THE HIGHWAY INDUSTRY'S POTENTIAL—ITS RELATION TO THE THREE YEAR PROGRAM

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First—What is the Highway Industry?
I am inclined to think as number one— the contractor; but the contractor is only one link in a chain, which, as you all know, is only as strong as its weakest element.

The contractor is the final link—entirely dependent upon others. These others include the suppliers of materials, the suppliers of equipment—trucks, railroad cars, etc.

Most of the materials come from outside the borders of Kentucky and to some extent Kentucky will be in competition with other states for its requirements.

It would be difficult indeed to predict with any degree of accuracy that one year, or two years, from now there will or will not be a sufficient supply of this or that material, particularly those originating from outside the borders of our state.

In the first place we do not know what to expect—get me straight on this—I do not say it critically of the Highway Department—but I do want to make it clear there is going to be a vastly greater need of advanced planning with information released for all to know what is in the cards for the coming years.

The contractor, the equipment manufacturer and the material supplier must have this information if there is to be continuity in the lines of supply.

During recent months, far more information of this nature has been made available than the "Hand to Mouth" existence we have had to depend on in the past. This is most surely a step in the right direction but many more such steps are necessary.

Lettings should be programmed at least one year in advance.

Both you and I know it is not humanly possible to "hit on the nose" all the projects set up in a year's program of lettings, but the target is there to shoot at—to help everyone with their planning.

Three to five years advance general planning of projects will be needed to permit the proper coordination of all phases of the industry. It has been good in recent months to hear Dr. Martin, our Commissioner of Highways, talk in these terms about advance planning—More Power to him.

I have been asked by many contractors for details about the bituminous re-surfacing program for this year. All I know is, that I have heard there will be somewhere between $3 and $4 million put into this—but where and when? The contractor, the asphalt producer, the aggregate producer should have more information than is now available to properly plan for this work.

If I don't watch out this is going to turn into a gripe session for me—so let's get back to the subject at hand—THE HIGHWAY INDUSTRY POTENTIAL.

Materials first:—

Steel—I quote from a January, 1958, report of the American Institute of Steel Construction—"A REPORT FOR ARCHITECTS AND ENGINEERS"—

"Structural steel is now readily available, and building steel in 1958 can be delivered promptly and when required.

"This sharp improvement in the delivery situation, evident during the past few months, stems from two important factors:

"A 20% increase in the shipments of plain material to structural steel fabricating plants, and sizeable expansion capacity of the steel fabricating industry.
"The STEEL PRODUCING COMPANIES HAVE BEEN ENGAGED IN ONE OF THE GREATEST EXPANSION PROGRAMS IN THE HISTORY OF THE INDUSTRY. They have spent an average of nearly one billion dollars a year on plant expansion during the past six years.

"Bethlehem Steel Company is now able to roll at least 800,000 more tons of structural shapes annually than they produced in 1956.

"In 1957, for the first time in the company's history, Inland Steel Company began producing wide-flange shapes. Now rolling at an annual rate of 300,000 tons, the company plans to double that amount in 1958.

United States Steel Corporation is completing modernization of its rolling mills and other finishing processes which will enable them to appreciably increase their output of structural shapes during 1958.

Other producers, namely Kaiser Steel and Jones and Laughlin, are likewise stepping up their structural capacities.

THE STRUCTURAL STEEL FABRICATING INDUSTRY HAS GREATLY INCREASED ITS MANPOWER AS WELL AS ITS CAPACITY DURING THE PAST FEW YEARS AND CONTINUED GROWTH IS EXPECTED.

CEMENT—There are thirteen cement companies shipping into Kentucky from eighteen mills. At my request for information, replies have been received from thirteen companies. The following excerpts are quoted from letters from companies with substantial shipments into Kentucky:—

"Frankly, we are going to be in an embarrassing position if the highway program doesn't develop rapidly and at the same time take tremendous quantities of cement. We need business and you need have no fears, in my opinion, as far as the availability of cement for any program, regardless of size, that Kentucky or nearby states can undertake.

"We see no difficulty in cement being supplied to take care of whatever the program brings forth. This statement is made with the realization that there will be a great deal more cement used than has been used yearly for a number of years, but with the increased production of not only our own mill, but the mills surrounding the state on all sides, the supply will be ample."

"All cement companies in Kentucky, Ohio and Indiana have expanded their production in the past few years, and it is the general opinion of the cement industry that we are in a position to serve the needs of the coming highway programs."

"For our own part we believe our present and planned capacity will be more than enough to handle any orders that are tendered to us when the expanded program gets into full swing."

"In fact, frankly, we think we face a long period of time when we must aggressively solicit every potential order if we are to operate at satisfactory rates of capacity."

For the cement industry as a whole, its capacity as of December 31, 1957, was 364,000,000 barrels. Shipments in 1957 were 289,000,000 barrels which is less than 80% of capacity. Production in 1957 was 297,000,000 barrels.

