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Construction Industry Counts on Obama

Hopes for 2009 Rest With Economic Stimulus Plan; Kokosing Is Recruiting

By JONATHAN KARP

As the economy slowed last year, the commercial-building unit of Kokosing Construction Co. had \$130 million in projects -- a year's worth of revenue for the division -- halted in a three-week stretch. But now, with the prospect of a massive public-spending package by the Obama administration, the Ohio-based contractor is out recruiting workers.

"I told my managers that based on the expectation of a stimulus plan, we should continue interviewing people at colleges, hoping to have work for them by the time they graduate in the spring," says Brian Burgett, president and chief executive of Kokosing, a family-owned firm in Fredericktown, Ohio, that has built highways and industrial facilities for half a century.

After a rough year on the ground and in the stock market, engineering and construction companies are eager for the financial tap to be reopened. As the incoming administration assembles its stimulus plan, many contractors are lobbying hard for projects that will spend money fast rather than focusing on longer-term environmental and smart-growth policy goals.

That is largely because the industry has had steep job losses and foresees more bloodletting this year unless the government applies shock treatment to the economy. In December, construction accounted for 101,000 lost jobs, or nearly one-fifth of all U.S. jobs, capping a year in which the sector shed 632,000 jobs, according to the Bureau of Labor Statistics. Employment in nonresidential and heavy-engineering construction shrank by 7% and 9%, respectively.

The Associated General Contractors of America, the country's largest trade association of nonresidential builders, recently polled its members and found that, barring a change in the business climate, expected layoffs could cut construction employment by 30% this year.

If a stimulus package included funding for infrastructure projects, however, some 85% of the survey's respondents said they wouldn't lay off workers and in fact would hire more.

The contractors association has submitted a white paper to the presidential transition team and to Congress that outlines the economic benefits for all types of infrastructure and emphasizes road and bridge work.

Mr. Burgett of Kokosing, who hopes to add fresh college graduates to his payroll, notes that Ohio has identified \$1 billion in highway projects that could be started by June. Repairs to a bridge in Cleveland and upgrading an Interstate highway junction, not to mention the state's crumbling sewer lines, mean that "there is just an immense amount of work," he says.

Highlighting the industry's holding pattern, though, Mr. Burgett has put all equipment orders on hold until the stimulus package clarifies the environment. Typically, he orders \$35 million of equipment a year.

Stephen Sandherr, chief executive of the contractors association, says there are some \$64 billion of approved "shovel ready" transportation projects. The imperative to spend big and spend fast creates a potential clash between some contractors and proponents of environmentally friendly policies that President-elect Barack Obama espouses. "If the objective is to get things out quickly ... it would be counterproductive to add smart-growth requirements to any of these projects," Mr. Sandherr says.

The public-relations battle is on for portraying major infrastructure projects -- whether or not they are part of the stimulus plan -- in the greenest possible light. **Shaw Group Inc.**, a Baton Rouge, La., engineering firm, has attracted investors' interest after firming up a \$4 billion nuclear power-plant contract.

"With the importance that is being placed on developing new sources of clean energy, we are anticipating a nuclear renaissance that will assist in reinvigorating the U.S. economy," says Gentry Brann, director of corporate communications at Shaw.

Company executives last week said they also are well positioned for levee, environmental remediation and other potential infrastructure work in a stimulus plan. The company is adding about 1,000 jobs to its 26,000-strong work force.

Contractors point out that their work is often subject to increasingly stringent environmental regulations. "A lot of the stimulus [spending] will go to projects that are green at some level," says J. Doug Pruitt, chairman and chief executive of Sundt Cos. in Tempe, Ariz.

Don Weaver, vice president of Weaver Bailey Contractors Inc. in El Paso, Ark., says, "The highway industry doesn't get a lot of credit, but we're one of the biggest recyclers."

David Goldberg, communications director for Transportation for America, a nonprofit coalition of transit, housing and urban-planning groups, counters that "the real issue is whether we are creating more car dependence and oil dependence." He and other smart-growth advocates agree that road and bridge repair can be an effective use of quick stimulus money.

"We also want to make sure that for the longer term, we give ourselves a minute to think about the infrastructure we need for the post-oil-dependent economy," he says

In addition to highway maintenance, Transportation for America supports funding mass-transit authorities to preserve jobs and investment in rail, bicycle and pedestrian facilities that expand transportation options.

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