



Since 1919

**Associated General Contractors of Minnesota**

525 Park Street, Suite #110

St. Paul, MN 55103-2186

Phone: (651) 632-8929

Fax: (651) 632-8928

[www.agcmn.org](http://www.agcmn.org)

Dave Semerad – [dsemerad@agcmn.org](mailto:dsemerad@agcmn.org)

Julie Moore – [jmoore@agcmn.org](mailto:jmoore@agcmn.org)

# AGC of Minnesota

## Construction Industry Assessment

### 2012-2013

### October 16, 2012

The mission of the Association is to promote the legislative and economic strength, image and well being of the Minnesota construction industry, while maintaining the core values of skill, responsibility and integrity. The Association is the recognized chapter of the Associated General Contractors of America (AGC of America) and the American Road and Transportation Builders Association (ARTBA). This association is an Equal Opportunity Employer and shall not unlawfully discriminate on the basis of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, sexual orientation, disability or age. The Association shall strive to maintain a professional, respectful and drug free workplace for all, and will not tolerate sexual harassment, physical assault, verbal threats, or illicit drug or chemical use. AGC of Minnesota is firmly committed to full and open competition in the construction industry. AGC of Minnesota will conduct its activities in strict compliance with applicable antitrust laws. No director, officer, committee member, AGC of Minnesota member or representative of an AGC of Minnesota member shall engage in any discussion or practice which constitutes or implies any improper agreement or action concerning: prices, discounts, or terms or conditions of sale; profits, profit margins or cost data; market shares, sales territories or markets; allocation of customers or territories; selection, rejection or termination of customers or suppliers; manipulation of the bidding process; boycotts; or any other matter prohibited by the AGC of Minnesota Antitrust Policy.

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# Executive Summary

AGC of Minnesota is pleased to release its Construction Industry Assessment for 2012-2013. This year's survey was open for participation from July 1 through August 31, 2012. A total of 345 individuals (companies) responded, which is an increase of 62 responses over 2011 and 97 responses more than in 2010. Eighty-four respondents were non-AGC members who had been invited to participate, and the remainder were AGC general contractor members, specialty contractor/subcontractor members, or affiliate members.

The purpose of this electronic, on-line survey is to assess business conditions for construction contractors, A/E firms, and support businesses that work in Minnesota's construction industry. Respondents were asked to voluntarily respond to a series of questions and to provide additional comments as appropriate. The name of the respondents and company identities are confidential.

Last year, the survey results showed that Minnesota's construction industry was beginning to show some signs of recovery, but was still experiencing record high unemployment and recovering from a painful state government shutdown. We had hoped this year's survey would indicate that signs of recovery were more pronounced and that the business climate for the industry was much improved. While there are some signs of improvement, we cannot declare that the industry has cleared the recession. A few highlights are:

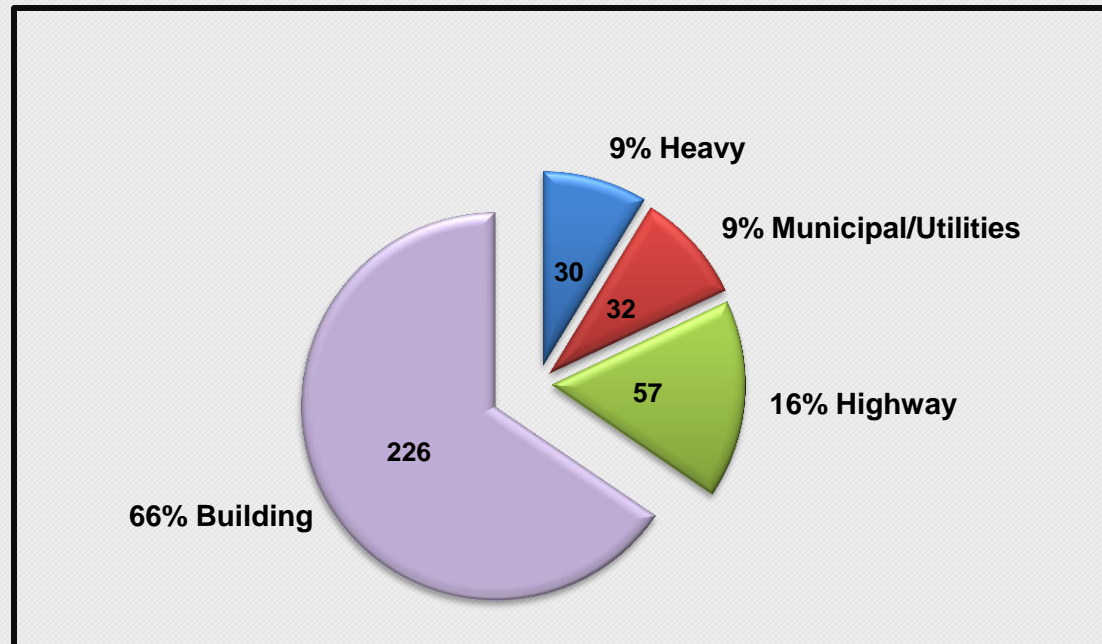
- Compared to prior surveys, more participants categorize current and 2013 market conditions as "improving" and fewer participants categorize them as "declining."
- Consistent with 2011's survey, reports from General Contractors are less optimistic than Specialty Contractors/Subcontractors about current and 2013 conditions. This could be because General Contractors rely largely on new construction, while Specialty Contractors/Subcontractors focus on smaller projects and renovations, which have remained more stable in the recession.
- By firm type, hiring is projected to increase while layoffs will decrease. Looking to 2013, 51% of respondents project a steady workforce.
- Looking back to the 2011 state government shutdown, 61% of respondents report having been somewhat (50%) or significantly (11%) affected by it.
- There are a number of factors affecting construction business conditions. For General Contractors and Specialty/Subcontractors, Hiring Goals is the most significant negative factor. The Cost of Construction Labor and Materials, Project Funding, and Regulations affecting Design/Construction continue to have a negative influence on business conditions. Credit Availability is more positive now than in 2011, but not for all.
- 49% of all respondents say the election of Governor Romney would be more favorable to their firm than would the reelection of President Obama. 23% are not sure, and 18% say neither candidate will matter. When responses to the question are broken down by firm type, it becomes obvious that different types of businesses have different political leanings.

Many respondents made comments which reflect their own personal views. The comments indicate an uncertainty regarding the current political system, the U.S. economy, and the negative impact of the countless regulations that govern the industry. Some comments have been edited.

Thanks to everyone who participated in the survey and for the cooperation of our industry associations who sent the survey to their members.

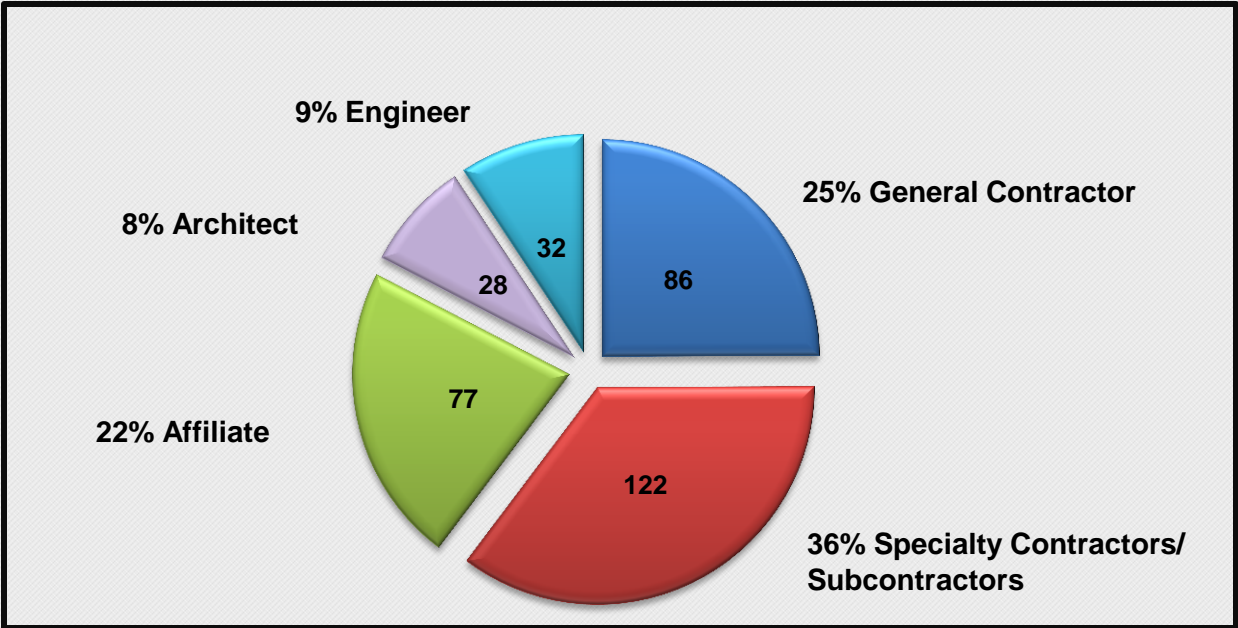
# 1. Please indicate your primary industry sector.

The Building sector had the largest number of respondents at 66% of the total. The remaining 34% of respondents were from Highway, Heavy, and the Municipal/Utilities sectors combined.



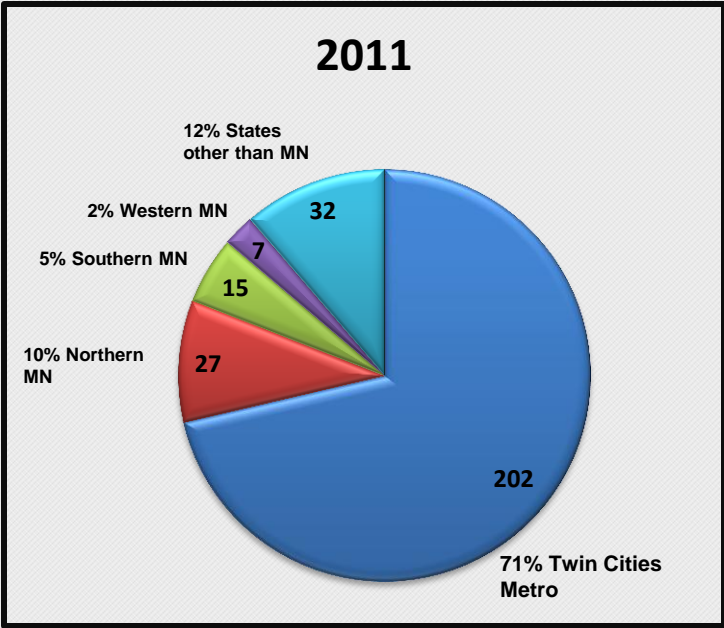
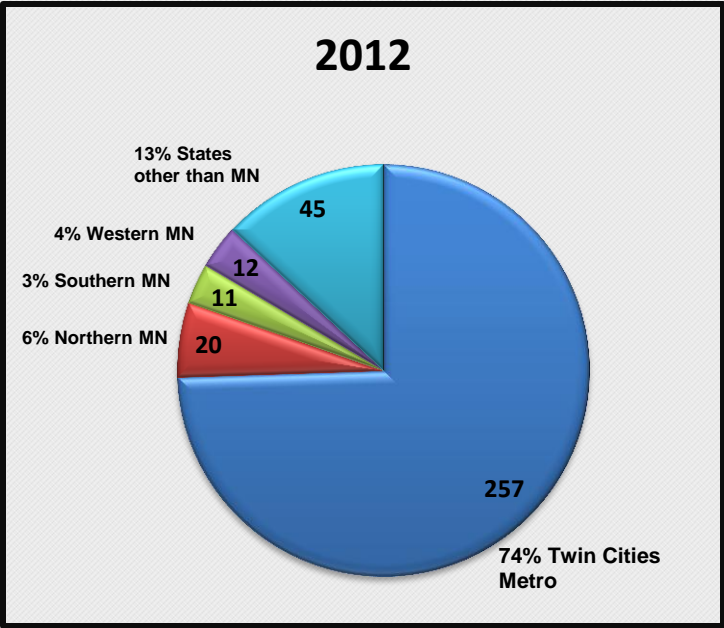
## 2. Which of the following best describes your firm?

61% of responses were received from Contractors. 22% were received from Affiliates (material suppliers, product/service providers, etc.), Engineers 9%, and Architects 8%.



3. Please indicate the primary geographic area where you perform work.

74% of survey respondents report that the Twin Cities Metro is their primary geographic work area.

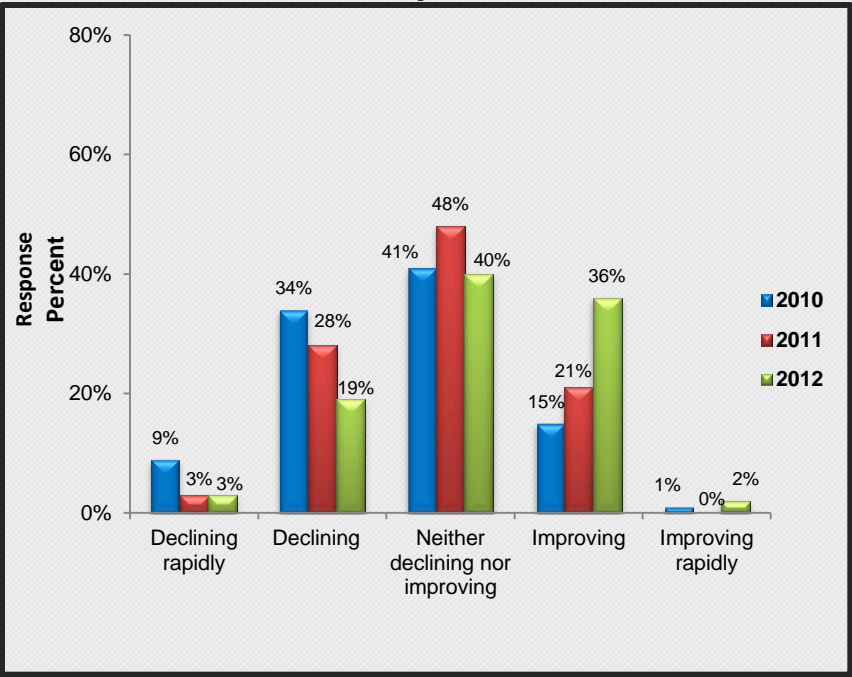


4. Your assessment of the current Minnesota market conditions affecting your firm can best be described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

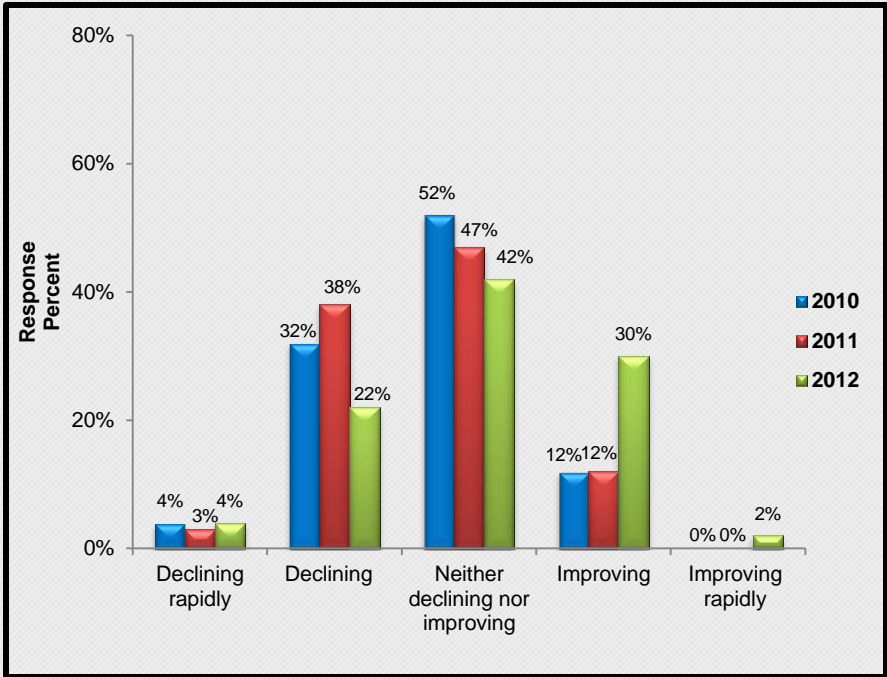
Overall, market conditions affecting the respondents continue to improve.

