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**AMERICA'S ONSHORE ENERGY RESOURCES: CREATING JOBS, SECURING AMERICA, AND
LOWERING PRICES**

**STATEMENT OF WHIT PERRYMAN, CHIEF EXECUTIVE OFFICER, VERMEER TEXAS-
LOUISIANA
IRVING, TEXAS**

**ON BEHALF OF ASSOCIATED EQUIPMENT DISTRIBUTORS BEFORE
THE U.S. HOUSE OF REPRESENTATIVES NATURAL RESOURCES COMMITTEE'S ENERGY
AND MINERAL RESOURCES SUBCOMMITTEE**

MARCH 14, 2013

Chairman Lamborn, Ranking Member Holt, and other distinguished members of this subcommittee, my name is Whit Perryman, and it is my pleasure to appear before you today both as an executive at a construction equipment company directly impacted by onshore energy development, and in my capacity as vice president of Associated Equipment Distributors (AED) Board of Directors.

I am the chief executive officer of Vermeer Texas-Louisiana, an employee-owned company that sells and rents Vermeer construction equipment at 11 locations in Texas and southern Louisiana. Vermeer Texas-Louisiana has 145 total employees.

AED is the trade association representing distributors of construction, mining, energy, forestry, industrial, and agricultural equipment. AED has more than 500 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 \$40 million per year in revenues and employs 80 people.

I appreciate the opportunity to come before the Committee to discuss how my company is benefiting from domestic energy extraction, the positive impact on the construction equipment industry, the impact on the broader economy, and guiding principles for policymaking in this area.

Impact of Shale Energy Development on Vermeer Texas-Louisiana

Energy development has been a huge economic driver for Vermeer Texas-Louisiana and the entire region. Prior to 2003, we sold most of our equipment for fiber-optics infrastructure, housing development, water transmission, and roads and bridge building. Due to the dot com downturn, the recession, and the uncertainty surrounding federal infrastructure programs, these traditional markets dried up. However, on-shore shale energy development has enabled our company to not only survive during the economic downturn, but to grow and thrive.

While the equipment markets on which we previously depended have still not recovered, the demand associated with shale energy development has helped us become the world's top Vermeer equipment dealer in total sales volume. Since 2003, our sales revenue has tripled and at least 50

percent of our revenues are attributable to shale energy development and the activity that surrounds it.

Vermeer Texas-Louisiana has provided equipment for the Barnett, Haynesville, and Eagle Ford shale regions and the Permian Basin. Our equipment is used in constructing the transmission lines for oil and gas from the well head itself (either by digging ditches or horizontally directional drilling pipe) to the point of refinement. Unlike oil, which is transported by truck, boat, or train after refinement, natural gas reaches the end user through pipelines that also require our equipment to construct. Additionally, we have benefitted from sales due to the building and development needed to support the energy industry, including commercial property and infrastructure.

Since 2003, our company has nearly doubled its workforce going from 76 to 145 employees. During that time, we have opened new, or relocated seven locations, with the eighth location opening just this week with a new 34,000 square foot building in San Antonio. Another facility is opening this summer in Midland, TX. We would add more employees, but there is an extreme shortage of skilled labor because of the workforce demands of energy development.

The impact shale energy development has had on the entire region can't be overestimated. Not only has the energy boon allowed me to hire more workers at higher salaries, it has benefited communities across Texas and Louisiana. Families that once lived on nearly worthless property are now leasing their land and mineral rights. Unemployment is at all-time lows. Companies are reinvesting in their businesses and expanding, increasing benefits for workers, investing in communities, and creating significant tax revenues for local, state, and federal governments.

The economic impact of shale energy development isn't limited to states and communities bordering the shale regions. Most of the construction equipment manufacturers are located in other parts of the country, including Caterpillar, Case, John Deere, Vermeer Corporation and others. Consequently, the economic benefits extend to the communities where these manufacturers are located, as well as the many other suppliers and vendors related to these companies throughout the United States.

Shale Energy Development Impact on the Construction Equipment Industry

Vermeer Texas-Louisiana is not unique in having been positively impacted by the shale energy boom in the region. In preparation for this hearing, AED conducted an informal survey of its members with operations in Texas. The results provide a compelling snapshot of the impact that shale energy development is having on the equipment industry. Note, however, that the results discussed below only capture the impact on companies that participated in the survey and AED has not sought to project results across its broader membership. Thus, the impact on equipment industry is actually far greater than what we have been able to document.

Eleven equipment companies responded to AED's online survey, which was conducted from March 6 until March 11. All respondent companies said some portion of their 2012 revenues was directly or indirectly derived from shale energy development. The total aggregate revenue from that activity in

Texas for all respondents in 2012 was \$ 774,855,000. The average shale energy-related revenue was \$70,441,363 per company.

A 2008 economic study by Professor Stephen Fuller at George Mason University in Fairfax, Virginia estimated that, “[e]very dollar of direct spending for the purchase of heavy construction equipment generates a total of \$3.19 in economic impact – one dollar of direct spending and \$2.19 in indirect and induced economic activity from the re-spending in other sectors of the national economy of monies paid to equipment distributors.” Thus, AED estimates the total economic impact of the equipment revenues from shale energy activity reported by the survey respondents at over \$2.4 billion.

As might be expected, the equipment market activity is creating and sustaining many jobs. Survey respondents report that an average of 32 percent of their workforce in Texas is supporting that activity. In Texas, AED calculates that shale energy is supporting more than 1,133 jobs at the equipment distribution companies that responded to the survey. Additionally, approximately 536 new jobs have been created at respondent companies over the past three years to support this activity.

