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2009 AMERICAN RECOVERY & REINVESTMENT ACT BMG Releases General Overview Portion Of Its Research & Analysis

Barlow Marketing Group (BMG) has driven its American Recovery & Reinvestment Act research from the overview stage that explains how the \$143.4 billion in construction-related money will be divided among the primary construction categories down to the county level for the 25 states that will receive almost 78% of the total money for highway and bridge infrastructure.

BMG's in-depth research and capabilities to map precisely where 50% to 100% of the highway and bridge project money will be spent by key states is the real value in its research. This has been a challenge since all states report these major projects in different ways and in different levels of detail. As with the highways and bridges component of the infrastructure segment, BMG is researching the other infrastructure components and the water and utility segments as the information becomes available.

BMG is now working with manufacturers closely to customize our extensive research to their specific business, product lines, distribution channels and end users and then develop and help execute strategic and tactical sales and marketing programs to capture this business.

For almost 20 years, BMG has been employing its strategic and tactical sales, research and marketing services to help grow the more than 70 different domestic and globally-based equipment manufacturers we have worked with, serving the global construction, mining and aggregate, and demolition and recycle equipment markets. To learn more about BMG and its capabilities, visit www.growwithbmg.com.

This summary is an original report researched, produced and released by BMG to help construction equipment manufactures understand the Recovery Act. A lot of the Recovery Act information is just becoming available and is continually being updated. This report is based on BMG's assessment of the government, industry and news information that was available prior to April 15, 2009.

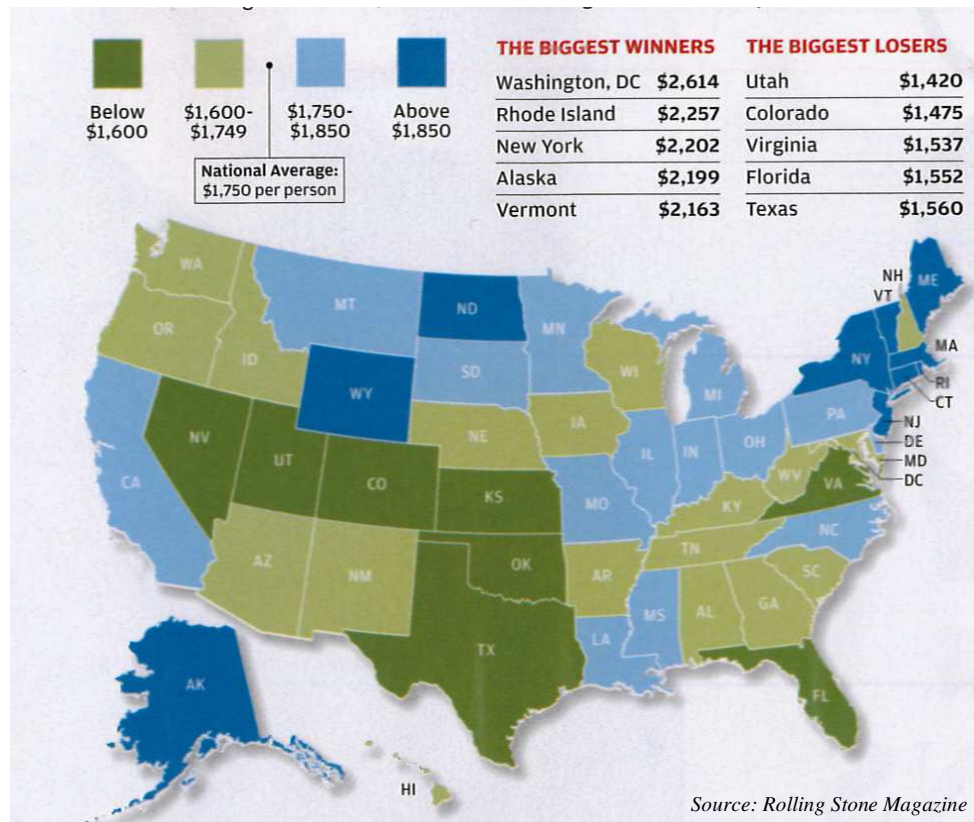
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AMERICAN RECOVERY & REINVESTMENT ACT OVERVIEW

President Obama's \$787 billion economic stimulus plan was signed February 17, 2009 and is intended to jump start the economy and save or create at least 3.5 million jobs through 2010.

