



Statement of Mr. Rex Ferry
President and Owner of VEC, Inc.

on behalf of the
National Electrical Contractors Association
to the

Subcommittee on Energy
Committee on Energy and Commerce

U.S. House of Representatives

for a hearing on

“Modernizing Energy and Electricity Delivery Systems:
Challenges and Opportunities to Promote Infrastructure
Improvement and Expansion”

February 15, 2017

NECA is the voice of the \$130 billion electrical construction industry that brings power, light, and communication technology to buildings and communities across the U.S. NECA’s national office and 119 local chapters advance the industry through advocacy, education, research and standards development.

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Thank you Chairman Upton, Ranking Member Rush, and members of the Subcommittee 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 Subcommittee on Energy hearing on “*Modernizing Energy and Electricity Delivery Systems: Challenges and Opportunities to Promote Infrastructure Improvement and Expansion.*” The subcommittee is to be commended for holding this important hearing to address a critical role that the oil and gas industry yields in creating jobs in the American energy sector, something that has allowed me to exponentially grow our family business.

My name is Rex Ferry and I am the President and Owner of Valley Electrical Consolidated, Inc. (VEC), which is located in Girard, Ohio. Shortly after graduating high school, I entered the electrical trades and began working at Valley Electrical. I quickly moved through the ranks from Foreman to Project Manager before making the decision to purchase the company from then-owner Mike Russell in 1990. While our family-owned business began providing electrical contracting services to the region’s many factories, production lines, and steel mills, it is now a multifaceted construction company that is wholly dedicated to constant improvement and sustainability. Our vision – “*To serve others with integrity for the sake of our future generations*” – has resulted in significant returns for our company. This success has intensified recently due to heavy involvement with the Utica and Marcellus Shale projects.

The growth in our company’s employment tells a wonderful story. During the height of the construction season, our total employment numbers exceed over 400 employees, with an average of 250 in-house employees, as we hold agreements with multiple trades in the field. I am proud to say we have 26 family members in the business including daughters, a son-in-law, sisters, a brother-in-law, nieces and nephews in the office and in the field. With my granddaughter coming on board recently, we are now a third-generation family company.

Although Valley Electrical began as a small, family-owned electrical construction firm, we have always had a greater vision for what we can accomplish. By the mid-2000’s, VEC had expanded into new markets, adding diverse capabilities and gaining experience, cultivating expertise and respect as it grew. In 2001, VEC Systems Integrator was created to meet the low-voltage and information-technology demands of our customers. Soon after in 2003, we acquired Evets Electric Inc., a specialty electrical contractor focusing on the oil and gas industry. In 2009, VEC purchased JLAllen, a General Contractor in the Oil and Gas Industry. These acquisitions transformed VEC Inc. into a total solutions provider for clients throughout the United States.

As opportunities continue to present themselves to VEC, we continue a path of steady and sustainable growth. While it has been almost 40 years since the end of the steel era, the oil and gas boom in the Midwest has revived and modernized the region's economy and is creating new job opportunities that are here to stay. The development of fracking and horizontal drilling expands beyond the Ohio borders. The U.S. Energy Information Administration's Rankings of the Natural Gas Marketed Production tell us that oil and natural gas development is occurring in at least 32 states. It has increased access to reserves for oil and gas in Alabama, Arkansas, Colorado, Illinois, Louisiana, Michigan, New York, North Dakota, Oklahoma, Pennsylvania, Texas and Wyoming.

We are proud members of the National Electrical Contractors Association (NECA). I also had the honor of serving as President of the association from 2009 through 2011. NECA is the nationally recognized voice of the electrical construction industry, comprised of over 60,000 electrical contracting firms, employing over 750,000 electrical workers and producing an annual volume of over \$130 billion in the electrical construction industry that brings power, light, and communication technology to buildings and communities across the United States. NECA continues to build on a legacy of protecting the public and making innovation possible. We, as member contractors, strive to be solution-providers for our customers and our industry expertise benefits everyone working on an electrical construction project.

NECA contractors work across the commercial and industrial sectors and specialize in a broad range of areas including traditional power and lighting, power quality, lighting controls, fire, life safety and security systems, backup power generation, communication and connectivity systems, automation controls and energy efficiency projects. We believe a comprehensive federal energy policy measure is needed to address current and future demands of the entire electrical construction industry.

Across the country, electrical contractors are the market-leading businesses that are providing electrical infrastructure and services to the oil and gas industry. Widespread extraction of shale gas will have a significant impact on our ability to create new energy reserves as well as boost America's manufacturing sector.

