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AMENDMENTS TO THE FEDERAL "BUY AMERICAN ACT"

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HEARING
BEFORE THE
SUBCOMMITTEE ON
PUBLIC BUILDINGS AND GROUNDS
OF THE
COMMITTEE ON PUBLIC WORKS
HOUSE OF REPRESENTATIVES
NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 13283 and related bills

TO AMEND TITLE III OF THE ACT OF MARCH 3, 1933, COMMONLY REFERRED TO AS THE "BUY AMERICAN ACT," WITH RESPECT TO DETERMINING WHEN THE COST OF CERTAIN ARTICLES, MATERIALS, OR SUPPLIES IS UNREASONABLE; TO DEFINE WHEN ARTICLES, MATERIALS, AND SUPPLIES HAVE BEEN MINED, PRODUCED OR MANUFACTURED IN THE UNITED STATES; TO MAKE CLEAR THE RIGHT OF ANY STATE TO GIVE PREFERENCE TO DOMESTICALLY PRODUCED GOODS IN PURCHASING FOR PUBLIC USE, AND FOR OTHER PURPOSES

JULY 18, 1972

Printed for the use of the Committee on Public Works



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92^d CONGRESS
2^d SESSION

H. R. 13283

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 22, 1972

Mr. HOWARD (for himself and Mr. GRAY) introduced the following bill; which was referred to the Committee on Public Works

A BILL

To amend title III of the Act of March 3, 1933, commonly referred to as the "Buy American Act", with respect to determining when the cost of certain articles, materials, or supplies is unreasonable; to define when articles, materials, and supplies have been mined, produced or manufactured in the United States; to make clear the right of any State to give preference to domestically produced goods in purchasing for public use, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 2 of title III of the Act of March 3, 1933 (41
4 U.S.C. 10a), commonly referred to as the "Buy American
5 Act", is amended by inserting "(a)" immediately after

I

(III)

1 "SEC. 2." and by adding at the end thereof the following
2 new subsections:

3 " (b) The head of the department or independent estab-
4 lishment concerned shall not deem unreasonable any bid or
5 offer to furnish manufactured or unmanufactured articles,
6 materials, or supplies mined, produced, or manufactured, as
7 the case may be, in the United States if such bid or offer does
8 not exceed an amount equal to the sum of the lowest bid or
9 offer to furnish such articles, materials, or supplies not mined,
10 produced, or manufactured, as the case may be, in the United
11 States, plus 50 per centum thereof.

12 " (c) The head of the department or independent estab-
13 lishment concerned shall deem an article, material, or supply
14 to have been mined, produced, or manufactured, as the case
15 may be, in the United States only when the cost of the com-
16 ponents mined, produced, or manufactured in the United
17 States exceeds 75 per centum of the cost of all components
18 incorporated into the article, material, or supply."

19 SEC. 2. That section 4 of title III of the Act of March 3,
20 1933 (41 U.S.C. 10d), is amended by inserting "(a)"
21 immediately after "SEC. 4" and by adding at the end thereof
22 the following new subsections:

23 " (b) Any law, regulation, or ordinance enacted by any
24 State, or political subdivision thereof, either before, on, or
25 after the effective date of this section, which provides that

1 preference be given to the acquisition of articles, materials,
2 and supplies of United States manufacture for public use
3 by that State, or any political subdivision thereof, shall
4 constitute a valid exercise of the State's, or political subdivi-
5 sion's, police power and shall not constitute an encroachment
6 or infringement upon the power of the United States to
7 regulate foreign commerce or to conduct foreign affairs.
8 Nothing in this or any other Act shall be deemed to affect,
9 in any manner whatsoever, the right of any State, or political
10 subdivisions thereof, to enact or implement any such law, or
11 regulation, or ordinance. Nothing in this or any other Act
12 shall be deemed to conflict with any executive agreement
13 that exempts from its provisions: laws, regulation, or require-
14 ments governing the procurement by governmental agencies
15 of products purchased for governmental purposes and not
16 with a view to commercial resale or with a view to use in the
17 production of goods for commercial resale.

18 “(c) The provisions of sections 1-3 of this title shall
19 apply to, and be made a part of, any contract for work
20 financed in whole or in part by loans or grants from, or
21 loans insured or guaranteed by, the United States or any
22 agency or instrumentality thereof.”

- 1 preference be given to the acquisition of articles, materials,
- 2 and supplies of United States manufacture for public use
- 3 by that State or any political subdivision thereof, shall
- 4 constitute a valid exercise of the States' or political subdivisions'
- 5 own police power and shall not constitute an encroachment
- 6 on management upon the power of the United States to
- 7 regulate foreign commerce or to conduct foreign affairs.
- 8 Nothing in this or any other Act shall be deemed to affect
- 9 in any manner whatsoever the right of any State in political
- 10 subdivisions thereof to enact or enforce any such law, or
- 11 regulation or ordinance, Nothing in this or any other Act
- 12 shall be deemed to conflict with any executive agreement
- 13 that results from the exercise of law, regulation or treaty
- 14 made governing the procurement by governmental agencies
- 15 of products purchased for governmental purposes and not
- 16 with a view to commercial resale or with a view to use in the
- 17 production of goods for commercial resale.
- 18 "(c) The provisions of section 101 of this Act shall
- 19 apply to and be made a part of any contract for work
- 20 awarded in whole or in part by loan or grant hereof,
- 21 loans insured or guaranteed by the United States or any
- 22 agency or instrumentality thereof."

"BUY AMERICAN ACT" AMENDMENTS

(LIST OF PENDING BILLS)

- H.R. 976, by Mr. Pelly: To clarify the right of States and local subdivisions to provide for domestic preference in acquiring materials for public use.
- H.R. 7147, by Mr. St Germain: To amend title 23, United States Code, relating to the use of American materials in highway projects.
- H.R. 10460, by Mr. Aspin: To amend the "Buy American Act" to clarify its application with respect to the procurement of certain components of naval vessels.
- H.R. 11010, by Mr. Stratton: To amend title III of the act of March 3, 1933, commonly referred to as the "Buy American Act", with respect to determining when the cost of certain articles, materials, or supplies is unreasonable, and for other purposes.
- H.R. 11164, by Mr. Carney: To amend certain provisions of Federal law relating to the preference to be given to American goods in connection with the purchase of materials required for public use, and for other purposes.
- H.R. 13937, by Mr. Terry: To require the use of U.S. materials and products in the construction, alteration, or repair of water, air, or noise pollution control facilities for which Federal assistance is provided.
- H.R. 11743, by Mr. Saylor: To amend title III of the act of March 3, 1933, commonly referred to as the "Buy American Act", with respect to determining when the cost of certain articles, materials, or supplies is unreasonable; to define when articles, materials, and supplies have been mined, produced or manufactured in the United States; to make clear the right of any State to give preference to domestically produced goods in purchasing for public use, and for other purposes.
- H.R. 12905, by Mr. Addabbo: To amend title III of the act of March 3, 1933, commonly referred to as the "Buy American Act", with respect to determining when the cost of certain articles, materials, or supplies is unreasonable; to define when articles, materials, and supplies have been mined, produced or manufactured in the United States; to make clear the right of any State to give preference to domestically produced goods in purchasing for public use, and for other purposes.
- H.R. 13283, by Mr. Howard (for himself and Mr. Gray): To amend title III of the act of March 3, 1933, commonly referred to as the "Buy American Act", with respect to determining when the cost of certain articles, materials, or supplies is unreasonable; to define when articles, materials, and supplies have been mined, produced or manufactured in the United States; to make clear the right of any State to give preference to domestically produced goods in purchasing for public use, and for other purposes.

CONTENTS

	Page
H.R. 13283 (text)-----	III
List of related bills-----	VII

TESTIMONY

Burnsky, Paul J., president, AFL-CIO Metal Trades Department-----	44
Callahan, John, COPE and legislative director of the International Union of Electrical and Machine Workers, AFL-CIO, Washington, D.C.-----	60
Carney, Hon. Charles J., a Representative in Congress from the State of Ohio-----	5
Dorland, Gilbert M., president, American Institute of Steel Construction, New York, N.Y.; accompanied by Van M. Coddington and John K. Edmonds-----	35
Gilbert, Hon. Jacob A., attorney; accompanied by John Stender, Larry Haines, Robert G. Free, and Robert L. Phelps-----	13
Gula, Nick, president of the Federation of Youngstown Welding & Engineering Co. Union, Youngstown, Ohio; accompanied by William DeAngelo, chief shop steward of Youngstown Welding & Engineering Co. Union, Youngstown, Ohio-----	58
LeGate, James O., vice president, Anchor Metals division, Electronic Specialty Co., Hurst, Tex., and chairman, Ad Hoc Committee of Galvanized Electrical Transmission Tower Fabricators; accompanied by Charles B. Gannaway, director, Flint Steel Corp., Tulsa, Okla-----	51
Lojko, Edmund, general organizer, International Association of Bridge, Structural and Ornamental Iron Workers-----	45
Steinberg, David J., executive director, Committee for a National Trade Policy, Washington, D.C-----	62
Stratton, Hon. Samuel S., a Representative in Congress from the State of New York-----	1
Taliaferro, J. C., vice president, Morris Pumps, Inc., Baldwinsville, N.Y.--	34
Terry, Hon. John H., a Representative in Congress from the State of New York-----	8

MATERIAL RECEIVED FOR THE RECORD

Addabbo, Hon. Joseph P., a Representative in Congress from the State of New York, statement-----	65
Burnsky, Paul J., president, AFL-CIO Metal Trades Department: List of International Unions affiliated with AFL-CIO Metal Trades Department-----	44
Dorland, Gilbert M., president, American Institute of Steel Construction, Inc., statement-----	35
General Electric Co., Washington, D.C., L. B. Davis, vice president, comments on H.R. 11010-----	65
Lojko, Edmund, general organizer, International Association of Bridge, Structural and Ornamental Iron Workers: foreign steel fabrication survey results-----	46
Steinberg, David J., executive director, Committee for a National Trade Policy, statement-----	62
United States-Japan Trade Council, statement-----	67

APPENDIX

CONTENTS

1. Introduction	1
2. The Problem	1
3. The Method	1
4. Results	1
5. Discussion	1
6. Conclusions	1
7. Acknowledgments	1
8. References	1
9. Appendix	1
10. Bibliography	1
11. Index	1
12. Glossary	1
13. List of Figures	1
14. List of Tables	1
15. Summary	1
16. Appendix A	1
17. Appendix B	1
18. Appendix C	1
19. Appendix D	1
20. Appendix E	1
21. Appendix F	1
22. Appendix G	1
23. Appendix H	1
24. Appendix I	1
25. Appendix J	1
26. Appendix K	1
27. Appendix L	1
28. Appendix M	1
29. Appendix N	1
30. Appendix O	1
31. Appendix P	1
32. Appendix Q	1
33. Appendix R	1
34. Appendix S	1
35. Appendix T	1
36. Appendix U	1
37. Appendix V	1
38. Appendix W	1
39. Appendix X	1
40. Appendix Y	1
41. Appendix Z	1

AMENDMENTS TO THE FEDERAL "BUY AMERICAN ACT"

WEDNESDAY, JULY 18, 1972

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS,
OF THE COMMITTEE ON PUBLIC WORKS,
Washington, D.C.

The subcommittee met at 10:12 a.m., in room 2167, Rayburn House Office Building, Hon. James J. Howard presiding.

Mr. HOWARD. The Subcommittee on Public Buildings and Grounds of the Public Works Committee will please come to order.

The testimony we will hear this morning will be testimony in relation to H.R. 13283, introduced by Chairman Gray and myself, and various other pieces of legislation on the same subject.

All of these bills amend title 3 of the act of March 3, 1933, commonly referred to as the "Buy American Act."

We do have a long list of witnesses today. If some of the people testifying do have a lengthy statement and feel they would like to submit that in full for the record, and make a few brief remarks concerning it, they certainly may, and it will be welcome.

As our first witness, we are happy to have with us this morning the sponsor of H.R. 11010, one of the pieces of legislation under consideration, our colleague from the State of New York, Hon. Samuel S. Stratton.

STATEMENT OF HON. SAMUEL S. STRATTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. STRATTON. Mr. Chairman, I appear here this morning in support of H.R. 11010, my bill to amend the "Buy American Act" of 1933.

Essentially my bill sets the cost differential between domestic and foreign bids on all Federal contracts at 50 percent, that is to say, all Federal agencies would be required to purchase American-made rather than foreign-made products unless the cost of the American-made product was more than 50-percent higher than the comparable foreign-made product.

Under present law, as implemented by the President under Executive Order 10582, the permissible cost differential governing the purchases of all Government departments with the exception of the Defense Department is only 6 percent—hardly enough, by the way, to cover the sales tax in most American States, and certainly in my State of New York, and others.

Incidentally, Mr. Chairman, I am sure you are aware of the fact the basic law of the "Buy American Act" does not include any particular figure. It refers to unreasonable costs, and from time to time the

Executive department has defined unreasonable costs, in various terms going all the way from 6 percent to about 25 percent, I believe.

And, at the present time, the situation is that each Government department seems to determine its own differential and, as a practical matter, only the Defense Department has a 50-percent differential. The others operate on a 6-percent basis.

The Defense Department, presumably because of our interest in maintaining a domestic production capacity at least in the field of national defense, is, very wisely, allowed a 50-percent differential.

My bill would simply mandate this 50-percent differential for all Government departments, and thus withdraw the President's current power to adjust these differentials as he sees fit for various Government departments.

And the basic reason for my believing that we ought to do so is essentially the same reason that dictated the higher Defense Department differential in the first place—to protect vital American production capacity and, even more importantly in an era when unemployment has become a very serious problem, the jobs of American working men and women.

The full impact of the present law was brought home to me more than a year ago when TVA ordered several foreign-made turbine generators because of the 6-percent cost differential.

This decision was felt in my former home city of Schenectady, where the great turbine-generator plant of the General Electric Co. is located. These foreign purchases by the Government in preference to American-made goods obviously threaten the jobs of the IUE workers in Schenectady, and they were justifiably disturbed, and I believe a representative of the IUE is here to testify this morning.

As a matter of fact, union members all across the country visited Congress about a month ago because they were deeply concerned over this problem.

Upon investigation I learned that over the past 3 years, some 94 percent of the purchases of turbine generators by the Federal Government, using taxpayers' money, have been foreign-made products. This is an astounding and a frightening figure and, if allowed to continue unchecked, it obviously could not only spell disaster for American jobs but for essential American industrial capacity as well.

One finds it hard, I am sure you will agree, to draw a clear line between defense industrial capacity in a modern society on the one hand, and electrical generating capability on the other.

If 50 percent makes sense for the Department of Defense, I believe it makes sense for the heavy electrical industry as well—and I am sure the same reasoning would embrace a substantial number of other industries as well.

I am not, of course, suggesting that all of them are equally vital to our basic industrial strength, though in a time of unemployment the jobs they provide are every bit as important to Americans as any other jobs. Nor do I suggest, of course, that we end all foreign trade.

What I am saying is that when it comes to purchases by Government departments, and with taxpayers' money, it seems wise public policy to me to encourage purchase of American-made products and that, of course, is precisely what my bill would do by raising the cost differential from 6 percent to 50 percent.

Mr. Chairman, to put this problem in even sharper and more concrete terms, the award of contracts for two turbine generators in July 1971, by TVA to a Swiss firm meant that business, that could have kept 9,000 electrical workers in Schenectady on the job for a whole year, went abroad and outside of the United States of America.

Already some 2,000 turbine employees have lost their jobs in the American electrical industry, as I understand it—and maybe even more—and if the trend continues, the figure could go as high as 100,000 jobs in a very short time.

Mr. Chairman, the facts speak for themselves. I urge your favorable action on H.R. 11010.

Mr. HOWARD. Thank you very much, Mr. Stratton. Just one question on that.

Fifty percent may seem high, but it seems to me that is a bit misleading. It might sound as though it is a 50 percent additional expense for the United States, for the taxpayers of the United States.

But, when you consider the jobs involved, the income tax paid by the people who will be working in America, and the taxes paid by the profits in America, that 50 percent is reduced greatly in cost to the American taxpayer.

Mr. STRATTON. That is absolutely true, Mr. Chairman. And since you have mentioned that, it gives me an opportunity to comment on something which I wanted to include in my statement, but omitted because I wanted to be brief.

That is, at least when it comes to the turbine and generating industry, the real test of performance is not in the cost figure itself.

As we all know, the initial cost may also be misleading. What is the real cost is the operating cost; and in turbine generators (and I speak on that primarily because this is an area that concerns me most directly), we find that foreign-built turbine generators are constantly breaking down and have to be taken off the line and repaired.

So, the actual operating cost of these foreign machines in the long run is much greater than that of the American-made machines. To leave cost to be determined simply on the basis of the initial cost does create a misleading impression. You get the impression you are soaking the taxpayers, when actually they would be saving money by TVA getting American-made products that work.

Mr. HOWARD. Thank you, Mr. Stratton.

Mr. Grover?

Mr. GROVER. Mr. Stratton, where on the percentage scale did these two turbine generators which you have mentioned fall in this 50-percent scale?

In other words, what were the comparable prices differential?

Mr. STRATTON. I think, actually, on these two, the low bidder was not General Electric, but Westinghouse; so my interest is not parochial here. I don't have the exact figure but I know the lowest American bidder was about 40 percent over the cost of the successful Swiss firm.

Mr. GROVER. Was that the same experience with the GE turbine in the industry itself?

Mr. STRATTON. The General Electric bid was actually a little higher, but I am positive it too was below the 50-percent add-on figure. But, as I said earlier, the real cost is in terms of operating performance rather than actual cost.

I do not have the figures immediately at hand, but it seems to me that the difference was on the order of \$5 or \$6 million.

Mr. GROVER. If over these 3 years 94 percent of the turbine generators used by the Federal Government had been bought abroad, we perhaps should have some figures on this 50-percent scale just for the record. I suppose we could get that.

Mr. STRATTON. I think we could get those for the committee, Mr. Grover.

Mr. GROVER. I think it would be helpful.

Mr. STRATTON. But, again, as I say, the performance—and I have had some difficulty in getting performance figures, but I think we have finally gotten them—the outages are much higher. It seems to me a 1-percent outage rate represents roughly about \$1 million in operating costs over the life of the turbines. It is very easy to make up these initial differences if you have reliable machinery to use.

Mr. GROVER. I think we had better do something before Ralph Nader does.

Mr. HOWARD. Any questions, Mr. Cleveland?

Mr. CLEVELAND. No questions.

Mr. HOWARD. Mr. Baker?

Mr. BAKER. Mr. Chairman, we are talking about an area in which I am deeply concerned. TVA is in the heart of my district and these two generators were purchased for the Sequoyah nuclear plant 18 miles up the Tennessee River from Chattanooga. And I have been concerned and have asked questions. The explanation which I get from TVA is that there is a prime contractor for the installation and that he went out into the open market and bought at the most attractive price the components that would satisfy the contract. And I trust that my information is reasonably correct.

Does your legislation incorporate the requirements of a contractor to buy American so that he can calculate this contingency and not be going to the foreign market?

Mr. STRATTON. To be perfectly honest, Mr. Baker, this is the first time I have heard that statement. I have been in touch with TVA myself and I do not think they have ever blamed their decision on a prime contractor over whom they have no control. They have tried to justify it on the basis of the figures by themselves. And they have acknowledged, after some prodding, the fact that foreign products were not as reliable as domestic-made products.

If this is the case, it may well be that my bill would not cover that. I feel quite sure that the basic thrust of the Buy American legislation is to make sure that the various agencies when they go with their initial contracts to a prime contractor would require that the terms of the "Buy American Act" are carried out.

Mr. BAKER. That may be technically incorrect because the thrust of my concern in TVA has been in the area of nuclear vessels. I am assuming that this was all tied up in a package. I have a major producer of nuclear vessels in combustion engineering, whose largest plant is located at Chattanooga, Tenn. I was concerned that we went some distance abroad to purchase nuclear vessels when we could have had them produced right there at home; and it should be the proper place to produce them.

I think we come into the face of conflict. Are we going to pay good wages here in America and enjoy the standard of living which is

generated by good wages and forego some of the prices which we otherwise could enjoy by going to the foreign market where substandard wages are paid? Do I understand that this is the point to which the legislation addresses itself?

Mr. STRATTON. Absolutely; and I could not agree more. In fact, I think we are talking on the same wave length because, of course, a nuclear generating plant is still transforming steam, and these are steam turbine generators that tie into that kind of unit.

