S. PETER VOLPE: The Future Is Bright

The new AGC President is puffing his talents to work at a crucial time in the construction industry.

Peter Volpe is not unknown to iaWCC/GDCI nor to the wall and ceiling Industry.

He was selected as the first general contractor to be interviewed by Construction Dimensions not just because he is the new AGC President (and, of course, that fact did play a role in his selection), but also because he is a former hod carrier himself.

In 1970, iaWCC sponsored a two-day symposium on “The Performance of Portland Cement Plaster” at the National Bureau of Standards. Peter Volpe served as the moderator for this 2 day meeting. During that meeting, one of his comments about keeping Portland cement plaster from cracking was that when he was a hod carrier they always took out the cracks while the mud was still wet in the mortar box. He brought down the house with that one.

Later, when iaWCC was being forced to move from its headquarters in the old Dodge House Hotel because the Volpe firm had bought it and was going to raze it in order to build a modern office, Joe Baker found himself with an eviction notice and no place to go.

He put in a call to Peter Volpe, appealing for more time. True to fashion, Peter said, “Joe, you can stay till they start tearing the place down provided you and your staff don’t sue me for falling over some of the furniture we’re auctioning off in the lobby!”

Joe and his staff stayed for another two weeks while the iaWCC headquarters were made ready on Church Street in Northwest Washington.

When it comes to construction management, S. Peter Volpe finds it easy to live by the book. After all, he’s the one who wrote it.

The 59-year-old president and treasurer of the Volpe Construction Company, Malden, Mass., has long been regarded as the prototype of what an outstanding general contractor should be.

So much so, that he authored the book, “Construction Management Practice,” a volume that, for once, cloaks sound management theory in the language of practicality and should qualify as must reading for any contractor-general or specialty.

As the new president of the Associated General Contractors, Volpe arrives at one of the industry’s keystone positions at a time when his skills will be sorely needed. With construction unemployment still hovering around the 17% mark, with contractor failures reaching past 1,400 last year, and with controversy swirling around the Carter administration’s economic program in the face of a 17.8% bidding volume fall-off, Volpe is clearly a construction executive in a rather warm spot.

But accepting the challenge of spots better given to tigers is a condition not unique to S. Peter Volpe. As the younger brother of internationally famous John A. Volpe, former Massachusetts governor, Department of Transportation secretary and ambassador to Italy, Peter Volpe has had to demonstrate his own ability to avoid an eclipse and take position on center stage.

That he has done so with eminent success is readily evident. His company, in the $52-million-a-year category, currently enjoys a contract backlog of between $130 million and $150 million. Throughout the depressed business conditions of the past two years, he has kept his company moving steadily and current projects include a Jordan Marsh department store in downtown Boston, and construction management on a hospital in Melrose, Mass. Hospitals and subway work in Washington, D.C.

The Volpe company, headquartered now in the suburban house where Volpe grew up (now greatly expanded) maintains a staff of between 50-60 people and has three offices, Malden, Washington, D.C., and Miami.

The son of Italian immigrants, the new AGC president went to work for the company as a high school student and then joined fulltime in 1935. Two years earlier, his brother, John, organized the company in the family living room.

As John turned more and more to politics, and finally out of construction, Peter moved up the layers of management, ultimately assuming control. Peter Volpe’s son, Peter Joseph, 28, now works in the firm’s accounting division.

A soft-spoken man with a penchant for flushing out quickly the substance of an idea, his own talent for maintaining a substantial work load during the recession has not blinded him to the need for all contractors to find more work opportunities both here and abroad.

To those ends he has already publicly committed himself and appearances in the nation’s capital will undoubtedly be frequent.
He is a member of nearly a dozen construction-related organizations and was also appointed by President Ford to the recently created National Institute of Building Sciences, which went into operation last year.

When Construction Dimensions caught up with Peter Volpe, he had just returned from an AGC meeting in San Francisco and his agenda included yet another meeting as well as a multitude of business items competing for his immediate attention.

So, taking things in the Peter Volpe manner, he sat down and talked about construction matters, putting three hours of information into one hour.

DIMENSIONS: The past two years have seen some rather hard times for all contractors. Do you see any immediate changes—in view of these last two years—in the traditional relationship between general contractors and subcontractors?

VOLPE: Not really. I don’t see any major changes taking place. We must continue working together just as we have been doing. Over the years we have all worked out guidelines, so to speak, and if these guidelines were suddenly absent or ignored, we would slow down the process.

DIMENSIONS: More and more, subcontractors feel that they are being exposed to a greater proportion of dollar risk than is the general, that is, they have more hard cash involved. They’re actually doing more of the job, but their status has not changed appreciably. Is this criticism valid?