According to the U.S. Energy Information Administration, natural gas accounts for 33 percent of electricity generation, on par with coal. This rapidly growing industry is taking place in the oil and gas fields of Utica and Marcellus shale. The new energy economy in these areas is creating new job opportunities for the construction industry, particularly for the electrical construction industry. More jobs have been created for the first time since the decline of the steel industry in the 1980's. This industry is poised to keep growing. As technologies continue to develop, the production of natural gas continues to rise.

Growth in this arena is helping to address the loss of jobs in the electrical construction industry and we certainly hope the turnaround will continue. The Bureau of Labor Statistics recently reported that construction employment is now at its highest level since November 2008. We believe we can do even better.

Driving Change and Growth in the Electrical Construction Industry

As the construction industry suffered historically high unemployment rates almost a decade ago – as high as 27 percent – the electrical construction industry endeavored to increase its scope of construction services. As our industry continues to work through the recovery, electrical contractors across the country have looked for ways to grow causing the concept of electrical construction work to evolve dramatically over the past decade.

According to *Electrical Contractor* magazine's 2016 *Profile of the Electrical Contractor*, 56.4 percent of electrical contractors are performing work on energy construction projects. More specifically, 51 percent of companies with less than ten employees worked on energy projects and almost 57 percent of companies with more than 100 employees engaged in this type of work. A significant increase in companies performing energy work resulted in a significant increase of interest in training programs.

When the U.S. energy boom began a decade ago, one of the many markets that grew at a rapid pace was the oil and gas industry. The natural gas revolution is giving new hope to America's manufacturing sector, including the electrical construction industry. Our manufacturing sector must be as productive and efficient as possible to ensure our economic competitiveness and continue to grow our economy. The electrical construction industry undoubtedly plays a key role in assuring that the U.S. will have an adequate and reliable electric power supply in the future.

A 2012 study commissioned by the U.S. Chamber of Commerce's 21st Century Energy Institute says the extraction of "unconventional" shale oil and gas through horizontal hydraulic fracturing has created a job boom even in states that do not actually have shale deposits. 1.7 million jobs have already been created and a total of 3.5 million jobs are projected by 2035.

While this is good news for the future of the construction industry, we believe a key part of the solution is enacting a national energy plan that will address our energy needs, ensure our energy independence, and grow our economy. We applaud those efforts of this Committee and hope that Congress will enact a comprehensive energy strategy that promotes development of all available energy resources including upgrading and modernizing transmission lines, increasing domestic oil, expanding natural gas exploration, investing in nuclear power, and further investments in clean and renewable energy sources.

Barriers to Greater Success

In today's global economy, widespread adoption of new energy technologies has been slow due to economic, government, and marketplace barriers. We believe there is a fresh opportunity for the federal government to unleash unprecedented development, exploration, construction and production of this sector.

Transportation Challenges

We must address the many challenges we have in moving the fruits of our energy development to market. Now is the time to fully invest in our nation's infrastructure. This includes investing in the pipelines, rail, roads, and airport infrastructure we need to transport people and equipment. We need better ports to allow ships will carry liquefied natural gas to other parts of the world. We believe that shale energy has the potential to help revive not only our manufacturing industry, but it will help most transportation modes, as they will be needed to move products domestically and abroad.

That said, we are very encouraged by the actions President Trump undertook on January 24 to help address these issues. We strongly support the memorandums fostering the construction of the Keystone XL and the Dakota Access pipelines. The memorandum calling for all new pipelines, as well as retrofitted, repaired, or expanded pipelines to use materials and equipment produced in the United States is another step forward. These actions are long overdue and will complement our energy network, further the goal of energy independence, and create jobs.

Regulatory Burdens

This Committee helped overhaul the environmental review of infrastructure projects under the National Environmental Policy Act (NEPA) when the FAST Act was passed in 2015. Additional reforms are needed to ensure decisions are made in a timely manner and to block frivolous legal actions that are intended to delay project schedules and increase project costs. There should be a six-month maximum time limit for completing all federal NEPA reviews. If no decision has been made by the end of those six months, the project should be allowed to proceed without further delay. Lastly, the administration and Congress should examine past regulations that encourage the filing of frivolous lawsuits and establish a loser-pays provision requiring any plaintiff who files a legal challenge to block an infrastructure project to pay all related legal fees if their challenge is unsuccessful. This would help discourage low probability-of-success lawsuits filed by individuals and organizations against the development of infrastructure projects.

The recent Executive Order (EO) *Expediting Environmental Reviews and Approvals for High Priority Infrastructure Projects* is another positive move forward. It is our experience that many projects are held up due to an unnecessarily complicated and protracted approval process. Time truly is money. Analysis by the nonpartisan reform group Common Good found that delays in regulatory approval for U.S infrastructure projects cost our nation \$3.7 trillion, which is more than twice the cost of fixing them. In America, the problem is not any one individual regulation. It's the accumulation of decades of state, local and federal regulations that are often contradictory, redundant or outdated. To accelerate the construction of important infrastructure, the federal government should designate officials to streamline the regulatory process for energy infrastructure projects. Funding for infrastructure is scarce and we cannot afford to waste critical resources on unjustifiable red tape.