30% of General Contractors report current market conditions improving, up from 12% in 2011.

All Responses



General Contractors



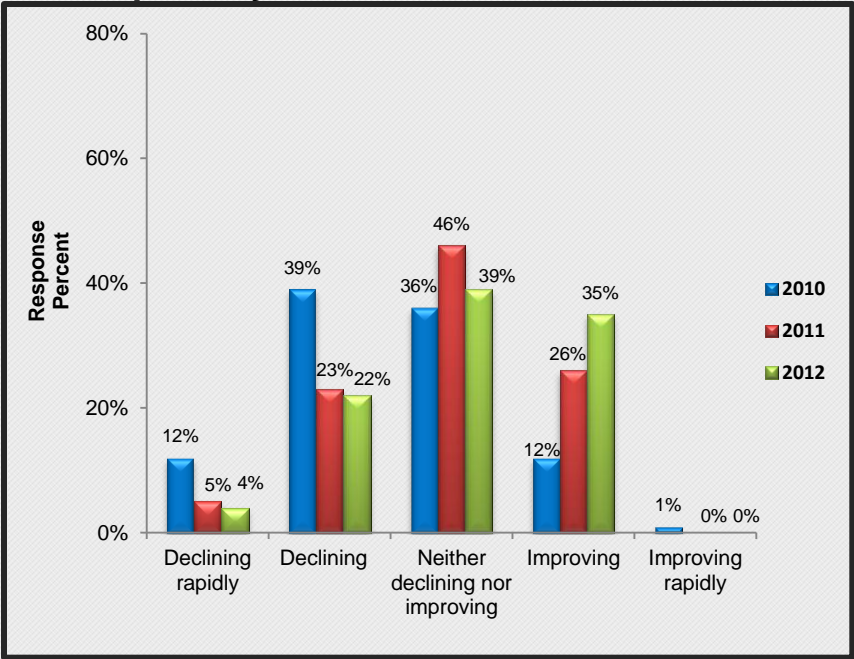


4. Your assessment of the current Minnesota market conditions affecting your firm can best be described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

35% of Specialty Contractors/  
Subcontractors report current  
market conditions improving.



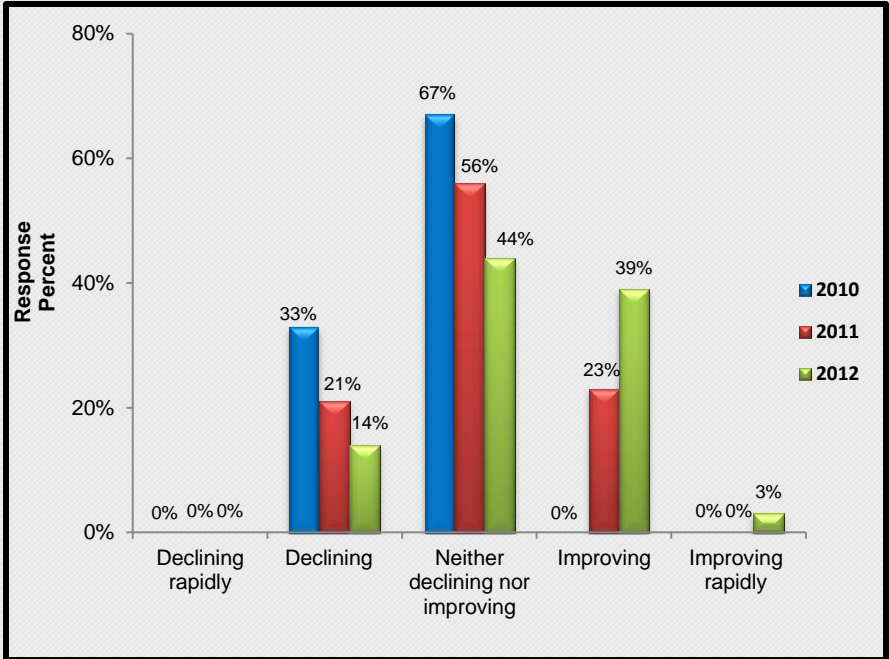
Specialty Contractors/Subcontractors



39% of Affiliates report current  
market conditions improving,  
which is a significant increase  
over 2010 and 2011.



Affiliates

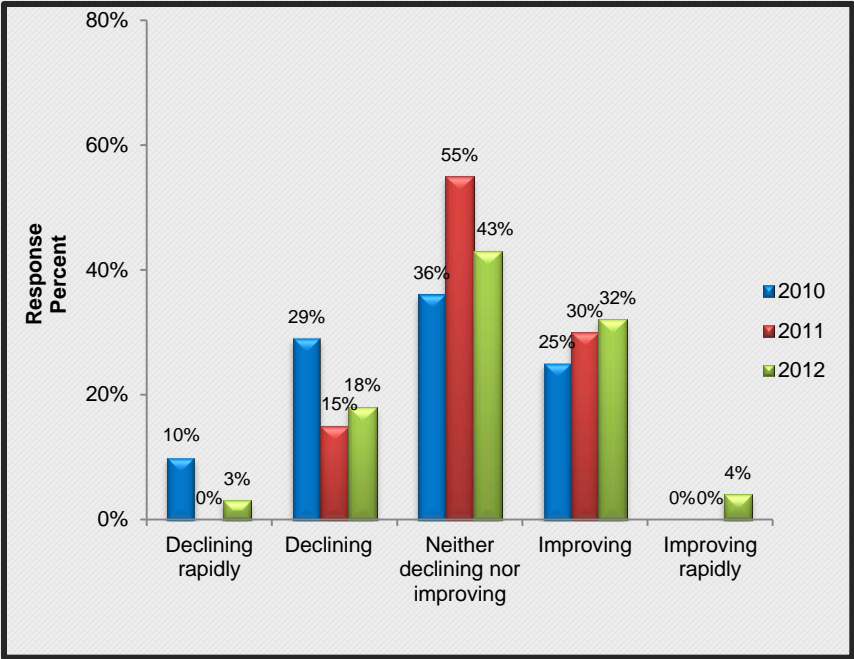




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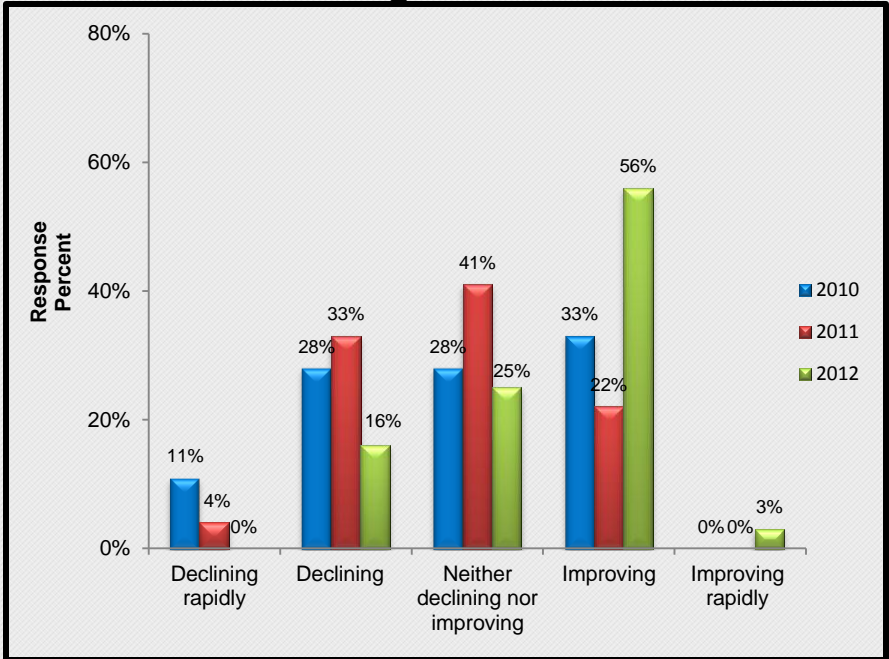
32% of Architects report that market conditions are improving; however, 18% report declining conditions.

Architects



56% of Engineers report current market conditions improving, up significantly from 22% in 2011.

Engineers

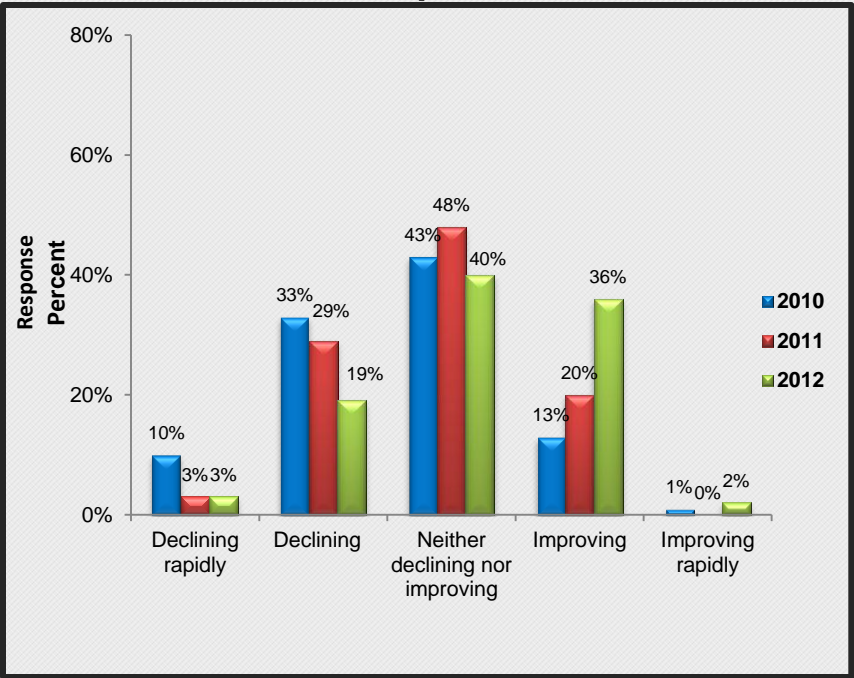


# 4. Your assessment of the current Minnesota market conditions affecting your firm can best be described as: (Building, Highway, Heavy, and Municipal/Utilities)

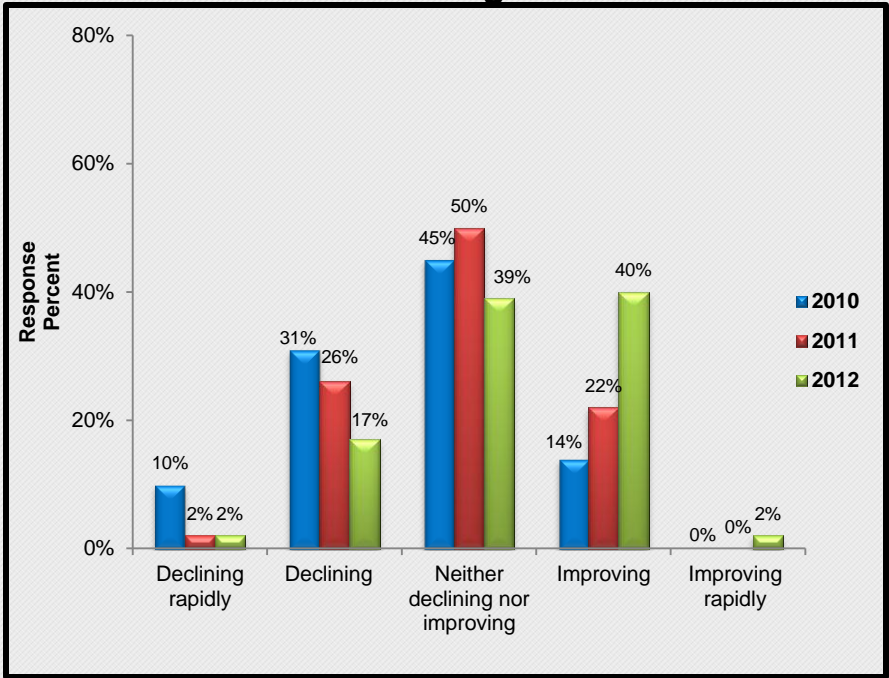
Overall, more respondents seem optimistic about market conditions than seem pessimistic.

40% of the Building sector report improving market conditions.

All Responses



Building

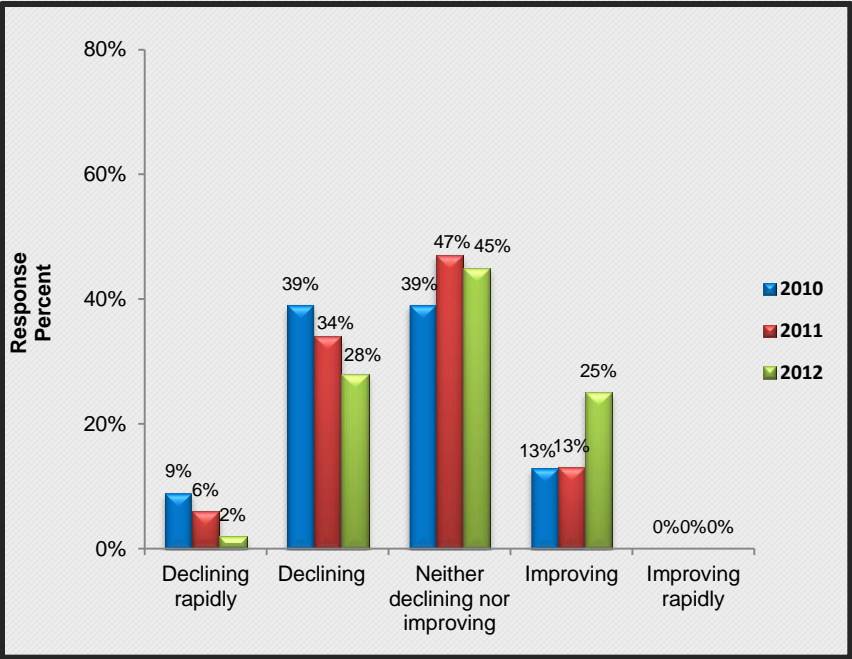


4. Your assessment of the current Minnesota market conditions affecting your firm can best be described as: (Building, Highway, Heavy, and Municipal/Utilities)

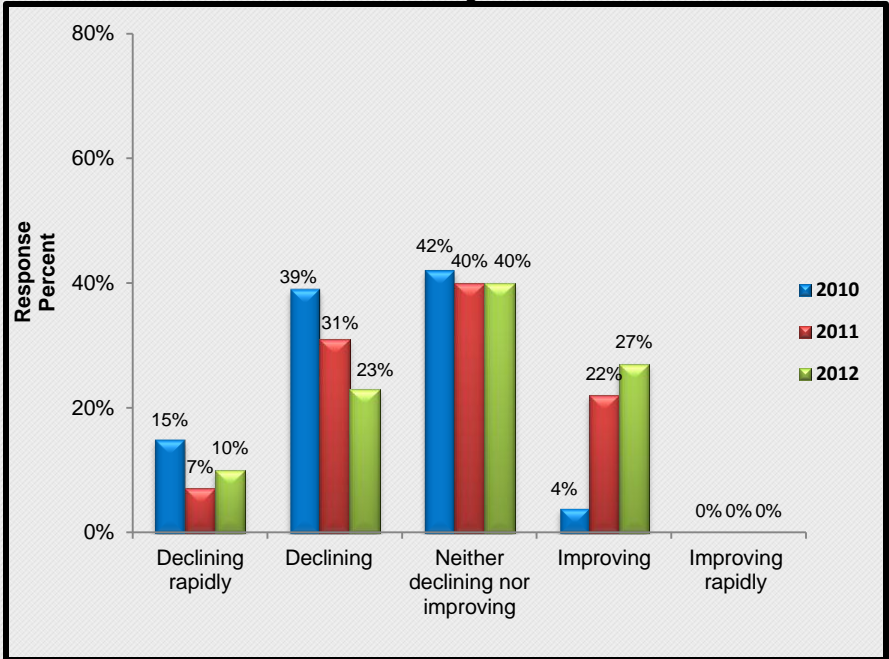
Only 25% of the Highway sector reports improving conditions compared to 40% of Building Contractors.

