Forming Ideas

A publication of Brenco Industries Ltd Volume 4 Issue 6 Summer 2021

Brenco Industries has been publishing the Forming Ideas newsletter since 2007. It is intended to educate and inform our friends, customers and suppliers through our own observations and experiences. Brenco is a quality provider of metal cutting, forming and fabricating solutions.

FMA Fabricators & Manufacturers Association, International

Intertek

CWB CERTIFIED CSA W47.1

It's all fun and games until someone gets their eye poked out. Then it's a sport.

METAL PRICES SOAR

Hey Sports Fans, in the last Forming Ideas newsletter, we stated that steel price increases were related to an iron ore mine disaster in Brazil. We now know that there's more to it than just that. Mill shut downs, disrupted logistics and delayed mega projects, all unintended consequences of the COVID-19 pandemic, are now known to have played a larger role than previously thought.

Since we wrote that last article, Hot Rolled Carbon Steel (HRC) has jumped from $69.00 CWT to $96.00 CWT and is quickly closing in on a buck a pound. Prices have more than doubled in the past six months. Even more concerning are the shortages. Some sizes, grades and thicknesses are becoming difficult to find. And, we are told, shortages could get worse.

Stainless and aluminum are not exempt. Prices are up and stock is limited. All in all, this is going to be a difficult summer for the metal industry.

Return to normal may not happen until 2022. In the meantime, what can we expect? Here are some consequences of things that are, or could, happen:

- Cost overruns leading to cancelled projects.
- Manufacturers accustomed to contract pricing, refusing to accept frequent, seemingly unreasonable price increases.
- The impossibility of quoting large projects as material prices rise on an almost daily basis.
- Materials that were specified in a quote may be unavailable once the order is placed causing delays due to re-Engineering.

Nobody knows how long this will persist or how bad it will get. At this point, all anyone knows is that it arrived quickly and unexpectedly. Big questions prevail: Will HRC hit a buck a pound? How bad will the shortages get? When will it end and what will new 'normal' prices look like once it ends?

Patience, Grasshopper.

BIZ BUZZ

The economy is out of whack.

Here in Canada, our government has been increasing the money supply by printing enormous amounts of money. They have doled out that extra cash with little forethought or planning. We can applaud them for acting quickly, the move was very un-government like. No doubt, many businesses and individuals were saved from bankruptcy.

Even now, as the pandemic is slowly brought under control and the economy is picking up, the government continues to budget for huge deficits and print more money.

What happens to all that extra cash? Some of it gets used for paying bills and buying groceries, which is what it was intended for. But a lot of businesses and people that got that money, didn't really need it. The money went into savings accounts and investments. Proof of that is seen in stock markets that continue to show strong growth when they should have been taking a dirt nap. How else can market growth be explained during this unprecedented economic decline?

It's common knowledge that the more of something we have, the less it's worth. Gold is expensive because it is rare. Sea water has no monetary value because there is so much of it. It's the same with money. The more that gets printed, the less it's worth.

This becomes even more of an issue now when production and supply chains have been disrupted due to the pandemic. Everything we buy, like steel and lumber, are not as available as they were a year ago because, a) production came to grinding halt, and b) we stopped shipping it.

You may have noticed on your trips to the store that there are an unusually large number of items in short supply or simply not available. Money is not the problem, supply is. So, we end up with lower inventories and lots of money which can result in inflation.

Normally, governments increase interest rates at times like this in an effort to bring demand under control, but this time is different. According to the government, inflation is currently running over 3% annualized. Interest rates should be at least 3% but that would wreak havoc with our economy. Instead, governments are betting on high inflation being a short-term event. Let's hope they're right.

But what if they're not? What if the laws of economics hold true? Even as production and supply chains gradually return to normal, there is still a lot more cash in circulation than at any time in history. As prices increase, buying power decreases. As buying power decreases, people need more money. As people need more money, companies pay higher wages. As wages increase, prices increase. And so on and so on.

Granted, it takes more than an increase in the money supply to fuel inflation. Another key element is availability of labour. We'll cover that on the back page.

Unless you're in your 60's and grew up in North America, you haven't experienced high inflation. Last year, a January dollar was worth 98 cents by December. What happens when that same dollar is only worth 92 cents and the bank is only paying, oh I dunno, half a percent interest? No point leaving it in the bank. Might as well buy something or invest it in the stock market.

History Mystery

Not wanting to send my wife's family heirloom piano to the landfill, it was decided that we would strip it of anything that could be repurposed. Given that I make a hobby of woodworking, the responsibility of turning my wife's family treasure into something unique and special fell upon me. No pressure.

