CONSTRUCTION & DEMOLITION RECYCLING®

# 2011 STATE OF THE CONSTRUCTION & DEMOLITION RECYCLING INDUSTRY REPORT

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# WELCOME!

## MAINTAINING A FAMILY ATMOSPHERE

BY BRIAN TAYLOR

Politicians on the campaign trail and leaders of business trade groups are often quick to point out small businesses and family businesses comprise the backbone of the U.S. economy. Responses to the first *Construction & Demolition Recycling* state-of-the-industry survey help lend support to this point of view.

In the summer of 2011, *Construction & Demolition Recycling* magazine encouraged the contractors and recyclers who make up our readership to participate in our first survey taking the pulse of the industry.

More than 130 readers—owners, presidents, vice president and operations managers of companies in the demolition, recycling or construction business—took us up on our offer. Thanks to the participation of this cross-section of readers, we were able to garner several insights into the state of the C&D recycling industry as of 2011.

Thanks also to industry suppliers General Kinematics, SSI Shredding Systems Inc. and the KPI-JCI and Astec Screens divisions of Astec for their sponsorship of the 2011 State of the C&D Recycling Industry report. Their sponsorship commitments have helped us gather information that we'll summarize on the following pages as well as at a presentation at the 2011 C&D Recycling Forum in late September.

Some survey questions were designed to measure the state of the industry and its relationship to the economy specifically in 2011. Several other questions, however, were asked to gain an understanding of how the industry is structured.

The responses to those survey questions revealed that the companies that are demolishing structures and recycling the materials from both demolition and construction sites remain relatively small firms. More than half of survey respondents (56.6 percent) own or are employed by companies that work from a single location. Only 13 percent of respondents were part of companies with more than five locations.

These same respondents overwhelmingly work for companies that are not publicly traded. Just 8.6 percent of respondents work for public companies and another 4.7 percent for government agencies or jurisdictions. The remaining 86.8 percent are part of companies they defined as family businesses or other privately held entities (sole proprietorships, partnerships, etc.)

And while this publication, when seeking case studies and articles detailing projects, tends to focus on larger efforts, survey takers reminded us that small projects still count. More than half of respondents who are involved in demolition work (52 percent) indicated that little or none of their work (0 to 24 percent) stems from major jobs valued at $1 million or more.

When it comes to the demolition and C&D recycling markets, a family atmosphere is continuing to predominate and by no means have major corporations swallowed up the industry.

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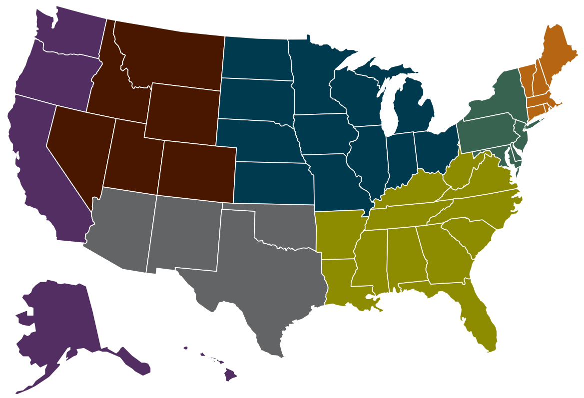
# DEMOGRAPHICS

*Construction & Demolition Recycling* magazine received 133 responses to our state of the industry survey, which was conducted throughout the summer of 2011. This page offers a closer look at who those respondents were and how their companies are structured.



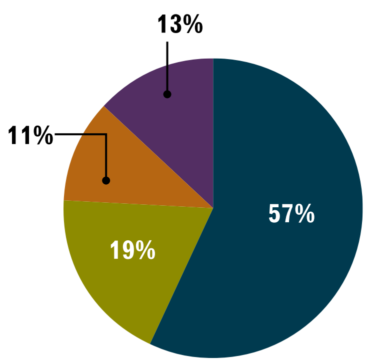
### Respondents by Job Function

| Title | Percentage |
|---|---|
| Owner/Partner | 37.3% |
| President | 8.7% |
| Corporate/Executive Officer | 6.3% |
| Vice President | 7.9% |
| General Manager | 9.5% |
| Operations Manager or Site Supervisor | 16.7% |
| Other Manager | 13.5% |
| Other | 15.9% |

