



## Rebuilding America . . . With American Steel

With his Day One commitment to “two simple rules” -- Buy American and Hire American -- President Trump declared that his support for new American infrastructure investment would be tied to strong Buy America policies to support domestic manufacturing jobs.<sup>1</sup> These two policies are fully supported by the American Institute of Steel Construction (AISC) and its bridge division, the National Steel Bridge Alliance (NSBA).<sup>2</sup>

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Since the passage of the Surface Transportation Assistance Act of 1982, federal law has expressly incorporated Buy America requirements into many transportation-related procurement funded by federal grants.<sup>3</sup> These requirements have helped stimulate production and job growth in the U.S. steel industry, and provided critical incentives for American companies to invest in the development and production of steel for transportation and infrastructure projects.

Currently, however, a combination of massive steel overproduction by foreign interests, and non-traditional “private” financing of public infrastructure projects, threaten to undermine the core goals of this fundamental American policy. Instead of creating jobs for American workers and economic growth for American communities, American public infrastructure is at risk of becoming a “dark pool” of private commodity deals – directly by-passing the people who ultimately use and pay for these important public projects.

**As described below, AISC and NSBA urge the Congress to stand together and behind the Administration – and with the aligned interests of American workers – to ensure that in any new infrastructure program, the principles of Buy America procurement are not only preserved, but strengthened.**

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<sup>1</sup> President Donald J. Trump, Inaugural Address, January 20, 2017.

<sup>2</sup> The American Institute of Steel Construction, headquartered in Chicago, is a not-for-profit, non-partisan, technical institute and trade association. Established in 1921 to serve the structural steel design community and construction industry, the mission of AISC is to make structural steel the material of choice by being the leader in structural steel-related technical and market-building activities, including, specification and code development, research, education, technical assistance, quality certification, standardization, and market development. AISC has more than 1500 Full and Associate Member companies involved in the supply chain for structural steel, and supports the work of nearly 42,000 individual members in Professional, Affiliate, Student and Educator class categories.

<sup>3</sup> Section 165 of the 1982 Surface Transportation Assistance Act, Pub. L. 97-424.

## **THE AMERICAN STEEL INDUSTRY HAS THE CAPACITY TO MEET THE DEMANDS OF THE AMERICAN INFRASTRUCTURE MARKETPLACE**

The infrastructure supply chain for the domestic structural steel industry starts with American steel producers, who have revolutionized the industry by developing clean and efficient steel-making processes at mills located strategically throughout the country. Steel is sold directly or through national distributors to approximately 1,000 American steel fabricators who have built plants – and created jobs – in virtually every congressional district in America. These companies fabricate and install the structural steel that make up America’s great steel bridges, airports, government buildings, transportation centers and other infrastructure projects. Through this supply chain, the steel industry employs more than 180,000 people directly with good-paying jobs, and initiates multiplier employment effects throughout the construction, manufacturing, engineering, research and other sectors of the American economy. One study estimates the job multiplier effect of the steel industry as a factor of 7 as the impacts of the supply chain spread through the economy.<sup>4</sup>

The American steel supply chain is in jeopardy, however. Since 2015, more than 15,800 direct jobs in the iron and steel industry have been lost.<sup>5</sup> As described by the American Iron and Steel Institute (AISI), a big factor in those job losses has been the impact of imported steel:

Foreign government subsidies and other market-distorting policies in the steel sector have resulted in massive global steel overcapacity – estimated by the OECD at more than 700 million metric tons, over seven times U.S. raw steel production. This overcapacity, combined with sluggish world demand and import barriers in other markets, has resulted in significant levels of steel imports entering into the U.S. market, capturing a historically-high percentage of U.S. market share and resulting in thousands of U.S. job losses and numerous plant closures throughout the steelmaking supply chain.

That trend needs to be reversed. As Americans recognize the need to re-invest in our own infrastructure, policies applied to taxpayer-financed government procurement for public infrastructure should look first and foremost to our own American steel industry to build it. Strong Buy America requirements for steel production and fabrication assure a steady opportunity for the American steel industry to participate in the strengthening of America’s roads, bridges and other infrastructure. Accordingly, AISC and NSBA consider Buy America regulations to be critical components of investment programs for American infrastructure.

