

**2010 CONSTRUCTION INDUSTRY EMPLOYMENT AND BUSINESS FORECAST  
MEDIA CONFERENCE CALL REMARKS**

for Stephen E. Sandherr

*January 20, 2010*

Hello everyone, and thank you for making the time to dial in today. While 2009 was a difficult year for much of the U.S. economy, it was simply devastating for the construction industry.

Construction spending declined last year by 137 billion dollars, and is now at the lowest level in six years. And while only five percent of the U.S. workforce, construction workers shouldered twenty percent of non-farm layoffs last year. As the latest federal employment figures make clear, the depression-like conditions in the construction industry are one of the main factors dragging on overall employment.

Given the implications the health of the construction industry has on our broader economic strength, we wanted to assess what conditions will be like for the construction industry in 2010 compared to last year. Unfortunately for the industry and for our economy, this year's construction outlook is far from positive.

Our new 2010 forecast, which is based in large part on responses we received in late December and early January from nearly 700 construction firms nationwide, shows few in our industry expect a construction turnaround in 2010. Indeed, 88 percent of construction firms don't expect overall business conditions to improve until at least 2011.

They aren't predicting a turn-around because few contractors expect privately funded construction projects, which typically account for the bulk of annual construction activity, to improve. For example, 64 percent of contractors expect demand for new manufacturing facilities will decline, while 71 percent expect demand for new retail, warehouse and lodging facilities to drop.

As the market for construction services declines, firms have had to cut profit margins and even bid projects for a loss just to keep their crews busy. While 81 percent of firms say they cut profit margins for their 2009 bids, more than one in ten firms report they are now submitting bids so low they will actually lose money on the work.

Fewer construction firms expect to purchase new equipment this year than did in 2009. The number of firms expecting to buy new equipment is down to 46 percent this year from 61 percent. And only a third expect to buy used equipment, compared to half the firms last year. If this proves accurate, the construction equipment manufacturers will be in for an extremely difficult year.

Meanwhile, there is a great deal of uncertainty in the employment picture for this year. While 73 percent of firms reported laying off employees last year – an average of 39 layoffs per firm – almost 60 percent of firms say they are unsure whether they will add or lay off employees this year. Perhaps they can't imagine who else to let go.

There are some relative bright spots in our outlook, however, most of which are related to the federal stimulus package. The approximately 135 billion dollars in construction funds included in last year's package are now beginning to have a measurable, but limited, impact on the construction industry. Unfortunately, the full impact of those investments has sadly been tempered by the inability of Congress to put multiyear infrastructure funding plans in place.

For example, 31 percent of respondents said they were awarded stimulus-funded contracts in 2009. Of these, 46 percent say the stimulus helped them to retain employees – an average of 24 employees each. Another 15 percent say stimulus-funded work helped them to add an average of 10 new employees each. Twelve percent cite the stimulus as driving new equipment purchases total an average of 550,000 dollars last year.

You can see the impact of the stimulus in contractors' expectations for this year. Sixty-two percent of contractors feel highway construction will improve or stay stable this year. Sixty-one percent say water and sewer construction will improve or stay stable. Fifty-five percent say work on public buildings will improve or remain stable this year. And fifty-two percent expect demand for power facilities to be at or above last year's levels. All of those are areas where contractors expect more stimulus funds to flow in 2010.

And as the stock market, hopefully, continues to improve in 2010, 57 percent of contractors expect institutions like hospitals and universities, that rely on the strength of their endowments, to invest as much, or more, in construction projects than they did last year.

What does all of this mean for the construction industry and more broadly for our economy? Most obviously, it means the construction industry is in for another difficult year in 2010. Worse, as long as the construction industry remains mired in its own depression, broader economic and employment growth will continue to lag.

Fortunately, market conditions for construction are more favorable than they have been in a long time. As new federal producer price index figures released today make clear, construction material costs are at multi-year lows, which is why places like Maryland's Montgomery County are moving forward with aggressive capital plans despite tight budgets. They know they're getting good deals for construction now and that if they wait, these projects will only cost more.

Just as county governments appreciate the benefits of investing in construction now, so too should the federal government. That is why today we are sending a letter urging leaders in Congress and key administration officials to take advantage of the “limited-time-sale” for construction services. If they act now, they can save tax payers millions on construction costs while immediately boosting employment and economic activity. Our chief economist, Ken Simonson, will explain.

Before I turn things over to Ken, however, I’d like to introduce the other people we have with us on the line today.

Kristine Young is President of Des Moines, Iowa-based Miller the Driller. Don Weaver, senior vice president of El Paso, Arkansas-based Weaver Bailey Contractors, a road construction firm, is on the line.

Jack Parker is the President and CEO of Woolwich, Maine-based Reed and Reed, a long time road and maritime contractor who lately has been doing quite a lot of work constructing wind turbine facilities.

Maryanne Guido is the CEO of San Antonio, Texas-based Guido Brothers Construction, a building contractor. And Doug Davidson is the President of Atlanta-based New South Construction.

Ken...