

New England UPDATE

Contractors Put Recession Lessons to Work

When the Massachusetts building economy collapsed in 1990, remodeler Paul Eldrenkamp says, “It was like driving off a cliff. I can still remember the precise moment I knew I’d been caught out. I was driving home from this job that I really didn’t want to take because it had red flags all over it. It was a stinker from the word go, but I realized I had to take it because I simply had nothing else out there. I swore I’d never let that happen to me again.”

Eldrenkamp’s business dropped 50% over the following two years before slowly rebounding. As every New England contractor knows, he wasn’t alone. Thousands took similarly hard falls. Some went under; many suffered painful changes; almost none went unscathed.

To judge from conversations with contractors around the region, few have forgotten this experience — and most, like Eldrenkamp, have resolved never to repeat it. So even as contractors gear up for what seems to be an accelerating regional recovery, most are not sticking their necks out too far. For this story we talked to several contractors in eastern Massachusetts and southern New Hampshire, where things these days are busy indeed, to see what lessons from the end of the last boom they’re carrying to this one.

Subbing it out. Perhaps the most common change in the way contractors are meeting increased demand this time around is to rely more heavily on subs. This not only lets them handle growth without increasing payroll costs and risking layoffs in a downturn, it also gives them greater flexibility in meeting the demands of different jobs. Eldrenkamp — who in 1989 did

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\$800,000 in business with ten employees and now does \$1.6 million with six — puts it this way: “Using subs lets me put the best worker for a given task on the job every time, while I concentrate on doing what I do best, which is managing schedules and servicing clients.”

This approach, of course, requires taking good care of one’s subs. The contractors who are most



More and more New England contractors are subbing out work they used to do — such as framing and roofing — to reduce their exposure to economic downturns.

successful with this approach tend to pay their subs at or above prevailing rates, pay them quickly, and do everything reasonable to make their jobs run smoothly.

Marketing, marketing, marketing. After subbing work out, the next most common precaution contractors are making against downturns is to focus their marketing. The most successful programs tend to focus on specific geographic/income-based niches and job sizes.

For instance, David Bryan has used highly targeted marketing to grow his Salem, N.H. – based Black Dog Builders from a \$185,000 remodeling business in 1989 to a \$2.5 million-plus company this year. Using an income-selective, zip code-based mailing list of homes in Andover, Mass., and surrounding towns (his target area, where he does almost all his business), Bryan does a series of mailings to any neighborhood in which he's doing work. He also mails a 16-page, four-color quarterly magazine to past clients and sends mailings to anyone in his target area who buys an existing home or who calls the National Kitchen and Bath Association's consumer 800 number. (The NKBA provides such leads to members on request.) In addition, Bryan places signs with the company's distinctive Black Dog logo (a black Labrador) on all company vehicles and at all job sites.

Bryan feels certain these efforts, along with his decision to concentrate heavily in one area, are largely responsible for his impressive growth. "By taking these steps," says Bryan, "we grew even during the recession. So I'm trusting them to keep us afloat in the next downturn."

Other contractors have also created highly focused (if less elaborate) marketing programs. Paul Eldrenkamp courts past clients by calling each client once or twice a year to offer to fix anything on the job that needs it. These contacts generate more quality leads, either directly from past clients or from their friends or neighbors, than Eldrenkamp has time to pursue.

Reading the signs. Most contractors also closely watch some chosen indicator — their own leads, home sales or prices in their target area, the nature of the work they're doing — for indicators of a slowdown. Eldrenkamp watches leads — their number, their potential value, and the percentage he converts into sales.

Another contractor, Bill Gaver, who runs Defern Contracting Inc., a custom building and remodeling firm in Brookfield, N.H., pays close attention to whether his remodeling jobs are maintenance jobs, "meat and potatoes" remodeling projects

like standard kitchens and baths, or what he calls "frosting or frill jobs" such as saunas. The frill jobs, he says, are the first to vanish when belts are tightening; the maintenance jobs are the first to come back in a rebound. Right now, Gaver says he's seeing a nice mix — but he's watching the frill jobs and making sure he doesn't mistake a surge in those for a permanent green light.