OTHER MATERIALS—(1) Reinforced concrete pipe; (2) Corrugated metal pipe; (3) lumber; (4) Timber products; (5) Clay products; (6) Petroleum products; (7) Explosives.

The American Road Builders Association has for the past three years put in a great deal of study on this material situation. Their Task Force No. 2—MATERIAL AND SUPPLIES—On February 25, 1958, made its second report to the United States Senate Subcommittee on Roads. Their report had the following to say relating to the availability of "Other materials"—

"... not only are ample quantities available for the current program, but there are over-supplies or production capacity to more than double the demands of the 1957 highway contract construction program . . .""

AGGREGATES—This brings us closer to home, as practically all the aggregates used in highway construction in Kentucky are produced within our own
A survey of the Crushed Limestone industry made since January 1, 1958, shows an estimated capacity production, using the existing plants, of 29,257,000 tons annually. According to producers this production could be increased, by improvements to present plants, by about 40% or to a total of slightly over 41,000,000 tons.

The Highway Department's estimate of aggregates required for the next three years range from 7 to 10 million tons annually.

That is, the present capacity is approximately three times greater than the estimated requirements.

As I see it, the only difficulty with respect to aggregates is that of distribution—We do not have limestone in all areas of Kentucky. There must certainly is no fear of any shortage.

SAND—A recent survey of 25 producing sand companies serving Kentucky shows a total daily production for one 8-hour shift of 55,000 tons, which could be doubled with a two-shift operation. The sand industry foresees no difficulty in servicing the stepped-up highway needs with their normal production operation.

EQUIPMENT—In 1956 it was estimated that available equipment was capable of supporting an annual highway construction volume of $5.8 billion. Now we believe the available equipment could reasonably support an annual contract construction program of $7.0 billion. This is 52% greater than the expected level of $4.6 billion to be put in place in 1958.

A recent survey of representative construction machinery manufacturers, covering all segments of the industry, disclosed they have, on the basis of their anticipated sales volume, scheduled their plants to operate at about 60% of capacity during 1958.

Now, the first shall be last, we come to the contracting industry.

The 1957 listing of qualified contractors in Kentucky includes 362 firms from 25 states. This listing has close to 100 material suppliers (bituminous and stone) who are not classed as construction contractors, reducing to around 260 those who do fall in the construction classification. Excluding material suppliers and out of state contractors, the total qualification rating given to Kentucky based contractors, is $315,000,000. The maximum estimated work is $100,000,000 annually.

A questionnaire recently was sent to contractors in an effort to find out just what the capacity was. The questionnaire covered seven major items of highway work. Replies have come in from 115 Kentucky contractors and 12 out-of-state contractors. About one-third have not sent their estimates.

They were asked to estimate conservatively the quantity of work they could perform with their present organization and equipment in one normal construction season. Following is summation of the replies from Kentucky Contractors:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>ESTIMATED VOLUME—ONE SEASON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roadway Excavation</td>
<td>71,986,000 Cy.</td>
</tr>
<tr>
<td>Concrete-Bridge &amp; Culvert</td>
<td>316,200 Cy.</td>
</tr>
<tr>
<td>Structural Steel</td>
<td>23,915 Tons</td>
</tr>
<tr>
<td>Bit. Concrete (Base-Binder-Surf.)</td>
<td>4,715,000 Tons</td>
</tr>
<tr>
<td>Heavy Base Const. (WBMac. DG. Agg.)</td>
<td>6,505,000 Tons</td>
</tr>
<tr>
<td>Cement Concrete Pavement</td>
<td>2,083,000 Sy.</td>
</tr>
<tr>
<td>Road Mix</td>
<td>2,458,500 Tons</td>
</tr>
</tbody>
</table>

The Kentucky Department of Highways estimates its requirements for the next year as follows (Construction and Maintenance):

<table>
<thead>
<tr>
<th>ITEM</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roadway Excavation</td>
<td>45,275,000 Cy.</td>
</tr>
<tr>
<td>Concrete</td>
<td>258,150 Cy.</td>
</tr>
<tr>
<td>Bituminous Materials</td>
<td>60,000,000 Gal.</td>
</tr>
<tr>
<td>Steel</td>
<td>52,780,000 Lbs.</td>
</tr>
<tr>
<td>Aggregates</td>
<td>7,000,000 Tons</td>
</tr>
</tbody>
</table>

47
Nation-wide, highway contractors are operating at about 44% of their capacity.

From the data compiled for Kentucky Contractors, I feel safe in estimating they are operating at a less capacity than the national average and that 35 to 40% would be nearer the capacity figure for Kentucky.

The foregoing certainly indicates the Highway Contracting Industry is in good shape to handle the increased volume of work we hope soon will be here.

I do not mean to imply this to be a guarantee against any and all possible spot shortages. These can be brought about by a concentration of work in given area, a shortage of tank cars, and many other conditions over which the Highway Department or the Industry has no control.

By and large—the Industry is READY, WILLING AND WAITING.