



August 6, 2008

The Honorable Richard Burr
Republican Platform Committee
Republican National Committee
310 First Street, SE
Washington, DC 20003

Re: AGC Comments and Suggested Planks for the 2008 Policy Platform

Dear Senator Burr:

The Associated General Contractors of America (AGC) would like to take the opportunity to provide comments to the Republican Platform Committee as you develop the party's platform for the 2008 election. AGC is the largest and oldest national commercial construction trade association in the United States and represents more than 32,000 firms through a nationwide network of chapters.

The construction industry plays a powerful role in sustaining economic growth. The value of construction put in place annually exceeds \$1.2 trillion – more than nine percent of the gross domestic product. Construction is a major purchaser of U.S. manufactured products, totaling \$500 billion annually. The construction industry is an excellent source of job growth, providing employment to over seven million employees. Finally, construction job earnings average 21 percent higher than the average for all private industry non-supervisory workers, and the industry is predominately comprised of small businesses.

The recommendations presented here will have a positive impact on the economy, create opportunities to expand employment and build infrastructure assets that will lay the foundation for future economic growth.

Tax Policy

AGC supports lowering the federal tax burden on individuals, construction companies, and other businesses as a means of promoting investment, business development, and business expansion. High tax rates reduce cash flow and limit the ability to make hiring, purchasing and bidding decisions that would ultimately grow the economy.

AGC advocates for making the 2001 and 2003 tax cuts permanent by keeping the Capital Gains, Marginal Rates and Dividend Tax at their current rates. AGC also supports, at a minimum, reforming the death tax on family-owned businesses to a \$5 million exemption per spouse and a 15 percent rate. In addition, it is imperative that the 3 percent withholding requirement on all government contractors be repealed before its devastating impact on the construction industry becomes effective in 2011.

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Labor and Employment

Construction is a growing industry and it has been estimated that 185,000 new workers per year for at least the next ten years will be necessary to remain at the current levels of economic growth. In order to meet these growing demands, comprehensive immigration reform must be enacted.

AGC strongly supports reform that includes a viable guest worker program, the establishment of a reliable electronic verification system, liability protections for employers, clear subcontracting guidelines, and federal preemption to address the hundreds of state and municipal laws that have been enacted due to Congressional inactivity on this critical issue.

An employee must have the statutory right to determine whether or not to be represented by a union without relying on the sole process of card check. It is essential that determining an employee's true preference for union representation must include secret ballot elections.

AGC is strongly opposed to any federal measure that would give preference to either open-shop or union contractors, or disrupt the collective bargaining process, including any measure that would mandate labor agreements on federal or federally-assisted projects. AGC is committed to full and open competition for all public projects.

Finally, worker safety is a major priority for AGC and it supports common-sense OSHA reform legislation, which provides protection for small businesses, while promoting a safe and healthy work environment through voluntary partnerships.

Infrastructure Investment

The nation's infrastructure is one of our greatest assets, as well as one of our most important responsibilities. As the nation's transportation system continues to age and stretch beyond its design capacity, the federal government must provide leadership in developing a fully integrated, multi-modal system capable of providing for the mobility demands of the nation. Additional investment in critical environmental and public health needs will provide safe drinking water and improve water quality while improving our nation's well-being.

The federal government is failing to invest, resulting in applying band-aids today and pushing off major maintenance and reconstruction to the next generation. The infrastructure investment gap is growing, as we are barely investing half of what is needed in capital resources for water supply and treatment, highways, waterways, ports, transit, rail, and aviation infrastructure.

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Compounding the inadequate infrastructure investment is the rising cost for fuel and construction materials. Exorbitant fuel prices are leading to lower receipts to the Highway Trust Fund - the singular source of funding for highways - and construction material inflation is more than double the consumer price index. High fuel and material costs reduce the government's purchasing power for construction services and leads to a lack of substantial economic investment, a deteriorating infrastructure and higher unemployment. Failure to invest now means future costs will continue to escalate.

AGC respectfully asks you not to close the door on any legitimate methods of securing dedicated funding for these critical programs, including possibilities of increasing or creating additional dedicated user fees to finance the federal investment. AGC has included suggested text for consideration by the Platform Committee.

Environment

AGC supports environmental policies that are reasonable and achievable in order to minimize the environmental barriers to business opportunities. Meeting environmental requirements has become a huge and growing responsibility for contractors. AGC is worried about environmental requirements that grow beyond the ability of regulators to quickly and accurately evaluate them. This can result in delaying if not threatening construction projects and increasing the cost of doing business. For instance, AGC is concerned about legislation pending in Congress that would greatly expand the federal jurisdictional reach of the Clean Water Act. The measure would replace the current definition of a "water of the United States," which hinges on the word "navigable" in the Act, with a new legislative definition that would be virtually limitless. The impact of the legislation, if enacted, would significantly increase the cost and timeliness of delivering important infrastructure projects nationwide by greatly expanding the circumstances under which contractors would be required to seek federal permits under the Clean Water Act.

