Building a Stronger Future

A New Blueprint for Economic Growth

2011

AGC of America

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

Quality People. Quality Projects.

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Contents

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The Associated General Contractors of America
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March 2011

The Need

The Recession That Never Ended

While the recession officially ended in June 2009, the construction industry has continued to suffer from job losses and ever-tighter margins. At the start of 2011, the industry's unemployment rate was 20.7 percent, roughly twice the overall unemployment rate. During the past twelve months alone, the industry has lost over 100,000 jobs. Few regions have been immune as construction employment continued to decline in two-thirds of the 337 metropolitan areas for which employment data is available. In short, the construction industry continues to suffer from depression-like conditions.

The industry continues to shed jobs because demand for construction remains weak. While $884 billion was invested in construction in 2009, that amount shrank $100 billion in 2010 to a ten year low. That decline in construction activity has largely been driven by a collapse in private sector demand. Since 2008, the percentage of overall construction activity that is financed by the private sector has declined from 76 percent to 60 percent. Developer financed construction sectors, like new office, retail and hotel development, have been particularly decimated, experiencing between fifty and thirty percent declines in activity.

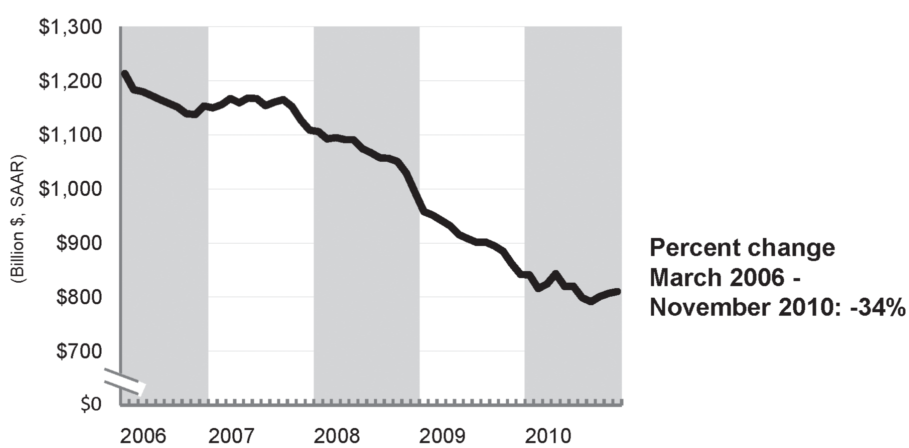
In addition to the private sector declines, the industry also suffered from drops in local and state construction funding. Indeed, many state and municipal governments made dramatic reductions to their capitol programs in reaction to declining tax revenue. These steep drops in private and public sector construction activity were offset somewhat by large, temporary federal programs, including the base realignment and stimulus programs.

The stimulus in particular proved helpful. The roughly $135 billion in construction investments kept many construction firms from shutting down and saved tens of thousands of construction jobs. Outside of the $49 billion in transportation related investments, however, much of the stimulus' construction funds have been invested more slowly than many anticipated. As a result, the impact of the stimulus has been diluted as the investments spread out over what is likely to be a five-year period.

Worse, the amount of money the stimulus brought to the construction market proved much smaller than the overall contractions being driven by diminishing private, state and local demand for construction. In other words, the broader downturn in construction activity eliminated far more jobs than the stimulus was able to save or create.

Even as the construction market has continued to tumble, robust economic recoveries in Asia and South America have begun driving prices up for key construction commodities. Since 2009, the cost of diesel has risen 28 percent, copper shapes 13 percent and aluminum and brass mill shapes 12 percent. Overall, the cost of construction materials has risen nearly five percent between January 2010 and January 2011.

Construction Spending is Down 34%



Source: Census Bureau construction spending reports

These price increases are not as extreme as the double-digit increases from earlier in the decade. However, they are occurring at a time when the amount construction firms can charge for finished projects has stagnated because of the intense competition for an ever diminishing amount of work. The most recent data available from the U.S. Census Bureau shows that the price for completed projects remained almost flat during the past twelve months.

As if declining demand, rising costs and stagnant returns weren't enough, federal investment policies are causing considerable uncertainty for the growing numbers of construction firms that have come to focus on federally-funded projects. That is because Congress has yet to pass long-term infrastructure investment legislation addressing our aging inventory of water, road, transit or aviation systems.

