



THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

2300 Wilson Boulevard, Suite 400 • Arlington, VA 22201
Phone: (703) 548-3118 • FAX: (703) 548-3119 • www.agc.org

STEVE L. MASSIE, President

DOUGLAS E. BARNHART, Senior Vice President

J. DOUG PRUITT, Vice President

ZACK BURKETT, III, Treasurer

STEPHEN E. SANDHERR, Chief Executive Officer

DAVID R. LUKENS, Chief Operating Officer

January 18, 2008

The President
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the Associated General Contractors of America (AGC), we urge you to look for initiatives that will have an immediate positive impact on economic activity, and strongly encourage you to include provisions that will boost construction activity. The construction industry employs more than 7 million people and represents more than \$1 trillion annually in economic activity, including \$500 billion in materials and supplies and \$36 billion in new equipment. A significant boost to construction in the form of increased infrastructure investment paired with targeted tax incentives will increase employment, increase capital spending and improve efficiency.

While economic data show that public investment in infrastructure has remained relatively stable over the past year, these numbers do not tell the full story. Dramatic construction material cost inflation has reduced the purchasing power of public works dollars. Fewer contracts are going out to bid, which results in less work for contractors and fewer jobs for their employees.

For example, many states have dramatically cut back on the number of highway projects going out to bid in the last several years because of the significant increase in highway construction material costs. AGC's economic research shows that the Producer Price Index (PPI) for highway and street construction rose 47 percent from December 2003 to December 2007. This compares to a 14 percent increase in the Consumer Price Index (CPI). The PPI reflects the dramatic increase in the cost of basic building materials including steel, cement, asphalt, aggregate and other materials. Diesel fuel price increases also impact this cost as construction activity is energy intensive.

Additionally, CBO forecasts a 36 percent cut in highway funding next year because of a short-term drop in Highway Trust Fund income. States are cutting back big projects because of the uncertainty of funds for the long term. The impact from fewer contracts being bid is already being felt. Heavy and civil engineering construction employment peaked in January 2007 and has steadily decreased over the past 11 months. There was more than a 1.8 percent decrease in these jobs last year, which equates to 18,000 construction employees now out of work. This worrisome trend should be stopped now.

An infusion of federal infrastructure funding in the first quarter of this year would have a direct stimulus effect by putting more contractors and their employees back to work. Shoring up the highway trust fund to ensure full funding in 2009 would also help in getting more projects to bid by giving states confidence that anticipated federal highway funding will be provided. State Departments of

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Transportation have projects designed and ready to go but do not have sufficient funds for the construction. With more funding, states could put more projects out to bid in the first and second quarters that would be under construction by the summer construction season or sooner. Federal construction agencies such as the Corps of Engineers, Department of Defense, General Services Administration and others are in similar positions. State and local agencies that receive federal infrastructure grant funding should also be included.

Many state and local governments are having budget problems because of the drop in real estate values and reduced tax inflows from other economic activity, and therefore are looking at ways to cut back. Infrastructure funding and, in particular, highway funding may be impacted. AGC strongly suggests that any increase in federal infrastructure investment to state and local governments be conditioned on their maintaining the same level of investment that was in place before the additional federal funds were provided.

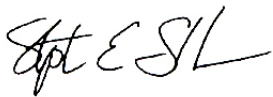
An improved construction market would also put contractors in a position to purchase new construction equipment that will enhance their productivity, increase energy efficiency and reduce undesirable emissions. AGC recommends a bonus depreciation of 50 percent to encourage immediate new investment in equipment, as it allows 50 percent of the asset's cost to be immediately deducted in the initial year the property is placed in service. Contractors, manufacturers, dealers and their employees would all benefit from this initiative.

Small businesses that often feel the strain of a recession first would gain from the acceleration of write-offs provided by the increase in Internal Revenue Service code section 179 expensing limits. These limits should be raised to \$400,000 for purchases of machines and equipment of up to \$1 million. Equipment costs in the construction market continue to rise, and equipment has become increasingly difficult to obtain. More and more construction small businesses are feeling the pinch from leasing equipment, and with an increased small business expensing limit, could instead purchase their own equipment.

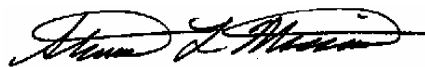
Construction has always been an engine of economic stimulus and can play that role once again. Increases in infrastructure investment can be quickly put into play and will have a direct, immediate and dramatic impact on the economy. The long-term economic benefits that will come from these investments are an extra incentive that should not be overlooked.

Thank you for your consideration.

Sincerely,



Stephen E. Sandherr
Chief Executive Officer



Steve L. Massie
President