It is not only a case of preserving employment in my district. It is also a case, I think, of doing a more efficient job for TVA. If you have a Swiss machine and she breaks down then you have to go to Switzerland and get some people to come over and try to fix it. So the whole procedure is one that even TVA will acknowledge is not as satisfactory as buying domestically.

I might say that I have talked to Congressman Evins on the subject and I have been discussing this matter off and on for the 14 years that I have had the privilege of serving this body, and I think Mr. Evins shares my feeling. In fact, he is the source of the 94-percent figure which I have mentioned in my testimony.

Mr. BAKER. Thank you.

Mr. HOWARD. Any further questions?

Thank you very much.

Mr. STRATTON. Thank you, Mr. Chairman.

Mr. HOWARD. Thank you for your appearance before the subcommittee this morning.

Our next witness is our colleague from the State of Ohio, Hon. Charles J. Carney who has introduced H.R. 11164 on the same subject.

Mr. Carney, welcome to the subcommittee and please proceed as you wish.

STATEMENT OF HON. CHARLES J. CARNEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. CARNEY. Mr. Chairman, I want to thank you for this opportunity to present testimony in favor of legislation to strengthen the provisions of the "Buy American Act."

I first became aware of the need to strengthen the "Buy American Act" on August 5, 1971.

On that day, five employees of the Youngstown Welding & Engineering Co. came to my office with a petition signed by 1,200 workers protesting the awarding of a U.S. Navy subcontract to a Canadian company. The subcontract for torpedo tubes and ejection pump was awarded to Canadian Vickers, Ltd., of Toronto, Canada, even though the Youngstown Welding & Engineering Co. had a proven track record of making these products for the Navy since 1958. Four other American companies which submitted bids for this contract also were bypassed by the Navy Department in favor of the Canadian firm.

The justification given by the Navy for bypassing the Youngstown Co. was that the Canadian company offered the lowest bid.

However, the final two bids of Canadian Vickers and Youngstown Welding were \$3,950,000 and \$3,994,050, respectively—a difference of only \$44,000 or about 1 percent.

Navy Department officials were quick to point out that the awarding of this contract to Canadian Vickers was in full accord with the "Buy American Act" and other statutes since procurements from Canada are treated as domestic purchases.

The employees of Youngstown Welding & Engineering Co., filed a protest with the Comptroller General of the United States. The Comptroller General denied the protest stating that:

Neither the "Buy American Act" nor the restrictions pertaining to ship construction in foreign shipyards were applicable in this case.

The Comptroller General further stated that the 10-percent import surcharge which was in effect at that time "has no applicability since such products enter the United States free of all duties, including the surcharge."

If the laws are so lax as to permit this blatant sellout to a foreign firm, then I believe Congress should act immediately to strengthen these laws.

Mr. Chairman, the American people have built the U.S. Navy with their tax dollars. Each year, Defense Department officials ask the American taxpayers for more and more of their hard-earned money.

But, these same officials are unwilling to cooperate with American companies and American workers in the awarding of defense contracts.

The Youngstown Welding & Engineering Co., employs approximately 200 men, nearly all of whom are veterans of World War II and the Korean conflict. Many of their sons are now serving in the Armed Forces of the United States.

These workers pay taxes in the United States and spend their incomes in the United States, whereas Canadian workers do not. The taxes which these men pay alone are enough to offset the difference between their company's bid and the bid submitted by the Canadian company.

Here we have a case in which American citizens, American taxpayers, the people who want to work, are being denied the opportunity to work by their own Government.

Mr. Chairman, when the policies of our own Government force proud American workers onto the welfare rolls, I think it is time for Congress to take action.

The American people are fed up with policies that favor foreign companies and foreign workers over American companies and American workers. It is time we started putting the interests of American workers and American industry first.

At the present time, nearly 6 percent of our Nation's work force, or almost 6 million workers, are unemployed. Factories in the United States are operating at 70 percent of capacity.

Last year, for the first time in 78 years, our Nation had a trade deficit of almost \$2 billion. This year's trade deficit is expected to be even larger.

By strengthening the provisions of the "Buy American Act", we could help solve our pressing economic problems.

The bill I have introduced, H.R. 11164, would strengthen the preference given to American goods by requiring agencies and departments of the Federal Government to take into consideration the hidden costs of buying goods which are made outside the United States, such as:

- (1) The increase in unemployment which may result.

(2) The increased cost of unemployment compensation or welfare payments to American workers which may result.

(3) The loss by the United States of personal and corporate income tax revenue which may result.

(4) The loss to the money supply of the United States which may result.

(5) The cost of shipping and inspecting foreign-made goods which may result.

(6) Any duty, tariff, surcharge, or other expense which may result.

Consideration should also be given to an amendment prohibiting the procurement of Government supplies from foreign-based companies unless the supplies are absolutely unavailable in the United States.

In conclusion, I strongly recommend that the Committee on Public Works favorably report H.R. 11164, or similar legislation, designed to strengthen provisions of the "Buy American Act" and related statutes at the earliest possible date.

Thank you very much.

Mr. HOWARD. Thank you very much, Mr. Carney.

We have been under the impression that although many agencies downtown were using a figure of 6 percent in their differential, the Defense Department had been using a 50-percent differential. So with this differential that you mention in Ohio it is indeed surprising that the 1-percent differential was considered substantial enough.

Mr. CARNEY. Mr. Chairman, I would like to also point out this company in the United States was making these tubes since 1958 and for less than 1 percent they gave it to a Canadian company. I think this is absolutely mad.

Mr. HOWARD. I understand that Canada is exempt.

Mr. Kluczynski, the gentleman from Illinois?

Mr. KLUCZYNSKI. No questions. I want to compliment the gentleman from Ohio for his splendid statement.

It is a pleasure to have you here before this fine Committee on Public Works. You are doing a good job, and continue doing it. It is always a pleasure to have you.

Mr. HOWARD. The gentleman from New Hampshire.

Mr. CLEVELAND. I want to thank Mr. Carney for his fine statement. I wonder if you could tell us if Canada is considered exempt by reason of a law Congress enacted, or whether by reason of the regulation or rule or treaty—I wonder if you could inform us? If you cannot, we can probably get the information somewhere else.

Mr. CARNEY. I cannot inform you, but I want to point this out to you. Canadians do not pay income tax in America and they do not pay other taxes.

Mr. CLEVELAND. My question is not whether it is right or wrong, my question is how does that come about?

Mr. CARNEY. I do not know.

Mr. HOWARD. Any further questions? Thank you very much.

Mr. CARNEY. I have one of the representatives of this company here and he will speak later.

Mr. HOWARD. We probably have him on the list then. Thank you, Mr. Carney.

Our next witness is our very able colleague, and Member of our own committee and subcommittee, who introduced legislation H.R. 13937. We are very, very happy to have with the subcommittee this morning the Honorable John H. Terry, from the State of New York.

**STATEMENT BY HON. JOHN H. TERRY, A REPRESENTATIVE FROM
THE STATE OF NEW YORK**

Mr. TERRY. Mr. Chairman, fellow subcommittee members, I am most appreciative of this opportunity to discuss H.R. 13937 and also for the forum we have here this morning to discuss the amendments to the "Buy American Act".

With me this morning is Mr. J. C. Taliaferro, vice president of Morris Pumps, Inc., located in Baldwinsville, N. Y., in my congressional district. Mr. Taliaferro will also present testimony on behalf of this legislation following the presentation by labor-management.

Accompanying Mr. Taliaferro is Mr. Charles Duffy. Mr. Duffy is a field service mechanic and he will assist in answering any questions that the subcommittee may have in this regard.

Mr. Chairman, on March 3, 1933, the "Buy American Act" was approved as title III of the Treasury and Post Office Department Appropriation Act. This act set forth import procurement policy for Federal agencies. It and the orders implementing it set the limits or percentage differentials to be followed in the award of contracts as between domestic and foreign bidders. They govern agency heads not only in the bidding for supplies but also in the construction of large scale projects. Discretion is given to the agency heads in the procurement of materials or equipment when such procurement is affected by considerations of national security or of domestic unemployment.

This legislation, however, does not deal with those facilities for the prevention, abatement, or control of water, air, or noise pollution which are constructed by a State or local government, even if that governmental unit utilizes Federal funds.

At my request, the Environmental Protection Agency has informed me that in the opinion of their legal department, this was indeed the case. Sewage treatment facilities constructed by municipal grantees under the Federal Water Pollution Control Act are not "public buildings" or "public works" within the definition of the "Buy American Act".

It is further their opinion that once the Federal funds pass into the hands of the local or State governments, they are no longer affected by the act.

For this reason, I have introduced H.R. 13937. The bill simply stated, withholds Federal funds from State and local governments for the construction, alteration, or repair of these pollution control facilities if they fail to use materials made or produced within the United States, or fail to use manufactured articles made in the United States from materials produced in this country.

The bill also states that these provisions will not apply if it is inconsistent with the public interest, if the cost is prohibitive, or if sufficient quantities of the product are not available on the U.S. domestic market.

If the State or local government violates the provisions of the legislation, they will not be eligible to receive Federal funds for these pollution control facilities for 5 years.

Mr. Chairman, the control and abatement of pollution has in recent months begun to become a huge industry. As Federal legislation in this area becomes more strict, the industry will expand to an even greater extent.

Many companies in our Nation are now beginning to produce equipment that will get the job done. They are quite capable and the competition among them is keen.

As a nation, however, we are losing our competitive advantage in terms of price, productivity, and technology. Many of the industries involved are in trouble. They need our help.

This policy is neither a withdrawal from the world nor protectionism. Almost every nation in the world utilizes the buy American philosophy as the accepted way of doing business.

A comprehensive report released several years ago by Joseph W. Marlow, associated with Cravath, Swaine, & Moore of New York City, contained a compilation of domestic preference laws and regulations of the major world trading countries. It suggests that governments in more than 30 nations around the world give the United States or other foreign bidders little chance of winning their government contracts.

The buy America philosophy is a potential method of solving two of the major problems we face at this time—the balance-of-payments deficit and the high unemployment rate.

I would like to assure every Member of this subcommittee that I am not making any attempt to propose a law that will end up bringing reprisals from other countries. My interest is in seeing that the United States buy this equipment here because it is available, because it is fine equipment, and because it is manufactured by companies which, as Mr. Carney said, pay taxes here.

Such an arrangement can only benefit all of us. Simply said, my bill gives the U.S. manufacturer of pollution control equipment the first chance to sell his wares for the construction, alteration or repair of these facilities. In doing so, our own ailing economy will be greatly benefited and unemployment will be less as a result.

Mr. Chairman, the witness agenda shows Mr. Taliaferro scheduled to testify following the presentation of the Labor-Management Committee for Fair Foreign Competition.

He will present some specific examples of the situation which I have just had the pleasure and opportunity to talk to you about.

Mr. Taliaferro has been the vice president in charge of sales of Morris Pumps for more than 11 years, and he supervises the marketing activities in more than 30 locations across the country. He has been in this business for more than 25 years. He is an able spokesman for the industry and his company.

I would be pleased so respond to any questions now or perhaps, certainly, at the conclusion of Mr. Taliaferro's testimony where certain examples will be cited.

Mr. HOWARD. Thank you very much, Mr. Terry. You mentioned a comprehensive report by Joseph W. Marlow,¹ containing a list of

¹ This report was initially rendered in 1965 and at that time inserted in the Congressional Record by Representative John P. Saylor from the State of Pennsylvania.

domestic preference laws and regulations of the major world trading countries.

If you could possibly give us a copy of that report, without objection, it will be made a part of the subcommittee file.

Mr. TERRY. I will furnish a copy.

Mr. HOWARD. Thank you very much.

(The report referred to may be found in the subcommittee file.)

Mr. HOWARD. You have stated that these provisions will not apply if it is inconsistent with the public interest, if the cost is prohibitive, or if sufficient quantities of the product are not available.

The words "prohibitive," "inconsistent" and "sufficient" are wide ranging words. Would it be possible that some of the problems we are having now where different agencies within the Government are setting up their own figures on what is sufficient or prohibitive might have the executive determining in some areas, 50 percent and in others 6 percent, or in some it might even be 1 percent. Might there be a need for some absolute figures in there?

Mr. TERRY. Mr. Stratton's bill has merit with respect to defining a particular figure. I did not do so in this particular measure because I felt this was in the nature of committee activities in the markup of the bill to determine after the testimony of all parties concerned here; perhaps then we can arrive at a precise figure.

My desire was to determine a direction which we would take in which we would encourage and, in effect, state the desirability to the departments of buying from American companies who pay taxes and who employ American people to do the job and thus reduce their unemployment bringing in further taxes to this country so that we can proceed with the desirable goals of the Water Pollution Control Act, for example.

Mr. HOWARD. Thank you very much. I certainly agree with what you said.

Mr. GROVER. I think the gentleman from New York has put his finger on the Buy American theory and programing in that as the labor management report will point out, the California court decision has kept that door open in some 20 States which are trying effectively to implement the Buy American statute, and they have been precluded by the California decision and in view of the coming thrust of this great priority of cleaning up our waters, our problems of waste disposal since they are in the main implemented by the State and local governments, and it will be becoming a major industry. I think the gentleman has preceded one of the four major points which will be presented and, I think, quite effectively.

Mr. TERRY. Thank you.

Mr. JONES. Mr. Chairman, I want to commend our distinguished colleague. It is good to see him on that side of the podium. It is good to see his smiling face this morning. It was a very, very fine statement. It was great to have you as a witness.

Mr. HOWARD. Mr. Kee? The gentleman from West Virginia.

Mr. KEE. Mr. Chairman, I also want to commend our highly esteemed colleague and, as one Member of this subcommittee, I want to say you are on the right track.

Mr. TERRY. Thank you, Mr. Kee.

Mr. HOWARD. Mr. Cleveland?

Mr. CLEVELAND. I want to commend Congressman Terry for his statement. I am glad that the chairman called attention to that report by Joseph W. Marlow.

I just want to underscore what I believe you are telling the committee, because I think this is a point that should be repeated.

Proponents of free trade, of course, will oppose measures that in any way violate their concept of free trade and I suppose proponents of free trade will suggest that this is going to start a great international battle of restrictions. Some of our people who are selling abroad will not be able to sell. But are you not telling us, in effect, that the door has already been shut in these foreign countries and that if one of our businesses attempts to do business in one of the foreign countries for a governmental contract they get nowhere?

Mr. TERRY. More than 30 countries can be enumerated where we are virtually cut off right now.

Mr. CLEVELAND. We are not starting anything. All we are doing is coming to our senses and doing what these other countries are already doing to us. Is that not the size of it?

Mr. TERRY. We are trying to protect our own employment record. Because of the unemployment problems, we are losing in areas such as water pollution where we tend to spend tremendous sums, Federal Government, local government, and here it is our thought we should look first to those people that are paying the taxes that make this possible to clean up our waters in order to have purchases made in domestic products.

Mr. CLEVELAND. Opposition to legislation like this is going to come from those people who believe honestly in free trade, and they are going to say, if we have these restrictions then the other countries will have restrictions and in the long run we will lose more than we gain? Is that not what they are going to say?

Mr. TERRY. Definitely. I think we can counter that by saying that in a court of equity—

Mr. CLEVELAND. Right, and these other 30 countries have already slammed the door on us. Correct?

Mr. TERRY. And have for a number of years.

Mr. CLEVELAND. I just want to underscore that point because in this discussion of free trade there is a good deal of rhetoric and there is a good deal of talk about price wars and triggering international price wars, and I think you have made a good point here that completely meets those arguments and I commend you for it.

Mr. TERRY. Thank you.

Mr. HOWARD. The gentleman from New Jersey.

Mr. ROE. I share the comments made here by a number of the Members, and I particularly want to compliment our colleague John Terry for his presentation.

And I would like to echo some of the sentiments. I think we have to start exploding this myth of the so-called free trade aspect because the fact is that we are in the worst position we have been in—in the history of this country—from the late 1800's so far as balance of payments are concerned. Somebody is wrong someplace in their philosophy of so-called free trade or restricted trade.

I think the point that Mr. Cleveland was making that we have to not so much fear free traders but get some facts on the record as to what they really are.

One question I would like to ask, the differential that is referred to of 6 percent versus 50 percent, getting specifically to your testimony on the Water Quality Act. Should we also possibly be considering not only a 50-percent differential but a mandatory position that where multinational corporations are involved that a goodly portion of their products must be produced in this country. In other words, it is perfectly possible for a multinational corporation to make a bid under the formula we are discussing that did, in part, include production from their overseas operations.

So it seems to me we have to orient some of our observations toward that issue. In other words, when we are talking about multinational corporations versus U.S. corporations that are producing overseas and shipping into this country—and I think that is a very important issue that has to be dealt with—we are not talking about foreign concerns per se owned by foreign nations, we are talking about multinational firms in large measure owned by people of the United States. I think this consideration has to be focused into this testimony as we go on.

Mr. TERRY. Very definitely, and I think you will find, Mr. Roe, that the Labor-Management Committee for Fair Foreign Competition will follow my testimony. I had the opportunity earlier this morning to look over some of their presentation, and the time-frame in which we were at a 25-percent differential and it dropped to 6 percent. And the testimony by our colleague from Ohio, Mr. Carney, that in one instance a Canadian company was given a preference by 1 percent.

I think we have to be careful with respect to the relationship with our neighbor to the north with whom we have an excellent relationship, but still in that situation, yes, we want to have an open door, but we who travel about Canada as well as the United States, going to their retailers, it is seldom that you find "Made in the United States" on their retail products that you and I buy in a trade position up there.

I think we here as we go into that same type of mercantile establishment, made in other than the United States is so preferred that I think we have got to look to our domestic sources in order to reduce our unemployment to provide greater job opportunities for people in this country.

Mr. ROE. Just for clarity, Mr. Chairman, one more question: Are we not really saying that if a U.S. firm bids, and it is literally a multinational corporation which produces 60 percent of a product overseas, that situation is not going to sandbag us. We are coming back and saying literally and figuratively that a differential of 50 percent of U.S. domestically produced manufactured goods is involved?

Mr. TERRY. Right.

Mr. ROE. In other words, they cannot come back and have a U.S. firm, that is a legitimate U.S. firm, bid and say "Buy American" when 80 percent of the component parts are brought in from Japan or Germany, for example. We want to say literally and figuratively that the differential we are talking about is applicable to goods produced in the United States by U.S. companies by U.S. employees.

Mr. TERRY. Very much so.

Mr. ROE. Thank you, Mr. Chairman.

Mr. CLEVELAND. Just one more question, thank you, Mr. Chairman. Do you happen to know if Canada is on that list of 30 that you are going to produce for us?

Mr. TERRY. I believe they are.

Mr. HOWARD. Any further questions? Thank you very much.

The next to testify will be the Labor-Management Committee for Fair Foreign Competition, represented by our former colleague from the State of New York, The Honorable Jacob A. Gilbert. With Mr. Gilbert are Mr. John Stender, president; Mr. Larry Haines, vice president, and Mr. Robert G. Free, executive secretary, Mr. Robert L. Phelps, vice president for Marketing, Northwest Steel Rolling Mills, Inc., Seattle, Wash.

Welcome to the committee, gentlemen. If you will proceed with your testimony which you may summarize if you see fit. The Chair will recognize, before you proceed, the gentleman from New York, Mr. Grover.

Mr. GROVER. I want to extend, Mr. Chairman, a special welcome to my former colleague and my colleague in the State legislature—he was in the upper House—and he was for many years my colleague on the Merchant Marine & Fisheries Committee where he spoke eloquently and well for his constituents and provided a great deal of leadership and persuasive conversation and inquiry in many of the deliberations that we had. And with the gentlemen with him, they are very well represented.

Mr. GILBERT. Thank you very much.

(At this point Mr. Gray assumed the Chair.)

Mr. GRAY. I want to join my colleague from New York in welcoming our very outstanding and able former colleague to the committee this morning. I am glad to see all of you gentlemen who are accompanying him. You may proceed in your own fashion.

STATEMENT BY HON. JACOB A. GILBERT, ATTORNEY; ACCOMPANIED BY JOHN STENDER, LARRY HAINES, ROBERT G. FREE, ROBERT L. PHELPS

Mr. GILBERT. I deeply appreciate the comments of Mr. Grover and the chairman, Mr. Gray.

Mr. Chairman and Members of the committee, I am counsel to the Labor-Management Committee for Fair Foreign Competition.

I have with me four executive members of the committee who will testify this morning.

