

# Meeting Report



Construction Industry  
Round Table

## 2015 Spring Meeting — Washington, DC

More than a hundred chief executives, including 92 CIRT members, gathered in Washington, DC for what was a high-spirited meeting that provided an opportunity for forward-thinking; sharing of best practices and lots of networking! Read on to get a sense of all that occurred.

### Charles Krauthammer Keynotes CIRT Spring Meeting — Shares Personal, Humorous Stories

Pulitzer Prize-winning columnist and commentator **Charles Krauthammer** drew applause and laughter during his keynote address to CIRT members and guests.

Krauthammer touched on both political and personal issues and he spoke about the Obama administration's domestic and foreign policy.

"Trust of our friends and respect of our enemies is at its lowest ebb," Krauthammer said.

Krauthammer's words served as an inspiration to the CIRT members whose companies face challenges in the highly regulated design and construction industry every day. Krauthammer overcame the challenges of a diving accident that left him paralyzed to practice medicine and become a chief resident in psychiatry at Massachusetts General Hospital. He was also a speech writer for Vice President Walter Mondale before going into journalism. In the early 1980s, he started contributing political articles to national publications and in 2006 the Financial Times named Krauthammer as the most influential commentator in America.



Charles Krauthammer addresses the CIRT members.

### Construction in an Intangible Economy: Economic Outlook



"The consensus economic outlook is straightforward — which doesn't mean that it's right!" were the opening words of Dr. Michael Mandel, Chief Economic Strategist at the Progressive Policy Institute. Taking the members through a series of slides and charts, Mandel talked about the slowing productivity growth saying that the U.S. is far more sluggish than the European countries on this front. "It is evident that the U.S. needs more investment, more pro-growth" stated Mandel, and noted that Manufacturing, Transportation, and Mining are the leaders in terms of real investment at this time.

With regards to his baseline economic outlook, Mandel told the members that moderate, but stable economic growth will occur as far as the eye can see; as will be slow wage growth; low interest rates and low inflation. "However," Mandel exclaimed, "there will be a global shift to intangibles; technological innovation is driving growth; and the job growth will be extremely concentrated." Mandel noted that three states account for all of the private sector growth since 2007 and they are Texas, New York and California.

Mandel described the role of the design and construction community in this "intangible" economy and highlighted several implications. "With technological shifts occurring, this may determine the demand for new construction as the hubs of innovation and job growth will be major metropolitan cities around the world," Mandel said. "Therefore the ability to make these places function and be "livable" is going to require the continued creative solutions that the design and construction community can bring to meet the enormous challenges of these mega-population centers."

## Construction Activity in Today's Energy Market



*W. Chris Daum, President & Senior Managing Director, FMI Capital Advisors*

What a difference a year makes. **Chris Daum** of FMI Capital Advisors presented a detailed and thorough analysis of the state of the Energy Market starting with Supply vs. Demand a year ago, which favored suppliers; to today it favors the owners.

**“Leverage has shifted in favor of owners as they respond to the collapse in oil price,”** said Daum. This has had a widespread effect on the Energy Market including a large number of major capital projects in all stages of development or construction with some slowdowns or deferred; and the forecast of acute shortages of skilled craft labor remains.

Daum went on to describe market facts noting that producers are achieving productivity gains and supply chain cost reductions while cutting exploration and production (drilling) capex. He then spent time explaining the impacts on the construction industry noting that suppliers and contractors to the upstream and midstream oil sector in the Canadian oil sands, U.S. Bakken and Rocky Mountain regions are the most impacted.

**“U.S. energy production has exploded since 2008; rising from 1943 levels to leading the world in total energy production from oil & gas,”** Daum told the members. He then highlighted and described the five themes impacting the construction industry: Revolution; Fragmentation; Standardization; Elevation; and Performance.

