

**GRANITE
CONSTRUCTION
INCORPORATED**

Testimony of

**William Dorey
Director and Former President/CEO
Granite Construction Company**

**Submitted to:
Committee on Environment and Public Works
United States Senate**

**Hearing:
The Importance of Transportation Investments to the National
Economy and Jobs**

January 26, 2011

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Senator Boxer, Senator Inhofe and Members of the Committee:

On behalf of Granite Construction, the Associated General Contractors, the American Road and Transportation Builders Association, the National Asphalt Pavement Association and the National Stone Sand and Gravel Association, I want to thank you for the opportunity to testify on the importance of transportation investment on job creation, particularly sustainable job creation, and the American economy.

My name is Bill Dorey. I am the recently retired CEO of Granite Construction Incorporated. I spent my entire 42-year career at Granite working with terrific teams of people helping to build Granite from a small Central California paving company to one of our Nation's largest builders of infrastructure projects. We are currently working from Alaska to New York City and we are involved in some of the largest construction projects in the United States, such as the Houston Metro Transit System and the Path Station rebuild at the World Trade Center. We build highways, bridges, streets, dams, tunnels, and much more, for many public agencies, including state departments of transportation throughout the country, as well as airport districts, cities and counties, just to name a few. In addition, we do civil construction work for a long list of private clients.

I am here to share my perspective regarding the crisis we face with the condition and capacity of much of our transportation infrastructure in America and why we must step up to the challenge now, to properly care for the investment we have already made, and to prepare our country to compete with some very tough global competitors who are currently making bold infrastructure investments. I believe there is an undeniable need for significant new investment in our transportation system simply to keep up with the minimal maintenance required; and to keep pace with population growth. I believe it is critical to develop long-term stable funding to support new investment to build the Transportation System of the Future, which is basic for economic growth and sustainable job creation. I would also like to discuss why I believe we find ourselves in a situation where existing sources of funding are failing to keep up with these challenges and what I think we can, and should, do about it.

I am hopeful that, together, we can highlight the critical importance of properly investing in America's infrastructure and do so in a way that can be easily understood by the average

American. If we can do this, I believe Congress can develop a plan, and build popular support for that plan, which will drive economic growth, and address our nation's current and future transportation challenges. If we are thoughtful, I believe we have an opportunity to address environmental concerns, reduce the growth in fuel consumption and protect our quality of life, as well. If we do this, Congress will be creating new, sustainable jobs, not only directly in the construction industry which has been devastated by the economic crash, but build the foundational infrastructure necessary to support a growing competitive economy which will serve as the job creation catalyst to lead us to greater economic prosperity.

First of all, there should be no dispute that a modern well-maintained transportation system is fundamental to sustainable job creation and an economy that can compete globally. Everyone can agree that the national investment in the interstate system has been extremely successful and our citizens have received a terrific return on that investment. The construction of the interstate has created millions of direct jobs and induced millions more. It has been critical to our competitiveness and we need to ensure we don't allow our ability to compete to be compromised.

Research contends that for every \$1 billion invested in transportation infrastructure, immediate job creation follows. This figure is between 28,000 and 34,700 jobs created both directly and indirectly.

There are many industries that could not exist without reliable transportation: tourism; manufacturing; warehousing and trucking; agriculture; forestry; mining; and retailing, just to name a few. According to ARTBA, these dependent industries support more than 78.6 million jobs with a total payroll in excess of \$2.8 trillion, and their employees contribute more than \$235 billion annually in state and federal payroll taxes.

Unfortunately, for a variety of reasons, we have not been keeping up with our infrastructure investment needs and we as a country are suffering for it. From 2006 to 2010, overall unemployment in the construction industry has increased by 200% and construction unemployment currently exceeds 20%. The construction materials industry has experienced decreases in demand for its products of 30-40% or more all across the country.