### Respondents by Region

- Midwest .......... 23.8%
- Southeast .......... 19.2%
- New England .......... 8.5%
- Pacific Coast .......... 18.5%
- Southwest .......... 9.2%
- Mid-Atlantic .......... 13.1%
- Mountain .......... 7.7%

### Number of Company Locations




- 1 .......... 57%
- 2–3 .......... 19%
- 4–5 .......... 11%
- >5 .......... 13%

### Company Ownership

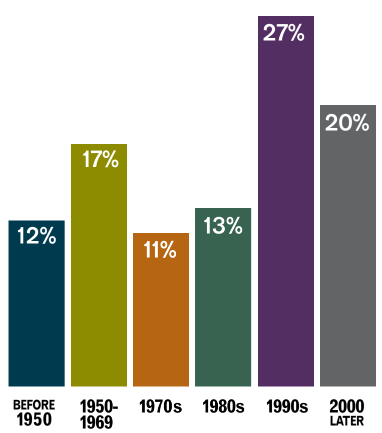
**47.7%**
Family

**39.1%**
Other Private Structure

**8.6%**
Public

**4.7%**
Government Agency

### The Roaring '90s




Year Company Founded

Of our respondents, nearly half (46.8 percent) work for or own a company founded since 1990.



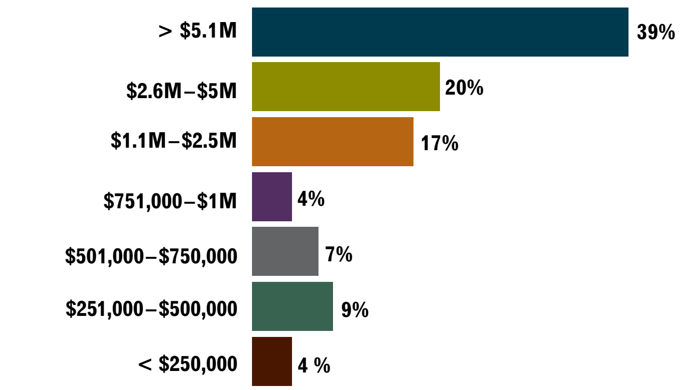
# FOLLOWING THE MONEY

The majority of statistics collected and distributed regarding the construction sector continue to point to a difficult environment for builders and subcontractors.

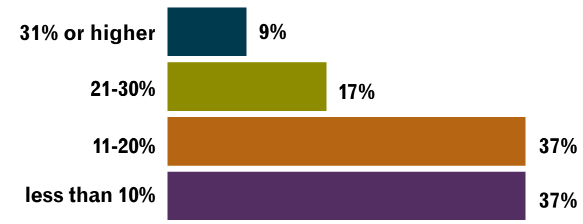
Most of those who responded to the 2011 State of the C&D Recycling Industry survey, however, are at least expecting 2011 to be a year of revenue growth.

That prediction of growth is not unanimous, and even those anticipating growth pointed to modest expectations. Nearly one-third of respondents (32 percent) are predicting either a flat year in terms of revenue or a decline in revenue in 2011 vs. 2010. Of the 68 percent predicting revenue growth, the largest single category predicted revenue growth in the 6 to 10 percent range.

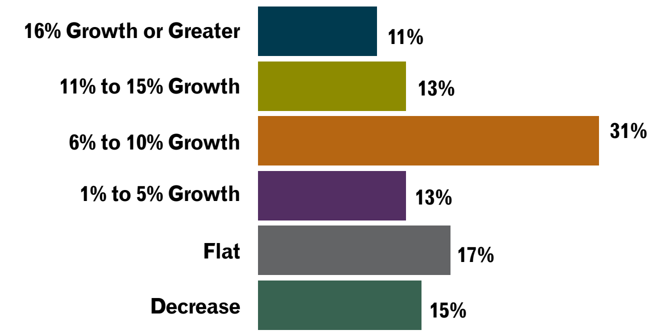
### What is your company's estimated 2011 revenue?




