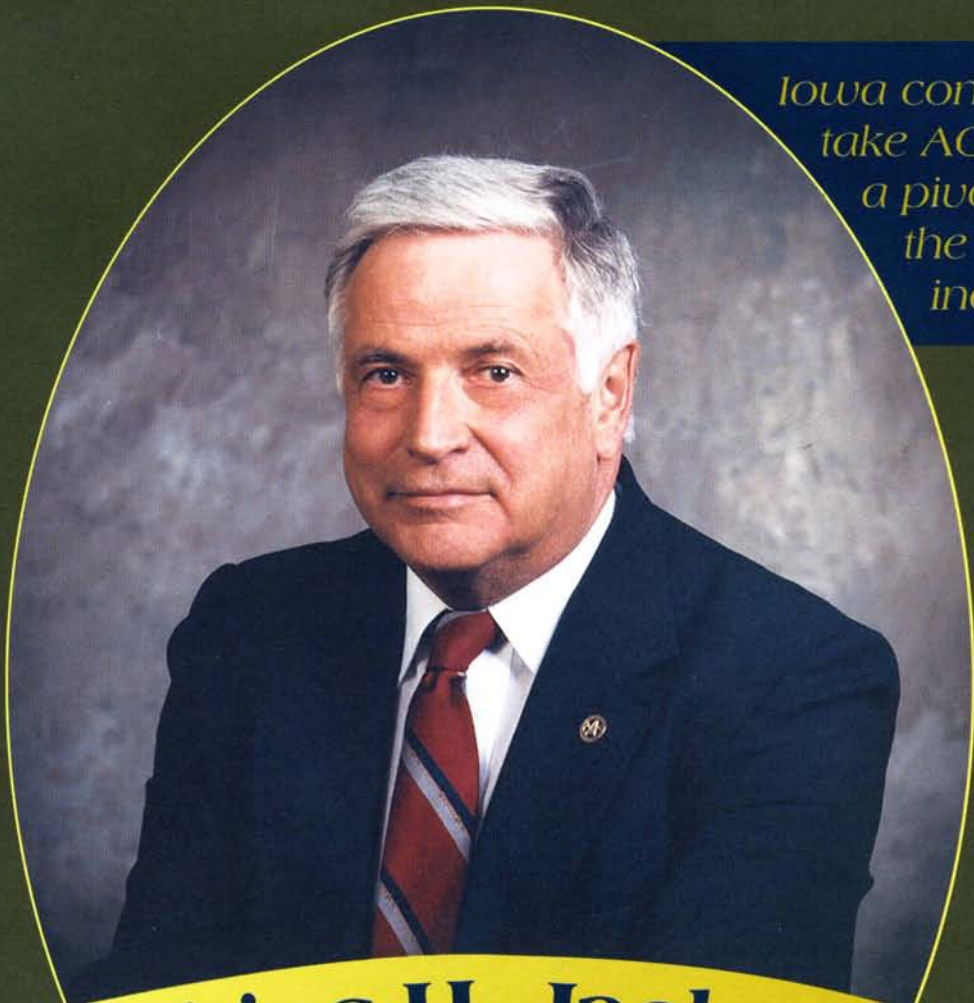


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*Iowa contractor will
take AGC's helm at
a pivotal time for
the construction
industry*



Robins H. Jackson



A Southam Publication

JACKSON

bringing 43 years of know-how and involvement to presidency of AGC of America

When Robins H. Jackson takes office in early March as 1992 president of Associated General Contractors of America it will be, in his words, "the pinnacle of my career."

For the man who currently is AGC's senior vice president and chairman and CEO of Cedar Valley Corp., a Waterloo, Iowa-based highway contracting firm, that 43-year career has had a lot of peaks—and a few valleys.

It started in 1948 when he joined Jackson Construction Co., founded two years earlier in Emmetsburg, Iowa, by his brother Bill. Jackson had just graduated from Iowa State University with a civil engineering degree.

Company offices were moved to Nevada, Iowa, in 1957, but by 1980 business was as bad there as anywhere else in the Midwest. The decision was made to move Jackson Construction—lock, stock and 50 lowboy loads of equipment—to Shreveport, La., in the heart of the then-thriving "Oil Patch."

Unfortunately, Southern hospitality didn't include much market sharing. After three years, Jackson recalls, "we simply couldn't get any more work and extricated ourselves from Louisiana."

