

Infrastructure Innovation

An Interview with Michael F. McNally,
President and Chief Executive Officer, Skanska USA Inc.

EDITORS' NOTE Michael McNally joined Skanska in 1998. He began his career as an offshore field engineer in Cairo, Egypt, and has more than 35 years of construction experience. Before joining Skanska, he served as Vice President in charge of construction for Fluor Daniel's Industrial Group. He currently sits on the national board of directors for the ACE Mentor Program and the Association for the Improvement of American Infrastructure. McNally holds a B.S. in Civil Engineering from the University of Notre Dame, and an M.B.A. from the University of Rhode Island.



Michael F. McNally

COMPANY BRIEF Skanska USA (usa.skanska.com) is one of the largest, most financially sound construction and development companies in the country, serving a broad range of industries including healthcare, education, sports, data centers, government, aviation, transportation, power, energy, water/wastewater, and commercial. Headquartered in New York with 39 offices across the country, Skanska USA employs more than 9,600 employees committed to an injury-free workplace, as well as sustainable construction and development. Skanska USA Building, which specializes in building construction, and Skanska USA Civil, which focuses on constructing civil infrastructure, generated \$6.7 billion in revenue in 2013, representing 34 percent of Skanska's global construction revenue. Skanska USA Commercial Development, which invests in and develops office and multi-family projects in select U.S. markets, and Skanska Infrastructure Development North America, which develops public/private partnerships (PPPs), are both leaders in their selected markets. Global revenue of parent company Skanska AB, headquartered in Stockholm and listed on the Stockholm Stock Exchange, totaled \$21 billion in 2013.

How has Skanska's business grown within the U.S. market?

We've been here since the '70s, and have grown through a series of around 18 acquisitions in the building and civil infrastructure construction sectors: mass transit, marine, highway, and general building contractors throughout the U.S.

Skanska initially acted as a holding company. Then our job became to integrate those companies and create what we call One Skanska, which we started around five years ago.

We recognize all of those synergies, which help us with everything from building an office tower to building a subway. With our offices across the U.S., we cover just about the entire country, although we would like to be more active on the industrial side in the Gulf States.

How challenging is it to maintain the culture when you're going through acquisitions?

The first test is to make sure what you're buying has a cultural match, and we do a survey of the employees to find that out.

Ethically, they need to have a perfectly clean history. They have to care about their people, and that should be represented in their safety statistics. They also have to be highly respected within the community.

Once you acquire a company like that, their natural tendency is to not want to change. We show people that we're more than just a construction company – we're a company that wants to make a difference. People attach to that easily, and we have little turnover as a result.

How do you show what makes Skanska a leader in the space?

It is all about your people and your financial wherewithal.

The kind of things we build will be used for hundreds of years, so whether they will last and how clean they are makes a difference. It can affect how this country performs.

We attract and retain the best people because we want to make the world a better place.

How much does our aging infrastructure concern you?

It's awful. Most states get their infrastructure funding from the federal gas tax, which has been at 18.4 cents per gallon since 1993. It's worth half of what it used to be worth, and cars are getting much better gas mileage and now we have hybrids. This means roads and bridges are getting used two- or three times as much for the same gallon of gas.

This reduced gas tax money flows into the Highway Trust Fund. There used to be six-year transportation bills to allocate the Trust Fund money; these allowed states to make long-range plans to rebuild their infrastructure. Then the Trust Fund started going broke and without increasing proceeds, the states could not approve future funding. As a result, bridges and roads are going to hell. States are funding work themselves but it's sinful.

The right thing to do is to increase the federal highway tax, but no politician will do it because it's political suicide. PPPs are also increasingly becoming part of the infrastructure funding solution, as more states see the benefits of leveraging public money with private investment.

Long-term, how will this affect the U.S.'s ability to compete?

If companies can't get goods and services to people across this country in a cost-effective manner, they're going to go elsewhere. I worry about that in New York too: If we don't keep the subway system up and bridges intact, if we don't protect this place from things like Hurricane Sandy, since many of the big companies here are international they can go elsewhere, where their people can be more productive.

What projects is Skanska working on in New York and is there growth there?

New York is investing in its infrastructure. In terms of LaGuardia Airport, in particular, there is a PPP being bid right now by the Port Authority to put in a new central terminal.

In the private sector, the commercial market is hot – in particular, the West Side and World Trade Center. The high-end residential is also hot, and healthcare is doing well.

I have high hopes for New York.

From an industry standpoint, is enough being done in terms of safety?

Not enough is being done: 800-plus people died last year in the construction business in this country. This doesn't need to happen.

We were involved with a group that created our industry's first safety week, and we hope to continue that. It involves 31 companies and we work together to learn from each other.

For Skanska, why have headquarters in the Empire State Building been so valuable?

We decided to make a showcase for green out of our Empire State Building space. We made the first-ever LEED Platinum office here, which included opening up the windows so you get the full height of the windows, and installing lighting controls. Our energy bill was cut in half.

The landlord shows our space to potential tenants as an example of what can be done. He also upgraded the windows and the electrical systems, so it's a good story on how to take an 80-year-old building and make it into a modern, sustainable structure.

We did it to show our customers how it pays for itself. ●