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<sup>4</sup> Considine, Timothy J. “The economic impacts of the American steel industry,” American Iron and Steel Institute, March 2012. [http://www.ohiomfg.com/grip-assets/resource\\_library/energy\\_management/keyfindings\\_considingstudy\\_march2012.pdf](http://www.ohiomfg.com/grip-assets/resource_library/energy_management/keyfindings_considingstudy_march2012.pdf)

<sup>5</sup> Alliance for American Manufacturing.

**INFRASTRUCTURE IS A PUBLIC TRUST  
THAT SHOULD REQUIRE BUY AMERICA PRINCIPLES,  
EVEN IF FINANCING COMES FROM PRIVATE SOURCES**

While current Buy America requirements apply only to projects that receive federal funding, the underlying principles should apply to all public infrastructure projects, regardless of how specific project financing may be arranged.

AISC does not take a position on whether or what types of non-traditional infrastructure options should ultimately be adopted, but urges that whatever policy is adopted explicitly require that Buy America requirements be incorporated in the enabling legislation. For example:

- **Tax Credits.** Tax credits are used to incentivize a variety of private investments that are determined to be for the public good, including research and development, energy exploration, urban investment and energy-efficient consumer products. If a federal tax credit program is used to promote private investment in public infrastructure, the credits should only be available for projects that comply with Buy America requirements.
- **P-3 Projects.** The “Public” component of Public-Private Partnerships (P-3s) acknowledges the inherent public interest in infrastructure. Accordingly, P-3 infrastructure projects should carry the same Buy America requirements as projects receiving taxpayer-financed federal-aid and assistance, regardless of whether the P-3 is engaged in the initial construction of a project or in a sale/lease/toll arrangement.
- **Infrastructure Bank.** Any federal legislation or regulation that authorizes an infrastructure bank should include provisions making the loans used to support infrastructure projects subject to Buy America rules, similar to the rules for TIFIA credit assistance projects.

Moreover, the application of Buy America rules to financing mechanisms must also ensure that loopholes to the laws are closed. Among the most highly-publicized examples of Buy America circumvention was the construction of the Bay Bridge between San Francisco and Oakland, as a result of the damage caused by the 1989 Loma Prieta earthquake. Instead of using federal money that was made available to rebuild the bridge with domestic steel, designers “segmented” the project to buy the bridge from Chinese suppliers, supposedly with “non-federal” dollars. Even though officials said that one of the main deterrents to working with U.S. steel companies was that a new production facility would have to be built (and an American company offered to build a new facility in the U.S.), the Chinese manufacturer *did not even exist until U.S. funding was provided to build its facility in China.*<sup>6</sup> Among the impacts of that decision:

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<sup>6</sup> Decker, Patricia, and Porterfield, Robert. 2009. “Unparalleled Bridge, Unprecedented Cost / San Francisco Public Press.” <http://sfpublicpress.org/news/2009-12/unparalleled-bridge-unprecedented-cost>; Vorderbrueggen, Lisa. 2013 “Building the Bay Bridge” 103-s vs. Today.” *San Jose Mercury News*. [http://wwwmercurynews.com/breaking-news/ci\\_23822904/building-bay-bridge-1930s-vs-today](http://wwwmercurynews.com/breaking-news/ci_23822904/building-bay-bridge-1930s-vs-today)

- a major American bridge was built with Chinese steel and Chinese fabrication labor, all of which was subsidized by American financing and training;
- the bridge took 17 years to complete and was over budget by *\$3.9 Billion*; and
- the project diverted 27% of the funds used to build the bridge to provide employment for 3,000 Chinese workers.<sup>7</sup>

