Testimony

of

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for the

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Highways and Transit Subcommittee Hearing

on

Implementation of Buy America Provisions:
Stakeholder Perspectives

February 15, 2024
Introduction

Chairman Crawford, Ranking Member Norton, and members of the Subcommittee, thank you for the opportunity to testify at today’s hearing. My name is Megan Salrin, and I am honored to serve as a Legislative Representative for the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, commonly known as the United Steelworkers or USW.

As the largest industrial union in the United States, our members truly “Supply America” from making the pigment that goes into yellow paint for roads to the steel used in bridge construction, and hundreds of products in between. During a multi-state campaign in August 2021, our union visited factories that supply our infrastructure needs, spotlighting workers who are eager to deliver new and improved infrastructure, a more powerful economy, and stronger national security. However, over the past several decades, infrastructure investments have failed to keep up with a deteriorating system – one which has not been meaningfully modernized for today’s needs. Meanwhile, the decimation of our nation’s industrial sector through bad tax, trade, and procurement policies has resulted in fragile supply chains and a dangerous reliance on unreliable or potentially hostile foreign manufacturers.

We were pleased that Congress came together to enact the Infrastructure Investment and Jobs Act (IIJA), which is making historic infrastructure investments that lead to the creation and retention of good, family-supporting jobs throughout the United States. As one of many ways to fortify our neglected domestic supply chains and support American workers, our union advocated for strengthening and expanding domestic content preference policies, often referred to as “Buy America” policies, as a critical step to protecting our economic and national security. We were proud that Congress acted in a bipartisan manner to include the Build America, Buy America Act (BABA) in the IIJA, and today’s hearing allows us to recognize the implementation progress and identify what needs to be done to ensure that the benefits of the law are fully realized.

Buy America Supports Our Shared Policy Goals

The purchasing power of the U.S. federal government and the federal financial assistance that it delivers for infrastructure and other purposes has the potential to grow domestic job creation and U.S. manufacturing capabilities. When funded by taxpayer dollars, Buy America policy acts as a commonsense preference for U.S. produced goods and materials that are used to construct the nation’s public works infrastructure. The premise is simple: Buy America policies give domestic producers and workers the first shot at supplying the products and materials needed for infrastructure projects funded by taxpayer dollars.

The federal government has maintained various domestic content preferences for many years. For the purposes of this hearing, Buy America laws, applied to federally assisted infrastructure projects, should not be confused with Buy American laws, which are applied to direct government purchases and acquisitions. There are notable
differences in coverage, origin standards, and reciprocal market access commitments with trading partners. There are also many states that have their own Buy America policies – which our union has supported.

Buy America policies are an important tool to ensure that taxpayer dollars support domestic manufacturing jobs and responsible manufacturing practices, not corporations that outsource production to countries with weak labor and environmental standards that too often are ignored. In fact, the existence of strong Buy America policies act to prevent shifts in production to countries that rely on practices that are significantly less energy efficient and far more polluting than here in the United States.

To illustrate how Buy America is good for our shared environmental goals, I point your attention to National Academy of Sciences’ research showing that a large fraction of Chinese emissions are due to the manufacture of goods for foreign consumption. According to their research, “Los Angeles experiences at least one extra day a year of smog that exceeds federal ozone limits because of nitrogen oxides and carbon monoxide emitted by Chinese factories making goods for export”.

Moreover, it is simply unacceptable for U.S. tax dollars to be used to source materials from foreign factories whose workers are subjected to substandard working conditions. To illustrate this concern, the New York Times reported on iron foundry workers in India who produced manhole covers that were shipped eight thousand miles to Manhattan. According to the reporting, “impervious to the heat from the metal, the workers...relied on strength and bare hands rather than machinery. Safety precautions were barely in evidence; just a few pairs of eye goggles were seen in use”.