Cedar Valley Corp. was formed in 1971 with the purchase of Diesch Constructors, a concrete paving firm that had operated in the Waterloo area for 15 years. By



Robins Jackson says he is looking forward to the challenge of heading AGC, but concedes it will "throw a lot of additional weight on Steve," who is president of Cedar Valley Corp.

the mid-1980s, all of the Jackson operations had been consolidated in Waterloo and Cedar Valley had acquired a major interest in Basic Materials Corp., an aggregate producer with a dozen plants in northeastern Iowa, and Aspro, Inc., an asphalt paving firm.

Combined revenues of the three companies will be about \$50 million this year. Cedar Valley has \$25 million in highway construction under way in Waterloo for relocation of U.S. 218. The company operates primarily in Iowa, but in a typical year about 20% of its projects will be in Missouri, Nebraska and Minnesota.

Jackson is a past president of the American Concrete Pavement Association, AGC of Iowa and the Iowa Concrete Paving Association. He was 1987 chairman of the national AGC's Highway Division, and is in his fourth three-year term as a board member of The Road Information Program (TRIP). He is also a Fellow of the American Institute of Constructors.

Stephen R. Jackson, the Jackson's 38-year-old son, is Cedar Valley's president, and was 1990 president of the Iowa AGC chapter. Robins and his wife, Ro, also have a daughter, Holly Donegan, living in Oregon, and six grandchildren.

The credit crunch hasn't abated, despite interest and mortgage rates at or below their lowest levels in a decade. What will AGC be doing in the months ahead to help stimulate the flow of funds to creditworthy projects?

Jackson: Credit is so important, particularly for the commercial construction and real estate/development segments of our industry. And lack of funds is a problem all across the country. Unless you have 50 percent of the cash in your pocket, credit tends to dry up.

What is really hurting, of course, are the regulations, and the way they are being interpreted by the regulators. All we hear from other people, not just those in the construction industry, is that banks have the money to lend, but feel they don't have quality borrowers to lend it to. There's something wrong there. There has to be some stimulus, including regulatory changes, that encourages more risk loans.

Banks should not be placed under excessive regulatory pressure to devalue or foreclose on performing projects or borrowers.

This adverse regulatory attitude towards commercial lending is the single greatest threat to the flow of normal, healthy commerce.

Americans must have a deposit insurance system in which they can safely rest their confidence, and bank regulators who, while safeguarding that fund, recognize vital economic growth needs.

In the coming weeks AGC will be working with the Congress and the administration on bank reform legislation and regulatory issues. We believe the bank in-

surance fund should be recapitalized in sufficient, reasonable amounts, on a year-to-year basis. Additional arbitrary standards, such as mandatory loan-to-value and reserve ratios should be rejected, along with "core bank" proposals which would impose particularly harsh lending restrictions on many small and medium-size banks.

Inflexible yardsticks will inevitably slow our economic recovery by jeopardizing acquisition, development and construction loans.

The surety bond industry predicts that surety credit will be harder to come by in 1992. How serious a problem does this pose for the construction industry and for smaller firms and highway/public works contractors in particular?

"I've been involved in industry pursuits for as long as I can remember," Jackson told Construction Digest editor Art Graham. The AGC senior vice president was interviewed in his Waterloo office by Graham and Dave Keckler, editor of Midwest Contractor.



Jackson: Surety companies tell us that bonding capacity exists, and is available for firms that they consider to be good risks. The catch-22 is that many contractors have been weakened by the economy, and when construction firms are having trouble, sureties are reluctant to extend credit.

As you know, there are a number of insurance companies that have pulled out of the surety business, and that has to hurt. One in particular that I know about is going only for the bigger accounts.

We've also seen the size of public works projects growing, in dollar amounts, and that squeezes the smaller firms with low bonding limits. But, at least in Iowa and throughout the Middle West, there are a lot of smaller contractors who have established themselves over the years, and I haven't heard of too many of them having problems.

AGC works very strongly with the Surety Association of America, the National Association of Surety Bond Producers and the American Insurance Association to keep its members informed on surety issues.

A number of surety companies have programs that target smaller contractors. We also work with the Small Business Administration's Surety Bond Guarantee Program,

which is able to help many smaller and minority firms achieve bonding credit when they are unable to do so on their own.

Sen. Dale Bumpers of Arkansas told AGC's midyear meeting in St. Louis that fiscal 1992 will be the first year in the nation's history when interest on the federal debt will be the biggest single item in the budget. This being the case, does AGC foresee any reversal in the trend of a steadily diminishing federal commitment to public works programs, with even more of these financing responsibilities being off-loaded on the states and local government?

Jackson: We're going to do everything we can to encourage them to realize that they must have a continued commitment. If this doesn't happen—if we lose the strong partnership that has existed between the federal government and state and local bodies—it's going to be very dangerous for our country.

