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REMARKS FOR STEPHEN SANDHERR
AGC TRAFFIC AND HIGHWAY BILL MEDIA CALL REMARKS
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Thank you everyone for taking the time to join us today. My name is Stephen Sandherr and I am the chief executive officer of the Associated General Contractors of America. I'm speaking with you today from a Caterpillar plant in Minneapolis, Minnesota where much of the construction equipment our contractors use is manufactured.

It is an impressive facility, especially when you consider that equipment like the kind made here makes it possible for contractors to build virtually anything. Too often, however, the pavers, front end loaders and earth movers our industry relies on are stuck in traffic instead of building the economy of tomorrow.

That is because chronic congestion is causing costly delays and forcing expensive changes in the way the construction industry does business. As a new analysis we are releasing today makes clear, traffic tie ups nationwide are sapping productivity, delaying construction projects and raising costs for construction firms of all types.

Given that congestion robs the economy of over 2.8 billion gallons of fuel every year, we've long suspected that traffic had an impact on our businesses. Yet, the results of this new analysis, which is based on responses we collected from nearly 1,200 construction firms nationwide, are as surprising as they are staggering.

Virtually every construction firm – ninety-three percent – reports that traffic and congestion are affecting their operations. Meanwhile nearly two-thirds of firms lose at least one day of productivity per worker per year due to traffic congestion. That is over three point seven million days of lost productivity in the construction industry each year.

Seventy-two percent of construction firms report that delays caused by traffic tie ups delay the average construction project by at least one day. And one-in-three firms report that traffic delays add a minimum of three days to the length of the average construction project.

Try as they might, contractors can only do so much to avoid the added costs associated with traffic congestion. Nearly three quarters of contractors say congestion adds more than one percent to their total costs each year. And one in ten report that traffic tie-ups add eleven percent or more to their cost of doing business.

In other words, traffic congestion costs the construction industry 23 billion dollars each year. That's the equivalent of Google's entire revenue for 2009.

In an industry suffering from a twenty percent decline in construction activity nationwide over the past two years, the last thing contractors need is to burn time, fuel and money stuck in traffic. And considering the impacts traffic has on the construction industry alone, it is easy to understand how congestion is undermining the overall economy.

We see the effects of traffic here at this plant, where they are building a new warehouse near here because deliveries from the older facility are no longer reliable. Depending on traffic, that facility is either forty-five minutes, or two-hours away from here.

Unfortunately, the traffic that is stifling the construction industry and plants like this around the country isn't going away anytime soon. That is because Congress is months late in passing the surface transportation legislation that sets national transportation policy and funding levels over the next six years.

Without a long-term bill and the multi-year funding guarantees it sets, it is virtually impossible for states to plan the complex, long-term highway and transit projects needed to add capacity and cut congestion. Instead, states have little choice but to invest much of their money in short-term repaving and repair projects.

As larger projects get put on the backburner, traffic stagnates, construction firms have less work, and plants like this see orders drop. As Jim explained, most of the domestic orders they are seeing here are for pavers, and not the equipment contractors need to build new roads.

According to our new analysis, the lack of a transportation bill is taking a severe toll on hiring and purchasing patterns of the nation's highway and transit contractors. Two-thirds of contractors nationwide report that states are issuing an average of 17 fewer bid lettings this year worth 30 percent less than in an average year.

As a result, 60 percent of transportation construction firms report they are buying an average of \$2.95 million less in equipment this year. Seventy percent of firms are making an average of 26 percent less in revenue this year. And 63 percent of transportation construction firms report they are hiring an average of 77 fewer workers this year because of the lack of a six-year bill.

There is a solution of course, one that doesn't involve new deficit spending. Congress and the Administration must act with energy and resolve to quickly pass new six-year surface transportation legislation. Such legislation must include the levels of funding for highway and transit infrastructure that virtually every expert agrees we need to tackle traffic congestion.

Fortunately, the transportation legislation has long been self-funding, thanks to its built-in user fees including the gas tax. In today's political environment where voters are worried about jobs and the deficit, passing legislation that will create construction jobs, boost our economy and not add one cent to the deficit ought to be a no brainer.

That is why we are calling on Washington to make passage of a new transportation bill this summer their top priority, before more damage is done to our economy.

Now before we open things up for questions, I'd like to ask Jim McReynolds, president of CAT Global Paving to say a few words. Jim...

Thanks Jim. Before I open the call up to questions, I wanted to let everyone know that we have several contractors on the call with us today. Steve Basila is president of Pulice Construction in Phoenix, Arizona. Tim Crenne is the regional president and CEO of Knife River Corporation and Gary Sauer is the president of Maple Gove, Minnesota-based Tiller Corporation.

Now let's open things up for questions...

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