This new EO should help improve coordination between the government and industry and working together, we believe more can be done. From my personal experience, I can report that request for quotes and opportunities have kept my phone ringing in the few short weeks since the EOs were signed. There is a great amount of excitement in the oil and gas industry and many tradesmen are ready to get to work immediately. A recent Price Waterhouse study shows that by 2025 Ohio, Pennsylvania and West Virginia will be the chemical producing capitol of the world, creating 1 million new jobs.

Access to Credit

Electrical construction companies want to grow, and they need the capital to make it happen. The majority of our firms are subcontractors. While they perform much of the work on their projects, they are hindered by lack of cash flow and must consequently finance large portions of their projects themselves. Accordingly, many of our firms need to access outside resources. Traditional bank loans are a usual option, but for many years now, bank credit remains tight. The number of traditional lenders actively in the market has shrunk and remained so due to industry consolidation. Consequently, they are not releasing capital to newer clients. Another challenge is that financial institutions have tightened up their lending standards and increased the overall cost of lending. Some of this is also due to newer regulations and tighter federal lending rules. We believe creditworthy businesses should have better access and opportunity to capital sources.

Building the Next Generation Workforce

Considering the energy agenda of the 115th Congress and the new administration, the electrical construction industry must continue to prepare itself for additional growth and diversification. A major component of this growth for NECA contractors is that they must continue to recruit young and talented workers. Historically, market share grows for companies possessing the talent and skills necessary to meet the needs of their clients.

Accredited Apprenticeship Programs: A Viable Education Option

Our company has had tremendous opportunity to offer high-tech, high skilled and high paying careers. Jobs in the natural gas industry that are provided by NECA businesses such as VEC come with rewarding pay with full health benefits and promised retirement plans. VEC is not your typical construction company. We look for talented, ethical people with integrity and the necessary hardworking characteristics and we then teach them the business. VEC's vision, mission and purpose focus on sustainability; integrity and serving others, unlike the many companies that have negatively impacted the U.S. economy because of greed. VEC is proud to have helped our local universities and technical colleges by hiring many of their graduating students. Job growth in oil and gas operations, trucking and welding has allowed us the chance to work through community college programs to hire and train workers to meet these new skill challenges.

It is well documented that there is strong competition for talent in every profession. Cultivating talent is becoming more and more critical to successful electrical contracting companies. With the increasing sophistication of the construction industry, electrical contracting needs a well-rounded workforce prepared to improve the delivery of electrical construction projects to enhance company profits.

We are quite proud of the opportunities our apprenticeship programs offer around the country. While there is measurable value in a traditional college education, we would be remiss if we did not discuss some possible alternative routes for students who might not think a standard four-year degree is the right path for them or do not wish to take on the burden of graduating with hundreds of thousands of dollars in student loan debt and no guarantee of a job or attaining valuable skills.

The BLS released a comprehensive list of jobs that require degrees—and those that do not. The agency reports and lists the top ten job employment agencies found hardest to fill in 2013. Fourteen of the 20 fastest-growing occupations in America require an associate degree or less. Of the 20 occupations leading job creation trends through 2020, 90 percent will require on-the-job training, an associate's degree or a postsecondary credential. Most these include many professions within the construction industry.

Today, as the millennial generation graduates from high schools, vocational schools, and colleges, they are presented with many career opportunities. Our experience tells us there is demand for people who are ready to work right out of high school and that there are opportunities for them to obtain the training they need to be set up with a career in the skilled construction trades. After a few years of dedicated training, they will end up with what every one of us would like to have to be a successful adult: a good paying job with health and retirement benefits. We strongly believe the best entitlement program out there should be a job.

Over 70 years ago, NECA and the International Brotherhood of Electrical Workers (IBEW) embarked on a joint venture to develop the National Joint Apprenticeship Training Program (NJATC). Today, 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 and together we have trained over 350,000 apprentices to journeyman status.

Our apprenticeship program is a well-organized and supervised method to train people with little or no prior knowledge of a craft or trade to become capable, qualified craftspersons or journeypersons. It is an “earn while you learn program.” The “on-the-job” portion of the training is a full-time, well-paid job. The goal is to provide the electrical construction industry with the highest level of training and highly skilled workforce possible. To accomplish this goal, apprentices receive the highest level of training in the industry, with a requirement of 8,000 hours of on-the-job training and 900 hours of classroom time over a five-year period. Upon completion of the curriculum and on-the-job training, apprentices receive certificates documenting their successful completion of the program. Incidentally, all electrical apprentices receive incremental raises as they reach certain set milestones. They are not a burden to the taxpayers because the training is fully funded by the industry without any taxpayer assistance. Perhaps the greatest

benefit is that in the end they are earning while they are learning. 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.