10% of the Heavy sector report rapidly declining market conditions.

Highway



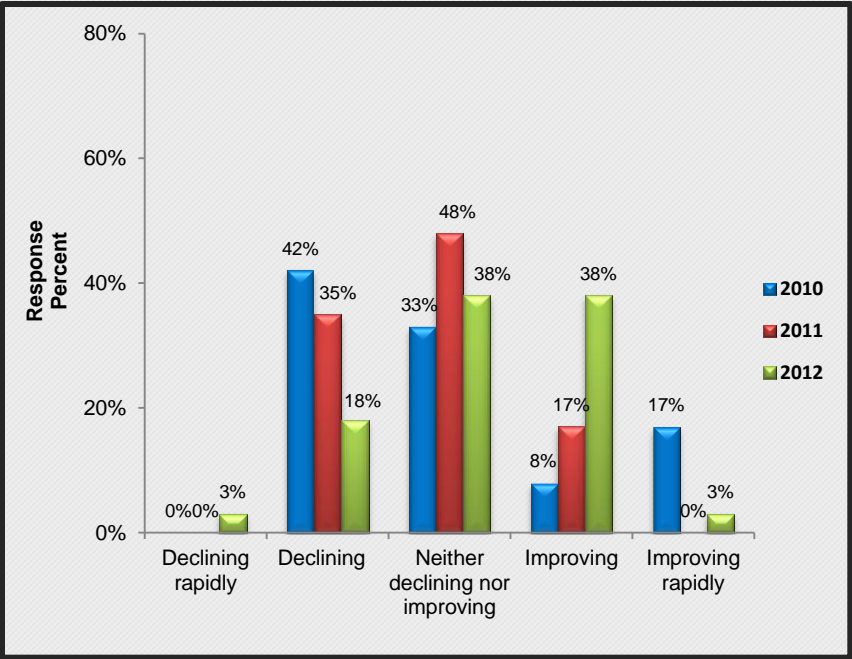
Heavy



4. Your assessment of the current Minnesota market conditions affecting your firm can best be described as: (Building, Highway, Heavy, and Municipal/Utilities)

While 38% of Municipal/Utility businesses report improving conditions, only 3% report rapid improvement, which is a significant decline from 2010.

Municipal/Utilities

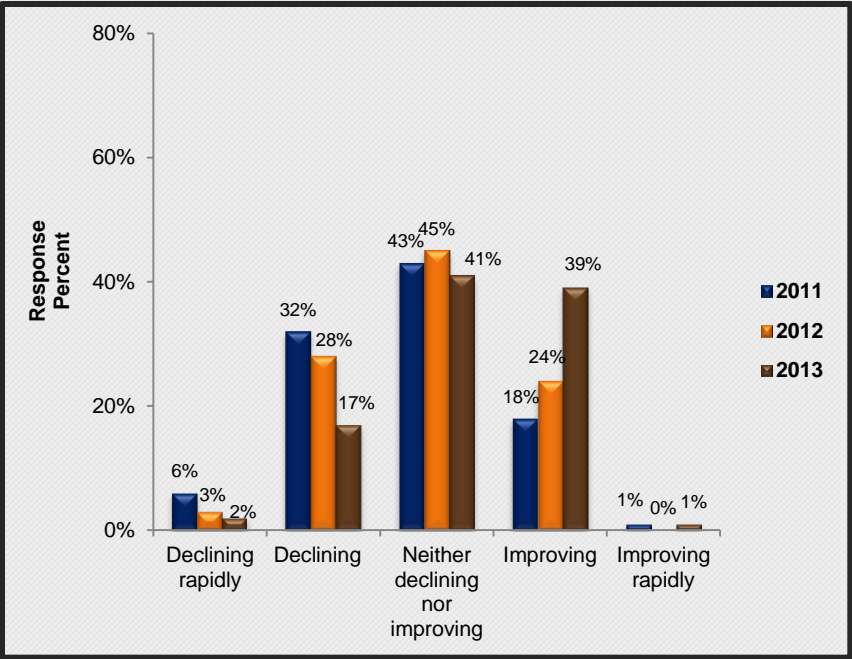


5. Looking ahead to 2013 in Minnesota, market conditions affecting your firm are best described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

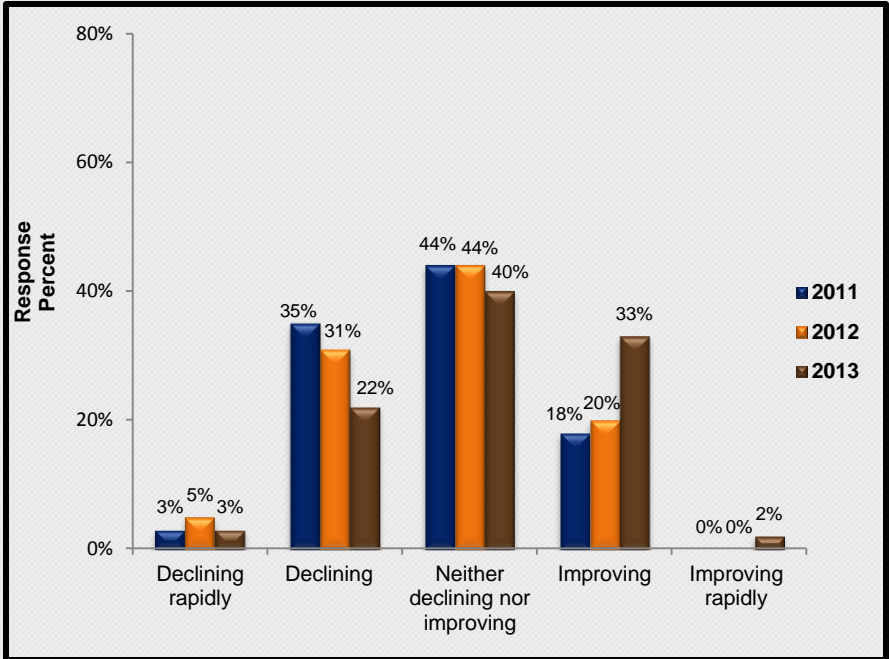
Looking ahead to 2013, fewer respondents predict declining conditions and more predict improving conditions.

33% of General Contractors project improving market conditions for 2013, compared to 20% in 2012.

All Responses



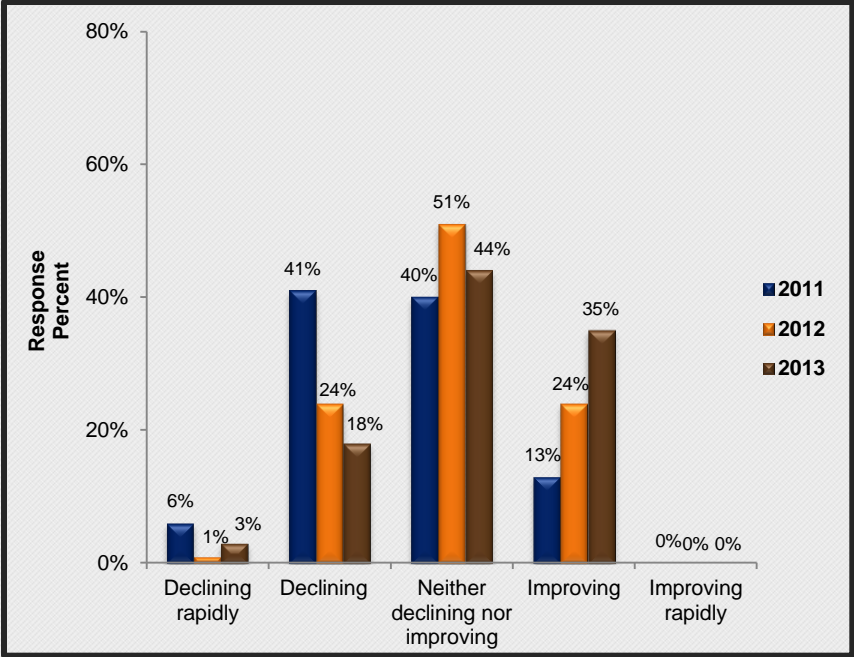
General Contractors



5. Looking ahead to 2013 in Minnesota, market conditions affecting your firm are best described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

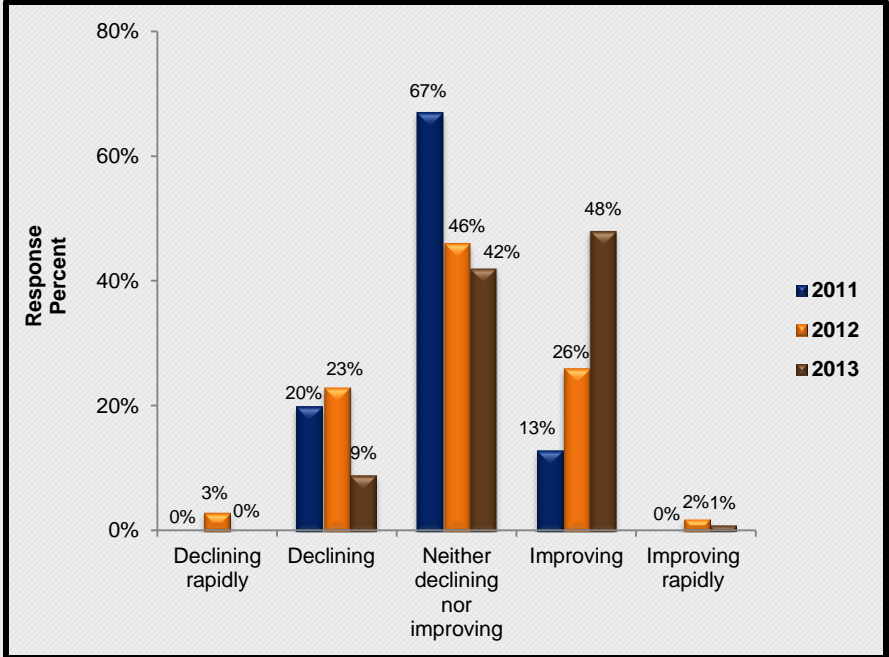
35% of Specialty Contractors/  
Subcontractors predict improving  
market conditions for 2013, compared  
to 24% in 2012 and 13% in 2011 .

Specialty Contractors/Subcontractors



48% of Affiliates anticipate  
improving market conditions for  
2013, compared to 26% for 2012 and  
13% for 2011.

Affiliates

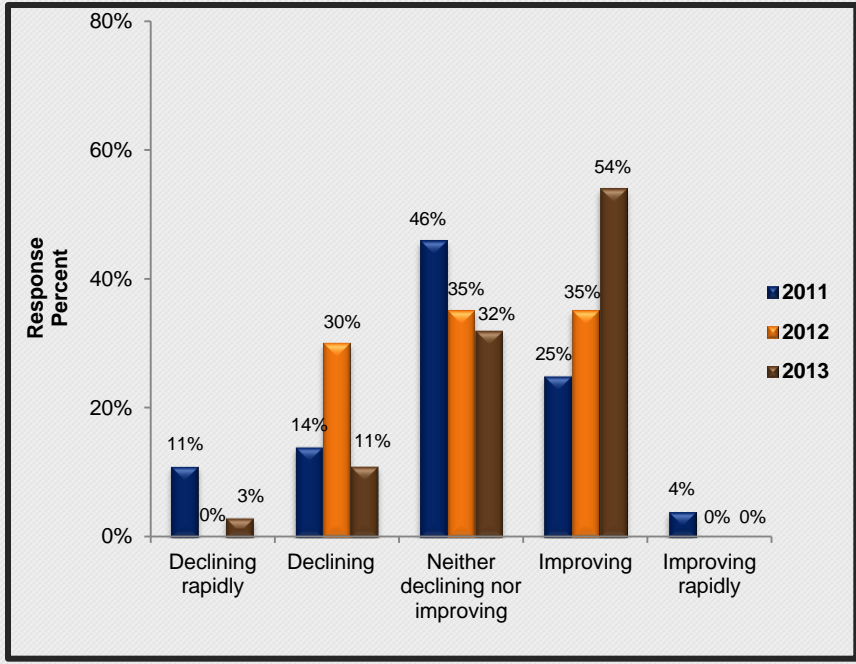


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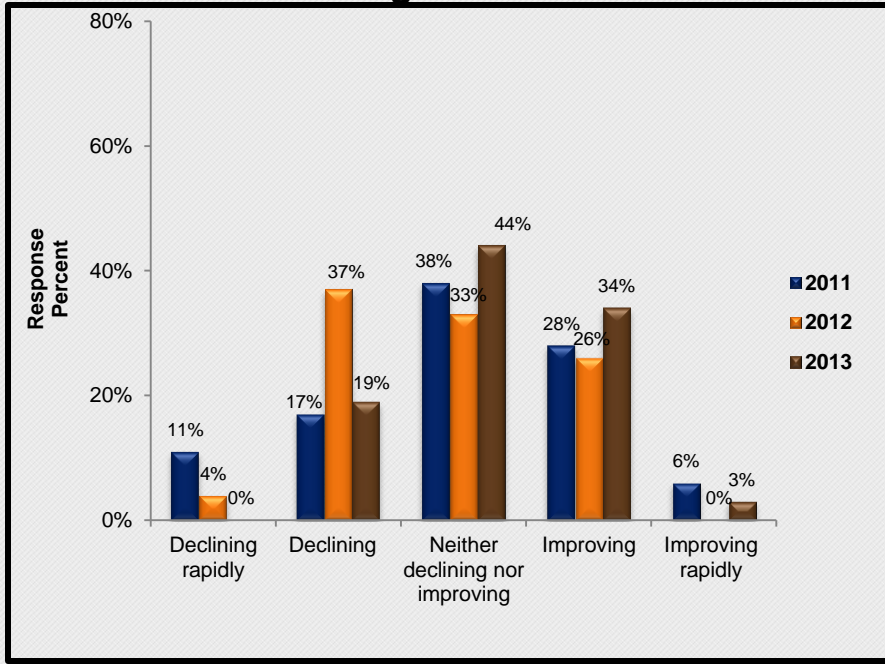
Only 11% of Architects project declining conditions for 2013. 54% of Architects project improving conditions for next year, compared to 35% in 2012.

Fewer Engineers are projecting declining market conditions for 2013. 34% project improving conditions.

