

Cost News

Industry Articles Concerning Cost & Estimating

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Building materials rise, but not affecting developments yet

Producer Price Index rises double digits for building materials

The tough line on trade has caused the cost of some building materials to rise by as much as 20 percent, but local construction officials have said that's not having any impact on any proposed developments.

According to information released earlier this week by the Associated General Contractors of America, the producer price index for some aluminum products was 20 percent higher in June than the year before. Lumber and plywood was 18.3 percent more, the association said, while steel products were 12.3 percent higher.

Higher tariffs on Canadian lumber have been in effect since 2017, as part of a long-standing trade dispute over timber prices. The U.S. imposed steel and aluminum tariffs on imports from Canada, Mexico and the European Union on May 31. Last week, the U.S. started applying tariffs on Chinese goods, including a range of steel products. Another \$200 billion in tariffs on Chinese goods has been proposed.

Ken Simonson, chief economist for the AGC, said some of the tariffs go back to 2016, when the Obama administration accused the Chinese of "dumping" subsidized steel in the U.S. market. Traditionally, when American firms say their industry has been hurt by foreign countries selling below-market-priced products, they file a complaint with the U.S. Commerce Department. The agency conducts a study and determines if any additional duties should be leveled on the imported products.

But Trump, who made trade a key issue in his presidential campaign, is also taking steps to protect the U.S. steel and aluminum industry. He's saying tariffs are needed to keep the industry healthy, in case the U.S. needs to build tanks and weapons for a military crisis.

The problem is that when contractors sign a contract to build a highway, a shopping center or an office building, a firm delivery price is written in. And these contracts are signed before any material is purchased. "There's no contractor that stockpiles a whole building's worth of stuff," Simonson said. "It's always a guessing game"

Steel products were 12.3% higher in June than a year ago, aluminum products 20% higher and lumber and plywood 18.3% more AGC reported

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The Trump administration's tough line on trade has caused the cost of some building materials to rise by as much as 20 percent, but local construction officials have said that's not having any impact on any proposed developments.

The State of the States Infrastructure and innovations

The nation's roads and bridges are in disrepair and there's not remotely enough money available to fix them. Train travel is uneven and expensive. Mass transit use nationally is down, frustrating officials' efforts to get more cars off the road and reduce congestion. Driving on toll roads can end up costing more per minute than a spa massage, a call to a psychic hotline or psychotherapy in Manhattan. Traveling by plane can be a hassle, with security screenings and crowds making a trip slower, door to door, than ground travel.

A disparate group of transportation experts, politicians across the spectrum and economists agree: American infrastructure is in bad shape. The American Society of Civil Engineers gave it a "D-plus" in its most recent quadrennial report in 2017. And the estimated cost of bringing things up to speed and up to date – a cool \$1.2 trillion over the next decade, ASCE estimates – is almost as jarring as the cost of doing nothing. A pedestrian bridge collapse in South Florida in March killed six people. Rail lines are in desperate need of repair, with the average backlog for major projects for the Northeast Corridor (the nation's busiest railroad) 111 years, endangering reliability. More than 40 percent of America's urban interstates are congested, and drivers pay, coast to coast: California motorists pony up an average of \$844 a year in added costs because of unmet road repairs, while Connecticut drivers pay an average \$864 in extra costs because of delays, damage to the cars and other impacts of poor roads.

In total, Americans will lose \$3,400 per household, per year, from 2016 to 2025 because of infrastructure shortfalls, the ASCE concludes. So why isn't the work getting done?

Experts chalk it up to two barriers: It's unpopular to make people pay more, either through increased taxes or tolls, and it's just not glamorous. The nation's lawmakers (and their constituents) are much like a homeowner who needs a new roof but longs for a kitchen renovation. No one really notices the new roof, but fail to fix it, and the fancy new kitchen may end up destroyed along with the rest of the house.

"Legislators don't want to be on the hook for helping us pay for it," says Brian Pallasch, ASCE's managing director of government relations and infrastructure initiatives. But motorists "are already paying for it" with added car repairs and other costs. "They just don't realize it," he adds.

Transportation is Americans' second-largest household expenditure, according to the Bureau of Labor Statistics. And in places like Montana, where rural areas require more driving, transportation is the biggest cost, the ASCE says.

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Raising the revenue to rebuild and repair the country's infrastructure is not easy and there is disagreement on how to pay for it. Some, like Pallasch, think the federal gas tax needs to be hiked (it's been 18.4 cents a gallon for a quarter century, and is not indexed to inflation; state and local governments add an extra tax averaging 28.3 cents). The federal taxes subsidize the Highway Trust Fund, which pays for roads' construction, other surface transportation projects and some mass transit. Raising the tax is especially unpopular in rural states with high vehicle usage.