Strong Buy America policies also stand to support workers of color who have been disproportionately affected by the decline of U.S. manufacturing, according to research from the Economic Policy Institute (EPI). The authors noted that “factory jobs still provide a significant wage premium compared to other sectors,” and expanded use of Buy America policies in conjunction with other policies, “would create millions of good jobs for workers who have been hardest hit by globalization”. Additionally, according to Political Economy Research Institute (PERI) at UMass Amherst, when domestic content in infrastructure is maximized, U.S. manufacturing job gains increase by as much as 33 percent.

Buy America policies have always garnered strong bipartisan support – both in Congress and among U.S. voters. In fact, January 2023 polling conducted by Morning Consult identified that 83 percent of voters agree that “taxpayer dollars should go toward infrastructure projects that utilize American-made products like iron, steel, and other construction materials versus products that are imported from foreign countries,”

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3 Economic Policy Institute, “Botched policy responses to globalization have decimated manufacturing employment with often overlooked costs for Black, Brown, and other workers of color”, January 31, 2022.
Democrats (82 percent), Independents (80 percent), and Republicans (87 percent) all agree.  

Finally, we note that Buy America policies applied to federally assisted infrastructure spending are wholly consistent with U.S. international obligations. Federal assistance infrastructure programs have largely been reserved by the United States (and other nations) from government procurement market access obligations in international trade agreements.

The Need for BABA

Prior to the IIJA, the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and the Department of Agriculture (USDA) were among the few government entities with Buy America laws, but even these policies have been applied only to a limited scope of items – including iron and steel and, in limited cases, certain manufactured products. Additionally, DOT’s Buy America policies – already limited in statute – have been eroded by decades of excessive waivers and narrowed further by agency decisions.

One must look no further than a 1983 Federal Highway Administration (FHWA) Buy America waiver of all manufactured goods on the grounds that it was not in the “public interest” for a clear statutory requirement to be enforced. It is inarguably in the public interest that FHWA adheres to Buy America requirements imposed by Congress. Yet, this massive Buy America loophole has remained in place for decades across both Republican and Democrat administrations. As a consequence, billions of federal assistance dollars have been spent to purchase foreign-produced inputs for transportation projects, representing a missed opportunity to maximize the return on these investments with stronger supply chains and more jobs.

To remedy these concerns, Congress acted on a bipartisan basis to include BABA in the IIJA – a law that stands to build upon existing Buy America laws to address various gaps and shortcomings. Specifically, BABA ensures that any federally assisted infrastructure projects across all federal agencies and departments adhere to Buy America. The law also broadens the types of products and materials covered by Buy America to include iron and steel, manufactured products, and commonly used construction materials (e.g. copper, aluminum, glass, lumber, drywall, and fiber optic cable used to construct broadband).

Our union was fully supportive of BABA and commends Congress for recognizing that reinvesting tax dollars here at home creates American jobs, invests in goods produced under strong environmental and workplace safety standards, and protects our economic and national security by making our nation less dependent on imported products and materials from unreliable sources.

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Buy America Works

As we examine Buy America policy at today’s hearing, we must be clear that implementation of the new BABA law is ongoing, and much of our public infrastructure spending continues to be completed absent major elements of the domestic content preference policy. However, we know that when the law is fully implemented and fully enforced, these modernized Buy America policies will deliver more for every federal dollar spent on infrastructure. Already, we have seen signs that the policy is working.

Electric Vehicle (EV) Chargers
Thanks to the Biden administration’s proactive steps to apply Buy America to electric vehicle (EV) chargers, there are hundreds of millions of dollars in U.S. factory investments underway to produce BABA-compliant products that will power a diverse transportation network. According to the White House, just three years ago, there was almost no U.S.-based production of fast chargers; now there are at least 26 firms manufacturing these products within the United States. Since President Biden took office, at least 40 U.S. based facilities that produce EV chargers have been announced or opened.

Electric Vehicle (EV) Chargers

As of September 2023, these facilities now have the capacity to produce more than a million charging stations each year – including 60,000 fast chargers.

