TRUMP'S INFRASTRUCTURE PLAN:
HOW IT COULD BUILD THE CONSTRUCTION INDUSTRY

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Regardless of one's political viewpoints and positions on the myriad issues relating to the government overall and the various laws and policies, it is hard to dispute the notion that President Donald J. Trump's first 100 days has been an eventful beginning to his administration. From foreign relations to healthcare to the recent tax reform proposal, much has occurred in a mere three months. However, there is one particular area that could have the greatest impact on Trump's presidential term, especially as it relates to the construction industry…his infrastructure plan.

While out on the campaign trail throughout the presidential election and since taking the oath of office, President Trump has continually touted the need to rebuild our nation's infrastructure. Ultimately, Trump has promised to spend at least $1 trillion on infrastructure. Though there is no concrete plan in place yet (and as with anything else in politics, there are no guarantees it is ever put in place), all we can do is try to predict what the infrastructure plan *could* be and how it *might* impact the construction industry.

What's the Big Deal with our Infrastructure Anyways?

Before delving into the (potential) infrastructure plan, it is important to first look at *why* any such plan is necessary in the first place. In 2013, the American Society of Civil Engineers analyzed the various aspects of the nation's infrastructure and issued a "report card". The possible scores ranged from 'F' ('Failing') to 'A' ('Exceptional'). However, the overall American infrastructure received a grade of 'D+' and the ASCE estimated an investment need of $3.6 trillion by 2020 simply to keep the infrastructure in 'Good' condition. Only one area received an individual 'B' ('Good') rating and that was solid waste, while just four other areas (bridges, ports, public parks and recreation, and rail) received a 'C' ('Mediocre'). All other aspects (including aviation, dams, drinking water, energy, hazardous waste, inland waterways, levees, roads, schools, transit and wastewater) received 'D' ('Poor') ratings.

Even government agencies themselves have essentially reaffirmed the ASCE report card. For instance, the Environmental Protection Agency issued a report that the nation's drinking water treatment and distribution system needed $347 billion in investments over the next 20 years. Also, the Department of Education has concluded that over half of all public schools need repair, renovating and/or modernizing. And, the Federal Highway Administration has determined that nearly 20% of the country's roads are in 'poor' condition.

In short, the American infrastructure system – from roads to schools to airports to water and wastewater – needs fixing, and it needs fixing sooner rather than later. That's the bad news. That, and the potential costs associated with fixing. The good news, however, is that this is one of the few political subjects that truly has bi-partisan support (at least, from a big picture standpoint). The next step, however, is getting everything worked out and making sure that everyone is on the same page.

What Could the Plan Entail?

As far as the potential plan itself, it remains unclear exactly what it might include, how it could be structured, or even when it could be implemented. What we do know, however, is that the infrastructure plan remains a critical focus of the Trump administration and that the timeline could be expedited.

While the final plan will ultimately need congressional approval, it is easy to speculate on what it could comprise. President Trump has gone on record that he wants to rebuild the entire infrastructure, citing highways, bridges, tunnels, airports, schools and hospitals, among other things. Based upon the ASCE report card and the other federal agency reports, virtually all areas of the nation's infrastructure need improvements. The question is how to get to that point.

One such way is via tax credits and/or public-private partnerships (P3s). In order to incentivize private companies, and in an effort to spur financing and, by extension, growth, President Trump may turn to federal tax credits or P3s where private companies can provide the financing for the infrastructure projects. Now, there are certainly questions as to the viability of the tax credits and the use of P3s on those types of infrastructure projects which are sure to be proposed under the plan (as compared to other types of projects where there is a direct economic incentive), but President Trump has authorized staff and agencies to convene and identify the possible avenues for funding and financing.

Another aspect of the plan could be repatriation. This subject has been discussed in relation to President Trump's proposed tax reform plan, so the idea of its implementation under the infrastructure plan certainly has merit. The proposed repatriation tax would be a 10% tax on the more than $2.6 trillion in earnings that U.S. companies have stockpiled offshore. Obviously, questions remain about exactly how it would be implemented or how much money the proposal would actually raise; but the concept, nevertheless, is likely to be included in the infrastructure plan.

Other ideas that are surely to be included in the infrastructure plan are reductions in regulations and "Buy American / Hire American". Regulatory changes have already been underway over the past three months and it is sure to continue. The goal is to target policies, regulations and statutes which could be modified, replaced, or removed altogether in an effort to streamline and expedite projects.

What Could It Mean for the Construction Industry?

Again, the details of the infrastructure plan remain unclear, but if it all comes to fruition, it could be a serious boon to the construction industry. Inherent in the mass construction of infrastructure projects is job creation. A recent study by the Georgetown University Center on Education and the Workforce found that the $1 trillion infrastructure plan could create more than 11 million jobs over the next 10 years. According to the study, these jobs would be a combination of 6.4 million "missing jobs" (i.e., those which were not created or lost during the recent recession) and 5 million more jobs in related industries created as a result of the stimulus effect of a new infrastructure. There is also discussion that the mere buzz surrounding the infrastructure plan could begin attracting new workers and grow the construction industry.

One of the potential downsides to the industry could be the difficulty in finding (or the ability to use) cheaper, imported products as well as the increased costs that could come with things like Buy American requirements. Also, there are questions as to the specific skill involved with much of the infrastructure work relative to residential and commercial construction and whether those jobs can be appropriately and timely filled. However, the aforementioned Georgetown University study found that a majority of the job training transitions could occur in as little as six months.

Conclusion

As mentioned previously, we are still operating in the abstract as far as the details for the infrastructure plan are concerned. While it was a key issue during his campaign and has continued since he has taken office, the details of President Trump's plan remain uncertain. Nevertheless, it continues to bear watching as it remains an important focus of the administration and it could have a massive impact on the construction industry.