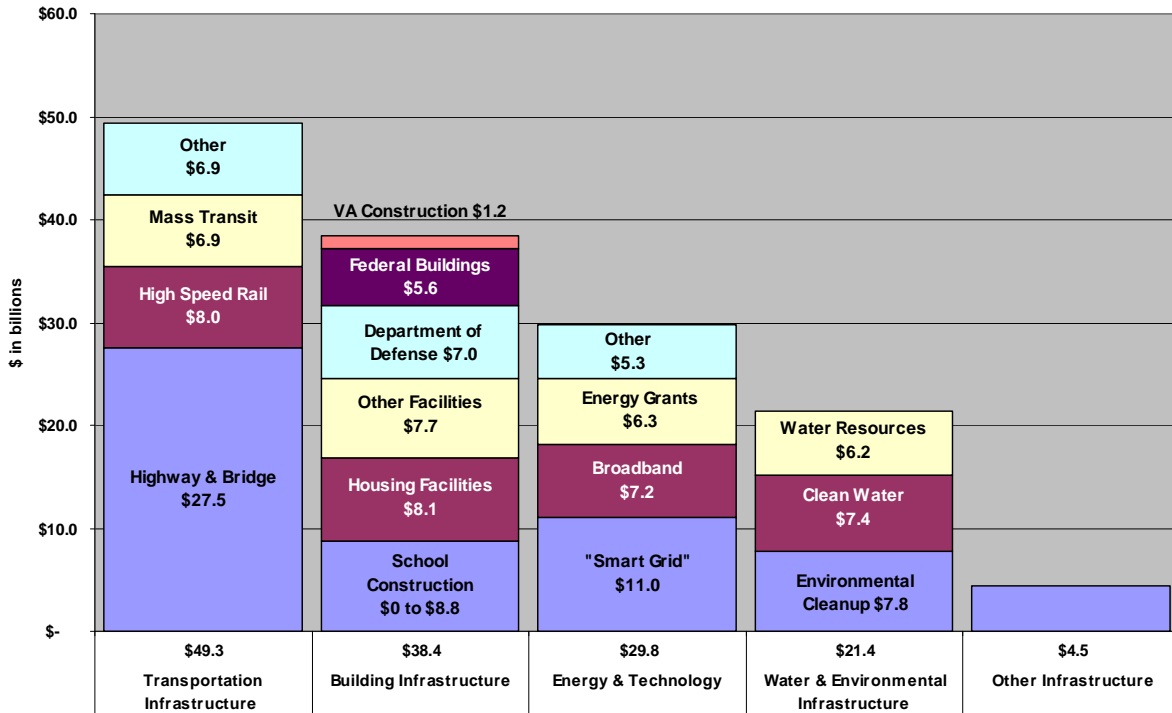
KEY COMPONENTS

- \$787 billion total plan
- If you divide the overall Recovery Act funds each state will receive, the national average is \$1,750/person. The map and chart below show which states have benefited the most.



- \$463 billion in spending (~59%)
- \$326 billion in tax cuts (~41%)
- There is \$130.0 to \$143.4 billion in construction-related spending depending on whose estimates you use. McGraw-Hill and its publications are quoting the \$130 billion, while The Associated General Contractors of America is quoting \$143.4 billion.

Recovery Act Construction Related Spending



Source: The Associated General Contractors of America

The highways & bridges segments equal about 20% of the total construction spending and offers the most opportunity for equipment manufactures. In addition, this is the segment that will be receiving their money first. Within the next 120 days the states have to allocate \$9.3 billion to these “shovel-ready” projects. For these reasons, BMG has spent the most time understanding the highways & bridges segment up through the second week of April. We are now focusing on other segments with information becoming available.

Many segments will be allocating funds based on the standard government distribution method. Other segments, such as school construction and smart grid funding will be done based on grants.



EFFECTS OF THE AMERICAN RECOVERY & REINVESTMENT ACT

EFFECT ON CONSTRUCTION EQUIPMENT

There hasn't been enough time since the signing of the Recovery Act to have much of an effect on construction related manufacturers. The construction jobs that already had approval or that were put on hold are being started, but this is a small portion of the overall Recovery Act.