Broadband
Companies in the broadband sector are also investing heavily in U.S. production to ensure that the optical fiber and fiber optic cable that will connect millions of Americans to one another are produced by American workers. At the White House signing ceremony for IIJA in November 2021, USW Local 1025 President Donneta Williams from Corning’s Wilmington, North Carolina plant, kicked off the ceremony, all the while wearing her USW “We Supply America” sticker. Her remarks touted the innumerable contributions of USW members. Later, in March 2023, CommScope and Corning announced combined investments of $550 million that will create hundreds of new jobs in America to build the fiber optic cables that will help close the digital divide.

Transit
In the transit sector, Buy America improvements in the 2015 Fixing America's Surface Transportation (FAST) Act increased content requirements for rolling stock gradually to 70 percent. This catalyzed significant investment in transit parts made in the USA. In 2017, Amsted Rail launched a dedicated transit section to meet the demand for domestically sourced components essential for transit rolling stock. This strategic move not only bolstered Amsted Rail’s position in the market, but also provided vital support to hundreds of USW members employed at Amsted facilities across the country. By prioritizing domestic procurement and manufacturing, Amsted Rail’s transit section not only ensures compliance with Buy America regulations, but also reinforces the

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commitment to quality, reliability, and job creation within the American transit industry.\textsuperscript{10} This investment underscores the transformative impact of policies that prioritize domestic production, benefiting both the economy and workers across the nation.

Meanwhile, Alstom leadership recently credited the new Buy America policy with strengthening Alstom’s Hornell, New York operation, now the largest passenger rail manufacturing plant in the United States. The investments made there have had positive ripple effects for local suppliers making passenger seating and other inputs.\textsuperscript{11}

\textbf{Water Infrastructure}

With respect to water infrastructure projects, EJ Americas testified before the T&I Committee in 2021, telling members that “Buy America policies work and EJ’s investments in its U.S. manufacturing capacity is demonstrable proof”. EJ also warned that weak Buy America policies “miss the multiplier effect of taxpayer financed spending, resulting in lost opportunity and forsaken economic return.”\textsuperscript{12}

USW members also have stories to showcase the positive impact IIJA has had on their jobs and communities. The experiences of USW Members at Mueller, a fire hydrant manufacturer with locations in Illinois and Alabama, vividly illustrates the profound impact that infrastructure investments, coupled with Buy America, has on American workers throughout the infrastructure supply chain.

Following IIJA’s passage, production at the fire hydrant plants soared, which prompted management to approach the union with an unprecedented proposal – reopening the contract to negotiate additional pay increases to attract and retain workers to meet the surging demand. The influx of orders provided financial stability for the company and workers, translating into additional income for families and invigorating local economies. IIJA’s emphasis on strong origin standards for domestic products ensured that the benefits extended beyond the walls of the fire hydrant plants. The increased production of hydrants is creating employment opportunities throughout the supply chain, including at brass manufacturing plants that are hiring more USW members to keep up with demand.\textsuperscript{13}

\textbf{Eliminating Loopholes}

As we examine Buy America policies at today’s hearing, we are reminded that it would be foolish to return to decades of flawed policies rewarding companies that have sent U.S. jobs offshore where they operate free of U.S. safety and environmental standards. We must work together to fully implement and enforce our Buy America policies in a manner that provides powerful incentives for companies to invest in U.S. operations.

\textsuperscript{10} Amsted Rail, “Connecting Communities With High Performance Transit Rail Solutions”, Accessed February 13, 2024.
\textsuperscript{13} USW, “The Infrastructure Program’s Chain Reaction”, October 28, 2022.
Our members also know from painful experience that when Buy America policies are either nonexistent or eroded by bad implementation, major U.S. infrastructure projects are free to ignore American workers who are ready to get the job done.

