

Jerry Howard: Welcome to Housing Developments. I'm Jerry Howard.

Jim Tobin: And I'm Jim Tobin. Hey Jerry.

Jerry Howard: Hey Jim. Listen, at the outset here, let's give a shout-out to our great sponsor Wells Fargo. They do so much for NAHB and so much for the industry. We thank them very much and encourage all of our listeners to consider using Wells Fargo as part of your financing package. Thanks, Wells Fargo. We appreciate it very much.

Great to have you back. You took last week off. Paul could not wait to get in front of the microphone, but he did a good job. He did a really good job.

Jim Tobin: Well, even every once in a while, even Ed McMahon had to let Doc Severinsen sit in the chair next to Johnny. So, I'm glad Paul acquitted himself well.

Jerry Howard: Well, as Johnny would say to Ed, just remember, Doc ultimately took his place.

Jim Tobin: That's right. Hi, oh.

Jerry Howard: Great to be getting ready, Jim, finally, to go to an IBS.

Jim Tobin: Finally.

Jerry Howard: We're recording this on a Tuesday, and you and I go down to Orlando on Thursday, looking forward to seeing so many of our friends that we haven't seen in so long. But before we go, Jim, what's going on in Washington? Is there anything that our listeners need to be apprised of that's moving quickly?

Jim Tobin: Yeah, a couple of things. The Democrats are trying to refind their footing after the Build Back Better Plan has essentially imploded. There's really no path forward for that in its former form, I will say. A chance that it gets broken up in smaller pieces, but even Joe Manchin has said, "Yeah, no one's really showing me anything yet. So I'm not really focused on it."

So, the moderate Democrats who really think their election hopes are in real jeopardy in November of this year are pushing something called the America Competes Act. It's going to deal with supply chain issues, shipping a variety of different things, chip manufacturing, trying to compete with China, so that's really moving in the House over the next couple of days. We'll see where it goes. The Senate's already moved its version of it.

Like anything in a divided Congress, it could face a long slow death, or maybe something comes together on a bipartisan matter. I think everybody would like to see something get done on the supply chain. I know our members do. Really are facing supply chain and affordability issues, so we're tracking that here this week.

Jerry Howard: And let's talk a little bit before we bring it and our guest about the forthcoming elections. What are you hearing about that? And just as importantly, I don't think it's too early to start talking about 2024 and the presidential election. I'm starting to hear from people around the country about potential presidential bids, and what about yourself?

Jim Tobin: Yeah. I think, from the presidents, I think I give it, inside probably about a year from now, we'll start seeing presidential candidates stretch out and starting exploratory committees and making waves. They'll have just gotten past the midterms where anybody who's anybody, who wants to be a presidential nominee, certainly on the Republican side, is going to be working overtime to help any candidate they can get re-elected or elected to Congress.

A couple of candidates we've talked about in the past, current governor of Maryland, Larry Hogan, governor Ron DeSantis from Florida, governor Kristi Noem from South Dakota, one of your favorites, former governor of South Carolina, Nikki Haley. In fact, she'll be out and about, so it is going to be a wide-open field. But, of course, everybody's eyes are on Mar-a-Lago and former President Trump and whether or not he gets into the race. And he's got the lead dog, it seems like every poll you read.

Most Republicans favor Donald Trump to get in, but it's still a plurality. I think people maybe some new blood, maybe worried that he can't beat Biden again, and that's even if Joe Biden runs again. That's still up in the air, too, even though the President has said publicly, he's going to run. So it's going to be a really fun next year or two.

Jerry Howard: Well, that's what I wanted to touch on real quickly. You talked about a lot of the Republican candidates, and I'm sure it's a pure coincidence that governor Hogan and quite possibly governor DeSantis are coming to the IBS. We'll see how that all plays out in the next week or so. But on the Democratic side here in Washington, obviously, where the '24 presidential election contest started the day after the election in '20 and is moving to the front burner, now. You keep hearing on the Democratic side that the polling is so bad for President Biden and even worse for Vice President Harris that there could be a shake-up at the top of that ticket and at the vice presidency. Now that has hardly, if ever, happened, as far as I can remember. What are your thoughts on that?