The name "Labor-Management" is most unusual because over the years both in public life and in private life I have never found labor and management to sit down and agree on any one subject. I was pleasantly surprised when the Labor-Management Committee was formed to unite in a joint effort to strengthen the "Buy American Act".

I would like to introduce the members of the committee here with me. Mr. John Stender, who is a State senator from the State of Washington; president of the Labor-Management Committee for Fair Foreign Competition. He represents labor. He is international vice president of the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, from the State of Washington.

To my right is Mr. Larry Haines, vice president of the Labor-Management Committee for Fair Foreign Competition. He is repre-

sending management of the Allison Steel Manufacturing Co., Phoenix, Ariz.

Also to my right, Mr. Robert Phelps, who is the vice president of Northwest Steel Rolling Mills and he is also vice president of the labor-management group, also representing management.

Mr. Robert G. Free, to my immediate right, who is executive secretary of the Labor-Management Committee.

May I say these four gentlemen are going to supply the testimony with permission of the committee.

Mr. GRAY. Yes, you may proceed.

Mr. FREE. Thank you, Mr. Chairman. My name is Robert Free, I am executive secretary of the Labor-Management Committee for Fair Foreign Competition.

Because the subject of "Buy American" legislation is somewhat complex, and has been with us for many years, it might be well if I gave you a brief history of this legislation both from the standpoint of the so-called Federal "Buy American Act" and State "Buy American" purchasing policies.

May I deal first with the Federal "Buy American Act", designated as 41 U.S.C. 10a-10d.

This act was passed in 1933 as a result of the economic conditions of the times. This act prohibits Federal agencies from procuring foreign produced products unless the head of the Federal agency involved determines that the cost of the domestic produced product is unreasonable. This act further requires that:

There shall be acquired for public use—only such manufactured articles, materials and supplies as have been manufactured in the United States, substantially all from—material—produced in the United States.

The act itself does not define the term "unreasonable" or "substantially all" and, as a result, the interpretation of the act has been left to the executive branch of our Government. This has meant that through the years there have been various interpretations of the act.

During the first 21 years of the act, from 1933 to 1954, all Federal agencies by Executive order uniformly operated under the guidelines that extended a 25 percent preference to domestic articles purchased with public moneys.

In December 1954, President Eisenhower by Executive Order 10582, reduced the domestic percentage of preference from 25 percent to 6 percent.

In November 1960, President Eisenhower expressed concern about the country's balance of payments, and directed the Secretary of Defense to, "Take all possible steps to reduce—expenditures planned for procurement abroad."

The Secretary of Defense then returned the domestic preference percentage to 25 percent for all defense procurement only.

In July of 1962, the then Secretary of Defense McNamara, under President Kennedy, increased the percentage of domestic preference for the Department of Defense to 50 percent under Armed Services Procurement Regulation 6-104.

The 50-percent preference for domestic articles for the Department of Defense has remained since that date but all other departments of the Federal Government have continued to operate on the basis of a 6-percent differential. We see no logical reason why all departments of the Federal Government should not operate on the same basis when

applying the provisions of the Federal "Buy American Act" when making purchases.

From 1933 until December of 1954, an Executive order specified that for a product to be "substantially all" of domestic origin, it had to contain at least 75 percent or more of the cost components of domestic origin.

Finally, in December 1954, by Executive order, this interpretation was changed so that 50.1 percent of the components had to be domestically produced to have the item considered from domestic origin. Since that date, all departments of the Federal Government have considered items of domestic origin if they contained cost components of 51.1 percent having been produced in the United States.

It is obvious that this interpretation was a means of getting around the "substantially all" domestic provisions of the act.

One additional change was made in the application of the Federal "Buy American Act" by the Eisenhower Executive Order 10582. In December 1954, this provision provided for an additional preference to domestic products of an additional 6 percent, if the products were produced in a labor surplus area, as designated by the Department of Labor.

To our knowledge, there are no figures available as to the extent this provision has been used since 1954, but as far as we can determine, it has been used very little, if at all. Obviously, one of the problems involved with this provision is the matter of components of the final product. If some components are manufactured in a labor surplus area and others are not, what interpretation should be given to the status of the final product?

In any case, this provision in the Executive order did add weight to the argument that the application of the Federal "Buy American Act" did have some bearing on jobs for American workmen, and in essence, this is what we are talking about when we are advocating these amendments to the Federal "Buy American Act".

It should also be pointed out that since 1933, a number of States at various times have applied the "Buy American" principle to their purchases with public moneys. This has been done by legislation or by administrative ruling, and as far as we can determine, there are approximately 20 States which from time to time have given some preference in various forms to articles of domestic origin.

In 1969, this act was declared unconstitutional by the California Supreme Court on its refusal to overturn a ruling of the California Appellate Court which ruled that it was an, "Encroachment upon the Federal Government's exclusive power over foreign affairs, and constitutes an undue interference with the conduct of foreign relations".

This decision has placed a legal cloud over all State "Buy American" practices, and our committee feels that the Federal "Buy American Act" should be amended to clarify this matter. The Labor-Management Committee feels that if the "Buy American" principle is sound for the Federal Government when purchasing with public moneys, why should not the States have the same right, if they wish to?

As a further background for this subject, I would like to outline how the other nations in the world view "Buy National" practices

when governments make purchases with public moneys, and how this whole subject fits into the U.S. agreements and treaties.

In 1947, right after World War II, it became apparent that one way to help bring the world back to normalcy and to strengthen the economies of the devastated nations was to encourage the flow of world trade. This need resulted in the negotiation of the General Agreement on Tariffs and Trade, commonly known as GATT.

This agreement was signed by over 40 nations, and was an attempt to clearly draft the "rules of the road" as far as the world trade practices were concerned.

The major feature of this agreement was to obtain recognition by all nations that world trade was vitally important to the world, and that as a result, none of the signatories would unduly discriminate against other nations. As an example, article III, part II, paragraph 4 of this agreement states:

The products of the territory of any contracting party imported into the territory of any contracting party shall be accorded treatment no less favorable than that accorded to like products of national origin in respect to all laws, regulations and requirements

While the intent of this provision was very high sounding, we find that very few if, indeed, any nation in the world has completely lived up to the spirit of this paragraph in the agreement. To some extent this is why the United States finds itself in the position it does today, as far as its balance of trade is concerned because we have done the most in carrying out these provisions while most other countries have not and, as a result, we now find ourselves operating in the world market at a very distinct disadvantage.

It should be pointed out, also, that the GATT agreement is often erroneously referred to as a treaty. Numerous attempts have been made by the executive branch of our Government to obtain ratification of this agreement by the U.S. Senate without success. For this reason, the GATT agreement now finds itself in that gray area of being a very important document committing the United States to its provision in the most important area of foreign trade without the approval and consent of the legislative branch of our Government.

While the GATT agreement was being drafted and negotiated, it became apparent that the matter of governmental purchases with public moneys was an extremely politically sensitive area for all countries in the world. At that time all countries in the world were applying the "Buy National" principle to their governmental purchases, as far as practical.

In order to deal with this political sensitive area, the GATT agreement in article III, part II, paragraph 8, subparagraph (a), contained the following provisions, and this is quite important:

The provisions of this Article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purpose, and not with a view to commercial resale or with a view to use the production of goods for commercial sale.

In other words, they were excluding governmental purchases from foreign trade.

It should be pointed out that by including this provision in the GATT agreement, all of the signatories agreed that the matter of governmental purchases with public moneys was not to be considered in the same manner as other commercial foreign trade. In essence,

this provision removed governmental purchases from the category of the usual "free trade" versus "protectionists" arguments. The signatories, including the United States, were saying that the matter of governmental purchases was a matter to be determined by each individual nation due to the politically sensitive nature of these transactions.

It should be further pointed out that the Trade Expansion Act of 1962 did not attempt to alter the "Governmental Purchasing" provision of the GATT Agreement, so it can be said that the application of the Federal "Buy American Act" and State "Buy American" regulations are in accord with all of the laws, agreements, and treaties of the United States.

As one final item of background information, may I point out one additional area in the application of the Federal "Buy American Act" which has long been overlooked. Back in 1933, when this act was passed, it was evident from the language of the act that the intent was to have the act apply to all purchases made by the Federal Government with public moneys. At that time, the use of Federal moneys in grants-in-aid was not contemplated, and, as a result, no provision was included for these indirect expenditures made by the Federal Government for the purchases of material.

As an example, the Federal Government will pay up to 90 percent of the construction costs of certain highway projects, yet the Federal "Buy American Act" provisions have not been applied to these expenditures. The rationale seems to be that the States can spend this Federal money in any manner that they wish as long as they meet the Federal highway standards.

As these expenditures are made, they are considered State expenditures and not Federal expenditures, and, therefore, the Federal "Buy American Act" does not apply.

Frankly, we cannot see the logic to this line of reasoning. This has been just another attempt to circumvent the original intent of the Federal "Buy American Act". These highway moneys are Federal moneys spent to Federal standards, and it really does not make any difference whether the States make out the checks or not—it is still Federal money and should come under the provision of the Federal "Buy American Act". We understand that from time to time, amendments have been offered to Federal legislation in Congress when passing legislation for grants-in-aid to add the provisions of the Federal "Buy American Act", but few if any of these efforts have been successful.

This then is the background and history of the Federal and State "Buy American" legislation over the past 40 years. As you can see, the "Buy National" principle, as applied to governmental purchases, has been in existence in the world for many years, and there is little likelihood that a change in attitude toward this principle will change.

Even during what I call the "free trade" period in our history, which began after World War II, until just recently, when the United States was trying to "lead the world" and "provide leadership" for lower trade barriers in the world, no nation changed their policy toward the "Buy National" principle when it came to governmental expenditures.

As a result of our experiences in the world, it would seem that we have been attempting to lead a world that does not want to be led

and helping nations which misinterpret our motives. It would seem to me that if the United States wants to "lead the world" in lowering trade barriers, there are certainly other areas which this can be done without attempting to effect such a longstanding and ingrained principle as "Buy National" for governmental purchases in the world. We have to stop kidding ourselves that "good old Uncle Sam" is so strong economically that it can afford to give away legislation like the Federal "Buy American Act" on the basis that we are going to "lead the world" and "show the way." So you can see, in essence we are really not asking for anything more than what we have had in the past; in some respects, we are just asking Congress to maintain the status quo in this matter.

Now, the Labor-Management Committee for Fair Foreign Competition is vigorously supporting H.R. 13283 offered by Congressman Gray and Howard, H.R. 12905 offered by Congressman Addabbo, and H.R. 11743 offered by Congressman Saylor. These bills would amend the Federal "Buy American Act" as follows:

1. Establish by legislation a 50-percent preference for domestic goods when purchases are made by the Federal Government.
2. Legislatively define a "domestic product" under the Federal "Buy American Act" as one where at least 75 percent of the cost of all components are of American origin.
3. Allow all States in the Union to have "Buy American" legislation or administrative rulings requiring the purchasing of domestic materials with public moneys, if they wished.
4. Requires that the Federal "Buy American Act" provisions be made a part of any contract financed in whole, or in part, by Federal loans or grants from, or loans insured or guaranteed by, the Federal Government.

It is the feeling of the Labor-Management Committee that if these bills were passed, it would bring about more jobs and strengthen our economy.

Now, the question of retaliation has been raised here, and I would like to delve into that subject at some other point.

We know from past experience that those that are opposed to any form of restrictions on foreign trade, will raise the question of retaliation by other nations if the United States changes its attitude toward foreign imports.

Congressman Saylor raises a question about the Marlow report. I would like to point out that this is a matter in the Congressional Record of April 28, May 3, 4, and 6 of 1965.

The results which are reported in several volumes of an investigation of the statutes, regulations, policies, and practices of selected foreign countries providing for domestic materials and firms in the awarding of public works contracts amply support the conclusion of the Bureau of the Budget—that every nation covered by the investigation quite obviously favors its own.

It is the contention of the Labor-Management Committee that if all the other major trading nations in the world "Buy National" and accept this practice as outlined in the GATT Agreement, how can they honestly retaliate against something which they have been practicing for years and accept as a worldwide practice? How can the United States afford to be so benevolent toward the world, that it is the only nation which half-heartedly "buys national" when all the rest

of the world practices "Buy National" with Government funds to almost the complete exclusion of foreign imports and firms?

We submit to you that these foreign nations apparently understand the importance of a "Buy National" policy to their economy, in terms of jobs for their people, velocity of money, and tax generation is involved that some of our team will get into a little later.

Actually, when is the United States going to become part of the world and "Buy National" with their moneys along with everyone else? What are we trying to prove by not doing it the way the other nations do?

We further submit that the "Buy National" practices are so ingrained in the world's method of doing things that even if there was a drastic change in the attitudes of all nations toward foreign trade, that this practice would be the last to be changed because it is a politically charged issue in these nations.

It would seem to us that if the United States wants to lead the world toward lower trade barriers, that the "Buy National" issue should be the last matter to be discussed.

In some respects, it would also seem that the "retaliation argument" or the "retaliation theory" that foreign countries will immediately counter any move made by the United States in foreign trade is almost outmoded.

After all, when the President issued his now famous order placing a surcharge of 15 percent on all imports on August 16, 1971, there was no retaliation by other nations.

It is also interesting to note that even with this severe measure, foreign trade in the world did not collapse. It should be further noted that when the U.S. State Department negotiated voluntary quotas for steel mill products back in 1969 and, again, in 1972, the nations concerned did not retaliate with restrictions on other products. So it can be said that the world has matured enough so that these problems can be worked out by negotiation and reasoning.

As we see it, if the United States did strengthen the Federal "Buy American Act" as proposed before you, it would not be considered as provocative, and we cannot see why it would cause any great stir in the world.

So, at this point, I would like to turn this over to John Stender. I tried to give you some of the historical background here, and he will give you some of the arguments from the standpoint of labor and jobs and so forth.

Mr. STENDER. Congressman Gray, we have heard some very good points on behalf of these proposed amendments outlined here this morning by various witnesses.

We feel from the committee's standpoint that there are many other considerations that should be considered than just the money involved when Government agencies are making purchases on behalf of the Government.

We are referring to the human factors involved as far as our American workmen are concerned. We are talking about jobs for the American workmen.

It would seem at long last that our Government has come to a conclusion that governmental spending is not the answer to all of our domestic problems. More and more we are finding that the real

solution for most of our social and economic problems are, finally, jobs for our workmen.

As we all know from being exposed to television, our minority community is giving us a message loud and clear. They want jobs.

Our Government has been spending millions on job training and vigorous equal employment policies. They have apparently spent great sums of money on make-work programs in this country, financed by the taxpayers. This is all fine, but unless there are more jobs created, this whole process is going to be a useless endeavor.

We all know the conditions of the United States as far as its trade deficit is concerned. I am not going into that detail.

As far as we can see in this committee, this condition will continue until we are willing to face up to the situation that we are going to have to have stronger Buy American Acts and other measures to offset this trend.

It is our feeling that the United States can no longer afford to financially, nor will the American people let the Government continue politically, lay ourselves open to the ever-increasing flood of foreign imports.

Our people want jobs and they need jobs, and they look upon these foreign imports as taking these jobs away from them.

It is imperative that the Government take some positive steps now to correct this situation and strengthen the Federal "Buy American Act", which is certainly a step in the right direction.

Gentlemen, it also seems to me there is another important matter that should be pointed out pertaining to the Federal Government purchasing foreign-produced goods. The Federal specifications applying to the purchase of domestic goods are very specific and clear, that the supplier must adhere to all of the laws and regulations of the United States in producing the goods purchased. As we all know, for a domestic producer to qualify under the Federal specifications, he must obey literally hundreds of Federal statutes. These would include the Fair Labor Standards Act, the Sherman Antitrust Act, the Robinson-Patman Act, the Williams-Steiger Occupational Safety and Health Act, the Civil Rights Act, the Environmental Control Act, and many others.

I could go on and on, not only listing the basic legislation, but the rules and regulations which implement this legislation.

Obviously, all of this legislation was passed to meet a need to protect American citizens so that the United States was a better place to live and work.

Through the years, the U.S. Government has been the leader in the world in this type of social legislation because of its deep concern for the individual, or if you want to put it in the younger generation's language, "as a person."

I think most Americans are proud of the accomplishments which we have made in dealing with the human aspects of working and living. All of our thrust today on the environment is a tremendous effort to protect our citizens, and this effort will probably be recorded in history as one of the greatest completely human efforts made by any country or society since the beginning of recorded time. The point is, that regardless of what some will say, our Government is concerned about human life and the conditions of work for its citizens.

Now, for some strange reason, when our Federal Government purchases foreign-produced goods for its own use, all of these considerations are thrown out of the window. Our Government seems to say as long as it meets our material standards and is cheaper, it is all right.

Webster defines "hypocrisy" in part as, "the false assumption of an appearance of virtue or religion."

Gentlemen and lady of the committee, in the view of our committee and others, this is the purest form of hypocrisy. We feel that if the United States is really so concerned about the people and individuals, why do we support those economies which pay starvation wages?

Would it not be better for the United States, if it is truly concerned about the individuals to say to these countries, "Yes, we will purchase your products for use in our Government, if you will pay your workmen in accordance with our Fair Labor Standards Act."

If we really want to lead the world by raising the labor standards, what better incentive could we give them?

As things stand now, we are saying to them, "The lower your wage rates, the better it is because we can get your goods cheaper."

To some degree it can be said that with our present governmental policy in purchasing foreign goods that we are encouraging and fostering lower labor standards in foreign countries.

Some mention should be made concerning an amendment to the Federal "Buy American Act" allowing the States to establish "Buy American" policies if they wish. I emphasize if they wish.

You will note that this is not a mandatory provision and any State could or could not do so if they desire.

As has been previously pointed out, many States have been following some form of "Buy American" provision in their particular specifications. In my own State we have no law on the books but we have an administrative policy in some of the departments of State government.

To some extent, these amendments are necessary to clear some legal clouds that have been formed by virtue of the fact of the Supreme Court case in the State of California. You gentlemen may be aware of that without me going into detail. It has left all States somewhat in doubt as to the policy that is required by America and this question continues to be raised.

I am going to close and say it would seem that further consideration should be given to the effect of Government purchases on unemployment in the United States.

In order to give you an idea of the full impact of governmental spending on employment, let me give you a specific example.

In 1970, the U.S. Department of Reclamation let out for bid a 2,140-foot bridge, known as the Auburn-Foresthill Bridge in Auburn, Calif. The low bid for the steel superstructure of this bridge was \$8,990,749, which, in terms of total Federal expenditure, is, indeed, a relatively small expenditure.

From trade sources, it was learned that the steel used on this bridge was not only foreign produced but fabricated in a foreign country. It is estimated that it would take 87,000 man-hours to produce the steel for this bridge. This would have meant that 44 men have lost 1 year's employment as a result of this purchase by the Federal Government.

It is further estimated that it would take 80,400 man-hours to fabricate the steel for this small bridge. This would mean 41 additional men would have lost 1 year's employment on this work. So, for this very insignificant project by using foreign fabricated steel a total of 85 man-years of work was lost by American workmen.

We can show many, many cases. In fact, we have another gentleman that will give some further testimony in this regard. When you take all of this, there are really no good records being kept by the Government or any of its agencies as to the amount of goods being purchased foreign that relates to the overall. It is difficult to give an exact figure, at least we have had difficulty getting it.

But when it is taken altogether it amounts to a great number of man-years of unemployment in our country.

It is the feeling of the Labor-Management Committee that by passing the legislation before you, that it would have an immediate effect upon the unemployment rate in the United States which would be most desirable in strengthening our economy and deal with our human problems.

The principle of "Buy American" is a sound principle and it is one that has acceptance of all nations in the world. You do not buy foreign when you have ability at home to produce.

Thank you.

Mr. GRAY. Thank you, Mr. Stender for a very knowledgeable and forthright statement.

Mr. Haines?

Mr. HAINES. My colleagues have covered the subject fairly well and I will attempt to pare mine down.

There are a few points I would like to make. I would like to point out some of the reasons why we think that amendments to the Federal "Buy American Act" are so important at this time.

As a result of President Eisenhower's Executive Order 10582 in December of 1954, which lowered the domestic preference for goods purchased from 25 percent to 6 percent, the various departments of the Federal Government have been purchasing greater and greater quantities of foreign-produced goods.

Unfortunately, the figures available on the dollar volume of foreign purchased goods by the Federal Government is very sketchy, indeed.

A recent inquiry to the General Services Administration prompted the following written comment:

We have no information on foreign contracts awarded by other agencies of the Federal Government, nor do we know of any single point of contact to obtain such information. Unfortunately, we do not have the personnel or funds available to compile a listing of all contractors supplying foreign items for you.

