PSA

Infrastructure Advocacy
& Education Organization

PSA - IAEO January 2014 Infrastructure Update:

2014 Budget Agreement's Impact on Infrastructure

Congress just passed an omnibus spending bill based on the budget compromise negotiated at the end of 2013 by Senate Budget Committee Chairwoman Patty Murray (D-WA) and House Budget Committee Chairman Paul Ryan (R-WI), which set an overall fiscal year 2014 funding level for discretionary spending.

The Murray-Ryan budget agreement limits nondefense discretionary spending to about $492 billion in FY 2014. That is about $22 billion more than the spending limit imposed by sequestration, but it is also about $14 billion less than the pre-sequester spending level set by Congress in 2012, which was already slightly reduced from the original level agreed to in the Budget Control Act of 2011.

Despite the low spending limit, Congress was able to make two very positive investments in infrastructure. First, the Transportation Investment Generating Economic Recovery, or TIGER, grant program received $600 million, which is enough to reverse all of last year's sequester cuts and add $100 million in new funding compared to last year's pre-sequester levels. While most federal transportation funding is doled out based on a preset formula, TIGER grants are competitively awarded based on the benefits a project offers to its region and the nation. Expanding TIGER in the omnibus is a major victory that will improve our transportation infrastructure and grow the economy.

The second victory for infrastructure investment is increased funding for the Army Corps of Engineers. The omnibus provides about $5.5 billion for the Army Corps of Engineers, which is enough to reverse last year's sequester cuts and add nearly $500 million in new funding. The Army Corps of Engineers will use this funding to prevent floods, keep waterways open for shipping, and maintain the nation's harbors.

Partnership to Build America Act Companion Bill Filed in Senate

In a recent letter Congressman John Delaney writes: “Democratic Senator Michael Bennet of Colorado and Republican Senator Roy Blunt of Missouri have partnered to introduce a version of my infrastructure bill in the upper chamber. The Senate companion bill to my Partnership to Build America Act was officially filed on Thursday, January 16.

Coming shortly after the legislation received its fiftieth cosponsor in the House of Representatives, the Senate introduction of the Partnership to Build America Act continues our bipartisan momentum. As in the House, where my bill has 25 Republican and 25 Democratic cosponsors, the companion introduced on Thursday has support from Senators on both sides of the aisle.

I strongly believe that up-to-date transportation and energy systems are critical to our nation’s success, which is why I introduced the Partnership to Build America Act. Numbered H.R. 2084 in the House of Representatives, this legislation would create a $50 billion American Infrastructure Fund (AIF), leveraged to $750 billion. Instead of using new appropriated funds, this capital would be raised by selling bonds to the private sector.

Today, we count on our infrastructure to connect millions of people with their jobs, families and place of work. Despite its vital nature, our energy, water and transit infrastructure does not receive sufficient financing to provide for needed improvements and prevent declining conditions.”

PSA-IAEO supports Congressman Delaney for proposing financial legislation that has bipartisan support and for crafting a bill that would help pay for our nation’s fast-deteriorating national transportation infrastructure without increasing the nation’s debt or raising taxes.

Water Utilities Market to Reach $891 Billion Through 2017

The global water utilities market is poised for positive growth at a projected 4.3% pace through 2017, to reach a value of $891 billion by the end of the forecast period. The major factors that are expected to spur the growth in the overall sewage and wastewater treatment market include ongoing improvements of economic conditions worldwide, particularly in emerging economies, along with rising environmental concerns provoked by water pollution from the agricultural and industrial activities.

During 2008-2012, the global water utilities market registered a 4.2% increase, and in 2012, its revenues exceeded $722.49 billion. During the same period, market consumption volumes exhibited a 1% increase and in 2012 went beyond 2.9 trillion cu meters. Europe leads the worldwide water utilities market. The market is characterized as a highly fragmented one, with a handful of dominant players. Source: “Water Utilities: Global Industry Almanac” by MarketLine

DOT Announces New Low Emission Bus Grants Program

The U.S. Department of Transportation's Federal Transit Administration (FTA) today announced the availability of $24.9 million through its brand new Low or No Emission Vehicle Deployment Program (LoNo) that will put a new generation of advanced, non-polluting transit buses on the road in communities nationwide. The funds are intended to encourage more widespread adoption of reliable "green energy" buses into transit fleets.

