



Statement of Mr. Bob Dagostino  
President and Owner of  
Dagostino Electronic Services

on behalf of the  
National Electrical Contractors Association  
to the Committee on Small Business

U.S. House of Representatives

for a hearing on:

“American Infrastructure and the Small Business  
Perspective”

March 21, 2018

NECA is the voice of the \$160 billion electrical construction industry that brings power, light, and communication technology to buildings and communities across the U.S. NECA's national office, its 4,000 members, and 119 local chapters advance the industry through advocacy, education, research and standards development.

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**President and CEO of Dagostino Electric Services**  
**On behalf of the National Electrical Contractors Association (NECA)**  
**Committee on Small Business**  
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Thank you, Chairman Chabot, Ranking Member Velazquez, and members of the committee for inviting me to testify today at this very important hearing. On behalf of the National Electrical Contractors Association (NECA), we greatly appreciate the opportunity to submit a statement for the record to the House Small Business Committee on "American Infrastructure and the Small Business Perspective." The committee is to be commended for holding this important hearing to better understand how small businesses view the increased conversation around rebuilding America's infrastructure.

My name is Bob Dagostino and I am the owner and president of Dagostino Electronic Services, Inc. (DES). Since founding DES in 1973 in Pittsburgh, Pennsylvania we have grown to more than 100 employees some of which are members of our signatory union partner, the International Brotherhood of Electrical Workers (IBEW). My more than 45 years of service in the electrical industry have given me experiences in a vast array of systems, infrastructure, and federal procurement.

We at DES are proud members of the National Electrical Contractors Association (NECA), where I have had the honor to serve as a board member for the Western Pennsylvania chapter since 2015. NECA is the nationally recognized voice of the \$160 billion electrical construction industry, that brings power, light, and communication technology to buildings and communities across the United States. NECA's nearly 4,000 member contractors continue to build on a legacy of protecting the public and making innovation possible.

**Small Business and America's Infrastructure**

**Our Work and What We Do:**

Our work at DES is as varied as the people who participate in our company. Over the years our family owned business completed projects on everything from installing systems for the National Air and Space Administration to providing electronic solutions for the six-time Super Bowl Champion Pittsburgh Steelers. Our well-trained employees pride themselves on the fact that they are skilled enough to handle anything and everything with a wire running to it. NECA's contractors and their employees hold the same degree of variability in their work, especially as it relates to infrastructure. With 85 percent of NECA's members being small businesses our companies must remain agile and in doing so we touch so much more than just the streetlights that line our way home. We are truly the men and women who work our infrastructure all while empowering lives and communities across our nation.

## **Infrastructure - Surface Transportation and Broadband:**

NECA contractors play a crucial role in the building and maintenance of our transportation system. Our members power our nation's buildings, hospitals, and schools; light our highways and streets; connect transit and rail switches; install complex electrical systems at airports; operate and maintain the plants that keep our water clean, and much more. Unfortunately, a systemic failure to adequately invest in our infrastructure is taking its toll on the system. We must reverse course and properly fund investments in our transportation infrastructure.

We must address the coming insolvency of the Highway Trust fund in 2020. The series of short-term surface transportation extensions and insufficient funding has made it impossible to address the current and future needs of our transportation system. Years of uncertainty have taken its toll and the funding crisis facing the Highway Trust Fund, which is no longer generating sufficient revenue to maintain the needs of the system, compounding the problem. Congress must enact a long-term sustainable revenue source for the Highway Trust Fund that makes the fund whole, and significantly increases our investment in transportation infrastructure. This issue truly affects every sector of our economy and is the construction industry's number one priority.

A growing populace, traffic jams, and high gas prices have lead many commuters to increasingly rely and utilize mass transit. The nation's public transportation systems are owned and operated by state and local governments or governmental agencies, in partnership with the federal government. Currently, there are over 7,700 transit providers operating in the U.S. NECA contractors nationwide provide design support, construction engineering, project management, installation, testing, startup and maintenance for transit systems in heavy rail, light rail, and automated people mover systems. Railroads are experiencing a competitive resurgence as both an energy-efficient freight transportation option and a viable city-to-city passenger service. Since 1980 over \$500 billion in private funding has been invested in our railroad lines without any federal assistance. The U.S. rail network is made up of more than 160,000 miles of track, 76,000 rail bridges, and 800 tunnels across the nation that are shared by all operators moving freight and passengers. NECA contractors perform a variety of work for rail carriers nationwide, including: installing fiber optic communication systems, trolley poles & contact systems, overhead catenaries, rail switches, and switch yard and rail diamond reconstruction.