Mr. GRAY. What was the date of that letter?

Mr. FREE. About 6 months ago.

Mr. GRAY. I wanted to get that in the record.

Mr. HAINES. It should also be noted that in a recent edition of "Business Week," dated March 11, 1972, an article appeared under the heading, "We Buy Where the Price Is Right."

This article points out that the Department of Defense is now purchasing from \$500 million a year to \$1 billion a year for weapon parts made in foreign countries. No one seems to know the exact amount in the Defense Department, and from the article, they could care less.

May I quote just one section of this article:

There is little argument that the Defense Department has lost track of some of its supply lines. Military procurement officers say the task of keeping track of foreign made components is impossible. Most prime contractors can identify their own overseas purchases, but they admit they neither know, nor care, where their subcontractors get their parts.

As an example, studies have shown that of every dollar spent to purchase a domestically priced item, the transaction generates approximately 36 cents in all forms of governmental taxes. This includes just that transaction itself, and does not include the tax generation involved for suppliers and the service functions that are performed to bring about the sale.

In other words, this tax generation applies to the production aspects of the sale only. We make this distinction because those interested in foreign goods will point out that they employ people and pay taxes like anyone else, and this is very true, but they do not pay taxes on the production process of the goods which are imported.

In other words, the production process of foreign produced goods, no property taxes are paid, no tax withholding is made from the workers who made the product for Federal income taxes, no State income taxes are paid, so in terms of tax generation this amount is lost to the governmental agencies.

Let us take an actual example of a large purchase made by the Department of Interior for eight turbine pumps. The contract was awarded to a foreign builder in the amount of \$3,200,000, as opposed to a domestic manufacturer who bid \$3,481,000, with a reputed savings of \$281,000.

In this example, we will only consider the lost tax generation to the Federal Government for simplicity, on the basis that the domestic bidder would have realized a 10-percent profit before Federal income taxes and that increment of earnings would have been taxed at the rate of 52 percent, the Federal income tax would have amounted to \$181,012.

The payment of net earnings in the amount of \$167,088 to the domestic bidder's stockholders might be deferred in part or all, but it would ultimately go to the stockholders and on the basis of an average tax rate of 25 percent, their tax would have amounted to \$41,772.

On the basis that the domestic bidder's direct labor and salaries would have been 30 percent of his bid price and that his employees would have been taxed at an average rate of 20 percent, their tax collection would have amounted to \$208,860.

On the basis that the domestic bidder's direct material costs would have been 30 percent of his bid price, and that his suppliers likewise would have averaged a 10-percent profit before taxes, and that they would have been taxed at the rate of 52 percent, the tax generation would have amounted to \$54,303.60, with 30 percent of the bidder's price remaining for overhead expenses which, for the most part, includes services, supplies, et cetera, and with the suppliers thereof making an average of 10-percent profit before taxes, with a tax rate of 52 percent, the tax generation would amount to \$54,303.60.

Thus, for an implied savings of \$281,000 or a little over 8 percent, by placing this contract with a foreign bidder instead of the lowest

domestic bidder, the Federal Government stands to lose \$540,251 in taxes just from the domestic bidder, his stockholders, his employees and his direct suppliers.

If consideration is extended to the indirect stockholders or owners, indirect employees and indirect suppliers, the tax loss to the Government could conceivably be two or three times the direct tax loss of \$540,251.20 to the Federal Government alone.

It should be pointed out again, that this example for the sake of simplification does not include any consideration of the lost tax generation to local and State governments. So you can see from these examples, while a domestic preference of 50 percent may seem high on the surface, the net effect to governmental agencies is quite different. These examples, of course, do not take into consideration the effect on American jobs and our economy, when a governmental agency purchases foreign material.

When this is done, the governmental agencies not only lose the tax generation involved, but the economy loses the American jobs. I think it was Abraham Lincoln who is credited in saying, "If we buy goods from other countries, they get the money and we get the goods. If we buy goods in our own country, we get the goods and keep the money."

Thank you.

Mr. GRAY. Thank you, Mr. Haines.

I first want to commend you and your associates for wedding labor and management together in this very important matter; and ask if any of your colleagues have made any ball park estimate of how many jobs in the United States are lost because of foreign purchases?

Mr. FREE. It is very difficult, Mr. Chairman, to do this because our governmental agencies do not know how much foreign stuff it is purchasing. And based upon various, whatever the goods are, there is a different ratio of jobs, so we are not able to come up with that type of figure. I am sorry. We have attempted to do it, but we cannot.

Mr. GRAY. Would it be reasonable to assume that it is in the thousands or millions?

Mr. FREE. Oh, yes, in the millions.

We could show you some cases, and there will be some testimony here, one where 17,500 man-years have been lost on a relatively small number of purchases.

Mr. GRAY. And particularly in the field of pollution, since that was mentioned. Specifically we have a \$24 billion bill, and there are going to be an awful lot of purchases. Now would be a good time to act.

Any questions on my right?

The gentleman from Illinois, Mr. Kluczynski.

Mr. KLUCZYNSKI. No.

Mr. PHELPS. Mr. Chairman, thank you for allowing us to testify. I am going to be brief also, my subject having been covered by previous speakers.

My name is Robert Phelps. I am vice president of Northwest Steel Rolling Mills in Seattle, Wash. We have been in business since 1926 and we employ approximately 250 to 300 people. We produce our steel from scrap. We operate at about 55 percent of capacity. We pay, as Mr. Haines pointed out, 25 percent of our revenue on taxes.

It seems unnecessary for me to point out the tax lost and the unemployment when foreign steel is purchased instead of steel produced in the United States.

We have been involved in three dumping cases and have won all three. Two of those were in Canada in 1964 and one against Australia about a year and a half ago.

There are now about 45 countries now shipping steel to our country. So it then becomes obvious that we cannot continue bringing dumping cases. I would be involved in dumping cases for the rest of my life and probably should move to Washington, D.C., rather than stay in Seattle to try and run a steel mill.

We think that the Federal Government should insist that these foreign countries obey the same rules that we do, and the air pollution that you mention. We do prevent air pollution and water pollution. We have invested hard-earned dollars to be able to accomplish this. The equal opportunity that we must, of course, adhere to, and this is not done in foreign countries.

As we mentioned before, the antitrust laws. We have called attention to the Federal Government that foreign countries do have cartels. They fix the quantities of steel they ship into this country. They fix the price they are going to sell it at. So, naturally, as you well know, we cannot follow that routine.

It is unreal for a small business such as ours to be expected to compete against these. The voluntary quota has not proved satisfactory and I doubt that this one will either.

As you know, last year was a record year for the importation of steel and it was the last year for the so-called voluntary agreement.

Our plant has been completely remodeled with the owners' capital and with borrowed capital, which we are paying back, fortunately.

It was necessary after World War II to rehabilitate these nations that were devastated because of the war, because after all we did try to destroy their warmaking machinery, which is the steel industry. So immediately after the war when we wanted to buy more equipment, we couldn't because of the priority. The equipment went elsewhere. We couldn't buy it, but we do now.

Thank you very much for allowing me to speak to you gentlemen.

Mr. GRAY. Thank you, Mr. Phelps. The gentleman from Illinois.

Mr. KLUCZYNSKI. Mr. Chairman, I am very happy to be here this morning and listen to the testimony from labor and management here in the United States.

I am very much impressed with the testimony. I see here my very good friend Jack Gilbert. It is nice to have you here, Jack. I had the pleasure of serving with you during your tenure of office. I have always said that when you defeat a man who has been working for the public, they do not do themselves any good. You had worked your way up to one of the most important committees in the House of Representatives, the Committee on Ways and Means. We are very happy to see you again, Jack.

Mr. GILBERT. Thank you.

Mr. KLUCZYNSKI. I am very much impressed with your testimony, gentlemen. As Charlie Weaver would say, "These are my people." You are my people.

I represent the largest manufacturing district in the United States—the old stockyard district of Chicago. We have Western Electric,

Philco, yes, and the Crane Co. The Crane Co. built Brighton Park—they built our community. We have had 18,000 employees in the Crane Co. and, gentlemen, believe me, we have less than 400 today. And just last month, they put up a big sign "For Sale." This plant is half a mile long and half a mile wide. It hurts me to see a plant in this situation. The Crane Co., among other things, manufactures valves that are used on our ships and submarines. I did everything possible to try to see that operation come back to the Crane Co. in Chicago, but it is gone now, absolutely gone, because we cannot compete with the foreign manufacturers.

That is why I am very happy to see you gentlemen of industry and labor. I am an oldtimer, gentlemen. I am in this legislative business for 42 years. I served the Illinois Legislature for 20 years, the House and the Senate, and I am here 22 years—not that I want to brag about it, but I have always supported the laboring man.

During your testimony I heard you say that we want to take care of the poor people. We are the richest country in the world, and thousands of our people go to bed hungry.

We want to take care of the minority groups. How are we going to take care of them if we do not have work for them? But the unemployment in the United States is absolutely a shame. It is a pleasure for me to sit here and listen to your testimony. It is so close to my heart.

I started to work for the stockyards when I was 11 years old. I had to do that because I came from a very, very poor family. Dad worked for \$7.50 a week, 72 hours a week—10 cents an hour, and poor Klu—well Kehoe says, "Klu, you are lucky your father didn't miss that boat coming from Poland." I would have been out in Siberia now.

I have worked hard all of my life. My family did. They built America. That is why I am so happy to see that we are taking care of the people who built America.

So, Jack, it is a pleasure for me to sit here and listen to your people from labor and management.

It is nice to see you people get together and sit across the table and iron out your difficulties. We are all working for the same cause—to take care of the people that made America—and to take care of those who want to be taken care of and who need to be taken care of.

I have not had the education that a lot of these high class university graduates and college professors have had, but I worked my way up. I studied nights and I learned the English language. If I had not, I would still be pulling guts or working on the stockyard shaving the hogs. Today I can read and write so they gave me a white frock and a half dollar a week more.

It is so nice to be a Member of Congress and to sit down here and listen to you people. This is America. This is what made America. And let us continue working for the American people.

The chairman has asked how many thousands of persons are out of work? It is millions; 17,000 right in my district. You can imagine what has happened all over the world.

Let us do everything possible to take care of the poor people. That is what we are here for.

I enjoyed this meeting. Forty-two years in this legislative business, and this is one of the finest hearings that I have ever witnessed in all my life, and I will never forget it.

Gentlemen, keep up the good work. [Applause.]

Mr. GRAY. Now you can see why we love our colleague from Illinois so much.

When I asked that question a moment ago concerning the unemployed, I was referring specifically to these areas that would be affected by the legislation. You know if we ran the whole gamut of foreign imports, we would be talking about millions of people. But we are referring specifically to State and local subdivisions that would be affected by the legislation. That is what I had reference to.

Mr. Howard?

Mr. HOWARD. I would like to ask two brief questions concerning the effects of this legislation in some other areas, relative to inflation.

Mr. FREE. Well, we feel this legislation would not be inflationary because of the tax generation that would result. Even though the original costs would be higher, it would be bringing us into an area that is not inflationary, and plus the greater employment.

I would like to say this in respect to Congressman Kluczynski's remarks: The Department of Labor has projected some rather interesting figures. After World War II we had approximately 90 million production jobs in the United States and 30 million service jobs. They now say that if this current trend continues it will be just the reverse by the year 2000. We will have 90 million service and 30 million production jobs. Obviously, the United States has always prided itself in production capacity.

Mr. HOWARD. How about the balance of payments and balance of trade?

Mr. FREE. We feel that the impact would be somewhat immediate, Mr. Howard. One of our major points is, other countries would not consider this provocative. This would be something that would have an impact on balance of trade and balance of payments, and it could be done without a severe crisis in the world.

Mr. HOWARD. We are considering legislation here. I presume this might be able to be done by Executive order. It seems that the power of the Executive order over the past years has worked in reverse. Is that true?

Mr. FREE. Yes, Mr. Howard. Obviously the percentage of preference and percentage of components could be done by Executive order but in terms of extending grants in aid, Federal loans and also the aspect of the States "Buy American" could not be done by Executive order. That is why we feel that legislation of this type is necessary.

Also it should be pointed out, as we get into the history of this thing, the percentages are varied from time to time, depending upon who the President was and what their attitude might be. We feel there should be some consistency in the application of the act.

In answer to Mr. Cleveland's question, this act does apply to Canada. It must have been a Department of Defense regulation of some type where they took 1 percent. As the other gentleman brought out, I do not understand this. It should be applied to Canada as well as any other country.

It is obvious to us, however, that the Department of Defense and others are making a very poor effort to really try to administer this thing. They just are not with it.

Mr. HOWARD. In relation to our country and the rest of the world, talking about materials that are cheaper and what not, we tend to

say that we are up here with the high living scale that we have and wages, and everyone else is down below, and that is what makes it difficult for the American businessman. I think this is only relative. About 2 months ago a group of us were in Japan and having meetings with business people there who were concerned with import quotas, not on them by the United States, but the possibility of them by the Japanese on other countries. It was rather interesting to hear them complaining about the fact that in so many areas and so many materials they are not able to compete with Korea and Taiwan. And the Japanese complaining about the low wages and the cheap labor in Korea which was affecting the Japanese market and the Japanese business and the shoddy materials from the other countries coming in. So I think you have got to consider that this is a relative thing that filters on down around the world. Everyone else is at one level and the United States alone is at a level higher.

One final question, if I may, Mr. Chairman, some States have been active in this area, in buying with State moneys, not necessarily Federal money, State money that they raise as States and wish to expend their State money to contractors with stipulations of a certain percentage of "Buy American." And I believe some courts, is it, have overturned them stating that this is States interfering with foreign policy which is the purview only of our Department of State. Has there been any additional information to rebut that or to state some power that the States may have without it being considered making foreign policy with their own State-collected funds?

Mr. FREE. We feel, Mr. Howard, we feel that this legislation is the only thing that will clear the matter up. Some States have very strong "Buy American" acts, one is New Jersey, by the way, and the other California.

Other States, some 20-odd States have done this either by administrative rulings on specific contracts or stated preferences in all types of arrangements that have been made.

This is a long historical practice that has been going on since 1933. So, in essence, we are only asking to maintain a status quo. We are not asking for anything more than we have had for the last 30 or 40 years.

Mr. HOWARD. Thank you very much. Thank you, Mr. Chairman.

Mr. GRAY. The gentleman from New York, Mr. Grover.

Mr. GROVER. The gentleman, Mr. Free, touched only very lightly on an extremely important point when he pointed out that there are some very harsh indicators, frightening indicators, which show that this country is rapidly progressing toward a service-industrial oriented economy. And the President's Council of Economic Advisers conducted a lengthy study on that, and we had a briefing, the members had a briefing a few months ago. It was rather frightening to see what foreign competition is doing, and pushing us rapidly toward that not very desirable target date of inverting the ratio of our service-oriented jobs to productive jobs. And I think it is easy enough to understand that the further we go along that line it becomes more and more diminishing returns because service-oriented jobs do not produce strength behind the dollar. And the goods-producing jobs have been the strength of this country's dollar for many, many years.

If we keep going down that sleighride, we are in deep trouble. Maybe one way of checking that somewhat is what you gentlemen are trying to do. That was just by way of comment.

One question that occurred to me when you spoke of GATT and in this very fine briefing that you have made available for the Members here, you indicated that this type of purchase is excluded under GATT.

Now, are there any existing treaties, international trade agreements which might be abrogated by those?

Mr. FREE. No, sir. To our knowledge, this legislation would adhere to all of the previous agreements, everything that we have done in the past. There would be no problem.

Now, getting back once again—talking about production and service. Take the Japanese steel industry as an example. It is not only the wage differential, but all sorts of other incentives which the Japanese Government gives to the Japanese steel industry. So we feel that we are really not competing against the XYZ Japanese company, but we are really competing against the Japanese Government.

Mr. GROVER. Japan, Inc.

Mr. FREE. It is an extension of their arm of government. Our people are at a very severe disadvantage.

Mr. GROVER. Mr. Chairman, I would like to reiterate my pleasure in their very, very fine presentation the gentlemen made, and this excellent briefing that you have prepared for us and personalized. It is only what I expected from our former colleague.

Mr. ROE. Mr. Chairman.

Mr. GRAY. The gentleman from New Jersey.

Mr. ROE. Mr. Chairman, I want to echo these sentiments too because there is a very adroit presentation being made here.

I think the Senator, if I may, Mr. Chairman, Mr. Stender, provided an excellent presentation. He presented an analogy and talked about the quality of life in America, which is the ultimate national goal. He talked about the occupational safety bill. He talked about the fair labor standards legislation. He talked about a number of these important, not only protective labor measures, but the quality of life. And I think John Terry, our colleague from New York, pointed out that we are on a \$24 billion bill now, which is an extraordinarily important bill as far as industry is concerned, namely, the Federal Water Pollution Control Act Amendments of 1972.

When the conferees come to a conclusion, and that bill is invoked, we are going to be imposing upon industry in this country extraordinary added cost of productivity: increased costs to produce.

I think the point that Mr. Free made on GATT, as Mr. Grover pointed out, was terribly important. In order to make a bill like this successful, Mr. Chairman, we have to separate the two issues, in my judgment. One issue is the national-Federal procurement issue, which is the thrust of this legislation, which does not contravene the "free trade" aspect.

The other side of the point you are making is a very important one. It is like a bottle of worms—and this is the point that you started to make, Mr. Free, in reference to the competition with Japanese steel. We cannot hope to compete with Japan if we are going to continue to devote our funds to support SEATO and, in turn, they are taking their capital and they are ploughing it back into their industries in long-term capital investment funds which are not available to the U.S. manufacturers. It just is not available. Consequently, we just cannot compete.

The same situation prevails under present antitrust laws. And we were criticized. I sponsored a bill recently, Mr. Chairman, to set up a commission to review our antiquated antitrust laws. It ought to be done. It is long overdue, dating back to 1929 since the last so-called antitrust laws of our country were established. Antitrust laws, as they presently exist, are precluding American manufacturers from being able to do just exactly what we are talking about. And these laws have to be revised.

If I may, in closing, the fine presentation you made in the summation of your testimony on the facts of the matter vis the Executive orders and the different laws involved is excellent. I think it clarifies the point considerably. And I hope that if we can get this legislation out of committee, Mr. Chairman, and through the full committee to the floor of the House, we are capable of expanding this difference between "free trade" and the point of issue of "Buy American" and "Produce American" involved here, because they are literally not one and the same. They really are not and I think that determination has to be explained to be able to clarify the issue if it ever gets to the floor of the House.

Thank you, Mr. Chairman.

Mr. GRAY. Thank you.

Mr. STENDER. Mr. Chairman.

Mr. GRAY. Yes, Mr. Stender.

Mr. STENDER. In connection with Government contracting, Mr. Chairman, most of that is under a contract system that sets certain specs.

There are a number of contractors bidding for this type of business. If one of them bids, or more than one bids with the idea of using foreign components, and the others bid on the basis of American components, you can well understand that the person or contractor who depends on American components, is not going to come by any of those jobs. So the system lends itself to the requirement that they all must bid with foreign components to be on even ground concerning the business. Unless we set up a rigid standard that would make them all even, I think we would do an injustice to the bidding process as well as to the American worker and manufacturers and those that are investing in America's future.

Mr. GRAY. Mr. Phelps?

Mr. PHELPS. As a Government contractor or subcontractor they spell out all the laws we must obey, and, of course, we do. When it comes to foreigners, these laws do not apply.

Mr. ROE. If I may, Mr. Chairman. There is a point that you are making which is a very fine point and one I tried to make earlier. If we are just talking in this legislation on what seems to be the cursory view of differentials, I do not believe that proposal goes far enough in allowing a differential of only up to 50 percent.

What we are really saying here is that if 80 percent or 50 percent of the component parts that go into the product are made overseas, that is not going to solve our problem, unless there are import quotas, tariffs and other fees on products coming into this country.

It seems to me that you are striking at a very important point here. It is not the 50 percent differential that is the total crux of this matter by any stretch. It is what share, if any, should be allowed to be made outside the country.

Mr. FREE. We are saying 75 percent.

Mr. ROE. I think that ought to be clear because I think that is important.

Mr. GROVER. Mr. Chairman, I would be delighted to yield to our distinguished colleague, the gentlewoman from New York, Ms. Abzug.

Ms. ABZUG. Thank you.

I want to extend my congratulations to you, Jack, a fellow New Yorker, for your presentation here, and also the gentlemen who have accompanied you.