Architects



Engineers



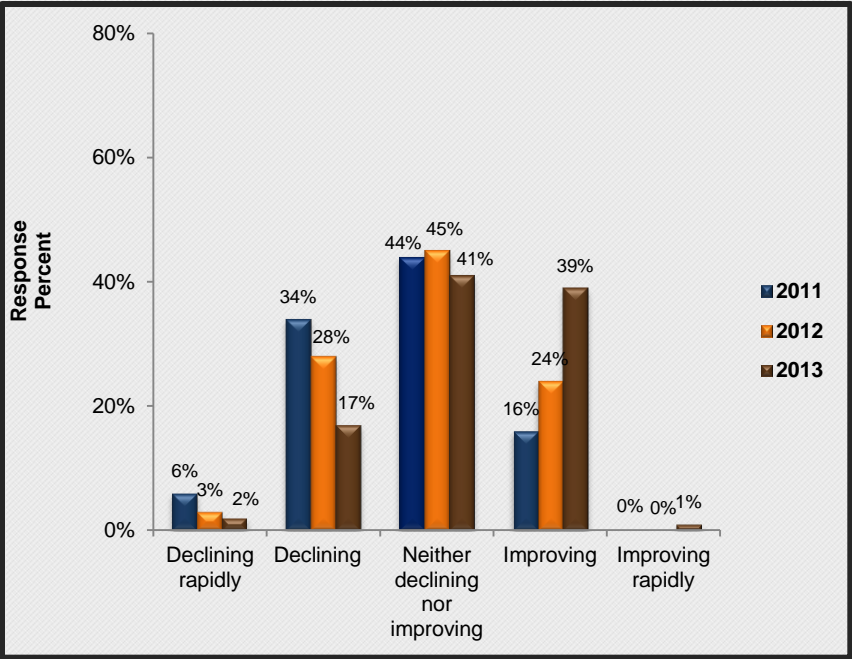


# 5. Looking ahead to 2013 in Minnesota, market conditions affecting your firm are best described as: (Building, Highway, Heavy, and Municipal/Utilities)

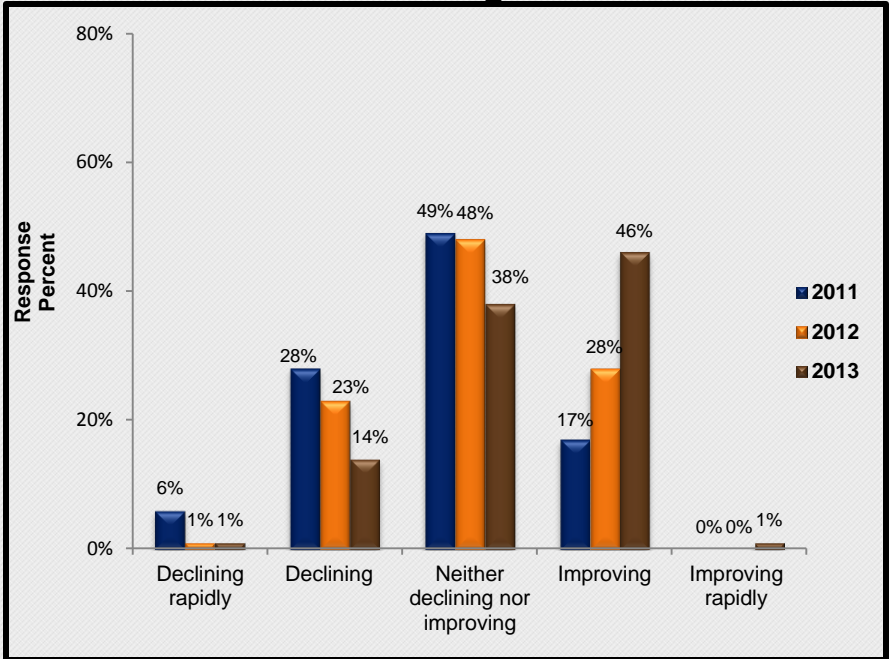
More respondents project improving conditions and fewer respondents project declining conditions than in either of the prior 2 years.

46% of the Building sector anticipate improving market conditions for 2013, compared to 28% in 2011.

All Responses



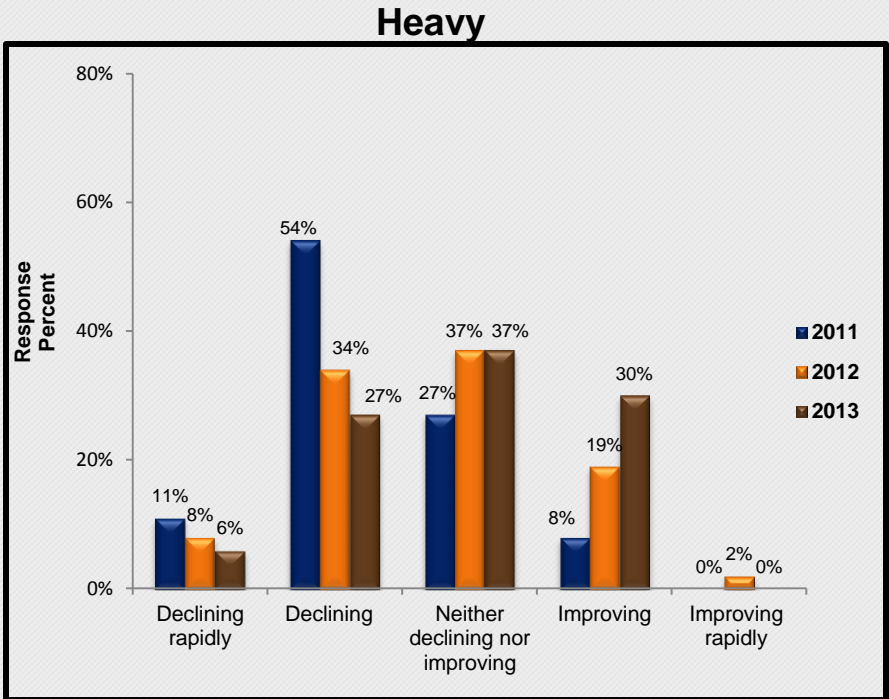
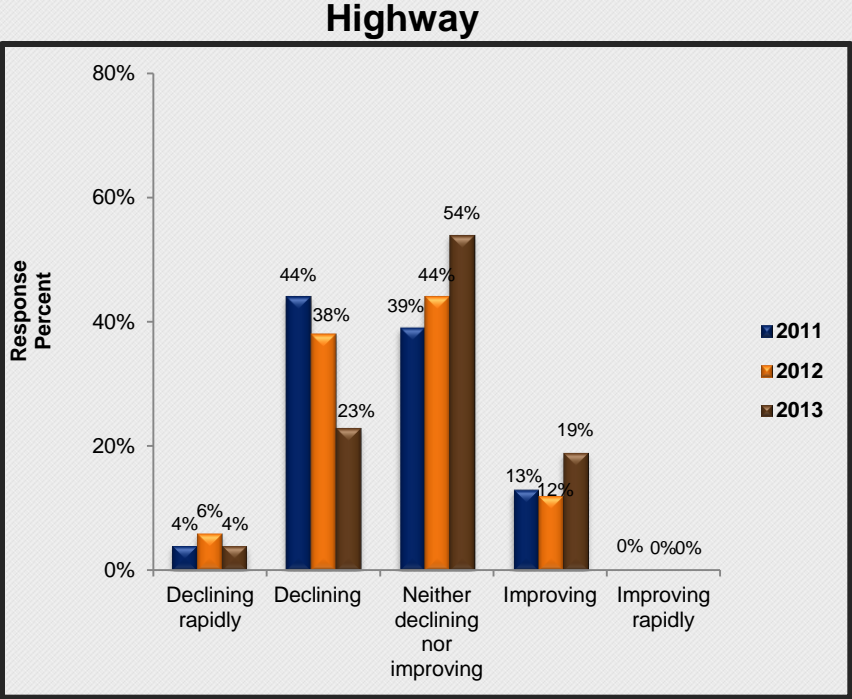
Building



# 5. Looking ahead to 2013 in Minnesota, market conditions affecting your firm are best described as: (Building, Highway, Heavy, and Municipal/Utilities)

More Highway sector businesses predict improving conditions in 2013. Over half of the Highway Contractors report neither declining nor improving conditions.

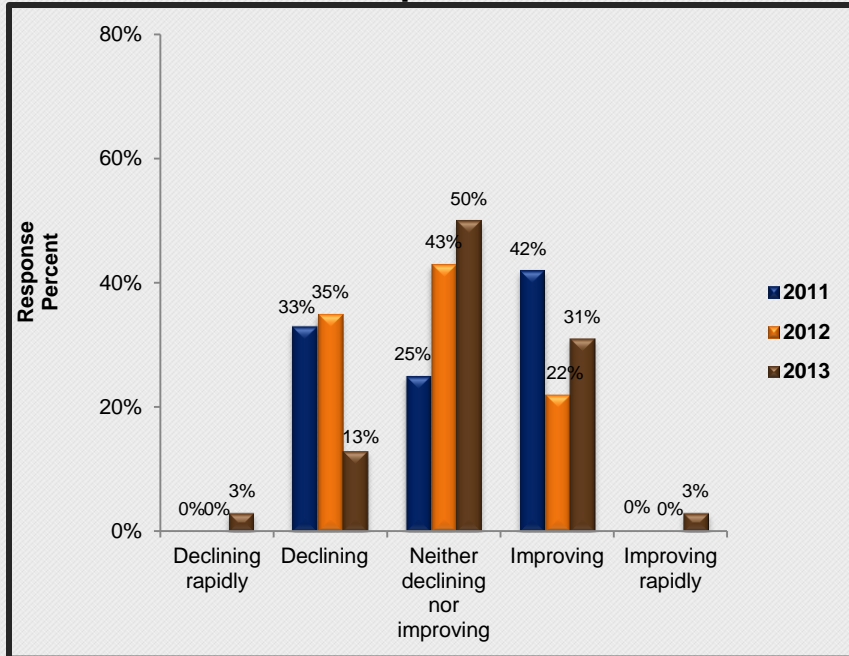
30% of the Heavy sector believes the 2013 market conditions will be improving.



## 5. Looking ahead to 2013 in Minnesota, market conditions affecting your firm are best described as: (Building, Highway, Heavy, and Municipal/Utilities)

Half of Municipal/Utility businesses believe market conditions will neither improve nor decline in 2013. The same number (3%) project market conditions will improve rapidly or decline rapidly.

### Municipal/Utilities

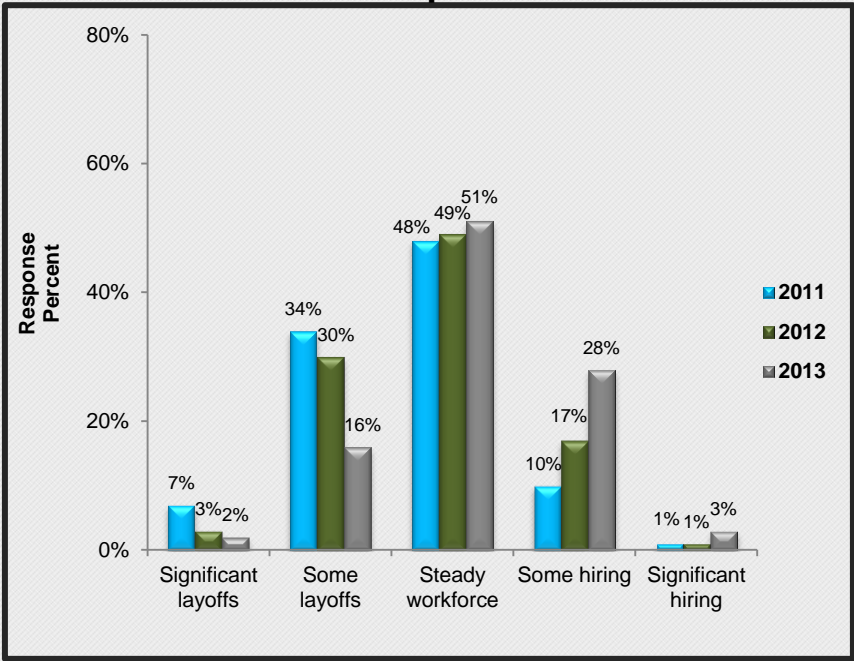


# 6. Your general workforce plans for 2013 are best described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

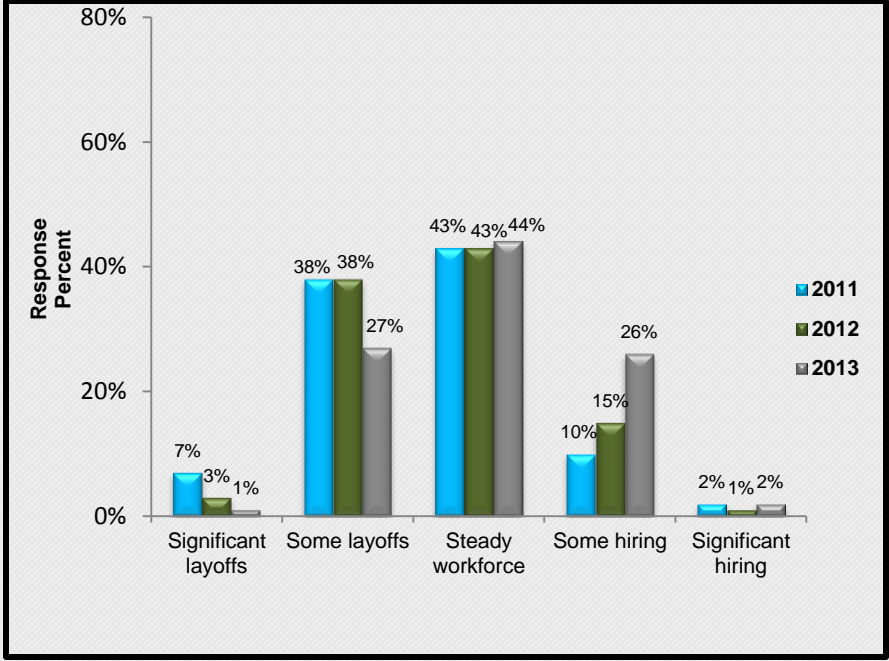
Overall for 2013, 51% project a steady workforce, 28% anticipate some hiring, and 3% anticipate significant hiring.

For 2013, about the same number of General Contractors anticipate some hiring as anticipate some layoffs.