Even here, though, if the CM is thorough, and does his job well, he’ll make the subcontractor perform as he should. There has to be a good relationship or one of the parties will suffer losses.

DIMENSIONS: Mr. Volpe, despite the traditional bickering between subs and generals and the uncertainty involved in any given project, one sub has made the unqualified statement, ‘give me the good, old-fashioned dictator for a general; if he’s a smart dictator, I’ll make money.’

Would you go along with that kind of assessment?

VOLPE: I think your subcontractor friend has a point. In the final analysis, we must work together. The General must be the leader of the team. If a sub is right on the mark and he’s driving it’s good for the entire job. When my company finds a sub like that we like him. We know he keeps steady crews, good field management, flexibility to increase in a hurry without hassle and get the job done and get out.

Now, that’s a real professional. Sure he has to protect his own company but he’s professional enough to realize that. The sooner he gets out, the better for all concerned. That the best workmanship and time make for a good project.

DIMENSIONS: But you are acknowledged as the caliber of general contractors that lives up to your motto. Not every general, broker, or CM emphasizes “skill, integrity and responsibility.”

VOLPE: Nor does every subcontractor. It is now, and always has been, a two-edged sword. It’s (Continued on Page 27)
the integrity of the firms involved. For myself personally, I’ll pay more to a certain sub that experience has taught me is good and can be relied upon to perform.

Subs also should give better prices to generals on the basis of reputation and performance.

As for a subcontractor getting burned, every sub should evaluate the general contractor with whom he intends to work and then that general should be priced accordingly.

If subcontractors keep complaining about a certain general contractor who has hurt them and then turn right around and bid him at the same old price schedule, what is there to complain about? They’re doing it to themselves, aren’t they?

**DIMENSIONS:** As a general who has little problem getting quality subcontractors to bid to you, Mr. Volpe, what is it that a sub can do to get an edge with you? That is, how does a sub make points with you?

**VOLPE:** Well, many subs try to approach the principal of the firm, me, and this can often be difficult because of time commitments. The best approach—especially for a big firm—is to go after the chief estimator.

His recommendation about a sub carries an awful lot of weight in the final selection. Of course, in a small firm, the principal and the chief estimator might be the same individual.

**DIMENSIONS:** What is a sub’s approach to you? What is it that you are most impressed with in looking over a new sub?

**VOLPE:** A good resume, I think. He should have a nice, attractive brochure that gives some of his company’s past history, projects they’ve done, proof of familiarity with various types of work and scheduling such as CPM, fast tracking, CM, and the like.

**DIMENSIONS:** What are the top priority items you’re looking at?

**VOLPE:** He should be able to prove on-time completion and satisfied clients. That’s what I’m after. Also—and this is very important—he should demonstrate his bonding capacity. With a new sub, regardless of his track record, we’ll automatically bond him. Most good generals will do this. Some Generals bond all subs;

**DIMENSIONS:** Have you any pet peeves about subcontractors with whom you plan to work?

**VOLPE:** It’s not really a peeve, but I feel a subcontractor should always read the general conditions and know what’s in them. When he signs a contract he not only accepts the technical requirements but also the general conditions.

I’ve actually been in situations where on bid day the sub didn’t even understand the bid form because they do not know that alternatives exist.

I know they haven’t read the general conditions and it stands to reason that any general will start keeping an eye on them from that point: I know, I do.

**DIMENSIONS:** Speaking of forms, contracts, general conditions and the like, the use of more or less accepted standard subcontract forms has never really enjoyed the success their proponents want. Why?

**VOLPE:** I’m not at all certain why. But I think it’s probably due to the fact that no single form can be appropriate for all conditions.

Regardless, I think efforts to set down mutually acceptable guidelines should continue, but neither side, I don’t feel, can ever dictate a form that will serve for every job and every situation.

AIA has a standard form of contract between the architect and the general contractor and it is rare when that form is not modified in some way. The same is true for the subcontractor.

Problems develop, for example, when a general gets burned in a certain situation. You may be sure that he will cover himself for that
particular kind of contingency the next time he gets into a contract signing situation. You remember the situations that went bad and thus protection creeps in to modify standard forms.

DIMENSIONS: Throughout the worst recession since the 30’s, you have managed to sustain your business volume. But many people see a dim future for construction. Where do you see this industry going? Is there really a bright future?

VOLPE: There is no question but that the future of construction is bright. In my mind, it has enormous potential.

My son, Peter Joseph, is now in the business here in the financial and accounting department—and he wouldn’t be if he didn’t see potential.

The mere replacement by obsolescence of existing plant and structure is a market that will always be there. Population isn’t really decreasing, so future construction will have to be extensive.

