward a scholarship for eligible members of the Student Chapter. Dr. McGinn has been a tremendous supporter in initializing the student organization at the Electrical Engineering department at NIU. His passion for professing and love for educating students in electrical engineering (...and life) has been astonishing and very grateful. Dr. McGinn has devoted his time and effort by conducting Student Chapter meetings, recruiting a number of students into the program, and laid a hand in Student Chapter events like the NIU Alumni Tent Raffle, in efforts to raise funding for other events.

A special "Thank You" goes out to Dr. McGinn for his support in the NIU-NECA Student Chapter Scholarship on behalf of the NECA office, NECA Contractors, and NIU Student Chapter membership. We will recognize this special endowment forever!



Giuseppe presented Dr. McGinn with a memorial plaque in recognition of his contribution to the NIU Student Chapter Scholarship.



Circuit Breaking News

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