All Responses



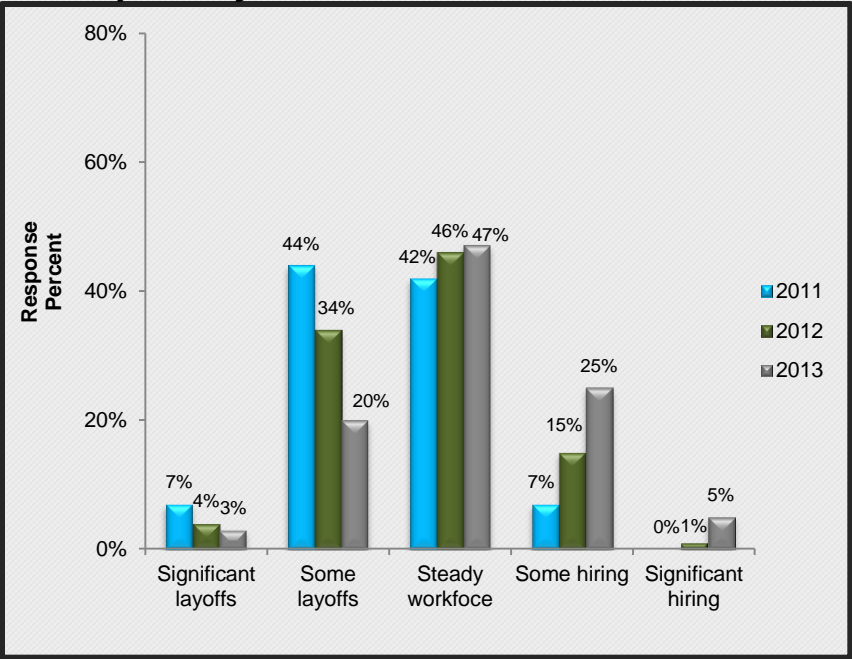
General Contractors



6. Your general workforce plans for 2013 are best described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

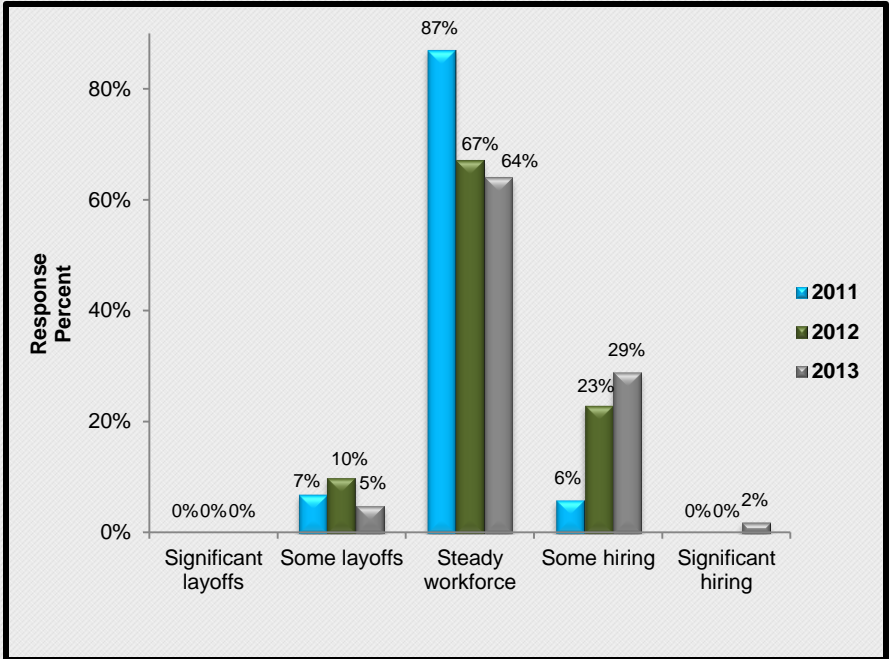
For 2013, Specialty Contractors/  
Subcontractors laying off will decrease  
and those hiring will increase.

Specialty Contractors/Subcontractors



For 2013, Affiliates are projecting  
a steady workforce with some  
hiring.

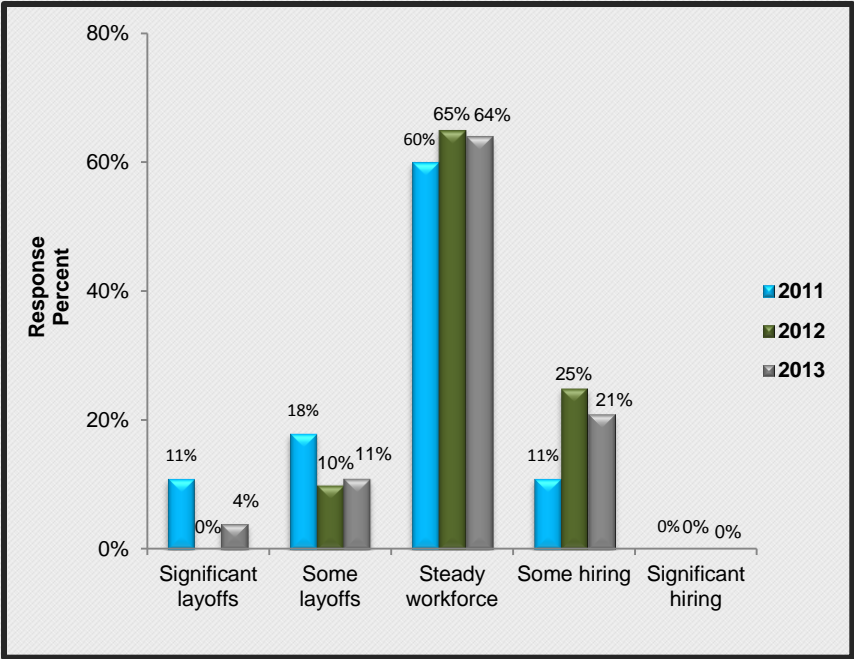
Affiliates



6. Your general workforce plans for 2013 are best described as: (General Contractors, Specialty Contractors/Subcontractors, Affiliates, Architects, and Engineers)

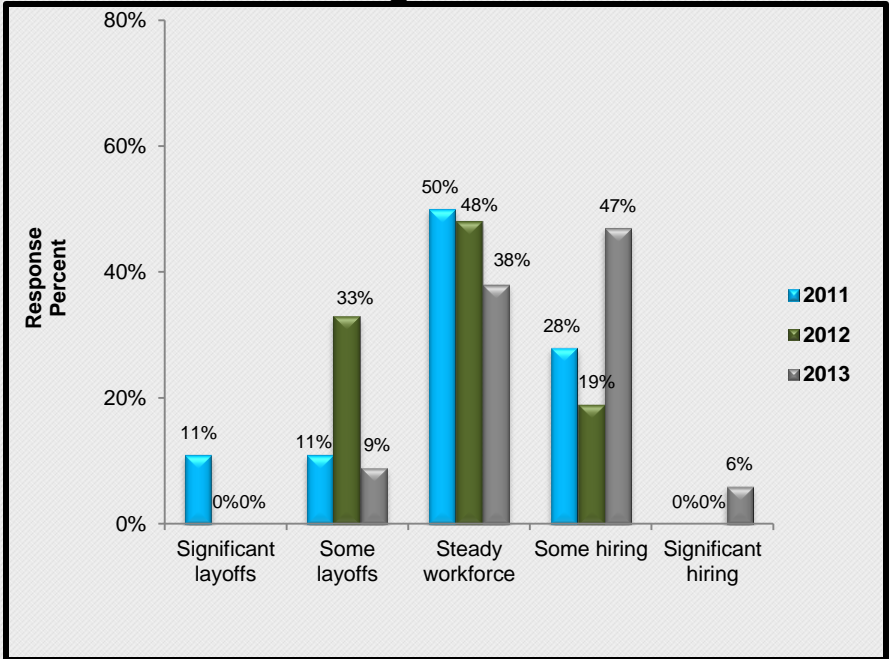
For 2013, 64% of Architects are projecting a steady workforce while 21% are anticipating some hiring (down from 2012 at 25%).

Architects



For 2013, 47% of Engineers are anticipating some hiring (up from 2012 at 19%), and 6% anticipate significant hiring.

Engineers

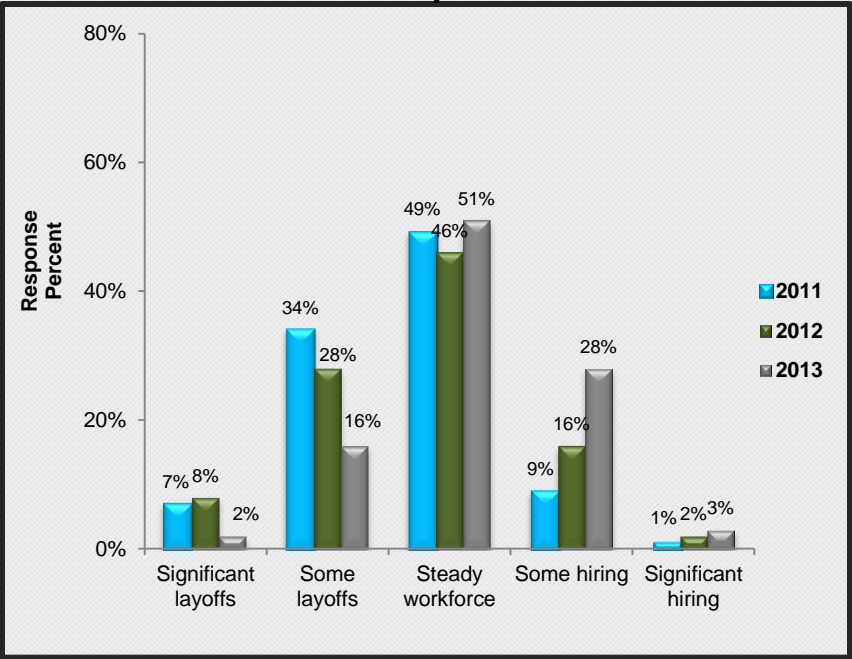


# 6. Your general workforce plans for 2013 are best described as: (Building, Highway, Heavy, and Municipal/Utilities)

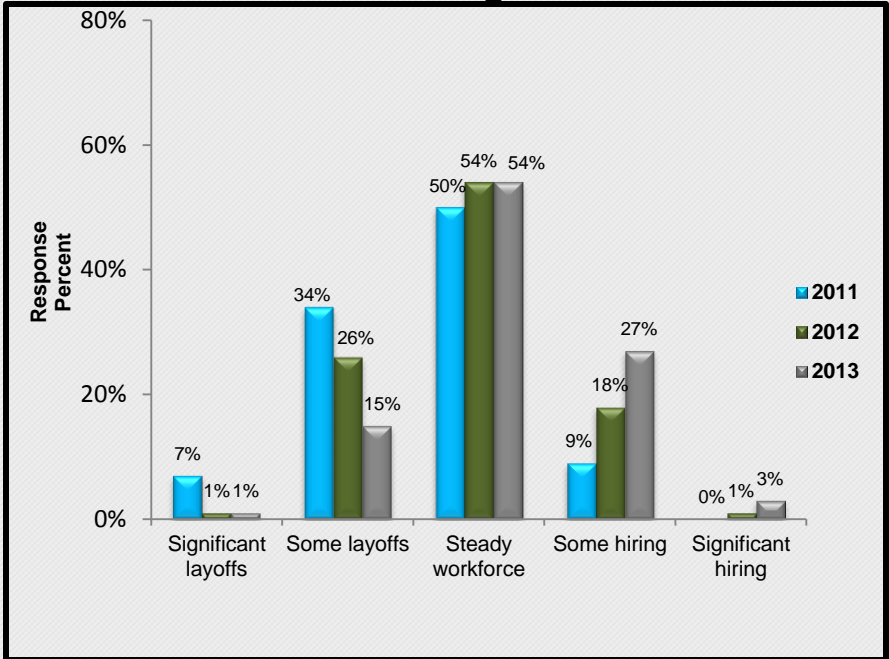
Just over half of respondents anticipate a steady workforce in 2013.

Only 15% of the Building sector expect to initiate some some layoffs in 2013, compared to 27% that expect to do some hiring.

All Responses



Building



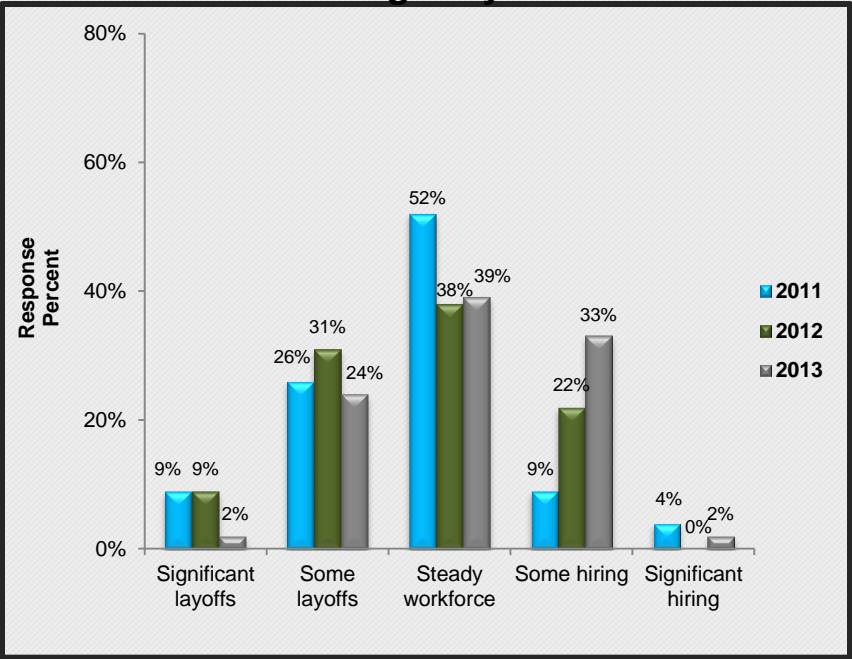


6. Your general workforce plans for 2013 are best described as: (Building, Highway, Heavy, and Municipal/Utilities)

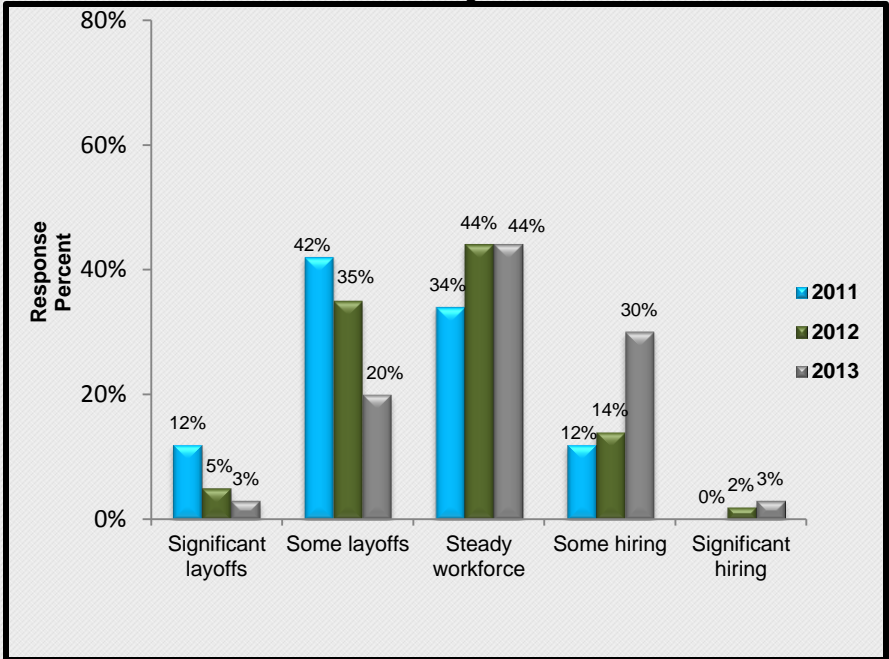
24% of the Highway sector anticipate some layoffs in 2013 while 33% anticipate some hiring.

The percentage of the Heavy sector expecting to do some hiring in 2013 more than doubled over those who expected to do some hiring in 2012.

Highway



Heavy

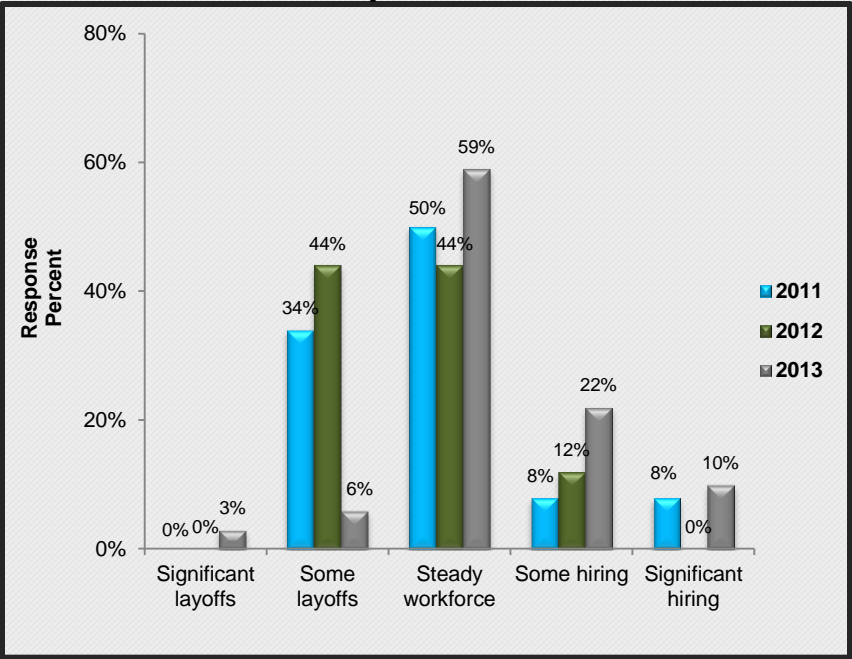


# 6. Your general workforce plans for 2013 are best described as: (Building, Highway, Heavy, and Municipal/Utilities)

Only 9% of Municipal/Utility businesses expect to do either some (6%) or significant (3%) laying off of employees in 2013. Most (59%) expect a steady workforce.



