

NATIONAL STONE, SAND & GRAVEL ASSOCIATION



*Natural building blocks for quality of life*

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

**BEFORE THE  
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT  
HOUSE COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE**

**HEARING TO  
FOCUS ON SURFACE TRANSPORTATION BILL AND STREAMLINING PROGRAMS,  
CUTTING RED TAPE & CREATING JOBS  
WASHINGTON, D.C.**

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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to testify today and for holding these hearings to hear more about ways of improving and focusing the surface transportation law.

My name is David Thomey. I am Executive Vice President of Maryland Materials Inc. I started my career at Maryland Materials Inc. serving in different positions and departments. I resigned in 2000 to become Vice President of Operations for the National Stone Association, the predecessor organization to National Stone, Sand & Gravel Association (NSSGA). I returned to Maryland in 2002 to serve as President of the Maryland Aggregates Association, before rejoining NSSGA as Executive Vice President. In September 2009 I was asked to return to Maryland Materials Inc. as its Executive Vice President. Coming full circle, last week I was elected the volunteer Chairman of the Board of the National Stone, Sand and Gravel Association at the association's annual convention held in conjunction with CONEXPO-CON/AGG, the largest construction trade show in North America. I appear before you today on behalf of NSSGA and its members representing the aggregates industry.

NSSGA is the world's largest mining association by product volume. NSSGA member companies represent more than 90 percent of the crushed stone and 70 percent of the sand and gravel consumed annually in the U.S. and employ 111,400 working men and women.

Maryland Materials, Inc. was founded by two families in 1960 to supply aggregates for their construction and concrete businesses. Although the family construction business and concrete plants are no longer part of the business, Maryland Materials, Inc. is still owned by the same two families. From its inception, Maryland Materials, Inc. experienced solid growth until the downturn in 2009.

Aggregates are used in nearly all residential, commercial, and industrial building construction and in most public works projects, including roads, highways, bridges, dams, airports, water and sewage treatment plants, and tunnels. While Americans take for granted this essential natural material, they are imperative for the built environment. Aggregates make up 94 percent of asphalt and 80 percent of concrete. About 400 tons are used in an average home (not counting the required subdivision work) and 38,000 tons are used to construct one mile of highway. Without aggregates, we would be sitting and driving on dirt.

Aggregates are a high volume, low cost product. Due to high product transportation costs, proximity to market is critical; thus, 70 percent of our nation's counties are home to an aggregates operation. Sales of natural aggregates generate nearly \$40 billion annually for the U.S. economy. When combined with related industries, such as cement, concrete and construction equipment and supplies, the transportation construction industry generates more than \$200 billion in economic activity every year.

Through its economic, social and environmental contributions, aggregates production helps create sustainable communities and is essential to the quality of life American's enjoy. Yet despite the large amounts of aggregates used in all kinds of construction, as you have heard from several of our members in listening sessions across the country, the aggregates industry has experienced the most severe recession in its history. Production of aggregates in the U.S. has gone from over 3 billion metric tons in 2006 valued at \$21 billion to 1.9 billion metric tons in

2009 at a value of approximately \$17.2 billion, a nearly \$4 billion decrease. This production decrease is on top of decreases in 2007 and 2008. Many aggregate companies have had to lay off employees for the first time in their history.

Maryland Materials Inc., the company for which I work, is now in its third year of diminished sales. Located adjacent to I-95 in Cecil County, Maryland, our traditional market area has been the State of Delaware and Maryland's Upper Eastern Shore. Recently, the company purchased land and built a rail siding on CSX in order to expand its market. Sales reached their high-water mark in 2006, but have diminished by just over 50 percent during the past three years.

On average, roads and bridges constitute 40 percent of the industry's market. The remaining 60 percent is equally divided among residential housing, industry buildings and public works. Due to the continued weakness in the residential and industrial markets, the transportation market has increased in importance to the aggregates industry. The economic stimulus kept the industry from falling any deeper into recession, but that money is gone and our industry faces another year of economic uncertainty.

Nevertheless, NSSGA members remain optimistic. To a one, they believe that the best thing that Congress can do to create new well-paying American jobs, thus invigorating the economy, bolstering our manufacturing base and enhancing our global competitiveness is to pass a robust, multi-year surface transportation reauthorization. Passage of a reauthorization bill will help to alleviate the over 20 percent unemployment in the construction industry sector and, according to the *2010 Texas Transportation Mobility Report*, the \$115 billion congestion is costing annually, the 3.9 billion gallons of wasted fuel, and the 4.8 billion hours of extra time spent idling in traffic, which robs Americans of time with family and friends.

I would be remiss if I did not say that NSSGA members support increased funding in our nation's transportation infrastructure. We recognize, however, that the program has lost focus. We support the Committee in its determination to eliminate diversions of highway user fees to projects that are not related to surface transportation infrastructure. Funding should be directed to core highway programs. But, Congress must recognize that investment in surface transportation infrastructure is different than other government spending. Investment in surface transportation projects is an investment in long-term national assets and these investments create well-paying American jobs.