I didn't know much about pianos and still don't but something caught me by surprise as we peeled away the beautifully crafted wood cabinetry. The piano, by the way, was built by Wormwith & Co in Kingston, Ontario. What surprised me was the cast iron plate that supports the piano strings. In today's world, we take cast iron for granted. Actually, less than for granted. There are few foundries remaining in BC. Almost all castings are now supplied by off shore sources.

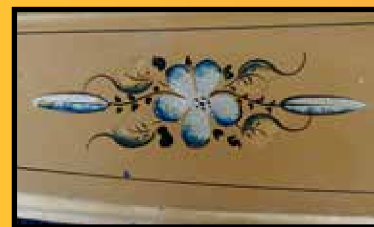
Buried deep inside the piano's shell, the cast iron plate had been pain stakingly ground, polished, painted and adorned with hand painted flowers and highly detailed pinstriping. It was akin to lifting the hood of a car, unbolting the plastic engine coverings and discovering an engine adorned with hand painted artistic detailing.

I suppose the reasoning could be that the cast iron plate was of such significance that it deserved special attention. It was, I learned, a relatively new invention attributed to Alpheus Babcock in 1825 and it completely revolutionized the piano.

The history of the Wormwith Piano company goes like this: In 1860, John Fox was building pianos at 86 Walker Street in New York City. Two years later, John and his brother, Charles, moved their business to Kingston, Ontario. In 1865, George Weber joined the company and the name was changed to the Weber Piano Company of Kingston, Ontario. (There was already a Weber Piano Company of New York). As time went by, the company name was changed briefly to Stevenson & Company before being reorganized and renamed The Weber Piano Company. In 1896, William Wormwith bought into the business and in 1907, the company became The Wormwith Piano Company. Wormwith retired in 1919 and the new owner rebranded the company, naming it, The Weber Piano Company, Kingston Limited.

So, it would seem that my wife's family piano was built sometime during the 12 year period between 1907 and 1919.

But maybe not. It turns out that The Weber company couldn't survive the Great Depression and became insolvent by the late 1930's. In 1939, the Lesage Piano Company purchased the assets and continued to build pianos under the Weber and Wormwith names until 1961. The actual age of the piano, now in pieces in our basement, remains a history mystery.



Christopher Columbus was perhaps the first economist. When he left to discover America, he didn't know where he was going. When he got there, he didn't know where he was. When he returned, he didn't know where he had been. And it was all done on a government grant.

Now Hiring

Apply Today Please!

As if COVID-19, metal shortages and inflation weren't tough enough to muddle through, businesses are facing what is probably the greatest labour shortage we've experienced in decades. Granted, this issue has been brewing for a few years but it now seems to be hitting crisis proportions.

First, let's acknowledge that this problem in not specific to our industry. When you hear of police and fire departments running recruiting campaigns, you know that this is a much bigger problem than just trying to find fabricators. Amazon recently announced that it is recruiting 3000 new employees to staff its expanded BC operations. They, along with police departments, restaurants and your competitors are all drawing from the same labour pool which is being drained much faster than it can be filled.

Twenty years ago, my father lamented the retirements of his generation. He wondered who would fill the roles of the European trained journeymen that were retiring from the workforce. Fortunately, that was also a time of significant technological change. Faster, more productive machinery filled the void left by the departure of those highly skilled journeymen.

This time things could be different. Twenty-five years ago, old mechanical machinery was being replaced by modern, computerized, highly automated processes. The old punching and cutting machines gave way to waterjets, lasers and plasma. That was a time of revolutionary improvement that significantly changed the way we worked. Twenty years later, there are few new breakthroughs, only improvements to that which already exists. A couple years ago, I spoke with a sales rep selling lasers. I made a comment about the design of the operator's panel. It looked like a gaming console. He told me that was deliberate. Equipment manufacturers know too, who the new operators will be and what it will take to engage them.

Baby Boomers, now mostly in their sixties, could care less if running a laser is like playing a video game. They are more likely to ask, "What's a video game?". But it doesn't matter because they are retiring. While many are choosing to work beyond sixty-five, it's not unreasonable to speculate that some plan to retire early. It's fair to say that the older a person gets, the less tolerant they become. Boomers with sufficient retirement funds may choose to exit early to avoid the frustrations of coping with the COVID-19 pandemic and a changing work environment. Their unexpected early departure adds to the problem of finding workers, a problem that could continue for decades.

Brenco has been publishing
FORMING IDEAS
For you since November 2007

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