One of the most important environmental challenges facing our nation is a response to global climate change. AGC believes that any regulation of greenhouse gases using existing environmental laws or required by new legislation does not harm the economy or American jobs. Greenhouse gas regulations should be based on sound science, and allow for public review of all underlying data and scientific analysis. AGC further believes that the construction industry can play a useful role in reducing greenhouse gas emissions by building energy efficient, high-performance "green" buildings, as well as public transportation and other projects designed to improve severely congested highway bottlenecks and otherwise improve the efficiency of the nation's transportation network.

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Closing Remarks

The policy platform you establish in the coming weeks will be instrumental in our nation's economic success. Difficult decisions will have to be made to address our infrastructure crisis and our rapidly changing business climate. These issues simply can not be ignored and we implore you to overcome simplistic politicking, pledges, or promises that will limit your options and make it impossible to properly invest in our nation again.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen E. Sandherr". The signature is written in a cursive, flowing style.

Stephen E. Sandherr
Chief Executive Officer

Enclosure

Suggested Text for the Platform Committee to Consider for the Tax Plank:

The tax code should strengthen the economy and provide businesses relief from burdensome and confusing tax rules and regulations. A strong economy is also critical to industry growth and job creation, which is why efforts to simplify and streamline the tax code must be found. Businesses and individual consumers face layers of taxes under the current system that are prohibitive as well as confusing. The best solution to fix the multitude of problems in today's tax code is complete overhaul of the system.

Temporary taxes must be removed because of the uncertainty they create for tax planners. Certain taxes, especially the marginal rate taxes, the capital gains and the dividend tax deduction currently all expire at a future date, and should be permanently extended in order to keep our economy on track. Without certainty, businesses can't rely on deductions or rate reductions for the long term or calculate tax changes into their long-term business plans. Instead, they retain excess funds to pay for future tax increases when they expire and avoid making other long-term business decisions that could otherwise change their tax liability. Therefore, the economy doesn't see the full benefit of these cuts.

High marginal tax rates inhibit entrepreneurial activity by penalizing successful businesses. The alternative minimum tax (AMT) should be repealed because the computation of the AMT is administratively complex and inhibits the formation of capital, including complicating equipment and property acquisition decisions. Finally, the greatest uncertainty for many construction businesses is the death tax which, unless repealed, will have a devastating affect on construction companies in 2011 when 55 percent rate will impact the operating expenses, the ability to make capital improvements and affect cash flow.

Suggested Text for the Platform Committee to Consider for the Transportation Plank:

Surface transportation in the United States is at a crossroads. Since the enactment of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) in August 2005, the interstate highway system celebrated its 50th anniversary. It was a celebration of the world's biggest public works program responsible for providing unprecedented mobility and economic opportunities for Americans. This legacy is our duty to maintain, as it is also our duty to meet the mobility demands of the 21st century to compete in the global marketplace and provide the best quality of life possible for all citizens. Our charge is crowded and crumbling; our country is growing and demanding. The challenges are great: resources are scarcer, energy costs are climbing, construction costs are escalating, and the public's confidence in its policy makers to address these issues is diminishing. This is what we confront at this crossroad.

The transportation challenges facing the United States are significant and must be addressed in a prompt and responsible manner. All levels of government, including the federal government, must renew their commitment to the nation's transportation system. To this end, increased investment is vital and all options should be considered.

Providing continued support for traditional funding options and finding new financing options are necessary to address this dire situation. The traditional motor fuels tax is the most efficient financing mechanism for increasing revenue for surface transportation in the short-term and should be adjusted appropriately to account for inflation and investment needs. A commission should be created to assist policymakers in setting appropriate user-fee rates. In addition, new financing methods such as bonding, Public Private Partnerships, tolling, and new funding resources such as Customs fees or other user fees are an appropriate supplement to current funding sources.

Suggested Text for the Platform Committee to Consider for the Immigration Plank:

Immigration has a significant impact on how employers hire and fire, who they can hire and fire, and how long they can keep workers that they hire, train and employ. The failure on the federal level to adequately address immigration has led many local and state governments to begin to address the issue. As a result, a patchwork of federal, state, and local immigration laws exists and employers must navigate the growing complexity until Congress addresses the issue with comprehensive immigration reform.

A comprehensive approach to immigration reform would create better control over our borders and also provide for better interior enforcement against unscrupulous employers. Such efforts should be done at the same time as efforts to address both current and future labor needs. Reform should include a viable guest-worker program, the establishment of a reliable electronic verification system, liability protections for employers, clear subcontracting guidelines, and federal preemption to address the hundreds of state and municipal laws that have been enacted due to congressional inactivity on this critical issue.