I expect there will be opportunities for Congress to address apprenticeship programs in a manner that is intended to empower employers, and provide America's workers with access to a network of job training services. I know Ranking Member Rush has had important legislation pending in the last Congress and I urge the Committee to consider his legislation this time around.

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

Technology

A major challenge is that each year the electrical industry experiences significant advances in technology, both on the jobsite and in how individual contractors run their businesses more efficiently. In order to be an efficient and independent construction company, we must continue to expand the technologies that are available to us. We are in a constant state of learning and adapting to new tools and ways of doing things, coupled with an aging workforce, that's led us in the Mahoning Valley, to place an emphasis on education and training. We are using and experimenting with technologies that are revolutionizing the construction industry. These include: Google Glasses, 5-D Drawings, Augmented Reality, 3-D Printing (Additive Manufacturing), GPS Positioning Tools, Tablets, and Pre-Fabrication. Employing a trained and available workforce enables the local contractors to confidently and competitively bid on the broadest range of commercial, industrial and residential electrical projects. That said, we have incorporated the more technical nature of building trades electrical work into their apprentice recruiting efforts. For example, some of our apprentice classrooms also use audience-response technology for instructors to gauge apprentices' familiarity with the material in real time, and so they can adjust lessons accordingly. We must meet the technology challenge if we are to going to build the next generation workforce.

Helping Employees Fight Prescription Drug Abuse

Recent studies by the Centers for Disease Control and Prevention (CDC) show that nearly two million Americans are abusing prescription opioids, with sales of those prescriptions nearly quadrupling from 1999 to 2010. Employers need additional resources to help combat and limit employees' use of prescription painkillers. We should have laws in place that require personnel to take drug tests for prescription painkillers and encourages employees to seek alternatives to their use. Prescription opioid-related dependence and abuse cost the country an estimated \$78.5 billion. Employers bear a large share of those costs; some \$16.3 billion is lost due to reduced productivity and increased disability, and \$14 billion is borne by private health insurers. We need to do better.

Opportunities Ahead

Energy production within the oil and gas industry has proven to be one of the most promising job creators. There is no better example of job creation than VEC. By building and updating its current petroleum infrastructure, VEC's goal is to help America become energy independent. To date, VEC has invested over \$10 million in vehicles, equipment, and buildings over the last three years alone. In 2014, VEC again enhanced its capabilities with a \$4 million expansion to its fabrication shop in Hubbard, Ohio. This 22,000-square-foot fabrication facility created more than 30 jobs fabricating equipment for oil and gas and other industries. It is only one example of VEC's plan to continue embracing technology and recognizing possibilities for the benefit of its clients, employees and community. The facility will have the capabilities to manufacture skid design and fabrication, pipe fabrication, ASME-coded pressure vessels, launchers and receivers, separators, hydrotesting, sandblasting, coating and painting and walkways.

Prior to the oil and gas energy boom, this scope of work experience was not prevalent in Youngstown, Ohio. In fact, it did not exist in most of the Midwest. The area surrounding Youngstown has seen tremendous growth directly and indirectly because of the oil and gas industry. As noted, the direct economic impact can be seen in VEC's rapid expansion in not only its revenue but also the number of employees the company has hired and retained. Oil and gas has both directly and indirectly made up over 65 percent of our revenue over the last three years. We expect to have 350 to 400 employees by this summer. These numbers continue to rise as the company continues to expand. Many of these new team members come from a whole variety of industry backgrounds, including teachers, policeman, factories (now closed), students, non-profit, and food services industries, just to name a few.

This economic impact expands beyond the walls of VEC in Ohio, creating a positive economic impact on the regional economy. While we are now focusing on staying east of the Mississippi, we are currently working in eight different states including Ohio, Pennsylvania, Kentucky, Virginia, North Carolina, South Carolina, North Dakota and Wyoming.

Conclusion

Thank you for the opportunity to testify at this very important hearing. NECA applauds the Subcommittee's unwavering efforts to examine these important components of our booming energy economy. We were pleased with the progress this Committee made last Congress in moving comprehensive energy legislation forward and hope a final package can quickly come together this year. We will continue to offer our support in helping advance the Subcommittee's agenda and look forward to working with you all as you move forward in enacting smart and sound policy to help foster American energy independence, grow the construction industry, and expand our nation's economy.