Economic growth has to be a national priority, and we can't have that growth if we don't maintain and expand the nation's infrastructure. This isn't consumption spending. It's a needed capital investment in America's future.

While pressures continue to force state and local governments to accept more of these investment responsibilities, we see a sentiment in the Congress that is beginning to acknowledge that there are limits to passing the buck.

In considering highway legislation this year, Congress acknowledged that the administration's goal of reducing the federal share for highway and transit projects was not politically viable. And both the House and Senate surface transportation bills call for a substantial increase in total spending.

Also, in the Clean Water bill, there's been a commitment to make sure that the federal government does share in the funding.

Establishment of a national Clean Water Trust Fund has been proposed, based on the user pay principle. Does AGC consider this feasible?

Jackson: AGC supported termination of the EPA construction grants program and replacement



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with a State Revolving Fund program to finance future construction of wastewater treatment facilities and sewers.

The SRF plan is based on a user fee concept. Before money can be lent to a local government to build a facility, that unit of government must have a user fee system in place to pay back the loan.

All 50 states now have plans in hand and SRFs functioning. We hope the government extends its commitment to these revolving funds past 1994, helping to assure an adequate source for clean water money.

AGC would not like to see this program abandoned in favor of a federal Clean Water Trust Fund. Where would they get the money? I believe the states can do this more efficiently, without one more level of bureaucracy.

Are there other practical measures that could be taken to move infrastructure needs higher up on Washington's priority list?

Jackson: Policy leaders need to distinguish between federal spending that has little economic return and those programs, such as infrastructure investment, which have significant direct and indirect economic

benefits. And this investment's impact could be increased by reducing regulations which add substantially to the cost of projects.

A practical measure that Congress should take, and AGC has long advocated, is removal of the transportation trust funds from the unified federal budget. The balances in the highway and aviation trust funds exceed \$30 billion. I see no reason why these funds, collected and dedicated for the purpose of improving our transportation systems, are held in the federal treasury.

Office seekers at all levels of government feel that they can't get elected without a "no tax increase" campaign pledge. Can we ever convince them—as TRIP has always attempted to do—that the traveling public, for example, is willing to pay for better, safer highways, and that there is a difference between user fees and general taxes?

Jackson: Despite the political appeal of "no new taxes," states and local government are raising a record number of user fee increases. This year, 10 states have raised their gas taxes. About that many did the same thing last year, including Californians who voted to double their gas tax to pay for transportation improvements.

This has happened in the face of "no new taxes" politicking. Any time the people understand what the money's going for, and why—in short, when they are properly informed—they will usually support user fees for these improvements. Public opinion polls bear this out.

Will privatization play a bigger role in the future in coping with these infrastructure needs?

Jackson: Infrastructure requires a large up-front capital investment, as well as significant ongoing expenditures for operations and maintenance. The private sector is willing to invest, but they're only going to

do so where they can get a decent return on their money.

Privatization in the highway field is nothing more than an occasional alternative. And it has to be in high population, high traffic density areas. In short, toll roads make sense only in selective corridors.

I would have to say the jury is still out on how large a role privatization will play in the future. It is, I repeat, an alternative method of financing infrastructure, and should not be viewed as a substitute for conventional funding methods.

It is generally conceded that European countries do a better job of building durable highways than we do. If you agree, to what do you attribute this difference? Is our low bid/best bid concept a factor?

Jackson: I would agree up to a point, but we're talking an entirely different ball game. We must not compare apples to oranges. For one thing, the Interstates that we're now rebuilding were built to last 20 years. That was the design criteria.

It's not that we have built poorer quality. The FHWA sets our criteria, and we design and build the highways to that level. If a state wants to improve or expand on this, they must do so at their own expense.

And states are doing this. They're building 12-inch-thick pavements, rather than nine or 10 inches, with thicker, drainable bases and side drains. We've had some problems with deterioration of the aggregates that were specified. Now we're going to more costly aggregates. They're taking more into consideration the fact that that pavement is going to be there a long time.

The Europeans have practiced this, looking less at initial costs and more at long-term costs, and

designing their roads accordingly. They put in more than adequate base and pavement thickness, and allowed for a lot heavier

level of quality, all we have to do is put this in the specs and let the lowest responsible contractor be awarded the work.



"Economic growth has to be a national priority, and we can't have that growth if we don't maintain and expand the nation's infrastructure," Jackson emphasizes.

loading than we did 20 or 30 years ago.

The other thing is that their contracting industry is so different. There is only a handful of major contractors dominating the European paving markets. In Sweden, for example, two large multinational contractors do about 85 percent of the asphalt pavement business.

