

**ASSOCIATED GENERAL CONTRACTORS OF AMERICA
STIMULUS SURVEY ANALYSIS
PRESENTED BY AGC CEO STEPHEN E. SANDHERR**

Hello and thank you for dialing in. When it was signed into law five months ago, the stimulus was heralded by many groups, including the Associated General Contractors of America, as a tremendous opportunity to demonstrate the widespread economic benefits of investing in infrastructure and construction.

The approximately \$135 billion included in the stimulus for infrastructure and construction projects has the ability to halt the virtual free fall in construction employment that has cost the jobs of over a million construction workers over the past twelve months alone.

That is why we have worked to share stories of how the stimulus is helping construction companies. And that is why we have spent the last few weeks conducting an exhaustive survey of our member companies to evaluate the impact of the stimulus on their hiring practices, on their equipment purchases, and ultimately, on their bottom line.

The analysis we are releasing today shows that while the construction portion of the stimulus is having an impact, it is far from delivering its full promise and potential.

We found that only twenty two percent of responding construction companies **have won stimulus-funded projects**. Among those, nearly two-thirds... 65 percent... have already started working on stimulus-funded projects.

More than a third of these companies... 36 percent... plan to hire new employees or rehired laid-off employees and 60 percent have retained or saved jobs because of the stimulus-funded work.

An identical 36 percent of these firms have purchased, or plan to purchase, new equipment or supplies within the next two years because of the stimulus-funded work they have won. Close to half of those respondents spent or will spend over \$500,000 each on stimulus-generated purchases.

Forty-two percent of **respondents** say they still **hope to win stimulus projects**. Two-thirds of those companies anticipate hiring or rehiring workers if they win stimulus-funded work. An overwhelming 87 percent would retain or save jobs, and 65 percent would purchase new equipment or supplies.

On the other hand, 36 percent of responding **firms** said they are **not doing stimulus-funded work**. Half said they don't do the kind of work available. Almost as many... 46 percent... answered that there are no/too few local stimulus-funded projects.

About 18 percent said, “The reporting requirements and red tape are too onerous.” Another 11 percent said, “The margins are too narrow.” Only 5 percent said, “We have enough work without the stimulus.”

One-third of these companies plan to hire new employees or rehire previous employees this year or next. Strikingly, that nearly matches the 36 percent positive response among companies that have already won stimulus-funded work.

Interestingly, 43 percent of the firms that don’t expect to do stimulus work plan to purchase new equipment or supplies in the next two years, versus 36 percent of firms that have won stimulus work. However, far fewer estimate they will spend \$500,000 or more...18 percent, compared to the 42 percent of firms that have already won stimulus-funded work.

Based on these results, it is clear that while the stimulus is having an impact on the industry’s ability to save or retain jobs, it does not yet appear to have much impact on companies’ ability to hire additional workers. And while the stimulus is helping boost some equipment and supply purchasing, the scope to date is far from impressive.

One of the reasons the benefits of the stimulus have been so limited to date is that, outside of the transportation arena, much of the construction funding authorized in the stimulus has yet to result in actual contracts that will allow contractors to begin work. This is significant because some of the hardest hit segments of the construction industry have been in non-transportation related fields.

Most agencies have committed very little, if any of their stimulus construction funds. The Recovery Act provides \$4.6 billion to the Army Corps of Engineers, yet only \$716 million has been obligated and \$84 million has been paid out. With respect to the General Services Administration, the Act provided \$5.857 billion for investments in Federal buildings, procurement of more energy-efficient motor vehicles, however, only \$656 million has been obligated and only \$12 million has been paid out.

And only half of one percent of the \$6 billion in stimulus funds available for the Environmental Protection Agency’s state clean water and drinking water programs have been put to use at this point.

Yes... we are only five months into a multi-year stimulus program. But with construction unemployment at 17.4 percent, almost double the national rate, it is disappointing to see so many of these programs getting off to such a slow start. Especially when so many construction firms have been able to turn dirt once contracts have been awarded.

That is why we are writing every federal agency responsible for overseeing stimulus-funded construction projects and urging them to accelerate their programs. In particular, we are

calling on them to address critical shortages of contracting officials within key federal and state agencies responsible for distributing stimulus construction funds.

Transferring contracting officers from the Department of Defense and reactivating retired contracting officers is a positive step. But the Administration should take every possible step to surge contracting capacity at the General Services Administration, EPA and the U.S. Department of Education.

In addition, many state and municipal agencies charged with distributing non-transportation stimulus funds are having difficulty with the new Buy American and other stimulus reporting requirements. Federal officials have even been forced to hire outside groups to deal with Buy American waiver requests.

Continued uncertainty will inevitably lead to bid protests, litigation and further delays. The Administration needs to fully and finally clarify the reporting and Buy American requirements for the stimulus.

As we learned, contractors hoping to win stimulus funded works expect a bigger contribution to their bottom line and hiring abilities than contractors actually doing stimulus funded work are experiencing.

You can't fault contractors for being optimists. But unsustainably high expectations can bring down good policy and great programs. The stimulus will keep our industry alive. But it will not turn around a trillion dollar construction industry overnight.

Setting proper expectations will help contractors plan for the next year and a half and help sustain vital public support for the stimulus.

The stimulus is clearly working. It just isn't working fast enough for many construction workers in many communities. But there is still time for the Administration to make sure the stimulus delivers on its promise for millions of construction workers. They can count on our 34,000 member companies to support them every step of the way.

Before we open things up to questions, I'd like to introduce a few folks that have taken time out of their day to join us.

Many of you probably already know our chief economist Ken Simonson. We're also joined by a number of contractors from across the country. Doug Pruitt, is both our president and the Chairman and CEO of Tempe, Arizona-based Sundt Construction.

Art Daniel is the President and CEO of AR Daniel Construction Services in Cedar Hill, Texas. Paul Diederich is the President of Fargo, North Dakota-based Industrial Builders. Phil Boelter is executive vice president at Minneapolis-based Kraus-Anderson Construction.

Don Weaver is also an executive vice president, with El Paso, Arkansas-based Weaver Bailey Construction. Deena Billings is with Tempe, Arizona based road builders FNF Construction. And from Sacramento we have Dave Higgins, president of HMM builders.

Their experiences with the stimulus are indicative of what contractors across the country are seeing, and they, Ken and I would now be happy to answer any questions you have.