Large cities, I think, will be decentralizing into “towns” or what the GSA is calling “megastructure” type approaches. There is new construction, plus alternation in the big cities. Some are tearing down old buildings and perhaps replacing them with parks—which isn’t a bad idea.

You can talk all you want to about killing the Highway Trust Fund, but many of the country’s bridges and roads are old and are badly in need of replacement and maintenance right now. Some type of funding is necessary. There’ll be no avoiding the work that must be done in this field.

DIMENSIONS: Continued growth or not, the major criticism of the construction industry is fragmentation. The so-caged “single voice” seems to have multiple echoes right now. How can fragmentation be minimized?

VOLPE: It’s approaching. The NCIC (National Construction Industry Council) does provide the best “single voice” on industry matters.

The National Constructors Association, the Contractors Mutual Association, and the AGC are now in the joint cooperative and are hoping to create the National Construction Employers Council with its purpose to provide a “single voice” on labor matters.

In labor matters, we have had the CCE (Council of Construction Employers) which includes only 10 organizations. The CCE is carefully looking into affiliating with the new NCEC because we all recognize a need to sit together and come up with the best unified approach to labor matters.

At the same time, these new groups must remain flexible enough to accommodate the needs of the various organizations without disrupting the industry. I think we can do it.

DIMENSIONS: On a more personal basis, what are your ambitions in alleviating some of the problems in the industry such as unemployment, depressed business opportunities, inflation and the like?

VOLPE: Well, as for depressed business conditions, I think we must look at the tax structure with a view toward making the laws more palatable for investors. I think investment credits must be increased because without investment you’ll have no growth. All of the housing spurts in the past were the direct result of substantial tax breaks—and if credits are required then do it.

DIMENSIONS: At the present time, even with unused plant capacity, prices are continuing to increase. Many feel that any stimulation would trigger off another round of double-digit inflation. Does inflation bother you and is it true that you would like to meet personally with President Carter on construction’s ills?

VOLPE: Yes, I would like to meet with President Carter. As for inflation it does bother me—as it does any contractor with a long-term contract.

I’m looking for steady growth and I’m willing to accept a little inflation. But the double-digit variety gets a contractor into deep trouble and no one wants that.

Plus, many people in government simply don’t understand con-
construction. Too many of the rules, regulations, laws and controls, serve as prime examples of this misunderstanding. They’re geared more to the hardware manufacturer or the factory situation and thus are not geared to construction which is an entirely different animal. These rules and regulations if improperly used, can add substantially to construction costs.

DIMENSIONS: Would the recent call for an Office of Construction still be an appropriate mechanism for this goal?

VOLPE: Yes, it would be. Construction amounts to what, 9-10% of Gross National Product? It’s probably the biggest industry in the country but we still don’t have sufficient input on problems that could be resolved.

DIMENSIONS: With the lack of work situation the way it is now, there doesn’t seem to be much room for play in bidding work.

VOLPE: There’s room if you allow for flexibility. Where we bid a job, our only variable is profit. As long as the sheets are priced to do the job and recover costs—that’s all costs, now—you can play with profit all you want.

You start playing with anything but the profit and you’re courting disaster. Even with profit, you should be careful, that is what keeps you in business and allows you to grow. That’s the condition the construction industry finds itself in today. There should still be some profit—but too many are getting mighty close to the equity line.

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costs, speed up the project or improve the quality deserve preferential consideration in the award of a contract.

Value engineering discussions should be pursued with trade contractors all throughout the design stage of a project and these discussions in turn will keep a builder sharpened on the changes in the marketplace.

Tailoring the scope of bid packages is another important method of effecting a savings. Various combinations of trades and systems lend themselves to more competitive bidding by a wider group of contractors.

Another “how to cut” involves the wide use of mockups and trial installations and these of course can be made in conjunction with producers’ and subcontractors’ evaluations.

Last on my outline of “how to cut” are the opportunities for what we call double duty systems. Automation control that can double for both fire safety and energy utilization is a good example of this.

Summary

What I’ve outlined sounds very complex and indeed it is in contrast to the traditional way of doing things—that is, completing the design and then awarding a lump sum general contract. I have outlined a process that integrates the steps of planning, design and construction and provides the decision maker with alternatives.

In order to accomplish it, a good team with strong leadership must be put together. The leadership can either come from a very knowledgeable owner, it can come from a strong Architect/Engineer or it can come from a professional Construction Manager.

The integrated approach has many hazards and its share of failures. They key to its success is flexibility and professional team work.

Through the team, the building product producers have opportunities to influence change and demonstrate their own capability. Such producers who show an ability to respond to this type of initiative will soon find that they can drastically reduce the time for bringing their new products and systems from the research labs to the marketplace, all the while, contributing to the implementation of “sensible money saving techniques.”

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