The FTA's Low or No Emission Vehicle Deployment Program was established under the Moving Ahead for Progress in the 21st Century Act (MAP-21). It focuses on commercializing the cleanest and most energy-efficient U.S.-made transit buses to help reduce emissions like carbon dioxide and carbon monoxide.

FTA will award the LoNo funds on a competitive basis to transit agencies and state transportation departments working either independently or jointly with bus manufacturers already making low- and zero-emission buses. Priority will be given to proposals that:

- Seek to fund the incremental difference between a standard bus and a LoNo vehicle, as a way to stretch procurement dollars farther;
- Incorporate the highest level of U.S.-made content, exceeding Buy America's current 60 percent threshold; and
- Demonstrate a long-term commitment to expanding LoNo fleets beyond what these program funds support, including the use of Federal formula funding.

Of the $24.9 million available in LoNo grant funds, $21.6 million is for buses and $3.3 million to support facilities and related equipment. Transit agencies may use a portion of their annual FTA formula funds to purchase additional vehicles. Click here to see the Notice for Request for Proposals that was published in the Federal Register.

Private Demand Drives Up Total Construction Spending

Total construction spending increased between October and November and for the year amid growing private-sector demand, according to Census Bureau data. However, spending levels were held back by a 0.2% decline in public-sector investments for both the month and the year.

Construction put in place totaled $934 billion in November, rising 1.0% since October and up 5.9% since November 2012. Private residential construction spending increased by 1.9% in November and jumped 17% from a year earlier. Private nonresidential spending climbed 2.7% for the month and 1.0% year over year. Public construction spending dropped 1.8% for the month and 0.2% over 12 months.

Over the past 12 months, the biggest jump in construction spending has occurred in new multifamily construction, which rose 0.9% for the month and 36% year-over-year. The lodging sector recorded the second highest annual gain, with spending rising 32.7% for the year and 0.3% for the month. Spending on communications facilities experienced the largest monthly increase, jumping 11.2% in November, although it is still down 10.5% for the year.

The largest private nonresidential category, power construction—which includes oil and gas field and pipeline projects as well as power plants, renewable power and transmission lines—increased by 3.3% in November but is actually down 24.2% for the year. Simonson noted, however, that there was a surge in power construction during the last quarter of 2012 as contractors rushed to finish wind projects before the expected expiration of the wind production tax credit at the end of 2012. Those credits were extended for projects that broke ground by the end of 2013, explaining the more recent surge.

Highway and street construction, the largest public category, declined by 0.4% in November but was up 4.6% compared with a year ago.

Source: *Roads & Bridges*

Housing Markets Continue to Show Gradual Improvement

Markets in 56 out of the approximately 350 metro areas nationwide returned to or exceeded their last normal levels of economic and housing activity, according to the National Association of Home Builders/First American Leading Markets Index (LMI). This represents a net gain of two from the previous month. The index's nationwide score of .86 indicates that, based on current permits, prices and employment data, the nationwide average is running at 86 percent of normal economic and housing activity.

"More markets are slowly returning to normal levels and we expect this upward trend to continue as an improving economy and pent-up demand brings more home buyers back into the marketplace," said NAHB Chairman Rick Judson, a home builder from Charlotte, N.C. "Policymakers must be careful to avoid actions that would harm consumer confidence and impede the ongoing recovery."

"Forty-five percent of metro areas are recovering at a faster pace than the nation as a whole, with smaller markets leading the way," said NAHB Chief Economist David Crowe. "Of the 56 markets that are at or above normal levels, 48 of them have populations that are less than 500,000, and many of these local metros are fueled by a strong energy sector, which is producing solid job and economic growth."

"More than 35 percent of all the markets on this month's LMI are operating at a capacity of 90 percent or better of previous norms, which is a good sign that the housing recovery will continue to pick up steam in 2014," said Kurt Pfotenhauer, vice chairman of First American Title Insurance Co., which co-sponsors the LMI report.

