

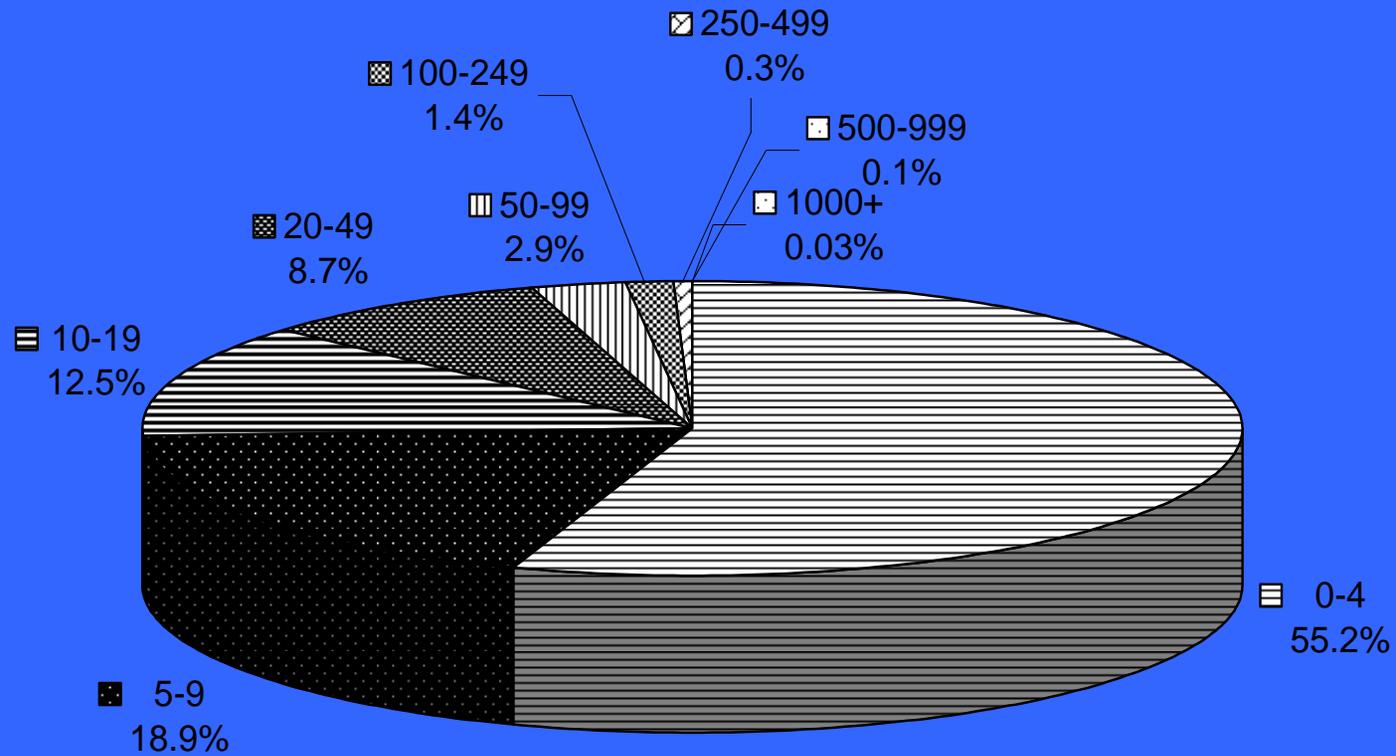
Characterizing California's Construction Industry: Economic Activity, Firm Parameters and Off-Road Vehicle Fleets

Presented by M.Cubed
on behalf of the
Construction Industry Air Quality Coalition

The Importance of the Industry

- Employs 835,000 with \$36 billion payroll
- Generates 5% of the GSP
- Creates 21.5 jobs for each million \$ spent
– among the highest
- 74% of firms have less than 10 employees

Number of California Construction Firms by Employee Size (2005)