Also, we recognize no one funding solution is a panacea. Although NSSGA supports an increase in the user fee as the most efficient method of filling the funding gap, we recognize the political realities that exist. We also support increased use of public private partnerships where they make sense, increased tolling, and increased use of innovative financing mechanisms. Like the two national commissions that thoroughly examined the surface transportation system, we support transitioning to a vehicle miles traveled (VMT) user fee. A Congressional Budget Office report issued last week, *Alternative Approaches to Funding Highways*, concluded that a VMT is a possible option for raising new revenues. It seems that the country that has sent men to the moon and has developed the most sophisticated internet communications system on earth can solve the concerns surrounding a VMT.

Lack of sufficient funding, however, is not the only road block the aggregates industry confronts in developing the construction aggregates essential to road and highway construction. Project development delays contribute to the increasing costs of projects. We support efforts to streamline the permitting process. Streamlining advances were made under SAFETEA-LU, but implementation has been inconsistent. DOT and the FHWA should clearly be given the primary responsibility of overseeing and ensuring highway projects are completed expeditiously. The dual responsibility that now exists means FHWA spends precious time ensuring that projects are in compliance with Federal environmental regulations. Federal law requires states to assess cumulative and indirect impacts of transportation projects. Clarity needs to be brought to the process for assessing indirect and cumulative impact analysis and mitigation. What is most needed, perhaps, is applying more common sense to the environmental review process and requiring greater collaboration between the transportation departments and the resource agencies which will speed the review process while providing needed environmental protections.

A key concern of the aggregate industry, and one often overlooked, is ensuring that the aggregate needs of the community are not “sterilized.” Surface transportation infrastructure is vital to the growth of a populated area. Development and maintenance of the infrastructure requires large amounts of aggregates. Considered in their entirety, aggregates reserves exist in abundance and should be sufficient to meet future needs. At the local level, however, aggregates shortages can present a problem. These shortages can result from the geology of an area. More often they result due to environmental regulation and land development which prevent access to the natural aggregate deposits resulting in “resource sterilization.” Successful integration of natural resource information into land-use decisions is increasingly difficult as the competing needs for lands and resources grow and become more complex.

Governments have been struggling with competing land-use interests for a long time. Unfortunately, aggregate resource identification and protection often come in last in the list of competing options. We believe that identification and protection of the natural resources necessary for transportation infrastructure development must be given higher priority in land-use planning.

Aggregates are low-cost, high volume material. Generally, once you transport aggregates outside a 25-mile limit the cost of the materials doubles in addition to creating environmental and transportation concerns. This problem is most acute in California where although the state has abundant aggregate resources much of the natural aggregate resources have been put off limits to development. As a result, some NSSGA member companies are importing aggregates from Canada at double and triple the costs due to an inadequate and diminishing supply of permitted aggregates in the San Francisco Bay area. When you consider that most of these aggregates are being used in government-funded projects, the tax implications are significant.

It isn't just California. In Arizona, regulatory reform legislation is being advanced that would require that identified sources of aggregates be considered during the general planning process. The bill calls for “common sense” general planning by including currently identified local aggregate deposits and adopting policies to avoid incompatible land uses as part of the planning process.

Because aggregate producers extract a natural resource from the earth, we are miners. Not unlike other industry sectors, but perhaps even more so, NSSGA members are struggling under the “avalanche” of Federal regulations which serve to further slow the permitting process and often result in time consuming litigation. Chief among these are EPA regulations. We are particularly concerned about the potential reduction of PM 10, or dust that is flown into the air by aggregate production, road construction, or agricultural planting, by half. EPA Administrator Jackson has assured Congress the agency has no plans to lower the current standard in conjunction with the five-year National Ambient Air Quality Standard review. NSSGA, however, commissioned a study that finds if the agency were to lower the PM10 as suggested, most of the West would be thrown out of compliance with the Clean Air Act. In fact, the background level of dust in many states exceeds what EPA proposes. Such an action would jeopardize highway funding to the states thrown out-of-compliance.

Equally of concern to NSSGA are efforts by EPA and other Federal regulatory agencies to use “guidances” in lieu of formal rulemaking – treating “guidances” as rules and implementing them without formal notice and opportunity for the regulated community to comment. Pending at the Office of Regulatory and Information Affairs of OMB is a “guidance” that would give the Federal government increased jurisdiction over waters of the U.S. which flies in the face of two Supreme Court decisions and is an attempt to implement administratively legislation that was rejected by 111<sup>th</sup> Congress. This guidance, if issued, would hinder development of necessary aggregate resources by classifying numerous isolated waterways as wetlands – increasing the permitting requirements if not preventing development of the resources altogether.

Mr. Chairman, thank you for the opportunity to testify today. Let me reiterate the importance to the aggregates industry of Congressional action on a multi-year surface transportation reauthorization. Our industry, like most businesses, requires certainty to make sound capital investment decisions. We appreciate that this Committee led the way in passage of an extension of SAFETEA-LU to the end of the fiscal year at level funding allowing the spring construction season to proceed without interruption. As you understand, we cannot revert to short-term extensions which create havoc in resource development decisions and construction projects.

The aggregates industry looks forward to working with you in doing what is right for America. Yes, we all must tighten our belts, but we ignore the maintenance and improvement of our nation’s road and highway network – the circulatory system of America – at our own peril and risk the loss of economic growth, improved safety and cleaner air, and jeopardize the freedom of mobility that we all take for granted.

That concludes my statement. I am happy to respond to any questions.