

THOMASSON LUMBER COMPANY

STRAIGHT TALK FROM THE POLE FOLKS

Wood Poles - Piling - Fence
Post - Timbers - Stub Poles
and Other Products

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Severe weather conditions may cause an immediate need for poles.

In an emergency, please contact us day or night.

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INDUSTRY IN CHANGE

For many years the utility pole market was a partnership market, meaning there was some working relationship between the treating plants and the utility companies.

This teamwork has been altered over the last few years because of radical changes in the industry. In too many cases, utility poles became a commodity. The purchaser would buy as cheap as he could from whomever or wherever he could.

Let me explain.

1. Once there was a personal relationship between the buyer and seller. It was important to the utility company that they knew with whom they were dealing. The utility companies

may have purchased from two or three different suppliers, but they knew them well enough to depend on them.

2. In the last five years, the pole market became soft because

- Fewer poles were being replaced due to delayed inspection of in-line poles.
- Fewer new lines were being installed.
- Overcapacity in the treating industry.
- Utility Company Mergers.

These factors led to some of the major utilities consolidating purchasing through a buying service. The new purchasing companies were under extreme pressure to convince the utility they could purchase cheaper. To do this they tried many tricks.

- Reverse auction where the mills were encouraged to keep cutting the bid price.
- Changing preservatives and retentions.
- Reducing inspection.
- Using smaller classes and shorter lengths.

**** CONTINUED ON PAGE 2**

INDUSTRY IN CHANGE *continued.....*



5. Awarding a contract; then canceling it if offered a cheaper price.

6. Pooling purchases of several utilities.

This had some success during a weak market, but has not proven to be beneficial overall.

Many treating companies went out of the pole business due to

1. Lack of sales.

2. Business Losses.

3. Changing to different markets.

4. Insufficient financing.

5. Change in company goals.

6. Environmental Exposure

Beginning last year the demand for poles began to increase at the same time mills were going out of business. THEN THE HURRICANES BEGAN TO HIT. Suddenly some utilities were needing as many poles in a week as they had purchased in the previous year. Thousands of linemen came from everywhere to restore electricity.

They did a great job; but they had to use every available pole. We brought in poles from all over North America; the East

Coast, the West Coast, the Mid-West, and Canada. We robbed our numerous distribution yards. We had to substitute preservatives, species and framing. The mills worked around the clock and on the weekends.

Trucking companies doubled their rate to allow them to dead-head and return quickly for more loads. Diesel was in short supply so fuel surcharges increased.

During this time there was a shortage of Creosote because the Ports in the Gulf were closed. The supplier of Pentachlorophenol was not able to supply the demand. Prices sky-rocketed for natural gas, which some plants use to dry poles, causing even higher material prices.

Price was a factor, but it was not the driving force for getting electricity restored.

Everyone suffered. Some employees of utility companies and mills had to evacuate their families. This meant lost time from work. Other employees weathered the storm and stayed on the job around the clock. Many utility headquarters and mills were without power and phones. Roads were closed, bridges destroyed, employees homes vanished or were severely damaged.

Things have quieted down some now in the utility purchasing departments, but there is still a shortage of poles and transportation. It may take another sixty days for supply to improve.

Our inventories have been significantly reduced but our accounts receivable have multiplied. Many of the utility companies just haven't had the time or personnel to process the paperwork yet.

The mills in Mississippi, Alabama, Louisiana and Texas are trying to salvage damaged timber, but it is an expensive and slow job. The modern logging equipment is designed to harvest standing timber. It is not efficient with handling trees that are broken, blown down and crisscrossed. The stumpage may be cheap, but the logging is more expensive. The sawmills already have more logs than they need. Some of this timber is being stored under water (sprinkler systems) to keep it marketable; however very little of this will be usable as poles. Unfortunately most of this downed timber will ruin before it can be harvested.

POLES AVAILABLE FOR IMMEDIATE SHIPMENT

| Location #1 | | Location #2 | | Location #3 | |
|-------------|-------|-------------|-------|-------------|--------|
| Penta | Class | CCA | Class | Penta | Class |
| 50 pcs | 3-60 | 16 pcs | 3-60 | 19 pcs | Mar-35 |
| 30 pcs | 1-60 | 57 pcs | 4-30 | 1 pc | 3-60 |
| 35 pcs | 2-65 | 96 pcs | 4-35 | 95 pcs | 4-30 |
| 60 pcs | 3-65 | 325 pcs | 6-35 | 29 pcs | 4-35 |
| | | 85 pcs | 7-30 | 400 pcs | 6-30 |
| | | | | 10 pcs | H1-60 |
| | | | | 1pc | H1-80 |
| | | | | 1 pc | H2-60 |
| Location #4 | | Location #5 | | Location #6 | |
| Penta | Class | CCA | Class | Penta | Class |
| 13 pcs | 3-60 | 26 pcs | 2-40 | 13 pcs | 1-60 |
| 7 pcs | 3-65 | 64 pcs | 2-45 | 25 pcs | 2-45 |
| 31 pcs | 4-30 | 18 pcs | 2-50 | 13 pcs | 2-50 |
| 180 pcs | 6-30 | 15 pcs | 2-55 | 5 pcs | 2-55 |
| 1 pc | 6-40 | 21 pcs | 3-50 | 13 pcs | 2-60 |
| | | 17 pcs | 4-30 | 60 pcs | 4-30 |
| | | 127 pcs | 4-35 | 187 pcs | 4-35 |
| | | 480 pcs | 5-35 | 31 pcs | 4-45 |
| | | 10 pcs | 5-40 | 18 pcs | 5-30 |
| | | 287 pcs | 6-30 | 44 pcs | 5-40 |

EAST MISSISSIPPI POLE COMPANY

Our Macon peeling plant will be producing within two weeks. We will run the kiln on natural gas until we can get the wood fire boiler installed.

THANKS FOR THE HELP

It is an unbelievably difficult job to restore power, to a million people. There is no way that you can be prepared for a disaster of this magnitude.

We appreciate the commitment that everyone made and the resources they dedicated to

faithfully ensure that power was restored to areas ravaged by this catastrophe.

Wood Poles - Piling - Fence
Post - Timbers - Stub Poles
and Other Products

POLE FOLKS

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PERMIT #130

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WOOD POLES; Preaching to the Choir

I have seen some criticism about wood poles breaking during the Hurricanes. Some people suggested that all lines should be underground. However, they need to consider past current and future development of the industry along with its limitations. As the world has added more instruments that require electricity, the utility companies have added more and more electric lines.

A pole may have been engineered to carry two or three lines when it was installed. Nevertheless, due to more lights, air conditioners, heat pumps, hot water tanks, dishwashers, washing machines, dryers, computers, televisions, telephones and additional users, many of these

poles are now carrying six to eight wires. Occasionally you see some with up to twenty "lines". An aboveground electrical system is the practical way to be able to add extra lines.

Conveying electricity underground produces heat and loses efficiency. It is more expensive to install initially and impractical to add capacity.

Weather damages overhead wires but they are much easier to repair than water-logged underground cables. It took 3-4 weeks to restore power to 1,000,000 "over-head" customers. It may take a year to restore the underground system in New Orleans.

Every wooden pole does not

have the same strength; but, in general, they are much stronger than the load they were installed to support. Wooden poles cost less than steel and only a fraction of concrete and do not require the special equipment needed to install these types of poles.

Wooden poles take many times the abuse of steel or concrete. Just examine a pole on a busy street corner and see how many times they have been bumped or scraped -- WOOD IS WONDERFUL.