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Job Cuts Loom as Stimulus Fades

By GARY FIELDS

WASHINGTON—Highway-construction companies around the country, having completed the mostly small projects paid for by the federal economic-stimulus package, are starting to see their business run aground, an ominous sign for the nation's weak employment picture.

Tim Word, vice president of Dean Word Co., a heavy-construction company in New Braunfels, Texas, said his income is now coming mostly from projects that are winding up. He said that in normal times he has about \$100 million of signed contracts in hand. But that number has fallen to \$30 million, and the pipeline is empty. In the past two years, his work force has shrunk nearly 40% to 260 from 420.

"Having something to bid on is the lifeblood of the industry, and it's running out," said Mr. Word. He isn't sure what will happen next year without new projects. "There's no pavement fairy that's going to help."

Since the recession began in 2007, employment in the construction industry has fallen by 1.6 million, the Labor Department says. Though the housing sector accounts for many of those job losses, road builders have also suffered, and executives in the industry expect layoffs to rise next year.

More broadly, the Congressional Budget Office late Monday said it estimates that the federal stimulus package sustained between 600,000 and 1.6 million jobs in the third quarter, and raised gross domestic product by 1.2 to 3.2 percentage points higher than it would have been without the program.

The construction industry's unemployment rate, including related extraction businesses, such as gravel processing, climbed to 19.1% in October, up from 10.7% a year earlier. The transportation and material-moving sectors saw unemployment rise to 11.6% from 7.9% over the same period.

State officials and local contractors trace the industry's woes to the recession and the collapse of the residential and commercial real-estate markets. In addition, they cite the federal government's delayed plans to enact a transportation bill. In one version, the law would have provided \$450 billion for highways and infrastructure projects over the next six years.

Congress is no longer actively considering the bill, which has been bumped aside by competing priorities such as the Obama administration's health-care overhaul and by growing support for reducing the federal budget deficit. Some lawmakers fear that continued stimulus spending could harm the economy down the road by saddling the nation with higher debt-servicing bills.

But high unemployment could revive the transportation-spending bill's prospects. Earlier this year the Obama administration was opposed to pushing a big highway bill, deterred in part by the prospect of raising gasoline taxes to pay for it. Faced with a 10.2% jobless rate, however, officials here are rethinking their stance. Thursday, the White House will hold a "jobs summit" to discuss ideas, which are likely to include shifting some spending to transportation projects.

Without an infusion of federal funding, state transportation departments say they can't develop long-term roadway projects, which are critical to the industry. About half of states' funding for such projects comes from the federal highway trust fund, which is funded by the gasoline tax.

Christian Zimmermann, chief executive of Pike Industries Inc., a 1,200-employee company in Belmont, N.H., that paves roads and operates gravel pits and asphalt plants, recalls waiting out 2003 and 2004 while Congress deliberated on the last highway bill. "It was miserable," he said.

The industry's saving grace then was a booming private sector. This time around, the private sector isn't picking up the slack. "Two years ago, our phones would have been ringing off the hook with the good weather," Mr. Zimmermann said. "This year the phones ain't ringing."

Without long-term government projects, Mr. Zimmermann said he may have to lay off as many as 150 people next year. "The stimulus was a shot in the arm, but that's all it was," he said.

Industry executives say that the \$27 billion out of the \$787 billion stimulus package that went to highway construction went mostly to relatively small "shovel ready" projects, those that didn't require much lead time. The \$27 billion—77% of which had been committed as of Nov. 13, according to the Associated General Contractors of America—has saved some jobs.

"But if I'm a big company, I need major freeway rehabilitation work and bigger projects," said Steve Simmons, deputy executive director of the Texas Department of Transportation. Texas's wish list is taking "a back seat because we have no funding for it," Mr. Simmons said.

In the near term, House Democratic leaders are considering paying for some transportation projects that weren't funded by the stimulus package. The size of the spending package hasn't been decided, nor has the question of how it would be funded. Congress is also weighing a broader set of initiatives to spark job growth.

Jim Berard, spokesman for Rep. James Oberstar (D., Minn.), chairman of the House Transportation and Infrastructure Committee, said the White House is "warming" to the idea of considering a bigger highway bill sooner than it had initially planned.

A recent survey by the Transportation Construction Coalition found that more than 76% of contractors expect state transportation departments to put less work up for bid in 2010 than this year. And 44% said they are likely to lay off employees next year.

John McCaskie, chief engineer at Swank Associated Cos., said his New Kensington, Pa., bridge-and-highway rehabilitation company faces more competition for the few projects out there. He said contracts worth less than \$2 million are attracting a dozen competitors these days, compared with around four previously. "You end up bankrupting your company to be the low bidder."

If contractors cut back, their equipment suppliers will be hurt as well, said Ken Taylor, president of Ohio CAT, Broadview Heights, Ohio, which sells equipment made by [Caterpillar Inc.](#) Contractors have usually placed orders for the spring construction season by now, he said. That hasn't happened, and he may need to eliminate \$50 million of his \$175 million inventory.

Mr. Taylor has pared his staff to about 750, down from 1,000 in June 2008. "I feel like I'm at a spot where we've done a lot of things, and we should be able to manage through. But if it gets worse I may be looking at closing a couple locations."

Write to Gary Fields at gary.fields@wsj.com

Correction

A survey cited by a page-one article on about employment in the construction industry was conducted by the Transportation Construction Coalition, a coalition of trade groups and unions. A previous version of this article incorrectly said the survey was conducted by the Associated General Contractors of America, which is one of the coalition's 28 member organizations.

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