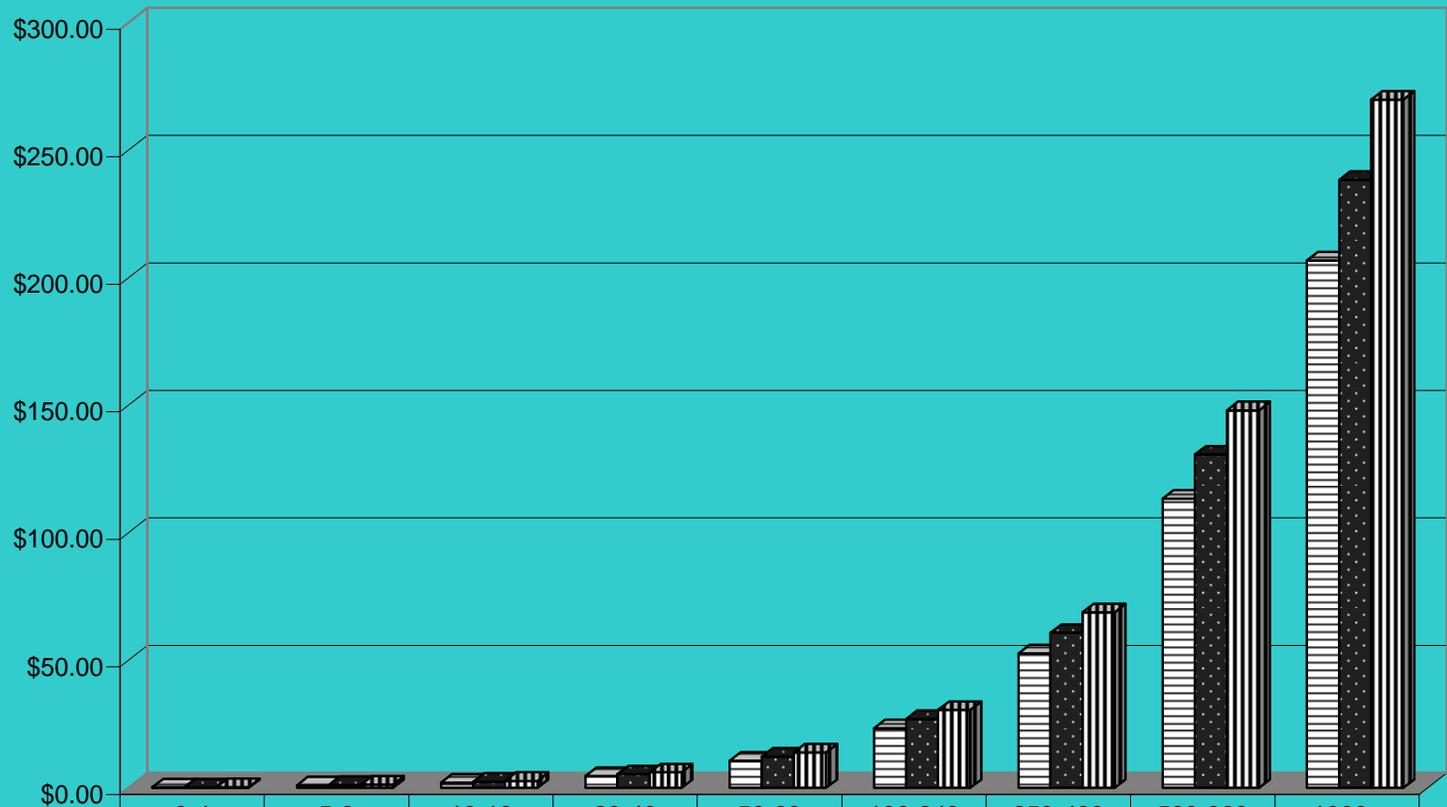


0-4 5-9 10-19 20-49 50-99 100-249 250-499 500-999 1000+

Economic Linkages in the Industry

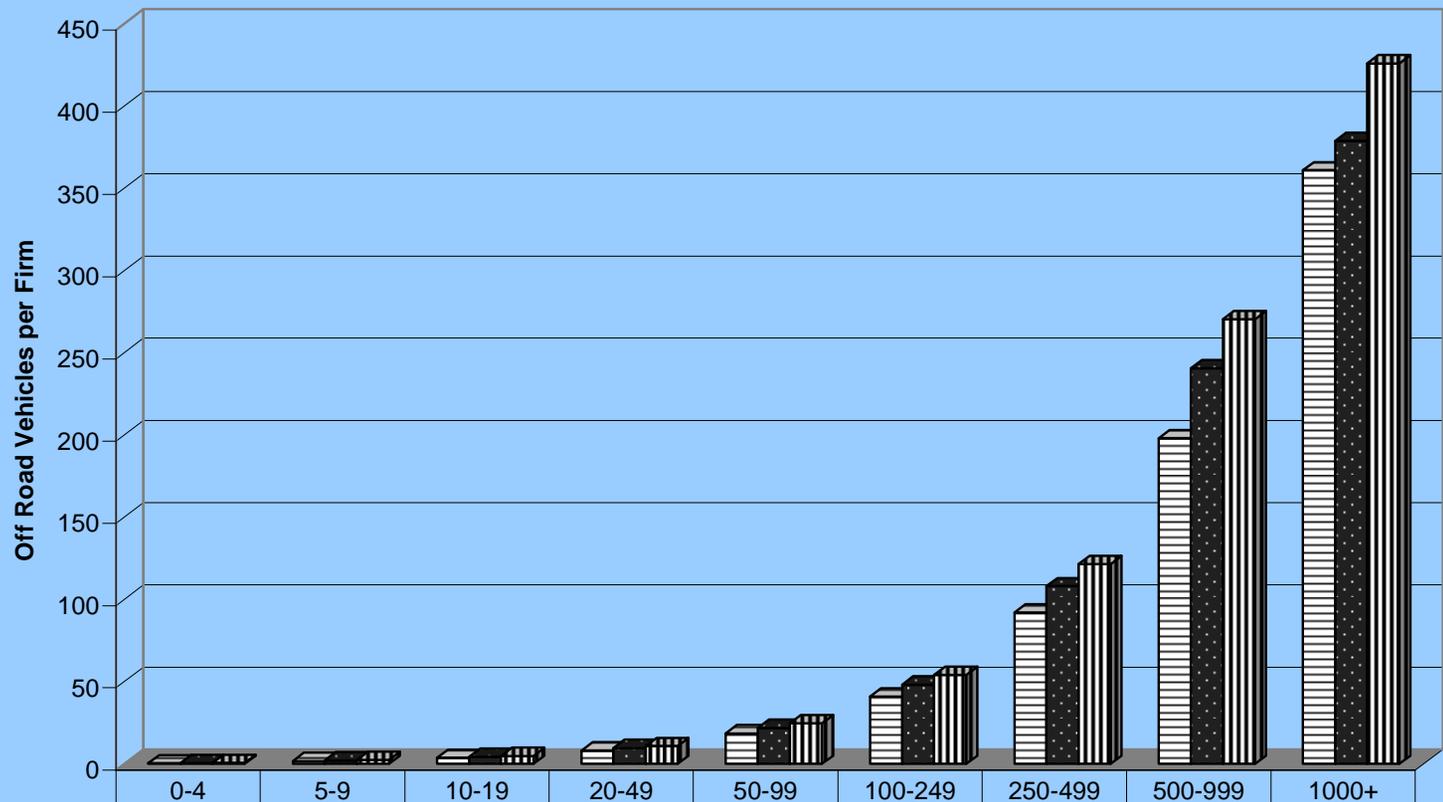
- Construction costs have been rising and are a significant contributor to housing prices
- Firms' credit ratings are tied to the value of their equipment assets. These regulations will reduce their asset values.
- New state infrastructure bonds amount to \$40 billion, but are a fixed amount.

