

REMARKS FOR 011 OUTLOOK RELEASE

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Thanks Ken. As if the broader economic picture wasn't challenging enough for construction firms, they are now facing adding pressure thanks to decisions being made in Washington. For example, 71 percent of firms report their health care costs are expected to increase in the wake of the new legislation enacted last year. Shy of a full repeal, we certainly expect the House, Senate and President will find a way to make a bad bill better for our employers and our economy.

Meanwhile, as Ken mentioned, many of our highway, transportation and water and sewer contractors are worried because Congress and the Administration have failed to enact long overdue multi-year infrastructure bills designed to ensure that our aging infrastructure does not become a drag on economic growth. We are hopeful this new Congress, combined with the Administration's new found appreciation of the business community, can finally start addressing our growing infrastructure liabilities.

And of course, our members continue to be worried by the growth in stifling government regulators and the increasingly adversarial approach federal regulators have been taking. We are eager to help the President ensure that his new regulatory executive order delivers on the promise of his encouraging words from last week.

But one of the remarkable things about contractors is that they are eternal optimists. And even though they are struggling through difficult days, many are taking steps now to make their operations more efficient, to embrace new opportunities in green construction and to adopt new technologies and techniques. Michael Feigin, who has 25 years experience as a construction attorney, construction executive, real estate developer and consultant, and who is managing director for construction with Navigant, is a real expert in helping construction firms embrace better business practices. Michael has some interesting results to share on this front. Michael...

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Thank you Steve and Ken. One of the things we are very interested in here at Navigant is how construction firms are taking advantage of new technology, new market trends and new ways of doing business. That is why we asked AGC to include in this year's survey a number of questions designed to gauge whether the economic downturn was having an impact on the way most construction firms do business.

What we found was that growing numbers of firms seem to be focused on increasing efficiency and reducing cost by implementing best in class technology and business practices, not just by indiscriminate expense reductions. A great example of this is Building Information Modeling services, better known as BIM. While only eight percent of firms surveyed currently use the technology, 55 percent expect that number to increase in 2011.

With respect to business practices, 46 percent – nearly half of firms surveyed, reported implementing Lean Construction Concepts. Lean is a way of adjusting business processes to maximize efficiency and minimize waste of materials, time and effort. It is likely that many firms have embraced lean construction concepts as a way to cope with decreasing revenue and ever tighter profit margins.

Demand for green construction also continues to grow, with 15 percent of firms reporting working on LEED registered projects in 2010 and 53 percent expecting that number to grow this year. For those that may not know, LEED stands for Leadership in Energy and Environmental Design. We were careful to focus on registered projects in the survey, because not all projects registered as LEED actually finalize the process to become LEED certified.