NATIONAL STONE, SAND & GRAVEL ASSOCIATION

Natural building blocks for quality of life

WRITEN STATEMENT
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ON BEHALF
OF THE
NATIONAL STONE, SAND & GRAVEL ASSOCIATION

BEFORE THE
NATIONAL SURFACE TRANSPORTATION POLICY
AND REVENUE STUDY COMMISSION
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CHICAGO, ILLINOIS

My name is Michael Stanczak, Regional President of Hanson Aggregates. Thank you for the opportunity to testify before the National Surface Transportation Policy and Revenue Study Commission (Revenue Commission) on behalf of the National Stone, Sand & Gravel Association (NSSGA). The task before the Revenue Commission is critically important because the growth of the nation's economy, the country's national security, American's personal safety and the way of life they enjoy is inextricably linked to the state of our national surface transportation infrastructure.

We concur that all stakeholders need to work together to develop a 21st century vision for surface transportation. The current system is old and at capacity. It was a bold and innovative vision when President Eisenhower signed the Federal-Aid Highway Act of 1956, but 50 years have passed and we have entered a new century that demands a new vision, no less bold or innovative than the last.

Like many of its coalition partners, NSSGA formed a task force last year to develop a vision for the future surface transportation system and aggregate industry recommendations for the next highway bill. Attached is NSSGA's vision and principles statement for the next surface transportation reauthorization. It is clear the next bill will not be a reauthorization of the current bill, but different and we should really speak of it as a "new beginning." We are at a crossroads with the ability to shape the surface transportation program going forward as happened 50 years ago.

NSSGA agrees with our coalition partners that we must increase investment in surface transportation infrastructure essential to meet the projected funding shortfall and grow the system into the future. We strongly support preserving and maintaining the national highway system. While the states are the proper authorities to spend according to their priorities, we would oppose devolution of the program as counterproductive to the conduct of commerce in the United States and thus risking competitive position with our trading partners. We also, therefore, support the Federal user fee program and the Highway Trust Fund (HTF) firewalls and funding guarantees that segregate highway user fees from general revenues. Further, NSSGA believes we must create flexibility in the program to allow innovative funding mechanisms to enhance the Federal user fee based program, including creative tolling schemes, dedicated truck lanes, and proposals like the American Road and Transportation Builders Association's (ARTBA) "Critical Commerce Corridors" or "3C" program which NSSGA has endorsed. NSSGA also supports use of public private partnerships where they make sense. Further, ideas of creating a national commission or committee to decide the level of the gasoline user fee, thereby isolating such controversial decisions from the political realm, should be considered.

NSSGA is committed to a unified effort to move the program into the 21st century. We recognize that the different transportation interests must work collaboratively to resolve the short-term funding crisis that faces the program and to develop the long-term

vision for the future or we are merely setting ourselves to do no better than the status quo. We can and must do better.

While the Commission has heard a great deal about the current problems facing the surface transportation system and possible funding alternatives to fill the funding gap that only promises to increase, NSSGA believes one issue that has received little attention is the availability of the natural resources necessary for the construction of a 21st century transportation vision.

The National Stone, Sand & Gravel Association represents the crushed stone, sand and gravel–or construction aggregates—industries. More than 3 billion tons of aggregates were produced in 2006 at a value of approximately $21 billion, contributing nearly $40 billion annually to the GDP of the United States and each year it increases. Every $1 million in aggregate sales creates 19.5 jobs, and every dollar of industry output returns $1.58 to the economy.

Every small town or big city and every road connecting them were built with aggregates. Ninety-four percent of asphalt pavement is aggregate; 80 percent of concrete is aggregate and every lane mile of interstate contains 38,000 tons of aggregates. In other words, we must have the natural resource to build and maintain the nation's surface transportation system. Natural aggregates are the foundation of America's surface transportation infrastructure and will be the foundation of the surface transportation infrastructure of the future.

One way to understand and appreciate the importance of the aggregates industries is to look at its production in the context of all mining. The amount of crushed stone and sand and gravel produced accounts for more than one-half of the volume of all mining and more than twice the amount of coal produced. Projections suggest that vast quantities of crushed stone and sand and gravel will be needed in the future and that much of it will have to come from resources yet to be delineated or defined.

