Chairman Murphy, Vice-Chairman Visclosky, and members of the Congressional Steel Caucus, I want to thank you for inviting me to testify on behalf of the Alliance for American Manufacturing at today’s hearing to examine the state of the domestic steel industry.

First, I would like to introduce the Alliance for American Manufacturing to you. We are a partnership formed in 2007 by some of America’s leading manufacturers and America’s largest industrial union -- the United Steelworkers -- to work in a cooperative, non-partisan way with one goal: strengthening American manufacturing and therefore our nation’s economic and national security. Our mission is to provide policymakers like you with credible analysis of the issues, as well as innovative policy ideas to move us toward effective solutions. In our first ten years, we are proud to have helped call attention to some of the most pressing issues in American manufacturing, including our efficient, innovative and critically-important steel sector. We look forward to working with you and the new administration to advance our shared goals of revitalizing America’s steel sector – a major economic driver, foundation of U.S. national security, and source of over a million (direct and indirect) high-paying jobs.

I want to thank the caucus leadership for the focus on rebuilding our infrastructure, which when coupled with a procurement preference for truly American-made steel is an important policy component to realizing the full potential of America’s world-class steel sector. But before doing so, I would like to briefly touch on two other issues that are critical to U.S. manufacturing, economic prosperity and national security. They are tax reform and trade.

**Tax Reform.** There is near-universal agreement that today’s corporate tax system has its faults. It is complicated and has numerous incentives that encourage production overseas. As Congress reviews options for rewriting the tax code, it is important that we recognize the unique global competition our manufacturing sector faces. For corporate tax reform to encourage prosperity and growth, manufacturers must be able to quickly recover the costs of their capital investments, have the flexibility to weather the natural ups and downs of the business cycle, and have the certainty to locate production in the U.S. for the long-term. We must also keep in mind the challenges that our goods-producers in global competition face through value-added tax schemes applied in 160 other nations. As the tax reform process moves ahead, it would be a mistake to tailor a tax cut for Wall street and retailers while making it more expensive to invest in U.S. factories and American workers.

**Trade.** We must make trade work for all Americans. Many in this room have worked tirelessly to level the playing field for the U.S. steel industry and we see these efforts beginning to bear fruit. In Granite City, Illinois, 200 steel workers are back on the job at the hotstrip mill. And, workers on the Iron Range in Minnesota are being called back. This is good news, but the thousands of steelworkers still laid off serve as a reminder that we must continue to press for better trade deals and stronger trade enforcement.
Reducing global industrial overcapacity, creating effective mechanisms to deter and penalize currency manipulation, and maintaining China’s non-market economy (NME) status should be top priorities. We must also more closely scrutinize foreign state-owned investments – namely from China – which raise economic and security concerns.

I’d like to take a moment to raise awareness of what we believe to be a growing problem at the World Trade Organization (WTO). AAM recently released a paper outlining how the WTO dispute settlement body has been overstepping its mandate and disproportionally targeting U.S. trade remedy laws. Here are some quick takeaways:

- Although the U.S. is responsible for less than 13% of all trade remedy measures used by the WTO’s 164 members between 1995 and 2015, we have been subject to nearly 60% of the decisions in trade remedy disputes.
- The U.S. has been the subject of 42 such decisions, nearly five times as many as the second most frequent respondent, and was found to be in violation in 38 of those cases.
- This means that in over 90% of cases, the U.S. has been found in violation of the very rules we helped to write.

The WTO’s clear overreach is threatening our ability to defend U.S. manufacturing from unfair trade. We must work proactively to reverse this trend and I invite you to review the recommendations contained in the report.

Infrastructure. Federal investment in infrastructure is critical to a well-functioning economy and our national competitiveness. U.S. manufacturers benefit from infrastructure investments not just because they generate new demand for steel, but also because an efficient infrastructure network improves their ability to bring goods to market. We are encouraged that Congress is already working with the President to identify solutions to the funding challenges that stand in the way of addressing the backlog of repairs to our nation’s highways, water systems, and other critical infrastructure. According to a Duke University report entitled *Infrastructure Investment Creates American Jobs*, America has 156,000 deficient bridges, an investment backlog of $85.9 billion for our nation’s roads, and $200 billion in lost economic activity annually from inefficient rail transportation.

