



Statement by  
MARK A. CASSO, ESQ.  
President  
CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)  
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## **Introduction**

America's great success and progress is a direct result of its indomitable spirit and entrepreneurial aspirations coupled with its diverse and ubiquitous private sector economic engine. Putting this spirit and energy to work for the federal/ state/local government's program goals is sound public policy!

Even in these difficult economic times, President Eisenhower's powerful, yet simple statement of public policy remains as true today (if not more so) as it did some 50 years ago: *"The government should not compete with its citizens. The competitive enterprise system, characterized by individual freedom and initiative, is the primary source of national economic strength. In recognition of this principle, it has been and continues to be the general policy of the government to rely on commercial sources to supply the products and services the government needs."* [Bureau of the Budget, Bulletin 55-4].

Government *should* rely on the diverse and teeming private sector to deliver on a myriad of program needs and services. There is no reason to "reinvent the wheel," or hire, train, and employ countless government workers to only then have to provide for their gainful employment and eventual retirement when numerous private sector businesses (most of them small) are ready, willing, and able to fill those requirements.

Putting aside the omni-present studies and less than persuasive price competitions now being conducted under A-76, it is simple common sense to conclude: one is greatly advantaged to only pay for services when a need arises and to only bare that cost as long as it is necessary. In the private sector it is called "core competency." If this fact was not so, then every private sector firm would look like the federal government (large, bureaucratic, wasteful, redundant, and over budget!)

To be certain, the relationship between the private sector and the government rests upon a proper balance, a partnership if you will, that takes into account the inherent nature of the work, management of the contracted services, and a final accounting of the product. When handled properly – the taxpayer is the ultimate winner.

To quote a recent President, elections "have not reversed the laws of economics." Government does best when it concentrates on the matters it is inherently and uniquely responsible for while utilizing America's vast business assets for everything else.

## **The Design/Construction Community**

Government "in-house" competition as it relates to the design/construction community (i.e. industry) can be summarized by the following elements:

- The Design/Construction industry is labor intensive (and will remain so in the foreseeable future) with little off-shore outsourcing for design work, and none in terms of construction labor.

- The recent financial/economic turmoil has put severe stresses on the private sector in the Design/Construction industry.
- The market has both been SHRINKING and SHIFTING:

SHRINKING: From a high in the spring 2006 of \$1.2 Trillion to the current level (based on the most recent figures in Nov. '09) of \$900 Billion: [**A decrease of \$300B or 25%**].

SHIFTING: The market sectors when divided between Private vs. Public has traditionally (over the past 25-40 yrs) been approximately 80%-20% (Private to Public spending). **Today, that mix is 64.5%-35.5% (Private to Public spending)** and growing ever more public sector oriented.

IMPACT: The results of these two major market trends are high unemployment levels for both union and non-union households (running at more than twice the national average – at 22.7% [or 2.04 million, Dec. '09] in the design/construction industry); AND

With the shift to Public project spending, greater intrusion of regulations, taxation, and government “in-house” competition will drive the markets and determine who gets the work.

### **Consequences**

Why should the taxpayer (i.e. the American public) care whether a private sector worker or a government bureaucrat does the design work?

- Innovation: The private sector has a wide array of project experiences and approaches driven by innovation, creativity, use of new or alternative materials, means, and methods – all in the search for competitive edge;
- Competition: The private sector must compete every day for project contracts – through improved management and labor techniques that spur quality and efficiencies;
- Productivity: The private sector is rewarded for its bottom line productivity resulting in cost savings;
- Costs: The overall benefit to the taxpayer through a process whereby the private sector provides the services to meet public needs is manifested in the best quality for a competitive price.

### **Conclusion**

The Design/Construction industry has been a strong symbiotic partner with government since the beginning of the Republic – now more than ever the government should rely on this industry for its infrastructure related needs.

*CIRT is a national business trade association composed of 100 CEOs from the leading architectural, engineering, and construction companies doing business in the United States; these firms' activities include billions of dollars in both public and private infrastructure projects that improve the quality of life for all Americans. For more information on this and other issues affecting the design and construction industry, check out: [www.cirt.org](http://www.cirt.org)*