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Contact: Brian Turmail
(703) 837-5310
turmailb@agc.org

MEDIA CONFERENCE CALL REMARKS FOR KEN SIMONSON
CHIEF ECONOMIST, ASSOCIATED GENERAL CONTRACTORS OF AMERICA
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Hello and thank you for dialing in today. My name is Ken Simonson and I am the chief economist for the Associated General Contractors of America.

As many of you already know, the last few years have been difficult ones for the construction industry. Tight credit, high vacancy rates, under-utilized factories, the housing downturn and depleted state and local coffers have all combined to devastate the construction industry. Spending on construction has declined by over \$360 billion – or 30 percent – since peaking in March 2007, while 2.1 million construction workers lost their jobs between the high point in August 2006 and February 2010.

As today's new construction employment figures make clear, the dramatic construction job losses have stopped and our industry is, at least temporarily, again adding jobs. According to the Bureau of Labor Statistics, the construction industry added 14,000 new jobs in April, following a revised gain of 26,000 jobs in March. These estimates are seasonally adjusted, meaning they are on top of normal weather-related gains that occur every spring. However, the construction unemployment rate, which is not seasonally adjusted, remained more than double the economy-wide average at 21.8 percent, the highest April reading since the series began in 1976.

One of the rare pieces of good news for the hard-hit construction industry has been the stimulus and its estimated \$135 billion in construction and infrastructure investments. Up until this spring, however, the impacts of the stimulus have been too limited and, frankly, too little. While the transportation component of the stimulus was successful in jump-starting stalled highway and transit projects, too many other projects got bogged down in red tape through much of last year. As a result, construction employment continued to plummet last year.

Starting this spring, however, things have begun to change. As today's report makes clear, the impacts of the stimulus are now being felt across a much broader section of the construction industry. Indeed, nonresidential construction – the area most likely to be impacted by stimulus spending – added 24,600 jobs in April and 36,500 jobs in March, the first two gains since the beginning of 2008. Heavy and civil engineering construction, which includes highway and public works construction, alone added 9,000 new jobs last month, the fourth pickup in the past six months. Nonresidential building and specialty trade contractors – the other nonresidential categories – have also added workers. Meanwhile, residential construction – comprising residential building and specialty trade contractors – which was largely untouched by the stimulus, lost 10,900 jobs, the 38th straight monthly decline.

Today's data is consistent with the anecdotal reports we've been getting from contractors across the country, including the six contractors with us on today's call. It appears there is now more stimulus-funded construction activity, in more sectors of the industry, than at any point since last February. While the stimulus may have been too little for too long, it's not too late to help an industry suffering from 21.8 percent unemployment.

The good news is the stimulus has stemmed the losses in construction employment for now. The bad news is that the stimulus is temporary, while the construction downturn will be protracted. I don't expect demand for new office, condo or manufacturing construction to begin to grow until later in 2011. And state and local construction spending is unlikely to grow until at least 2012.

At the federal level, it looks increasingly likely that the sequel to the stimulus will be the kind of deferred investments that were all too common before last year. The highway bill is stuck in gridlock, the aviation bill is stalled, and prospects for a water infrastructure fund are drying up. Without long-term federal investment programs like these in place, construction employment is likely to suffer significant new declines once the stimulus runs its course.

Adding forty thousand new jobs in two months is encouraging news. But with nearly 2 million construction workers still unemployed our industry's recovery is far from certain. The best way to build on today's momentum is by enacting the long-term investment programs that are crucial to the nation's continued economic prosperity. This includes the long-delayed six-year surface transportation bill, comprehensive FAA legislation and the Water Resources Development Act. Congress and the Administration must also work to establish a Water Infrastructure Trust Fund, pass the Building Star program, create a National Infrastructure Bank, keep tax rates at current levels and avoid new regulatory hurdles to growth.

Before we open the lines for questions, let me ask each of the contractors on the line to share their stories with you.

Ted Aadland, who is both CEO and president of Portland, Oregon-based Aadland Evans Constructors, and this year's president of AGC of America.

David Howard, president & CEO of Koss Construction in Topeka, Kansas....

Mark Hall, president of Hall Construction out of Howell, New Jersey....

Art Daniel, President & CEO of AR Daniel Construction Services Inc. in Cedar Hill, Texas....

Jamey Sanders, vice president of Choctaw Transportation Company in Dyersburg, Tennessee...

And Marco Navlet, who is with McKinstry, a Seattle based construction firm...

Thanks Marco, now we would be happy to answer any questions you might have.

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