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2017 Infrastructure Plan - What Can the Construction Industry Expect?

CONSTRUCTION, GOVERNMENT, TAX REFORM, TRANSPORTATION & LOGISTICS
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Following the 2016 election results, many construction industry company executives were trying to remember President Trump's campaign promises related to his infrastructure plan. What can I expect? Trump's promises included a \$1 trillion infrastructure package that focuses on investments in transportation, the electrical grid, telecommunications, security infrastructure, airports and pipelines. While there is no doubt concerning the needs to maintain, repair and upgrade our highways, waterways, airports, rail system and bridges, the real questions revolve around how much to fund, and how to fund.

President Trump's plan relies heavily on private financing and tax cuts provided to private sector investors to finance those projects, which has come under heavy fire by economists skeptical of the plan's proposed funding mechanisms. Additionally, Trump believes overall project costs will be decreased through employing more incentive-based contracting and through reductions in regulations and "red tape" (such as pipeline permitting and greenlighting stalled coal and shale projects). In a January 9 Brookings Institution conference, former Treasury Secretary Lawrence Summers advocated for a large increase in infrastructure spending and was critical of Trump's proposed funding mechanisms. Instead, Summer views user fees and direct funding as the most likely ways to finance these projects. GOP leaders have already acknowledged that Trump's infrastructure plan is on the agenda; however, repealing and replacing Obamacare, overhauling the tax code and easing regulations are higher priorities on the agenda. Democratic leadership has the infrastructure plan high on their agenda and believes the primary funding mechanism to be significant, direct spending.

With control of both the House and Senate, and Trump in the White House, Republicans have voiced strong opposition and would likely defeat any large stimulus plan resembling Obama's \$832 billion package in 2009, which included \$48 billion of federal money for transportation infrastructure. Additionally, given the current priority of any infrastructure plan on the GOP agenda, it's unlikely to see a large infrastructure package pushed through in the first 100 days of the new presidency, and accordingly, reducing potential impact of any such plan for 2017. Contractors continue to be optimistic though, as a January 2017 Associated General Contractors of America (AGC) survey indicated that 73% of construction firms plan to expand their payrolls in 2017. With the new administration taking control in the next few days, we'll see how this key issue is addressed and moves forward.

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