### What is your company's projected gross profit margin for 2011?




### What is your projected 2011 revenue compared to 2010's revenue?

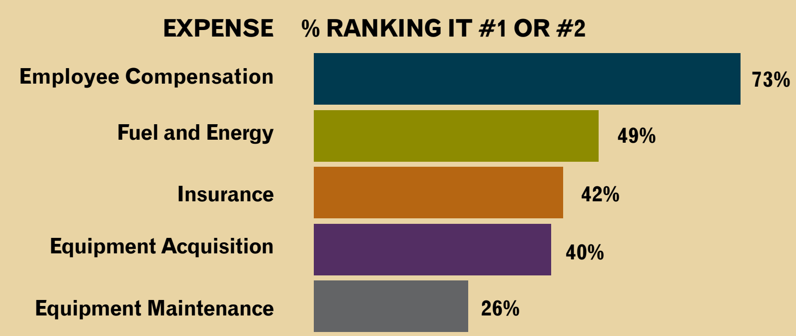



### BUSINESS EXPENSES

The demolition and C&D recycling industries are heavily reliant on people to get the work done. When asked to identify their greatest expenses, survey respondents pointed to employee compensation as their greatest ongoing expense.

The next most commonly-selected answer was for fuel and energy costs, an answer that outpaced both insurance and equipment acquisition as a major expense.

### What are your company's two largest expenses?



# GK's vibratory solutions deliver the key technology that make C&D recycling systems work.

General Kinematics supplies our customers with the most efficent and effective recycling equipment, C&D systems, optical and mechanical sorting, and other waste recovery technologies for the efficient separation of recoverable material.

General Kinematics Finger-Screens™, De-Stoner® Air Classifiers, and secondary sorting solutions efficiently and effectively classify, separate, and sort materials, reducing labor requirements and increasing overall system throughput.

GENERAL KINEMATICS

Through innovative design and superior technical know-how, GK C&D systems and equipment bring you the highest throughput, highest recovery rate, and most efficient operational design available in the industry.

***GK C&D Systems:***

- CD-Express: Systems for processing up to 150 yds. / hr.
- CD-XL: Systems for processing up to 250 yds. / hr.
- CD-XXL: Systems for processing up to 450 yds. / hr.
- CD-MAX: Systems for processing up to 750 yds. / hr.+

***C&D Equipment:***

- Finger-Screen™ primary and secondary screens
- Single, Dual, and Triple Knife De-Stoner® Air Classifiers
- High-Energy Secondary Fines Screens
- Rotary Trommels
- Vibratory Feeders and Screens

For more information on GK's full line of recycling sorting solutions, visit our website at www.gkrecycling.com

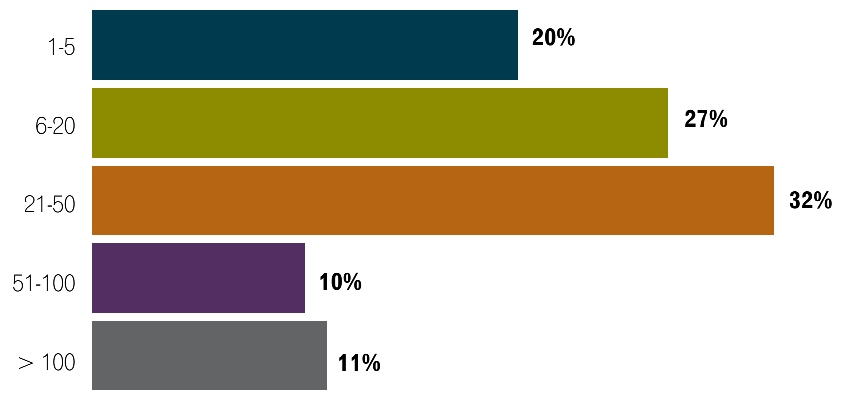
For updates on GK solutions and other recycling related news, follow us on Twitter @gkvibrating.