Construction Matters to the Economy

The ongoing construction downturn is not only devastating to people working directly in construction. It is serving as a drag on U.S. economic growth. That is because construction spending accounts for more than eight percent of U.S. gross domestic product and is responsible for one out of every 10 U.S. manufacturing shipments and one out of every 12 machinery shipments. Given that the vast majority of construction firms are small, local businesses, the strength of the sector has a disproportionate impact on all communities.

Reviving demand for construction, particularly private sector construction activity, is essential to sustaining broader economic growth. That is because:

- **Construction builds a more globally competitive economy.** Inefficient buildings and manufacturing facilities cost American businesses millions of dollars each year in needless power consumption and lost worker productivity. Meanwhile congested and unsafe transportation networks cost businesses billions in wasted fuel, late shipments and delayed workers. Indeed, the construction industry alone loses billions each year to congestion and unreliable roads. Enacting policies designed to encourage businesses to invest in more energy- and work-efficient structures will help them compete with similar businesses in China, India, Brazil and elsewhere. Meanwhile, improving aging transportation, water and energy infrastructure will allow domestic employers to cut delivery times, optimize just-in-time shipping schedules, reduce costs and increase competitiveness.

- **There is a direct connection between activity levels and employment in construction.** While the construction sector has made significant increases in productivity, especially with the advent of new design and planning technology, the fact remains that it is a labor-intensive industry. Construction firms can't put the receptionist to work laying bricks or the accountant to work pouring concrete. The busier firms are, the more jobs they add. We've seen the inverse during the downturn – construction firms have little capacity to support idle workers – which is why the industry's job losses have been so severe. That means, however, that as soon as firms experience an increase in activity, they will begin adding jobs. And unlike service-sector jobs, the average pay for construction workers is $49,000, eight percent more than the average for all private-sector employees.

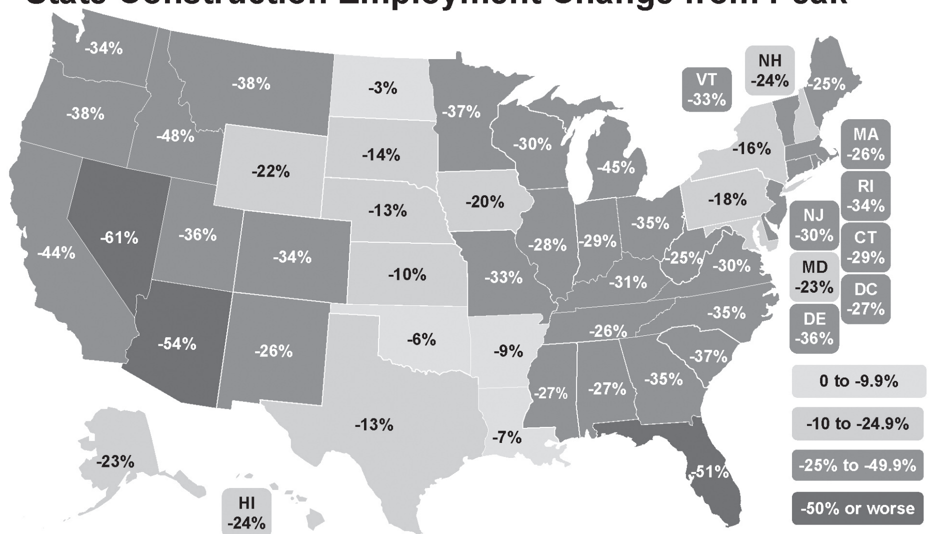
- **Construction improves our environment.** Improving the efficiency of our built environment – including commercial buildings, transportation infrastructure and water systems – presents one of the greatest opportunities to reduce power consumption and cut greenhouse gas emissions. After all, the energy consumed by the nation's aging building inventory accounts for 35 percent of the nation's manmade greenhouse gas emissions and consumes 40 percent of the nation's energy, while traffic jams along our aging and inefficient transportation network account for another 27 percent of energy consumption and 27 percent of greenhouse gas emissions. In other words, we can significantly improve our environment in a way that won't stifle economic growth or impose costly new taxes on economic activity.