The U.S. Geological Survey estimates that by 2020, U.S. production of crushed stone, which is expected to increase by more than 20 percent, or about 1.6 billion more metric tons, while production of sand and gravel will be increased by just less than 1.1 billion metric tons, for an increase of 14 percent above today's production. The amount of crushed stone to be produced in the next 20 years will equal the quantity of all stone produced during this century, about 36.5 billion metric tons. Combined with the projected cumulative production of sand and gravel, the total amount of aggregates to be mined in the next 25 years will be equivalent to almost all the mining that has taken place in this country for these materials in the past 100 years at over 40 billion metric tons. This factors in demographics – the increase in our population, as well as assumes sustaining a similar quality of life in the future.

Surface transportation infrastructure, such as roads, airports, utilities, and many other facilities are vital to the growth of a populated area. In many areas of rapid population growth, the infrastructure is becoming inadequate. Maintenance and

development of the infrastructure requires large volumes of natural aggregates. Considered in their entirety, aggregates reserves exist in abundance and should be sufficient to meet future needs. On the local level, however, aggregates resource shortages can pose a problem. Such shortages result primarily due to geology, environmental regulation and land development which precludes access to the resource deposit or "resource sterilization." Successful integration of natural resource information into land-use decisions is increasingly difficult as the competing needs for lands and resources become more numerous, complex and urgent.

Geology is one limit on the supply of natural aggregates. Aggregates occur according to the dictates of nature, which is often fickle in failing to deposit these resources in the most convenient locations. So, accessible aggregate resources must be used effectively.

Another obstacle to the supply of aggregates is overly restrictive environmental, zoning, or operational regulations. The industry is legitimately subject to environmental regulation because aggregates must be extracted from the land, potentially impacting the environment. Aggregate plants operated responsibly, however, mitigate much of the impact on the environment. In fact, stone, sand and gravel actually provide environmental benefits by uses including erosion control and slope protection; filtration; flue gas desulfurization; acid neutralization; reclamation and habitat creation; landfills and waste disposal; water and sewage treatment plants; and, pipes to name a few. Nevertheless, unnecessary environmental regulations may be imposed to hinder development and prevent the expansion of aggregate operations. These difficulties can be overcome but often at great costs in time and money.

Public resistance to "mining" of any kind is not new. A 1994 survey found that the public believes mining exploits workers, harms the environment, harms people in nearby communities and offers little personal benefit to the individual. NIMBY (Not In My Backyard) opposition to mining of any kind continues apace.

This spills over to aggregate operations even though our industry strives to be good neighbors by making facilities as visually appealing as possible, erecting berms to screen the view of the plant or installing greenery to beautify the surrounding grounds. In addition to efforts to make the operations more visually appealing, the aggregates industry works diligently to gain public acceptance including taking action to mitigate other operational concerns including blasting, noise, dust and trucks.

Aggregate operators endeavor to address these concerns before launching community relations programs essential to gaining public acceptance, if not approval, of an aggregate operation. An ongoing community relations program is critical including a thorough briefing of residents before development, ongoing dialogue as the project progresses, mitigation of the major concerns, and a reclamation plan for the future. Even then there will be opponents of the development.

Perhaps the most significant obstacle to aggregate resource availability is "resource sterilization." As urban areas expand, local sources of these resources are becoming less accessible. Despite the best efforts of aggregates operations to locate a comfortable distance away from residences and other businesses, invariably as population grows development will grow incrementally toward an operation and often encircle it. Sometimes, the resource is made inaccessible because a mall or other construction is built over it.

For three decades, governments have grappled with competing land-use interests, typically with aggregates resource identification and protection coming in last in a long line of other options. Aggregate producer's success in navigating various market constraints and permitting complexities may actually undermine the urgency to protect aggregates reserves for future development. As most planners evaluate land parcels, they typically look at many other issues, such as water resources or wildlife concerns, a long time before they consider protection of aggregate resources.