The Recovery Act will have a positive effect on equipment manufactures but it will be felt in stages. All the money for the different construction segments isn't being released at the same rate and each state is working at a different pace.

The weak economy has caused many construction companies to cut people, reduce their equipment fleets and lower their fixed costs. The economy has also brought the demand down for many construction related materials—helping to drive prices down. Although these lower input costs have helped, many contractors have been lowering their bids to win the business so they can cover their overhead and maintain some cash flow. Contractors are also being less selective about the projects they bid on and are expanding the territory where they are bidding on jobs just to secure business. Projects that use to receive about six bids are now receiving more than 20.

Below is a small sample of nine Recovery-Act-related jobs in California and the difference between the original estimate and the winning bid.

Sample of Road Projects In California:

	Estimate	Bid	% Differece
Job 1	\$409,000	\$347,130	-15.1%
Job 2	\$4,500,000	\$3,600,000	-20.0%
Job 3	\$1,530,000	\$936,936	-38.8%
Job 4	\$1,900,000	\$1,500,000	-21.1%
Job 5	\$630,810	\$382,888	-39.3%
Job 6	\$1,300,000	\$954,553	-26.6%
Job 7	\$1,660,000	\$1,310,000	-21.1%
Job 8	\$1,600,000	\$802,065	-49.9%
Job 9	\$1,510,000	\$982,000	-35.0%
	\$15,039,810	\$10,815,572	-28.1%



BMG has not yet looked across all 50 states to identify exactly which states or regions are being affected by low bidding. Based on articles we have read and the research we have done, we know there are a few states in the east, west and central United States where this is common. Some of these include: California, Connecticut, Maryland and Minnesota,

LOWER BIDS YIELD LOWER EQUIPMENT SALES

Regions where contractors are submitting low bids to win business will see slower equipment sales growth. Contractors will still need consumables and light equipment, but heavy equipment needs will most likely be filled by rental or used equipment in the early stages of the Recovery Act implementation. BMG has also confirmed that many manufacturers are seeing spikes in parts sales and that used equipment sales have are strong at dealer and auction levels.

In early March, Cat estimated it will lay off more people before it thinks about rehiring, and says it won't be until late 2009 or early 2010 before it would consider hiring people back.

The heavy equipment manufacturers that will most likely benefit first are those already serving the aggregate producers and road maintenance and builders.



TRANSPORTATION

A. HIGHWAYS & BRIDGES - \$27.50 BILLION

- Distributed to states by standard distribution formula methods
- Projects have to be completed in three years
 - Many large projects that need to be designed and then pass environmental approval will not be able to be completed as part of this stimulus program
- Projects located in economically distressed areas will receive first priority
- Funds are broken into five key components ([Link to state level data](#))

Mandatory Enhancements	Available For Use Any Area	Division By Population Size		
		Areas Over 200k	Areas ≤ 200k	Areas Under 5k
\$0.80 billion	\$17.86	\$4.34	\$3.02	\$0.63

- 70% of total funds
- Subject to “use-it-or-lose it”
- 50% must be allocated within 120 days (by June 30)

- 30% of total funds
- NOT Subject to “use-it-or-lose it”

- Remainder of funds, including metropolitan areas, must be allocated within one year (by February 17, 2010)
- All funds expire September 30, 2010
- Funds not obligated within these deadlines will be reallocated to other states