The health of the construction industry is vital to our economic strength, employment levels and quality of life. Yet the industry continues to suffer from a prolonged downturn and as a result is serving as a drag on broader economic expansion. It is clear that a new approach is needed… one that puts particular emphasis on boosting private sector demand and providing economic certainty. That is why the association has prepared a new national plan to revive the construction industry and return the nation to a period of sustained economic growth. The plan outlines a series of commonsense regulatory, tax, finance and trade reforms that will boost economic activity and stimulate private sector demand for construction. Taken together, these changes will allow sound private-sector construction projects easier access to credit and financing, encourage greater efficiency upgrades in our buildings and facilities and keep construction costs competitive.

The plan also calls for pragmatic new long-term investments in infrastructure that will help businesses while enhancing our economic capacity for decades to come. There's simply no doubt that the long term health of our economy depends on reduced federal spending and a significantly smaller federal debt. Indeed, the federal reforms and investments identified in this plan are designed to protect taxpayers from the far more significant costs and economic hardships that would come with allowing our national infrastructure to deteriorate to the point of disrepair. It costs a lot less to maintain roads, bridges and water systems than it does to repair them, after all.

The plan also identifies regulatory and policy changes that, when made, will eliminate bureaucratic delays that inflate costs, frustrate taxpayers and benefit no one. The plan is ambitious, yet it is calibrated to meet a significant challenge. Given the critical role the construction industry plays in our broader economy, this plan deserves broad, bipartisan support.

State Construction Employment Change from Peak



Source: BLS state and regional employment report

The Plan

Boost Private Sector Demand

Any effort to reinvigorate the construction industry must successfully jump-start new privately-funded construction. The strength of the private sector market is the single largest determining factor in the health of the construction industry. Unfortunately, private sector demand continues to decline at alarming rates. Of course, the private sector won't begin building again until employent expands, retail demand grows and manufacturing increases. That is why the best way to boost private demand for construction is to put in place pro-growth policies that will boost economic expansion.

- **Increase Commercial Building Energy Efficiency Tax Deductions.** Current law allows owners to deduct the cost of installing energy efficient systems, like new heating and cooling units, in commercial buildings. The amount of the deduction is up to $1.80 per square foot that will see at least a 50 percent efficiency improvement. Given the limited impact this deduction has had on boosting energy-efficient installations, Congress should raise the deduction amount to $3.00 per square foot, saving energy and energy costs.

- **Convert Commercial Building Energy Efficiency Tax Deductions into Tax Credits.** In addition to boosting the deduction amount for efficiency upgrades to commercial buildings, Congress should convert the tax benefit into a tax credit. In an environment where many commercial building owners are likely to experience losses in 2010 and 2011, tax deductions will have limited to no impact. Converting deductions into credits will provide a significant financial incentive for property owners to improve the efficiency of commercial buildings.

- **Reject Efforts to Increase Tax on Carried Interest.** Some members of Congress are trying to increase the tax on carried interest from 15 percent to 38 percent. Such an increase would undercut the economic incentive to build projects or redevelop underutilized properties and drive away investments from the commercial real estate sector.

- **Approve Pending Trade Agreements and Restore "Fast Track" Trade Promotion Authority.** Passage of pending trade agreements with Korea, Colombia and Panama will boost demand for construction of domestic shipping and manufacturing facilities while providing a needed boost to the overall private sector. Restoring "Fast Track" authority, meanwhile, will allow the President the freedom and flexibility to negotiate bilateral free trade agreements that can be presented to Congress for an 'up-or-down' amendment-free vote, restoring confidence on the part of potential new trade partners and accelerating completion of new pro-growth trade agreements. Streamlining trade negotiating authority will make it easier to open new markets for U.S. exports, while boosting demand for the construction of manufacturing and shipping facilities nationwide.

- **Provide Tax Credits for Contractors that Invest in New, Cleaner Construction Equipment.** Instituting a 30 percent investment tax credit for cleaner construction equipment will boost demand for new, domestically-manufactured equipment while allowing construction firms to improve their overall efficiency. The new tax credit would apply both to manufacturers of new, cleaner diesel-powered construction equipment and construction firms that purchase the new equipment or improve the efficiency of existing equipment.