FAA Selects Six Sites for Unmanned Aircraft Research

After many months of study and delays, and after a rigorous 10-month selection process involving 25 proposals from 24 states, the Federal Aviation Administration has chosen six unmanned aircraft systems (UAS) research and test site operators across the country. The six test sites include the University of Alaska, State of Nevada, New York's Griffiss International Airport, North Dakota Department of Commerce, Texas A&M University - Corpus Christi, and Virginia Polytechnic Institute and State University (VA Tech).

Test site operations will continue until at least February 13, 2017, and the research goals for all sites include testing for System Safety & Data Gathering, Aircraft Certification, Command & Control Link Issues, Control Station Layout & Certification, Ground & Airborne Sense & Avoid, and Environmental Impacts.

The test will help form the basis of the FAA's policy on the integration of civil UAS into the national airspace system.

In response to the FAA announcement, Michael Toscano, president & CEO of the Association for Unmanned Vehicle Systems International (AUVSI), released the following: "Today's announcement by the FAA is an important milestone on the path toward unlocking the potential of unmanned aircraft. From advancing scientific research and responding to natural disasters to locating missing persons and helping to fight wildfires, UAS can save time, save money, and, most importantly, save lives.

"In designating the first UAS test sites in these states, the FAA has taken an important step toward recognizing the incredible economic and job creation potential this technology brings. AUVSI's economic report projects that the expansion of UAS technology will create more than 100,000 jobs nationwide and generate more than $82 billion in economic impact in the first decade following integration.

Latest Economic Indicators at a Glance

<u>Annual Employment Report</u>

The unemployment rate declined from 7.0 percent to 6.7 percent in December, while total nonfarm payroll employment edged up (+74,000). Employment rose in retail trade and wholesale trade but was down in information. The number of unemployed persons declined by 490,000 to 10.4 million in December, and the unemployment rate declined by 0.3 percentage point to 6.7 percent. Over the year, the number of unemployed persons and the unemployment rate were down by 1.9 million and 1.2 percentage points, respectively.

Construction Employment

National construction employment decreased by 16,000 jobs in December, according to a Jan. 10 report by the U.S. Department of Labor. Nonresidential construction registered the bulk of job losses, contributing 88.1 percent of total construction industry job loss and losing 14,100 positions on a monthly basis.

The national construction unemployment rate grew to 11.4 percent on a non-seasonally adjusted basis compared to 8.6 percent in November and 13.5 percent one year ago.

“It is discouraging to observe losses in momentum in both the broader economy and in nonresidential construction; however construction-specific and economy-wide employment data are likely to improve in the months ahead,” said Associated Builders and Contractors Chief Economist Anirban Basu.

Consumer Confidence

The Conference Board Consumer Confidence Index®, which had decreased in November, rebounded in December. The Index now stands at 78.1 (1985=100), up from 72.0 in November. The Present Situation Index increased to 76.2 from 73.5. The Expectations Index increased to 79.4 from 71.1 last month.

Says Lynn Franco, Director of Economic Indicators at The Conference Board: “Consumer confidence rebounded in December and is now close to pre-government shutdown levels (September 2013, 80.2). Sentiment regarding current conditions increased to a 5 ½ year high (April 2008, 81.9), with consumers attributing the improvement to more favorable economic and labor market conditions. Looking ahead, consumers expressed a greater degree of confidence in future economic and job prospects, but were moderately more pessimistic about their earning prospects. Despite the many challenges throughout 2013, consumers are in better spirits today than when the year began.”

Gross Domestic Product (GDP)

Real gross domestic product (GDP) increased at an annual rate of 4.1 percent in the third quarter of 2013, according to today’s third estimate. Corporate profits increased $39.2 billion in the third quarter.

Consumer Price Index

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in December on a seasonally adjusted basis. Over the last 12 months, the all items index increased 1.5 percent before seasonal adjustment. Advances in energy and shelter indexes were major factors in the increase in the seasonally adjusted all items index. The gasoline index rose 3.1 percent, and the fuel oil and electricity indexes also increased, resulting in a 2.1 percent increase in the energy index. The shelter index rose 0.2 percent in December. The indexes for apparel, tobacco, and personal care increased as well. These increases more than offset declines in the indexes for airline fares, for recreation, for household furnishings and operations, and for used cars and trucks, resulting in the index for all items less food and energy rising 0.1 percent.