Jim Tobin: Yeah, I think if President Biden decides to run in 2024, I think Kamala Harris stays on the ticket. I think like you said, it's rare, if ever. I'm sure it has happened. But boy, talk about changing midstream. That team won. They won. They beat President Trump by a lot of popular vote. They beat him fairly handily in the Electoral College, flipping Arizona and Georgia, two deep-red states, for a long time.

And then, of course, Pennsylvania, Michigan, and Wisconsin, which seemed to whipsaw back and forth between Democrat and Republican. So, that ticket just

won. You mentioned the headwind. That's going to be the biggest challenge is, does America have the interest in re-electing that pair, after four years of this year supply chain, inflation. Will it? Remains to be seen.

I don't think we'll see a change for Kamala Harris if he decides to run. The real question, I think, is if Joe Biden does not decide to run, is Kamala Harris the heir apparent? Usually, the vice president is. We saw that with Al Gore last time, but he had a primary challenger. I suspect that he will [inaudible] Vice President Harris in the primary. And the name that keeps popping up is Transportation Secretary Pete Buttigieg. People seem to really like him. He was already a candidate last time around for the nomination. So a lot of palace intrigue, a lot of palace...

Jerry Howard: Well, it's going to be interesting. And I think it's a subject that we're going to be talking a lot more about through the course of this summer and, obviously, as we get into next year. But for now, what I'd like to do, Jim, is bring in our guest. Our guest is Mr. Ken Pinto, who's the author of a new book, How Much Is the Milk?, which deals with supply chain issues. Let's bring Ken in right now.

Ken, thanks for joining us.

Ken Pinto: No. It's my pleasure. I love talking about supply chain management, and boy, this is a great time to be doing it.

Jerry Howard: Well, you've written a book, right? And the book capitalizes on your, what, over 20 years in supply chain management, right?

Ken Pinto: Yeah, I spent 20 years first in commercial construction, and then I went to production home building and was a little confused as to why we were using lump-sum turnkey contracts. And here was a purchasing manager who was responsible for \$80 million a year for labor materials, and he didn't know how much he was paying for a sheet of drywall or a sink or a front door. And I just thought that was the strangest thing.

And so I thought, well, I'm going to get out of construction operations. I'm going to go into supply chain management, fix that because I found it as a limiting factor to how much I could improve construction operations. And then I would go back into construction ops. I underestimated how big of a project it was going to be.

Jerry Howard: Well, tell us about that. Why was it such a big project, and what did you learn from it?

Ken Pinto: You know, we're an industry unhindered by progress. If you think about it, building materials get to the job site the same way today as they did 70 years ago. There really hasn't been much improvement.

When I was a teenager doing construction, I was working for companies who we knew all of our costs because we bought all of the materials. And our employees, we didn't subcontract anything. All the workers were employees of the general contractor. And that changed in the '80s with the big housing boom. We had to get away from that type of business model and go to something more efficient, which was to have subcontractors be the subject matter experts and to manage materials for us. That was both good and bad. Good in that a guy who's doing 4000 HVAC systems a year could be more efficient than the builder who's doing 200 houses a year.

The builders lost the core competency of managing materials, watching the prices at the unit price level, and understanding where they're coming from. And it's funny. You can go to a job site today, go up to the superintendent, and ask him where his materials are coming from. And oftentimes, they just don't know. They just kind of show up. A truck came and dropped them off, and we don't really know where they came from.

And so I'm a proponent of knowing, having visibility to all of your SKUs, quantities, pricing that you're paying so that you can be more involved in the process. And when you get more involved, that leads to changing to more collaborative negotiated contracts. Where we've worked, and then the magic happens when we start asking each other the right questions.

And I repeat throughout my book, "Listening lowers costs when you're asking the right questions." And one of those questions I found were helpful to create this, to start that conversation, is what is it we do that costs you money? And, oh boy, did I get an earful from subcontractors, distributors, manufacturers. Oh my gosh, they were ready to talk. And the more you asked, the more details you get, and I discovered how to be a better customer.

