



AED Government Affairs Office
1201 15th St., NW
Suite 220
Washington, DC 20005
Telephone: 202-897-8799

The Importance of Domestically Sourced Raw Materials for Infrastructure Projects

Statement of Michael Brennan, President & COO, Bramco, Inc.

**On Behalf of Associated Equipment Distributors
before the U.S. House of Representatives Natural Resources Committee's
Energy and Mineral Resources Subcommittee**

March 21, 2017

Chairman Gosar, Ranking Member Lowenthal, and other distinguished members of this subcommittee, my name is Michael Brennan, and it is my pleasure to appear before you today both as an executive at a construction equipment company directly impacted by the mining sector, and in my capacity as senior vice president of Associated Equipment Distributors (AED) Board of Directors.

I am the president and COO of Bramco Inc., a Louisville, Kentucky-based company employing 450 workers at 14 locations. Bramco's divisions include Power Equipment Co. (locations in Tennessee and Mississippi), Certified Rental (locations in Kentucky, Indiana, Tennessee and Mississippi), Bramco-MPS (locations in Kentucky, Indiana and Tennessee) and Brandeis Machinery & Supply Company (Kentucky and Indiana), for all of which I serve as chief executive officer.

Founded in 1908, we are one of the oldest equipment dealerships in the United States. The company is a fourth-generation, family-owned business and a Komatsu-authorized distributor.

AED is the international trade association representing distributors of construction, mining, energy, forestry, industrial, and agricultural equipment. AED has more than 700 members, ranging in size from small dealerships with one location and a handful of employees to larger companies with thousands of employees and dozens of locations across several states. However, the overwhelming majority of AED's members are small family businesses: AED's average member achieves about \$50 million per year in revenues and employs 80-100 workers.

I appreciate the opportunity to come before the Committee to discuss the following:

- 1) How my company and the broader construction equipment industry benefit from a robust mining sector;
- 2) The importance of domestically sourced mined materials and aggregates to rebuild our nation's crumbling infrastructure, and;

- 3) What Congress and the administration can do to ensure a strong mining industry that will help serve the infrastructure and energy needs of the country.

The Impact of Mining on Kentucky & Brandeis Machinery

Mining has always been a huge economic driver for Bramco and the entire region. However, the last eight years have decimated the sector, particularly coal mining. While mining companies have borne the brunt of the downturn, ancillary industries that service the industry, such as construction equipment dealers and manufacturers, have struggled to stay afloat during a challenging time for the sector.

I'll use the coal sector as an example to illustrate the challenges faced by mining companies. According to the Kentucky Energy and Environment Cabinet in partnership with the Kentucky Coal Association, coal production in Kentucky has declined 65 percent from 120.4 million tons in 2008 to 42.6 million tons in 2016. In eastern Kentucky (the Appalachia region), it's even worse, as there's been an 82 percent reduction in production, from 90.3 million tons in 2008 to 16.7 million tons in 2016. That's its lowest level since 1939.

Unsurprisingly, the Kentucky coal sector's employment statistics are equally dismal. Coal company employment (people directly employed in coal mining jobs) in Kentucky declined from 18,574 jobs in 2008 to 6,371 jobs in 2016 (a 66 percent decline). Like the production numbers in eastern Kentucky, coal company employment has been devastated, going from 15,276 jobs in 2008 to 3,742 jobs in 2016 (a 76 percent decline).

My company saw revenues drop at our eastern Kentucky branches by 74 percent from 2008 to 2016 as we cut nearly 56 percent of our workforce in Appalachia. Although we've survived the "war on coal" through diversification and successful operations in other markets, most haven't been so fortunate.

Oftentimes people outside the industry focus only on coal when they think about mining. However, other important minerals and elements used in countless contexts, including infrastructure projects, are extracted from areas across the country and are vital to the sector's viability.

For example, a primary component of most road and bridge projects is crushed stone. According to the U.S. Geological Survey, the states where my company primarily does business (Kentucky, Indiana and Tennessee) represented three of the top 12 crushed-stone-producing states in America in 2016. In total, those three states produced 141.1 million tons of crushed stone in 2016.

When policymakers in Washington attack mining and impose burdensome regulations on mining companies and the industry, it's not just the coal sector that's harmed—it's

also the businesses providing raw materials for infrastructure improvements. And the economic damage goes beyond energy and aggregate companies as real lives are impacted outside those sectors. Everyone from construction equipment distributors to restaurant employees to auto mechanics suffer when there's a significant downturn in an important industry.

While I've cited statistics from Kentucky to highlight the situation in my states and those in which my company operates, the economic impact isn't limited to communities in Appalachia or solely to areas known as "coal country." I've spoken to my colleagues across the country, including equipment dealers in Pennsylvania, Tennessee, Colorado, North Dakota, Utah, Indiana, New Mexico and Ohio, and they have similar stories.

