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Highway Construction Market Expected to Grow 8% in 2010, ARTBA Annual Forecast Shows

(Washington, D.C.)—Driven by record federal investment in surface transportation, increased spending through the American Recovery & Reinvestment Act (ARRA) and continued easing in material prices, the highway construction market is expected to grow eight percent in 2010, according to the American Road & Transportation Builders Association's (ARTBA) annual economic forecast.

ARTBA Vice President of Policy & Economist Alison Premo Black says the value of highway, street and bridge construction (from all sources) put in place should reach \$90.5 billion in 2010, up from about \$83.9 billion this year.

Black cautions, however, that the boost to the market could be temporary. Uncertainty over the reauthorization of the multi-year federal surface transportation bill and future growth of the overall U.S. economy, along with the end of stimulus funds, will determine if there is a "soft landing" in 2011 or a more significant downturn, Black says.

The association's 2010 forecast takes into account current economic conditions, federal investment and state and local funding. The \$41.2 billion in 2009 federal highway obligations, as well as the additional \$26.7 billion available through the ARRA, will provide the foundations for growth in 2010. Although there are general concerns regarding state and local spending, states are expected to continue to provide matching funds for the traditional federal aid program investment and spend their ARRA funding.

"Despite the current economic environment and budget challenges, 38 states have increased the real value of their contract awards between January and October 2009 compared to the same time period in 2008," Black noted. "The real value of contract awards for highways and bridges is nearly \$50 billion so far, an increase of \$5 billion and an important leading indicator for the 2010 construction season.

Another indicator of work to come, she says, is the high level of obligations for ARRA funding—over 77 percent of stimulus funds have been obligated, but only \$4 billion, or 16 percent of the total funding available has been paid to contractors. "When you add it all up, there is a lot of work to be completed in the coming year," Black says.

Although the forecast for 2010 is market growth, ARTBA cautioned it does not mean that highway and bridge contractors and suppliers will avoid struggling in the current economic environment or that the growth will be even across states. There will still be issues with access to credit, fierce competition and the general economy. Contractors and state transportation departments are also expected to be cautious in hiring and spending decisions while waiting for Congress to pass a new federal surface transportation bill.

The longer term real market outlook will depend on the U.S. economy and the federal-aid program.

“The best scenario would be a strong reauthorization of the federal highway and transit program and real economic growth that can help spur state and local investment,” Black says. “Under this ideal situation, we could see real market growth approaching \$118 billion in 2015.”

The ARTBA forecast also addressed other transportation modes.

- **Airport Runways:** The ARRA will help push up the value of airport runway work to \$5.2 billion in 2010, a 3.4 percent over 2009. With the reauthorization of the federal aviation programs remaining stalled, Black predicts the airport construction market will decline in 2011 and beyond without increased federal investment in the Airport Improvement Program.
- **Railroads & Transit:** Increased investment in new starts over the last few years is beginning to pay off for the subway, light rail and railroad construction market. The value of construction work should hit \$13 billion in 2010, a 3.1 percent increase over 2009 levels.

Established in 1902, ARTBA represents the U.S. transportation design and construction industry in the Nation’s Capital.

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