The food index rose slightly in December, increasing 0.1 percent. The food at home index was unchanged for the third time in four months, as a sharp decline in the fruits and vegetables index offset other increases. The food index has not posted a monthly increase larger than 0.1 percent since June.

The all items index increased 1.5 percent over the last 12 months; this is an increase over the October and November 12-month changes of 1.0 percent and 1.2 percent, respectively. The index for all items less food and energy has risen 1.7 percent over the last 12 months, the same figure as for the 12-month changes ending September, October, and November.

Producer Price Index

The Producer Price Index for finished goods advanced 0.4 percent in December, seasonally adjusted. Prices for finished goods declined 0.1 percent in November and 0.2 percent in October. At the earlier stages of processing, prices received by producers of intermediate goods rose 0.6 percent in December, and the crude goods index climbed 2.4 percent. On an unadjusted basis, prices for finished goods increased 1.2 percent in 2013 compared with a 1.4-percent advance in 2012.

Productivity and Costs

Nonfarm business sector labor productivity increased at a 3.0 percent annual rate during the third quarter of 2013. The increase in productivity reflects increases of 4.7 percent in output and 1.7 percent in hours worked. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the third quarter of 2012 to the third quarter of 2013, productivity increased 0.3 percent as output and hours worked rose 2.1 percent and 1.8 percent, respectively.

Factory Orders

New orders for manufactured durable goods in November increased $8.2 billion or 3.5 percent to $241.6 billion. This increase, up three of the last four months, followed a 0.7 percent October decrease. Excluding transportation, new orders increased 1.2 percent. Excluding defense, new orders increased 3.5 percent.

Transportation equipment, also up three of the last four months, led the increase, $6.3 billion or 8.4 percent to $81.2 billion. This was led by nondefense aircraft and parts, which increased $3.9 billion.

Employment Cost Index

Compensation costs for civilian workers increased 0.4 percent, seasonally adjusted, for the 3-month period ending September 2013, following a 0.5 percent increase in June. . Wages and salaries (which make up about 70 percent of compensation costs) increased 0.3 percent in the September quarter, similar to the 0.4 percent increase for the previous period. Benefits (which make up the remaining 30 percent of compensation) increased 0.7 percent, compared to a 0.4 percent increase for the 3-month period ending in June.

Civilian Workers

Compensation costs for civilian workers increased 1.9 percent for the 12-month period ending September 2013, unchanged from the 12-month period ending in September 2012. Wages and salaries increased 1.6 percent for the current 12-month period. In September 2012, the 12-month increase was 1.7 percent. Benefit costs increased 2.2 percent for the 12-month period ending September 2013, compared with the 2.4 percent increase for the 12-month period ending September 2012.

Private Industry Workers

Compensation costs for private industry workers increased 1.9 percent over the 12-month period ending September 2013, the same increase as in September 2012. Wages and salaries increased 1.8 percent for the year ending in September 2013, the same increase as the period one year ago. The increase in the cost of benefits was 2.0 percent for the 12-month period ending September 2013, compared with a 2.2 percent increase in the period ending in September 2012. Health benefit costs increased 2.7 percent. In September 2012, the increase was 2.3 percent.

Among occupational groups, compensation cost increases for private industry workers for the 12-month period ending September 2013 ranged from 1.4 percent for service occupations to 2.1 percent for management, professional, and related occupations.

Among industry supersectors, compensation cost increases for private industry workers for the current 12-month period ranged from 1.1 percent for leisure and hospitality to 2.2 percent for financial activities industry and other services except public administration industry.

State and Local Government Workers

Compensation costs for state and local government workers increased 1.7 percent for the 12-month period ending September 2013. In September 2012 the increase was 1.8 percent. Wages and salaries increased 0.9 percent for the 12-month period ending September 2013, compared with a 1.1 percent increase from a year earlier. Prior values for this series, which began in June 1982, ranged from 1.0 percent to 8.5 percent. Benefit costs increased 2.9 percent in September 2013. In September 2012, the increase was 3.2 percent.