- **Extend Payroll Tax Exemption into 2011.** As part of the Hiring Incentives to Restore Employment (HIRE) Act, employers that hire unemployed workers in 2010 may qualify for a 6.2 percent payroll tax incentive. This incentive has proven particularly popular with the construction industry, given the seasonal nature of many construction jobs, especially in northern-tier states. Congress and the Administration should act now to extend this exemption into 2011 so construction firms will have an additional incentive to expand their workforce in time for the spring construction season.

- **Incentivize New Equity for Existing Real Estate Projects.** As property values fall and lenders adopt more restrictive standards, new sources of equity capital will be needed. Congress should provide temporary tax incentives to attract new equity for existing projects. The incentives would provide bonus depreciation on the new investment equity and deduction of losses that are not subject to passive loss limits. At least 80 percent of the invested capital must be directed to reducing the outstanding balance of the commercial mortgage debt with the remainder going to capital improvement to qualify for the incentive. This will ease debt market concerns and boost the broader economy.

- **Make Permanent Shortened Cost Recovery Period for Retail & Restaurant Improvements.** Tax provisions shortening the cost recovery period of certain leasehold, retail and restaurant improvements from 39 to 15 years expired at the end of 2009. Making those provisions permanent will provide an important incentive for retail and restaurant operations to make capital improvements to their leasehold space.

- **Make Permanent Depreciation Bonus & Capital Expenditure Write-Off Levels.** As part of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, businesses are able to immediately write-off 100 percent of the cost of new tangible depreciable property (like construction equipment) placed in service starting September 9, 2010 through 2011. The law also allows for 50 percent bonus depreciation for business investments placed in service in 2012. In addition, the current law allows small business taxpayers to write-off capital expenditures of up to $500,000 made in 2010 and 2011 and up to $250,000 made in 2012. Taxpayers also are allowed to expense up to $250,000 of the cost of qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property. While these temporary measures will provide some relief, the limited duration of these benefits undermines their ability to stimulate growth. Congress should make permanent the current depreciation bonus & capital expenditure write-off levels. Congress also should make permanent the special rule for long-term contract accounting that decouples bonus depreciation from allocation of contract costs.

- **Extend and Expand the Five-Year Carryback of Net Operating Losses for Small Businesses.** Businesses that experienced net operating losses in 2008 and 2009 are able to carry those losses back over the preceding five years. The provision allows businesses with deductions exceeding their income to get a refund for taxes paid in previous years. This provision had little impact on construction companies because fewer firms experienced losses in 2008 or 2009 than are expected to in 2010 and 2011. Expanding the provision to cover net operating losses incurred in 2010 and 2011 for all businesses will allow cash-strapped construction firms to convert future tax benefits into cash today that can be used to expand payrolls, retain workers and invest in equipment.

- **Make Permanent Certain Tax Cuts from 2001 & 2003.** While the broad range of tax cuts enacted in 2001 and 2003 were extended through 2012, uncertainty about future tax rates after 2012 will limit the full benefits of the rate extension. As a result, Congress should make permanent the reductions in individual income, dividend and capital gains tax rates from the past decade. Congress also should make permanent the estate tax at or below levels enacted in December 2010. Taken together, making these cuts permanent will strengthen capital markets and make it easier for businesses (construction and other) to grow, expand and build new facilities.

- **End Double Taxation of U.S.-based Businesses Succeeding in International Markets.** Unlike most of our global competitors, the U.S. punishes domestic businesses that succeed in international markets by forcing them to pay taxes on their overseas profits twice – in the host country and then again here. Given the increasing globalization of markets, this puts U.S. businesses at a distinct competitive disadvantage and discourages many firms from using overseas profits to invest in domestic operations. Congress and the Administration should work to transition from our current "worldwide" tax system to the "territorial" tax system our competitors use. Under this system, overseas profits would not be taxed a second time, making it easier for domestic firms to invest in manufacturing, office and distribution facilities here in the U.S.

