

NATIONAL STONE, SAND & GRAVEL ASSOCIATION



Natural building blocks for quality of life

**STATEMENT OF
BILL SCHNEIDER, PRESIDENT/CEO OF KNIFE RIVER
CORPORATION**

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

**REGARDING
RECOVERY ACT: PROGRESS REPORT FOR
TRANSPORTATION INFRASTRUCTURE
INVESTMENTS**

**BEFORE THE
COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE**

U.S. HOUSE OF REPRESENTATIVES

JULY 27, 2010

Chairman Oberstar and Ladies and Gentleman of the Committee,

My name is Bill Schneider and I am the President and CEO of Knife River Corporation, the nation's 9th-largest aggregates producer. I am also here in the role of Chairman of the Board for the National Stone, Sand and Gravel Association. Thank you for this opportunity to speak to you about the benefits our employees have received because of the American Reinvestment and Recovery Act stimulus money. However, I am also here to talk to you about the condition of America's infrastructure, the construction industry's record unemployment numbers and the urgent need for a long-term funding bill.

When the construction industry began its steep decline in 2008, we thought it would be a temporary downturn with an upturn just around the corner. Today we see no light at the end of the tunnel. Knife River's employment numbers went from 7,100 during the summer of 2007 to 5,000 this construction season. According to the U.S. Geological Survey, an estimated 317 million metric tons (MT) of total construction aggregates was produced and shipped for consumption in the U.S. in the first quarter of 2010, a decrease of 11 percent compared with that of the same period of 2009. The estimated annual output produced for consumption in 2009 was 1.92 billion metric tons (Gt), a 23 percent decrease compared with that of 2008.

Last year we experienced a much-needed boost of public works projects with the American Reinvestment and Recovery Act. As the NSSGA board chairman I have heard dozens of stories from our members about how the ARRA monies helped them. It has kept thousands of people employed and made it possible to reconstruct thousands of miles of our nation's highways.

As Knife River's CEO, I can confirm that the additional funding has had a positive impact on our company. The stimulus money created great value for our customers, our employees and our subcontractors and suppliers. Today, approximately 18 percent of our construction backlog is stimulus-funded work. Because of ARRA, we have been able to keep many of our employees on the payroll. Knife River hoped we could hire back the 2,000 employees we had previously laid off, but that hasn't happened.

But we all understood it was a one-time bankroll, and we are headed back to square one, wondering what the future holds for the industry. How many American construction workers can continue to stand in the unemployment lines? The FHWA reports that for every \$1 billion spent on highway construction, 34,000 jobs are created annually. Chairman Oberstar proposed a \$500 billion six-year funding plan in late 2008. If passed, your legislation would put 1.5 million Americans back on the job, providing for families and injecting their own money into local economies.

Construction workers are on the unemployment lines at nearly triple the rate of American workers. The unemployment rate peaked at more than 27 percent earlier this year and now sits at 20.1 percent, only because the full construction season is in swing. With a decline in construction activity, nearly 2.2 million construction workers have lost their jobs since industry employment and aggregates production peaked in mid-2006.

The loss of 2.2 million jobs mirrors the condition of our highways and bridges. Deplorable and unsafe are the first terms that come to mind.

More effective than these statistics are real-life stories of what is happening across the country. As an unbelievable example of road conditions and correlated lack of funding, Stutsman

County, North Dakota, started turning nearly 50 miles of paved roads back to gravel surfaces this summer because it no longer has the money to maintain the existing surfaces. This is equivalent to turning the clock back 75 years. Each of the other 49 states has a similar story to tell about road conditions and the dire need for long-term funding to coincide with long-term planning.

The American Society of Civil Engineers released its annual report card on the U.S. infrastructure and the 2009 report concluded that we are “a nation woefully underachieving in every category.” ASCE’s overall grade was “D”. In the ASCE report it says that one-third of America’s major roads are in poor or mediocre condition, and our bridges are in even worse condition. According to 2008 data from the Federal Highway Administration, the cost to repair or modernize the country's bridges is \$140 billion annually, assuming all the bridges were fixed immediately. The Transportation Construction Coalition, of which NSSGA is a member, unveiled a highway safety study in May 2009 that finds half of U.S. highway fatalities are related to deficient roadway conditions. Correcting roadway conditions for safety should be of the highest priority. These deaths from such causes are preventable deaths.