Asking the million dollar question: How will the construction industry provide higher quality services in an increasingly regulated industry with rising input costs -- all at lower prices? Daum then went on to offer ways the construction industry is likely to respond to current Energy Sector themes. For a complete copy of Chris Daum's slides and charts, please contact Jane Bonvillain at [jane@cirt.org](mailto:jane@cirt.org).

## The State of the U.S. Infrastructure

**“Our bridges are collapsing, we are running out of time and no one in government gives a damn,”** according to **Barry LePatner, Esq.**, the author of *Too Big to Fail: America's Failing Infrastructure and the Way Forward*. Describing the dismal state that America's roads and bridges are in, LePatner provided an overview of the shocking state of our nation's infrastructure and lamented the inability of Congress to act in a responsible way allowing situations to exist and persist without a national policy.

**“We are not going to see any change in that Congressional gridlock because they will take any funds and put them into new projects but not into critical infrastructure,”** LePatner said.

LePatner also talked about future trends and the enormous impacts this will have on the design / construction industry. **“We are at the 1st inning of a 9 inning game re: advanced technology,”** LePatner said. **“Firms that begin to use existing and emerging technologies will have tremendous advanced productivity; reduce inefficiencies; and great profitability.”**

LePatner encouraged members to talk to their congressmen; to start a grassroots campaign to get the roads and bridges fixed. **“We need to think ahead to what we will leave for our children and grandchildren. Pay attention to the new technologies and new opportunities and demographics that are coming. You will be fulfilling a huge need that exists for the next 30 years,”** LePatner concluded.



## Toward More—Productive Federal Highway Investment

Is increasing fuel taxes the only—or best—way to meet critical highway and bridge investment needs? And what if a fuel-tax increase **doesn't** gain traction? Those were two questions posed by **Robert W. Poole, Jr.**, Director of Transportation Policy at the Reason Foundation, who told the CIRT members that we need to seriously look at alternatives. Talking about where the money goes and how much actually goes for roads and bridges; Poole illustrated that just 6% of the entire \$50.7B FHWA budget goes for major highway and bridge projects. **“Congress' first step should be to set priorities,”** said Poole. For example, which kinds of programs are most important: **safe & modern bridges; inter-modal connectors, or bicycle trails?** **“Fifty billion could produce a lot more bang for the buck in a prioritized program,”** Poole commented. Poole described the two greatest highway investment needs as: (1) Rebuilding and widening the Interstate highway system nationwide; as it wears out [Cost: about \$1 trillion]; and (2) Reducing chronic freeway congestion [Direct cost to highway users: about \$120 billion per year]. **“There is no serious federal program for either of these, however, tolling is a powerful tool for both,”** he said.

*(continued on next page.....)*

## Toward More—Productive Federal Highway Investment, *cont.*

According to Poole, “tolling” can mobilize large sums of money up-front to finance major highway projects; and can provide resources to reduce traffic congestion. Poole amplified on how to address the investment needs: (a) Replace the obsolescing Interstate system with a 2nd generation system, including dedicated truck lanes; and (b) Add networks of Express Toll lanes in the 15 largest metro areas, for serious congestion relief. “Both could be toll-financed and procured as long-term P3 concessions,” he said.

In terms of capital for P3 infrastructure, Poole explained there is no shortage, unlike with the federal program. There are U.S. and global infrastructure investment funds; U.S. and overseas pension funds; and U.S. and global debt markets. Poole pointed out that of the top 30 global infrastructure funds (2014), they have raised \$153B in the previous five years: “Over the past decade, all such funds raised ~\$300B” and at 25% equity / 75% debt, the \$300B will support \$1.2 trillion worth of projects.” When it comes to major pension funds moving into infrastructure, Poole cited Australian and Canadian pension funds as the largest earlier players. Large U.S. pension funds investing include: CalPERS and CalSTRS; NY City Employee Retirement System; State Board of Administration, Florida; Arizona State Retirement System; and Illinois State Board of Investment.

According to Poole, regardless of the outcome with respect to a fuel tax increase, Congress should give states more tools for P3 investment. “Increased tax-exempt revenue bonds; continued TIFIA loan program; and increased tolling flexibility for Interstates,” were among Poole’s list of suggestions.