According to survey participants, the shale energy industry and businesses that support it are utilizing the full range of equipment AED members sell, rent, lease, and service. Every segment of the dealer universe is being touched by shale energy; distributors who specialize in small equipment, such as skid steer loaders, and in specialty products are just as likely to benefit as dealers who sell heavy earthmoving equipment and cranes.

Not surprisingly, equipment distributors in Texas overwhelmingly believe that the shale energy sector has the potential to be an economic game changer for the industry. One hundred percent of survey respondents said that if the shale energy sector continues to grow, it will have a significant and positive impact on their companies, allowing them to expand and add new workers.

In addition to providing objective data, the construction equipment distributors responding to the survey made the following comments about the impact of shale energy development on their companies, the industry, and the economy as a whole:

- “A 40 percent increase in number of new employees and a 44 percent increase in sales revenue can be directly attributed to the energy and shale energy sector.”
- “We have been growing our business through rental into this sector. We have seen it continually grow and it continues to impact our business positively. We also benefit indirectly from new construction and infrastructure that it creates. I think that it could really increase our business in the future if development continues to be strong.”
- “We anticipate a large and long-term effect from shale energy exploration and production. Our company is diverse and can service not only the construction equipment needs of this initiative, but also the gathering, compression, and transport of natural gas. Rentals of

construction equipment have skyrocketed in the shale region. This activity has helped us achieve a 30 percent increase in volume this past year."

- "We have benefitted greatly in Texas, first from the natural gas plays in the Barnett shale then Haynesville shale, and now the oil and wet gas plays from the shale in south Texas and Permian Basin West Texas area. We have more than tripled our sales in nine years, doubled our employment, and bought or upgraded ten of our twelve facilities since 2002! We have also followed some of our Texas contractor customers working in other parts of the country, supporting them in their work."
- "It's the main driver of the Texas economy, 60 percent to 70 percent of growth is from the oil and gas sector, and hydraulic fracturing is driving this expansion. Our business returned to pre - recession levels in 2012 almost solely due to shale energy activities."
- "Last year, we had our highest total revenue in our history. The shale activity will continue to support our business until residential and commercial construction recovers. We consistently have job postings for 90 or more technicians, mostly to meet demand from shale energy. Although we have not built any facilities specifically to serve shale energy, we just opened a new full-service store in Laredo and we are building a major new shop in San Antonio that that will be heavily involved in shale energy support."
- "As a pavement equipment specialty dealer, our company will see the impact in 2014 and beyond."
- "It is critical that this development continues in our area. Without it, I expect that our projections to add 13 workers in 2013 and 25 in 2014 will not materialize."

The Entire U.S. Economy Benefits from Shale Energy

The entire U.S. economy is reaping the economic benefits from energy shale development. According to an IHS Global Insight study prepared for the America's Natural Gas Alliance, the shale gas contribution to Gross Domestic Product (GDP) was more than \$76 billion in 2010. Assuming Congress permits shale energy development to continue, projections show this sector increasing to \$118 billion by 2015, and tripling to \$231 billion in 2035.

Additionally, the shale gas industry is creating a significant number of jobs. According to the same study, in 2010, shale gas supported over 600,000 jobs, which included 148,000 direct jobs in this country, nearly 194,000 indirect jobs in supplying industries, and more than 259,000 induced jobs. Over 63,000 of these jobs were in the construction sector, one of the hardest hit by the recession.

Importantly, with all levels of government struggling to generate revenues, IHS Global Insights found that in 2010 shale gas production contributed \$18.6 billion in federal, state, and local government tax and federal royalty revenues. By 2035, these receipts will more than triple to just over \$57 billion. On

a cumulative basis, the shale industry will generate more than \$933 billion in federal, state, and local tax and royalty revenues over the next 25 years.

The Federal Government Should Stay Out of the Way

The economic and job creation benefits of energy shale development are clear. However, in order for the economy to reap the full reward from shale energy, the federal government must refrain from micromanaging the industry and defer to state regulators. It is AED's position that:

- Advancing technologies in horizontal drilling and hydraulic fracturing have made possible production of vast and previously unavailable reserves of natural gas and oil from shale. This has created hundreds of thousands of jobs, enhanced energy security, spurred economic growth, improved manufacturing competitiveness, and lowered the cost of energy to consumers. Public policy should facilitate and encourage continued development to the greatest extent possible.
- Other new methods of extracting oil and gas from shale should be pursued with continued aggressive research and development, and when economically viable, production.
- Balanced regulation is necessary to protect public health and the environment, while encouraging innovation and expansion in the shale energy industry.
- The benefits and impacts of shale energy development are best measured and understood at the state level. It should therefore continue to be regulated locally and not by the federal government.

Conclusions

Shale energy development has been a game changer for Vermeer Texas-Louisiana. The shale energy sector is flourishing and the entire economy is reaping the benefits. We are seeing unprecedented growth directly resulting from shale energy development. However, imprudent government action could undermine the viability of this sector.

Policymakers must protect public health, safety, and the environment, while allowing the shale energy sector to continue to grow and prosper. Furthermore, bureaucrats in Washington must refrain from regulating the industry from their desks in the nation's capital and allow state governments to measure the benefits and impacts of shale energy development. If the federal government abstains from overregulation, the sector will continue to create more jobs, drive our economy, improve the financial health of our country, and help the United States become energy independent.