In areas without a local supply of aggregates, a premium is paid to import construction materials. Couple the increased costs with the fact that more than half of all aggregate produced is used for government-funded projects, and the tax implications are significant.

Maintaining a constant supply of aggregates to all markets is an ongoing challenge. Some markets are particularly problematic. While this problem is recognized along portions of the East Coast, other markets face a problem. Following hurricane damage in Louisiana, which has never had an abundant supply of crushed stone, obtaining construction materials for rebuilding efforts has been an enormous challenge.

Several states have undertaken resource protection programs with relative success. Specific examples are detailed in the attachment to this statement.

Although shortages sometimes result from geologic constraints, in many areas they result from a lack of will to confront the protection of the resources. Perhaps California most vividly illustrates the problem. In that state, the media has chronicled how Californians are unwilling to develop the resources that the state economy consumes. Instead the state imports aggregates from British Columbia or Mexico. A report issued in February 2007 by the California Department of Conservation, warns local planners that even though the state sits on 74 billion tons of aggregates, permitted resources are dwindling. The report found that only one third of the supply of permitted aggregates is allowed to be produced in the state because the deposits are located near residential areas. Other deposits include some in rural areas inhabited by endangered species.

State Geologist John Parrish contends that California will need 13.5 billion tons of aggregates in the next 50 years, but just 4.3 billion tons have been permitted to be produced. It can take 2-10 years to permit a "greenfield" or new aggregate operation. The state, one of the world's largest economies, is on the brink in a decade of insufficient

materials, while they exist in abundance and can be produced in environmentally responsible operations. Without sufficient new permitted reserves, construction costs, already high, will climb higher as suppliers are forced to import aggregate from out of state to meet the demand in a state that in 2006 approved a massive $42 billion bond package to rebuild California's infrastructure. The state report urges local planning officials to consider access to aggregates when planning for residential and commercial development.

Higher costs, however, can be avoided. Producers of aggregates know that shipping costs can outweigh production costs if the material is trucked more than 25 miles, but the general public is unaware of the cost to them. Comprehensive planning and highlighting the cost of transporting aggregates from remote locations may serve to draw attention of state and local governments to the importance of protecting aggregate resources. According to the California State report to meet the demand for aggregates in the South Bay region, identified as the area of the state having the greatest need of aggregates, the resources must be imported from elsewhere and then transported to a construction site on ever more trucks that add to congestion and increase the product costs dramatically because the aggregate must be transported long distances.

Aggregate producers bear responsibilities, too. In its own use of land, the aggregates industry can prevent permanent sterilization of resources through planned reclamation activities. Reclamation can take land that has been mined and develop it for a wide variety of purposes like habitat creation, parks, economic development or a wildlife preserve. When done properly, reclamation enables the aggregates industry to meet the demand for aggregates while still preserving the land for other uses in the future. Through reclamation, the industry can show that aggregate mining and conservation can coexist.

Aggregates are essential to America's growth and development. Because the demand for aggregates will continue and will grow in the future, provisions to assure adequate supplies will have to be made. Long-range planning and zoning regulations will have to take into account current and future community needs for the valuable natural resource. Ingenious and dedicated aggregate producers will continue to find and supply construction aggregates at a reasonable price to an increasing national population. Nevertheless, as the Revenue Commission goes about its deliberations in developing a vision for our nation's surface transportation infrastructure in the 21st century, protection of and access to our nation's aggregate resources must be factored into the ultimate vision.

President Eisenhower's words in an address to Congress is 1953 are as applicable today as they were more than 50 years ago, "The obsolescence of the nation's highways presents an appalling problem of waste, danger and death. Next to the manufacture of the most modern implements of war as a guarantee of peace through strength, a network of modern roads is as necessary to defense as it is to our national economy and personal safety."

NSSGA looks forward to continuing to work with the Revenue Commission as it fulfills its mission. Again, thank you for the opportunity to testify today. I will be happy to respond to any questions.

Attachments (3)

Attachment 1

NSSGA REAUTHORIZATION
VISION AND PRINCIPLES STATEMENT

Vision:

NSSGA believes the foundation of America's economy depends on an integrated national intermodal transportation infrastructure network that moves both goods and people in ways that maximize economic prosperity, safety, a clean environment, international competitiveness and quality of life and is designed, built, operated, maintained and financed in an efficient, sustainable manner.