California Construction Industry Firm Average 2005 Gross Revenues by Employee Size (Millions \$)



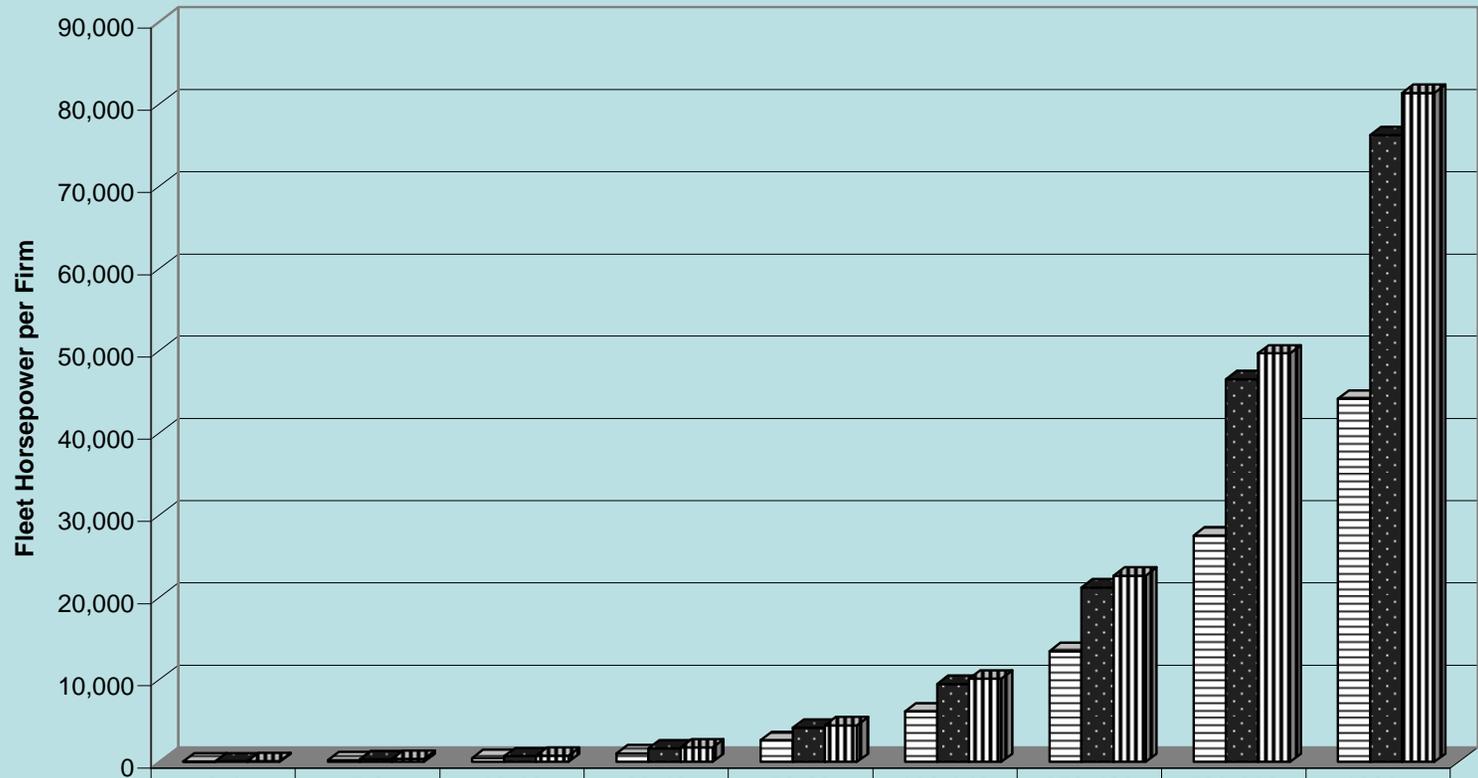
	0-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Low Parameter Estimate	\$0.25	\$1.0	\$2.1	\$4.7	\$10.7	\$23	\$53	\$113	\$207
Mean Parameter Estimate	\$0.29	\$1.2	\$2.4	\$5.4	\$12.3	\$27	\$61	\$131	\$238
High Parameter Estimate	\$0.32	\$1.4	\$2.8	\$6.1	\$14.0	\$31	\$69	\$148	\$270