Even construction equipment manufacturers, most of which are located in areas with minimal mining activities, are negatively impacted when the mining sector struggles. In fact, my company's primary product line, Komatsu, has a facility in Arizona, the chairman's home state. Komatsu's Arizona Proving Grounds in Sahuarita is a 660-acre leased mine property where engineering tests are performed on rigid chassis mining trucks. Consequently, when the mining sector suffers, the pain is felt from Arizona to Illinois to Iowa, as the negative implications extend to the communities where manufacturers have locations, as well as the many other suppliers and vendors related to these companies throughout the United States. Mining isn't an eastern Kentucky problem—it's a national issue.

The Mining Sector Is Vital to Rebuilding Our Crumbling Infrastructure

While mining is essential to the economic well-being of my state, my company, my industry, and the United States, it's also a necessary component in ensuring that Congress and the administration meet their commitment to rebuild our nation's crumbling infrastructure. Whether it's granite, sand, gravel, limestone or crushed rock, all are necessary for use in infrastructure projects.

Despite providing the federal highway program near-term certainty in the last highway bill (the FAST Act), our nation still faces a \$740 billion backlog in much-needed road and bridge improvements. The American Society of Civil Engineers recently gave the country's infrastructure an overall D+ grade. Our roads scored a D and our bridges a C+. Whether it's structurally deficient bridges, dams and levees or inadequate roads, airports and pipes, America's infrastructure is insufficient, and we can no longer shun obligations when it comes to required upgrades.

AED members are encouraged by the Trump administration's pledge to pursue a major infrastructure investment package. My company and others around the country are standing by to provide the equipment needed to build a 21st century infrastructure. However, to meet the demand that will result from a sustained and substantial

infrastructure investment plan, a robust mining sector is necessary. One cannot happen without the other.

Not only does Bramco benefit from selling, renting, and servicing equipment used in construction projects, but the company is also a major user of the country's vital infrastructure. Our business depends on receiving our product quickly and efficiently. Additionally, my company's ability to service our customers depends on having a modern and maintained transportation network. Whether it's delivering heavy construction equipment to customers or sending technicians to service machinery in the field, the nation's roads and bridges are integral to the economic well-being of our company and our country.

To rebuild America we must have domestically produced raw materials provided by a vigorous mining industry.

Overregulation Threatens the Mining Sector

The ability to rebuild our country is directly related to a vibrant mining sector to produce the aggregate used in infrastructure projects. One cannot exist without the other and, unfortunately, the government often imposes substantial obstacles on the domestic mining sector.

In preparation for this hearing, I spoke to several of my customers to get a better understanding of what they believe hinders their ability to provide the aggregate and coal needed to rebuild our infrastructure and sustain energy independence.

In these discussions, overzealous inspectors from the U.S. Department of Labor's Mine Safety and Health Administration (MSHA) were frequently mentioned as culprits. One customer, a company of about 650 employees, was subjected to 1,209 federal MSHA inspections in one year. That's in addition to 358 state workplace audits. It's hard to run a productive business when you're constantly preparing for examinations and subjected to the whims of inspectors who are oftentimes looking to meet quotas for citations and fines.

In fact, the same customer informed me his company received an MSHA violation for discovery of a spider in a portable toilet. Dozens of employees were forced to use a different bathroom until the spider was removed. There's no doubt most inspectors are well-meaning people trying to do the right thing, but stories like this are far too common in Kentucky.

An unfortunate result of the coal mining downturn in my region is that MSHA inspectors are now spending more time overregulating the crushed stone producers who produce materials that are vital to the rebuilding of America's infrastructure. While the mining

sector has contracted since 2008, the MSHA workforce has remained constant, forcing inspectors to look beyond coal for the focus of their often-overzealous oversight.

The rules and regulations promulgated during the past eight years have also been detrimental to the mining sector. AED commends Congress and the president for utilizing the Congressional Review Act to rescind the Department of Interior's duplicative and unnecessary "stream protection" rule. Every citizen deserves clean air and water, but the redundant regulation imposed a burdensome mandate on mining companies with no real public health benefit.

Additionally, our association was pleased the Trump administration issued an executive order instructing the Environmental Protection Agency to reconsider its "Waters of the U.S." rule, which circumvented Congress to dramatically expand Clean Water Act protections unnecessarily beyond the statute's original intent. As written, the regulation would have stifled development and economic growth.

Furthermore, AED strongly urges the Trump administration and Congress to work together to once again allow coal leasing to resume on public lands.

Conclusion

The mining downturn isn't a problem relegated to the mountains of Kentucky. It impacts communities far from coal country and hinders the nation's economic growth and the ability for us to rebuild our nation's infrastructure. At the end of the day, all Americans want access to clean air and clean water. However, environmental protections must be balanced with the impact on the economy, and promulgating regulations for little more than imposing a new mandate on business is growth-hindering and job-killing.

If the federal government abstains from overregulation, the mining sector will create more jobs, drive our economy, improve the financial health of our country, rebuild our nation's deteriorating infrastructure and help the United States become energy-independent.