

# Supplier Subcommittee Meeting

April 7, 2008

## Minutes

### Attendees:

DuBose Tuller, SEACO, Inc.  
Scott Capps, The Sharon Co., Inc.  
Ed Deaver, Holcim (US) Inc.  
Chris Broderick, CMC Rebar SC  
Andy Johnson, SCDOT  
Mike Koon, SCDOT  
Cliff Selkinghaus, SCDOT  
Chad Hawkins, SCDOT  
Milt Fletcher, SCDOT  
Merrill Zwanka, SCDOT  
Aly Hussein, SCDOT  
Danny Shealy, SCDOT  
Sammy Hendrix, Carolinas AGC

The meeting was called to order by Milt Fletcher with introductions.

### New Business

#### Committee members update on industry

Chris Broderick report steel prices are rising. He read a memo from their mill. Index rose 25% higher than the previous record. Typically in the spring the flow increases, but not meeting the demand. Currently the scrap market is lean. It is going overseas due to the weak dollar.

The price now is \$155 a ton. That establishes the scrap index.

An example is a recent bid in Charleston where we made a verbal commitment and two days later it was a bad price. It changes that quickly.

We are at the top of the wave at this time and do not know if it will soften soon. China and India are big buyers now.

The scrap supply shortage drove up the price. Auto industry is a source of that supply and they are down. The mills are having trouble finding scrap to purchase.

The mills are determining what you can order now based on what they let out to market. They will take your purchase order and honor it if they can.

Scott Capps report on guardrail which is experiencing the same situation with shortages. Last week the prices were up 9% on order already placed. Suppliers hope this is a short "blip."

Bidding is a problem when you can't factor in how the prices will rise. It is a guessing game bidding jobs. With guardrail you cannot buy ahead due to galvanization. If you stockpile and it sits, residue accumulates. Also, it takes a lot of room to store guardrail.

Sammy Hendrix reported he attended a mining association meeting last week. Their yards are loaded. They are in production, but not as much since they are not getting much DOT work. There have been some price increases.

Eddie Deaver reported on cement. The supply is in good shape and do not see any problems through mid 2009. Imports did not play a big part in shortage. 1.4 billion tons made annually in China, but is a lower grade. The impact will be fuel surcharge. A 6% price increase is predicted in 2008.

The carbon tax is what is on the horizon in a couple of years and will hit the cement industry hard. If the playing field is not even, we may see off shore cement coming in because the US will not be able to compete. The industry is working to lower CO2 gas emission. A coalition of cement companies is looking at a 10% reduction of CO2 mandate. LaFarge is moving ahead and doubling production.

Wal-Mart wants carbon credits for construction of their facilities. They mandate 15% fly ash in their floor systems.

Andy Johnson asked if DOT should be looking into a blended cement.

Eddie suggests they do. The quality does get better.

DOT can look into this. Eddie can supply any data they would like to see on use in private industry.

DuBose Tuller reported on asphalt emulsions. NuStar has purchased CITGO. There will be some "settling out" on the asphalt side. NuStar buying the refinery is good. In time there will be new sources of asphalt and more storage to push supply and demand.

On pavement preservation movement – surface treatments, etc., not all are effective. There needs to be a push for clean stone. Lightweight stone or clean stone helps reduce loose stone on the roads which causes windshield breakage.

Gerald Strickland with NuStar will be asked to join this committee.

### New Specification Manual – Testing Procedures

Chris Broderick asked questions concerning supplemental specifications and verbiage on pre-job testing by an outside lab.

What is sufficient and what does DOT expect. Example – blue book or black book based on letting date?

Where are we now for future projects?

When will we be told pre-job testing is insufficient? Depending on the time frame, pre-test and what is shipped to project may not be the same product.

Merrill Zwanka answered the specs have been evolving. You need to get specific concerns to DOT.

Milt acknowledged that it needs to be clearer. Let us know where the spec is vague and we can review before it is finalized.

### Asphalt Mix Specification

Milt Fletcher reported on this issue. SCM400V will address this. Chad Hawkins added this is for interstate projects and is an added verification policy. We will have portable labs to obtain verification samples for off site testing. Both contractors and DOT need to be sure we are doing what we should in the testing. This will start with the June lettings with interstate work only.

### Project Letting Projections

This is on the DOT web site through September, 2008. Another \$180M in federal money will be let including some bridge projects.

### Any Lab Procedures or Changes

Milt reported test procedures will be on the web site.

### Other Business

Sammy Hendrix provided a Legislative update. A bill is up to transfer \$300 of car taxes to DOT. Also, phase in a gas tax over the next five years.

DOT will not get an extra \$10M this year. It was being pushed with an increase in this amount over time. There is a lot of opposition to a gas tax and it would not be enough to fund our roads.

Codify the law to transfer other money is what we need. At some point in time if we don't get money, some bridges and roads will shut down because with no maintenance and repair they will not be safe.

The industry is already seeing lay offs of employees due to lack of work. What is helping are the counties who passed a sales tax for roads. They have this money to create some work.

DOT restructuring will be good in the long term for prioritization, but should have been phased in versus DOT basically having to stop and start again on project lettings.

Chris added they having the plans on DVD is good along with the standard drawing. It is easy access to these.

The next meeting is scheduled for October 13. This committee will meet every 6 months.

The meeting was adjourned.