Efficiency and flexibility. Contractors everywhere are trying to make their companies more versatile and efficient. Peter Feinmann, who has run Feinmann Remodeling in Arlington, Mass., since 1987, makes a point of hiring multi-skilled people for both office and field work — office managers who can keep books, carpenters who can do design work. He's also constantly streamlining procedures so he and others can do more work in the same time. This spring, for instance, he was integrating his estimating and job-costing systems to allow him to handle more jobs without adding personnel. Such steps let him grow his company without adding employees or overhead. In the meantime, he continues to market even while he grows, so that he has an ever-growing number of leads to choose from.

Reducing exposure. Finally, but perhaps most fervently, many contractors are resisting any temptation to "borrow success." In other words, they try not to borrow money to buy equipment or trucks, and many have sworn off spec building. "Never, ever again," said one builder, "no matter how good it looks." Those who continue to build spec keep a sharp eye on what sort of properties they'll invest in and how much they'll pay for land. One builder's rule of thumb: Never pay for land more than 25% of what you can expect to sell the house for.

Just plain good business. As several contractors pointed out, most of these steps aren't so much "precautions" as they are good business. The lessons may have been learned from the recession, but most have the effect of making the companies more versatile and more successful at satisfying customers — which can help a business grow as well as help you ride out a downturn.

"The bottom line," says Feinmann, "is you've got to make those clients happy and serve them well. Do that when things are good, and 'the situation' won't get as bad when times are bad. It's important not to get cocky. Because times will get tough again."



Thomas Crapper: Myth & Reality

Editor's note: *The debate over whether Thomas Crapper invented the toilet — or whether he even existed — has long churned without producing solid evidence. But that's all behind us now. We've found research that replaces the murky myths of Thomas Crapper's life with well-formed fact. The article below, from a 1993 issue of Plumbing and Mechanical magazine, is based on interviews with Dr. Andy Gibbons, historian of the International Thomas Crapper Society, and Ken Grabowski, a researcher and author who wrote a book on Crapper's life. Herewith, the straight poop on Mr. Crapper:*

- Myth: Thomas Crapper never existed.

Fact: Thomas Crapper was born in September 1836 and baptized the 28th of that month. He died on January 27, 1910.

- Myth: Thomas Crapper was not a plumber.

Fact: Yes, he was. Crapper had a successful career in the plumbing industry in England from 1861 to 1904, operating two shops under his name. When he retired from active business in 1904, he sold his shop to two partners who, with help from others, operated the company under the Crapper name until its closing in 1966.

A savvy marketer as well, Crapper served as the royal sanitary engineer for many members of England's royalty, installing numerous fixtures in Buckingham Palace. Contrary to popular myth, however, he was never knighted, and thus isn't entitled to use the term "Sir" before his name.

- Myth: Thomas Crapper invented the toilet.

Fact: Afraid not. While Crapper holds nine patents (four for improvements to drains, three for water closets, one for man-hole covers, and the last for pipe joints), none were

for the toilet or for the "Silent Valveless Water Waste Preventer," the mechanism that essentially made the modern toilet possible. This syphonic discharge system allowed a toilet to flush effectively when the cistern was only half full, and prevented the toilet from leaking — in short, it answered the need for a valveless, relatively leakproof and reliable way to flush toilets. Its patent was issued in 1819 to a Mr. Albert Giblin.

There are a couple of theories on how Thomas Crapper came to be associated with this device. One is that Giblin worked for Crapper as an employee and authorized his use of the product — unlikely, since the patent was taken in 1819 and Crapper didn't enter business until 1861. The second and more likely scenario, says Crapper biographer Grabowski, is that Crapper bought the patent rights from Giblin or his heirs and marketed the device himself.

- Myth: The word "crap" is derived from Thomas Crapper's name.

Fact: Not likely, though the origin of its meaning "to defecate" is still being debated. Possible sources include the Dutch *Krappe*; low German *krape*, meaning a vile and inedible fish; and Middle English *crappy*. In any event, the word's physiological meaning predates Crapper's adulthood, and so was not likely coined by or in reference to him.

To the extent the term "crap" is derived from Crapper, then, it is almost surely by a process known as, pardon the pun, a "back formation." One theory holds that the World War I doughboys passing through England saw the words *T. Crapper-Chelsea* printed on toilet tanks there and coined the slang "crapper," meaning toilet.