- **Repeal the Alternative Minimum Tax.** Since the vast majority of America's businesses are taxed as individuals instead of as corporations, the alternative minimum tax undercuts potential earnings that otherwise will be reinvested as retained earnings each year. These retained earnings provide the capital needed for businesses to invest in real estate, renovations and new manufacturing equipment, all of which is essential to the private construction market. Congress should repeal the alternative minimum tax before it saps more capital out of the economy and undermines future construction projects.

Tackle the Infrastructure Debt

The nation's transportation, water and energy infrastructure serves as the foundation for private sector growth. Access to reliable and affordable power, clean water systems and a transportation network that for much of the 20th century was the envy of the world has given American businesses a significant competitive advantage. However, that competitive edge is being undermined by federal misallocation of infrastructure resources and the resultant mistrust taxpayers have in the federal government's ability to use any increases in infrastructure funding wisely. As a result, our national infrastructure has been allowed to age and deteriorate to the point where the American Society of Civil Engineers now estimates that our country is dealing with a trillion dollar infrastructure debt.

As our infrastructure deteriorates, American businesses suffer. Traffic congestion alone costs businesses nearly $100 billion a year in lost productivity and costly delays. Worse, aging infrastructure is undermining our quality of life, causing an enormous waste of fuel, water and other natural resources and is threatening to undermine decades of environmental improvements. Fixing our infrastructure debt, however, isn't just about increasing investment levels. Just as important is making serious reforms to federal infrastructure programs to refocus them on core missions, eliminate wasteful and/or questionable spending and restore taxpayers' trust in the federal government's ability to wisely invest their money.

- **Reform and Enact Multi-Year Federal Highway, Transit and Aviation Legislation.** Transportation projects are often complex, multi-year projects that take time to plan, fund and complete. Many multi-year surface and aviation projects are now months late because long-term surface and aviation transportation bills have languished. Congress and the Administration need to reform both programs to eliminate spending programs that aren't in the direct federal interest. For example, even though bicycle programs and transportation museums may be important, they represent the kind of spending that have prompted taxpayers to lose faith in the federal program and resist needed increases in highway user fees. Likewise, both the aviation and surface transportation bills need to include revisions to the federal review process to significantly reduce the time it takes to approve projects. Meanwhile, additional funding sources must be identified to finance new transportation programs like High Speed Rail if these programs are to move from dream to reality.

- **Transition to Vehicle Miles Tax.** Congress and the Administration must establish a clear timeline for transitioning from the current gas tax to a vehicle miles tax (VMT). The VMT will serve as a more accurate user fee by requiring drivers to pay for their road use regardless of whether they operate a hybrid, electric vehicle or traditionally-powered automobile. The VMT could also be significantly less-regressive than the gas tax, as different rates could be set based on income levels and/or type of vehicle used. Given the challenges associated with this transition and the average life-cycle of the automobile fleet, this switchover will take years, which is why the process must start now. In the meantime, Congress and the Administration should adjust the gas tax to $.334 per gallon to ensure the highway trust fund remains viable until the transition is completed.

- **Address Maintenance and Modernization Backlog for Federal Buildings.** Congress and the Administration can provide immediate new opportunities for unemployed construction workers and significant long-term savings for taxpayers by addressing unmet maintenance and modernization needs in its building inventory. The Government Accountability Office has identified $4 billion worth of needs in over 900 federal buildings. Aging federal facilities undermine government productivity and waste significant amounts of energy. For approximately half of one percent of its stimulus program, the federal government can boost construction employment, increase federal productivity and reduce energy consumption.

- **Reform Water Resources Development Act to Invest in Navigation and Flood Control Projects.** Congress and the Administration should begin to address unmet navigation and flood control needs by increasing funding for the U.S. Army Corps of Engineers' Civil Works program to a minimum of $7 billion in 2010. In addition, Congress should agree to allow only projects that have been vetted and identified by the Corps to be funded. Today there are simply too many Congressionally-selected projects that are undermining investments in the projects that the Corps has identified as true national priorities. The Harbor Maintenance Trust Fund also must be used for its intended purpose.

- **Establish a Clean Water Trust Fund.** Congress should increase funding for the Clean Water State Revolving Loan fund and Safe Drinking Water State Loan Fund to a combined $6 billion annually. In addition, the Administration and Congress should work together to establish a Water Trust Fund that will allow for future investments to come from dedicated and sustainable long-term funding sources, instead of depending on unreliable and unpredictable annual appropriations out of the General Fund.