[PHOTOS: Daily Life Aboard The Three Largest Transit Rail Systems in The U.S.]

Others, such as experts at the libertarian Reason Foundation, think driver user fees are the fairest – and the most sustainable, since hybrid and electric cars will shift more of the burden to motorists with gasoline-powered vehicles.

But in the meantime, governments are coming up with ways to make transportation more efficient, both in terms of cost and time. The Federal Aviation Administration is implementing a new technology for air traffic control called "NextGen." The program moves air traffic control from a radar-based system to a satellite-enabled navigation system, allowing for more direct (and thus shorter) routes, improving on-time arrivals and reducing emissions. The program is expected to be fully implemented by 2025.

But it's states and localities that are coming up with the bulk of creative ways to reduce transportation costs and hassles, Pallasch says. Some localities, such as Pinellas County, Florida, are encouraging public transportation use by addressing the "first mile/last mile" problem (where travelers are discouraged from using buses and rail because stations and stops are too far from their homes and destinations. The Pinellas Suncoast Transit Authority has partnered with ride-sharing company Uber to offer travelers a \$5 subsidy toward an Uber ride connecting them from a bus stop to the riders' final destinations.

Seattle is using technology to help motorists find parking more quickly, translating to less congestion and less time in the car. [Seattle's E-Park](#) provides drivers with real-time information to identify available parking spaces.

Houston, meanwhile, is bucking the national trend of lower mass transit ridership by redesigning its bus system. The old design – a sort of hub-and-wheel spokes map – didn't work anymore for Houston's population, says Jim Archer, director of service planning, scheduling and evaluation at Metropolitan Transit Authority of Harris County. Some neighborhoods had aged – meaning there were fewer people commuting to other areas of the city for jobs – so there was less of a need for buses to take people to work.

And since Houston does not have zoning laws, there isn't a central downtown business district typical of other cities. That meant that under the old bus system, people would be forced to travel into the bus "hub," then back out to another "spoke," Archer says. The new plan, more of a grid system, meets modern transit needs, he says. And while there were complaints about reducing or ending certain old bus routes, "we're freeing up resources to move them to a place where people are," Archer explains. The result? After two years, Houston had a 7.4 percent increase in bus ridership, compared to a statewide decline of 8.1 percent, Archer says.

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Other communities are putting their systems on a "road diet." Instead of widening roads and adding lanes to reduce congestion, these jurisdictions are taking lanes out and adding bike lanes, pedestrian islands in the middle of a road, and left-turn lanes to improve traffic flow and reduce accidents. Perhaps counter-intuitively, the "road diets" lead to less traffic, says Paul Lewis, vice president of policy and finance at the Eno Transportation Foundation, a nonpartisan research group. New York City, for example, closed off an area where Broadway cut an angle across other avenues. That allowed room for a pedestrian oasis in the city, and reduced traffic congestion, he says.

City officials in Troy, Ohio, recently shrunk the number of lanes from four to three in the Dayton area city's historic downtown, adding a pedestrian island and a shared left turn lane. The design allowed the city to take out some traffic lights as well, says Patrick Titterington, Troy's safety and service director. While it's too soon to determine how safety has been impacted, the diet is expected to make for "more calm, less confusion, and hopefully, that will mean [fewer] accidents as well," Titterington says.

States are also getting inventive about ways to shrink the cost of construction and rehabilitation of transportation infrastructure. In Montana, officials are using new software to coordinate traffic light times across systems. Montana has improved 70 percent of signal controllers in 23 corridors, says Lynn Zanto, planning administrator for the Montana Department of Transportation. "It really has helped improve our state, and lessened the impact on air quality," Zanto says.

Other states are utilizing a new way of building bridges, called "bridge slides." The process involves building a piece of a bridge, lifting it up and "sliding" it laterally into an existing bridge (imagine a more sophisticated version of putting together a toy race track).

Missouri wanted to ease traffic on a bridge spanning the Mississippi River. But building a new one would cost about \$1 billion – cash the state does not have, says Dennis Hickman, Missouri state bridge engineer, noting that Missouri ranks 46th in revenue per mile. The bridge slide project – which allowed workers to add a third lane to the existing bridge – came in at about \$25 million, Hickman says. The entire project took about a year, compared to the three to four years it would have taken to build a new bridge, he adds.

And the novelty of the process is useful in building support for transportation infrastructure funds, Hickman notes, providing the "wow factor" that impresses voters. "It was the right thing to do, but also extremely cost-effective," he says.

Such initiatives, Lewis says, are likely to become more popular as states struggle with limited infrastructure funds. "We all know we can be investing more in infrastructure. We're really kind of maintaining what we have and focusing on how we can take that and make it a whole lot better," Lewis adds. "There's a lot of low-hanging fruit there."