Myth or not, the legend of Thomas Crapper takes its flavor from the real man's life. While Crapper may not be the inventor of the product he is most often associated with, his contribution to England's plumbing history is significant. His legend will doubtless live on regardless of the facts.



Adapted with permission from the June 1993 issue of Plumbing and Mechanical magazine (3150 River Rd., Suite 10, Des Plaines, IL 60018; 847/297-3496.



New England Economic Indicators: Jobs

Job growth is critical to the construction industry, for new jobs create demand for new buildings and improvements to existing structures. For the residential sector, job creation leads to in-migration and new household formation; for nonresidential construction, new jobs create demand for new or remodeled offices, factories, stores, and other retail space.

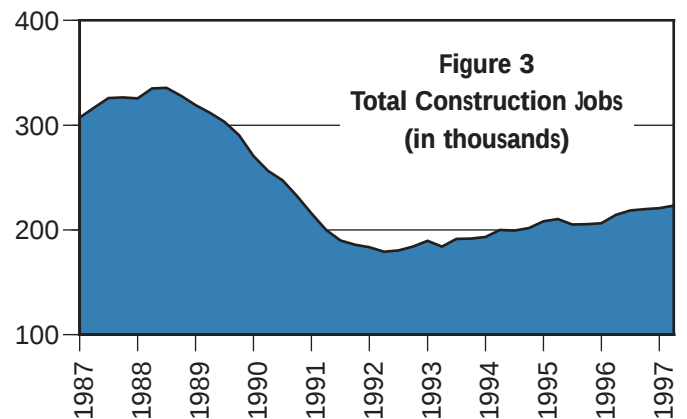
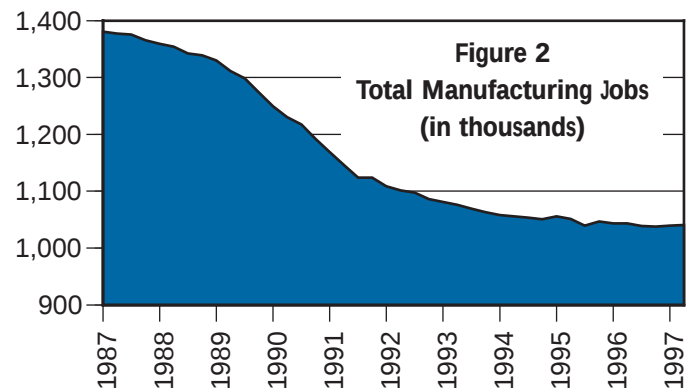
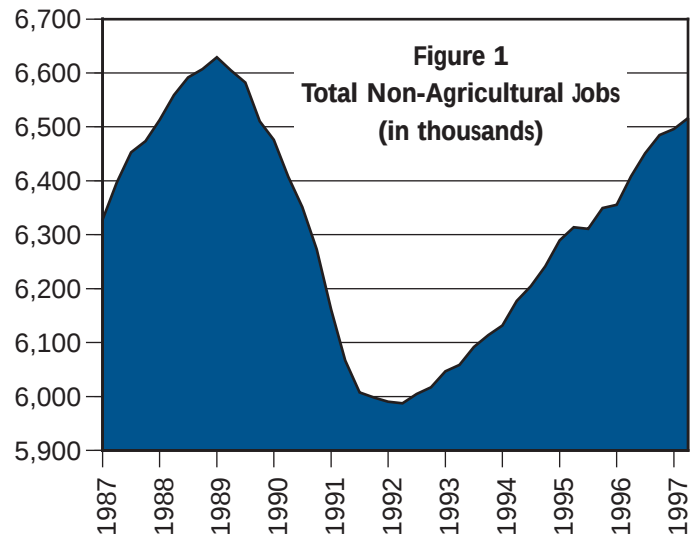
It's not surprising, then, that the rebound of New England's construction industry since the 1990-91 recession has followed closely the region's pattern of job growth. Lagging the rest of the nation, the region saw no job growth until 1992 (see Figure 1, Total Non-Agricultural Employment). And despite recent surges, it has yet to recover all the jobs lost during the recession.

