

# The feeling isn't mutual

*Some continue to enjoy the promise of TEA-21, while others struggle*

by **Bill Wilson**

There's a leftover from this year's carnival of court cases and controversy created by the presidential election: elephant ears.

For the first time in almost a decade a Republican will lead from the White House, and early signs show a George W. Bush cabinet receptive to the ongoing needs of the highway and bridge construction business.

Chances are good the industry will be heard as it enters a telling period. Although there are two years remaining in the Transportation Equity Act for the 21st Century (TEA-21)—the largest federal funding infrastructure package in U.S. history—what happens over the course of the next year could set the pace for reauthorization.

"We have a lot of new faces in Congress, so we need to educate new members on transportation issues," Matt Jeanneret, director of public affairs for the American Road & Transportation Builders Association (ARTBA), told **ROADS & BRIDGES**. "There's a big learning curve out there, and with reauthorization coming in 2003 we need to make sure everyone is on the same page."

But not every battle will be won or lost under the dome of Capitol Hill. Construction equipment manufacturers are bracing for a downward turn in the economy, as rental companies continue to saturate and consolidate.

**ROADS & BRIDGES'** first annual "State of the Industry" looks at the current trends, issues and questions on the table for 2001.

## The voice is getting louder

The election of George W. Bush was an important first step in continued record funding for road and bridge projects. Texas built a \$3 billion highway program under Bush's gubernatorial run, and the president-elect is expected to surround himself with people tied to the roadbuilding industry.

"Bush did come out against cutting the gas tax in response to rising gas prices. I think that's important," said Jeanneret.

At press time, several key positions in the new cabinet were still vacant, but Kansas Governor Bill Graves, Representative Jennifer Dunn (R-Wash.), Director of Utah Department of Transportation Thomas Warne, Pennsylvania Secretary of Transportation Brad Mallory and David Laney, chairman of the Texas Transportation Commission, were the leading candidates for the U.S. Secretary of Transportation job.

In addition, former Secretary of Transportation Andrew Card may be the next White House chief of staff. Card served as deputy chief of staff in the White House before filling the transportation secretary position for President George Bush in the late '80s.

"There wouldn't be a better voice for highways than Andy Card," Bill Fay, president and CEO of the American Highway Users Alliance, told **ROADS & BRIDGES**. "I



don't think we've seen anybody with that much concern for highways since Dwight D. Eisenhower."

A divided House of Representatives and Senate has created mixed forecasts. Six House and six Senate incumbents lost the 2000 election. There are now 221 Republicans, 212 Democrats and two Independents in the House, while the Senate holds a 50-50 split for the first time since 1881. As a result of the deadlock, Republican control of the chamber lies in the hands of Vice President Dick Cheney, who will be the President of the Senate. Cheney will likely break tie votes in favor of Republicans.

The new look in Congress could form a bipartisanship, but it also could create a log jam for new legislation.

"The one thing I will say about the House, in an era of gridlock transportation has been the exception in terms of legislative accomplishments," said Jeanneret.

One of the largest committees in the U.S. Congress, the House Transportation and Infrastructure, will have a change in leadership. Committee Chairman Bud Shuster (R-Pa.) will step down and seek the chairmanship of the committee's Ground Transportation Subcommittee. Representative Don Young (R-Alaska), a strong supporter of TEA-21, is Shuster's replacement. Young also did not support any attempts to repeal the gas tax.

Environmental streamlining leads the issues of importance for 2001. The U.S. DOT has yet to implement the streamlining regulations in TEA-21, which would speed up the environmental review process for highway projects.

New "hours of service" regulations for truck drivers are creating friction between industry leaders and the Federal Motor Carrier Safety Administration (FMCSA). The FMCSA proposal would allow construction industry drivers only five hours of driving time in a 24-hour period. According to ARTBA, the restriction would force many companies to hire more drivers and purchase more trucks to complete highway projects on time.

The U.S. DOT was expected to release a new rule addressing its policy on retainage by the end of 2000. The revised regulation may include language clarifying that states are to accept a subcontractor's work and release the associated retained amount before requiring the prime contractor to promptly pay retainage to its subcontractor.

Congress has threatened to divert additional money from the gas tax in the past, and talks could surface again in the upcoming months. Under TEA-21, the revenue aligned budget authority bonus should be dumped into the highway trust fund. In 1999 approximately \$1.5 billion went to highways, and it grew to \$3 billion in 2000. Projections have it as high as \$6 billion this year.

ARTBA's economic forecast shows a 7-10% growth in the highway construction market for 2001. Dr. Bill Buechner, vice president of economics and research for ARTBA, said the more than \$30 billion Congress appropriated in fiscal year 2001 for highways is the main reason behind the positive outlook.

"The numbers and investment levels are there and it should be a good year in the industry," said Jeanneret. "It will be an interesting year. There are a lot of transportation issues that need to be addressed."

### **Makers of slow-moving equipment**

Big money isn't waiting for the construction equipment industry. According to the Construction Industry Manufacturers Association (CIMA), smaller gains are predicted in overall industry business.

Machinery manufacturers participating in the annual CIMA "Outlook" survey expected construction equipment business in the U.S. to close out 2000 with a 2.6% gain, followed by an increase of 2.3% in '01. For Canada, construction equipment shipments were anticipated to grow 1.2% by year-end 2000, and as much as a 3.8% rise could occur over the next 12 months.

Worldwide business holds the most promise. Experts are anticipating a 5.5% increase in 2001. Mexico (8%), the Far East (7.8%) and Western Europe (8.7%) could make the biggest jump.

A rise in interest rates and fuel costs has taken some steam out of the North American market. But perhaps the biggest culprit is the rental industry, which continues to expand and consolidate. Rental houses are now supplying contractors with relatively new equipment, which doesn't bode well for manufacturers.

"The market still remains very weak for the construction

industry as a whole," Lex Taylor, 2000 CIMA chairman, told **ROADS & BRIDGES**. "One of the things that's affecting equipment manufacturers is the rental industry. Many of the manufacturers really gave some nice concessions to the rental houses in return for volume, and the volume hasn't been there.

"As a matter of fact, it's diminishing with consolidations and some other situations going on."

Specifically, bituminous machinery such as cold planers, asphalt pavers, rollers and soil stabilizers is expected to show moderate gains in the U.S. and Canada, while increasing 5.2% worldwide.

Sales of concrete and aggregate equipment, including crushers, screens, feeders, conveyors, rock drills, batch plants, mixers and pavers, are anticipated to inflate 6.3% in the U.S.

The market for components and attachments will thrive in '01, with predicted gains of 8.3% in the U.S.

"With the greater need for increased operating efficiencies and return on investment, machinery customers are keeping their fleets longer and looking to maximize the productivity and versatility of their equipment," added Taylor.

### **Industry depends on the future**

Machines, however, are useless without operators—and the workforce continues to look bleak. A survey conducted by Manpower Inc. shows little relief for a construction labor market desperate to fill positions.

Despite establishing record levels in the third and fourth quarters of 2000, 27% of transportation and public utilities firms are still in need of skilled workers.



In an effort to create diversity, the first annual "Introduce a Girl to Engineering Day" will be held during National Engineers Week Feb. 18-24. The new program will debut Feb. 22.

Only 9% of engineering positions are currently filled by women.

"With the construction industry accounting for one out of every 10 jobs and the construction market growing another 9% over the next year, laying the groundwork for a future work force is imperative," said Associated General Contractors of America Executive Vice President and CEO Stephen Sandherr. <sup>RB</sup>