Real Earnings

Real average hourly earnings for all employees fell 0.3 percent from November to December, seasonally adjusted. This decrease stems from a 0.1 percent increase in average hourly earnings being more than offset by a 0.3 percent increase in the Consumer Price Index for All Urban Consumers (CPI-U).

Real average weekly earnings fell 0.5 percent over the month due to the decrease in real average hourly earnings combined with a 0.3 percent decrease in the average workweek.

Real average hourly earnings rose 0.2 percent, seasonally adjusted, from December 2012 to December 2013. The increase in real average hourly earnings, combined with a 0.3 percent decrease in the average workweek, resulted in no net change in real average weekly earnings over this period.

Construction Spending

Construction spending during November 2013 was estimated at a seasonally adjusted annual rate of $934.4 billion, 1.0 percent above the revised October estimate of $925.1 billion. The November figure is 5.9 percent above the November 2012 estimate of $882.7 billion.

During the first 11 months of this year, construction spending amounted to $828.4 billion, 5.0 percent above the $788.8 billion for the same period in 2012.

Spending on private construction was at a seasonally adjusted annual rate of $659.4 billion, 2.2 percent above the revised October estimate of $644.9 billion. Residential construction was at a seasonally adjusted annual rate of $345.5 billion in November, 1.9 percent above the revised October estimate of $339.2 billion. Nonresidential construction was at a seasonally adjusted annual rate of $313.9 billion in November, 2.7 percent above the revised October estimate of $305.7 billion.

In November, the estimated seasonally adjusted annual rate of public construction spending was $275.0 billion, 1.8 percent below the revised October estimate of $280.2 billion. Educational construction was at a seasonally adjusted annual rate of $65.2 billion, 1.1 percent above the revised October estimate of $64.4 billion. Highway construction was at a seasonally adjusted annual rate of $82.0 billion, 0.4 percent below the revised October estimate of $82.4 billion.

Nonresidential Construction Spending

National construction employment decreased by 16,000 jobs in December Nonresidential construction registered the bulk of job losses, contributing 88.1 percent of total construction industry job loss and losing 14,100 positions on a monthly basis.

The national construction unemployment rate grew to 11.4 percent on a non-seasonally adjusted basis compared to 8.6 percent in November and 13.5 percent one year ago.

“It is discouraging to observe losses in momentum in both the broader economy and in nonresidential construction; however construction-specific and economy-wide employment data are likely to improve in the months ahead,” said Associated Builders and Contractors Chief Economist Anirban Basu.

Across all industries, the nation added 74,000 jobs in December, with the private sector gaining 87,000 jobs and the public sector losing 13,000 jobs.

Construction Materials Prices

Construction materials prices expanded just 0.1 percent in December and are up 1.3 percent year over year, according to a Jan. 15 Producer Price Index released by the Department of Labor. Nonresidential construction materials prices also rose only 0.1 percent for the month and are 1 percent higher than the same time one year ago.

“Materials prices continue to be unusually well behaved, neither rising nor falling aggressively on a month-to-month basis,” said Associated Builders and Contractors Chief Economist Anirban Basu. “That said, there was some volatility in individual input segments, including natural gas prices, which were up 7.8 percent, and crude petroleum, which was up 7.1 percent,” Basu said. “These increases are at least partially explained by seasonal factors and do not likely foreshadow aggressive price increases going forward. At the same time, certain input prices fell, including softwood lumber, down 3.3 percent, and nonferrous wire/cable, down 1.4 percent.”

Overall, the nation’s wholesale goods prices expanded 0.4 percent in December and are up 1.2 percent year over year.

“While there is never a guarantee of input price stability, for now things seems reasonably calm,” Baus said. “The world economy is anticipated to accelerate this year to 3.6 percent growth, up from closer to 3 percent last year. That will help push the level of demand for construction materials higher, but not necessarily in ways that are especially damaging to a still-benign U.S. nonresidential construction industry outlook.”

