

From Where I See It ...

Regional Fabricators Say the Future Looks Just Fine

By Peggy Georgi

Coast to coast and region by region, fabricators across the country say the glass industry appears to be in pretty good shape. The strong commercial market has helped offset a downturn of residential activity. Despite certain negatives, such as an excess of capacity in some areas, some deterioration in prices as more new fabricators try to establish a foothold in the industry and as increasing international competition comes into play, established fabricators say they are surviving and thriving. While there are certainly challenges and obstacles ahead, fabricators in the country's different geographic segments are optimistic about what the future has in store.

Strong in the Southeast

If you needed one word to describe the glass industry in the Southeast, it would probably be strong. A steady influx of people to this region continues to bring an ongoing source of demand that fabricators expect to see long-term.

"We have enjoyed a couple of extremely good years," says Jack Hoey, president of Coastal Glass Distributors in Charleston, S.C. "While 2006 marked a slowdown in the residential housing market, commercial construction continues to flourish."

"Economically, we are in an area that is relatively strong. There are four major port cities from Wilmington, N.C., to Jacksonville, Fla., and both imports and exports are booming, so this has boosted our local economy," he says. "Charlotte, N.C., is home to two of the nation's five largest banking institutions and the area is still growing, bringing a need for new home and business starts." He says that while the housing market has been slow, predictions say it will pick up by the latter part of the year, continuing at a steady pace into 2008.

"From what I am seeing, housing prices have risen, people are reinvesting back into their homes and glass is being utilized in homes and businesses in new and innovative ways," Hoey

says. "In terms of new construction, builders are upgrading their amenities to boost sales and this has led to an accelerated shift to the use of [value-added] glass products."

Business has also remained steady for Memphis-Tenn.-based ACI Distribution.

"In 2006, ACI achieved record sales, based primarily on increased growth in products associated with commercial construction," says Alice Dickerson, director of sales and marketing. "In spite of the slowdown in residential construction, our mirror business grew by double digits in 2006 in both distribution and truckload sales."

Last year, according to Dickerson, Vitro, ACI's parent company, committed to a record level of investment in the future for fabrication equipment related to commercial construction, and the increasing demand for high-performance glass. Dickerson says this includes the company's new Houston fabrication facility, which should be

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fully operational by this October.

"All forecasts indicate 2007 will be a very challenging year, particularly for any business that depends on growth in residential construction," Dickerson says. "It's early, but year-to-date sales are looking good compared to the prior year. We are experiencing increased sales in most areas, specifically in commercial driven products. In spite of residential construction slowing, we experienced a 40-percent increase in sales of specialty products during 2006. Of course, much of this increase was a result of bringing in new product offerings."

Southeast fabricators say there are a number of reasons for the business growth they've been experiencing.

"Code [national and local] changes have definitely been a driving force in our business," Hoey. "The use of laminated glass to meet hurricane impact standards is ongoing. The increasing use of energy-efficient glass products, such as low-E, has been the catalyst for a rapid shift of demand for this type of product." He continues, "A rising awareness among homeowners and builders alike for more functional, energy-efficient and environmentally friendlier structures is also helping to fuel demand."

Like Hoey, Dickerson also says changes in codes and building requirements is a reason for the growth.

"As new energy and building codes are adopted, the demand for high-performance products continues to grow," she says. "This growth is changing our business tremendously."

Specialty glass and value-added products are also helping to fuel growth.

"While color-coated glass has been around for some time, technological advances in the coatings are giving us new uses for glass virtually every day," Hoey says. "We know that today's new product is tomorrow's commodity."

Dickerson says the demand they



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—Randy Steinberg, Glasswerks

see for specialty glass products is greater today than ever before. She says it is a direct response to new design trends that have created a demand for a variety of unique patterns of glass for furniture, kitchen cabinets and bathrooms.

"As a result of all the hurricanes experienced in the past couple of years and security concerns since 9/11, the demand for impact-resistant laminated glass is on the rise, too," says Dickerson.

Solvent in the Northeast

While the Northeast may be the slowest growing region in terms of population, the area remains ripe with opportunity for fabricators.

Gerry Duffy, president of Trulite Industries, a commercial glass fabricator based in Mississauga, Ontario, says business is booming. He says that though their headquarters are in Canada, his company still does a lot of work in the United States, especially the Northeast. "We have moved away

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—Jack Hoey, Coastal Glass Distributors Inc.

from the residential market to the more complex, yet very rewarding, commercial segment,” Duffy says. “This was a good move as the commercial construction market is very strong right now.”

According to Duffy, today's commercial construction projects are very different compared to those of years past.

“Buildings being constructed today are very different from just a decade ago—less brick and mortar and much more glass inside and out. They are certainly more complex, brighter, energy-efficient and visually appealing.”