In addition to these infrastructure types, NECA has long supported the expansion of broadband infrastructure especially in rural areas. While private sector investment in wireline and wireless broadband networks has been laudable, regulatory and permitting restrictions have inhibited further deployment. Nearly 40 percent of Americans living in rural areas lack sufficient access as a result, underserved areas that offer very limited educational and employment opportunities in their communities. Government at every level should promote incentives for additional private investment in digital infrastructure. Broadband technologies enable technological innovation and as we find ourselves in modern information age, broadband technology is key part of infrastructure investment.

## **Preparing Small Businesses for Infrastructure Work: Concerns and Contracts**

While each and every member of NECA and our staff at DES welcome the opportunity to participate in more infrastructure work, the members of this committee must be made aware of the current challenges and concerns we as industry members face. While the challenges of under-funding, lack of prompt payment, and workforce shortages are daunting, we at NECA feel the solutions to each of these problems are within this committee's grasp.

### **Lack of Direct Federal Funding:**

Finding a NECA contractor that is not excited in one form or another with the proposed increase in infrastructure construction would be a challenging task. As businessmen our members welcome the opportunity to rebuild this nation but as citizens we realize that the "D+" rating which the American Council of Engineering Companies (ACEC) gave our nation's infrastructure is justified. As a contractor who has completed work all over this country, I have seen it firsthand.

After decades of underfunding and systematically degrading the structures that have enabled our nations commerce to prosper, we are beginning to see positive signs of reversal. While the recent proposal from the White House is encouraging, NECA continues to have concerns over the lack of direct federal funding for an infrastructure initiative of this magnitude. We must provide more robust funding to address the state of the repair backlog across the transportation network and upgrade the system to expand capacity. This is critical to ensuring the safety and efficiency of the network and will help the flow of goods and people around the country.

An increase in this direct federal spending has clear benefits. Most economic studies show that every \$1 billion in infrastructure investment creates 28,500 direct and indirect jobs, providing our economy and the American taxpayers with a high return on investment. As a contractor that has worked on numerous port authority and water way projects, it is worthwhile to add that investments in this area, particularly in flood reduction can result in an eight-to-one return on federal investment.

The solution to the lack of direct federal spending is clear, Congress should appropriate additional funds for all sectors of infrastructure work. Whether it is through efforts like the passing of a six-year FAA reauthorization or by fully funding the Fixing America's Surface Transportation (FAST) Act of 2015, Congress, and the members of this committee are in a unique position to rebuild our nation.

### **Limited Guidance on Davis Bacon:**

As the conversation regarding infrastructure comes into perspective, there continues to be a distinct lack of direction regarding prevailing wage rates. The Davis-Bacon Act was enacted to establish local wage rates for construction projects receiving federal funding. The Act requires public works contractors to pay trades people no less than the wages that prevail on similar projects within the same region.

Comparable prevailing wage rate legislation has also been adopted by most states for bidding on state and local government projects. Their intent is to reasonably limit the possibility of actors outside of the region from drastically undercutting wages.

There is no denying the competitive nature of the construction industry. With limited opportunities to trim costs on project design or materials, many in the industry are inclined to underbid competitors by cutting wages. Prevailing wage laws ensure workers are fairly compensated for the work they perform.

This act allows the federal government to protect its investment in the infrastructure of our country in a twofold manner. (1) While the Act does not set specific wage rates, it allows the workers of this country to anticipate a rate of pay from which they can provide for their families and prosper. To invest in our nation's infrastructure and portray it as a boon for our economy and workers, and to then short-change the very workers it was lauded to benefit would be a travesty. (2) Secondly, as with any service industry role a well-compensated and well-trained worker consistently out-performs its antithesis. Low-wage, low-skilled workers who have not been trained as well as higher-paid workers, often take longer to complete work, are more vulnerable to job-site accidents, and often need additional government assistance because they cannot adequately provide for their families. Conversely, higher wage earners receive a superior level of training, offer greater productivity, a better end product, and ultimately contribute more to the economy.