I am very concerned with this particular subject. I agree with the thesis that underlies this legislation, which essentially is that Federal agencies and localities that use public moneys should make their purchases in a manner which will provide employment for American workers, especially in a period like this in which we have serious unemployment.

The question I have is whether or not the kind of legislation that is being proposed here is the way to accomplish that?

What troubles me about it, although I agree with the thesis, is, how do you avoid by this kind of legislation sharply increased costs which are ultimately borne by the taxpayer or the very person we are seeking to assist?

Mr. FREE. Ms. Abzug, I think we can point out a very simple example. Let us say that we are bidding on the same item, and we have a foreign bid of \$100 and a domestic bid of \$156.

Now, if the domestic item was purchased by the Federal Government, it would generate \$56 in taxes. Therefore, the net effect of the two would be the same. It would be \$100, and this is essentially what we are saying.

If you apply the 50 percent theory at \$100 and \$150, the net cost to the Government, taking into account the taxes, would be \$94 as opposed to \$100 foreign, \$96, I am sorry.

You see, our contention is, as Mr. Haines pointed out, a specific example where it looked like a \$200,000 savings, actually, the Government lost about half a million.

Ms. ABZUG. How do you really solve the unemployment problem with this sort of legislation, since the whole question of erecting various import barriers is not necessarily consonant with particular areas of unemployment here?

Mr. FREE. We are not advocating putting up barriers for normal trade.

Ms. ABZUG. In effect, the thesis underlying it is that.

Mr. PHELPS. We are asking that they have to abide by the same rules that we have to abide by.

Ms. ABZUG. Well, we cannot regulate rules of foreign corporations. We certainly must regulate multinational corporations, and on that I happen to feel very strongly. In fact, I have introduced a bill, H.R. 11783, to do just that. We have to remove incentives for U.S.-based multinational corporations that go abroad, use cheap labor, get very substantial tax incentives, and then bring their products here to compete against our own business as well as our own working people. So, on that, I would agree.

Generally speaking, there is implicit in some of this legislation before us a suggestion that we are really creating some import barriers. Obviously, in any trade situation we are trying to increase exports over

imports. It is an important effort. Although there may be different reasons for it, Mr. Peterson, who was just quoted by my colleague, Mr. Grover, said that in a number of places our economy is rising—and I am not sure that it is—and European economy is lagging, and that explains why there are fewer imports and greater exports.

It is a complicated subject to get into, and I do not pretend to be an international economist, but I am suggesting that the issues that are being raised here do impinge on all of these areas.

I am seeking clarity because I believe very strongly that we have to find a way to use our funds to help our industries and our workers in this country, and I am very much committed to that. I feel strongly that should we impose serious quotas or restrictions on foreign countries, it would create some retaliation—perhaps very serious retaliation—despite your testimony to the contrary.

So you have to find a middle way by which you can benefit America and its business and workers without creating the kind of trade warfare that would ultimately hurt us.

I favor, as I mentioned earlier, and I introduced a bill to control very seriously what multinational corporations do without imposing heavy quotas because I do not approve of that at this time.

In the material that is presented here and the bills that you are proposing, we have some of these problems interrelated. I am concerned that even if we were to be able to get the amendment, and it were constitutional, and I am not sure it is, that is being proposed in a number of these bills, whether in fact we would be helping the areas of unemployment we are talking about.

Mr. FREE. I think the Federal Government, in making their expenditures, for example, they are building a new large governmental building in Seattle, where the unemployment rate has been quite high, and I think the Federal Government has been perceptive in building these structures in depressed areas.

Ms. ABZUG. That is direct.

Mr. FREE. Yes, that is direct.

Ms. ABZUG. But if you insist that they buy goods from American industry as against others, I do not see how it would necessarily improve unemployment in the areas where it is most serious.

You have not proven that to me in your testimony.

Mr. GILBERT. May I say that the strengthening of the "Buy American Act" would generate income and generate job opportunities. The "Buy American Act" would not create unemployment but in fact create an atmosphere for employment and job opportunity.

Ms. ABZUG. I agree with you on the general proposition, but I am not sure it is accomplished in this legislation. The general proposition is that if you have greater income or greater business activity you create more productivity, and thus more jobs. How do you accomplish that with this sort of legislation?

You can create business and income by having new products. You can create business and income by having massive programs in whole areas where we have not developed our technology, as against the military area where we have developed technology that does not create enough consumer demands. We do not have enough opportunity to create the kind of jobs. We have some cutbacks in those areas. We have defense cutbacks. We have to find a way to create new products, use our technology to stimulate new business which will create new jobs.

I have some doubts about whether you are increasing the cost to the working people who can least afford it by these rigid packages you are proposing.

I am not certain; I am just questioning it.

Mr. GILBERT. May I say, to answer again briefly, certainly if you create more unemployment in the area, there is going to be less opportunity for these people to find employment. I am talking about people that have not been employed.

If you find that plants are being closed, such as Mr. Kluczynski related, immediately you have a situation where you eliminate all of the opportunity that might be available to these people that are unemployed.

So I would say that the immediate effect is, you do just the opposite, or to dispel some of the doubts that you have in mind, that you are creating more opportunities for these people.

When you say that perhaps the costs may be higher, there is no question that the costs are going to be higher because the legislation in and of itself says that. But the answer to it, and that has been expounded here many, many times, is that what it generates, the return to the taxpayer, the payment of tax dollars. The fact you have more people employed, your unemployment insurances decrease. So what you have is an immediate return of tax dollars for the Government.

You have people that are employed spending money and thereafter that generates tax dollars. So that the net effect of this is a saving to the American tax base, and not an increase in cost.

Mr. FREE. You see, the importers have made quite a statement by saying it is costing the American people \$10 billion or \$20 billion a year—when you relate that to man-hours, it amounts to half a cent a man-hour. Is it not worth half a cent a man-hour to hold a job a fellow has now and he can keep it?

Ms. ABZUG. Thank you very much.

Mr. GRAY. Any other questions?

Mr. TERRY. Mr. Chairman?

Mr. GRAY. The gentleman from New York, Mr. Terry.

Mr. TERRY. I would like to compliment our former colleague Congressman Gilbert; for an excellent presentation and the gentleman from New York for her comment on technology. We see so often a product coming here from foreign shores wherein the original development of technology was born here in this country, but today the product is made abroad and brought in.

I think the testimony this morning has been excellent in bringing this into focus and, hopefully, we will come out with a bill that sets the proper standards, and recognizes the desirability and, in fact, the necessity of the employment of American individuals and the recognition of American companies and the profitmaking motives which they are based on.

Mr. GILBERT. I thank my colleague.

Mr. GRAY. Again, Mr. Gilbert and all of your associates, we deeply appreciate your coming, we appreciate your testimony.

Our next witness is Mr. J. C. Taliaferro, vice president for sales, Morris Pumps, Baldwinville, N.Y. We are delighted to have you, and you may proceed.

STATEMENT OF J. C. TALIAFERRO, VICE PRESIDENT, MORRIS
PUMPS, INC., BALDWINVILLE, N.Y.

Mr. TALIAFERRO. Mr. Chairman, Members of the Subcommittee on Public Buildings and Grounds, it is indeed a pleasure for me to be here today to testify on behalf of the bill, H.R. 13937, introduced by Congressman Terry.

For more than 100 years, Morris Pumps, Inc., my company, formerly known as Morris Machine Works, has been manufacturing pumps for industry and, in particular, for municipal sewage pumping and sewage treatment plants.

All of the facilities of this company are located in a small upstate village near Syracuse, N.Y. We are the principal industry in this community. We normally employ 200 local people.

Our hourly employees belong to Seneca Lodge No. 1415 of the International Association of Machinists and Aerospace Workers.

Our sales organization consists of 30 or more manufacturers representatives groups in the principal marketing areas throughout the country, with commissions paid by our company which assist in the support of probably 75 engineers and their employees and families.

Up until 1971, we were not bothered by competition from foreign pump manufacturers. But, in 1971, we lost two jobs in New York State to Worthington Sales, International. Specifically these were city of Plattsburgh, N.Y., and city of Amsterdam, N.Y.

We were upset as these pumps, which were to be supplied to projects within our own New York State, and were to be partially federally funded, were partially built by Worthington, either in Canada or in Scotland.

Later, in 1971, we lost another job to Worthington, just as these pumps were built in Canada and are now installed in Meadowbrook Sewage Treatment Plant, Syracuse, N.Y.

Again, Federal funds were used for this plant.

In September 1971, we quoted to a number of contractors bidding the R. M. Clayton Water Pollution Control Plant, Atlanta, Ga.

Our pumps were offered at a price of \$290,000, and we learned that again our competition, Worthington, with foreign-built, was offering pumps at a price approximately \$38,000 less than the price we quoted. Again these pumps were to be manufactured overseas and imported to this country.

In 1972, we quoted on pumps for the Salt Creek Water Reclamation Plant, Chicago, Ill.

Federal funds were also used on this job, but the sewage pumps were purchased from a German company, Klein Schanzlin and Becker—commonly known as KSB.

And finally, just recently, we were again defeated by the Worthington Co. on a project at Great Falls, Mont.

Failure to obtain orders for pumps for the projects listed above has been a bitter pill for us to swallow. We feel that all the equipment purchased for a federally funded environmental control project should be purchased from the manufacturers who pay U.S. taxes and who employ U.S. taxpayers.

There are numerous U.S. companies capable of supplying all the necessary equipment for sewage treatment plants, and I assure you that the competition between U.S. manufacturers is, indeed, keen,

but competition from foreign manufacturers who do not pay Federal taxes, in our opinion, is unfair.

We, at Morris Pumps, Inc., fully support Mr. Terry's bill, H.R. 13937, and respectfully urge that this subcommittee act favorably on it.

Thank you, and I will be glad to answer any questions.

Mr. GRAY. Thank you very much for a very fine statement.

Would you have any idea as to how much profit or, better still, how much taxes you would have paid on these three projects had you been successful in obtaining the sales?

Mr. TALIAFERRO. If I can use quick arithmetic, we estimate the total volume as a little over \$600,000; based on the 10-percent profit, we would be in the \$30,000 tax bracket.

Mr. GRAY. Since 1971, what would be considered a small company of 200 employees, the Government has lost several thousand dollars in taxes just on these three projects you have listed.

Mr. TALIAFERRO. Yes, sir.

Mr. GRAY. You can imagine what this would aggregate to in terms of millions of dollars lost in taxes over all the States.

Mr. TALIAFERRO. Mr. Chairman, we estimate approximately 16 man-years just for our small company. While it is not very big, it is a trend we hate to see.

Mr. GRAY. It is important, I am sure, to the community that you represent in New York.

Any questions or comments?

I thank you very much for coming. We deeply appreciate it.

Our next witness is Mr. Gilbert M. Dorland, president, American Institute of Steel Construction, New York, N.Y., accompanied by Mr. Van W. Coddington and Mr. John K. Edmonds.

Gentlemen, we are delighted to see you, and we are happy that you could give us the benefit of your views. You may proceed.

STATEMENT BY GILBERT M. DORLAND, PRESIDENT, AMERICAN INSTITUTE OF STEEL CONSTRUCTION, NEW YORK, N.Y.; ACCOMPANIED BY VAN W. CODDINGTON AND JOHN K. EDMONDS

Mr. DORLAND. Mr. Chairman, we appreciate the opportunity to appear before you. We have prepared a written statement which has been submitted.

Mr. GRAY. Yes, sir.

Mr. DORLAND. I would like to speak briefly extemporaneously, if I may, and leave the statement which has been submitted.

Mr. GRAY. Your entire statement will appear in the record at this point.

(The statement referred to follows:)

STATEMENT OF GILBERT M. DORLAND, PRESIDENT, AMERICAN INSTITUTE OF STEEL CONSTRUCTION, INC.

Gentlemen, I am Gilbert M. Dorland, president of the American Institute of Steel Construction and president of the Carolina Steel Corp. of Greensboro, N.C. With me are Van W. Coddington, 1st Vice President of the Institute and President of Lakeside Bridge & Steel Company of Milwaukee, Wisconsin, and John K. Edmonds, Executive Vice President of the Institute, whose headquarters is in New York City.

The 320 structural steel fabricating member companies of AISC, located in 49 of the 50 states, buy rolled structural steel sections and steel plate from producing mills and fabricate this material into the structural steel frames for buildings and bridges. We employ approximately 100,000 wage earners in our industry; and we provide an essential service and function in the construction industry, and are an important element in the economic fabric of our nation.

Beginning in the mid-1960's, but accelerating at a rapid and alarming rate within the past two or three years, foreign source fabricated structural steel has invaded the domestic market for our product and has caused alarm and damage to our industry.

The foreign structural steel fabricators have been able to penetrate the domestic United States market for our products because their costs are sufficiently lower than that they can bid and take jobs at prices our domestic industry cannot match. (Attached is a fact sheet of a bridge contract, for which 90% of the funds were provided by the U.S. Government, awarded to Japanese fabricators last August 25th in Little Rock, Arkansas which illustrates the nature and the severity of the cost and price problems from foreign fabricators.)

It is our contention that the lower costs of the foreign based fabricating companies derive from factors which are largely the result of different governmental, social, and economic developments and policies—which, therefore, have not been within our control. Specially, our Anti-Trust laws, which forbid the closer, friendlier government-business relationship existing in many foreign countries; the new, demanding plant safety regulations and the environmental controls imposed by the Occupational Safety and Health Act and other legislation; and the comparatively lower steel material prices and the much lower foreign labor rates that range down to levels one-fourth to one-third of our domestic ones; all combine to put us at a serious disadvantage in a cost and price competition.

Since this disadvantage has developed as a part of our social and political policy, we feel strongly that our own federal and state governments should be empowered, and, in fact, required to apply domestic preference on any government procurement financed wholly or in part by public funds. As a foreign case in point, in a recent invitation to bid on a variety of public construction projects in Canada's Province of Quebec, a basic requirement for the qualification and acceptance of bids was that the bidding firm must have its "principal place of business" in the Province of Quebec and in certain counties thereof. (See enclosure "Call for Tenders" Government Du Quebec.)

By contrast our own Tennessee Valley Authority, in its statement of "Foreign Bidder Conditions", specifically exempts foreign bidder-manufacturers from required conformance to General Conditions Domestic Materials, Non-Discrimination, and the Walsh-Healy Act. (A copy of this form is attached.) And, in 1970, the U.S. Bureau of Reclamation of the Department of the Interior awarded a 6,700 ton bridge job in Auburn, California to a Japanese steel fabricator because only a 6% domestic preference figure was applied.

Certainly, it is appropriate that our government should apply bidding differentials on publicly financed projects that will enable domestic firms to bid competitively but on a basis that will recognize in the award price the much higher domestic costs, including taxes they must absorb.

For the reasons stated above and for the preservation and survival of our industry as an important contributing force to our United States economy and society, we urge approval of this Buildings and Grounds Subcommittee of the House of Representatives Public Works Committee for legislation such as that embodied in H.R. Bills 11743, 12905, and 13283 to amend the present "Buy American Act" to:

- allow states to pass "Buy American" legislation or establish administrative rulings requiring the purchase of domestic materials with public monies if they wish;
- establish a 50% preference for domestic goods when purchases are made by all federal agencies;
- redefine a "domestic product" under the act to insist that 75% of the cost of all components be of American origin; and
- require that the "Buy American Act" provisions be made a part of any contract financed in whole or in part by federal loans or grants.

SEPTEMBER 7, 1971.

Subject: Details of a 13,000 ton steel superstructure bridge letting August 25, 1971 for a U.S. Interstate Highway Bridge over the Arkansas River at Little Rock, Ark.

1. There were thirteen bidders on this job, twelve of whom were U.S. fabricators or joint venture domestic firms, and one Japanese consortium including five Japanese fabricator firm representatives.

2. The twelve U.S. fabricator bids ranged between \$13,200,000 up to \$14,000,000.

3. The bid of the general contractor (San, Ore & Gardiner) including the Japanese consortium bid was \$12,300,000 which is \$900,000 or $7\frac{1}{2}\%$ less than the lowest domestic fabricator bid.

4. U.S. fabricators indicate that approximately three and a half million of the total bid price will cover nonstructural steel work for the bridge's concrete deck and certain work at the top of the piers and abutments. This portion of the overall contract will presumably have to be bought locally by any of the bidders, and will be the same cost to each regardless of which bidder wins the job.

Therefore the \$900,000 differential for the general contractor, including the Japanese consortium bid, is in fact almost 10% below the domestic fabricator bids.

5. In the light of the President's August 15th statement and executive order concerning the new economic policy of this country, it appears that the Japanese bid must include:

- the absorption of the 10% supplemental duty;
- absorption of the $6\frac{1}{2}\%$ appreciation in value of the yen versus the dollar;
- an apparent 10% lower cost on the fabricated structural steel itself; and
- profit percentage unknown.

From the foregoing it is clear that Japanese costs, if they are calculated on the same basis as our own, are of such a magnitude below our own that any real price competition with them is practically impossible.

6. It should be noted that this is an interstate highway project for which the federal government provides 90% of the funds. In view of the President's new policy and purpose; namely to protect out industry, economy, world trade position, and the balance of payments, it is ironic that \$10,000,000 of United States funds would be dedicated to the defeat of these purposes.

May we suggest that in its own defense this country should prohibit such misapplications of our own financial resources.

CALL FOR TENDERS

DEPARTMENT OF ROADS

Project 2233-71

Grading and gravelling works, on the "Chapados", "2è Rang" and "Saint-Jogue" Roads, in the municipalities of Pasbébiac and Hope, Bonaventure County, Length of 2.30 miles.

Only those having their principal place of business in the counties of Caspé-Nord, Matapédia, Gaspé-Sud, Bonaventure and Iles-de-la-Madeleine are allowed to bid.

A payment of \$10.00 not reimbursable, to the order of the Minister of Finance, is required to obtain the plans and specifications.

Guarantee.—Bid Bond: \$12,400.00 or certified cheque: \$6,200.00 with tender. Tender closing date: Tuesday, October 5, 1971, at 3 P.M. (D.S.T.).

Project 5234-71

Drainage, grading, base course and laying of bituminous concrete, on a section of the Highway No. 11, in the town of Wakefield, Gatineau County. Length of 0.54 mile.

Only those having their principal place of business in the Province of Quebec are allowed to bid.

A payment of \$25.00 not reimbursable, to the order of the Minister of Finance, is required to obtain the plans and specifications.

Guarantee.—Bid Bond: \$23,000.00 or certified cheque: \$11,500.00 with tender. Tender closing date: Tuesday, October 5, 1971, at 3 P.M. (D.S.T.).

Project 5237-71

Laying of bituminous concrete, on several roads, in the townships of Wakefield-Est, Denholm, the municipalities of Touraine, Lucerne and Aymer, Gatineau County. Length of 13.02 miles.

Only those having their principal place of business in the Province of Quebec are allowed to bid.

A payment of \$10.00 not reimbursable, to the order of the Minister of Finance is required to obtain the specifications.

Guarantee.—Bid Bond: \$21,000.00 or certified cheque: \$10,500.00 with tender.

Tender closing date: Tuesday, October 5, 1971, at 3 P.M. (D.S.T.).

Project 4007-71

Construction of a viaduct, over C.N.R., on the Highway No. 11, in the municipality of Notre-Dame-des-Laurentides, Terrebonne County.

The present project of regional development is financed by the Department of Regional Economic Expansion of Canada and is to be carried out with the collaboration of the Province of Quebec.

Only those having their principal place of business in the Province of Quebec are allowed to bid.

A payment of \$25.00 not reimbursable, to the order of the Minister of Finance, is required to obtain the plans and specifications.

Guarantee.—Bid Bond: \$10,000 or certified cheque: \$5,000.00 with tender.

Tender closing date: Tuesday, October 5, 1971, at 3 P.M. (D.S.T.).

Project 8273-71

Grading and gravelling works, on the "Rang du 4^e Rang" Roads in the parishes of Saint-Charles and Sainte-Marie-Madeleine, Saint-Hyacinthe County. Length of 2.49 miles.

Only those having their principal place of business in the counties of Arthabaska, Bagot, Nicolet, Drummond, Richelieu, Saint-Hyacinthe and Yamaska are allowed to bid.

A payment of \$10.00 not reimbursable, to the order of the Minister of Finance, is required to obtain the plans and specifications.

Guarantee.—Bid Bond: \$12,600.00 or certified cheque: \$6,300.00 with tender.

