

CIRCUIT

Breaking News | Spring 2009

Northeastern Illinois Chapter, NECA

The Long and Winding Economic Road

For the past several issues of the Northeastern Illinois Chapter, NECA Newsletter, we have been reporting on construction investment impact data; state jobs shrink, and income fluxuation a.k.a. declines. The Associated General Contractors of America (AGC) are continually releasing data that impact the construction industry. In a recent telephone conversation with Mr. Kenneth Simonson of the AGC, he gave a concise impact of construction investment on jobs, gross domestic product (GDP) and personal earnings for the U.S. and each state (www.agc.org/stimulus).

The estimates, he stated, show that \$1 billion of infrastructure spending supports \$3.4 billion of GDP, \$1.1 billion of personal earnings and 28,500 jobs. Approximately 9,700 (34%) are direct construction jobs; 4,600 are indirect jobs in supplier industries (mining, manufacturing and services); and 14,300 (50%) are induced jobs resulting from purchases out of the additional income of workers and owners in the directly and indirectly supported industries. The ratios are drawn from a model prepared for the Federal Highway Administration, which found similar impacts for federal-aid highway spending. State totals are based on an analysis of each state's share of total construction employment and spending for AGC by Prof. Stephen Fuller of George Mason University. State impacts are smaller, especially for small states, since not all purchases of supplies or induced

spending occurs within the state. The NAIOP Foundation recently released a similar analysis by Fuller that focused on office, warehouse, retail and industrial building construction (www.naiop.org/foundation/contdev.pdf). This report is lengthy, in aggregate of eighty pages; but an easy read if you would like to peruse it.

The studies assume there are sufficient unemployed resources (workers, equipment, and manufacturing capacity) to produce net increases. State employment data released on Friday by the Bureau of Labor Statistics (BLS) confirms the availability of workers, especially in construction. The seasonally adjusted unemployment rate rose in November in 37 states and the District of Columbia, fell in five states and was unchanged in eight. Compared to a year ago, the rate rose everywhere except in West Virginia, where the rate remained 4.6%. Seasonally adjusted construction employment fell compared to October in 36 states (including 12 with a one-month drop of 2% or more), rose in 10 and was unchanged in four plus D.C. Compared to November 2007, construction employment fell in 43 states and rose in only seven plus D.C. The largest percentage increases over that span were in Oklahoma, 4%; Louisiana and North Dakota, 3%; Texas and D.C., 2%. The largest percentage declines were in Utah and South Carolina, -17%; Arizona, -16%; Florida, -14%;

CIRCUIT SPOTLIGHT



The Northeastern Illinois NECA Chapter Revives the Northern Illinois University Student Chapter; see page 3.

In this Issue

pg2

President's Corner
Cover Story Continued

pg3

Grand Geneva...Just a Few Months Away
Student Chapter Revived and Kicking
Management Executive Institutes On The Horizon

pg4

Calendar of Events
We Want to Hear From You



President's
Corner

ELROY KADLEC,
President of Northeastern
Illinois Chapter-NECA

There really is no way of predicting what is going to happen next. All economic indices say that last year, the U.S. economy was more brutal than many economists expected and the fundamental problems getting bigger and more damaging as each quarter closed. And focusing on those fundamental problems is key to predicting how the U.S. economy will fare in 2009. I wonder if the bevy of government bank bailouts and buyouts restored anything. Moreover, will consumers emerge from their shells?

As all of you know, 2008 negotiations were finally settled. Now we are back at the negotiations table with all contracts

open – Inside, Residential, and VDV. And with the economic climate, both Labor and Management are trying, once again, to find common ground. My message to all of you is that this is your time. This is your Association. And we want to hear from you. Both my message and the message from your Governor are that we really would like for you to be at the monthly Division Meetings. It is at those meetings that you will get the latest on negotiations; up-to-the-minute news on industry trends; and the most important thing is support from your fellow contractors.

Your input is critical.

The Long and Winding Economic Road *Cover story continued*

Idaho, -13%; Oregon and Nevada, -12%. Over the year, non-farm employment rose in 14 states plus D.C. and fell in 36 states; construction accounted for more than the total drop in Michigan, Montana, Nevada, Utah, Washington and West Virginia.

"U.S. personal income growth slowed sharply in the third quarter of 2008 with all states except New Jersey and Wyoming sharing in the slowdown," the Bureau of Economic Analysis reported during that time that personal income remained unchanged from the second quarter which had been boosted by economic stimulus payments. The third quarter personal income growth was the weakest for the nation since the first quarter of 1994 and contrasts with the 1.6% increase in the second quarter of 2008. State personal income growth rates in the third quarter ranged from a 1.4% increase in Wyoming to a 1.6% decrease in Mississippi." Construction industry earnings (payrolls, supplements to wages and salaries and proprietors'

income) decreased, contributing -0.03% to total personal income change. By state, the contribution of construction earnings varied from 0.12% in North Dakota to -0.27% in Utah.