In conclusion, Poole told the members that toll-financed Interstate replacement and Express Toll Lanes on urban freeways would address America’s two largest surface transportation problems. “Neither change requires new federal spending, so this should be an easy one for Congress; and both simply give states and metro areas new options for better transportation.” If you would like to get a copy of Poole’s slides, please send an email to jane@cirt.org.

## CIRT Elects Tom Gilbane as Chairman



*CIRT Chairman  
Tom Gilbane, Jr.  
Chairman & CEO  
Gilbane Building Co..*

During the Spring Meeting, Thomas F. Gilbane, Jr, Chairman & CEO of Gilbane Building Co. was elected as Chairman of the organization for a term of one year succeeding Patricia “Pat” Rodgers.

Commenting on his election, Gilbane said “I am proud of the progress CIRT has made to positively impact the design and construction industry globally. I look forward to leading our dedicated members to achieve CIRT’s strategic mission while collaborating with my peers on the challenges we all face today in our own organizations and the industry as a whole.”

Gilbane is Chairman & CEO of the Gilbane Building Companies. Gilbane provides a full slate of construction and facilities-related services – from pre-construction planning and integrated consulting capabilities to comprehensive construction management, close-out and facility management services – for clients across various markets. Founded in 1873 and still a privately held, family-owned company, Gilbane has more than 50 office locations around the world. For more information, visit [www.gilbaneco.com](http://www.gilbaneco.com).

Reflecting on Gilbane’s election to the Chair, CIRT President Mark A. Casso noted “Tom represents the very best the design/construction industry has to offer; he gives back generously to our community and to his colleagues, embracing volunteer tasks and assignments without hesitation. His can-do spirit, sense of opportunism, and positive disposition make him a true joy to work with and to be around. I look forward to spending time with him in the coming year as Chairman.”

At CIRT’s Membership Meeting, the following members were also elected as officers:

- **Ralph Hawkins**, FAIA, FACHA, LEED AP, Chairman of **HKS, Inc.**, Dallas, TX as Vice Chairman;
- **Wayne A. Drinkward**, Chairman & CEO of **Hoffman Corporation**, Portland, OR as Treasurer; and
- **Pat Rodgers**, President & CEO of **Rodgers Builders Inc.**, Charlotte, NC will continue on the ExCom as Immediate Past Chairman.

In addition to the executive committee elections, CIRT also welcomed the following four industry leaders as new directors who will serve on the board through 2018:

- **Thomas M. Keckels**, President & CEO, **Messer Construction**, Cincinnati, OH
- **Deryl McKissack**, P.E., PMP, CEO & President, **McKissack & McKissack**, Washington, DC
- **Herb Morgan**, Senior Vice President – Infrastructure, **FLUOR**, Richmond, VA
- **Wassim Selman**, PH.D., P.E., President, U.S. Infrastructure, **ARCADIS**, Atlanta, GA

Outgoing directors include **Paul A. Franzen**, President, **Barnard Construction Co.**; **Gilberto Neves**, President & CEO, **Odebrecht Construction**; and **William C. Siegel**, P.E., CEO, **Kleinfelder Group**; and **Tom Sorley**, Chairman & CEO, **Rosendin Electric**.

“CIRT is fortunate to have a dedicated board of such highly regarded industry professionals. We offer congratulations to our new officers and directors, and thank all of our current and outgoing directors for their service to CIRT and its members as well as the design / construction industry” says Casso.

### Leading Like Lincoln

Abraham Lincoln's leadership ability has been one of the most discussed qualities of our 16th president. Although many books and articles have been written on the subject of Lincoln as a leader only a few have employed modern leadership theory to analyze and qualify Lincoln's performance. By scrutinizing Lincoln's performance in light of leadership theory—both transactional & transformational — **Charles M. Hubbard, Ph.D.**, Professor of History and Lincoln Historian at Lincoln Memorial University, helped the CIRT members gain additional understanding of his outstanding ability as president.