- **Establish a National Infrastructure Bank.** Consolidate existing federal infrastructure lending programs, such as the Railroad Rehabilitation and Improvement Financing (RRIF), Transportation Infrastructure Finance and Innovation Act loans (TIFIA), Federal Ship Financing (Title XI) and other similar programs into a single national infrastructure bank. (The Ship Financing Program also should be expanded so needed port infrastructure investments can qualify.) This independent institution would have a mandate to evaluate and make loans available to support up to 33 percent of the cost of infrastructure projects. The bank would have sections dedicated to specific types of infrastructure and would guarantee that those percentages of loans go to specific types of infrastructure. Assuming current interest rates and performance comparable to TIFIA, if the bank were capitalized at $1 billion annually, it could leverage those resources into as much as $51 billion worth of infrastructure projects. This would allow certain projects an opportunity to attract and repay financing and could complement, but not substitute, more traditional funding streams.

- **Encourage States to Enact Permissive Public Private Partnership Laws.** All earmarked transportation funds that have been unused for at least 10 years, worth over $620 million, should be consolidated into a single Public Private Partnership Innovation Fund. The Department of Transportation would use this fund to encourage states to enact new, or revise existing, public private partnership legislation to encourage greater private-sector funding for transportation infrastructure projects. States will be able to win competitive grants from this fund based on their success in enacting permissive legislation and entering into viable public private partnerships.

- **Re-establish and Make Permanent Build America Bonds Program.** The Recovery Act created the Build America Bonds program as a new financing tool to allow state and local governments to obtain much-needed funding, at lower borrowing costs, for projects such as construction of schools, hospitals, transportation infrastructure and water & sewer upgrades. Unfortunately, this progam expired in 2010. Congress should reestablish it, make it permanent, and expand eligibility to cover certain private activities with national benefits, such as energy infrastructure and efficiency upgrades at commercial, manufacturing and health care buildings.

- **Exempt Construction from Private Activity Bond Cap.** Private Activity Bonds are a form of financing that allows private entities to partner with state or municipal governments to receive tax-exempt financing for private- or publicly-owned projects in the public's interest. However, the rules governing these bonds limit the total dollar amount that can be issued based on a state's population. Eliminating these caps would qualify significantly more water, sewer and mass transit projects, among others, for this kind of financing.

Ease Regulatory Burdens

Any serious effort to improve the economy and boost private sector demand for construction must include a comprehensive effort to reduce costly, time consuming and needless regulatory burdens. Unfortunately, those burdens have only increased over the past two years as the government has taken an increasingly anti-business approach to crafting regulations and interacting with regulated businesses. Nobody questions the government's essential role in protecting the environment, ensuring workplace safety and promoting ethical business behavior. But the expansion of reporting requirements, growth in oversight audits and widespread reports that federal inspectors are striving to meet minimum fine quotas are forcing businesses to spend an increasing amount of their time and capital on regulatory compliance.

In the construction industry alone, projects often languish for years awaiting environmental and permitting reviews. These reviews are crafted in a way that even a minimum of resistance can delay decision making, yet virtually no amount of effort can accelerate the process. Nobody questions the need to ask tough questions and demand good answers about construction's impact on the environment, the quality of work and whether the government is getting a good value for its investment. But it shouldn't take years of effort, dozens of staff and miles of red tape to answer those questions. That is why the association recommends the following regulatory and policy revisions.

- **Pass Legislation Limiting Major New Regulations.** Congress should pass, and the Administration should sign, proposed legislation that would require Congressional approval before any regulations costing the economy over $100 million can be established. This would allow for more robust debate and consideration before costly new regulations are put in place than the current rulemaking process provides.

- **Develop a Comprehensive National Energy Plan.** Congress and the Administration should craft a comprehensive national energy plan. This plan would eliminate the uncertainty and confusion that have come with an ad hoc energy policy that encourages boom and bust cycles with temporary and varying energy incentives and tax breaks. It also would streamline the permitting process for alternative power generation facilities and efficiency upgrades to existing plants. Such a plan also should allow for a greater private-sector involvement in planning, developing and expanding alternative energy sources.

