



*The voice of professional
roofing contractors.*

February 14, 2000

Dear Member:

We have heard recent reports of significant price increases in roofing asphalts, and we believe, based on conversations with many in the industry, that these increases are likely to continue at least through the summer of this year. Prices, we are told, may increase on the order of \$30 to \$50 per ton, or roughly 15 to 20 percent above their current levels. In addition, it is possible that some asphalt suppliers may experience shortages as prices increase and normal supply channels are disrupted. And because asphalt is a key ingredient in many roofing materials, it would not be surprising to see prices for asphalt-containing materials increase as well.

The expected price increase is the result of several factors:

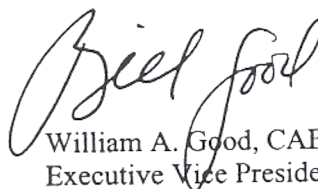
- The price of crude oil has increased dramatically, approaching \$30 per ton
- There has been heavy demand for paving asphalts, as a result of new federal funding programs, leaving roofing asphalts in shorter supply
- There is generally less refining capacity today than in recent years, and there are other products produced at refineries that are more profitable than asphalt

We encourage all members to work as closely as possible with their asphalt suppliers. More than ever, it will be important to be sure you are working with reputable companies that will not compromise quality; it will also be important to be sure that your own supply needs will not be disrupted.

We also encourage all members to use caution when bidding work that is not scheduled to be completed in the near future. Members may want to consider including language in their bid and contract documents to account for price increases; we have enclosed several examples of such language that may be useful. We encourage you to study this language and consult with your own attorney.

Above all, we encourage members to keep us informed of market developments in your area, so that we can provide accurate and current information to the industry. And please let us know if you experience any unusual disruptions, or if you have any questions.

Sincerely,



William A. Good, CAE
Executive Vice President

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POSSIBLE PROVISIONS TO INCLUDE IN PROPOSALS TO DEAL WITH VOLATILE PRICING OF ASPHALT PRODUCTS

“The roofing industry is currently experiencing price volatility in asphalt-related products. Because firm prices cannot be obtained from suppliers, prices are subject to change. If there is an increase in the price of asphalt-related products charged to the contractor subsequent to making this proposal/contract, the proposal/contract shall be increased to reflect the additional cost to the contractor, upon submittal of written documentation thereof.”

“Due to extreme volatility in asphalt prices, the price set forth in this proposal/contract applies only to orders for asphalt products that are ordered and paid for within _____ days of the date of this proposal/contract. All other orders shall be subject to change based upon changes in the price of asphalt-related products charged to [roofing contractor’s firm].”

“[Roofing contractor’s firm] shall perform the work described herein at the price quoted. In the event, however, that the price for any of the roofing materials to be used in this work should increase by _____ percent or greater from the price at which said roofing material was available in the roofing contractor’s locality at the time of submission of this proposal/contract, then the owner/general contractor agrees that said price quote shall be changed to reflect the additional cost to the roofing contractor of said roofing material.”

“Due to the extreme price volatility regarding asphalt-related products, the price quoted in this proposal is valid only for orders placed and paid for within the next _____ days. Thereafter, if there is an increase in the price paid by the roofing contractor for asphalt-related products, the amount of this proposal/contract shall be similarly increased to reflect the contractor’s increased costs to obtain materials.”

“[Roofing contractor’s firm] shall perform the work described herein at the price quoted. Provided, however, that in the event the price to the roofing contractor for any roofing materials to be used in this work shall increase by _____ percent or greater than the price upon which the roofing contractor relied in submitting said price quote, then the owner/general contractor agrees that said price quote shall be increased to this same extent.”