

# Publisher's Letter



Dear Members,

The economic environment in the U.S. and California is more grim than at any point since the economic crisis of 1980-1982. The markets have not improved despite various government rescue plans enacted in the past months. As I write this forecast today, unemployment in California is approximately 8 percent with the possibility of reaching 10 percent before any improvement in the economy occurs. While this rate of unemployment is severe, it does not approach the 25 percent rate from the Great Depression. President-elect Obama has been given an enormous opportunity to address some of the structural weaknesses of our country including health care reform, energy policies, and a failing infrastructure system. He will come into the office of President with strong national support and a Democratic majority in both houses of the legislature. It is my hope that the new team in the White House can strike a balance between short term moves required to improve the economy while taking long term measures that will improve America's chances of competing in a Global economy in the 21st Century. One of the first initiatives proposed by Barack Obama is a sweeping measure to improve the country's infrastructure. The size and scope of this initiative has not yet been determined but this measure could have significant positive effects on California in both the immediate and long-term future.

Governor Schwarzenegger recently stated "President-elect Obama is a big believer in infrastructure and in rebuilding America. And I have been, ever since I became Governor, a big believer in rebuilding California and also rebuilding America." The plan envisioned by Obama would employ millions of people by "making the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s." There is a definite need to repair and improve our country's highways so that we can stay competitive in the 21st Century. During the 1960's the Federal government spent 3.6 percent of the gross domestic product on physical infrastructure expenditures. During recent years that number has dropped by more than a third. According to TRIP (a national transportation research group), 61 percent of California's major roads are in poor or mediocre condition. In addition, 28 percent of California's bridges are structurally deficient or obsolete. In 2006, Californians voted to spend \$42 billion dollars to improve our infrastructure with slightly less than half devoted to our transportation system. It is estimated that California needs more than \$500 billion dollars of work due to its crowded freeways, failing dams and bridges, and increased population. There are many workers ready to go to work on public projects now that housing and other private work has come to a halt. Due to the recession, revenues to the State of California are falling fast. Unless lawmakers in Sacramento raise taxes or dramatically cut spending on core programs, California will not have the money available to meet its infrastructure needs. With \$28 billion dollars of projects ready to go here in California, it is my hope that the politicians in California and Washington D.C. have the foresight to spend money in the right places to improve our economy in the short term while investing in America's future.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Holliday".

John F. Holliday  
President  
Holliday Rock Co., Inc.