As this committee searches to understand the relationship between infrastructure development and small businesses, they should keep in mind that work done well, the first time, by higher skilled tradesmen is the best investment they could make. Congress should ensure the application of Davis Bacon for all federally procured infrastructure projects. In doing so, Congress should deny any efforts to modify, suspend or repeal the Davis-Bacon Act or remove existing prevailing wage law provisions from construction contracts that utilize federal funds or assistance, including financing proposals providing federal assistance to local projects.

### **Limited Guidance on Project Labor Agreements:**

Infrastructure projects, particularly large ones are complex; they tend to require numerous trades, hold varying interests, and wrestle with conflicting scopes of work. Our industry has understood these complexities for decades and have use Project Labor Agreements (PLA) as a method for creating project stability, efficiency and productivity. The collectively bargained agreements are designed to facilitate these complicated construction projects. As this committee continues to investigate the role of small businesses in infrastructure and the expansion thereof, PLAs should be viewed as a beneficial method for mitigating the risks and inconvenience to the public that often accompanies public work projects. They also act as a tool towards ensuring that projects are completed on time, and under budget.

PLAs are not just a 'union tool' nor are they strictly used for large business, (although many Fortune 500 companies regularly utilize them) they are an instrument for small businesses to ensure their companies prosper. They do so by standardizing

work schedules, apprentice-journey level ratios, hours, payment arrangements, and other terms and conditions, providing greater cost efficiencies and stability.

In addition to these benefits, project labor agreements guarantee an available supply of knowledgeable, well-trained workers. This helps ensure that projects are completed on-time and correctly, ultimately saving taxpayer dollars. PLAs often include additional provisions such as: no-strike clauses, provisions for grievances and arbitration of disputes, trade jurisdictional issues, and constructive vehicles such as safety and labor management committees. Other features include, the regular scheduling of second shifts with caps on premium rates, common starting times, lunches for all trades, and hiring preferences for workers based on residency.

The continued use of PLAs on infrastructure work across the country will ensure that the money appropriated by Congress is best utilized towards well-maintained, promptly-completed, and safety-oriented projects. NECA supports the use of PLAs on Federal and Federally-assisted construction and urges Congress to reject all bills or amendments to budget, appropriations, and authorization bills that would limit the ability of a Federal agency to utilize a PLA.

### **Bundling of Contracts:**

Since the 1997 Small Business Act, Congress has implemented and subsequently reformed the process known as 'bundling.' This term is used to describe the Federal governments practice of consolidating smaller contracts into larger ones. While the initial law has been amended numerous times over the decades, it continues to allude its original well-intended purpose of decreasing cost and simplifying the bidding process. Instead, bundled contracts often grow to a point where small business are monetarily incapable of bidding on them.

The original language in the Small Business Act sought to decrease federal costs associated with administrating projects in addition to encouraging greater competition on larger bids. Instead, they have continued to result in a method that excludes small business from participating. The problems associated with bundling stem not only from the financial burden placed on small business to fund such projects but on receiving bonding for such work (without adequate bonding a contractor will not be awarded the work). To make matters worse, if a small contractor is capable of receiving bonding and risks the completing of this job on his company's existence, they run the risk of going out of business because of a program that was originally intended to benefit them.

The solution for this issue is simple, unbundle contracts to the maximum extent practicable. It is a program that has received patchwork fixes for multiple decades only to have its original failings persist. The design and/or project team should break projects into smaller pieces with separate project IDs in order to create stand-alone projects; for larger projects, create mandatory subcontract requirements.

## **Historic Failure to Follow Prompt Payment Law:**

Nearly 3,400 NECA contractors enter the marketplace every day as small business. These hardworking enterprises prosper by continuing to manage the day-to-day risks that come in an industry where the job is always to work yourself out of a job. Meaning that, with construction projects being completed on a timeline, our contractors and their workers continuously work to finish the job they were awarded, thereby ending the task they receive their pay for. A key component in managing such risk comes through analyzing when one will be paid for their work.

Too often in the construction industry our contractors, working as both the prime contractor and the subcontractor, do not receive pay for months. Even with the deadlines imposed by prompt payment laws, small business contractors continue to tell horror stories of not receiving payment for years on end. Small business knowingly assume risk by agreeing to complete work, but they do so under the assumption that they will be paid within a reasonable timeframe. In fact, a recent study by ELECTRI International entitled, "*Addressing Inequitable Payment Practices*," confirmed that payment cycles are indeed slowing down. While all industry participants feel this effect, the study identified that subcontractors, who ironically provide the bulk of the short-term capital, are the actors least capable of altering the current pay practices.