In contrast to the Bay Bridge, the Tappan Zee Bridge replacement project in New York, which is financed in part by the federal TIFIA Credit program, complied with the Buy America requirements of that financing program: “Successful delivery of the new bridge relies on an innovative public-private scheme and a large, yet nimble consortium of companies that ensures that the project will comply with applicable Buy America preferences.”<sup>8</sup> Among the impacts of that decision: The Tappan Zee Bridge is on schedule, on budget, using American steel, and employing more than 7,700 American workers.<sup>9</sup>

### **THE BENEFITS OF BUY AMERICA FAR OUTWEIGH ANY PERCEIVED COSTS**

As shown by the “tale of two bridges” above, arguments that domestic steel is “too expensive,” or that the U.S. doesn’t have the capacity or expertise to meet the demands of the marketplace, are simply false. Moreover, the benefits of Buy America for American infrastructure far outweigh any perceived cost savings of using foreign steel or fabrication.

First, in addition to the immediate job-creation and economy-growing impacts of infrastructure spending, the residual effects are significant. The Federal Reserve Bank of San Francisco found that multipliers for federal highway spending are large: “On initial impact, the multipliers range from 1.5 to 3, depending on the method for calculating the multiplier. In the medium run, the multipliers can be as high as eight. Over a 10-year horizon, our results imply an average highway grants multiplier of about two.”<sup>10</sup> In other words, when government spending increases by one dollar, output rises by two dollars.

Second, the cost savings that are promised by offshore steel interests up front are rarely realized over time, and are often subsidized by other economic factors. For example, as described in a comprehensive report issued in July 2016: “The Chinese government has supported the country’s steel industry primarily through cash grants, equity infusions, government-mandated mergers and

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<sup>7</sup> Brun, Jolley, Hull, and Frederick 2014.

<sup>8</sup> DOT/TIFIA. 2012. *Fiscal Years 2103 & 2014 Letter of Interest Form: Tappan Zee Bridge*. Washington, DC: DOT & TIFIA Credit Program. Fiscal Years 2015 & 2014 Letter of Interest Form; NYSTA. 2014 *American Made: Building Local Opportunities New York Businesses Benefit From New NY Bridge Project*. February 2014. New York. <http://www.newnybridge.com/documents/publications/2014/monthly-newsletter-feb.pdf>

<sup>9</sup> Brun, Jolley, Hull, and Frederick 2014.

<sup>10</sup> Leduc, Sylvain and Daniel Wilson. November 26, 2012. “Highway Grants: Road to Prosperity?” Federal Reserve Board of San Francisco Economic Letter 2012-35.

acquisitions, preferential loans and directed credit, land use subsidies, subsidies for utilities, raw material price controls, tax policies and benefits, currency policies, and lax enforcement of environmental regulation.”<sup>11</sup> Also, foreign producers are not subject to U.S. regulatory burdens, and therefore their production costs do not include the costs of compliance with American standards for labor, safety, environmental protection and commercial accountability. This is not the natural or intended result of “free trade”; it is the result of market-distorting trade policies that cost Americans jobs and undermine American economic interests.

Ultimately, the true cost of sending dollars for American infrastructure to foreign suppliers is simply an acceleration of the erosion of America’s manufacturing base and job losses. Instead of realizing the full value of infrastructure investment through direct domestic spending and multiplier effects on job creation and economic growth, dollars spent offshore serve only to support foreign steel industries that are already supported by their own governments, which put the interests of their own industries well ahead of the interests of the American economy.

### **CONCLUSION**

For the reasons described above, American infrastructure policy should strongly support the aligned interests of the American economy and the American workforce. Accordingly, AISC and NSBA urge the Congress to stand together and behind the Administration to ensure that in any new infrastructure program, the principles of Buy America procurement are not only preserved, but strengthened.

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<sup>11</sup> Steel Industry Coalition: American Iron & Steel Institute, Steel Manufacturers Association, Specialty Steel Industry of North America, The Committee on Pipe and Tube Imports, American Institute of Steel Construction. June 30, 2016, “Report on Market Research into the Peoples Republic of China Steel Industry, Part 1.” <http://www.steel.org/~media/Files/AISI/Reports/Steel-Industry-Coalition-Full-Final-Report-06302016.pdf?la=en>