The mixed picture of 80

**AWCI President Ray Boyd agrees construction this year has resembled a ride on a roller coaster: is up or down next?**

The jury is still out as to whether the construction industry has entered into a late-year recovery that will offset sagging performance figures for the first half of 1980.

Those figures clearly indicate this will be the bleakest single construction year since the major slump of the mid-70s.

Before the year started, Owens-Corning's C.E. Peck offered the simplest description of the construction year, when he addressed an audience at the 1979 Marketing Conference of The Conference Board.

Said Peck: "Business cycles always sharply affect construction industries. However, like the cars on a roller coaster, the different construction segments reach cyclical peaks and valleys at different times."

The "low car" on the current roller coaster ride has been the homebuilding industry. The drop in new home starts has been so sharp in 1980, it has spurred heavy unemployment and has left many analysts wondering if lost manpower will return to the industry when the inevitable turnaround finally comes. So acute has been the cutback in housing starts the Washington Post recently reported that a Maryland couple walked away from a new home purchase and left a $7,000 cash earnest money deposit on the table.

Complicating the new building picture is a marked weakness in multi-family housing construction. Only a backlog of government sponsored multi-family projects kept that market from slumping as seriously as the single-family housing market. Analysts are now concerned that the government projects are only obscuring a genuine multi-family slump -- or worse, simply delaying it.

On the commercial side, the picture is equally mixed. On one hand, new building activity has been abundant in many areas. However, many buildings have either been delayed or temporarily cancelled until some clearing in the muddy financing waters -- where interest rates have finally shown signs of declining.

After a superb 1979 for commercial office building and other types of commercial starts, many contractors have been riding the "high car" during 1980. However, as many analysts point out, the nature of commercial work may be distorting the picture. Since most major projects take at least a year to complete, the commercial figures have been held up by a solid working backlog for much of the year.

The government's role in the 1980 construction picture has been anything but static. Uncle Sam complicated the financing market by borrowing huge sums for government operations at a time that money was already tight. The fed also was putting off some strange vibrations in other areas, such as highway and bridge construction, because of the possibility of as yet undetermined budget cuts. Meanwhile, educational and institutional buildings construction has been slowed by low population growth and local property tax cutbacks.

Utility construction has also operated below its potential -- largely because of conflicting signals from the fed on environmental issues and nuclear energy.

Although other federal activities did not impact construction in all areas, the government's sudden turn to credit restrictions caved in around the housing industry.

True, it's not possible to charge a house on a Master-charge card, but the restriction of retail credit made potential home purchasers too wary to dip into the capital necessary for such a major purchase.

The credit moves came just at the time many analysts were preparing to predict an upturn in the fortunes of homebuilders, because of a general belief the Congress would spit out a tax cut measure and politicians would pad their reelection campaigns with some election-year moves to encourage homebuilding.

For many contractors, the sudden credit crunch meant double trouble: carrying good customers longer, further diversifying and shifting to hot markets like retrofit. As the interest rates began to drop, cautious optimism prevailed that many of the delayed commercial and residential projects would soon move off the back burner.

**LABOR'S LOSSES**

Contractors were not the only industry segment to take their lumps during the early slump. Labor had some big losses.

Wage and benefit gains recorded earlier meant little, when work force Continued on page 18
became a bottom line consideration. Layoffs started in response to the decline in business.

By May, employment in some areas of the construction industry had fallen to its lowest levels since World War II. Generally, industry employment figures were the lowest they had been since the slump in the mid-70s.

Despite assurances from President Carter that employment would not fall victim to the administration’s economic program, construction layoffs coupled with auto industry layoffs to send the unemployment figures soaring.

In all, there was little news of cheer during the first six months of the year, unless you counted reports that commercial activity declined only slightly. (Dodge Reports, June 1980).

NEW PRESIDENT

Against the dismal backdrop of the economy, Garland, Texas contractor Ray Boyd moves to the head of the wall and ceiling industry this month, as he opens his term as President of The Association of the Wall and Ceiling Industries -- International.