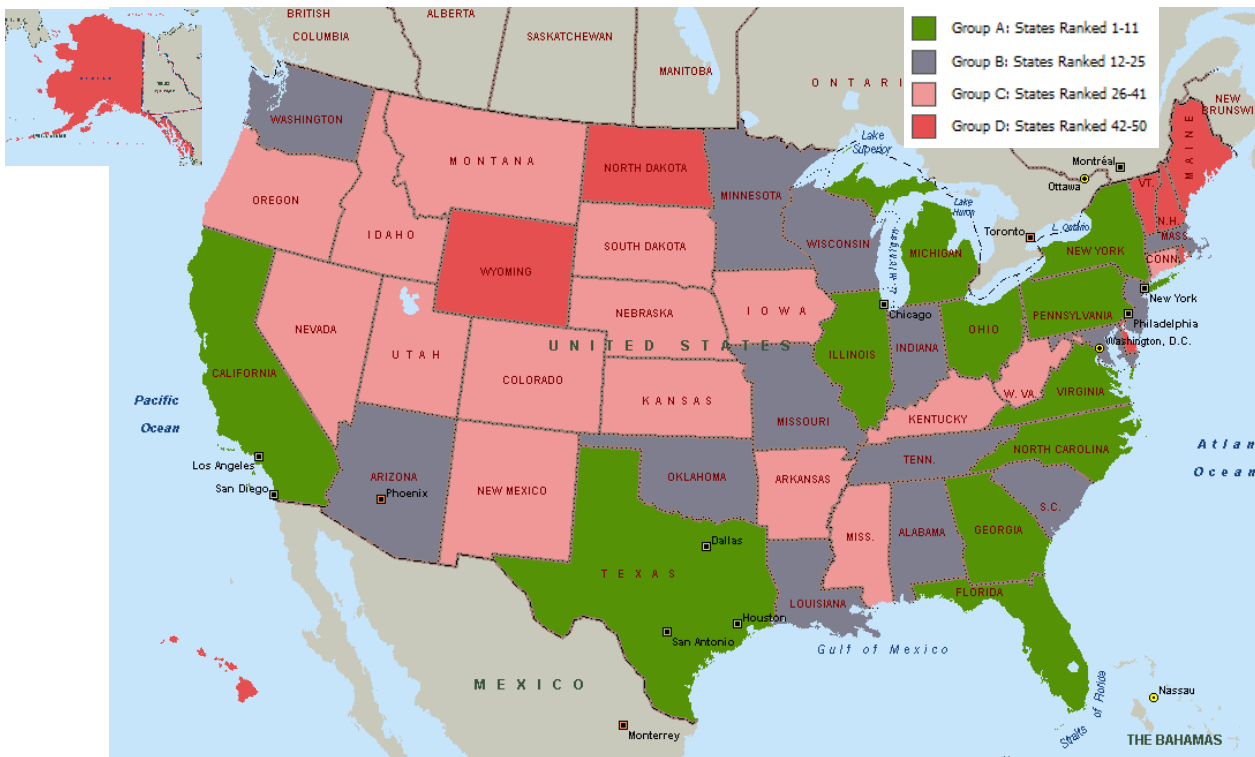
Highways & Bridges - Detail

Of the \$27.50 billion dedicated to highways and bridges, \$26.66 billion or 54% of the total transportation sector’s funds are allocated to the state and local governments for highway, road and bridge projects.

The following chart shows where the difference between the \$27.70 billion dedicated to the highway & bridges and the \$26.66 allocated to the states.

Total Highway & Bridge Investment (billions)	\$27.50
Puerto Rico	\$0.11
Territorial Areas	\$0.05
Indian Reservation Roads	\$0.31
Park Roads & Parkways	\$0.17
Forest Highway Program	\$0.06
Refuge Road Programs	\$0.01
Training	\$0.02
Disadvantaged Bond Assistance	\$0.02
Capital Expenditures (Ferry Boats/Terminals)	\$0.06
Oversight Expenditures	\$0.04
Net Highway & Bridge Investment For 50 States	\$26.66

Groups A and B from the map below indicate the top 25 states receiving highway and bridge funds. These 25 states equal almost 78% of the total highway and bridge funds.





The chart shows each state's ranking and the funds they will be receiving.