For example, in 2013, California state officials used clever accounting gimmicks to avoid federal funding and bypass federal Buy America laws for the construction and completion of the San Francisco-Oakland Bay Bridge. They thought that using Chinese steel would net them $400 million in savings to the overall project. Rather, the project was plagued with quality issues and cost overruns, all while thousands of jobs were created in China instead of here in the United States. The project was eventually finished—a decade behind schedule and nearly $4 billion over budget.14

In New York, state officials decided to source 15,000 tons of steel, including the fabrication work, from China for the bridge deck replacement at the Verrazano-Narrows Bridge. In shocking fashion, the Metropolitan Transportation Authority (MTA) awarded the contract to a Chinese state-owned company that had never done such work. MTA used a very specific fabrication design, called orthotropic decking, and used it as an excuse to bypass U.S. companies and workers ready to rebuild the bridge.15

Also in New York, Chinese and other foreign-origin steel is used in the multi-billion-dollar LaGuardia Airport renovation.16 The project did not adhere to a federal Buy America law, which was notable given that the Port Authority of New York and New Jersey had received tens of millions of dollars in Federal Aviation Administration (FAA) grants for improvements at LaGuardia in prior years.17 The project was supported by $1 billion in Passenger Facility Charges (PFCs), which can unfortunately be used to complete major projects without consideration of Buy America provisions.18

Similarly, clever accounting allowed Washington D.C.’s transit agency (WMATA) to avoid federal Buy America laws for the purchase of hundreds of 8000-series railcars. At the time, WMATA claimed that it would only be using non-federal (MD/VA/DC) funds for the purchase of these railcars, and not the hundreds of millions of federal assistance dollars it receives annually, including significant pandemic relief infusions.19

These loopholes are not limited to surface transportation investments; a blanket waiver of the 2009 Recovery Act’s (ARRA) Buy America policy for broadband networking infrastructure was issued, which helped fuel the rise of Chinese telecom companies such as Huawei and ZTE.20 Policymakers have since been forced to enact restrictions for U.S.

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17 U.S. Federal Aviation Administration, “Airport Improvement Program (AIP) Grant Histories”, October 27, 2023.
procurement and grants due to the national security risks that these foreign companies pose.\textsuperscript{21}

**Current Implementation of BABA**

While the Biden administration and DOT have made progress in implementing BABA requirements, much remains to be done to ensure that maximum benefits of the policy are achieved. Reversing the negative impacts of decades of neglect in our nation’s manufacturing base does not happen overnight. With sustained commitment and strategic investment, we can rebuild domestic industries, foster innovation, and secure long-term economic prosperity for all Americans.

**Areas of Progress for BABA Implementation**

The Biden administration and DOT have made notable strides in implementing Buy America policies, reflecting a commitment to bolstering domestic industries and supporting workers. These include, but are not limited to, the following examples:

**Final Guidance Allows DOT to Accelerate Implementation**

After a frustrating 17-month delay beyond the statutory deadline, in August 2023, the Office of Management and Budget (OMB) issued Final Guidance, allowing federal agencies to implement BABA. OMB’s Final Guidance established construction material origin standards and other critical policies necessary to implement and enforce the new law. With OMB’s Final Guidance in place, departments and agencies are now able to fully include BABA preference requirements in the terms and conditions of federal financial assistance awards for public infrastructure.

**FHWA Is Applying Buy America to Electric Vehicle Chargers**

Despite the existence of its now four-decade-old general waiver of its Buy America law for “manufactured products” issued in 1983, FHWA deviated from its longstanding policy to apply the Title 23 Buy America law to EV chargers purchased with newly authorized National Electric Vehicle Infrastructure (NEVI) Program Assistance. Recognizing the short-term market constraints faced by the emerging domestic EV charger manufacturing sector, FHWA implemented a phased-in approach for Buy America compliance, affording private sector companies a commercially reasonable time period to adapt their supply chains and domestic manufacturing operations. Notably, DOT’s EV charger waiver results in the same final domestic origin imposed by the BABA law for “manufactured products”. Importantly, from USW’s vantage, this policy shift has already catalyzed significant investments in factories and created job opportunities in domestic EV charger production.

