

**John S. Spangler
Chairman
National Asphalt Pavement Association
Speech before the
Purdue Road School
1999 Opening Session
On the
Industry Perspective: TEA-21**

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Thank you for inviting me here today to talk about TEA-21 from the perspective of the Hot Mix Asphalt Industry. I believe that adequate investment in our nation's highway transportation system is a critically important issue for it impacts our overall economy and quality of life.

Background

Last June, Congress enacted the largest public works bill ever, The Transportation Equity Act for the 21st Century. The campaign to enact TEA-21 took two years and the hard work of many people and associations, including NAPA working in partnership with such groups as the Keep America Moving Coalition, the Transportation Construction Coalition, and the Transportation Revenues Used Solely for Transportation or TRUST Coalition. Working in concert with such diverse groups as the National Governors Association and highway users and construction interests clearly paid off for the American people, as the nation's 2 million miles of paved highways, of which 93% are paved with asphalt, are about to get much needed rehabilitation.

In a nutshell, funding for the core highway programs reauthorized in TEA-21 will rise by 40% through the year 2003. According to Chairman Bud Shuster of the House Transportation and Infrastructure Committee,

“For the next six years, TEA-21 will ensure that America builds the world-class transportation system it needs for the next Century.”

The legislation is historic for another reason. For the first time since its establishment in 1956, the law will require that spending from the Highway Trust Fund will be tied to the taxes paid by motorists. No longer will gas taxes be used to mask other spending in the budget. This is a victory for the American taxpayer.

Impacts on the Construction Industry

The boom for business will be unprecedented as the \$175 billion are released for fiscal years 1998-2003. The construction industry will experience remarkable growth due to the increase in highway construction funds that will be authorized for repair and expansion of our nation's highways.

Currently, the federal aid highway program, including state matching funds supports approximately 1 million jobs nationwide. We know that each \$1 billion in new highway investment generates an estimated additional 42,100 new jobs nationwide. With Federal spending set to rise by \$8.5 billion, approximately 357,000 new jobs will be created over a six-year period.

Within the aggregates industry, experts anticipate demand for additional materials stimulated by TEA-21 to increase by 106 million tons annually. That's nearly a 5% increase annually. When you include additional spending by state and local agencies, the demand for aggregates is expected to increase by 6.5%.

Another indicator to look at is demand for new construction equipment. Studies have shown that for each \$1 billion increase in highway capital investment, sales of construction equipment rise by \$300 million. With Federal spending set to rise by \$8.5 billion, construction equipment sales could grow by as much as \$2.5 billion. In addition, state and local agencies will match funds for road improvements, boosting equipment sales by another \$1 billion.

Since TEA-21 was approved only last June, just over 9 months ago, it will take some time before we actually can document the direct and indirect impacts of TEA-21 on the construction industry. In general, it is safe to say that 1998 was weaker than expected since TEA-21 was enacted late in the construction season and some spring 1998 lettings were cancelled or deferred. However, 1999 will certainly be stronger as state and local governments are, for the most part, enjoying record surpluses and the state transportation departments have done an excellent job in dusting off highway plans and getting projects ready to let.

Construction Capacity

Is the construction industry prepared to take on the extra work provided by TEA-21? Some have said that the TEA-21 funding increase is like taking a drink from a gushing fire hydrant. But that's not so. The reality is that TEA-21 provides incremental increases in funding over a six-year period. In addition, spend out rates for highways and bridges stretch out over multiple years. In other words, states do not spend the entire cost of a project in one year but rather over a period of years.

In talking with my colleagues in the industry, state transportation department officials, and other experts, it is clear that the Hot Mix Asphalt industry will be able to adequately absorb the extra work. Currently, the Hot Mix Asphalt industry

is operating at 70% capacity so there is already room to grow. We also have enough excess capacity domestically to meet the current and future demand for Hot Mix Asphalt.

Issues for the Construction Industry

While the future looks bright, there are clouds on the horizon that require all of us to work together to ensure that the funds provided by TEA-21 are put to use in rebuilding America's highway infrastructure.

Labor Shortage

While I was just mentioning that the industry enjoys excess Hot Mix Asphalt producing capacity, we need to watch the labor supply very closely. In a tight labor market that we are seeing today with unemployment at historically low levels – below 4.5%, we at Milestone are having a difficult time finding and retaining qualified people to operate the production facilities and work on the paving equipment. As an industry we need to constantly work at attracting people to our industry.

The National Asphalt Pavement Association raises funds to provide training and course curriculum materials to civil engineering professors on Hot Mix Asphalt. This is critically important for ensuring universities are teaching courses on the latest techniques and practices involving HMA. Funds raised by NAPA's Hotmixers Committee help to pay university professors to take the HMA training course, which is conducted each June at the National Center for Asphalt Technology at Auburn University in Alabama. About 50% of the professors who take the course end up teaching it as a full semester curriculum at civil engineering schools around the country.

NAPA strongly supports the Associated General Contractors recently campaign called *Construction Futures*, an initiative designed to alter the current perception of the construction industry and to inform and educate our youngsters, their parents and teachers about the career opportunities the construction industry has to offer. The first phase of *Construction Futures*, titled **Build Up!**, was introduced this fall, targeted at America's grade schools. AGC will use **Build Up!** tool kits to reach fifth-grade classrooms with hands-on exercises and learning guides that augment existing math and science curricula. We need to attract more people to our industry and this is one excellent way to do it.