### Managing the Risk: Protecting the Firm's Name



**Paul Healy**, EVP and Managing Director, moderated a panel discussion of Aon experts on managing risk and opportunities in construction and infrastructure. Paul was joined by:

- **Scott Trethewey**, EVP and Chief Operating Officer of Aon's Construction Services Group, who spoke to incorporating effective risk management and corporate strategy into go / no-go decisions.
- **Rodney Moss**, SVP and Southwest Regional Managing Director of Aon's Construction Services Group, commented on the risks inherent in joint ventures for major project development.

• **Tariq Taherbhai**, Senior Director of Aon Infrastructure Solutions, provided insight into the state of the alternative project delivery (APD) and public-private partnership (P3) marketplace, inclusive of performance security and risk advisory strategies to be implemented throughout the spectrum of these projects - from planning to asset delivery / operations & maintenance.

## Construction Industry Round Table

**CONGRATULATIONS NATIONAL FINALISTS!**

9th Annual CIRT—ACE National Design Competition

1st Place:  
ACE Illinois/Chicago Team 1

2nd Place:  
ACE of Frederick, Maryland

3rd Place:  
ACE North-East Florida, Orange Park H.S./Team Mark-0

For more information, please visit:  
[www.cirt.org](http://www.cirt.org)  
[www.acementor.org](http://www.acementor.org)

Tom Gilbane, Jr. (National Chairman of the ACE Mentor Program) and Charlie Thornton (Founder, ACE Mentor Program) are pictured with students and mentor from the 1st Place team—ACE Illinois/Chicago Team 1.



*CIRT President Mark Casso presented out-going Chairwoman Patricia Rodgers with the Chairman's gift as a special thank you for her time and devotion to CIRT.*

# Member2Member



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*Senator Ron Johnson (R-WI) joined the CIRT members for dinner. Here the Senator is pictured with Trent Nevill (Johnson Controls, Inc.) and his wife, Mitzi.*



*Jeff Levy (RailWorks Corp.) and Gilberto Neves (Odebrecht) enjoying the reception time.*



*Charlie Bacon (Limbach) talks about "Safety Week 2015".*

## New Members & Guests

CIRT conferences provide a place where members can deal exclusively with other chief executives in a setting that is conducive to the exchange of timely information while being relaxed enough to build personal contacts. We were very pleased to have the following new members and guests join us:

### New Members

- ◆ Mike Carroll, President & CEO, CHA Companies
- ◆ Trent Nevill, Vice President & General Manager for Systems & Services in North America, Johnson Controls, Inc.
- ◆ Greg Kelly, U.S. President & CEO, WSP | Parsons Brinckerhoff

### First-Time Attendees / Guests:

- ◆ Grant Beck, CEO & President, Graham Group, Ltd.
- ◆ Kenneth Burk, Sr. VP of Project Delivery, Jacobs Engineering Group
- ◆ Bill Massey, President, Performance Contracting Group
- ◆ Mike McKelvy, President & COO, Gilbane Building Company
- ◆ David Oneglia, President, O&G Industries
- ◆ Gene Postma, COO, API Group
- ◆ John Rakolta, III, Senior Vice President, Walbridge
- ◆ Victor Sanvido, Senior Vice President, Southland Industries
- ◆ Jiri Vitek, Bridges & Structures Segment Leader, David Evans and Associates
- ◆ Mike Whelan, Building Division President, The Walsh Group

### SAVE THE DATE:

Oct. 26—28, 2015

CIRT Fall Conference  
San Antonio, TX

### PLEASE NOTE:

CIRT's Association Legal Policy and the current Form 990 are available on the CIRT website in the [Members Only](#) section. You must log-in using your email and password to access the information.



*Tom Gilbane (Gilbane Building Co.) with John Rakolta, III (Walbridge) who was attending his first CIRT meeting.*