States Highway & Bridge Funding In Descending Order

RANK	STATE	Total (billions)	RANK	STATE	Total (billions)
1	CALIFORNIA	\$2.57	26	KENTUCKY	\$0.42
2	TEXAS	\$2.25	27	COLORADO	\$0.40
3	FLORIDA	\$1.35	28	IOWA	\$0.36
4	NEW YORK	\$1.12	29	MISSISSIPPI	\$0.35
5	PENNSYLVANIA	\$1.03	30	ARKANSAS	\$0.35
6	OHIO	\$0.94	31	KANSAS	\$0.35
7	ILLINOIS	\$0.94	32	OREGON	\$0.33
8	GEORGIA	\$0.93	33	CONNECTICUT	\$0.30
9	MICHIGAN	\$0.85	34	NEW MEXICO	\$0.25
10	NORTH CAROLINA	\$0.74	35	NEBRASKA	\$0.24
11	VIRGINIA	\$0.69	36	UTAH	\$0.21
12	INDIANA	\$0.66	37	MONTANA	\$0.21
13	NEW JERSEY	\$0.65	38	WEST VIRGINIA	\$0.21
14	MISSOURI	\$0.64	39	NEVADA	\$0.20
15	TENNESSEE	\$0.57	40	SOUTH DAKOTA	\$0.18
16	WISCONSIN	\$0.53	41	IDAHO	\$0.18
17	ARIZONA	\$0.52	42	ALASKA	\$0.18
18	ALABAMA	\$0.51	43	NORTH DAKOTA	\$0.17
19	MINNESOTA	\$0.50	44	WYOMING	\$0.16
20	WASHINGTON	\$0.49	45	RHODE ISLAND	\$0.14
21	OKLAHOMA	\$0.46	46	MAINE	\$0.13
22	SOUTH CAROLINA	\$0.46	47	NEW HAMPSHIRE	\$0.13
23	MASSACHUSETTS	\$0.44	48	VERMONT	\$0.13
24	MARYLAND	\$0.43	49	HAWAII	\$0.13
25	LOUISIANA	\$0.43	50	DELAWARE	\$0.12
			DISTRICT OF COLUMBIA		\$0.12
Top 25 Total		\$20.70	Bottom 25 Total		\$5.96
% of Total Highway & Bridges		77.6%	% of Total Highway & Bridges		22.4%



California will receive the largest amount of funds. The main Metropolitan Statistical Areas (MSA) in California will receive \$609 million for highway and bridge enhancements.

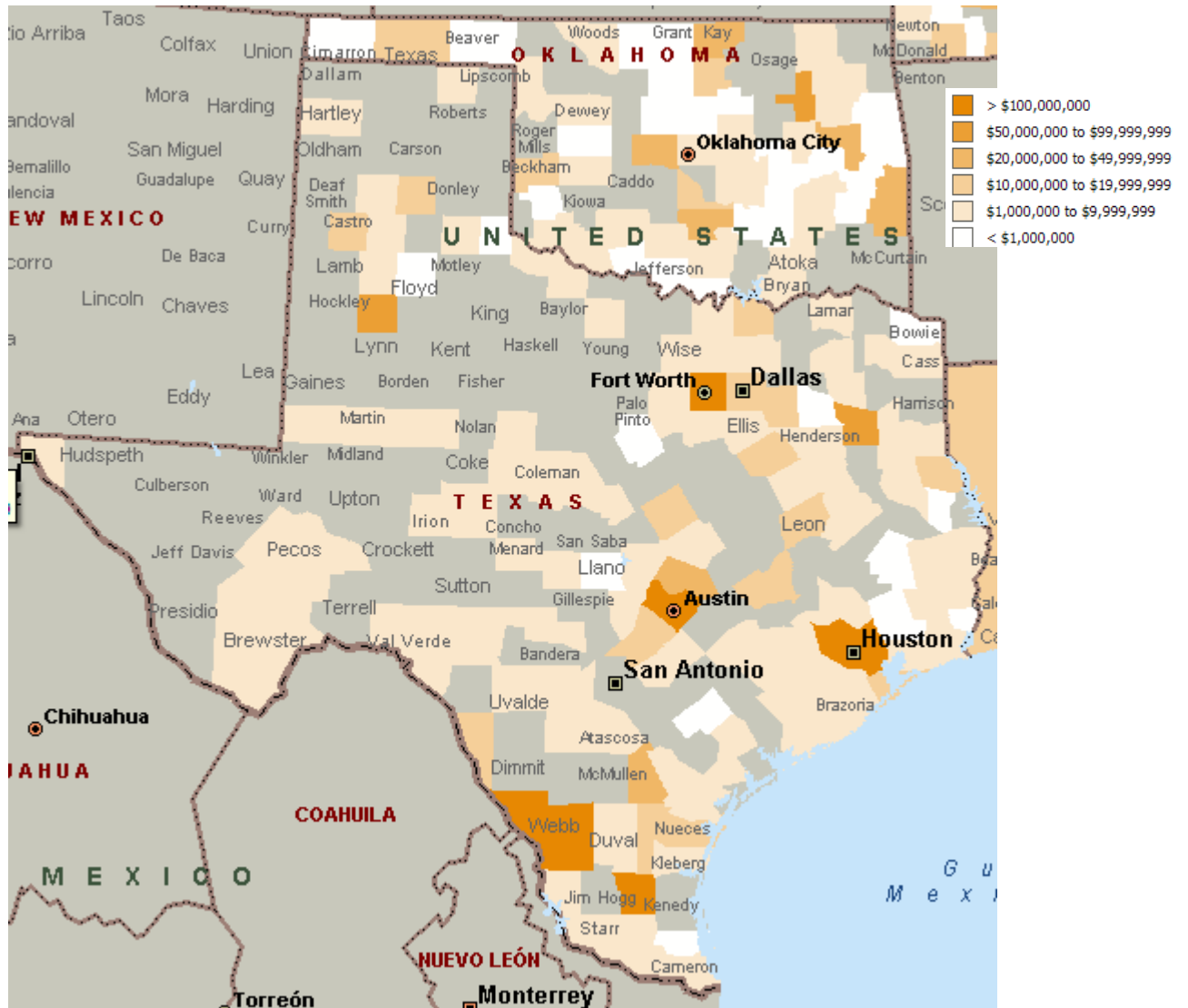
BMG is researching the amount of highway and bridge funds that are going into the counties in the top 25 states.