Core Principles:

1. Create a new long-term vision for our nation's surface transportation infrastructure based on the requirements of an expanding population, growing congestion, increasing freight traffic and to assure Americans the freedom of mobility they demand.
2. Increase investment in surface transportation infrastructure essential to meet the projected shortfall and grow the multi-year program to meet the needs of the system into the future.
3. Assure the integrity of the program, and resist earmarks that have been harmful to public support of the program.
4. Preserve and maintain the HTF firewalls and funding guarantees that wall off highway user fees from general revenues.
5. Create flexibility in the program to allow innovative funding mechanisms to enhance the user-fee based program.
6. Support construction materials research essential to construction of the most technically advanced, economic and long-lasting pavements.
7. Advocate a multi-year program (six-year minimum) with transition financing to prevent systematic disruptions between reauthorization cycles that is essential for government and business planning.
8. Support a unified coalition reauthorization effort.

Attachment 2

STATE EFFORTS ON RESOUCE PLANNING

COLORADO

Colorado was one of the first, if not the most successful, to attempt resource planning. In 1973, the state Legislature passed legislation, which was intended to encourage development of mineral resources based on rational and practical planning. The bill required the state geological survey to develop maps of sand and gravel resources in the populous Front Range counties and subsequently required the counties to use those maps in their plans for growth and development.

Unfortunately, the initiative was unsuccessful for several reasons. According to a U.S. Department of Labor study, one reason for the failure of the legislation was its lack of "teeth." Also, there was no penalty for failure to comply with the law. Further, the land could be developed for alternative uses. Developers were required to cite how the land was going to be used, but then they could simply point to another aggregate source and have their plans approved. Finally, the measure included a laundry list of requirements to protect citizens from the "nuisance" of resource development. What the bill did successfully was protect the populace from the resource. As far as protection of the resource it was easily circumvented by a simple statement that downstream resources were available.

MINNESOTA

The state of Minnesota in 1984 passed an aggregate planning and protection measure designed to protect aggregate resources; promote orderly and environmentally sound development; to spread the burden of development; and to introduce aggregate resource protection into local comprehensive planning and land-use controls. The measure led to the formation of an Aggregate Resources Task Force, which helped to open a dialogue among various groups concerned with mining. The task force was the impetus behind two state conferences on construction aggregates and served to increase awareness of resource preservation.

State Department of Natural Resources officials say while there has been success in getting local governments to consider their current aggregate needs; the challenge has been to get them to look at their future needs. That could change with the recent development of Blue Earth County's Greenprint project. The plan considers aggregate resources, agricultural lands, and natural lands such as wetlands to be important. Through this project local officials are actually planning for the future by protecting these resources from encroachment and other types of development.

The project has two main goals: first to identify and prioritize natural resources, corridors, and greenways for conservation management; and second to develop and

implement comprehensive plans that preserve, protect and restore important natural resources corridors and greenways. In addition, the project includes development of a master plan for mining reclamation throughout the county.

WASHINGTON

Washington State passed the Growth Management Act (GMA) in 1990 which requires state and local governments to manage the state's growth by identifying and protecting critical areas and natural resource lands, designating urban growth areas, preparing comprehensive plans, and implementing them through capital investments and development regulations. The Washington GMA is different than other aggregate resource protection programs due to the fact the act includes punitive measures for local governments that fail to meet the set aside requirements. Reportedly, larger counties in Washington, like King County, which includes the Seattle area, have aggressively defended their zoning determinations and protected their aggregate resources. Other counties, however, have not done as good a job. Some counties have developed excellent plans only to turn to junk science to refute findings from industry and scientific community regarding resource availability.

Washington is an example of a state with abundant aggregate resources, including bedrock and world-class glacial deposits, but pockets of the state still experience a construction material shortage. Efforts to bring this concern to the attention of local governments and encourage them to address the problem have had mixed results.

Sources:

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Ms. Susan Kohler
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Attachment 3