# PEOPLE

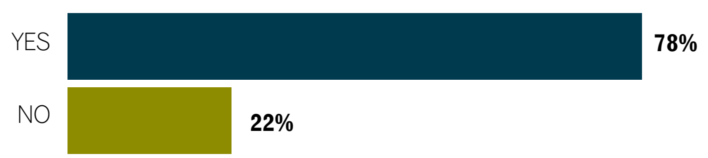
## A LABOR FORCE IN PLACE

Although a healthy percentage of the companies in the demolition and mixed C&D industries are family-owned with just one location (see page 4), many of them rely on 21 or more employees to get the job done. More than three-quarters of survey respondents say they can find good people. More than 60 percent of respondents pay those employees $16 or more per hour on average.

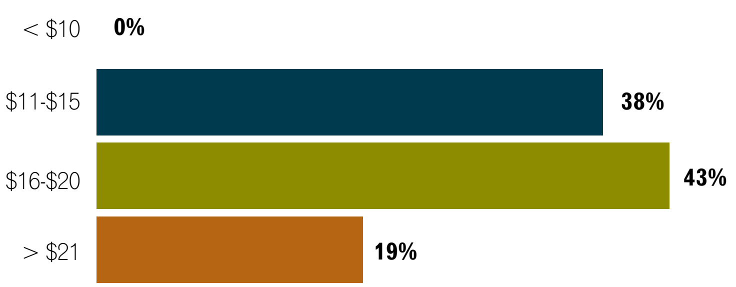
### How many full-time employees do you have?




### Do you feel your region offers enough qualified workers to satisfy your business needs?

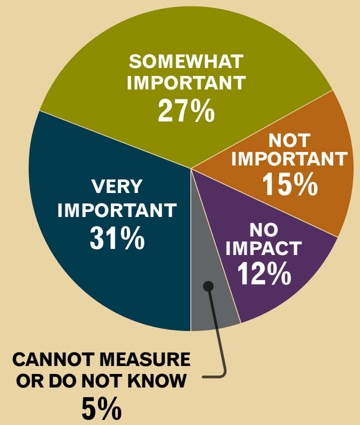



### What is the average hourly wage paid to your employees?

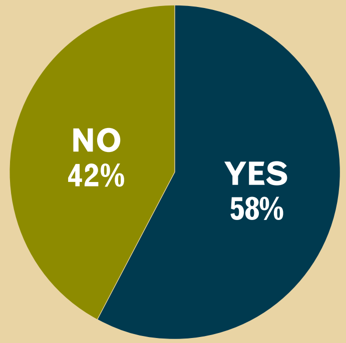



**GREEN BUILDING BOOSTS BUSINESS**
When asked, "How important would you estimate green building practices such as the LEED (Leadership in Environmental and Energy Design) rating system have been as a source of business for your company in the past five years?" two-thirds of survey respondents (67.6 percent) indicated it was either "very important" or "somewhat important." A smaller percentage of respondents (57.7 percent) offers a LEED scorecard as a service to customers.

### How important would you estimate green building practices such as the LEED rating system have been as a source of business for your company in the past five years?




### Do you offer a LEED scorecard to verify a recycling rate to your customers?





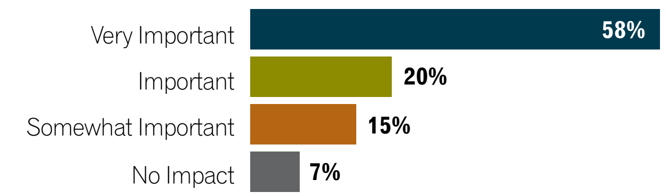

# RECYCLING DECISIONS

## DEMOLITION INDUSTRY SNAPSHOT

Survey respondents who identified themselves as being demolition contractors foremost were asked several questions relating to what materials they recycle and how they go about it. More than three-quarters of those responding (78.3 percent) considered recycling an important factor when they make capital expenditure decisions.