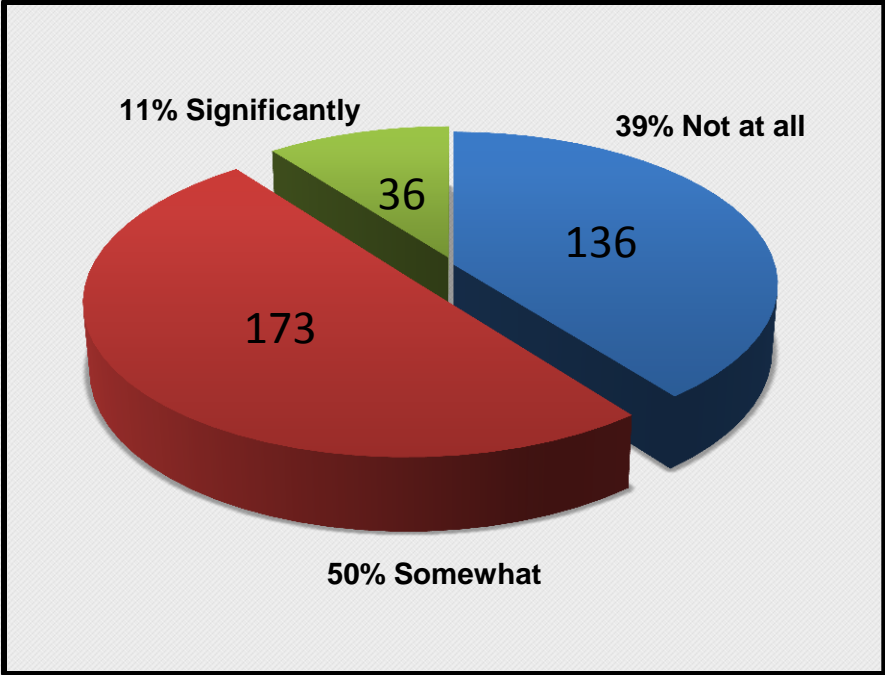
Municipal/Utilities



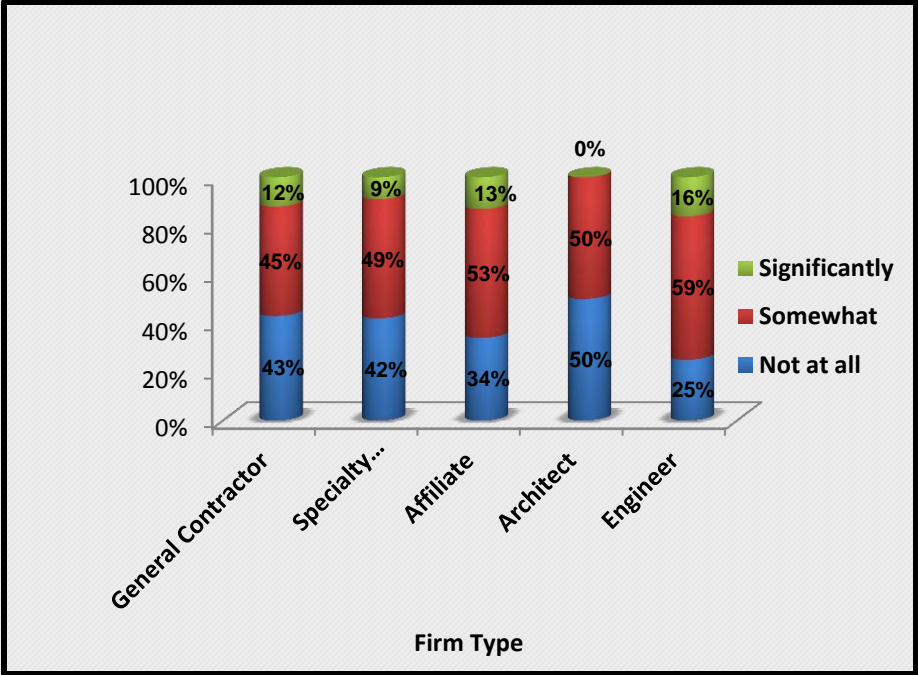
# 7. Looking back to 2011, to what degree was your company affected by the Minnesota Government shutdown last summer?

The majority of respondents (61%) were either somewhat (50%) or significantly (11%) affected by the shutdown.

All Responses



Effect of Minnesota State Shutdown By Firm Type



8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013?

All Respondents

	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	Response Count
Credit Availability	3%	30%	42%	23%	2%	341
Project Funding	4%	27%	28%	37%	4%	338
Regulations Affecting Design/Construction	1%	10%	50%	32%	7%	340
Cost of Construction Labor	1%	8%	51%	35%	5%	340
Other States More Desirable	2%	20%	52%	22%	4%	337
Availability of Skilled Workforce	2%	29%	40%	26%	3%	339
Safety Compliance	2%	26%	61%	10%	1%	341
Cost of Materials	1%	8%	51%	37%	3%	338
Hiring Goals	1%	7%	41%	30%	21%	337
Other (see page 32)						

51%

8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013?

General Contractors

	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	Response Count	
Credit Availability	1%	35%	47%	14%	3%	86	
Project Funding	1%	31%	21%	40%	7%	86	
Regulations Affecting Design/Construction	0%	8%	38%	41%	13%	85	54%
Cost of Construction Labor	0%	6%	49%	41%	4%	86	
Other States More Desirable	3%	27%	42%	27%	1%	86	
Availability of Skilled Workforce	1%	28%	35%	31%	5%	85	
Safety Compliance	3%	27%	63%	7%	0%	86	
Cost of Materials	0%	7%	59%	34%	0%	85	
Hiring Goals	0%	5%	33%	32%	30%	85	62%
Other (see page 32)							

8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013?

Specialty Contractors/Subcontractors

	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	Response Count	
Credit Availability	6%	24%	36%	31%	3%	121	
Project Funding	6%	23%	30%	40%	1%	119	
Regulations Affecting Design/Construction	0%	7%	44%	39%	10%	121	
Cost of Construction Labor	2%	6%	37%	45%	10%	120	55%
Other States More Desirable	2%	21%	52%	18%	7%	121	
Availability of Skilled Workforce	2%	27%	41%	27%	3%	121	
Safety Compliance	2%	32%	48%	16%	2%	121	
Cost of Materials	1%	7%	45%	41%	6%	120	
Hiring Goals	2%	8%	31%	25%	34%	119	59%
Other (see page 32)							

**8. Minnesota's design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013?**

### Affiliates

	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	Response Count
Credit Availability	1%	33%	43%	23%	0%	74
Project Funding	4%	25%	36%	34%	1%	73
Regulations Affecting Design/Construction	1%	13%	60%	22%	4%	74
Cost of Construction Labor	0%	12%	67%	18%	3%	74
Other States More Desirable	0%	14%	58%	27%	1%	73
Availability of Skilled Workforce	3%	27%	42%	25%	3%	73
Safety Compliance	2%	24%	66%	7%	1%	74
Cost of Materials	0%	14%	52%	31%	3%	73
Hiring Goals	2%	8%	55%	27%	8%	73
Other (see page 32)						



8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013?

Architects

	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	Response Count
Credit Availability	4%	25%	36%	32%	3%	28
Project Funding	3%	39%	18%	29%	11%	28
Regulations Affecting Design/Construction	0%	7%	86%	7%	0%	28
Cost of Construction Labor	4%	14%	64%	18%	0%	28
Other States More Desirable	0%	4%	82%	14%	0%	28
Availability of Skilled Workforce	4%	46%	43%	7%	0%	28
Safety Compliance	0%	14%	82%	4%	0%	28
Cost of Materials	0%	14%	47%	39%	0%	28
Hiring Goals	0%	11%	64%	25%	0%	28
Other (see page 32)						

50%

8. Minnesota's design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013?

### Engineers

	Extremely positive	Positive	Neither positive nor negative	Negative	Extremely negative	Response Count
Credit Availability	0%	38%	53%	9%	0%	32
Project Funding	6%	28%	25%	38%	3%	32
Regulations Affecting Design/Construction	3%	16%	56%	25%	0%	32
Cost of Construction Labor	0%	9%	56%	35%	0%	32
Other States More Desirable	3%	25%	41%	25%	6%	32
Availability of Skilled Workforce	0%	25%	41%	34%	0%	32
Safety Compliance	0%	19%	78%	3%	0%	32
Cost of Materials	0%	3%	53%	44%	0%	32
Hiring Goals	0%	3%	44%	50%	3%	32
Other (see page 32)						

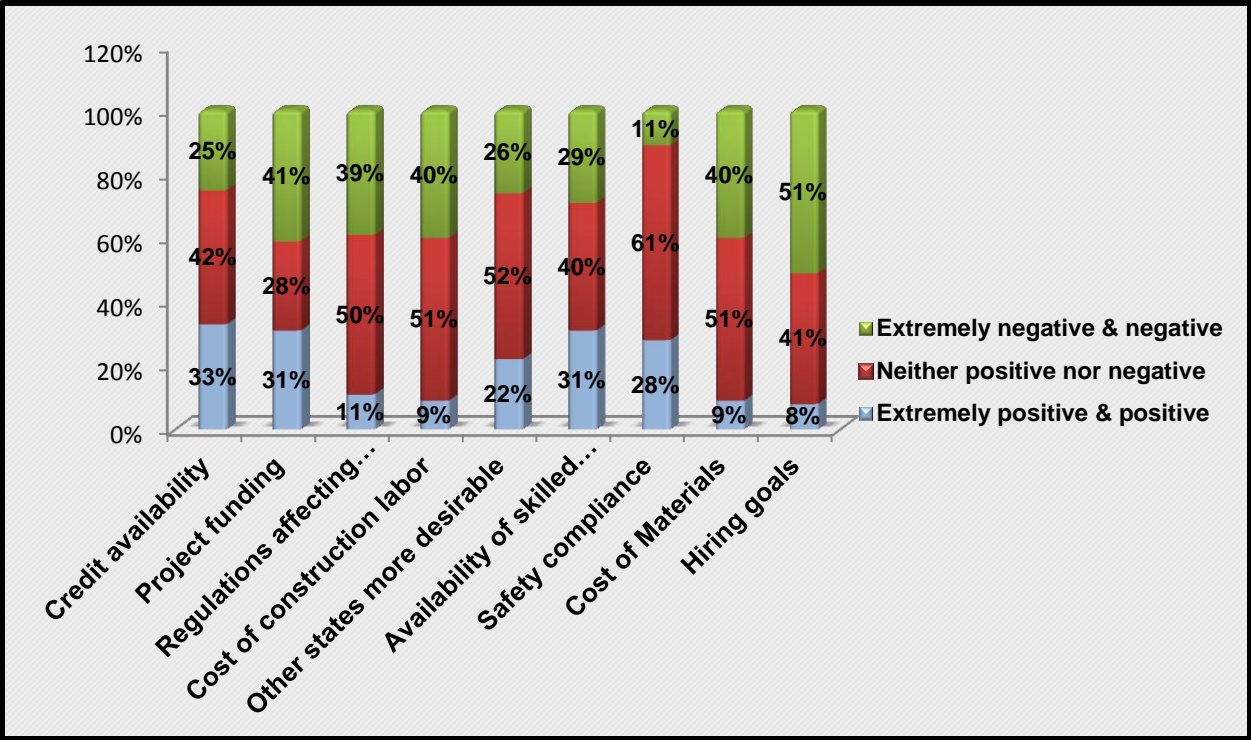
53%

## 8. Continued. Respondents were asked to specify *Other* if additional factors impacted the industry.

- Our company gains in usage every year and improved economic conditions help.
- Excessive volumes of unnecessary and professional representatives performing compliance and monitoring various programs and regulations with only their own job preservation as a priority.
- This year we have been audited by Minnesota for sales tax, regulation tax, and unemployment. The auditors who audited the workers compensation were even audited. Why would anyone want to be in business in Minnesota?
- MnDOT's loss of quality personnel and addition of onerous regulations have recently created a steep decline in business conditions in this arena.
- Our political situation consists of general deadlock and no vision.
- Risk shifting and slow payment.
- Minority contracts.
- Difficult insurance market because of lower payrolls and losses continue.
- General growth of economy.
- Municipal government intervention to end the housing crisis.
- Inconsistent funding source – feast or famine, not consistent, causing low efficiency and low quality.
- Property taxes and personal taxes.
- DBE Program.
- DBE and WBE.
- Gridlock in state government.
- EPA and MPCA rules and delay.
- Deferred maintenance on buildings due to recession; economy is slowly improving and decision makers are pulling the trigger.
- Recruiting for minorities with trade skills is very difficult.
- Others bidding below cost of project.
- DBE preference.
- WBE/SBE/MBE goals are killing good, long standing contractors.
- The unions have to train some qualified workers. They talk the talk but the results are pretty dismal. Prior years with a closed system of hiring hall requirements, has left the industry with a retiring workforce with few young qualified workers to replace them.

8. Minnesota's design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013? Breakdown of business conditions.

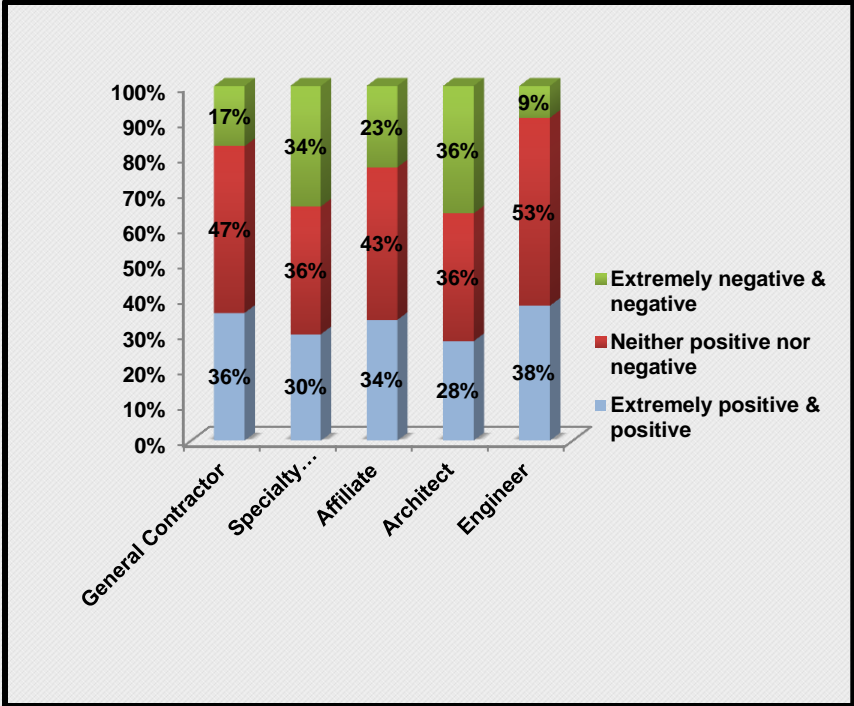
All Responses



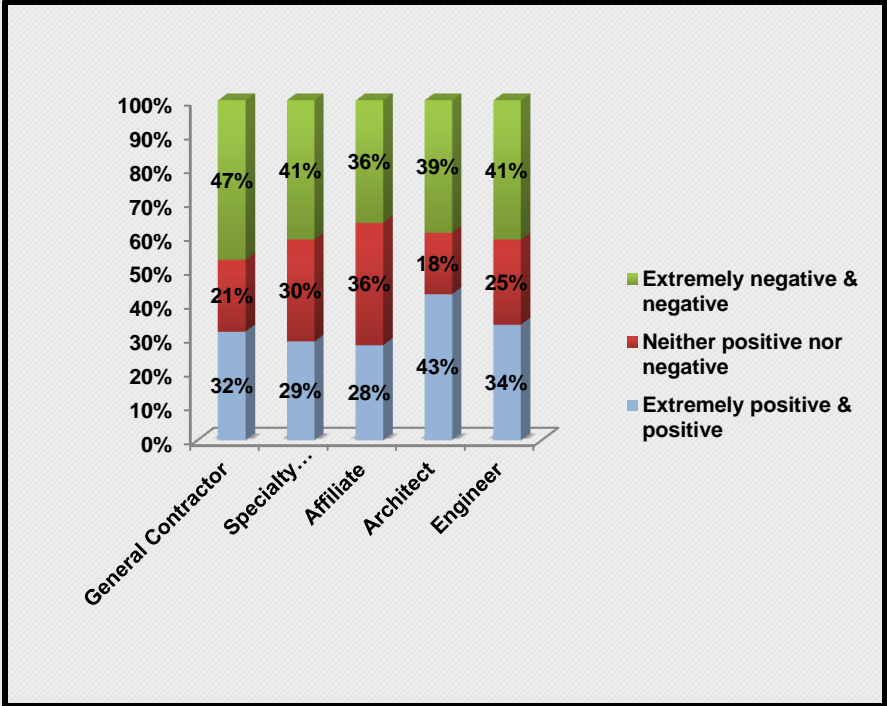
For all bar graphs on pages 33 thru 38, responses are grouped together as follows: extremely negative & negative, neither positive nor negative, extremely positive & positive.

