



October 2, 2009

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Steny Hoyer
Majority Leader
United States House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable John Boehner
Minority Leader
United States House of Representatives
Washington, D.C. 20510

Dear Speaker Pelosi, Majority Leaders Hoyer and Reid, and Minority Leaders Boehner and McConnell:

As the presidents of the Associated Equipment Distributors (AED)¹ and the Association of Equipment Manufacturers (AEM),² we are writing to alert you to the unprecedented economic crisis facing the construction equipment industry and to urge swift action on legislation to forestall further job losses at our member companies.

The construction equipment industry is a flagship sector of the U.S. economy and its health has significant economic implications for the nation as a whole. In 2008, the construction equipment industry contributed \$243.3 billion in U.S. economic output and supported nearly 1.25 million jobs – roughly equal to the number of men and women employed in manufacturing computer and electronic equipment. And the construction equipment industry is a major taxpayer. At the peak of our market in 2006, our industry contributed \$31.6 billion in tax revenue. But the current recession has caused a severe downturn in the construction equipment industry, one which is not showing any signs of abating.

Last week, AED and AEM released the results of an equipment industry economic condition assessment by IHS Global Insight.³ It shows that while the recession is abating for some sectors of the U.S. economy, the construction equipment industry remains mired in a deep depression. Among the key findings:

- The construction equipment industry - which includes manufacturing, distribution and maintenance companies - has shed a staggering 37 percent of its workforce since the equipment market peaked in 2006.

¹ AED is an international trade association representing companies involved in the distribution, rental and support of equipment used in construction, mining, forestry, power generation, agriculture and industrial applications. More information at <http://www.aednet.org>.

² AEM is the U.S.-based international trade association for the off-road equipment manufacturing industry serving the construction, agriculture, forestry, mining and utility markets. AEM is headquartered in Milwaukee, Wisconsin, with offices in Washington, D.C., Ottawa, Beijing and a European presence in Brussels. It represents more than 800 companies. More information at <http://www.aem.org>.

³ Available at <http://www.StartUsUpUSA.com>.

At 37 percent, the unemployment rate in the equipment industry is twice that of the construction industry as a whole and more than three times that of the general economy. By comparison, auto manufacturing and dealership jobs are down by 16 percent, while job losses in the finance and insurance industry amount to six percent of their workforce.

- Spending on construction equipment has fallen by more than 50 percent compared to its peak in 2006.
- The economic output of this industry has contracted by nearly 40 percent and resulted, directly and indirectly, in the loss of approximately 550,000 jobs. In other words, eight percent of all jobs lost since the start the recession have been associated with the equipment industry downturn.
- Over the course of the recession, losses to industry sales and employment have decimated the taxes paid on employee income, corporate profits and sales of machinery; the magnitude of the decline indicates that taxes revenues associated with our industry have fallen by \$12.8 billion.

Because the construction equipment industry plays such a large role in supporting the U.S. economy and U.S. jobs, the severe downturn in our industry is holding back the broader economy, and will continue to do so unless decisive action is taken to reverse this course. With this in mind, we are writing to urge you to work together to enact legislation that will provide the market certainty necessary to revive the equipment industry and put our people back to work. Specifically, we urge you to:

- **Invest in critical infrastructure by swiftly passing multi-year reauthorization bills that increase investment in the nation's highways, public transportation, bridges, sewers, drinking water systems, and airports.** Given the massive market impact of highway investment on the equipment industry, Congress' failure to reauthorize the federal highway program in a timely manner is adding to volatility in the construction markets and causing contractors to forego new equipment purchases. In addition to long-term economic, public safety, and environmental benefits, increasing investment in critical infrastructure would create new equipment market opportunities and help stop job losses at equipment distributors and manufacturers.
- **Extend and expand the home purchase tax credit.** The home purchase tax credit Congress created in 2008 and enhanced in this year's stimulus bill appears to be having a positive impact. Congress should extend and expand the tax credit by eliminating the income cap and first time homebuyer status requirements. This would help support continued recovery in residential real estate markets and home construction, which have a major impact on the equipment industry.
- **Extend the stimulus bill's capital investment incentives and create new tax credits to encourage "clean diesel" equipment purchases.** The capital investment incentives in the stimulus bill (the depreciation bonus and increased Sec. 179 expensing levels) should be extended through the end of 2010 to help motivate equipment purchases in the year ahead (this will benefit both our industry and other companies involved in distribution and manufacturing). Additionally, Congress should create tax credits to help contractors buy newer "clean diesel" equipment and retrofit older machines. Combined with

infrastructure investment, these tax credits would be a "one-two punch" that could have a dramatic and positive impact on equipment markets.

- **Extend and expand net operating loss (NOL) carry back rules.** Congress should allow 2009 losses to be carried back for five years and significantly raise the eligibility cap for companies to take advantage of NOL carry-back benefits. This would free up cash for struggling equipment distributors and manufacturers, help them meet payroll, and keep the doors at our member companies open.
- **Ensure that credit is available to equipment distributors, manufacturers, purchasers, and to developers.** The construction industry is facing an unprecedented credit crisis. Based on the results of an April 2009 member survey, AED estimates that the equipment industry has lost more than \$700 million in equipment sales because qualified buyers have been denied credit. Congress and the executive branch must work together to put programs in place to ensure that dealers and manufacturers have access to capital to run their companies, that customers can get credit to buy equipment, and that developers can access the money they need to undertake new construction projects.

In sum, our industry is facing an economic crisis unparalleled since the Great Depression. If Congress fails to take dramatic and immediate steps to revive construction equipment markets, we can say as a matter of fact that more facilities in our industry will close and more of our employees will lose their jobs in the months ahead. If current conditions persist, the construction industry will continue undermine recovery in the broader economy for the foreseeable future.

Thank you for your consideration. Our members look forward to working with you to swiftly enact the construction equipment industry recovery agenda outlined above. For more information, please contact AED Vice President of Government Affairs Christian Klein at cklein@aednet.org or 703.739.9513 or AEM Vice President of Global Public Policy Nick Yaksich at nyakisch@aem.org or 202.289.9065.

Sincerely,



J. Toby Mack
President & CEO
Associated Equipment Distributors



Dennis Slater
President
Association of Equipment Manufacturers