In a 2008 poll conducted by Fabrizio McLaughlin & Associates Research, the findings reported:

- 72 percent of Americans believe that the federal government should lead the funding of major highways and bridges. For all other modes, most Americans believe state and local governments should have the lead funding role.
- 88 percent of Americans are concerned about congestion on our nation’s major highways and bridges.
- 14 out of 15 Americans believe it is important for federal elected officials to support the position that fuel taxes and other highway fees be dedicated only for highway and bridge improvements.

- Nearly three-quarters of Americans support increased investments in infrastructure, and 57 percent would support an increase in gasoline user fees if the funds were dedicated only to transportation.
- Leading cause of death for Americans age 1 to 44 is motor vehicle crashes.

The single biggest shockwave sent throughout the nation about the need for infrastructure funding should have been the collapse of the I-35 Bridge in Minneapolis nearly three years ago. However, after immediate funding became available to put a new bridge in place, the tragedy and continued need was soon forgotten. The U.S. Department of Transportation estimated last year that the current backlog of unfunded but needed road, highway and bridge repairs and improvements stands at \$495 billion.

In my role as NSSGA's chairman, I represent hundreds of our members, thousands of workers, and millions of Americans when and I say that Congress needs to pass long-term highway funding legislation now. We have had too many SAFETEA-LU extensions and need a new comprehensive plan which includes expanding badly needed road capacity. According to FHWA, since 1980, the U.S. population has increased by 34 percent, registered vehicles are up by 55 percent and the number of miles Americans driver every year has nearly doubled to 97 percent. Yet during that same time period, new lane capacity ahs grown by a scant 6.3 percent and new roads have grown by only four percent. More than 70% of the dollar value of freight is carried by trucks in this country and truck corridor lanes make sense for efficiency and for safety of motorists.

Continued short-term funding will lead to an even faster decline in our nation's roads and bridges. This is something we cannot continue to put on the back burner. Do we want hundreds

of miles of rural highways going back to gravel? How many more lives will we put at risk by unsafe driving surfaces and dangerous bridges?

Our states and our industry cannot plan for maintenance and new construction projects without knowing if the federal government has a long-term budget plan. Nearly every state is doing business in deficit spending, which means highway funding and new construction projects will continue to be delayed. With the majority of the states dealing with budget deficits, federal highway funding is crucial. The leadership buck stops here.

The July 5, 2010, Associated General Contractor's Data DiGest said this: *"Many state Departments of Transportation are projecting 30-50 percent declines in their highway construction budgets next year, officials reported this month at regional meetings attended by the Associated General Contractors of America. Last year's spending for many DOTs was at record levels as a result of federal stimulus funding and the lingering impact of bonding and other state funding initiatives since 2005. However, with the stimulus funds having largely been spent and with state budgets being negatively impacted by the economic downturn, many state DOTs reported that their programs will drop significantly next year. The DOT officials also reported that the uncertainty over federal surface transportation authorization legislation, which is already 10 months overdue...will force them to focus their construction programs on maintenance and rehabilitation contract rather than expansion projects."*

The biggest issue is increasing revenue flow necessary for future funding. With the overall condition of our economy, the biggest question is: Where will the money come from?

The U.S. already has the system in place – the Federal Highway Trust Fund. It needs to be restored to the strength it once had, and more money needs to be pumped into it to keep up

with growing demands. It is difficult to consider raising the federal gas user fees, but many of us in the industry believe it may be our only answer at this point to fund highway projects that are in serious need. As noted in the previous research, American taxpayers would support it if it meant safe, efficient highways.

In closing, I urge you to gather support for a long-term highway funding and multiyear authorization bill and make it a priority in Congress. Passing this bill, means you are essentially passing a jobs bill, putting thousands, perhaps millions, of Americans back to work not only in the construction industry but in the many other supportive industries. Supporting a well-funded multiyear authorization bill which includes capacity expansion also benefits millions of Americans who depend on safe driving surfaces.

There is a need for real jobs meeting real needs to provide American taxpayers real value.

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