The biggest change in New England's economy during this period (which mirrors a similar change nationally) is the unbroken decline of manufacturing jobs (Figure 2). These jobs have declined continuously since 1985. Ironically, this has happened partly because of improvements in worker productivity, which allowed manufacturers to lay off workers while still increasing overall output.

These jobs have been more than replaced, however, by new jobs in other sectors, which helps explain the demand for other types of buildings and housing — we need fewer factories, but more offices and stores (and houses to put their workers in). In short, the changing mix of jobs and of the area's economic activity (and that activity's location) has spurred much of the growth in construction.

Construction employment during this time has reflected quite directly construction activity (Figure 3). Construction employment dropped 47% from its 1988 peak to its trough in early 1992; it has since recovered only 28% of the jobs lost during that period. The good news is that the growth has been steady, with every month but one since 1992 showing growth in construction jobs. Still, even at the

**New England Employment
from 1/87 to 2/97**



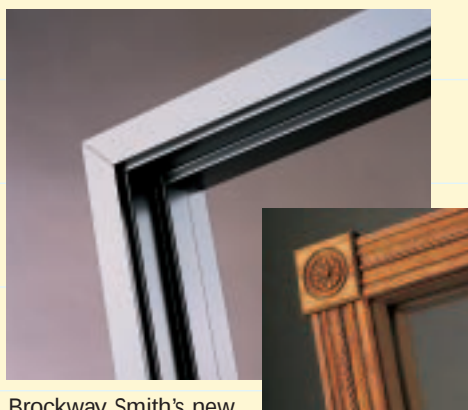
current rate of expansion, it would take until early 2006 to replace all the jobs lost in the crash of '90-'91.



*Commentary by **Stanley Duobinis**, director of forecasting, National Association of Home Builders*

A Quick Door for Commercial Jobs

Brockway Smith, a New England building supplier, recently began offering a prefinished door-and-frame kit designed for quick, clean installation of interior doors on light commercial jobs. Dubbed the Total Opening Concept, the kit includes a prefinished wood door and a quick-installing metal frame that can be slipped directly over a finished and painted door opening. The frame slips on, screws in, and then



Brockway Smith's new Total Opening Concept door kit features prefinished wood doors and an easily installed door frame. You install the kit by slipping the frame onto a finished wall (above, right), hanging the door and adjusting the frame for fit before fastening frame to wall (right), then snapping or screwing on a casing to conceal the fasteners (bottom, right). Casings are available in a variety of styles (above).



accepts prefinished snap-on casing (see photos) that comes in either plain or profiled mitered metal versions or wood options with plinth blocks. Because the resulting door meets a 90-minute fire rating, it can be used either in commercial applications, where a fire wall is often needed, or in residential applications such as a door to an attached garage. Along with code compliance and

quick installation, says Brockway Smith's Chris French, the biggest advantage the door kit offers is that it can be put in quickly and without any finishing work. "That's often a big plus in commercial jobs," says French, "where the goal is to get in and out quickly and with minimum mess." The kits, without hardware, start at around \$350.

For more information and a nearby dealer, contact Chris French at Brockway Smith (146 Dascomb Rd., Andover, MA 01810-5898; 508/475-7100).



New Twist on Access Ramps

Striving to create something beyond the usual straight-shot accessibility ramp, Portland, Maine, architect Nancy Barba recently created a curved walkway that met both accessibility and, apparently, artistic criteria. The ramp, designed for a daycare center in Portland, was one of 37 projects nationwide — and the only one in Maine — honored by the National Endowment of the Arts for designs that promote accessibility.



Nancy Barba won an award from the National Endowment for the Arts for this metal-and-recycled plastic access ramp, designed for a Portland, Maine, day-care center.

The American Disability Act of 1992 allows curved ramps, says Barba, as long as the ramp creates adequate accessibility." She achieved that by giving the ramp a lower slope than usual. The result, she says, successfully ties the day-care center's entrance to its playground. With recycled plastic treads, metal railings and screening, the ramp is designed for durability and low maintenance. FineLines Construction of Yarmouth, Maine, actually built the ramp.

For information, contact Barba Architecture and Preservation (500 Congress St., Portland, ME 04101; 207/772-2722).