California Construction Industry Firm Average Fleet Size by Firm Employee Size



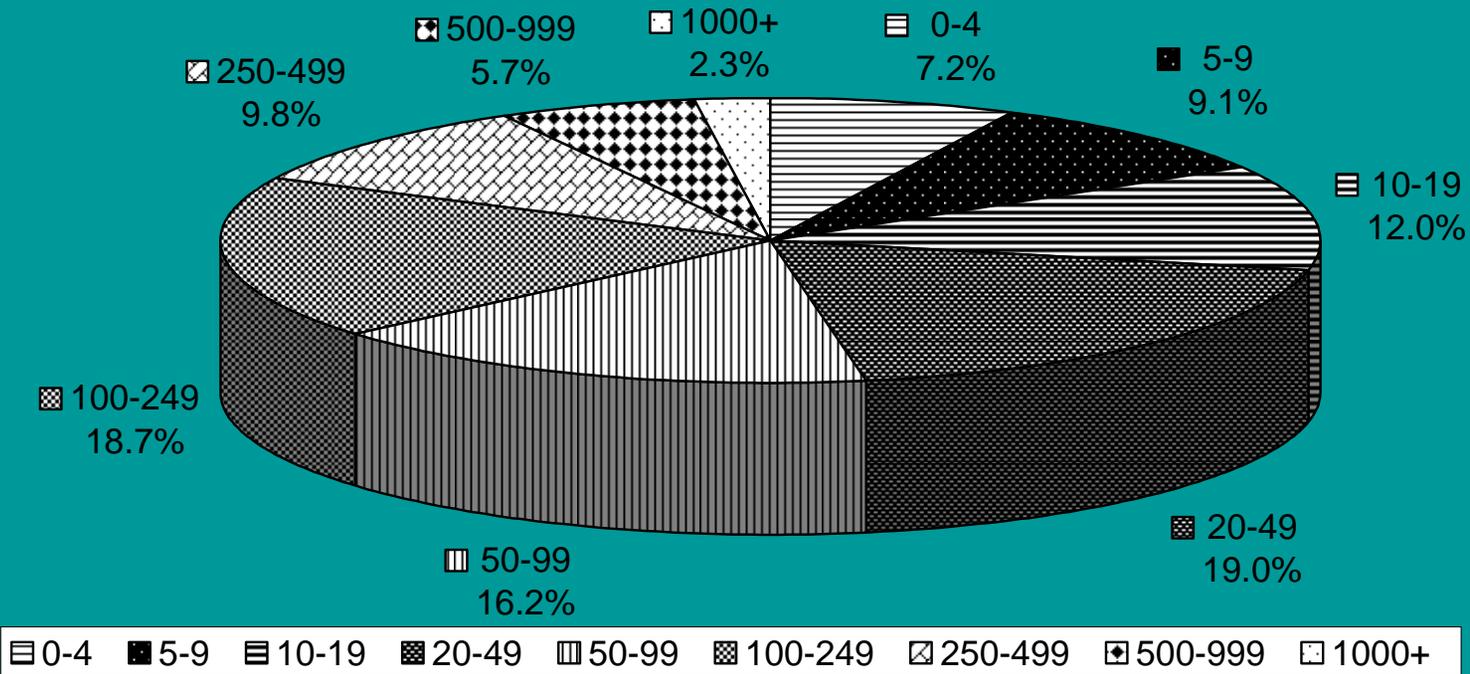
Low Parameter Estimate	0.43	1.8	3.7	8.2	18.7	41	92	198	361
Mean Parameter Estimate	0.50	2.1	4.3	9.6	22.0	48	108	241	379
High Parameter Estimate	0.56	2.4	4.9	10.8	24.7	54	121	270	426

California Construction Industry Firm Average Fleet Horsepower by Firm Employee Size