Lastly, many state transportation departments are facing an acute shortage of qualified engineers to plan, design and inspect projects. Universities and Colleges cannot produce them fast enough and many state transportation departments have downsized their in-house engineering staff. In addition, consultants have taken on environmental and inspection services beyond the traditional involvement with engineering design. Indiana has seen a dramatic increase in the role of consultants and the number of consultant contracts, which will rise to \$65 million in 2000 from \$27 million in 1996. This is an area that

needs immediate attention to ensure that projects are not bottled up in the planning and design phases.

Threats to the Funding Guarantee

I mentioned earlier in my speech how the record level of funding in TEA-21 was protected by the funding guarantee, which requires all gas tax revenues be invested in roads and bridges. The hard fought highway funding guarantee was the construction community's most important legislative victory because it enshrines in law the principle that highway taxes should be dedicated to their intended purpose – building better, safer roads and bridges.

The Highway Trust Fund is also protected with a so-called firewall that isolates it from the rest of the budget making sure that any additional revenues flowing into the Highway Trust Fund not anticipated by TEA-21 are not spent for any other purpose beyond the highway program.

Anticipated gas tax receipts into the Highway Trust Fund are now running \$1.45 billion higher than anticipated under TEA-21. TEA-21 provides that these funds be distributed back to the states under the existing highway formula. President Clinton has proposed to undo the carefully crafted compromise embodied in TEA-21 to spend additional funds on public transit and other favored programs, while reserving just \$388 million of the windfall from motorists for highway and safety construction.

The problem for the construction industry, as well as the states, is the President's budget proposal would re-open TEA-21 requiring an incredible amount of energy to re-fight the formula issues. In addition, the President's proposal would make it very difficult to make the right business decisions in terms of capital investment to prepare for the level of work envisioned in TEA-21.

Highway bills are typically multi-year reauthorizations for planning purposes. The state transportation departments need to know with certainty what their funding will be since projects often take years to complete. Contractors are no different. If Congress changes the formulas or diverts funding away from the highway program, there is no way of knowing how much production facilities or equipment is needed to meet the demand.

Smart Growth/Anti-highway Policies

While NAPA and the rest of the construction industry has focused on the Congress and enacting a strong highway bill, there is a new battleground forming because anti-mobility forces are taking the war to the local level where most highway decisions are made. These anti-highway groups are being bankrolled by the Environmental Protection Agency (EPA) to stop new highway projects in their tracks. These groups use the Internet – again funded by the U.S. EPA – to provide how-to manuals on ways to ensure that no new highway projects are funded.

Embodied in the President's budget proposal is Vice President's Gore's "Livability Agenda" which would use highway funds to promote alternative transportation modes and place limits on development in fast-growing areas. Part of the Vice President's initiative is already underway at the U.S. EPA, which has provided hundreds of thousands of dollars to private organizations that support so-called "smart growth" policies.

What is "smart growth?" For most of us, smart growth is a set of policies that accept that growth is inevitable and desirable, and strives to accommodate it with good planning. However, the smart growth policies being promoted by these organizations with EPA's financial support call for:

- growth boundaries
- higher urban densities
- restrictions on highway expansion
- and more public transit, particularly rail transit.

These organizations claim that by increasing urban density, their style of smart growth will improve urban livability by resulting in less traffic congestion, higher standards of living, improved air quality, and better social integration. We can spend all day talking about each of these assumptions but let me just share with you one city's experiment with smart growth policies.

Portland, Oregon has, since the 1970's instituted a growth boundary, higher density planning, restrictions on highways expansion, and increased rail transit. The result has been exploding housing prices and traffic congestion as highway travel and public transit use has increased at the same rates.

For these so-called smart-growth advocates, there are two key principles at the heart of the anti-highway agenda:

1. Building roads lead to sprawl (poorly planned growth)
2. You can't build your way out of congestion.

Whether one agrees or disagrees with these principles, it is clear that if these groups succeed in their anti-highway campaign, congestion will get worse, air quality will be worse than it otherwise would be, standards of living will be lower, and people will have reduced ability to afford living in more desirable locations.

On the heels of passing historic TEA-21 legislation we cannot afford to let these groups, funded by the U.S. EPA, fool the people into thinking that they want these things. NAPA and others have to become actively engaged at the grassroots level with the local planning boards who will determine highway policy over the next five years.

At the same time, there is growing concern in Washington regarding the Environmental Protection Agency using federal funds to bankroll the activities of these groups to support its own agenda of no new highways. We have brought this up to Members of Congress and it is my hope that we can have legislative language in the EPA's appropriation bill barring them from using federal funds to adversely impact planning decisions made at the local level.

You too can get involved by simply asking your Member of Congress or U.S. Senators whether he or she thinks this is an appropriate use of Federal funds. I urge each of you to do so.

Again, thank you for allowing me to join you today. It was a pleasure to be here.

John S. Spangler is Chairman of the Board of Milestone Contractors, L.P., Indianapolis, Indiana, and Chairman of the Board of National Asphalt Pavement Association, the only association that exclusively represents the interests of the Hot Mix Asphalt producer/contractor on the national level with Congress, government agencies, and other national trade and business organizations. NAPA supports an active research program designed to improve the quality of HMA pavements and paving techniques used in the construction of roads, streets, highways, parking lots, airports, and environmental and recreational facilities. The Association conducts training courses and provides technical, educational, and marketing materials and information to its Members. NAPA also supplies product information to users of paving materials. The Association, which was founded in 1955, counts more than 1,000 companies as its Members. NAPA considers the passage of TEA-21 as its top legislative achievement in 1998.