- **Streamline Environmental Reviews for Infrastructure Projects.** The current federal environmental review process for federally-funded infrastructure projects is unnecessarily slow and expensive. For example, it takes an average of 13 years for highway and 12 years for transit projects to receive federal approval. As a result, every effort should be made to streamline the environmental review process while protecting the environment by designating lead federal agencies, establishing and meeting clear timelines, simplifying analysis requirements and placing a statute of limitations on claims.

- **Repeal Three Percent Withholding for Government Contracts.** Beginning in 2012, federal, state and local governments with total annual expenditures of $100 million or more will be required to withhold 3 percent from all payments for goods and services they purchase. Given the extremely narrow margins on which most construction firms are now operating — on average 3.4 percent — this new measure will force contractors to either break even or operate at a loss. Worse, firms won't be eligible to receive interest earned on the withheld funds when they are returned after as long as 2-3 years.

- **Preserve the U.S. Department of Transportation's Oversight of Transportation Planning.** Past efforts to enact climate and energy legislation have included efforts to give the Environmental Protection Agency increased review and permitting authority when it comes to transportation issues. Should these ideas become law, they would only add new and needlessly redundant layers of oversight that would prolong the already lengthy review process for vital transportation projects. Congress and the Administration should resist any effort to expand the EPA's regulatory reach into the transportation arena.

- **Reform the Approval Process for the New Starts Transit Program.** While the New Starts program has led to greater accuracy in planning transit projects and projecting traffic volumes, its review process is lengthy and costly. The program should be reformed to allow for reviews that ask and answer the same tough questions about a project's viability in a significantly shorter amount of time.

- **Allow Broader Participation in the Green Jobs Act.** The Green Jobs Act of 2007 limits training grant funding to entities that coordinate with labor organizations, needlessly limiting the range of organizations that can help out-of-work construction workers take advantage of growing demand for green construction. Congress should enact the Green Jobs Improvement Act and allow any accredited training program, regardless of its relationships with unions, to compete for taxpayer grants.

- **Establish a Federal Multiyear Capital Budget for Public Works Infrastructure.** Establishing a federal multiyear capital budget for public works will make it easier for officials to plan for, and finance, major, multiyear infrastructure projects. Most states already successfully use multiyear capital budgets. Such an approach is preferable to the current federal budgeting process for key infrastructure like water and wastewater facilities that discourages good long-term asset management by focusing on funding short-term needs only.

- **Oppose So-Called "High Road" Contracting Reforms.** The Administration is reportedly considering implementing "High Road" contracting reforms that would allow construction firms to be blacklisted from federal work based on anonymous accusations. The premise of the proposed reforms ignores current federal contracting law as well as the rigorous legal obligations and financial risk that federal contractors are currently required to meet.

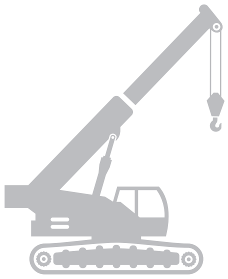
- **Reject the Clean Water Restoration Act.** Congress may again consider legislation that would significantly expand federal jurisdiction over waters and wetlands under the Clean Water Act. Were this legislation to become law, all construction activity impacting any water or wet area in the United States would be required to obtain a Clean Water Act permit. Where these permits are currently required, they have proven both costly and time-consuming. On average, it already costs an applicant $30,000 and takes up to 313 days for the federal government to grant a general permit, and over $270,000 and 788 days for the federal government to grant an individual permit. To avoid needlessly delaying billions of dollars worth of construction projects, Congress should preserve state and local authority over local land and water use.

- **Accelerate Licensing of New Nuclear Power Plants.** With demand for electricity projected to grow substantially within the next two decades, Congress and the Administration need to act on the 30 pending nuclear power plant applications that have been submitted to the Nuclear Regulatory Commission. As one of the few sources that can generate electricity reliably, efficiently and without greenhouse gas emissions, nuclear power must remain an essential component of our power grid. Unfortunately, today's 104 U.S. nuclear reactors operate at more than 90 percent capacity. Constructing a nuclear plant takes years, however. Further needless permitting delays will only increase our national reliance on foreign sources of energy.