State	MSA	Funds
California	Antioch	\$4,952,061
	Bakersfield	\$9,015,241
	Concord	\$12,576,936
	Fresno	\$12,629,258
	Indio--Cathedral City--Palm Springs	\$5,800,160
	Lancaster—Palmdale	\$5,997,613
	Los Angeles--Long Beach--Santa Ana	\$268,311,943
	Mission Viejo	\$12,130,663
	Modesto	\$7,076,666
	Oxnard	\$7,683,091
	Riverside—San Bernardino	\$34,292,987
	Sacramento	\$31,714,031
	San Diego	\$60,866,357
	San Francisco—Oakland	\$73,478,454
	San Jose	\$35,009,791
	Santa Rosa	\$6,495,480
	Stockton	\$7,132,356
Temecula—Murrieta	\$5,230,148	
Thousand Oaks	\$4,801,832	
Victorville—Hesperia—Apple Valley	\$4,561,638	
Total		\$609,756,706

Each state must publish information on where their money will be spent. All states are using different methods to identify the projects that will be completed as part of the Recovery Act. States are also allocating the mandatory/available funds and the funds by population center at different rates.

BMG is currently mapping the funds that have been identified. For some states this is as much as 80% of their total funds, while others have only identified 35 to 40% of the mandatory funds that need to be allocated in the next 120 days.

Below is an example of the way the funds are being allocated in Texas and Oklahoma.



B. HIGH SPEED RAIL - \$8.0 BILLION

- \$8 billion for discretionary grants for intercity and high-speed passenger rail
- 60 days for strategic plan development and 120 days for guideline development
- All funds expire September 30, 2012



On April 16, 2009, President Barack Obama announced at least \$13 billion to enhance passenger rail service as an alternative to clogged highways and overcrowded airports. This is a combination of the \$8.0 billion grant program as part of the Recovery Act and an additional \$5.0 billion over the next five years.

The proposed high speed rail projects include:

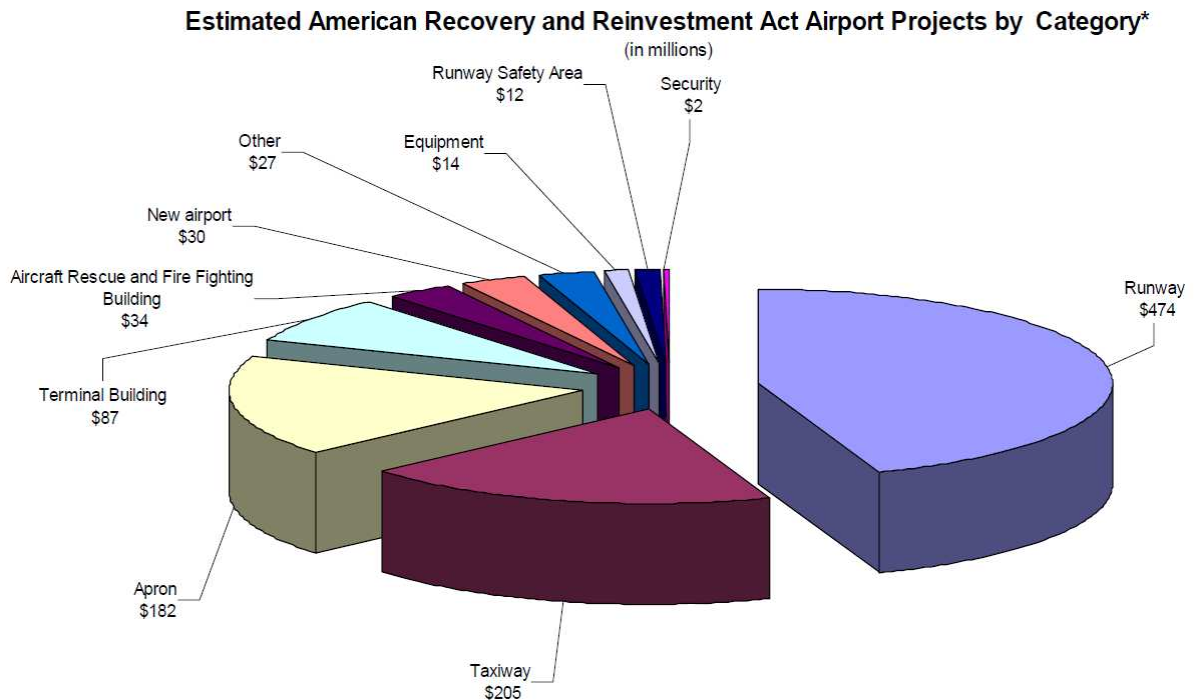
Name	Cities Included
California corridor	Bay Area, Sacramento, Los Angeles, San Diego
Pacific Northwest corridor	Eugene, Portland, Tacoma, Seattle, Vancouver British Columbia
South Central corridor	Tulsa, Oklahoma City, Dallas/Fort Worth, Austin, San Antonio, Little Rock
Gulf Coast corridor	Houston, New Orleans, Mobile, Birmingham, Atlanta
Chicago corridor	Chicago, Milwaukee, Twin Cities, St. Louis, Kansas City, Detroit, Toledo, Cleveland, Columbus, Cincinnati, Indianapolis, Louisville
Florida corridor	Orlando, Tampa, Miami
Southeast corridor	Washington, Richmond, Raleigh, Charlotte, Atlanta, Macon, Columbia, Savannah, Jacksonville
Keystone corridor	Philadelphia, Harrisburg, Pittsburgh
Empire corridor	New York City, Albany, Buffalo
Northern New England corridor	Boston, Montreal, Portland, Springfield, New Haven, Albany

C. MASS TRANSIT - \$6.9 BILLION

- \$6.9 billion for capital projects, distributed by statutory formula

D. OTHER TRANSPORTATION - \$6.9 BILLION

- Aviation - \$1.3 Billion
 - \$1.1 billion for airport improvement projects, discretionary grants from FAA
 - \$200 million for FAA facilities and equipment



- Passenger Rail - \$1.3 Billion
 - \$850 million to Amtrak for capital improvements
 - \$450 million to Amtrak for security enhancements
- National Surface Transportation System - \$1.5 Billion
 - \$1.5 billion in discretionary grants by Department of Transportation for highways, bridges, transit, passenger and freight rail, ports and intermodal connectors
 - Minimum grant amount of \$20 million, maximum grant amount of \$300 million
- Additional Projects - \$2.8 Billion
 - \$750 million for heavy rail modernization, distributed by statutory formula
 - \$750 million for New Starts program discretionary grants from FTA



- 50% of the formula funds must be obligated by states/local transit agencies within 180 days; the balance to be obligated within one year

ADDITIONAL COMPONENTS OF THE RECOVERY ACT

As mentioned earlier, BMG has spent most of its time and resources understanding the transportation infrastructure sector because of its size and how quickly the funds are being released.

