



US Federal Infrastructure Spending and Equipment Markets

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Components of Stimulus

- Stimulus Package
- Federal Water Investment
- Effect of “Credit Crunch”
- Federal Highway Program reauthorization

Highway Spending and Equipment Sales



AED research into sales of heavy construction equipment as a percentage of highway construction spending:

- \$.064 of every \$1.00 spent on highways goes to equipment purchase, hire, and dealer maintenance
- For every \$1.00 spent by the Federal government on highways, an additional \$1.50 is spent by state and local governments on highways.
- The current Federal highway program spends \$40 billion per year, which equals \$100 billion when combined with state and local spending.
- Therefore the current US equipment market driven by highway spending is approximately \$6.4 billion.

Water Infrastructure Spending and Equipment Sales



AED research into sales of equipment used in water infrastructure jobs:

- \$.12 of each \$1.00 of underground water utility project bids goes to purchase, hire and dealer maintenance of construction equipment.

The Bottom Line

\$Billions will be added to US equipment markets by:

- The Stimulus Package
- New 5-year Federal highway program for the years 2010 - 2014
- New Federal funding of water infrastructure investment

Stimulus review



\$787 Billion Stimulus Bill enacted on Feb. 17 includes \$83 billion for infrastructure.

50% must be obligated by 20 June; remainder spent over two years.

Equipment industry market impact will be \$5 billion+.

\$Billion	Purpose
27.5	Highways and bridges
8.4	Public transit
4.0	Sewer construction
1.5	Grants for transportation improvements
4.6	Waterways projects
3.0	Drinking water projects
9.3	Rail transit
1.3	Airport construction
3.1	Improvements on public and tribal lands
2.3	Construction on military bases
7.2	Broadband infrastructure
11.0	Upgrades to electricity grid
\$83.2	Total Stimulus for Infrastructure

Stimulus review

Other provisions that will affect equipment markets

- Extends 50% depreciation bonus
- \$250K expensing of capital purchases
- Expanded home purchase tax credit to stimulate housing market
- Provides \$300 million for diesel retrofit programs.
- AED working to ensure that “Buy American” does not apply to equipment used “on” stimulus projects.

Water Infrastructure Stimulus



- Water Quality Investment Act (HR 1262) passed House of Representatives on March 12.
- Authorizes \$19.4 billion over the next five years for water quality programs
- Sewer infrastructure funding would increase to \$2.4 billion in 2010 and to \$3 billion by 2014.
- Equipment industry market impact would increase to \$360 million per year
- House bill includes “Buy American” language for materials.
- Senate will likely act this spring.
- Clean Water Trust Fund?

Impact of “Credit Crunch”

In a recent survey of 600 AED dealer members

- 59% report increase in credit costs
- 43% report difficulty in securing credit
- The average AED dealer has lost \$2 million in sales due to unavailability of credit
- We estimate that over \$1 billion of sales have been lost since the beginning of the credit crunch last fall.

Highway Program Reauthorization



Current (\$40 billion per year) Federal highway funding law expires on Sept. 30, 2009

- Major issues in reauthorization:
 - Political issue re Federal role vs. devolution to states
 - How much to spend?
 - \$80 billion per year sought (doubling of current) = \$100 billion per year of new spending = \$6.4 billion per year of added equipment demand for a total of \$12.8 billion
 - How to pay for it?
 - Highway Trust Fund – gasoline tax – declining source of revenue
 - Vehicle Miles Traveled
 - How to allocate between highways vs. transit?

Questions?

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