Jerry Howard: Now, let me ask you this. Switching gears a little bit to potentially some advice you can give Jim and I as public policy advocates. What's the problem with the supply chain today? How can it be fixed? What has to be done at the legislative or regulatory level to fix the supply chain?

Ken Pinto: I'm thinking of a way to answer that question in less than three hours.

So the problem with the supply chain is that there's a lot of problems with the supply chain, not just one, right? So there are quite a few which has been exasperated by a shutdown. We had a virus come through. Best defense against it was to shut things down without shutting down our buying habits. So our buying habits increased. We shut down our companies and left a big gap. And that goes all the way across the world.

Where today, a lot of our manufacturers are using raw materials and, or components sourced from low-cost countries in Asia, and they have the same problems that we do. Some of them take a more aggressive approach to

shutting down the economies than we do, which hinders our ability to get those products. I'm grateful that we're now seeing that Long Beach and Los Angeles ports are going to start running a third shift. They've only been running two shifts the past couple of decades. And when that comes up to full speed, it's going to increase the capacity, although there's another bottleneck. Right?

So once you get your ship unloaded into Long Beach, now you need a set of axles to put underneath it, and there's a shortage of those axles. And you need a place to store it, and there's a shortage on storage space. And then you need a trucker to truck it out, and there's a shortage of trucks and truck drivers. We've put in a lot of laws in place over the past two decades for truck drivers that have reduced their production capacity, and that was done through legislation. So, we can pat ourselves on the back about what a great job we did. Now, they get to rest. Now, they can't work the overtime hours that they wanted, if that they wanted to.

So there's limitations there that was done by legislation. There's not enough people in school in supply chain management programs. First of all, there aren't enough supply chain management programs. The kids just aren't going to learn supply chain management. Oh boy, do we need them. The schools just aren't putting them out fast enough. We need more. And it's a pretty high pain opportunity. And before this crisis, it was a great opportunity. And afterwards, I think supply chain managers are badly needed.

So I'd love to see our universities making some changes that we see more programs being offered and more universities operating using construction management degree programs and supply chain management programs. So ships, trucks, truck drivers, supply chain managers, that's four pieces of the puzzle that will help a lot. And I would also say, if we could talk to those who make laws, please don't shut down the economy without a recession. Those two things have to go together.

Jerry Howard: In your book, *How Much Is the Milk?*, will help the small builders understand how to approach this dynamic and how to implement it in their business?

Ken Pinto: Yes, step-by-step. There's one section in there where I just go through a step-by-step process of teaching them what to do. And so I think there's a lot of meat on the bone in the book, and there's something for every in there. And it's certainly not to exclude anyone by size of their business.

Jerry Howard: Well, that's terrific. Well, Ken, you'll be giving a talk at the IBS. Hopefully, a lot of our builders will take advantage of your expertise there and learn what they can from you. And hopefully, our listeners will buy the book if they're not going to be at IBS. It sounds like you've got the key to reducing costs, increasing efficiency, and at a time when housing affordability is such an issue, those two elements have got to be top-of-mind for virtually all of our builders. Ken, I look forward to seeing you at the IBS, and thanks for being here.

Ken Pinto: Thank you. It's my pleasure.

Jim Tobin: Look forward to seeing you next week.

Ken Pinto: Thanks. We'll see you there.

Jerry Howard: Jim, that was a pretty interesting discussion. Ken seems to be a guy, that if I were a builder, I'd certainly want to attend his session at IBS.

Jim Tobin: Yeah. I really enjoyed his talk, especially with supply chain issues and affordability being high on our members' minds right now. I expect that we'll have a lot of conversations over the next week at IBS. So, for those of you listening ahead of time, make sure you sign up for Ken Pinto's talk at IBS. I think you're going to find it fascinating. And while we're getting ready to go, I want to, once again, thank Wells Fargo Home Mortgage for their sponsorship of the Housing Developments podcast and encourage our members to do business with Wells. They're a great partner for us and NAHB, and certainly, we couldn't do what we do with the podcast without them, so. With that, Jerry, I will look forward to seeing you at the airport on Thursday, and we're ready for a great week in Orlando.

Jerry Howard: I will see you then, Jim, and we hope to see everybody down there. Travel safely.

Jim Tobin: Be safe.