Latest on the Law

Legal briefs from around New England

Massachusetts sees surge in permit-cap bills

Concerns about the implications of growth have created a surge of permit-cap bills in Massachusetts towns, according to the Massachusetts Home Builders Association. Permit-cap bills limit the number of residential building permits a town can issue in a year or quarter. The Mass. HBA's Bill Habib says that the first such bill in Massachusetts was passed by Amherst in 1990, and the second in Westford in 1995. "Then in 1996," says Habib, "five more towns adopted such regulations. And in 1997, so far (as of May) 51 towns are considering such bills or have passed them." While growth-control advocates say such bills are often needed to prevent the harmful side effects of ill-advised or excessive development, Habib says such bills ignore both the cyclical nature of the building economy and the benefits of growth.

Vermont passes logging regulations

Responding to concerns about recent clearcuts, the Vermont legislature passed and Governor Howard Dean signed a bill putting modest curbs on large, heavy timber harvests in the Green Mountain state. The bill requires landowners who want to make heavy cuts of 40 acres or more to file a notice of intent with the state and to seek approval for the cuts from state foresters, who will check to make sure the planned cut won't harm the forest beyond repair. The compromise bill was put together with the cooperation of representatives from environmental, logging, landowner, and forest-products-industry interests, after a long discussion coordinated by the state's Forest Resource Advisory Council. While not expected to significantly affect timber supply or lumber prices, the bill is part of an overall trend in New England toward greater regulation of forest practices (see "Lumber Supply in Flux," *New England Update*, 12/96).



Worth Noting

Events and other resources

New Affordable Housing Fund Loans to Maine Builders

The Maine State Housing Authority recently created a new entity, the Community Reinvestment Corp., to provide financing and other assistance specifically to builders or developers interested in building affordable housing. Unlike most affordable housing programs, which primarily loan to consumers, this new \$30 million effort loans directly to builders or developers. The program, the eighth of its kind in the country, will make the loans available through many of the state's banks. For information on guidelines, rates, and participating lenders, call Peter Roche at the Maine Housing Investment Fund (207/776-7170).



Short Cuts

Brief items from around the region

Connecticut Worker Survives 40-foot Fall From Forklift

A Connecticut worker fell 40 feet when the raised forklift he was riding fell over. The worker was riding the fully extended lift to try to reach an overhang beneath a church roof when the entire forklift tipped over. He suffered two broken wrists and a head injury. The driver suffered minor injuries as well.

Apparently the two men should count themselves lucky. Falls from raised forklifts are disturbingly common, according to one Australian report, which found that such falls are often fatal, even when they are from less than 3 meters high. That study found that falls from as low as 2.6 meters (about 8 feet) could be fatal, perhaps because the suddenness of the fall often sent the faller onto his head. The report urged that forklifts never be used to elevate workers, and that anyone needing to reach a height should do so with approved ladders or scaffolding.

Vermonters Feeling Upbeat

Vermont consumers are increasingly optimistic about the state's economy, according to an April poll conducted by economists Dick Heaps and Art Woolf. The quarterly Vermont Consumer Confidence Index, kept for the last year now, came in at a high of 109.5 in April, up 5 points from January and up 13 from the first poll last July. The poll found that confidence was much higher in the northern part of the state than the southern counties — an anomaly attributed to a poor ski season in the south and concerns over the fate of the Vermont Yankee nuclear power plant.

New Hampshire Continues Surge

New Hampshire led all states east of the Mississippi in job growth last year, according to a recent report from Public Service of New Hampshire, the utility company. In 1995, the state became the first in New England to replace all the jobs lost in the 1990-1991 recession, and has continued to add jobs since. Its unemployment figure stood this April at 3.8%, the lowest in the region and almost two full points below the national average of 5.7%. The growth has been spread among a variety of industries, most notably high-tech and retail.

Sprinkler Prank

Maybe he was worried about the economy getting overheated: According to news reports, a Keene State College student recently activated a dormitory fire alarm with a cigarette lighter, apparently as a stunt, and set off not only the alarms but the building's fire sprinkler system, which promptly soaked everyone and everything in it. The prank caused roughly \$20,000 in damages and set back the study schedules of the 45 students who had to be evacuated. (They got extra time to cram for exams.) While the perpetrator faced no criminal charges, school officials said he was likely to face suspension or possible expulsion.