Tender closing date: Tuesday, October 5, 1971, at 3 P.M. (D.S.T.).

Project 5236-71

Laying of bituminous concrete, on several roads, in the townships of Low, Aylwin and Hinx, Gatineau County. Length of 7.79 miles.

Only those having their principal place of business in the counties of Gatineau, Hull, Papineau and Pontiac are allowed to bid.

A payment of \$10.00 not reimbursable, to the order of the Minister of Finance, is required to obtain the specifications.

Guarantee.—Bid Bond: \$13,000.00 or certified cheque: \$6,500.00 with tender.

Tender closing date: Tuesday, September 30, 1971 at 3 P.M. (D.S.T.).

For these projects the documents may be obtained at Department of Roads, Room E-5, Parliament Buildings, Quebec.

CLAUDE ROULEAU,
Eng., Deputy Minister.

QUEBEC AUTOROUTES AUTHORITY—EASTERN TOWNSHIPS AUTOROUTE

Project: A-63-E-71-C

Installation of road lighting on Richelieu River bridge.

Only those having their principal place of business in the Province of Quebec are allowed to bid.

An amount of \$20.00, not reimbursable, is required to obtain plans and specifications.

Guarantee deposit.—A certified cheque to the order of the Quebec Autoroutes Authority or a bid bond: \$13,000.00.

Tender closing date: 15 hours (E.D.S.T.), September 23, 1971.

The documents required may be obtained at the Quebec Autoroutes Authority, 255 Cremazie Boulevard East, room 1000, Montreal, or at Department of Roads, Room E-5, Parliament Buildings, Quebec.

QUEBEC AUTOROUTE AUTHORITY—LAURENTIAN AUTOROUTE

C-L-71-1

The widening of a reinforced concrete viaduct for re-arrangement of the traffic circle at Metropolitan Blvd. and the Laurentian Autoroute.

Only those having their principal place of business in the Province of Quebec are allowed to bid.

An amount of \$20.00, nonreimbursable, is required to obtain plans and specifications.

Guarantee deposit.—Bid bond: \$10,000.00 or a certified cheque to the order of the Quebec Autoroutes Authority.

Tender closing: 15 hours (E.D.S.T.), September 28, 1971.

The documents required may be obtained at the Quebec Autoroutes Authority, 255 Cremaxie Blvd. West, Montreal, or at Department of Roads, Room E-5, Parliament Buildings, Quebec.

JACQUES TASCHEREAU,
Notary, Secretary.

FOREIGN BIDDER CONDITIONS

The following conditions apply to any bid, and resulting contract, offering material or equipment manufactured outside the United States.

Ocean shipment.—If equipment or material furnished pursuant to this contract is transported on ocean vessels, the Contractor shall cause not less than 50 percent of the gross tonnage thereof to be transported on "privately owned United States-flag commercial vessels," as that term is defined in 46 U.S.C. sec. 1241(b). Whenever possible, the tonnage to be transported on United States-flag commercial vessels (not less than 50 percent) shall be shipped before any tonnage is shipped on foreign-flag vessels. CAUTION: Not all vessels operated by United States shipping lines are United States-flag commercial vessels. The flag of a vessel is determined by her registry and Contractor should resolve any doubt as to the registry of a vessel by ascertaining her registry from the vessel's booking agent, prior to booking.

Changes in freight rates.—General Condition Changes in Freight Rates, on form TVA 5052 shall apply only to changes in the rates of common carriers within the United States and shall not apply to the rates of ocean carriers.

Change in import duties.—If this contract is awarded and performed upon the basis of a price or prices which include import duties, any increase in said duties applicable to the shipment of the finished and delivered articles covered by the contract occurring between the date of Contractor's bid and the date of shipment specified in the contract, including any extension thereof in accordance with the DELAYS AND REMEDIES provision included herein, shall be borne by TVA, and any decrease in said duties occurring between the date of Contractor's bid and the date of actual shipment shall be credited to TVA; provided, however, that for purposes of this condition countervailing duties and anti-dumping duties shall not be considered as import duties and neither imposition of nor changes in countervailing duties or anti-dumping duties shall give rise to changes in the contract price.

Inapplicability of general conditions.—If award is made to a bidder who proposes manufacture in whole or in part outside the United States, General Conditions Domestic Materials, Nondiscrimination, and Walsh-Healey Act do not apply to that part manufactured outside the United States.

Servicing of equipment.—A bidder offering equipment manufactured outside the United States shall have a general agent in the United States or Canada to handle all correspondence and other administrative details in the performance of the contract. The agent's authority shall extend to the receipt and acceptance of service of legal process.

The bidder shall state:

Name and address of general agent.....

A bidder offering equipment manufactured outside the United States shall have adequate technical service personnel in the United States or Canada. The bidder shall state:

Location of technical service personnel.....

Number and qualifications of technical service personnel.....

Mr. DORLAND. Our institute represents some 320 structural steel fabricators scattered throughout the United States.

Several of the largest fabricators in the country are subsidiaries of the major steel mills, but this amounts to less than 15 percent of the total business of our association. So we represent the broad national group of individual companies who are engaged in the business of fabricating structural steel.

With particular respect to the portions which are Government procurement, we bid directly to the Federal Government for buildings such as this steel frame; New House Office Building. The biggest single product we provide across the Nation is for the steel highway bridges which are part of the Interstate Highway program. These programs are administered by the individual States, with essentially Federal money, or 50-50 or, in some cases, fully State supplied funds.

Our job is to take the structural steel products from the mills—rolled products—and to so shape them or form them and assemble them to come up with the steel framework for the structures we are talking about.

Our industry is essentially a low profit industry—

I think it is quite interesting that over the last 3 years the average profit after taxes which is reported by Dun & Bradstreet is something in the order of 2 percent.

Our industry has no particular peculiar patented know-how or techniques that would preclude other people from entering into the industry, or nations for that matter, from coming into our domestic market.

We have compared our performance, in our shops with those that take place in other countries—Japan and Germany, France, and England through personal visits by members of our industry and find that they have no particular methods or no particular machines and no particular know-how that would give them any significant economic advantage over us in the marketplace.

From these visits, and from the personal knowledge of a number of our people, we have concluded that the major difference in the competitive position is the difference in wage levels. I happen to have a little personal knowledge in this. I did participate in establishing in Mexico a plant there in order to manufacture transmission towers, and you will hear more about that, the tower business later on.

We did not come back into the United States for business, but, nonetheless, the plant was set up with American know-how, with American machinery if there was no Mexican machinery that was comparable. Our workers worked six 9-hour days for a 54-hour week, and their daily wage was approximately the equivalent of the hourly wage in the United States.

Their productivity was every bit as good. Their labor was trainable, and this sort of differential is difficult to overcome.

We had testimony before on the part of others who talked about quality of life and we certainly believe in this and subscribe to it. But we cannot continue to export our jobs and maintain the quality of life—it just is not in the books.

As an example of this, something just a little over 11 months ago, in August of 1971, a bridge job was bid in Little Rock, Ark., across the Arkansas River, it was a part of the Interstate program, 90 percent federally financed.

The Japanese fabricators bid that job and were awarded the job, just as they had a previous bridge in Little Rock—and we have the

statistics on this. Some of the practices that went on there were quite interesting. Their bidding practice was such that as the general contractors took prices, the Japanese were able to determine what the lowest American price would be and they consistently undercut this.

It was also interesting that of the five Japanese plan holders for bidding purposes who were presumed to be all independent companies, at such time as they decided prior to bidding that they were going to get it, they would go back to the hotel room and produce a single Japanese price. If five Americans had done this, it would have meant they would have been subject to spending some time in the Federal penitentiary, but the rules do not apply to foreigners.

Mr. GRAY. Collusion.

Mr. DORLAND. Simple collusion. The job was awarded the Japanese.

Over the last several years, and particularly the last year, there have been 150,000 tons per year of structural fabrication that has been imported into the United States, as nearly as we can determine.

Here again, figures are very, very difficult to find and nobody in Government can give you statistics as to what jobs are going foreign. We have to depend upon what we see coming across the docks and the classifications that the Treasury Department determines in order to determine the proper tariff.

This resulted in our estimate of some 3 million man-hours of work that was performed offshore that could and should have been performed in the United States.

This has resulted because our industry is quite volume sensitive. It has resulted in the closure of a number of plants throughout the country, but, more particularly on the Pacific coast where during prior periods some 50 percent of the fabricated structural steel has been coming from offshore sources.

Plants are available for sale, and I must say that I personally within the last 4 months have had four owners of plants come and ask if we were interested in buying their plants.

Obviously, under economic conditions such as this, I am not particularly interested in buying more plants. What we are trying to do is keep our own business and keep our own people employed.

This results in job losses and, with deference to the Congresswoman, those people in California who are no longer working in those plants are a statistic, and it is something you cannot argue with. They are out on the streets looking for jobs. Their plants are closed down because they do not have the fabrication to perform at home because it is being performed overseas.

The current remedies which are available which we recognize within the Government do not seem to be adequate. There is a problem of countervailing duties, and maybe we will get a little testimony later on that subject. But when, and if, you get countervailing duties, they are so insignificant as to not have any effect upon the bidding practices of the foreigners.

There is also available economic aid to distressed companies and employees, but I submit that this is merely sending flowers to the funeral of a company that is going bankrupt, and it is putting pennies in the tin cup of the man on the street because he has no job to earn the money that he would like to be making.

As I say, there are no records on foreign awards. It is our contention that the "Buy American Act", as proposed in this legislation, includes

nothing more than as I have said previously is necessary to correct the present Government procurement practices that are going on.

In our testimony, attached to it, is a statement, a reprint, actually, of a tender offer from Canada, Department of Quebec, and I quote: "Only those having their principal place of business in the Province of Quebec are allowed to bid."

I would also like to read at this same time a quotation from a TVA invitation to bid, entitled "Inapplicability" of General Conditions, for bidding:

If award is made to a bidder who proposes to manufacture in whole or in part outside of the United States, general conditions, domestic materials, non-discrimination and Walsh-Healey Act do not apply to that part manufactured outside the United States.

This is fair competition and free trade? I do not understand the application of the rule.

Mr. ROE. Mr. Chairman, I would like to interrupt, if I may.

Mr. GRAY. I am glad to yield to my friend from New Jersey.

Mr. ROE. There is one thought that occurs to me, and although I do not fully concur with my very distinguished colleague, Ms. Abzug from New York, a very important comment has been made, namely, you cannot have it both ways.

Now, let me play the Devil's advocate. One cannot have it both ways. We are talking about jobs and we are talking about the "Buy American Act". And I listened intently to the testimony, which I think was excellent.

On the other hand, American companies have to make up their mind to play the game fair, too. This has got to be said in some public forum. We are really saying this: OK, if we are going to force the issue of "Buy American," should we not also parallel that and consider the tax breaks given to the multinational corporations, a goodly number of which are American-controlled companies? Or are we differentiating between the big giants of America who really belong to no flag, namely, the whole tax picture, or are we comparing it to medium and small-sized firms?

I concur 100 percent that small and medium-sized firms just cannot compete under the circumstances.

The point I am trying to make is, we are looking for an avenue of right, an avenue to go. We understand the job issue. We understand the union situation fully, but the fact still remains, we cannot have it both ways either.

I would suggest that some attention, Mr. Chairman, be directed toward the overall picture within our jurisdiction, namely, the responsibility of the Federal Government on tax breaks to multinational firms where the profits do not come back into the country, initially, and it is not taxable until it does, and then they go ahead and use those funds for investment in other companies overseas. And I do not mean this unkindly, please believe me. I am just thinking as deeply or trying to as you are. Just to say "Buy American" is not the answer here.

We have to say to those giants they just cannot take out of this country all they are taking out of this country and investing it overseas and not providing the jobs in this country. We get it from both sides. That is the other side of the coin of what we are talking about today. I do hope that as we go through this testimony we can develop more of this aspect, not as an adversary, because I concur with what you are

trying to do, but more in the direction of getting this thing into proper perspective, as it affects all the jobs in this country.

Mr. GRAY. The gentlemen from New Jersey makes a very important point, and we shall consider that.

Mr. Dorland, you may proceed.

Mr. DORLAND. Our particular interest, because we do not represent in our institute multinational companies, as such. As I told you, we represent small businesses and medium-size businesses who, in general, are domestic businesses, who have domestic problems. We constantly see that on tax dollars we have spent overseas, they cause us a struggle trying to keep our businesses going here.

With respect to the State portion of the proposed legislation, if States are allowed either administratively or legislatively to restrict their own purchases to domestic suppliers, we feel that this is important. And we do not have in the testimony, but, Mr. Chairman, we would like to have the opportunity to provide for the committee afterward some evidence that in the State of Kansas in a recent legislative executive session, a bill was introduced to "Buy American" in the State of Kansas, and a telegram was received by a legislator in Kansas from the State Department stating that such legislation was not in the best interests of the United States and requested that the legislation be withdrawn.

This is the kind of thing that we think is wrong. We think people ought to be able to have legislation so that if they want to "Buy American," they can with their own dollars.

In short, we support the provisions of this legislation and with respect to the questions you brought up, sir, this was not the legislation in question, this particular one. I do think it is part of the whole problem. And if you care to, perhaps we can come back at a later date and address ourselves to that problem.

I have also with me, Mr. Chairman, Mr. Van Coddington, who is president of the Lakeside Bridge in Milwaukee, and first vice president of our institute. He has some brief testimony that he would like to deliver at this point.

Mr. GRAY. As a neighbor, Mr. Coddington, we are delighted to have you here today.

Mr. CODDINGTON. Thank you, Mr. Gray.

I am wearing several hats. One, as chairman of the Governmental Relations Committee of the American Institute of Steel Construction, and also I am a director of the Steelplate Fabricators Association, with headquarters in Springfield, Ill. I am chairman of its governmental relations committee also. And they ask that today I submit for the record their endorsement of this legislation.

The Steel Plate Fabricators is a sister organization of the AISC. It is a completely separate organization. There are I think about five members who have membership on both.

It represents 39 fabricators of heavy steelplate, with plants located in 33 States of the United States, employing probably around 60,000 or 70,000 employees.

It includes the principal manufacturers of large dam or water pipe, tanks, pressure vessels, dam gates, and many other custom-fabricated steelplate products.

They have followed this legislation closely and wish to endorse and second the testimony of the American Institute.

Thank you very much.

Mr. GRAY. Thank you. We are delighted to have you.

Mr. DORLAND. That concludes our testimony.

Mr. GRAY. Thank you. You are very kind, and we appreciate it. Our next witness is Mr. Paul J. Burnsky, president of the AFL-CIO Metal Trades Department.

Mr. Burnsky, we are always delighted to see you and appreciate the good work you are doing.

STATEMENT BY PAUL J. BURNSKY, PRESIDENT, AFL-CIO METAL TRADES DEPARTMENT

Mr. BURNSKY. Thank you, Chairman Gray.

Mr. GRAY. You may proceed in your own fashion.

Mr. BURNSKY. In the interest of conserving some time here, since you have a rollcall, I would like to submit for the record a list of affiliates affiliated with the Metal Trades Department.

Mr. GRAY. Without objection, we will be delighted to receive those in the record at this point.

(The list referred to follows:)

INTERNATIONAL UNIONS AFFILIATED WITH METAL TRADES DEPT., AFL-CIO

1. International Association of Heat and Frost Insulators and Asbestos Workers
2. International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
3. United Brotherhood of Carpenters and Joiners of America
4. International Brotherhood of Electrical Workers
5. International Union of Elevator Constructors
6. International Union of Operating Engineers
7. International Brotherhood of Firemen and Oilers
8. International Association of Bridge, Structural and Ornamental Iron Workers
9. Laborers' International Union of North America
10. International Association of Machinists and Aerospace Workers
11. Metal Polishers, Buffers, Platers and Allied Workers
12. International Molders and Allied Workers Union, AFL-CIO
13. Office and Professional Employees International Union
14. International Brotherhood of Painters and Allied Trades of the United States and Canada
15. Patternmakers League of North America
16. Operative Plasterers' and Cement Masons' International Association of the United States and Canada
17. United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada
18. Service Employees International Union, AFL-CIO
19. Sheet Metal Workers International Association
20. Stove, Furnace and Allied Appliance Workers' of North America
21. American Federation of Technical Engineers
22. Upholsterers' International Union of North America

Mr. BURNSKY. I appear on behalf of the 22 national and international unions of the Metal Trades Department of AFL-CIO, representing 3,500,000 blue collar workers in private and Federal segments of this Nation.

In a recent convention the delegates of 22 affiliated unions unanimously approved the resolution to strengthen the "Buy American Act" of 1933, as proposed by Congressmen Gray, Howard, and Addabbo, and as supported by the Labor-Management Committee for Fair Foreign Competition.

Our chief concern here lies in the preservation of American jobs and a reduction of the high rate of unemployment that our country is presently experiencing. That amounts to about 5,200,000 plus. I would say it exceeds 6 percent. They do not count those that have used up their unemployment compensation and those that are disgusted with seeking work they cannot find.

Mr. GRAY. If I could interrupt you, there are literally thousands, if not millions of people who have gone to the local unemployment office and have not been able to obtain employment and, therefore, is not registered. I know that to be a fact in my district in southern Illinois.

Mr. BURNSKY. That is correct.

There is nothing more, really, that I can add to the fine presentation that has been made here.

The only thing that concerns us, and when I say "us," I mean the unions representing employees—in the Federal and private sectors we know how many people are unemployed, and they are continuously being RIF'ed—continuously. How can you explain to a person that he no longer has a job because the U.S. Government is buying products from overseas and as a result he is laid off? I am talking about people with 20, 25, and 30 years seniority, unable to find employment. They say it is a depression when you are out of work and a recession when your neighbor is out of work.

Why is it that this Nation with a trillion GNP can afford to have anybody unemployed that is willing to work?

I cannot understand that. It has to be an abrogation of some type of reasoning or lack of commonsense in some areas to allow for this condition to exist.

And with that, that is about all I can say. Everything has been said. And, therefore, I respectfully request the committee to vigorously support the amendments to the act envisioned by their proponents.

Thank you.

Mr. GRAY. Thank you very much, Mr. Burnsky. I think you stated it very well when you said the heart of the problem has been laid out here today by eloquent speakers and you have certainly added much to our hearings and we appreciate the good work you are doing in the AFL-CIO and we appreciate your coming.

Thank you very much.

Our next witness is Mr. Edmund Lojko, general organizer, International Association of Bridge, Structural and Ornamental Ironworkers, AFL-CIO, from St. Louis, Mo.

Mr. Lojko, we are delighted to see you. And I might say if the Mississippi River should ever dry up, my district would be in St. Louis, so I consider you a neighbor.

STATEMENT BY EDMUND LOJKO, GENERAL ORGANIZER, INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL AND ORNAMENTAL IRONWORKERS

Mr. LOJKO. Thank you, Mr. Chairman.

I am general organizer of the ironworkers assigned to the shop division at its national headquarters. As a matter of explanation,

the shop division fabricates the iron and steel that goes into bridges and buildings.

We are involved in this imported fabricated steel to this extent and we urge consideration of the proposed legislation.

In 1971, at the end of the year, the unemployment rate in this country was about 6 percent and yet in the shop division of the iron-workers, it was 12 percent.

We made a survey to find out just how many of these people were actually unemployed because of imported fabricated steel. The survey of our local indicated that 29 percent of our people that are unemployed are unemployed because of imported fabricated steel.

During the survey we compiled some material. There are eight pages of it and I am not about to read any of it, but I want to present it for evidence. I would like to read a few to indicate to you what is in these eight pages.

Mr. GRAY. Without objection, the entire statement will be put in the record.