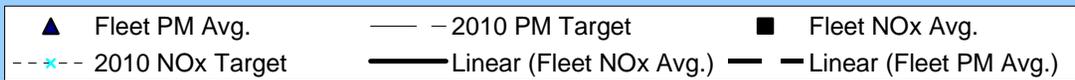
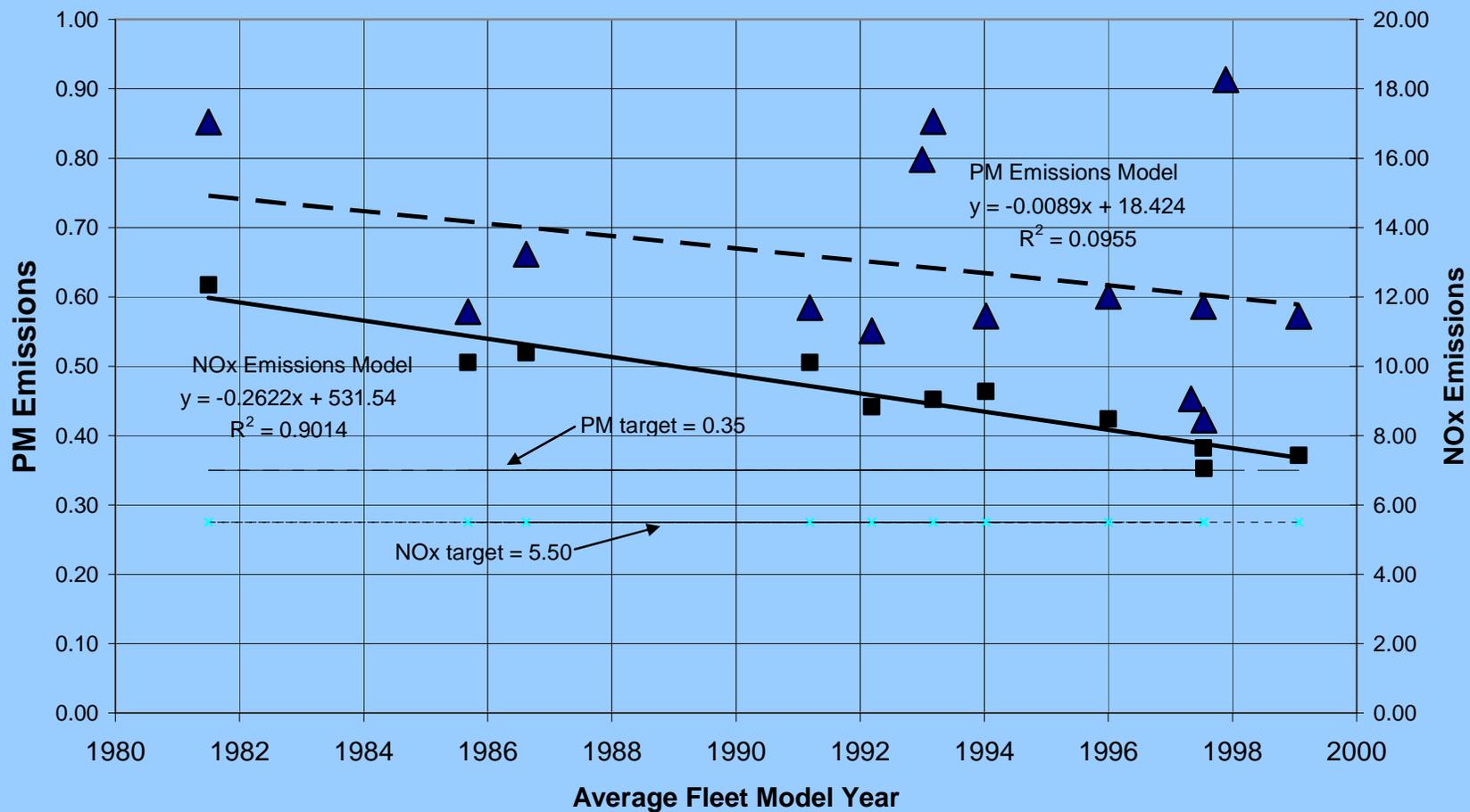


	0-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000+
Low Parameter Estimate	59	229	462	1,057	2,672	6,148	13,485	27,537	44,165
Mean Parameter Estimate	83	342	710	1,660	4,174	9,492	21,220	46,536	76,212
High Parameter Estimate	89	365	758	1,772	4,455	10,132	22,650	49,673	81,348

California Construction Industry Total Fleet Horsepower by Firm Employee Size



Comparison of Average Vintage and Emission Levels



Industry Financial Conditions

- Averages 3% - 5% profits with large volatility
- \$578,000 average annual revenues per ORV
- Based on preliminary review of literature, firms will absorb half of regulatory costs
- Most likely response will be reduced employment
- Current fleets are substantially above proposed targets