At Granite, we have had to reduce our salaried professional and administrative staff from 2,200 employees to 1,500 employees over the last two years to size our business to match the work available. In addition, our craft man-hours have dropped 40%, causing thousands of our talented hourly employees across the Country to be without work. Some of those employees have spent their entire working life at Granite, and it has been devastating to them and their families. Our Company prides itself on putting people first. We were recognized by Fortune Magazine as one of the "100 Best Companies To Work For" in America four years in a row before the financial crash. Unfortunately, the dramatic lack of construction work has left us little choice but to cut staff. The construction industry is one of the largest industries in our country, and it has been hit the hardest; it will not get better anytime soon unless we develop a plan of action.

There are numerous heated debates in Washington, DC and throughout America today regarding spending levels, the deficit and the appropriate role of the federal government in our economy. First, let me make it clear – transportation investment is just that, an investment. Investments pay dividends, and as I have already pointed out, transportation investments pay dividends throughout our entire economy far beyond the construction industry. I understand the need to cut red tape and wasteful government spending that does not contribute to job creation and growth, but we must not fail to support those investments critical to our economy.

There should be no debate regarding the federal government's responsibility as it relates to investing in the maintenance and growth of our nation's transportation system to support a vibrant sustainable growing economy, job creation and a quality of life that is at least as good as it was yesterday. In fact, this responsibility for transportation investment is described in Article 1, Section 8 of our Constitution as a core function of the federal government.

We know the federal government has direct responsibility, so let's take a look at the report card. Consider the following:

- The backbone of our federal highway system was built in the 1950's and the 60's.
- The design life for much of that system was 20 to 40 years, and while general upgrades have been done, our system is old and in need of more and more care and maintenance each year. This is not that dissimilar old car. We may be able to nurse a few more miles from an old car if we take very good care of it, but sooner or later, we need to invest in a new one. This is what's happening with our transportation system, except when it come to our roads and bridges, we have not kept up with adequate maintenance, and we are falling further and further behind the capacity curve, as well.

To illustrate this fact, there are 150,000 bridges in our country which are either structurally deficient or functionally obsolete. The Road Information Program (TRIP) has published a report that suggests that 29% of California's bridge structures are considered to be structurally deficient or functionally obsolete. This is more than one in four.

Suffering from continued exposure to the affects of weather, heavy truck traffic and large increases in traffic in general, nearly a quarter of our nation's major urban roadways are in substandard or poor condition according to TRIP, and in many cases the roadbed conditions are failing as well. Immediate repair or replacement, in some instances, is needed to keep road surface conditions from becoming dysfunctional and unsafe.

Vehicle miles traveled are growing at a much faster rate than capacity on our road system. In California, for example, vehicle miles traveled has grown ten times faster than lane miles according to published government reports. This is the obvious reason that we have a growing congestion problem in this country and, if we do not address this issue soon, congestion will become much worse; strangling our economy, our ability to create sustainable

jobs, and our quality of life. Just last week, the Texas Transportation Institute's annual "Mobility Report" found that congestion is costing the US economy \$115 billion annually, including 5 billion hours of lost time and 4 billion gallons of wasted fuel. They predict this will only get worse as the economy recovers. This cannot be helpful to either job creation or to the competitiveness of business in America.

The USDOT pegs the national cost of congestion at \$200 billion annually. This is a real problem that must be addressed, and it can be solved. Many of these congestion issues are a product of bottle necks and according to one study, if we simply deal with our Nation's 167 most congested bottlenecks, we would reduce fuel consumption by 20 billion gallons per year; that is 10% of motor fuel consumed. It is not difficult to imagine what that would do for the flow of traffic and for productivity.

Improving safety for American men and women using our transportation system should also be a national priority. As a product of deferred maintenance, congestion and older highway designs, not capable of handling modern traffic speeds and vehicle volumes, our transportation system is not as safe as it should be. It is very alarming to me that more traffic fatalities today are a product of deficient roadways than from speeding, drunk driving or failing to use seat belts.

All this cries out for a long-term national capital investment program to rebuild and modernize America's transportation systems. I am not alone in this belief. Numerous blue ribbon panels in the past several years have come to the same conclusion. Most recently President Obama's National Commission on Fiscal Responsibility and Reform.