The industry's relationship with their governments is different. It faces a lot less regulation and litigation. And Europe's extensive pavement laboratories are jointly subsidized by the companies and the government. There's no question that we should be investing more in research and development

I've heard people say that our low bid system is broke. I don't think it is. If the owners—the public and their transportation agencies—want and are willing to pay for a higher

Is the move toward Quality Assurance highway projects in many states one way to better utilize private sector knowledge and skills to enhance quality?

Jackson: Quality isn't the real issue being addressed. Quality Assurance is an outgrowth of state budget cuts and the inability of state DOTs to hire and retain a sufficient number of qualified engineers and technicians.

They're now looking to the contractors to furnish these services and functions—testing, some of the inspection, surveying and other things. If they can thrust those costs over into the contracts, some of the money will come out of a different pocket.

Contractors must either be big enough to maintain a staff to perform these

functions, or they must retain outside QA and quality control services. Most of the firms our size take the middle of the road.

The Iowa DOT does have QA for selected asphalt and concrete paving contracts. Whether it's the right or wrong way I don't know, but it is the new wave, the innovative approach to contracting. So far, we've had no problems with risk allocation, but that's something the industry must keep a close eye on.

IDOT does have what we feel is a better way to enhance quality, and that is incentives for pavement smoothness. And right now the department is working with the FHWA on time incentives which could be of great benefit for well-organized contractors. We're also discussing performance-based specifications.



As 1992 AGC president, Jackson says his goal will be to build on the past, including strong promotion of the Partnering concept and legislative efforts to improve the industry and the nation.

The Clean Water Act, with its controversial wetlands provisions, must be reauthorized next year. Do you see progress being made, with White House support, in AGC's efforts to prove that environmental safeguards and economic growth can be mutually achievable goals?

Jackson: We're very concerned about the environmental extremism which is taking hold in this country. Particularly worrisome is the wetlands issue which is threatening to stop a lot of needed growth.

AGC was pleased earlier this year when President Bush announced his initiatives to improve the wetlands determination process and try to establish a balance between environmental goals and economic growth. But these proposed reforms are not incorporated in any specific legislation, and may take years to implement.

For this reason, AGC is supporting companion House and Senate bills—H.R. 1330 and S. 1463—which address a number of these issues, including a wetlands classification system, a wetlands mitigation banking program and realistic deadlines for reviewing permit applications.

We have active environmental groups, but there's not a lot of anti-growth sentiment here in the Midwest. We did have a temporary problem when the new four-lane highway was being planned west of Waterloo where it goes through a whole lot of river bottom. People were worried about harming the ecology of these wetlands.

The river bends all through that area, and yet we saw what can be done to take advantage of the terrain and to properly design the bridges. Actually, it has opened up these wetlands areas for people to see and enjoy.

With new coalitions being formed all the time, it appears there is more cooperation between the major construction organizations to deal with such issues as infrastructure needs. Do you concur and, if so, will the perpetuation these efforts by an ongoing goal for AGC?

Jackson: AGC has never been an organization that's intent on grabbing the claim for accomplishments. We're more than willing to share as long as people are working together. We also have a long track record, dating back more than 10 years, for documenting infrastructure needs and helping to focus private and public effort to promote practical solutions.

One of these efforts that's coming back very strongly is the Rebuild America Coalition, for which AGC was a founding member in 1987. Maynard Jackson, the mayor of Atlanta, is now leading the coalition, and he has been very vocal and is working very hard at it.

He has put a good team together, and has brought organized labor to the table to promote the job impact of increased public works spending. The group is currently developing innovative infrastructure solutions to take to the Congress.

AGC also recently developed a joint resolution with seven trade unions urging the enactment of highway legislation. Management,

labor, the private sector and the users of the systems all stand to benefit from this effort.

You will be taking office as president of AGC in a presidential election year, which is always an interesting time for the construction industry. Other than the things we've discussed, what accomplishments would you like to see realized in 1992?

Jackson: I will want to keep our goals pretty basic. We will continue to build on the past, including strong promotion of the Partnering concept, the reputation of AGC members for quality construction, and AGC's great legislative efforts to improve the industry and the nation.

I certainly will be getting involved in the long-range planning of what AGC will be doing in the remainder of the 1990s and beyond.

One specific objective will be to make the association even more responsive to the needs and concerns of the membership, and the chapters. This is where the strength of AGC lies, and I feel that we need more of the common touch. **CD**

Jackson admits that a lot of his friends are asking, "What do you think you're doing? Why aren't you out there enjoying the good life, and playing golf?"