According to Duffy, one of the biggest trends right now involves projects incorporating multiple types of glass products together in a single design. “Over the past five years, we have seen a surge of glass products, colors and patterns being used in buildings for both function, energy efficiency and aesthetics,” he says.

Andrew Kennedy, Trulite's commercial sales manager, agrees and says he's seen substantial growth in design-build projects as well as building owners taking over more control in the design phase. “The increasing challenge associated with these types of design-build projects for a fabricator is meeting scheduling needs and, in particular, quick lead times,” he says. He adds that they are also seeing architects and owners becoming more knowledgeable about glass and glass products.

“Their increased knowledge of our products is being reflected in the increase of glass products they are incorporating into their overall designs,” Kennedy says.

Duffy agrees, saying they often provide architects with tours of their facilities and spend time with them to try and educate them on their products. “It gives us the opportunity to promote the entire industry and cultivate a collaborative relationship for the future,” he says.

Making it in the Midwest

While America's heartland has experienced a slowing demand for flat glass due to the combination of the automotive market downturn and a steady decline in the residential housing market, the bright side has been the growing commercial segment, which has kept fabricators busy.

“Business is excellent and we have had several outstanding years in all of our plants,” says Bill Stone, president of Louisville Plate Glass Company, a United Glass Corp. (UGC) company. Stone credits some of the policies of the Bush administration and the 15-percent capital gains tax as being instrumental in helping to keep enough cash in the system to fund investment and new ideas. “With the business climate today, people are willing to upload some of their assets, which is helping to stimulate growth,” says Stone, who is also a UGC board of directors member. “Incentives are important and giving resources back to good investors who ultimately contribute to a healthy economic cycle does boost business. Personally, I like the fact that the government is getting out of the way, lessening the bureaucracy and promoting more business-friendly policies. This is very good for business.”

As far as trends taking shape in the Midwest, Stone says it's all about the high-performance, value-added products, including insulating glass, low-E, tinted and other specialty products.

“Of course, the cost of energy will drive these trends and become a bigger percentage of the total cost of manufacturing glass,” says Stone. “I expect to see manufacturers come up with more prylitic, off-the-shelf soft coats and this will put a lot of pressure on the custom coaters. But, this will also lend itself to more value-added projects, solar control units, colors and versatility and use of these specialty glass products, which should lead to new developments from primary glass

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manufacturers and ultimately an increase of sales.”

Primed in the Pacific Northwest

Like the other areas of the country, fabricators in the Pacific Northwest say their area is also poised for growth. With a low unemployment rate, historically low interest rates and a good economy, fabricators are enjoying the fruits of their labor, despite an excess of product due to the recent downturn of the residential market. The strength of the commercial market, which continues to grow, remains a steady source of opportunity for fabricators in this region.

Nick Sciola, president of Hartung Glass in Seattle, and Tim McQuade president of Northwestern Industries, also in Seattle, both say that right now business is good.

“There have certainly been times when the economy has been slow as a whole, but overall the region seems to enjoy a steady pace of work,” says McQuade. “We have our share of challenges, such as weather extremes, market highs and lows, formidable competition from within our borders and outside, as well as growth in competition in the Pacific Northwest. However, the commercial segment of our market continues to rise and I anticipate this trend to continue.”

Sciola agrees. “Right now, the residential market is down overall and the commercial market is rather robust.”

He explains that the residential market is about 30 percent below expectations in California, though the drop is not that dramatic in other segments of the Pacific Northwest. “A softening of the residential market has left fabricators with an excess supply of glass at float plants,” Sciola says. “Anytime you have a great deal of additional capacity in the supply chain all fabricators and float plants are impacted. We all have increased capacities that are

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—Tim McQuade, Northwestern Industries

unfilled at this time and we aren’t quite sure how long it will take to move it. I am cautiously optimistic that we will see some upward movement in the residential market by the end of the year.”

In addition to excess supply, Sciola says overseas competition is another strong factor influencing downward pricing pressure. “I expect a bigger challenge in terms of pricing pressure in the year ahead,” he says.

And, just like in other parts of the country, high-performance glazing products are taking hold of the architectural construction market.

“The green movement, high-performance products, specialty coatings, a higher complexity in design and aesthetics are all taking our work to new heights,” says McQuade. Like Duffy in the Northeast, McQuade says he, too, has seen an increase in custom and complex projects.

One issue with which glass companies in the Pacific Northwest—and nationwide—are faced is finding, training and maintaining a viable workforce.

“It’s no secret that the labor pool is tight in our industry,” says Sciola. “The glass industry does not necessarily nurture new talent and we are short on qualified, capable individuals across the board. We need people from entry level to management.”

“We’re all pretty much looking for the same things,” says McQuade, “to increase our market share, look for more efficient and effective ways to conduct business, utilize glass technology and equipment to our advan-

tage, add plants to meet increased demand, more efficiently cover our geographic service area and best manage increasing costs (transportation, fuel costs and labor, etc).”