**78%** of respondents consider recycling to be important when they make capital expenditure decisions.

### How important is the revenue stream from recycling to your future capital expenditure decisions?



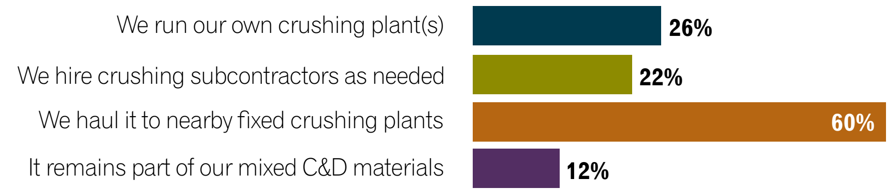

### To where do you haul your mixed material loads?


Only **1/3** of respondents take their mixed material loads to transfer stations or landfills.

Fixed-site crushing plants are a common choice with demolition contractors, according to **60%** of survey respondents

### How are you currently handling concrete rubble?

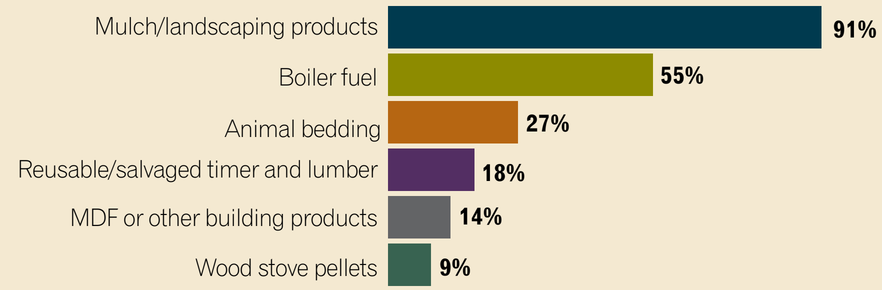
**(Respondents were asked to check all that apply)**




**THE WOOD MARKETS**
When asked about their end markets for wood, survey respondents indicated they served several different markets, although the mulch/landscaping products market was part of the picture for the vast majority (90.9%) of those who answered.

### If you handle or process wood, which markets do you sell into?

**(Respondents were asked to check all that apply)**

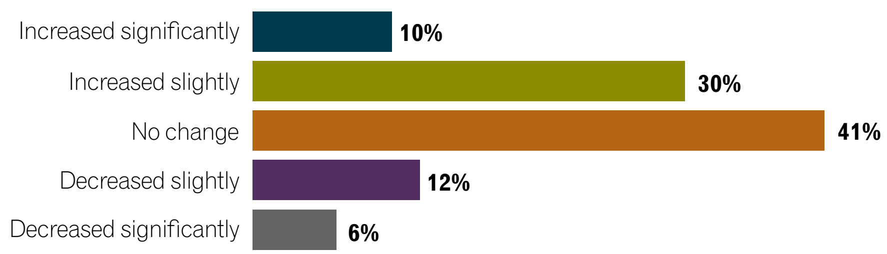


# STRATEGIC CONSIDERATIONS

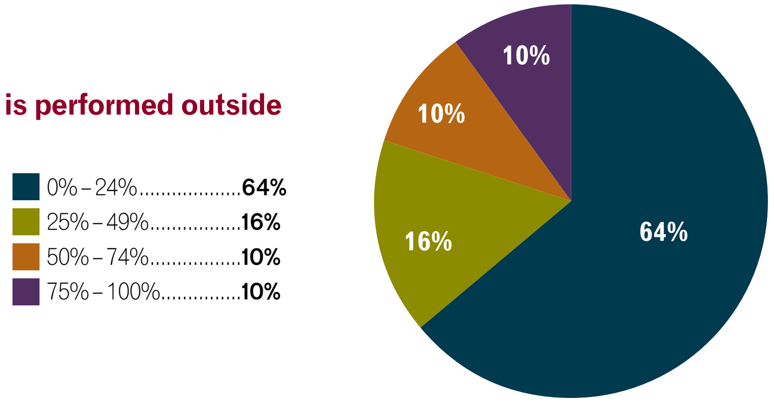
## MANAGEMENT ISSUES

Those taking the survey for the 2011 State of the Construction & Demolition Recycling Industry report were asked several questions pertaining to how wide-ranging their business is and how they make decisions when managing the business.