**FHWA Is Working to Discontinue the 1983 Manufactured Products Waiver**

In the 1982 Surface Transportation Assistance Act (STAA), Congress enacted the Title 23 Buy America law that remains applicable to the Federal-Aid Highway Program today. But since 1983, DOT has only applied the Title 23 Buy America law and its

regulations to steel, but not to “manufactured products” despite the law’s express coverage of this category of products.

After soliciting public input in 2023, FHWA has commenced a rulemaking process, expected to move forward in Spring 2024, aimed at phasing out the 1983 general waiver of manufactured products, and replacing it with updated guidelines to clarify the covered products. This longstanding blanket waiver has hindered opportunities for expanding domestic supply chains and discouraged investments in U.S. production for suppliers seeking to participate in Buy America-covered markets. By the FHWA’s own estimates, the Title 23 Buy America requirement has only been applied to less than 5 percent of the average highway project since 1983 due to the “manufactured products” waiver.

Given the critical importance of revitalizing lost industrial capabilities, and the now apparent and unquestionable need to fortify existing ones, we acknowledge DOT’s efforts to start undoing the harm of the 1983 waiver.

Areas for Improvement in BABA Implementation

As we examine Buy America policy at today’s hearing, we must be clear that implementation of the new BABA law is ongoing and much of our public infrastructure spending continues to be completed absent major elements of the domestic content preference policy. Since BABA was enacted in November 2021, DOT has issued multiple waivers and policy interpretations delaying implementation. Our union and other stakeholders have filed comments raising concerns regarding these actions. In some instances, such as their small grants and de minimis waivers, DOT has been responsive and adequately addressed the concerns of multiple commenters. However, billions of dollars are still being spent on infrastructure projects that are sourcing foreign inputs. It is imperative for DOT to expedite implementation by taking the crucial steps outlined below.

Implementation Delays

More than two years have elapsed since the enactment of IIJA, yet DOT has not fully implemented BABA. As the statutory implementation deadline of May 14, 2022, approached, DOT issued a series of general waivers that delayed the process. Consequently, billions of federal assistance dollars – including IIJA funded projects – have been expended across numerous infrastructure projects without key provisions of the BABA law being enforced. DOT must prioritize the expeditious implementation of BABA in order to make up for numerous missed opportunities due to neglected statutory deadlines.

Devoting Resources to Stakeholder Education

Although both FHWA22 and FTA23 offer online guidance for stakeholders, it is important to prioritize education for all infrastructure stakeholders regarding the timing and implementation of BABA policies. While criticisms alleging confusion from some critics are exaggerated, DOT still bears the responsibility of collaborating with

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stakeholders to establish clear expectations for the construction sector and provide the strong market signals necessary to stimulate investments in manufacturing.

EPA provides a useful model for effective stakeholder engagement through initiatives such as trade shows, seminars, and outreach programs; adopting similar strategies would enhance understanding and compliance with BABA requirements across the infrastructure landscape.

**Fewer General Waivers, More Product-Specific Waivers.**
Since the enactment of BABA, DOT OAs have frequently resorted to the issuance of general waivers, which significantly restrict or entirely eliminate the application of Buy America provisions across various product categories, entire programs, and even agencies. These broad waivers ignore domestic workers who already produce Buy America-compliant goods and materials within the United States.

General waivers undermine the market signals crucial for stimulating investments in U.S. factories created by Buy America policies. Instead of utilizing general waivers, BABA directs departments and agencies to rely on product-specific, time-limited waivers. A targeted approach to waivers, accompanied by full transparency for the public, offers clear market signals essential for investors and manufacturers to confidently make substantial capital investments in domestic production capacity.