(The survey referred to follows:)

FOREIGN STEEL FABRICATION

Project	Owner and/or location	Tons	Material	Fabricator
ALABAMA				
Towers	Decatur, Ala	1,935	Angles	OVC (Ceccoli) Bologna, Italy.
ALASKA				
Bridge	Alaska State Highway Department, Chitina.	912	Plates and shapes	I.H.I., Japan.
Do	Alaska State Highway Department, Sitka.	1,109	Rebars, plates, shapes.	Mitsubishi, Japan.
Do	Alaska State Highway Department, Healy.	227	Plates, shapes	Nippon Industries, Japan.
Do	Alaska State Highway Department, Cordova.	1,630	do	Nippon Steel, Japan.
Do	Hurricane, Alaska	546	do	Dominion Bridge, Canada and Cannon Ltd., Canada.
Pipeline	North Slope to Valdez	508,000	Pipe	Sumatomo Metal Ind., Japan, Yawata Iron & Steel, Japan, Nippon, Kohan, Kobushki, Kaisha, Japan.
Bridge	Cooper River Highway near Cordova.	1,661	Plates, shapes	Not available, Japan.
Do	Cooper River, Chitina	937	do	Do.
Do	Sitka	1,200	do	Do.
3 bridges	Palmer-Cantwell Highway near Talkeetna.	575	do	Not available, Canada.
Bridge	Palmer-Cantwell Highway, Hurricane Gulch.	554	do	Not available, Korea.
ARIZONA				
Building	First National Bank Building, Phoenix.	6,500	Shapes	Not available, Japan.
Do	Valley National Bank, Phoenix.	8,000	do	Do.
ARKANSAS				
Bridge	Arkansas Highway Department, Little Rock.	4,028	Plates, shapes	Nippon Steel, Japan.
Towers	Arkansas Power & Light Co., Russelville.	2,088	Shapes	Kamani Steel Co. (663 tons), Bombay, India.
CALIFORNIA				
Building	United California Bank, Los Angeles.	20,000	Plates, shapes	Nippon Steel Co., (7,000 tons) Japan.
Do	Morrison-Knudsen and American General, San Diego.	2,870	do	Nippon Steel, Japan.
Towers	San Diego Gas & Electric Co., San Onofore.	6,750	Shapes	Nissho-Iwai, Japan.
Bridge	U.S. Bureau of Reclamation, Auburn.	6,700	do	Kawasaki Heavy Industries, Japan.
Building	Castaic	1,172	Plates, shapes	Do.
Miscellaneous plates	do	8,500	Plates	Mitsubishi, Japan.
Do	El Dorado County	60	do	Voest, Belgium.

FOREIGN STEEL FABRICATION—Continued

Project	Owner and/or location	Tons	Material	Fabricator
CALIFORNIA—				
Continued				
Towers	Montpelier	490	Angles	Iwai Corp., Japan.
Building	Bank of California, San Diego	3,000	Shapes	Not available, Japan.
	Castaic Power project, southern California.	10,000	do	Do.
Do	Folger Building, San Francisco	3,400	do	Do.
Do	Hyatt House, San Francisco	5,000	do	Do.
Refinery reactors and columns.	Oleum	1,500	do	Do.
Transmission line	San Diego Gas & Electric, San Diego.	7,000		Do.
CONNECTICUT				
Building	Meriden	700	Shapes	Standard Structural Steel, Canada.
FLORIDA				
Towers	Crystal River	9,500	Angles	Societa Anonima Elettificazione, Italy.
HAWAII				
Building	Hospital Facilities Corp., Honolulu.	1,040	Plates, shapes	Yawata Steel, Japan.
Oil storage tanks	Hawaiian Independent Refining Co., Barbers Point.	7,000	Plates	Not available, Japan.
Building	Honolulu	1,578	Shapes	Mitsui, Japan.
ILLINOIS				
Towers	Commonwealth Edison Co., Lockport.	300	do	Not available, Japan.
Do	Commonwealth Edison Co., Burnham.	650	do	Do.
Do	Lombard	800	do	Japan Bridge, Japan.
Do	Zion, Burnham, Joliet	7,750	do	Japan and Italy.
INTERSTATE				
Towers	Union Electric Co., Illinois to Wittenberg, Miss.	100	Angles	Societa Anonima Elettificazione, Italy.
Do	American Electric Power Service Corp., Ohio, West Virginia, Indiana, Kentucky.	3,000	do	Do.
Pipeline	Explorer Pipe Line Co.	122,000	Pipe	Steel Co. of Canada (82,000 tons), Canada.
Towers	Bacons Castle, Va., Jarrett, Va., Littleton, N.C.	5,941	Angles	S.A.E., Italy.
Do	States of Washington and Oregon.	40,302	do	Japan Bridge, Japan, Iwai Corp., Japan, C.M.I., Italy, Nichimen, Japan.
Pipeline	Gulf of Mexico	78,000	Pipe	Sumitomi, Japan, Valorec, France.
Towers	Booneville Power Administration:			
	Solicitation No. 1476	6,700	Shapes	Not available, Japan.
	Solicitation No. 1496	4,519	do	Not available, England.
	Solicitation No. 1516	4,602	do	Not available, Japan.
		4,593	do	Not available, Italy.
	Solicitation No. 0127	4,062	do	Not available, Japan.
	Solicitation No. 9059	8,888	do	Do.
LOUISIANA				
Pipeline	Transcontinental Gas Pipe Line Corp., southern Louisiana.	5,500	Pipe	Mannesman, Germany.
MAINE				
Building	Great Northern Paper Co., Millinocket.	3,120	Plates, shapes, rebars	Ocean Steel, Canada.
Do	Diamond International, Old Town.	800	Plates, shapes	Do.
Do	Woodland	740	Shapes	Not available (20 percent under domestic price), foreign.
Do	Presque Isle	80	do	Ocean Steel Ltd., Canada.
Conveyors	Millinocket	42	Plates, shapes	Do.
Building	Portland	1,100	Shapes	Not available, foreign.
Do	Millinocket	1,700	do	Do.
Do	do	150	do	Do.
Do	Woodland	3,000	do	Do.
Conveyor	do	375	Plates, shapes	Do.
Do	Berwick	500	Shapes	Do.
Buildings	Maine and Vermont	902	Plates and shapes	Do.

FOREIGN STEEL FABRICATION—Continued

Project	Owner and/or location	Tons	Material	Fabricator
MASSACHUSETTS				
Building	Town of Billerica	581	Plates shapes	Ocean Steel Ltd., Canada.
Do	Readville	650	Shapes	Do.
Do	Boston	880	do	Standard Structural Steel, Canada.
Do	Quincy	568	do	Ocean Steel Ltd., Canada.
Do	Marlboro	700	do	Not available, foreign.
Do	Belmont	1,000	do	Do.
Do	Brockton	400	do	Do.
MICHIGAN				
Towers	Consumers Power Co.	4,850	do	Societa Anonima Electrificazione, Italy.
Do	Detroit Edison Co., Carelton	2,335	do	Canadian Bridge Co., Canada.
Do	Plainville, Ludington	1,900	do	S.A.E., Italy.
Building	Saginaw	2,000	Plates, shapes	Canadian Bridge Co., Canada.
MISSOURI				
Towers	St. Louis County	425	Angles	Italian firm, Italy.
NEBRASKA				
Bridge	Omaha	7,500	Plates, shapes	Dominion Bridge Co., Canada.
NEW HAMPSHIRE				
Building	Portsmouth	320	Shapes	Ocean Steel Ltd., Canada.
Do	Hanniker	300	do	Do.
Do	Concord	350	do	Not available, foreign.
NEW YORK				
Building	Statler Hilton Hotel Corp., Queens	700	Plates, shapes	Standard Structural Steel, Canada.
Do	New York State University, Stony Brook	1,917	do	Do.
Do	Kaybit Corp., Tarrytown	600	do	Do.
Bridge	Rochester	5,249	do	Do.
Building	Niagara Falls	6,250	do	Candon Ltd., Canada (10 percent below domestic price).
OHIO				
Towers	Toledo Edison Co., Toledo	4,350	Shapes	Not available, foreign.
OKLAHOMA				
Towers	Oklahoma City	4,000	Angles	Societa Anonima Electrificazione, Italy.
OREGON				
Bridge	Oregon State Highway Department, east of Portland.	536	Plates, shapes	Ishikawajima Hurima, Japan.
Towers	Bonneville Power Administration, Portland (throughout northwest).	3,625	Shapes	Nichimen Co., Nissho-Iwai Corp., Japan.
Bridge	Portland	13,000	Plates	Ishikawajima Hurima Industries, Ltd., Japan.
Do	Clackamas River, Clackamas	544	do	Not available, Japan.
Building	First National Bank of Oregon	12,600	do	Not available, Japan and England.
Bridge	Approaches to Fremont River Bridge, Portland.	22,000	do	Not available, Canada.
Do	Oregon City	1,000	do	Not available, Japan.
RHODE ISLAND				
Bridge	State of Rhode Island, Providence.	350	Plates, shapes	Standard Structural Steel, Canada.
TEXAS				
Pipeline	Intratex Gas Co., San Marcus to Katy.	62,000	Pipe	Mannesman, Germany, Stelco, Canada.
Do	Lone Star Gas Co., Temple to Dallas.	13,648	do	Valorec, France.
Do	Houston Natural Gas Co., Katy to Houston.	9,390	do	Stelco, Canada.
Do	Coastal States Gas Producing Co., Pecos County.	118,000	do	Valorec, France.
Building	Dallas	5,064	Plates, shapes	Not available, Japan.

FOREIGN STEEL FABRICATION—Continued

Project	Owner and/or location	Tons	Material	Fabricator
VERMONT				
Building	Pizzagalli Construction Co., Montpelier.	487	Plates, shapes	McKinnon Steel, Canada.
Bridge	Barton	1,057	do	Do.
Do	do	450	do	Dominton Bridge, Canada.
Building	Essex Junction	800	Shapes	McKinnon Steel Co., Canada (20 percent below domestic price).
Do	Burlington	376	Rebars	Debro Reinforcement Division, Drew Brown Ltd., Canada.
Do	Johnson	159	do	Do.
Do	Nutland	518	do	Do.
Bridge	Fairhaven-Castleton	2,200	Plates	McKinnon Structural Steel Co., Canada.
Building	Burlington	167	Shapes	Not available, foreign.
Do	Chester	248	do	Do.
Do	St. Albans	177	do	Do.
Bridge	Berlin	1,556	Plates	Do.
Do	Derby	1,240	do	Do.
Do	Enosburg	204	do	Do.
Do	Hartford	368	do	Do.
Do	Newport	239	do	Do.
Do	Norwich	274	do	Do.
Do	Norwich-Thetford	452	do	Do.
Do	do	146	do	Do.
Do	Royalton	1,639	do	Do.
Do	Hartland	127	do	Do.
VIRGINIA				
Building	Fairfax County	3,190	Shapes	Not available, Great Britain.
Towers	Richmond County to Newport Line and Wake Co.	8,000	Angles	Societa Annonima Elettrificazione, Italy.
WASHINGTON				
Towers	Bonneville Power Administration, Washougal.	3,500	Shapes	Nissho-Iwai, Japan.
Do	Billingham	Unknown	do	Not available, foreign.
Do	Washougal	4,695	Shapes	Societa Annonima Elettrificazione, Italy.
Do	do	2,700	do	Not available, Japan.
Bridge	Spokane	737	Plates, shapes	Not available, Canada.
Building	John Day, Harvey Aluminum, Coldendale.	6,500	Shapes	Not available, Japan.
	Grand Coulee, 3d power plant and forebay project.	1,000	do	Do.
	Billingham, refinery towers and columns.	900	do	Do.

Mr. LOJKO. It is relevant to foreign fabrication and it goes from State to State.

For instance, in Alaska, there was a bridge job in Cordova, Alaska, that involved 1,630 tons of plate in various shapes, angles, and beams. This job was fabricated and done by Nippon Steel Co., of Japan.

I will mention just one more here. There was a bridge fabricated, U.S. Bureau of Reclamation in Auburn, Calif.—I believe this was mentioned before in a previous report—6,700 tons of various shapes used on the bridge, and this was fabricated by Kawasaki Heavy Industries of Japan.

This entire eight pages goes on and on and on of various imported fabricated steel.

Now, the sum total of the tonnage of these listings is 1,299,707 tons of fabricated steel. If I might transpose this, what this means to us, and that is why I am here now, using figures that are generally accepted in the industry, it takes 13 man-hours to produce a ton of steel; and it takes 14 man-hours to fabricate that ton of steel so that we can use it to erect a bridge or building. This means 27 man-hours that we have lost for every ton of steel, and I just mentioned a figure of well over a million tons.

Transposing these figures—in 1971, from these figures I am going to leave with the committee, there were 17,500 people who lost jobs for the entire year because of imported fabricated steel, and a great many of those are our members.

Mr. GRAY. 17,500.

Mr. LOJKO. That is right. That is why we urge you to consider favorably this legislation.

Thank you.

Mr. GRAY. Thank you, Mr. Lojko. We are pressed for time. We deeply appreciate your coming and I also know of your good work in the St. Louis area.

Ms. ABZUG. Mr. Chairman.

Mr. GRAY. The gentlewoman from New York.

Ms. ABZUG. I certainly sympathize and am in complete agreement with the brother from the trade union here and the one before him on the issue of workers in the richest country of the world to be fully employed. We are in agreement on that. And I am going to do everything, and always have to remedy it, whatever I can do.

I would like to ask you a question. There are a couple of statements here that are unclear to me and I waited to get your opinion of it. Are you convinced that none of those companies you mentioned and others that have been mentioned here are not engaged in multinational operations?

Mr. LOJKO. Most of our companies that we have contracts with in fabrication are small companies that average, oh, maybe—

Ms. ABZUG. I am talking about the corporations that we refer to very often as foreign corporations. Very often these corporations have a large American interest. I just wondered if you had any information about some of these corporations that have received these bids from our Government that appear to be foreign corporations and whether or not there are any American interests in those foreign corporations. If you do, I think it would be very helpful to put that in the record. Because I do believe that many of these companies do have American interests. What we are really dealing with is a multinational corporation in which our industries are competing with our own workers and our own so-called American industry here. And I think to help us with our deliberation that the brotherhood of trade unions should provide us with any information they have where some of these bids which are granted to foreign corporations have large American interests in those foreign corporations. I think that would be very helpful in our deliberations too.

If you have such information, I would appreciate it if you would provide it to this committee.

Mr. LOJKO. At the present moment I do not have it, but I will endeavor to try to find out and provide it.

Mr. GRAY. Thank you very much. We appreciate it.

Is Mr. LeGate here? Mr. LeGate, would it be agreeable to you if we recess for, say, 30 minutes and give all of you a chance to get a bite of lunch and come back?

Mr. LEGATE. Yes, sir.

Mr. GRAY. We have only five witnesses left, and we should be able to reconvene at about 1:30 and conclude about 3 o'clock.

The subcommittee stands in recess until 1:30.

(Thereupon, at 1 p.m. the subcommittee recessed to reconvene at at 1:30 the same afternoon.)

AFTERNOON SESSION

(Whereupon, at 1:45 p.m., the subcommittee reconvened, Hon. James J. Howard, presiding.)

Mr. HOWARD. The Subcommittee on Buildings and Grounds of the House Public Works Committee will come to order.

We have reconvened this afternoon to receive further testimony on H.R. 13283, introduced by Mr. Gray and myself, and various related bills concerning amendments to the "Buy American Act" of March 3, 1933.

Before we hear the witnesses, there are many people who wish to be heard on this legislation, several of whom find that they are unable to be here today in Washington, or were here this morning and may not be here this afternoon, so I will ask unanimous consent that the record remain open for 2 weeks and any testimony received during that time will be made part of the record of these hearings.

Without objection, it is so ordered.

The first witness this afternoon is Mr. James O. LeGate, vice president, Anchor Metals Division, Electronic Specialty Co., Hurst, Tex., accompanied by Mr. Charles B. Gannaway, director, Flint Steel Corp., Tulsa, Okla., who is appearing on behalf of the galvanized steel tower industry.

Mr. LeGate and Mr. Gannaway, we welcome you to the subcommittee.

Thank you for coming, and you may proceed as you wish.

STATEMENT OF JAMES O. LeGATE, VICE PRESIDENT, ANCHOR METALS DIVISION, ELECTRONIC SPECIALTY CO., HURST, TEX., AND CHAIRMAN, AD HOC COMMITTEE OF GALVANIZED ELECTRICAL TRANSMISSION TOWER FABRICATORS; ACCOMPANIED BY CHARLES B. GANNAWAY, DIRECTOR, FLINT STEEL CORP., TULSA, OKLA.

Mr. LeGATE. Mr. Chairman, I appreciate the opportunity to appear before you today to testify in favor of House of Representatives bills 13283, 12905 and 11743.

These measures, intended to correct certain deficiencies in the Federal "Buy American Act," vitally affect the domestic galvanized steel transmission tower industry.

I am vice president, Anchor Metals Division of Electronic Specialty Co., Hurst, Tex. However, I appear before this subcommittee as chairman of the Ad Hoc Committee of Galvanized Electrical Transmission Tower Fabricators.

This committee, formed 6 years ago, consists of nine companies representing some 95 percent of the available domestic production of steel transmission towers.

The member companies of our committee are Anchor Metals, Bethlehem Steel Corp., Flint Steel Corp., Lehigh Structural Steel Corp., Maken Fabricating Co., Muskogee Iron Works, Nashville Bridge Co., Riverside Industries, Inc., and United States Steel Corp.

Transmission towers are fabricated by the above listed companies in plants located in the following 11 States: Alabama, Arkansas, California, Colorado, Iowa, Minnesota, Ohio, Oklahoma, Pennsylvania, South Carolina and Texas.

Enclosed as appendix I is a listing of the principal tower fabricators serving the U.S. market and their plant locations.

Enclosed as appendix II is a listing of the several companies that have either gone out of the business of producing lattice-type transmission towers or have closed one or more of their plants in the last several years due to the severity of the low-priced import competition.

United States Steel Corp., and Bethlehem Steel Corp., are the only integrated steel tower fabricators. The other tower fabricators are nonintegrated manufacturers who purchase steel to produce transmission towers.

The measures now pending before this subcommittee would, in part, establish, within the statutory provisions of the "Buy American Act," itself, a uniform percentage preference to be accorded domestic products by all Federal agencies. Our ad hoc committee urges favorable consideration of this provision.

Under Executive orders and procurement regulations issued from time to time since 1954, in implementation of the "Buy American Act," varying domestic preference percentage differentials have been adopted. At the present time, among the differentials in effect are a 6-percent differential, a 12-percent differential, and a 50-percent differential.

In past years, a 20-percent, a 25-percent and a 90-percent differential have been applied to offers of foreign products (inclusive of duties) for evaluation against offers of domestic products.

Since July 1962, the Department of Defense has applied a 50-percent preference.

The 1962 action by Defense was undertaken because President Kennedy sought to reduce our balance-of-payments deficit by shifting more Defense purchases from foreign to domestic sources.

It is interesting to note that our Nation's balance-of-payments deficit, on a current account and long-term capital basis, stood at less than \$1 billion in 1942. In 1971, our balance-of-payments deficit was \$9.4 billion.

Notwithstanding this alarming increase in our balance-of-payments deficit, Federal agencies, other than Defense, continue a policy of acceding a mere 6-percent preference to offers of domestic goods.

The Federal Government is an important purchaser of galvanized steel transmission towers, as we shall demonstrate.

Between 1965-71, two Federal agencies, Bonneville Power Administration and Tennessee Valley Authority (TVA), purchased over 287,000 tons of steel transmission towers.

Orders for transmission towers are placed by these Government agencies usually through public, competitive bidding procedures. The Government agency involved prepares specifications and solicits bids from tower fabricators, generally on a total project basis. There are no published list prices.

Each tower project is a specially designed job that varies in accordance with the particular requirements of the Federal agency. An average contract price might be between \$350 per ton and \$450 per ton.

Prior to 1959, foreign producers of galvanized steel transmission towers were not a serious competitive factor on either Bonneville Power or TVA projects.

Beginning in 1959, foreign bidders increased their efforts to secure contracts with these Government agencies.

The following statistics kept by our ad hoc committee reflect the extent of growing foreign domination of Government purchases of transmission towers.

From 1965 through 1971, Bonneville Power and TVA purchased 17 percent of their towers from domestic sources—50,000 tons—while 83 percent were supplied by foreign sources, 237,000 tons.

In the space of 12 years—1959-71—foreign competition has reached the stage where it dominates Federal awards of transmission tower contracts. A reflection of this domination can be seen from the enclosed appendix III, which is a listing of Bonneville Power purchases of steel transmission towers between 1959-71.

The subcommittee will note that during 1969, 1970, and 1971, Bonneville Power issued 13 separate invitations for bids on nearly 59,000 tons of steel transmission towers. All of this tonnage was awarded to foreign suppliers.

This situation will continue so long as Bonneville Power and TVA apply only a 6-percent preference in behalf of material of domestic origin.

Under an unrealistic policy of granting merely a 6-percent preference to domestic concerns, the prospects for our industry as far as sales to our Government are concerned are bleak.

As previously noted, several companies have already discontinued entirely their manufacture of transmission towers, several plants have been closed, while the remaining operations continue at reduced rates.