8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013? Breakdown of business conditions continued.

Credit Availability

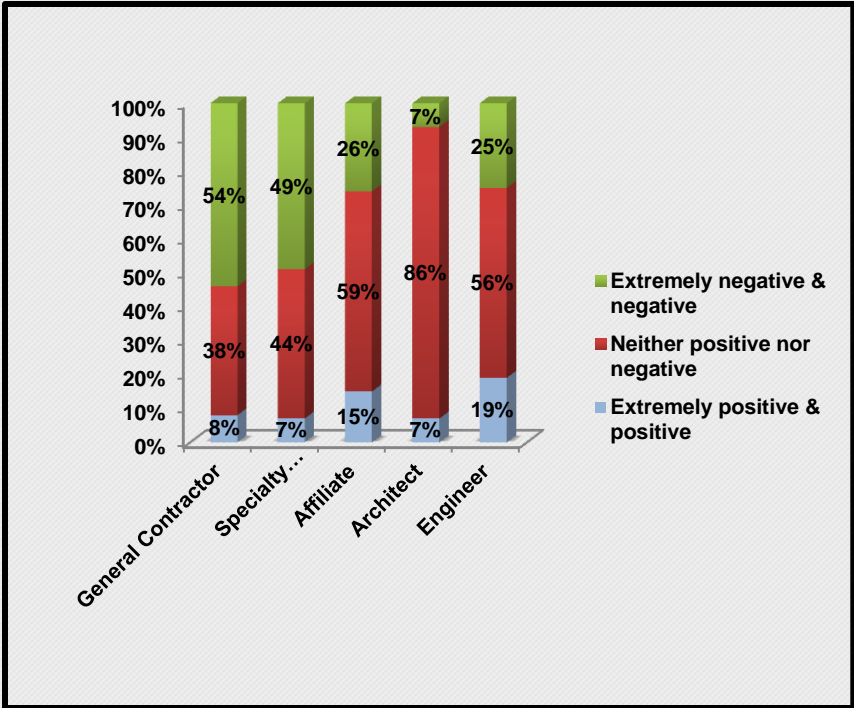


Project Funding

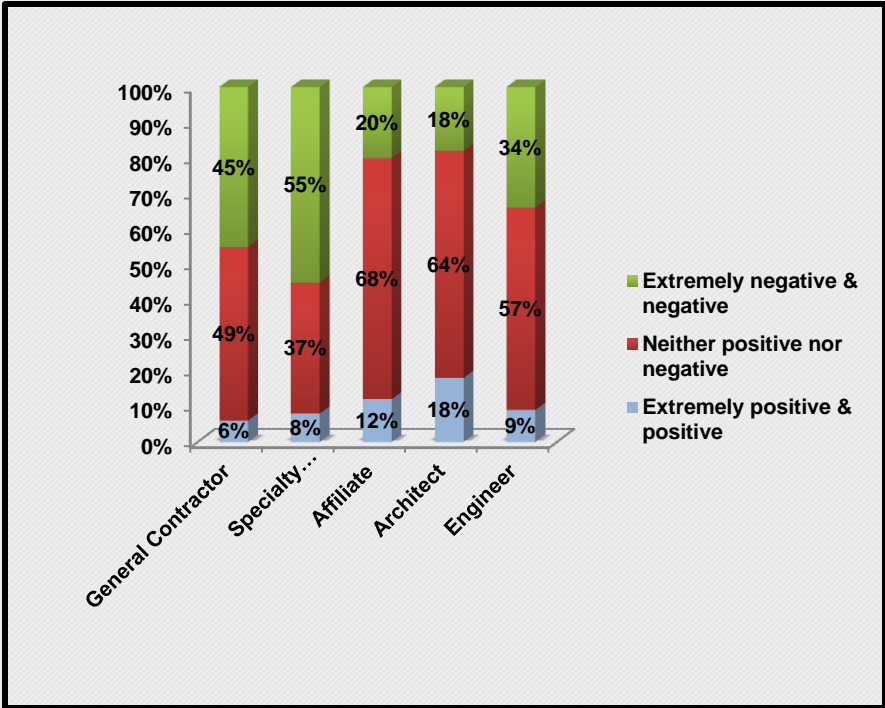


8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013? Breakdown of business conditions continued.

Regulations Affecting Design/Construction

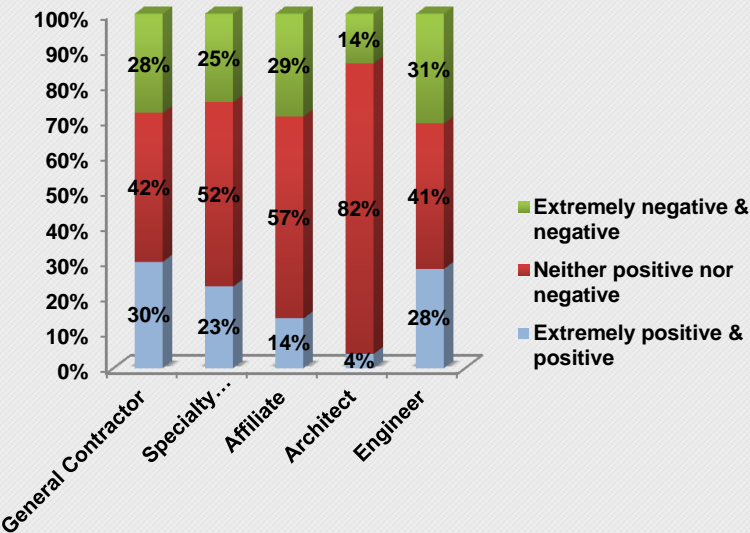


Cost of Construction Labor

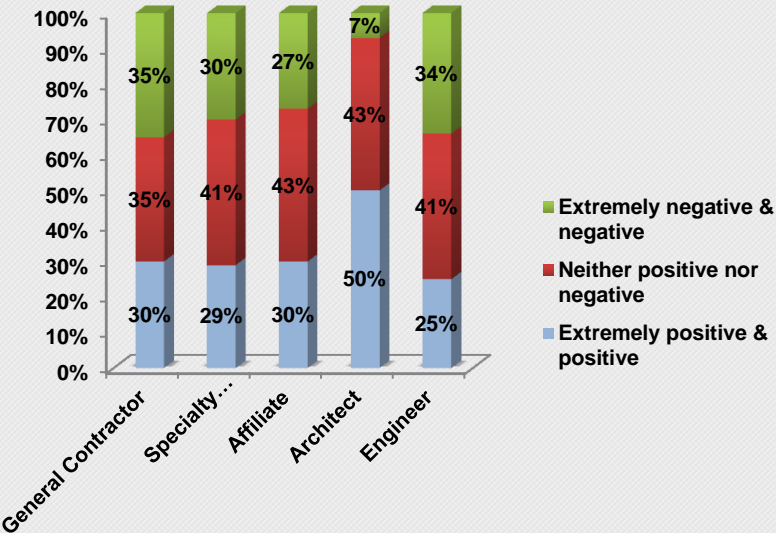


8. Minnesota's design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013? Breakdown of business conditions continued.

Other States More Desirable



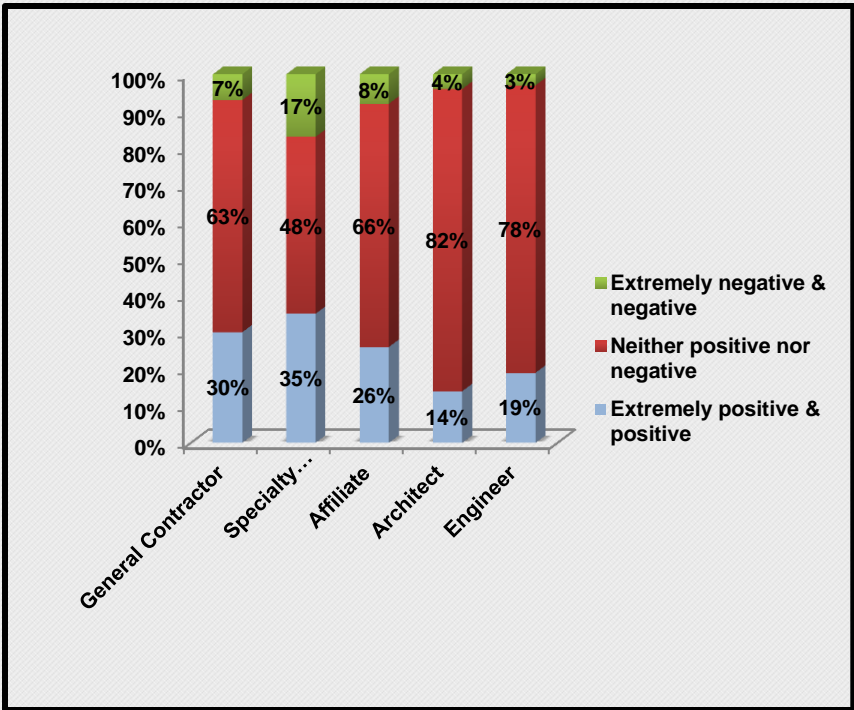
Availability of Skilled Workforce



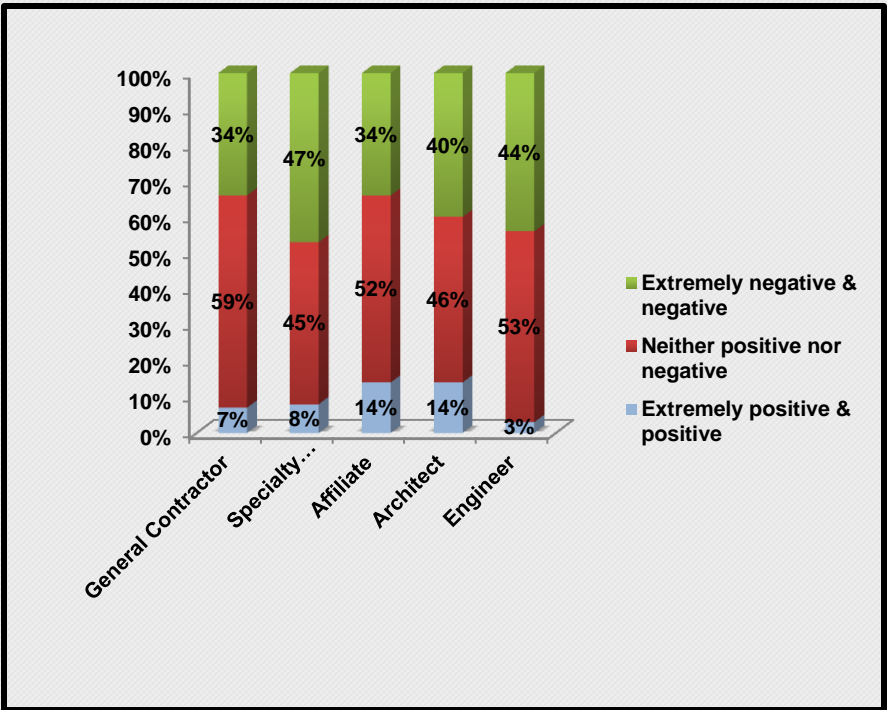


8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013? Breakdown of business conditions continued.

Safety Compliance

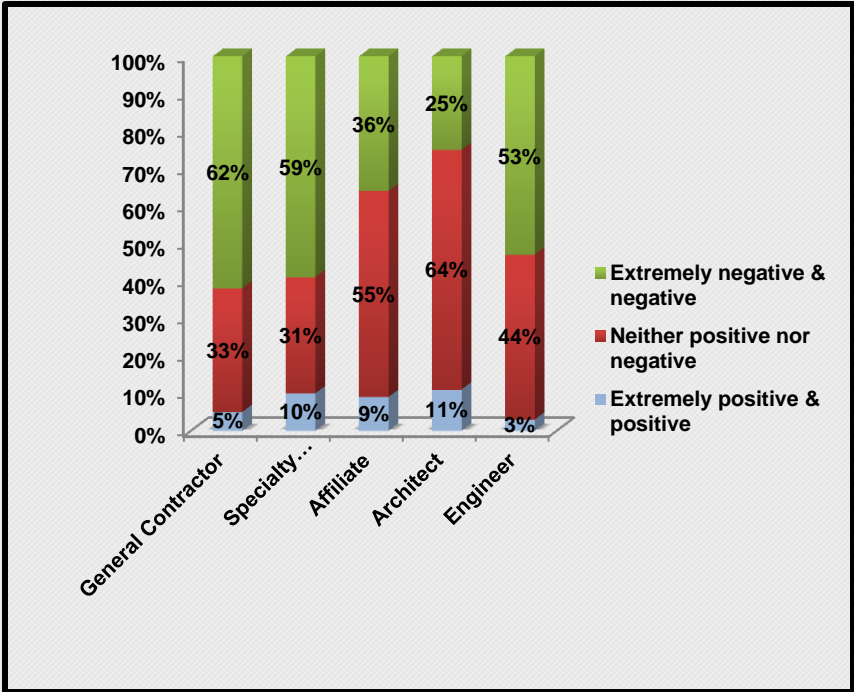


Cost of Materials

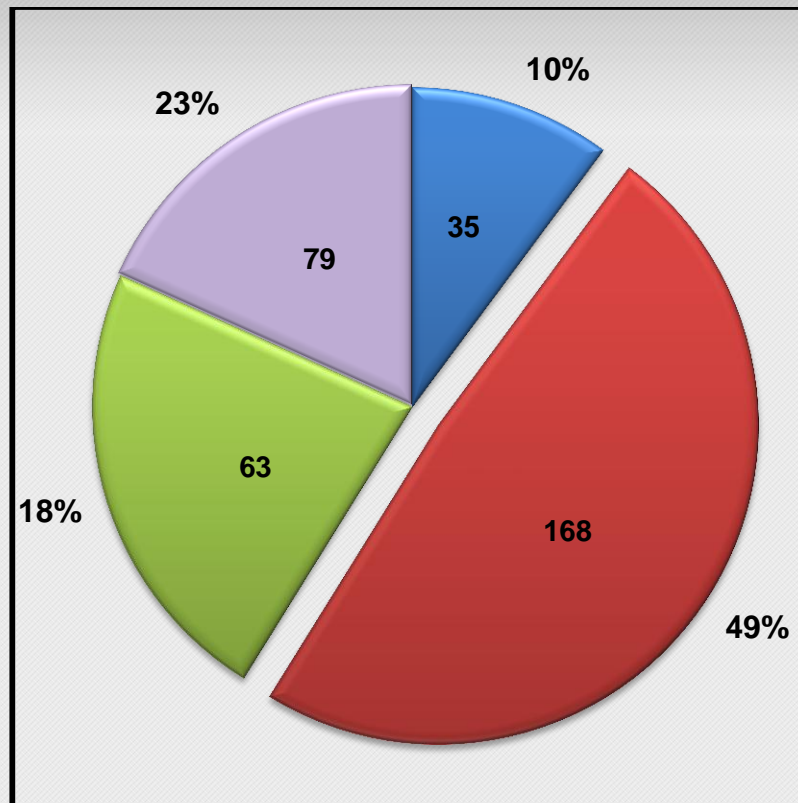


8. Minnesota’s design and construction industry has been plagued by a prolonged recession, characterized by high unemployment and slow job growth. Some reports now identify signs of improvement based on changing conditions. Below are factors that have been identified as important conditions in our industry, resulting in either positive or negative influence on business conditions. How do you expect the following factors to impact your business through 2013? Breakdown of business conditions continued.