The following materials prices increased in December:

- Fabricated structural metal product prices are up 0.1 percent and have risen 0.6 percent on a year-over-year basis.
- Natural gas prices rose 7.8 percent in December and are 4.9 percent higher than one year ago.
- Crude petroleum prices rose 7.1 percent in December and are up 7.4 percent from December 2012.
- Crude energy prices grew 4.8 percent in December and are 4.4 percent higher year over year.
- Iron and steel prices expanded 1.6 percent in December but are down 5.9 percent from the same time last year.
- Prices for plumbing fixtures and fittings rose 0.1 percent for the month and are up 1.6 percent on a year-over-year basis.
- Steel mill products prices expanded 0.3 percent for the month but are 6.3 percent lower than one year ago.

A number of key construction inputs did not experience price increases for the month:

- Prices for prepared asphalt, tar roofing and siding declined 0.8 percent for the month but are up 3.6 percent from last year.
- Concrete products remained flat in December but are up 2.3 percent year over year.
- Nonferrous wire and cable prices shed 1.4 percent on a monthly basis and are down 3.4 percent from December 2012.
- Softwood lumber prices fell 3.3 percent for the month but are 6.6 percent higher than one year ago.

Retail Sales

U.S. retail and food services sales for December, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $431.9 billion, an increase of 0.2 percent from the previous month, and 4.1 percent above December 2012. Total sales for the 12 months of 2013 were up 4.2 percent from 2012. Total sales for the October through December 2013 period were up 1.0 percent from the same period a year ago. The October to November 2013 percent change was revised from +0.7 percent to +0.4 percent.

Retail trade sales were up 0.2 percent from November 2013, and 4.0 percent above last year. Nonstore retailers were up 9.9 percent from December of 2012 and auto and other motor vehicle dealers were up 6.2 percent from last year.

New Residential Sales

Sales of new single-family houses in November 2013 were at a seasonally adjusted annual rate of 464,000. This is 2.1 percent below the revised October rate of 474,000, but is 16.6 percent above the November 2012 estimate of 398,000.

The median sales price of new houses sold in November 2013 was $270,900; the average sales price was $340,300. The seasonally adjusted estimate of new houses for sale at the end of November was 167,000. This represents a supply of 4.3 months at the current sales rate.

New Residential Construction

Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 986,000. This is 3.0 percent below the revised November rate of 1,017,000, but is 4.6 percent above the December 2012 estimate of 943,000.
Single-family authorizations in December were at a rate of 610,000; this is 4.8 percent below the revised November figure of 641,000. Authorizations of units in buildings with five units or more were at a rate of 350,000 in December.
An estimated 974,700 housing units were authorized by building permits in 2013. This is 17.5 percent above the 2012 figureof 829,700.

Privately-owned housing starts in December were at a seasonally adjusted annual rate of 999,000. This is 9.8 percent below
the revised November estimate of 1,107,000, but is 1.6 percent above the December 2012 rate of 983,000.

Single-family housing starts in December were at a rate of 667,000; this is 7.0 percent below the revised November figure of 717,000. The December rate for units in buildings with five units or more was 312,000.An estimated 923,400 housing units were started in 2013. This is 18.3 percent above the 2012 figure of 780,600.

U.S. Trade Balance

(U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES)

Total November exports of $194.9 billion and imports of $229.1 billion resulted in a goods and services deficit of $34.3 billion, down from $39.3 billion in October, revised. November exports were $1.7 billion more than October exports of 193.1 billion. November imports were $3.4 billion less than October imports of $232.5 billion.

In November, the goods deficit decreased $4.9 billion from October to $53.9 billion, and the services surplus increased $0.2 billion from October to $19.7 billion. Exports of goods increased $1.5 billion to $137.1 billion, and imports of goods decreased $3.4 billion to $191.0 billion. Exports of services increased $0.3 billion to $57.8 billion, and imports of services increased $0.1 billion to $38.1 billion.

The goods and services deficit decreased $12.2 billion from November 2012 to November 2013. Exports were up $9.6 billion, or 5.2 percent, and imports were down $2.5 billion, or 1.1 percent.