According to UPS, if every one of their trucks experienced a 5 minute congestion delay each day, it would cost their company \$100 million annually. And that's just one business. Can you imagine what an impact we could make to our economic competitiveness if we developed a sustainable plan to fund and build a 21st century transportation system in America?

Congress must help Americans compete in the world economy and dedicate adequate funding to build the Transportation System of the Future. The agencies, designers and construction community will put invested capital to work efficiently and get the job done. The funding program must be large enough to pay for what is required and it must be a long-term commitment indexed for inflation and other variables like fuel efficiency improvements. The state and local transportation agencies across the country are led by quality people and staffed with talented and dedicated employees who are in their starting blocks waiting for a green light from you. The design engineering companies in America are the best in the world and there is enormous excess construction capacity available to build projects. The piece of the puzzle that is missing and, frankly has been missing for some time, is adequate stable funding.

By now you might find yourself becoming a little defensive. After all, for the last 20 years Congress has steadily increased funding for transportation. Unfortunately, it has not been enough to compensate for the wear and tear on a backbone infrastructure that is approaching

50 to 60 years old. With pavement sections that have exceeded their design life and large numbers of bridges that need attention due to their age, we have reached a point where we cannot expect our system to continue to carry more and more traffic each year without new (and, frankly, expensive) investment. I wish I had better news, but this is the situation and it will not get any cheaper if we ignore it. All this is exacerbated by the fact that we have not had an increase in the federal government's primary transportation funding mechanism since 1993. And, because cars and trucks are far more efficient today, we are collecting a lot less (as much as 50% less) in inflation adjusted revenue per mile driven on an aging system that is in need of ever increasing care and improvement. Add to that the congestion that is strangling our ability to move goods and service and we now have a problem that only significant stepped up investment and a vision for what is possible can solve.

I would like to leave you with some hope. This is not an insurmountable problem. There are a lot of very complicated issues that government must deal with today. Healthcare and delicate foreign affairs come to mind. Those are complicated issues, and I can only imagine what it must be like to be responsible for developing solutions for those problems. The problem of funding the transportation system of the 21st century is not nearly as complicated and, if properly done, will create a foundation for job growth across our country. This is a tremendous opportunity for America that we cannot allow to pass, and the time to do it is now.

If we do this right, we can energize the country, put people to work, and encourage fuel efficiency that will improve air quality, the quality of our life and reduce our consumption of foreign oil. I encourage you to consider new investment in transportation not only as a short-term program to simply satisfy deferred maintenance on an aging infrastructure, but as a long-term commitment to our future and our ability to compete with other countries who have either made, or are currently making, this commitment.

I must admit I am worried. Congress has failed to pass a long-term Transportation Bill to provide the necessary stability to the state and local DOT's needed to plan and execute infrastructure solutions. The relatively small transportation investment included in the Stimulus Bill has run its course. And, we seem no closer today to a long-term solution than we were last summer. The current picture could not be worse for our industry or the economy.

Let me be clear, the investment in infrastructure needed cannot be satisfied with short-term infusions of stimulus cash. Even though the construction industry, which is in desperate condition today, dealing with massive unemployment would benefit, I do not believe that spending money we don't have is the answer. I also want you to appreciate that Public Private Partnerships will not solve this problem either. While there may be a selected role for PPP's, without dedicated revenue streams such as tolls attached to privately funded projects, PPP's are simply a financing mechanism. What we need to support long-term transportation investment is stable federal funding, not expensive financing which simply pushes the obligation to pay for improvements into the future.

This should be a bipartisan issue and there is a short window to get it done. The best thing for our industry is stability and certainty, an immediate extension of the current transportation program through the end of the fiscal year and a long-term fully funded Transportation Bill to rebuild America by Memorial Day will provide us with much needed stability and certainty.

I consider this opportunity to testify before this Committee a great honor, and I want to thank each of you for this opportunity. To the extent that you think I can be helpful, I offer my time and experience to this Committee. After all, I am retired now and have a lot more free time. Thank you very much.