



# View from the Chair

Missouri Highways and Transportation Commission

## Unseen casualties: lost companies, jobs and opportunities

September 18, 2015



Dear Reader,

As MoDOT readies itself for its lowest construction budget in 20 years there are casualties which may be unknown to the public. The impact on our transportation system has been well publicized. The number of critical-condition bridges has risen to 641; fatalities are up 12 percent; our limited funds are directed to 8,000 miles of primary roads while the other 26,000 miles of supplementary roads receive only the scraps of leftover funding; the cost-share program is suspended; and expansion projects that would provide economic development or congestion relief are on hold. But, there is another untold story.

The lack of funding has meant much less work for our partners in the construction industry. While we were borrowing money through Amendment 3 or receiving funds through the President's stimulus package, competition among contractors reduced the cost of projects, saving hundreds of millions of dollars. From 2006-2012, contractors enabled MoDOT to save \$632.3 million – all of which MoDOT put back on the road as part of future projects. Missourians realized these savings because we had a large number of competent contractors competing for the work. Sometimes we had as many as ten contractors bidding on a single project. Funding attracted and maximized competition. A strong industry was great for Missourians.

What a difference a few years makes. In 2009, the year I joined the Commission, we made \$1.36 billion in awards. In fiscal year 2015 (which ended June 30), we made \$725.1 million in awards – over \$600 million less. This year we expect only \$596 million in contractor awards – over \$760 million less and 40% of what we did a few years earlier. This past year we had three months with no bid lettings at all – an unprecedented occurrence.

The vast majority of our projects now are merely asphalt overlay projects or maintenance-type work designed to simply hold the system together. The projects are much fewer in number and smaller in size. During my time on the Commission, I have watched not only a decline in total amount of work each year but also in the type of work. Six years ago, we had larger projects which involved a variety of types of work: earthmoving, concrete, rebar, steel, etc. These projects provided opportunities for not only general contractors but specialty subcontractors as well – they

made Missouri an attractive place to do work.

As a result of the reduction in work, two things happened: some contractors went out of business, unable to get enough work in Missouri to cover their overhead, while others left Missouri for states that were investing in transportation, like Iowa, Kansas, Nebraska and Arkansas, all of which have recently increased their transportation funding.

So why should this be of concern? After all, the business world is a rough and tumble place; businesses in other industries come and go every day.

The reality is the health of our construction industry dramatically affects all Missourians. On those limited projects MoDOT still lets, there are fewer bidders, the competition is less and Missouri is having to pay more. Local businesses are hurt. Our skilled workforce is depleted as fewer Missourians enter the construction trades and others leave it for more stable employment.

Except for routine maintenance activities, MoDOT doesn't construct any roads or bridges. We plan, design, administer and inspect. But, to actually build our roads we rely on our contracting partners. I refer to them as partners because we cannot serve Missourians unless we have private companies who are willing to compete for work, assume the financial risk, manage a complex endeavor, create a one-of-a-kind improvement and deliver a quality product.

Those same contractors not only employ but recruit, train and mentor workers in good paying jobs that support Missouri families and fuel our economy. The construction industry has been the vehicle for many hard working Americans to lift themselves and their families to the middle class. It has historically been a gateway to a better life for our forbearers, many of whom came as immigrants to this country in pursuit of a dream.

The contracting community not only saves Missourians millions of dollars per year, it also provides us with quality work and economic opportunities for many Missourians.

And if in the future Missourians decide to invest more in transportation, there is another danger lurking. It takes time for a damaged industry to recover. Defunct companies don't spring back into business; workers who have left the industry don't suddenly return; crews committed to other states don't drop what they are doing and move people, equipment and facilities back to Missouri. It takes time – if it occurs at all. In the interim, Missouri will continue to have reduced competition and pay more.

Our construction industry is like a garden – properly nourished and tended it will bear fruit. Neglected and it wilts or is choked out.

When we fail to invest in transportation we all suffer – in ways we don't often realize. We should appreciate that the damage to Missouri ripples far beyond our critical bridges and decaying roads.

Let's stop the damage now,

Stephen R. Miller  
Chairman

If you would like to communicate with the Commission, you can always reach us at

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