New construction starts in November of 2008 fell 3% from October 2008, this from an article in McGraw-Hill Construction back in January of 2009. The year-to-date total, comparing the first 11 months of 2008 to the same period of 2007, fell 16%. Residential building tumbled 9% and 39%. Nonresidential building dropped 2% and 0.1%. Non-building construction climbed 1% and 2%.

The American Institute of Architects stated on Wednesday that its Architecture Billings Index, a measure of how many architecture firms reported higher or lower billings, hit a new low for the second straight month in November. The lowest readings were for firms with commercial/industrial practices, followed by residential, institutional and mixed.

"Contractors are negotiating with their unions in an effort to lower labor costs by up to 25% as a way to help to revive the city's ever weakening construction industry," Crain's New York Business reported recently. "There

are roughly \$4 billion to \$5 billion worth of projects in New York that have either been stalled or haven't started because of difficulties in obtaining financing, according to Louis Coletti, Chief Executive of the Building Trades Employers' Association, which represents the contractors.... Ed Malloy, president of the Building and Construction Trades Council, which represents the unions, said that the unions might be willing to agree to freezing wages next year as part of the cost savings efforts. He notes that at present union workers make an average of \$60 to \$70 per hour....Construction costs have been falling in recent months as demand dries up. The cost of raw material such as steel has....slipped and the price of renting equipment such as cranes has dropped. Meanwhile, contractors are lowering their fees to win work and developers are putting more equity into their projects to meet banks' strident requirements."

One type of construction that is proceeding is Base Realignment and Closure (BRAC) work. "In its latest round of construction announcements, the San Antonio [BRAC] program has awarded three contracts worth a total of \$101 million," the San Antonio Express-News reported recently. "During fiscal year 2008, the BRAC program awarded \$1.2 billion in contracts. The BRAC program is expected to bring more than 12,000 jobs to Fort Sam Houston."

Grand Geneva... Just A Few Months Away

In the next couple of weeks you will be receiving your registration materials for the 2009 Summer Chapter Meeting at the fantastic Grand Geneva Resort and Spa in Lake Geneva, WI. It has been a while since our last trip there – and there is much more to do and see. First of all – we will be in the new meetings area.



Tucked within historic Lake Geneva, Grand Geneva Resort & Spa is one of only five AAA Four-Diamond resorts in Wisconsin. An enchanting landscape of rolling hills and pristine views awaits you! Grand Geneva Resort & Spa is famous for its year-round recreational activities, filled

with diverse options from championship golf to exhilarating tennis and skiing. And this year – we are having a very special event at the ski lodge, on Friday, July 10, 2009, that you will not want to



miss! They are opening it especially for us. Then join everyone as we cruise on Lake Geneva for our traditional Dinner and Dance cruise Saturday, July 11, 2009.

Whether you join us every year, or this will be your first trip with us, you are absolutely guaranteed to have an amazing time. If you have any questions concerning this trip, please contact Brian Sullivan at the Chapter office.

Management Executive Institutes On The Horizon

The Chapter will be putting on two MEI courses this spring. The first will be **Friday, April 3, 2009**, and the course will be Managing Payments and Collection Strategies. The second MEI will be **Thursday, June 11, 2009**, and the course will be Building a Profitable Service Business. The MEI on April 3, 2009, will be held at the Lisle/Naperville Hilton. Information on that seminar has gone out a couple of days ago. We anticipate a very high interest in both seminars; which is why we wanted to get you the dates right away.

On April 17, 2009, the Chapter will bring in a speaker from Los Angeles who has successfully taken an entire Community College off of the grid. The event will be held at the Naperville Northern Illinois University-Naperville Campus. Facility Directors from Community Colleges in Lake County, DuPage, Elgin, and Aurora will be invited. We have also invited School Superintendents from those areas as well. Information has been sent out on this tremendous opportunity. We hope to see you there!



Student Chapter Revived and Kicking

On February 19, 2009, Giuseppe and Brian had the first meeting of the Northeastern Illinois NECA Student Chapter at Northern Illinois University. Ms. Kristen Allen, recipient of the 2008 Peter Cattaneo Scholarship Award at the University, was selected to be the Student Chapter President.

Scott Richardson and John Corsiglia of Mascal Electric, Glen Hicks and Dan

Pesavento from Huen Electric, Bruce Anderson from Frank Marshall Electric, and Paul Hopkins of St. Charles Union Electric were there to support the Student Chapter. In all, more than 30 people attended the event - and the Student Chapter is beginning to take shape. Above is a photograph commemorating the event.

Calendar of Events

March 22-25, 2009

Midwest Regional
Conference
Koloa, Kauai, Hawaii

May 5-7, 2009

NECA Legislative
Conference
Washington, DC

July 10-12, 2009

Northeastern Illinois
Summer Chapter Meeting
Lake Geneva, WI

August 4, 2009

10th Annual Golf Outing
Cantigny Golf Course
Wheaton, IL

September 12-15, 2009

NECA National Convention
Seattle, WA



**WE WANT TO
HEAR FROM YOU**



The Chapter is Always Interested in Your Ideas & Suggestions

On February 25, 2009, the Chapter held a LEED Course at the NIU-Naperville Campus. Below is a photograph of the successful seminar.



Circuit Breaking News

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