### How does your 2011 equipment budget compare to 2010?

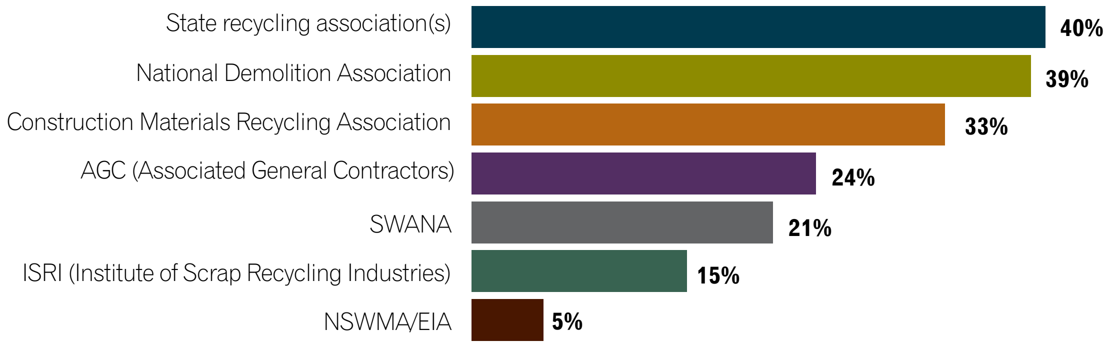



### What percentage of your business is performed outside of your home state?




### To which of the following trade associations do you belong?

**(Respondents were asked to check all that apply)**








# THE WAY FORWARD

## RESPONDING TO A RECESSION

Those responding to the 2011 State of the C&D Recycling Industry survey were all too aware of the challenges inherent in today's lackluster construction industry. When asked, "Which factors have limited your company's revenue in 2011?" nearly two-thirds (65%) selected "Lack of bid opportunities/activity" as one of their answers. Slightly less than 30% also indicated that "Restricted access to capital or bonding" was a hindrance to their ability to seek new opportunities. When asked the more general question "What regional, national or global economic issue are you most concerned about?" the nation's economy was selected most often (37%) while the answer "Regional economy" was the second most common (27%).

Despite the reality of the current poor health of the construction sector and the uncertainty as to when it will rebound, survey respondents indicated that they are continuing to make investments to position their companies to compete now and in the future.

When asked to identify what types of equipment they will invest in this year and next, most equipment categories received 20% or higher responses. Some of these categories are frequent replacement or re-equipping categories (excavators/material handlers at 48%, loaders at 41% and containers/trucks at 44%). But other types of investments selected indicate greater confidence in bolstering their demolition and processing capabilities, such as: sorting systems/screens at 33%; concrete crushers at 26%; and grinders/shredders at 23%.

### Which regional, national or global economic issue are you most concerned about?

| | |
|---|---|
| National economy | 38% |
| Regional economy | 29% |
| National debt | 23% |
| Energy and resource scarcity | 5% |
| Economic power shifting to Asia | 5% |
| Terrorism/national security | 0% |

### Which factors have limited your company's revenue in 2011?

**(Respondents were asked to check all that apply)**

| | |
|---|---|
| Lack of bid opportunities/activity | 65% |
| Competition from regional competitors | 55% |
| Restricted access to capital or bonding | 30% |
| Competition from national competitors | 27% |

### Please rank your company's greatest challenges over the next three years in order of importance or impact (1 being the greatest).

| Answer | Rating Average (Lowest Number = Greatest Concern) |
|---|---|
| Lack of construction activity | 3.20 |
| Fuel and energy costs | 3.29 |
| Local, state, and federal regulation | 3.75 |
| Health care costs | 4.22 |
| Business taxes | 4.24 |
| Competition from local firms | 4.39 |
| Labor costs | 5.06 |
| Labor availability | 5.78 |
| Competition from national firms | 6.04 |

**A LACK OF CONSTRUCTION ACTIVITY** was most often cited as the leading concern, but respondents also pointed to **ENERGY COSTS** and the **REGULATORY CLIMATE** as issues that will affect them in the near future.

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