Boyd expressed the same general optimism as other industry experts, noting that early signs of some late-year recovery have been surfacing.

He said the amount of recovery would depend on interest rate stability and whether or not the government stayed out of the private sector, which it has regularly used for borrowing.

Boyd, who is President of the Ray Boyd Plaster & Tile Company in Dallas’ Garland suburb, is a diversified contractor doing plastering, drywall, acoustical, tile and other interior system work. He has kept ahead of the 1980 slump with a brace of new Sun Belt work and a strong backlog from 1979 commitments.

During an interview with Construction Dimensions, Boyd talked about his views on the economy, his desire to see AWCI continue its growth, and the mixed picture construction has presented in the first half of 1980:

DIMENSIONS: Ray, you come to the Presidency of AWCI on the heels of a major building decline. How serious is this slump?

BOYD: In light of recent events, that’s difficult to say. As
we talk, there are some signs of improvement. If interest rates do remain stable, we could see some definite improvement.

**DIMENSIONS:** What will determine that stability?

**BOYD:** A number of factors. One of the most important is whether the federal government will go back to private sources of lending to borrow funds. When it does this, of course, it competes with business for loans. If it stays out of the market, this will go a long way to determining the future stability of interest rates.

**DIMENSIONS:** But you see a danger in the fall of interest rates?

**BOYD:** The danger is that they might fall too much, too fast. When this occurs, we will be back on the track to an inflationary spiral. When credit is too cheap, it has a definite impact on inflation. On the other hand, we don't want the rates so high that they inhibit homebuilding. We need to promote homebuilding, which in turn will help commercial building.

**DIMENSIONS:** Then is it likely that commercial building will avoid a major slump?

**BOYD:** It would be hard to imagine that commercial building would see the kind of slump that has affected the homebuilding industry. But these things are cyclical. Normally, some decline in commercial markets follows a decline in home starts. We know from experience that commercial trends usually follow the home market by about six months. The question is how serious this impact will be if we see stabilization of interest rates. It could well be that the current situation could be far less serious than we originally thought it could be.

**DIMENSIONS:** Then the recovery might be swift?

**BOYD:** I would expect the homebuilding industry to rebound very quickly -- though again, we're talking about favorable interest rates being available. In any case, I would expect it to take several months for the construction industry to recover from the enormous losses it has experienced during this slump.

**DIMENSIONS:** What really caused the slump, a general decline in confidence in the economy?

**BOYD:** Perhaps, but it was the direct result of the high interest rates and the short supply of
money. Interest rates had been so high that many people simply could not afford to borrow building capital. The lenders were having to pay more for their money, and even now, many owners and developers are still either waiting for new money or for some further reduction in the interest rates.

**DIMENSIONS:** There is, despite the slump, a lot of building out there. True?

**BOYD:** Building is being done, but some of that was precommitted or being carried over from the backlog of projects.

**DIMENSIONS:** The last time we saw this kind of slump, many skilled people left the industry forever. Is that going to happen again?

**BOYD:** Not to the extent it did last time. Which is good, losing skilled labor would hurt the industry. We are at a time when quality construction is intensified as a need, because of the energy crunch and because of inflation. We must keep our skilled labor force, and this is why the apprenticeship programs are so impor-

**DIMENSIONS:** What will be your approach to your term in office?

**BOYD:** I believe the association is like any business. If you have the role of leadership, you must secure the best possible people to work for you. Then you delegate the work, and you stand back and let them do their thing. Of course, you monitor the results, but you don’t interfere with their particular work. Our association has a fine professional staff, and I plan to let them do their thing. We are also fortunate to have many fine committee members, and I’ll let them do their thing, as well. I don’t see how -- as much as we are growing as an association -- we can be effective in any other way.

**DIMENSIONS:** Do you have a specific goal for your presidency?

**BOYD:** My goal would be to make a contribution. I would like to see our association continue to grow and to improve, just as it has in the terms of my many fine predecessors.