Too often the focus of infrastructure has been on “shovel ready” projects, which unfortunately has meant that larger projects that are essential to our steel sector have not moved forward. A prime example is the Soo Locks system that allows ships to move between Lake Superior and the rest of the Great Lakes. The larger of the two locks, the Poe Lock, is nearly 50 years old and the only lock that can accommodate larger vessels that make up almost 70% of the potential capacity of the Great Lakes fleet. A recent report by the Department of Homeland Security found that if the Poe lock were to shut down for 6 months, the nation would experience economic hardship as mines and steel mills experience supply chain disruptions, causing a ripple effect throughout the manufacturing sector that could impact as many as 11 million workers. Depending on when such a failure occurred, as much as 75% of U.S. steel output could go offline in a matter of weeks. Building a second Poe-sized lock would cost $580 million, but would spur $1.7 billion in economic activity.
Buy America. I want to commend the steel caucus for its strong support of using American-made steel to build America’s infrastructure. Buy America policies are procurement preferences for iron, steel, and manufactured goods that are “produced in the United States.” These preferences apply to federal infrastructure programs, ensuring that U.S. companies and American workers have the first opportunity to supply the materials used to build our highways, rail, airports, water systems, and other critical infrastructure. Strong Buy America laws maximize the return on the nation’s investment in our infrastructure and are consistent with our international obligations.

I want to offer several recommendations as Congress moves closer to a debate on infrastructure:

1. Include Buy America in the infrastructure package. As Congress looks to funding solutions, ensure that new funding mechanisms – including public-private partnerships or other new innovative financing tools – are covered. The best way to do this is to include a strong Buy America provision in the package.

2. Apply Buy America where it doesn’t exist. There are many infrastructure spending programs that are not covered by a Buy America preference. We support a top-to-bottom review of all infrastructure spending programs and enacting Buy America laws where they are absent. An example of this is the Drinking Water State Revolving Fund (DWSRF), which is covered by a temporary Buy America provision. Without action by the end of this fiscal year, our nation’s drinking water infrastructure investments will be open to steel and iron from China and other countries. We cannot let this happen.

3. Close loopholes and improve existing laws. We should also work to close loopholes, strengthen weak agency enforcement, and reduce the number of waivers granted. We applaud the caucus for its efforts in recent transportation bills to prevent project segmentation, fight back against efforts to weaken the law, and increase transparency of the waiver process.

4. Reject efforts to weaken Buy America by supporting the ‘Melted and Poured’ standard. For 35 years, the foundation of our Buy America laws has been the requirement that all steel manufacturing processes occur in the United States for a product to be Buy America compliant – from the actual steel production to the finishing processes. Regrettably, a few companies whose business model focuses on importing foreign steel are aggressively lobbying to create a massive Buy America loophole that would allow steel from Russia, China, or other foreign sources to qualify as “produced in the United States.” This massive outsourcing loophole should be rejected outright. Steel is made here only if it is melted here.

Before I close, I want to highlight several high-profile infrastructure projects that have found ways to evade federal Buy America laws. In each case, public resources bypassed U.S. companies and American workers and, instead, supported jobs in China and other foreign countries.

- San Francisco-Oakland Bay Bridge. Completed in 2013, California state officials used clever accounting gimmicks to bypass federal Buy America laws for the construction of the 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 a decade behind schedule and nearly $4 billion over budget.
• **Verrazano-Narrows Bridge.** In 2013, 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.

• **LaGuardia Airport.** Just last week, it was reported that Chinese and other foreign-origin steel is being used in the $4 billion LaGuardia Airport renovation. While the project does not appear to be covered by a federal Buy America law, it is notable that the Port Authority of NY and NJ has received $76 million in federal FAA grants for improvements at LaGuardia in just the last 10 years. These funds require U.S.-melted steel to be used. And, the Port Authority will finance the LaGuardia project with $1 billion in Passenger Facility Charges (PFCs). These fees should be covered by Buy America, and the upcoming FAA reauthorization presents an opportunity to stop this egregious outsourcing from happening again.

• **Holland Tunnel.** The Port Authority of NY and NJ is also responsible for the use of foreign steel pipe for repairs at the Holland Tunnel – reportedly coming from Turkey, eastern Europe, and China. This is disappointing, given the large amount of idled and unutilized domestic capacity.

These projects are regrettable. And one need only look to the massive Tappan Zee Bridge project in New York to see how following Buy America produces positive outcomes for jobs, U.S. production, and project completion. The project is currently under construction and scheduled to be completed on time and on budget, while at the same time creating demand for massive amounts of steel that was melted and poured in the United States.

**American-Made National Security.** Finally, we must strengthen our defense industrial base to safeguard American security. Increasingly, the components needed to support our warfighters are being put at risk due to the offshoring of American manufacturing. This includes everything from hi-tech magnets to lithium-ion batteries to semiconductors. And, it certainly includes steel – the backbone of our defense infrastructure. Not only does this give potentially hostile nations leverage over our military capabilities and tactical decision-making, it exposes our men and women in uniform to the dangers of counterfeit and inferior-quality parts and materials. A strong manufacturing base is vital to our nation’s defense and the resiliency of our critical infrastructure.

Thank you for the opportunity to testify today. I applaud the leadership of the congressional steel caucus and look forward to working with each of you in the coming months to advance policies that will benefit American manufacturing. We have the chance to strengthen our innovative and dynamic manufacturing sector while creating high-paying manufacturing jobs here in America.

Together, we can *Keep It Made in America.*