Hiring Goals



## 9. How do you see the November presidential election affecting your firm?

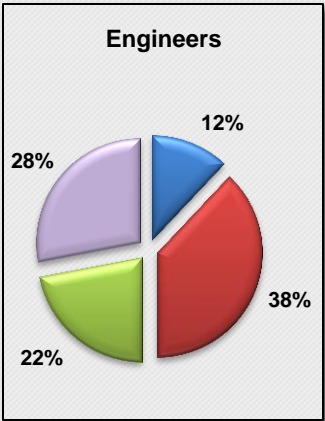
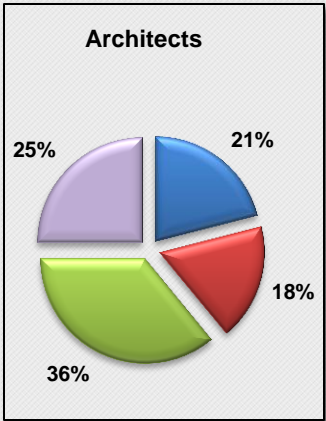
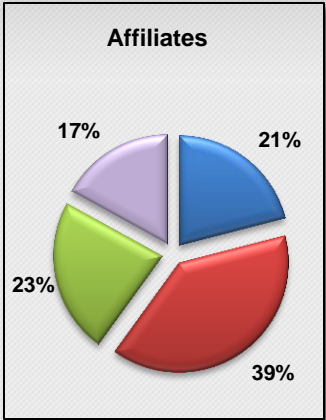
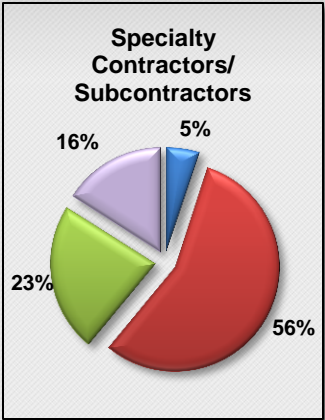
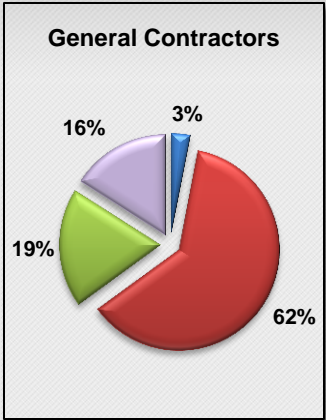






- Reelection of President Obama would be more favorable
- Election of Governor Romney would be more favorable
- Neither candidate will matter
- Not sure

49% responded that if Governor Romney were elected President, it would be more favorable for their firm.



# 9. How do you see the November presidential election affecting your firm? Breakdown by type of firm.



-  Reelection of President Obama would be more favorable
-  Election of Governor Romney would be more favorable
-  Neither candidate will matter
-  Not sure

## 10. Comments by type of firm.

### General Contractors

1. Our business has steadily trended upward since a downturn in 2009.
2. As we look forward to 2013, there are signs of improvement. More housing and some private development is beginning to come on line, but it is only in certain areas. Federal highway bill passed. Credit is becoming more available to some extent. Project pricing is still very competitive. Available workforce is still a concern. Materials and petroleum products remain very volatile. The best way to describe the upcoming year-cautious optimism.
3. The economy is in limbo and so is our industry. Owners with money are choosing to wait on projects. Most owners don't have enough money to move forward with new projects. We have an existing pool of skilled and experienced craft workers that are underutilized. Our government seems to want to spend money to train new people into our industry and raise quotas to employ them while ignoring funding new contracts to put the existing labor pool to work.
4. We are in need of a conservative spiritual awakening and taking back this country from those currently in charge.
5. Over-regulation has become rampant and State and Federal agencies are the major cause of thousands of dollars of new expenses that have not been included in our project bids but have to be paid for. It is becoming EXTREMELY expensive to be in business and overhead (chasing regulations and the associated fines) is one of our fastest growing expenses that cannot be accounted for-MPCA, DOT, OSHA, MSHA, EPA, DOL, etc.
6. Should have "either candidate brings uncertainty" option.
7. The current administration would have no obstacles to prevent them from using the departments and agencies of the federal government to impose restrictive and punitive regulations on our industry if they are re-elected.
8. A complete reboot of the political system and parties is required. Our current governing elite does not care to do what's right for the country, but only what will benefit them personally, financially, re-elect them for another term. Term limits is a must.
9. Projects are awarded then funding delays follow, causing project delays which then cause workforce disruption and displacement. The new hiring goals will only serve to disenfranchise a different set of employees-ones who have worked hard and chosen this as a career.

## 10. Comments by firm.

### Specialty Contractors/Subcontractors

1. Our primary industry is building and heavy. We perform work in these five states: MN, ND, SD, IA, and WI.
2. A second term for Obama may result in him paying back the people and groups that got him elected and with no chance to be elected again his actions may go beyond reason and what is good for the economy. Otherwise, I would select neither candidate will matter.
3. Being small at this time and being a union trade employer, we are losing a significant amount of our work to the non-union trades because of uncompetitive labor rates. We are also getting squeezed by the larger contractors that seem to be taking work for less than favorable rates to keep cash flow in place. The amount of work available within the metro area favors the big contractors as the size of work projects are large. I do not find any uptick within the local economy leading to the upcoming elections as I do not see any optimism within most of the class of people that I associate with across many fields of employment.
4. Hoping to see that the state does not increase the percentage requirements for DBE or any other minority group.
5. We'll see if the economy actually improves. Our optimism may improve if the economy improves.
6. Re-election of President Obama would extend the present construction recession for at least 4 more years. The election of Governor Romney would at the very least provide some hope that things would improve.
7. Contracting has too many regulations, permits, costs have gotten out of control, affirmative action is out of control and we do not have those kinds of numbers available.
9. Both candidates will affect the construction industry in a negative manner.
10. We need long-term personal and business tax legislation and business expense legislation so that we can plan forward for several years.
11. My general feeling is that the election of Governor Romney will help the Keystone Pipeline and energy policy in general, which I see as a positive. My concerns are related to tax cuts and deficit reduction. Republicans, I fear, are becoming too boxed in with their rhetoric to find effective solutions. As poorly as I think President Obama has handled this economy, I do think he has improved international relations and his foreign policy focus on Asia is solid. Again, this is an area where Republican rhetoric may hurt.



## 10. Specialty Contractors/Subcontractors continued

12. In order for this economy to turn around, a lot more confidence in the ability of our governing politicians needs to happen. UNFORTUNATELY no one seems to be able to balance the budget. My business has become totally dependent upon the government projects-U of MN, MnDOT, MAC, etc.
13. The trade unions have lost their ability to enforce their contracts. Unless something changes, small to medium sized commercial construction is going to openly become non-union in the future.
14. It has become very sad to see construction focused on lowest price with absolutely no regard for quality. This will have far reaching ramifications for building and homeowners within the next few years. On the positive side, the restoration and renovation market will be stronger than ever.
15. I was much more positive this past spring. It seemed that the building environment was improving. Now it seems to have stagnated once again.
16. Our largest volume of work comes from the water and wastewater construction market. It appears that there has been quite a bit of over buy because of the ARRA funding causing an unusual depression in this market. If you're a small municipality and planning on building a water treatment plant and they only build one every 20 years, and a government agency offers to give you funding sooner you most likely would take advantage of it. Now apply that on a national scale to every community in the country and most likely you will find that many plants or additions will not get built for a long time because they have already performed the work.
17. There are publicly funded projects available for bid, but until we see economic growth within the corporate and private sectors we are of the opinion that the current/future business environment for small construction companies is relatively bleak.
18. Tax breaks do not affect hiring....more work for our company affects hiring. It is difficult and frustrating bidding against companies that are not paying their workforce a fair wage (with benefits).
19. We just need to end the holding pattern in Washington. President Obama has not been great, but the vote no at all costs has hurt our economy more than anything.
20. Our sector in the industry remains very competitive due to low work volume and non-union pressure.
21. Last year, 50% of our work was in Minnesota. This year, less than 40% of our work was in Minnesota. I do not see it improving. Better margins and overall better business climate in the Dakotas.

## 10. Comments by type of firm.

### Affiliates (material suppliers, product/service providers, etc.)

1. Overall projected business environment will be steady to a slight trend up....based on communication with Architects and Engineers. I look at them as a 6-month leading indicator.
2. I am continuing to help promote the architecture and design community through outreach in new mediums such as short form documentaries and promotional films. As I see more groups beginning to use video, I am encouraged to believe that it is effectively connecting businesses with new clients.
3. The negative attitude toward business and high earners by this administration is the worst I have seen in my lifetime. Soak the rich and increase taxes on business has been tried before and it is not productive for anyone. Capitalism is a proven system for all the people. If business and high earners are doing well then the rest of us get to ride up the elevator with the big risk takers and the successful businesses. Capitalism is the solution for poverty as compared to any other system. Capitalism is not perfect, but it is still the best!
4. From an insurance standpoint, we have seen increased losses and reduced premiums as a result of reduced payroll.
5. A look to our neighbors to the west demonstrates the advantage that a business friendly government has on economic growth, development and consumer confidence. To be sure, energy resources drive commerce, but Minnesota has many attributes and resources that are being squandered.
6. Let markets live without special interest regulation. Praise business – do not make us the problem. Government - stop trying to do the work of the private sector. Politicians - give and leave without taking after you are gone. Everyone needs to pay their share, including those that are not paying today.
7. While the Republican Party is the party of big business, it appears that even with incentives the greed at the top of many companies appears more likely to pocket more for themselves rather than help put people back to work. Controversial as this may sound, our economy was in a bad place at the time of the last election, and things do get worse before they can get better.
8. I think the idea of hiring minorities is great, but we find it extremely difficult to recruit and retain skilled, motivated minorities.
9. We need Governor Romney along with a GOP House and Senate on a federal and state level. A good election could give a significant boost to the economy. Even with a positive election, the budget deficits need to be addressed as they will affect medium and long-term growth.



## 10. Comments by type of firm.

### Architects

1. Public funding still is extremely tight, especially in the K-12 school market.
2. I anticipate continued gridlock with either party.
3. The company I work for is hiring, after 3 years of very little growth. Our improved condition is a result of improved private sector conditions and improved public building investment/spending. I see the past session of the Minnesota government's ability to pass a good bonding bill as a positive. Radical austerity and tax cuts for the wealthy, as promised by the right wings, will hurt us in both the short and long term.
4. It's my understanding that 53% of the people pay 100% of the taxes. When so much of our tax dollars go to social programs and are not real investments in the future whether it's infrastructure, building, remodelings, new buildings, etc., it's really hard to improve the standard of living. With the new programs (healthcare), existing programs, wars, etc., you will be "lucky" to hold on to what you have had. We have lost the balance between giving and receiving. The mistakes (greed) of the financial markets and our political administrations, including Congress and the departments that have oversight authority (and don't blame it all on our presidents), is affecting everyone worldwide all the way down to our "neighborhood" here in Minnesota.

### Engineers

1. We are an employee owned firm, so hiring and retaining an expert workforce is critical to our success. Strategically, our firm took a very aggressive approach to hiring and new growth in 2012. With the recent decline or delays in the start of new work, the ability to procure projects is highly competitive and project award goes to those not necessarily the most capable of technically handling the work. Rather, the project is more often won on the basis of price. Many of the projects selected on the basis of cost ultimately end up in dispute. I suspect that construction litigation is at a high even though we are in a down economy. Essentially, the quality of work has gone down as a result of lower margins and trying to find ways to further reduce costs. Personally, I am concerned about the ever increasing growth of government, entitlements, and greater taxation of businesses. Many are concerned about not knowing the real costs and impacts on businesses associated with healthcare reform! Higher overhead costs and associated inflationary costs are simply a deterrent to investment in staff and corporate growth.

## 10. Engineers continued

2. Overall, it seems like there is some improvement, but still flat spots in the growth of revenue and work. Meeting the DBE goals for projects in both the engineering and construction side is challenging. Need to realize a small increase in the goal just makes those that are out there very busy and unavailable. The economy still does not support those who need capital to start a new company. As far as the presidential election, it seems Congress and party feuding has more impact on the economy than who is actually in office for the infrastructure industry. It would take a strong leader who could earn the respect of the public and Congress to change these tactics and get America rolling again. Overall, there seems to be signs for improvement.
3. The response to question 9 is my perspective on the effect of the presidential election on our Minnesota operations, and does not necessarily reflect my company's overall position on the election. The Minneapolis office is heavily dependent on transportation infrastructure projects and renewable energy.

# Conclusion

The results of this survey seem to indicate that 2013 will be a slightly better year for Minnesota's nonresidential construction industry than 2011 and 2012. The robust recovery we are all anticipating is not yet evident, but there are continued signs of improvement. Many firms are experiencing more opportunity, but they continue to have difficulty with the regulatory environment, higher costs, reduced levels of work, and business risk and uncertainty.

The number of respondents who anticipate increases or significant increases in hiring is encouraging, with the exception of the Architects, who report more of a steady workforce. Because Architects' work occurs at the leading edge of construction activity and can sometimes be viewed as an indicator of the levels of future construction work, there could be concern that hiring amongst Architects is not more active. As noted in last year's report, unemployment in some trades is still at record highs, and the industry has a long way to go to return to pre-recession employment levels. Consider that today there are 40,100 fewer construction jobs in Minnesota than there were in February 2006.

Overall, 39% of the respondents predict that 2013 market conditions will improve, up from 24% last year. This is positive news about industry recovery from a long recession. However, it may be that the recession was so severe that even the slightest good news begins to look like a recovery.

As we look ahead to 2013 and beyond, industry concerns seem to have shifted from weathering the recession to dealing with more than six consecutive years of no work, high unemployment, and increased regulation. Contractors seem especially concerned about workforce and DBE goals and the impact these will have on their operations.

As noted in last year's report, contractors who continue working strategically to differentiate themselves from their competition will find opportunity. Those contractors who continue to wait for a full recovery may be waiting a long time.

When will the recovery begin in earnest? Stay tuned!