



ASSOCIATION OF
EQUIPMENT MANUFACTURERS

START US UP USA!

Key Facts & What You Need to Know

Time is running out for the men and women of the construction and equipment industries. While the recession abates for others, the construction equipment industry is being left behind. It remains mired in a deep depression largely due to a lack of federal investment in needed transportation improvements that benefit the public and strengthen our nation's competitiveness.

The economic crisis has taken a disproportionate toll on construction and manufacturing.

- The unemployment rate for the construction industry is above 17 percent. That's higher than any other sector and nearly double the national unemployment rate of 9.7%.¹
- Workers throughout the construction sector have lost 1.4 million jobs since the start of the recession.²
- The construction and manufacturing sectors together accounted for more than half of all job losses in August.³ Recovery in these two pivotal sectors is critical to the nation's overall economic recovery.

In particular, the construction equipment industry has been one of the hardest hit during this slump and continues to weigh down the rest of the economy.⁴

- Spending on construction equipment is projected to fall by over 50 percent compared its peak in 2006.
- As a result, the economic output of this industry – which includes manufacturing, distribution and repair stations – will contract by nearly 40 percent and result in the loss of approximately 550,000 jobs. Put another way, two out of every 25 jobs lost since the beginning of 2008 can be traced to the downturn in construction equipment spending.
- In 2008, the construction equipment industry contributed \$243.3 billion in U.S. economic output and supported nearly 1.25 million jobs. For comparison, the jobs supported by this industry are roughly equal to the number of men and women employed by manufacturing computer and electronic equipment in the U.S. Restoring growth and vitality to the struggling construction equipment industry is pivotal the nation's overall economic recovery.

¹ Bureau of Labor Statistics, as referenced in <http://www.aednet.org/government/highway-reauthorization-action-center.cfm>

² Bureau of Labor Statistics, *The Employment Situation: August 2009*, September 4, 2009, <http://www.bls.gov/news.release/pdf/empisit.pdf>

³ Wall Street Journal, Sept. 5, 2009: <http://online.wsj.com/article/SB125206688861886325.html>

⁴ IHS Global Insight, September 2009

Long-term transportation investment creates jobs and benefits everyone. A safer, less congested transportation network is critical for America's future economic prosperity. Just as importantly, investing in these needed improvements would also spur a recovery in the struggling construction and manufacturing sectors while creating millions of good-paying jobs.

The public benefits include more transit options, safer roads, less congestion and lower pollution. Currently, Americans suffer from a number of transportation-related problems that could be improved by comprehensive reauthorization legislation.

- Commuters in major metropolitan areas waste 4.2 billion hours annually stuck in traffic – costing at least \$87 billion each year in lost productivity and wasted fuel.⁵
- At least 33 percent of our nation's major roads are in poor or mediocre condition and 26 percent of bridges are structurally deficient or functionally obsolete.⁶
- More than half of all highway fatalities – 22,000 deaths annually – are related to deficient roadway conditions.⁷

The United States should be spending more to maintain and upgrade its transportation system.

- The U.S. Department of Transportation estimates that the current backlog of unfunded but needed road, highway and bridge repairs would cost \$495 billion.⁸
- A blue-ribbon commission appointed by Congress to study America's transportation policy found that Congress would need to fund the federal highway program at levels between \$65 billion and \$100 billion annually to improve the system and address serious needs. Currently, federal highway funding is less than \$40 billion per year – or two-thirds what it should be.⁹
- The current lack of investment in our country's infrastructure is threatening our status as a world economic superpower and our ability to compete globally. The U.S. currently spends less than four percent of its entire domestic budget on infrastructure. In a comparison of recent stimulus packages, for example, countries like China invested 63 percent more in infrastructure.

Highway investments create jobs and promote economic growth.

- Each \$1 billion of federal highway investment creates approximately 35,000 jobs.¹⁰
- The reauthorization bill proposed by the House Transportation & Infrastructure Committee would create or sustain approximately six million family-wage jobs in the U.S. while improving our nation's infrastructure and laying the foundation for future economic growth.¹¹

Long-term transportation reauthorization will provide a much-needed boost to the ailing equipment industry.

- 6.4 percent of the average highway contractor's annual budget goes to equipment acquisition and dealer-performed maintenance costs.¹²

⁵ Texas Transportation Institute's 2009 Urban Mobility Report http://tti.tamu.edu/documents/mobility_report_2009_wappx.pdf

⁶ Federal Highway Administration, <http://www.highways.org/binder/2008/TAB1-voters-want-congress-FINAL.pdf>

⁷ Transportation Construction Coalition, July 2009 study, <http://www.pire.org/documents/PireStudyLowRes.pdf>

⁸ <http://www.tripnet.org/NationalFactSheetMay2009.pdf>

⁹ American Highway Users Alliance, <http://www.highways.org/binder/2008/TAB1-voters-want-congress-FINAL.pdf>

¹⁰ Oberstar testimony, July 2009, <http://waysandmeans.house.gov/media/pdf/111/oberstar1.pdf>

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¹² <http://www.aednet.org/government/highway-reauthorization-action-center.cfm>

It's time for government leaders to act now on smart solutions, not apply a temporary band-aid. Our leaders have an opportunity to fix the problem this year, but the Obama administration and many in Congress are seeking to delay action by 18 months. Delay will unacceptably prolong this depression for construction and manufacturing workers – not to mention force Americans to wait for safer roads and increased transit options.

The transportation bill needs reform and represents the best opportunity for Congress to help stimulate the struggling construction industry.

- The current law (known as SAFETEA-LU, or the Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users) will expire on September 30, 2009.
- The Highway Trust Fund (the primary funding vehicle for SAFETEA-LU) is on the verge of bankruptcy. Current funding and revenue levels are not sufficient to support even current investment levels for highway, highway safety and public transit in the year 2010 and beyond.
- Research by University of Maryland professor Peter Morici indicates that each \$100 invested in needed infrastructure projects boosts the economy by \$350 during the 10 years following project completion. In contrast, \$100 given directly to a consumer as stimulus will return only \$125 in economic benefits.¹³

An 18-month extension will prolong the deep depression ravaging the construction equipment industry.

- State departments of transportation need long-term, predictable funding to plan adequately and make spending decisions. Without that certainty, states will be hesitant to make significant investments committing funds they may not have. They will instead likely favor much smaller, “shovel-ready” projects that have a limited impact stimulating the economy and solving larger mobility problems.¹⁴
- Without the ability to plan longer-term, contractors will lack the confidence needed to invest in new, more productive, efficient and environmentally-friendly equipment.
- A long-term highway reauthorization bill that boosts investment would revitalize the construction equipment industry and put people back to work.

¹³ <http://www.youtube.com/watch?v=uoVS9AQzmM4>

¹⁴ Congressional Quarterly; <http://www.cqpolitics.com/wmspage.cfm?docID=cqmidday-000003192391>