

Rising material costs, labor shortages delaying road construction in Florida

South Florida Sun-Sentinel

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Associated Press

April 9, 2006

The cost of building roads has gotten so high, even dirt isn't cheap. And that spike is causing Florida and other states to delay the construction of highways, increasing traffic congestion.

Engineers say reconstruction from the eight hurricanes that have hit the United States since 2004 combined with a population boom in Florida and elsewhere is forcing road builders to compete with construction companies for workers, material and equipment. Surging fuel prices, China's insatiable demand for concrete and steel and the reconstruction of Iraq are also pushing U.S. road construction costs higher.

"It's certainly been challenging. We plan for cost increases but this has been a situation that a lot of events have come together all at one time," said Lowell Clary of the Florida Department of Transportation.

Until 2004, national highway material costs were steady, with a 12-year average increase of only 1.8 percent, according to the Bureau of Labor Statistics. Now they're rising nationwide.

In Florida, concrete is up 32.8 percent a unit, from \$564 in 2004 to \$749 last year. Prices for reinforced steel and asphalt have also jumped, according to the Florida Department of Transportation. Even a cubic yard of dirt or 'earthwork' cost \$7.24 on average in 2005, up 65.3 percent from \$4.38 in 2004.

Florida has about 8,000 projects in various stages in its five-year work program, but was forced to defer 62 of them when its highway budget came up short about \$1 billion, Clary said.

Seven projects were deferred in booming Miami-Dade County, totaling \$140.6 million. Ricky Leme often sits in bumper to bumper traffic in an area where one of the projects has been postponed. He said delaying the work will only increase congestion.

"They should get on it now," said Leme, a process server. "This is screwing up everybody's work. Right now it's taking about a half hour to get to the freeway." With an extra \$3 billion to \$4 billion from tax revenues pouring in this year, lobbyists at Floridians for Better Transportation are pushing for an additional \$1 billion to be earmarked for transportation. The group was created by the Florida Chamber of Commerce and the Florida Council of 100, a pro-business organization.

"It seems to be a fairly commonsense objective in my book," said Doug Callaway, the group's president. "(Florida's) progress is inextricably linked to transportation projects."

Florida seems to have taken the brunt of the surging prices. About 1,000 new residents are moving to the state every day, clogging up traffic at rates that outpace Texas and California, Callaway said.

But the problem has also prompted transportation officials elsewhere to consider new ways to cut costs, including better ways to court contractors as the number bidding on jobs has plummeted. Fewer bids means higher prices.

In Alaska, a road project that was expected to cost \$6 million had only one bid, which came in at \$10 million. Only two contractors bid on Washington's State Road 543 project in January, said Kevin Dayton, construction engineer for the Washington Department of Transportation. The lowest bid was \$5 million over the engineer's estimate of \$22.3 million.

To help lure more bids, Washington created a Cost Reduction Incentive Proposal, which gives contractors a portion of the savings for coming up with creative ideas that reduce costs without compromising quality, Dayton said. Washington hasn't had to defer any projects because of rising costs, but if the cost trends continue, Dayton said there's always a possibility.

"Ultimately, you can't pay more for a product consistently and not wind up with reduced scope, delayed projects, canceled projects or needing additional revenue," he said.

California officials are also doing everything they can to woo contractors, in an attempt to be the "customer of choice" for contractors who are also in high demand in the Gulf Coast, China and Iraq.

"We're doing the things we believe we can reasonably accomplish. If the Asian market keeps going the way it is, there's not a lot of control we have over that, but we can try to make ourselves more competitive against the limited resources," said Ross Chittenden, chief of transportation programming for the California Transportation Authority.

California authorities received an extra \$2.4 billion this year to keep up with the demand. Despite the increase, "we will have to defer projects in coming fiscal years because of rising costs," said Rick Land, the department's chief engineer.

Hurricane clean up along the Gulf Coast has made it more difficult and costly to hire laborers. Consequently, contract bids are coming in well over the estimates, said David Graham, director of construction for the Georgia Department of Transportation. Georgia deferred 84 projects of 476 in 2005 and expects a similar scenario this year, Graham said.

"Equipment operators, truck drivers and laborers are getting tougher to find," he said. Georgia authorities plan to start recruiting contractors from other states, in hopes of getting more competitive bids. They're also considering splitting up big jobs, giving smaller contractors a piece of the pie.

Finding laborers to transport road-building materials also has officials wringing their hands in hurricane-ravaged Mississippi, where beached barges litter the coastline. "The rails charge exorbitant prices to haul material in. They're charging more than the material costs to bring it in," said Richard Sheffield of the Mississippi Department of Transportation. "And there aren't any barges. If they're not beached, they're in use somewhere else."

He attended a meeting last month where Florida officials volunteered ways to assuage transportation woes. Using more flexible engineering designs, doing their own excavations from rock quarries and developing a work force study to expand the labor force, are among the suggestions Department of Transportation Secretary Denver Stutler will present to the legislature in a formal report.

"So often the government is asked to work as a business, but no business would build an expansion in five years if it was going to cost twice as much," Stutler said.

Associated Press Writer David Fischer contributed to this report from Miami.