BMG has some information on the other sectors and is continually researching them so we can understand the effect it will have on equipment manufacturers. Below is a brief overview of these sectors.

WATER & ENVIRONMENT INFRASTRUCTURE – \$21.4 BILLION

Water & Environmental Infrastructure	
CLEAN WATER	\$7.4 billion
Clean Water State Revolving Fund (SRF)	\$4.0 billion
Drinking Water State Revolving Fund (SRF)	\$2.0 billion
Rural Water and Waste Disposal	\$1.4 billion
WATER RESOURCES	\$6.2 billion
Corps of Engineers	\$4.6 billion
Bureau of Reclamation	\$1.0 billion
Watershed Infrastructure	\$340 million
International Boundary and Water Commission	\$220 million
ENVIROMENTAL CLEANUP	\$7.8 billion
Nuclear Waste Cleanup	\$6.0 billion
NOAA Environmental Research and Infrastructure	\$830 million
Superfund Hazardous Waste Cleanup	\$700 million
Leaking Underground Storage Tanks	\$200 million
Brownfields Cleanup	\$100 million
Subtotal	\$21.4 billion



BUILDING INFRASTRUCTURE – \$38.4 BILLION

Building Infrastructure	
SCHOOL CONSTRUCTION	Based on grants, \$0 to \$8.8 billion
K-12 Schools	\$8.8 billion
Higher Education Facilities	see above
HOUSING FACILITIES	\$8.0 billion
Public Housing Capital Fund	\$4.0 billion
HOME Investment Partnerships	\$2.3 billion
Community Development Block Grants	\$1.0 billion
Native American Housing Block Grants	\$510 million
Rural Community Facilities	\$130 million
Lead Paint Removal	\$100 million
OTHER FACILITIES	\$7.7 billion
Community Health Centers	\$2.0 billion
National Park Service Maintenance and Construction	\$750 million
Ports of Entry Construction	\$700 million
Forest Service Maintenance and Facilities	\$650 million
Social Security Administration Facilities	\$500 million
Bureau of Indian Affairs Facilities	\$500 million
Indian Health Service Facilities	\$500 million
National Science Foundation Facilities	\$400 million
Bureau of Land Management Maintenance and Construction	\$320 million
FEMA Infrastructure Grants	\$300 million
U.S. Fish and Wildlife Maintenance and Construction	\$280 million
Firefighter Fire Station Construction	\$210 million
USDA Facilities	\$200 million
DHS Headquarters Consolidation	\$200 million
U.S. Geological Survey Facilities	\$140 million
State Department Facilities	\$90 million
DEPARTMENT OF DEFENSE	\$7.0 billion
Operations and Maintenance	\$4.2 billion
Military Construction	\$2.8 billion
DEPARTMENT OF DEFENSE	\$5.6 billion
GSA Federal Buildings and Facilities	\$5.6 billion
VA CONSTRUCTION	\$1.2 billion
VA Medical Facilities	\$1.0 billion
National Cemetery Administration	\$50 million
State Extended Care Facilities	\$150 million
Subtotal	\$38.3 billion



ENERGY & TECHNOLOGY – \$29.8 BILLION

Energy & Technology	
Electricity Grid	\$11 billion
State and Local Government Energy Grants	\$6.3 billion
Weatherization Assistance Program	\$5.0 billion
Broadband Technology Opportunities Program	\$4.7 billion
Rural Broadband Infrastructure	\$2.5 billion
Diesel Emissions Reduction	\$300 million
Subtotal	\$29.8 billion



SOURCES

BMG used many sources to gather this data. The majority of information came from the following sources.

- Government Web Sites
- State DOT and Stimulus Web Sites
- National & Regional Newspapers, Including:
 - Wall Street Journal
 - USA Today
- Industry Associations
 - Association Of Equipment Manufacturers
 - Association of Equipment Dealers
 - Associated General Contractor Association
- Industry Publications, Including:
 - Engineering News Record
 - Equipment World
 - Better Roads