**Increase Waiver Transparency**
DOT must actively support and use the centralized MadeinAmerica.gov website, which is aimed at informing the public about pending and current Buy America waivers. Transparent Buy America waivers will bolster domestic manufacturing by enabling existing suppliers to promptly access potential opportunities to manufacture materials and products needed for infrastructure projects. Additionally, this waiver database will furnish valuable insights into the frequency, value, and nature of purchases that are not sourced from domestic producers, which empowers domestic manufacturers to make informed investment decisions aimed at bridging gaps in our production capabilities.

**Expanded Use of MEP Supplier Scouting**
With experience collaborating with small- and medium-sized manufacturers, the Manufacturing Extension Partnership (MEP) is well-equipped to identify domestic manufacturers prepared to supply the materials and manufactured products essential for infrastructure investment. Through BABA, Congress has explicitly mandated that DOT agencies, including FHWA and FTA, are to collaborate with MEP. While recognizing existing suppliers is an essential initial step, DOT should also actively engage with MEP to pinpoint manufacturers interested in expanding their operations to contribute to the domestic infrastructure supply chain.

**Respecting the BABA "Savings Provision"**
Congress included a "savings provision" in BABA to prevent the weakening of existing Buy America policies during the implementation process, reflecting its intention for DOT to apply more Buy America, not less. For example, DOT issued a proposed
waiver for *de minimis* and small grants, which would have violated the savings provision if not revised. By increasing the pre-existing *de minimis* threshold, DOT would have weakened Buy America application for iron and steel products. Additionally, DOT proposed a $500,000 small grants waiver when the pre-existing small grants waiver was $150,000. In the final publication, DOT ultimately adhered to the BABA "savings provision". DOT must be vigilant in the application of the "savings provision" in order to implement BABA as Congress intended.

**Avoiding Shifting Origin Standards for Manufactured Products**

DOT must steer clear of implementing policies that weaken Buy America by permitting multiple end products to be amalgamated as part of a "kit" or "system". Since BABA mandates domestic final assembly of manufactured products and requires over 55 percent of their components to be domestically produced (70 percent for FTA rolling stock), adopting this "origin shift" approach effectively eliminates Buy America coverage for upstream components and materials. Congress should oversee the classification of "kits" as manufactured products and urge FTA to close its "systems as end products" loophole.

**Monitoring for New Loopholes**

Congress should diligently monitor the implementation of BABA to prevent the creation of new loopholes. This oversight must include scrutinizing the use of public interest and general applicability waivers that diminish or eliminate Buy America coverage.

**Apply BABA Prior to Any Other Procurement Preference, Like Buy Clean**

Under the Inflation Reduction Act, FHWA is instructed to use certain funds to procure low carbon materials – i.e. concrete/asphalt, steel, and other materials whose manufacturing process produces lower-than-average carbon emissions. As FHWA implements these provisions, it must ensure that BABA applies first, then Buy Clean can be applied second. At its core, Buy Clean policies are competitiveness policies birthed from the problem of Chinese steel in the California Bay Bridge, and aimed at ensuring that U.S. workers are making the materials used in our infrastructure projects. As FHWA implements these provisions, they must utilize global industry averages for emissions and bifurcate emissions standards for steel, just as the General Services Administration (GSA) did in their Buy Clean pilot, to ensure that no U.S.-based process for production is advantaged over another U.S. based process for production.

**Conclusion**

The Biden administration and DOT have shown a strong commitment to bolstering the application of Buy America through proactive measures aimed at fortifying domestic manufacturing and supply chains. However, there is room for improvement as DOT continues BABA implementation.
Congress, too, can play a pivotal role in supporting the administration’s efforts by fostering bipartisan cooperation and focusing on the shared goal of enhancing American manufacturing and infrastructure – not by politicizing implementing policies.

On behalf of USW members making the products that supply our nation’s infrastructure projects, we appreciate the opportunity to share our views on the current implementation of Buy America. We look forward to working with Congress, DOT, and its stakeholders to advance the ability of U.S. companies, and their workers, to provide American-made products and materials for our public works infrastructure. Thank you.