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AGC's 2022 Buy America Materials Survey Analysis

Summary

As the challenges of material procurement have been plaguing the construction industry over the past year, the Associated General Contractors of America conducted a survey of its members to measure the state of construction materials, better understand the trends in availability of various materials, and determine whether construction companies believe they will be able to obtain materials that are compliant with the Build America, Buy America Act (BABAA).

The results of the 2022 Buy America Materials Survey show that construction material availability has been immensely impacted over the past year. Ninety-three percent of firms have reported that they are experiencing material shortages and/or allocations.

All firms are experiencing similar construction material availability challenges regardless of their market - highway and transportation projects, federal and heavy work, or utility infrastructure. Similarly, shortage of material is a problem which affects all regions of the country only varies slightly between regions.

Widespread supply chain disruptions have made it difficult for firms to receive materials delivered on time and as a result have impacted price volatility. According to [AGC's 2022 Workforce Survey](#), "Eighty-two percent of firms report projects delays because of supply chain challenges." These issues are causing project bid prices to rise as material prices do and firms are forced to account for additional risk in their bids. Fifty-eight percent of respondents have reported project cancellations, postponement, or scale back from asset owners when they see bids come in higher than expected.

Survey Analysis

Long lead times and/or allocations are impacting the entire construction industry. Ninety-three percent of respondents report that they are currently experiencing material procurement challenges compared.

Material procurement issues are getting worse. "Lead time was longer than before" was the most common answer by respondents when discussing obtaining specific materials for their projects. Combined with the second and third most common answers of "Lead time was unchanged from before" and "Item was unavailable or lead time was unacceptable" respectively, the vast majority of respondents make it clear that conditions are not improving.

A minority of survey takers experiencing shortages reported that conditions have improved over the past year. From the variety of items listed, a range of one to eight percent of respondents reported that they are seeing an improvement.



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Most firms believe that meeting new Buy America requirements will be a difficult task. As expected, results varied greatly based on the material, yet respondents expect every single material listed will face difficulties in meeting the new BABAA requirements. The survey was open during a period where the federal government had not yet released final guidance and as such respondents were basing their answers on the preliminary and non-binding guidance which was released by the White House Office of Management and Budget.

As the majority of construction industry is faced with a material situation that is not improving, it is no surprise that firms do not have confidence in the success of BABAA's goals. Any additional requirements or regulations in procurement will only exacerbate already difficult circumstances.

Certain materials stand out on firms' beliefs on complying with Buy America requirements. Steel, non-ferrous metal, plastic products, electrical equipment, and HVAC systems were the materials most likely to have been chosen by respondents as unlikely to be able to be sourced domestically. Those same materials were also the most common answers in which the answer of "Lead time was longer than before" was chosen, indicating that there has been no improvement in their availability. Over seventy five percent of respondents indicated that the previously mentioned materials were experiencing longer lead times in material delivery compared to a year before.

All types of firms are affected by the material shortages. Firms of all types are experiencing similar problems regardless of whether they were doing building construction, highway and transportation projects, federal and heavy work, or utility infrastructure. The main differences were related to which materials firms reported as having long lead times as products needed for projects varies between different types of contractors.

Conclusion

The construction industry is facing material challenges that reach far and wide. Supply chain disruptions from the pandemic have inflated the cost of construction materials and made delivery schedules and product availability more uncertain. Combined with the problems of a workforce shortage, it is becoming more expensive and more time consuming to build. These increased costs and delayed schedules are undermining demand for construction, as a [significant percentage of owners seek to delay, downscale, and even cancel projects due to rising costs and slower schedules.](#)

To highlight the severity of these issues, comments by respondents give additional insight on the situation. Electrical equipment lead times were reported to be near 22-24 months with some manufacturers while products such as ductile iron pipe and TPO roofing materials were reported to have waiting periods of 52+ weeks before material delivery. As firms are unable to complete projects as a result of ongoing issues, one respondent shared that they have had to downsize a part of their business as well as purchase materials from alternative suppliers with higher costs.

As BABAA requirements are beginning to be included in contract specifications, public officials have a vested interest in not compounding the problems as new requirements will quickly exacerbate industry



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wide issues. Without a sufficient quantity of available materials, the impact of the infrastructure bill and more recent investments in semiconductor factories and energy infrastructure projects will have less of an impact as initially anticipated.

This survey makes it clear that various efforts to alleviate supply chain disruptions have yet to make any positive impact on the availability of construction materials. The administration and Congress must continue working to untangle supply chains that have been hammered by government imposed COVID lockdowns, shipping and manufacturing labor shortages and massive inflationary pressure.

The construction industry continues to see insufficient availability of materials to complete projects and, as the results of [AGC's 2022 Workforce Survey](#) demonstrates, a lack of qualified workers to perform the work. Addressing these issues without adding undue and burdensome regulations will ensure that the construction industry can upgrade America's infrastructure, modernize our manufacturing sector, and help deliver a more reliable and cleaner energy grid.

Background

AGC conducted the survey of its members in September of 2022. A total of 602 individuals from a broad range of construction firms completed the survey. Among responding firms that identified their market segments, 49 percent are involved in building construction, 24 percent are involved in highway and transportation construction, 10 percent perform federal construction projects and 14 percent work on utility infrastructure projects. Respondents were not paid or otherwise compensated for their responses.