Steady in the Southwest

The Southwest is the country’s fastest-growing region, with its population climbing by 1.5 percent over the past year. California remains the most populous state in the United States with a population of some 36.5 million. Southwest fabricators credit location, steady growth, economy and temperate weather as being advantages to business success in this region.

Randy Steinberg, president of the Los Angeles-based Glasswerks Group, says business has been pretty good for the past six years. “Our focus is architectural and high-end residential and these markets remain very strong,” he says. Despite the fact that new residential starts have dropped between 20 and 40 percent over the past year, demand for glass products along the West Coast remains high. He attributes the demand to the steady influx of people and business—including new fabricators into the area. “Despite the increase of new fabricators to the area, there is still plenty of work because people continue to build, expand and remodel their homes and businesses,” he says.

In Texas business is also flourishing. “Because of our location, and the fact that we are in a huge state, our region is primarily bordered within about a 200-mile radius of Houston,” says Bob Lawrence, president of Craftsman Fabricated Glass in Houston.

And what about trends and driving market conditions in this area? Are they reflective of what fabricators in other geographic regions report? Yes, according to Steinberg and Lawrence.

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“One of the biggest trends here and across the county is heavy frameless shower doors and heavy commercial glass storefronts,” Steinberg says. “We are seeing an increase in low-E glass products and specialty laminated glass of all types. Homes and businesses are also utilizing more glass products inside and out.”

Lawrence agrees. “We’re also seeing growth in high-performance, energy-saving glass, specialty patterns ... everything that makes life quieter and more comfortable,” he says. “Higher performance products that reduce our energy costs are really taking off. This will be a huge national concern and a great opportunity for glass fabricators as we work diligently toward reducing our dependence on foreign oil.”

The influx of foreign imports is affecting companies in this region, too.

“It’s tough to compete with the price of foreign glass being imported to this area,” says Steinberg. “This is one of our biggest challenges.”

He continues, “Except for cars and glass fabrication equipment with superior build and efficiency, I have been a ‘buy American’ person all my life. But if you look deeply into where all these ‘American’ companies are getting their raw and fabricated products ... leading the pack is China, India and many Indonesian countries.”

Lawrence says a major concern for him is the difficulty the glass industry has had when it comes to building a solid, stable workforce.

“One change that has been taking place and is potentially devastating to our industry overall, is the fact that we have not kept up with the personnel infrastructure for training and developing good people,” he says. “All this recent growth has decimated the con-

centration of experienced glass people within most well-established companies. Many left to do their own thing, and some simply wanted a change or were recruited by companies who needed experience and were willing to pay more. This situation creates a real challenge for those who need to steer clear of repeating mistakes that experience helps us avoid. As a board member, I do understand the benefits and appreciate the effort that the National Glass Association is making toward personnel training with myglassclass.com.”

Product over-capacity in the Southwest is another challenging subject, but Steinberg says as companies continue to operate efficiently, competition should not be an issue.

“There are a lot of new fabricators that have popped up, many of which are doing a fine job,” Lawrence says. “I am glad to see more independents dotting the map. However, within that same 200-mile radius of Houston, we will have gone from one tempering furnace in 1999 to the equivalent of 14 to 15 single-bay furnaces (if rumor is accurate) by the end of 2007. That is a lot of capacity for this market.”

“In terms of competition,” notes Steinberg, “if you have a good product and do a good job, you’ll have plenty of business.”

Weather conditions can also be a disadvantage.

“While the North has winter storms our area suffers with a lot of concentrated rain,” says Lawrence. “While Houston has lots of sunny days, we will regis-

ter more rain than Seattle over the course of a year; the United States’ 24-hour record rainfall occurred in Alvin, Texas, with 43.00 inches July 25-26, 1979. So, we are capable of having a lot of jobsite access muddied out for weeks.”

Hurricanes are another concern.

“Having been through several, I’ve learned there are two well-defined consequences of hurricanes,” Lawrence says. “A mid-weight hurricane causes a lot of damage to roofs, glazing systems and floods; there is an immediate jump in glass and aluminum demand that is pretty much over in a year. A heavy-weight hurricane will blow buildings over that are in its path and cause enough damage so that even surviving buildings will likely be condemned ... big hurricanes are really devastating because they devour small businesses and families. In either case, many families and businesses don’t have insurance and are wiped out. I shudder when anyone naively suggests that a hurricane must be good for the glass industry.”

Overall Forecast

From the Northeast to the Southwest, Pacific Northwest to the Southeast and everywhere in between, commercial fabricators say business is good. Commercial construction is still strong, and, despite the given challenges, companies continue to thrive, and are optimistic about what the days ahead have in store. ■

the author



Peggy Georgly is a contributing writer to USGlass magazine..