These types of payment practices are the result of regulations and laws without teeth. The same ELECTRI study claimed there was "little evidence that any contract terms incentivized owners and general contractors to pay subcontractors promptly." It is because of this lacking structure that recent trends have indicated that payment practices in the industry are negatively affecting business growth, construction prices, and in some cases have resulted in bankruptcy. The lack of an adequately structured payment process has had a clear ripple effect. Because subcontractors are not able to anticipate payment, they have begun to bid less work, forcing general contractors to bid at a higher price thereby deterring contracting officers. This unintended chain-reaction has begun to undermine our industry as a whole.

To begin the process of rectifying these type of issues, we at NECA encourage members of the committee to continue their support for the Rep. Fitzpatrick, Knight, and Murphy bill, H.R. 2594, the *Small Business Payment for Performance Act* which requires the project owner (in this case the federal government) to submit interim partial payment of at least 50 percent for any require change order work requested. Legislation such as this is needed to address the improper pay practices of the construction industry; practices which will undoubtedly hamper the economic benefits of any future infrastructure plan.

## **Workforce Shortage:**

With markets growing at a strong rate and our economy returning to its pre-2008 levels, the construction industry has seen a clear increase in work. In fact, in many cities across the country work has become so plentiful that our contractors are challenged to finding enough skilled workers to complete the job. The reasons for this shortage are numerous and have been described by thousands of stake holders; who make it clear

that regardless of the issue's origin, if our nation is to adequately address its infrastructure needs the shortage must be addressed.

In response to this shortage, NECA has turned to a 70-year-old partnership that has produced unequivocally the best electricians in our nation's history. Decades ago NECA and the International Brotherhood of Electrical Workers (IBEW) embarked on a joint venture to develop the National Joint Apprenticeship Training Program (NJATC). The newly rechristened "*Electrical Training Alliance*" invests \$100 million in private funds annually in what we believe is the largest and most successful apprenticeship and training program in the nation. Today, there are more than 300 jointly administered local programs that are trust financed.

This program is an organized and time-tested method for taking people with little or no prior knowledge of a craft or trade and turning them into capable, qualified crafts persons. Our program is full-time, paid (with benefits), and includes both on-the-job and classroom learning. Ultimately, the goal is to provide the electrical construction industry with the highest level of training and skilled workforce possible. To accomplish this goal, apprentices receive a required 8,000 hours of on-the-job training and 900 hours of classroom time. Throughout this multiyear education, all electrical apprentices receive incremental raises as they reach certain milestones. They are not a burden to the taxpayers because the training is fully funded by the industry without any taxpayer assistance. Each year, participants in the program contribute in excess of \$600 million dollars in federal, state, and local taxes. Lastly, they also receive retirement plans and medical coverage for themselves and their families that are also provided at no cost to the American taxpayer.

NECA believe that through (1) further encouraging our young people to recognize the opportunities that a job in the trades presents, (2) financially incentivizing young people who chose this route (proposed by Senator Scott under S. 574) and (3) removing any financial or institutional roadblocks for potential entry (see the Rep. Meehan/Norcross bill on 529 reform, H.R. 3395), we can responsibly address the skilled labor shortage. If we neglect to address this issue, we risk hamstringing the growth that has begun to elevate our nation from one of its deepest declines since the great depression.

With that said, addressing our nation's current and future employment needs is critically important to our industry and we believe the existing apprenticeship infrastructure provided by construction trades is a sure-fire bet for success, particularly for small businesses. More important, the program is 100 percent industry designed and funded and is a wheel that does not need to be reinvented.

## **Conclusion:**

As a small business contractor, I am extremely encouraged by this committee's efforts to understand the role of infrastructure projects and the way in which they relate to my business. Although particular issues may vary state-to-state, the overarching themes of funding, contract reform, and workforce shortages can be found nationwide. These issues do not only affect my business in Western Pennsylvania, or



solely the electrical industry; these are issues that affect each-and-every small business contractor and others bidding on government contracts nationwide.

Thank you for the opportunity to testify at this very important hearing. NECA applauds the committee's unwavering efforts to examine the world through the perspectives of small businesses. We are optimistic that this committee remains capable to address the many challenges described above. We continue to offer our support in helping advance the committee's agenda and look forward to working with you all as you move forward in enacting smart and sound policy for the entirety of the construction industry.