- **Revise Environmental Legislation to Encourage Green Construction Activity.** Environmental legislation should encourage demand for energy-efficient buildings and infrastructure. Those opportunities should not be limited by proposals that would increase the cost of construction or reduce demand for new commercial, manufacturing and industrial facilities. In that light, environmental legislation must not add new permitting requirements that block or delay the development of commercial and residential buildings. Congress should encourage cost-effective improvements to our environment and air quality by funding energy efficient infrastructure along the lines of AGC's "Building a Green Future" plan. Congress also should pass legislation to pre-empt use of the Clean Air Act to regulate greenhouse gas emissions, an approach economists agree stifles economic growth and construction activity.

- **Avoid Government-Mandated Project Labor Agreements.** Government-mandated project labor agreements have been proven to limit competition for construction work, needlessly denying workers the opportunity to benefit from publicly-funded projects. Worse, government mandated project labor agreements put public officials with little to no experience in construction in charge of setting work rules and schedules, creating inefficiencies and undermining workplace safety. The Administration should avoid using government-mandated project labor agreements at all costs and instead let workers and construction firms negotiate terms of employment and work.

- **Rescind Buy American Requirements.** Well-meaning efforts to stimulate purchases of American-made products too often cause needless delays to construction projects while inflating construction costs. Invariably, significantly more construction workers are impacted by these delays than the limited number of workers that benefit from these requirements. Congress and the Administration should rescind Buy American requirements included in the stimulus and avoid further temptations to expand these requirements beyond their traditional and limited use in federal procurement and highway programs.



The Cost Of Inaction Vs. The Benefits Of Action

No doubt some will argue that new measures and regulatory reforms aren't needed and that the construction industry will recover on its own. But just looking at the construction industry's performance in the year and a half since the official end of the reccession, it should be pretty clear that the sector's revival is anything but guaranteed. Allowing this industry to continue to stagnate will have significant long-term impacts both on the strength of the domestic labor market and on the quality of America's public and private infrastructure and buildings.

The construction industry has accounted for twenty percent of the jobs lost during the economic downturn, even though it accounts for just five percent of the workforce. That means a significant portion of the jobs lost over the past two years won't return until the construction industry revives. Given the construction industry's heavy consumption of manufactured goods and shipped equipment and supplies, any prolonged downturn for the sector will drag on the hard-hit manufacturing and shipping industries.

A prolonged construction downturn also means that the private sector will not be making needed upgrades to office, shipping, power generation, research or manufacturing facilities. This will put private firms at a distinct competitive disadvantage as they work to expand exports and increase domestic market share against foreign, often state-funded, rivals.

U.S. businesses will also be hamstrung by our failure to reform, streamline and invest public and private resources in our critical infrastructure. If we continue to allow roads to congest, bridges to age, water systems to deteriorate and the power grid to remain inefficient, we will undermine domestic employers. How can we expect our businesses to succeed if their shipments are stuck in traffic, their utilities are unreliable and their cost of operating continues to increase?

The U.S. Chamber of Commerce, for example, has found a direct correlation between the quality of our infrastructure and the viability of our business community. Meanwhile, the U.S. Department of Treasury has noted that America invests a smaller amount in maintaining and expanding its infrastructure than Europe or Asia, as measured by percent of GDP. Should this be allowed to continue, the costs to our economic viability will be profound and protracted.

On the other hand, the benefits of acting on this plan will be significant. Enacting measures to boost the economy and expand private sector demand for construction will immediately improve employment levels. It will lead to an increase in domestic demand for manufactured goods, shipping services and construction supplies and materials. And it will bring new vitality to many of our hardest hit communities.

A resurgence in private and public sector construction will also boost our global economic competitiveness. It will allow our businesses to operate more efficiently and improve their productivity. It will lower shipping costs, helping farmers earn more for what they grow and shoppers to spend less of what they earn. It will improve quality of life for all Americans, better safeguard our environment and reduce the amount of water, energy and fuel we consume each year.

In other words, the benefits of this plan are greater than the costs associated with it and far greater than the costs associated with doing nothing. That is why it is our hope that each of its recommendations will be acted on with urgency and speed. Not only are millions of unemployed construction workers looking for relief, but our broader economic health needs the competitive advantage that comes with much-needed improvements to our built environment.

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