The impact upon our industry has been one of unemployment, underemployment, inefficient levels of operation, lack of growth, declining profit margins.

In 1969, our committee called for a more realistic Buy American preference.

We repeat to this subcommittee our call for a uniform Buy American percentage preference applicable to all Federal agencies of at least 25 percent, with an additional 25-percent preference accorded to offers by small business concerns or firms located in areas of substantial unemployment.

Congress should reassert its control over the "Buy American Act." It was a mistake for Congress, in 1933, to vest control of the act in the executive branch.

The administrative discretion presently permitted by the 1933 measure, wherein each department head makes his own determination of the percentage preference to be accorded domestic goods, has diluted the merits of the act, has prevented the act from achieving its intended objectives, and has resulted in a hodgepodge of preferences.

Congress would do well to recall the words of Senator Vandenberg, offered 39 years ago in support of the original measure:

It occurs to me that in a time like this, when we are beset upon all sides with an almost inescapable and unavoidable responsibility to provide employment for unemployed American people, we have a right to draw the line . . . in defense

of American industry and American employment, when we are spending American tax funds. Why have an American . . . program which makes work in Europe or in Asia? I am not blind to the need for export trade. I am speaking solely of government funds and their expenditure.

Mr. Vandenberg's colleague, Senator Davis, offered these views on the legislation:

Why we permit these competitive imports or products from other lands to be dumped into the United States while our own workmen are [unemployed] is beyond my comprehension. As long as we maintain the American standard of living there is not the slightest hope of America's competing with the cheap labor of Europe and Asia unless we give ample protection to American industry and agriculture.

Our Government, through contractors, is buying products while our workers are idle. It is bad enough for us to refuse legislation which will bar these products, but when it comes to the Government of the United States levying a tax on the American people and using that tax money to buy foreign-made products while its own are idle, I have not words to describe my opposition to it.

The congressional mandate of purchasing domestic materials with Federal funds, as expressed by Congress in the original "Buy American" proposal, can only be achieved if Congress redefines the preference all Federal agencies shall accord to materials and supplies of American manufacture by giving favorable consideration to the legislative proposals now before this subcommittee.

Thank you, Mr. Chairman.

Mr. Gannaway has an additional statement.

Mr. HOWARD. Thank you very much.

You have some additional pages in your testimony which will be made, without objection, a part of the record at this point.

(The information referred to follows:)

APPENDIX I.—*Eight principal domestic steel transmission tower fabricators*

Fabricator:	<i>Plant location</i>
Anchor Metals-----	Denver, Colo.; Hurst, Tex.; Anniston, Ala.; Fort Madison, Iowa.
Bethlehem Steel Corp-----	Pinole Point, Calif.; Leetsdale, Pa.
Flint Steel Corp-----	Tulsa, Okla.; West Memphis, Ark.
Lehigh Structural Steel Co-----	Allentown, Pa.
Maken Fabricating Co-----	St. Paul, Minn.
Muskogee Iron Works-----	Muskogee, Okla.
Riverside Industries, Inc-----	Fort Worth, Tex.; Tulsa, Okla.
United States Steel, American Bridge Division.	Pittsburgh, Pa. (Shiffler).

APPENDIX II.—*Closings and discontinuances of operations since 1966 by domestic steel transmission tower fabricators*

Fabricator:	<i>Plant location</i>
Universal Pole & Structures Division of A. B. Chance Co.	Houston, Tex. (March 1968).
Blaw-Knox Co-----	Pittsburgh, Pa. (1967).
Nashville Bridge Co-----	Nashville, Tenn.; Bessemer, Ala.
Lehigh Structural Steel-----	Kaufman, Tex.
United States Steel, American Bridge Division.	Maywood, Calif. (1970).

APPENDIX III.—BONNEVILLE POWER ADMINISTRATION, PURCHASES OF STEEL TRANSMISSION TOWERS, 1959-71

Bid date	Inventory No.	Tons	Awarded to—	Percent, low domestic is above low foreign bid
May 12, 1959	8960	14,380	SAE (Italy)	23
Nov. 17, 1959	9045	884	do	7
Mar. 8, 1960	9075	683	Creamer Industries ¹	—
May 10, 1961	9282	958	SAE (Italy)	15
Nov. 16, 1961	9378	1,250	do	10
July 23, 1962	9484	3,921	do	20
Aug. 28, 1962	9508	378	do	16
Sept. 28, 1962	9517	5,664	do	11
Jan. 3, 1963	9548	430	Creamer Industries ¹	—
Feb. 13, 1963	9502	1,674	SAE (Italy)	23
Feb. 21, 1963	9574	508	do	15
Mar. 15, 1963	9590	4,383	do	14
June 28, 1963	9669	1,063	Creamer Industries ¹	—
Sept. 24, 1963	9714	1,952	Bethlehem ¹	—
Oct. 16, 1963	9727	1,644	Canceled bid	—
Dec. 11, 1963	9769	235	Creamer Industries ¹	—
Apr. 9, 1964	9821	1,397	SAE (Italy)	9
Apr. 28, 1964	9840	6,988	American Bridge ¹	—
Oct. 6, 1964	9940	10,642	Bethlehem ¹	—
Jan. 11, 1965	9983	3,607	SAE (Italy)	—
Jan. 14, 1965	9990	18,059	do	26
Jun. 3, 1965	97	9,000	Lynn Trading Co. (Italy)	32
Jun. 10, 1965	100	6,700	do	34
Jul. 7, 1965	128	6,211	do	32
Jul. 13, 1965	127	1,260	do	35
Aug. 13, 1965	171	912	American Bridge ¹	92
Aug. 31, 1965	173	2,897	Lynn Trading (Italy)	—
Sept. 14, 1965	199	835	SAE (Italy)	32
Jan. 14, 1966	267	786	IWAI (Japan)	16
Jan. 21, 1966	220	10,515	SAE (Italy)	26
Feb. 2, 1966	284	1,770	do	25
Mar. 2, 1966	296	6,849	IWAI (Japan)	34
Mar. 16, 1966	(*)	6,823	Bethlehem ¹	—
May 26, 1966	425	5,200	SAE (Italy)	73
Jun. 3, 1966	427	5,300	do	26
Jun. 16, 1966	464	9,100	SAE and Nichimen (Italy and Japan)	31
July 5, 1966	476	3,776	IWAI (Japan)	57
Sept. 14, 1966	559	500	No bids received	—
Oct. 11, 1966	575	713	Nichimen and IWAI (Japan)	72
Feb. 16, 1967	678	406	IWAI (Japan)	29
Mar. 7, 1967	681	422	Ceccoli (Italy)	25
May 16, 1967	767	500	Electrical Steel Fabricators ¹	—
May 17, 1967	770	817	American Bridge ¹	—
June 13, 1967	790	3,000	Nichimen (Japan)	30
June 16, 1967	813	697	IWAI (Japan)	26
June 23, 1967	835	3,143	Ceccoli (Italy)	26
Nov. 27, 1967	981	319	do	54
Dec. 12, 1967	996	336	do	—
Jan. 30, 1968	1056	265	Calsteel (Scotland)	30
Jan. 31, 1968	1055	141	American Bridge ¹	—
Mar. 22, 1968	995	10,455	IWAI, Teeside, Ceccoli (Japan, England, Italy)	36
June 4, 1968	1156	3,613	Nichimen (Japan)	42
June 12, 1968	1201	3,176	IWAI (Japan)	27
Aug. 13, 1968	1302	475	Pacific Fabricators ¹	—
Sept. 4, 1968	1290	8,300	SAE (Italy)	31
Sept. 25, 1968	1300	6,500	Ceccoli (Italy)	37
Oct. 2, 1968	1303	6,322	Nichimen (Japan)	32
Oct. 18, 1968	1340	2,230	SAE (Italy)	47
Nov. 1, 1968	1310	370	Nichimen (Japan)	28
Dec. 5, 1968	1399	1,334	Makens ¹	—
Mar. 13, 1969	1476	6,700	Nichimen (Japan)	33
Mar. 21, 1969	1496	8,670	Teeside and IWAI (England and Japan)	20
Mar. 28, 1969	1516	4,600	Nichimen (Japan)	20
May 16, 1969	9040	4,600	CMF (Italy)	40
June 13, 1969	9059	8,888	Nichimen and SAE (Japan and Italy)	20
Nov. 12, 1969	0127	4,289	Nichimen (Japan)	43
Nov. 19, 1969	0092	2,555	do	20
June 4, 1970	0413	3,500	Nissho-IWAI (Japan)	23
Sept. 10, 1970	1208	3,625	Nichimen (Japan)	38
Jan. 11, 1971	1208	3,600	Kamani (India)	—
May 3, 1971	1352	2,700	Marubeni (Japan)	168
May 6, 1971	1281	4,020	Kanematsu (Japan)	71
July 13, 1971	1510	2,400	Nichimen (Japan)	38
Nov. 11, 1971	2128	500	Nissho-IWAI (Japan)	(*)
Weighted average differential				31

¹ Indicates domestic steel supplier.² Negligible.³ Unknown.

Mr. LE GATE. Mr. Gannaway has a statement.

Mr. HOWARD. Mr. Gannaway.

Mr. GANNAWAY. Thank you, Mr. Chairman, gentlemen. I do appreciate the opportunity of appearing before your subcommittee today.

I would like to apologize for the fact that I do not have a prepared statement.

I became aware at 9 o'clock yesterday morning that this hearing was being held, and I just returned from a trip to the beautiful State of Alaska.

I would appreciate having my remarks be made a matter of record.

Mr. HOWARD. What the committee receives will be a part of the record.

Mr. GANNAWAY. Thank you, sir.

I might add I had the opportunity to view some 48-inch diameter pipe that had been fabricated, as I understand it, in Japan, weighing between—somewhere between 600,000 and 800,000 tons, occupying many acres of land in Alaska, awaiting construction of the pipeline from the North Slope across Alaska.

That is all fabricated by foreign employees and it has, no doubt, some effect on the unemployment in some of our mills as well as our fabricating plants.

This may not have any particular bearing on this hearing or not. I know it does effect, probably, the operations of some of the mills.

I am currently a consultant to Flint Steel Corp. And, as you can tell from looking at me, I am from the senior citizens group.

I was at one time—and I did serve for 3 years as chairman of the ad hoc committee, as mentioned by Mr. LeGate, and I am aware of the plight that our industry is in.

I did prepare some statements. However, not having knowledge of the statement that Mr. LeGate was going to make, I had to scratch over it. And I will briefly give you these somewhat extemporaneously.

Galvanized towers are designed to carry high-voltage lines over which is transmitted electricity between powerplants and substations.

Our purpose for appearing before you is to further bring into focus a serious situation in which our industry, our employees, and our country faces as a result of the purchases by our Government and private utilities of transmission towers from foreign sources.

And I might add at this time that the foreign competitors of ours are not companies that have any connection whatsoever with our American mills or our fabricators.

Mr. Dorland mentioned in a previous statement that he had been involved in a small galvanized tower fabrication plant in Mexico.

I might say we have never run into this company in bidding jobs and so it is—and I do know of the company—it is a very small operation.

Prior to 1964, the demand for transmission towers fluctuated widely from year to year. And imports from foreign countries were not a serious competitive factor.

Since 1964, the picture has changed very materially. The demand has steadily grown, and subsidized imports have rapidly increased and taken the market from the domestic producers.

As has been pointed out by Mr. LeGate, this massive penetration of the domestic tower market clearly shows the dire distress of the American transmission tower industry.

The electric transmission tower industry is faced with the real prospects of ultimate extinction.

While I cannot speak for the other companies, I can say that Flint Steel produces equipment comparable to that of any foreign producers and has taken work upon which we have sustained severe losses in order to maintain our investment and employ our workforce.

This was the hope that in the not too distant future we may obtain some relief from these foreign subsidized imports.

I might also add at this time that we have not paid any income taxes for the last 3 years, and our prospects are not too good.

Mr. HOWARD. That is not due to loopholes?

Mr. GANNAWAY. No, sir.

The problem that we face is recognized by other countries, and they protect their steel producers and fabricators so that employment is maintained at a high level, and the capital investment is protected.

Our Government does not protect us. Generally speaking, it does not even purchase from us.

If these foreign imports are not curtailed, our customers and Government must face up to the fact that during an emergency they will not have a viable industry from which to secure their requirements, and must look to foreign suppliers for their research and development, as well as their towers.

We believe that such a situation is cause for serious concern. The prospects for our domestic industry are made very depressing.

Our present existence depends primarily upon sales to the private utility sector, since imports have, for all practical purposes, preempted sales to the Federal Government.

Ironically, most foreign nations do not allow the U.S. producers to even bid on transmission towers as these countries procure their requirements exclusively from their own industries.

Gentlemen, in closing, let me thank you again, and let me quote a statement that former President Johnson made.

American commerce is at a disadvantage because of the tax systems of some of our trading partners. Some nations give across the board rebate on exports which leave their ports and impose special border tax charges on our goods entering their country.

We feel that the "Buy American Act" should be changed.

Thank you very much, Mr. Chairman.

Mr. HOWARD. Thank you very much.

Would you gentlemen feel that speaking of 50 percent as a differential, it sounds like a very large number, may not be entirely accurate because eating away at this 50 percent to the benefit of the United States and the taxpayers are such things as savings on unemployment compensation, more welfare, income to the Federal Government from income taxes paid by employed people and by corporations which show profit, and also down the road, beyond the contract, where replacement parts for certain machinery and such may be needed that we are really running into a much greater expense in proportion to the parts that we have to purchase in relation to what we would be faced with if that were manufactured in the United States; that 50 percent cost that we talk about might really be zero or minus cost to the taxpayer.

Mr. LEGATE. You are very right, Mr. Chairman.

At the present time, the most wanted man on the FBI most wanted

list is a man who bombed a transmission tower. We replaced this tower in 10 days.

Think of the effect it would have if it had come from Italy or some other country.

Mr. HOWARD. Do you have any questions, Mr. Roberts?

Mr. ROBERTS. No.

Mr. HOWARD. Thank you, gentlemen.

Our next witness is Mr. Nick Gula, president of Youngstown Welding & Engineering Co. Union, Youngstown, Ohio, and we will be pleased to hear from our Congressman, Congressman Carney, concerning our neighbor to the north, and I presume Mr. Gula will be hearing more about that, and please proceed as you wish.

STATEMENT OF NICK GULA, PRESIDENT OF THE FEDERATION OF YOUNGSTOWN WELDING & ENGINEERING CO. UNION, YOUNGSTOWN, OHIO; ACCOMPANIED BY WILLIAM DeANGELO, CHIEF SHOP STEWARD OF YOUNGSTOWN WELDING & ENGINEERING CO. UNION, YOUNGSTOWN, OHIO

Mr. GULA. Mr. Chairman, distinguished members, we appreciate this opportunity to be here.

On my right is Bill DeAngelo, my chief shop steward.

I am in accordance with Congressman Carney's views on the "Buy American Act." I am not alone in this feeling. We have discussed this problem with Senator Saxbe, Navy personnel; Mr. Matteo; Mr. Torino and Mr. Wakefield, and House Armed Services Committee chief counsel and staff director, Mr. John R. Blandford; General Accounting Officer, Mr. Fred Thompson and chairman of the House Committee on Armed Services, the Honorable F. Edward Hébert.

All of the above mentioned are sympathetic with our feelings. But sympathy does not make jobs. The loss of a defense contract given to a Canadian company, Vickers of Canada has meant the loss of jobs to approximately 200 employees of Youngstown Welding & Engineering Co.

You might not think 200 is very much, but we only have 300 in our employment, so that is quite a bit.

The Youngstown Welding Co. has an excellent record of service to the Department of Defense.

The Youngstown Welding Co. started work for the U.S. Navy in 1928 in regard to types of weldment. We built equipment for cruisers from 1928 to 1931. In 1935 we fabricated water boxes for the Navy and are still producing them as of this date.

From 1958-68, we have been very active in the building of components for submarines. We have been doing business with the following shipyards: New York Ship, Newport News, Ingalls, Bethlehem Steel, Electric Boat, Mare Island, Portsmouth and Norfolk Naval.

Now a decision to award a subcontract to Vickers of Canada to build torpedo tubes that could be built by the Youngstown Welding Co. The citizens of Youngstown Welding who are among the unemployed have lost jobs and a chance to earn a decent living. How can we justify U.S. dollars to be sent abroad when our economy is suffering so badly?

As you are aware, Mr. Chairman, the existing laws are lax enough to permit this sellout to a foreign firm. Navy officials have been quick to point out that the contract was in full accordance with the "Buy American Act" and other statutes.

For this reason, I urge this committee to investigate the possibility of amending the law to prohibit consideration of bids from foreign firms for manufacture of American defense supplies unless supplies are unavailable in the United States.

Mr. Chairman, did you notice that all the gentlemen here asked for jobs, not charity? We have enough people on welfare. We want to work. We are proud people. We have a skill. We want to keep it.

Mr. Chairman, there is nothing worse than an idle man who cannot support his family. But find a workingman, and he is content.

Mr. Chairman, I came here with a chip on my shoulder. I was disgusted.

People come up to me and ask me, "Nick, I am back from the service. I want a job. I fought for this country."

I have to tell them, "sorry, you are unemployed."

They ask the question, "Why?"

I have to tell them that "Vickers of Canada has the contract."

You know what they tell me—it cannot be printed.

I was going to wave the flag. I found out today that some of the flags are made in Taiwan. We cannot even wave them here.

This is ridiculous, Mr. Chairman.

Mr. HOWARD. Thank you very much for your statement, Mr. Gula, and I can certainly attest to the validity of your situation in Youngstown, since my son-in-law, one of the returned veterans you mentioned, my daughter's husband, is from Youngstown.

He came back 70-percent disabled, and now, because of the job situation, he has moved to New Jersey, and the situation is not much better there.

I recognize and understand the problem of Youngstown, and many cities and towns around the country are suffering because of this situation, and I think it is a tribute to our subcommittee chairman, Mr. Gray, that this problem which had been stated in Congress and voted upon many years ago, as a policy for the United States, but not a firm policy with a number written on it, but merely a discretionary operation to be handled by the executive, has dwindled away down to a 6 percent, and in some cases, a 1-percent differential, as in the case of the Canadian firm.

I think it is a tribute to Mr. Gray, our subcommittee chairman, who has introduced a bill with several of our colleagues, and has called for these hearings, and we can certainly be hopeful for some action during this session of the Congress, and I want to thank you for coming and giving us the views, not only in particular of people in Youngstown, but in general, and the young people throughout the country.

Mr. GULA. Mr. Chairman, this is the second time we proposed this.

That was back in 1962, and we are not getting any answers. This is not good for us.

Mr. HOWARD. This is because there was no firm legislative member, and it was to be determined what would be reasonable downtown, and remember, in some instances, they said the Defense Department con-

sidered 50 percent, and some others considered as little as 6 percent, and many people have testified, as you heard today, and said that the legislation should have a number in it so it cannot be misinterpreted or manipulated, but there are feelings on both sides, and that is why we hold the hearings.

So thank you very much for your appearance here, and for your testimony,

We certainly appreciate it.

We have a vote going on on the House floor.

I think we have only two additional people to testify. I do wish to inform you that the people who came here to testify will be heard.

The Chair, and all the other Members here today must vote, but if you will just be patient, I will go over and vote, and then come back, and we will continue to take the testimony so your day will not be wasted, so I may have to break for a short time.

Our next witness is Mr. John Callahan, legislative director of the International Union of Electrical Workers, Washington, D.C.

Welcome to the subcommittee, Mr. Callahan.

You may proceed as you wish.

STATEMENT OF JOHN CALLAHAN, COPE AND LEGISLATIVE DIRECTOR OF THE INTERNATIONAL UNION OF ELECTRICAL, RADIO & MACHINE WORKERS, AFL-CIO, WASHINGTON, D.C.

Mr. CALLAHAN. Thank you, Mr. Chairman. My testimony is brief.

My name is John Callahan, I am director of legislation and political action of the International Union of Electrical, Radio & Machine Workers, AFL-CIO, representing over 285,000 workers in the United States and Canada employed in the manufacture of electrical, electronic, and other products.

On behalf of my union, the IUE, I speak in support of H.R. 11010 as a necessary step toward preserving and increasing employment in the United States, protecting and enhancing our Nation's industrial capacity and know-how, and using American tax dollars most wisely in the interest of American taxpayers.

In brief, this bill would require all Federal agencies to purchase American-built articles, materials, and supplies when the market price of such U.S.-made goods is not more than 50 percent greater than the lowest bid or offer from a foreign source.

In effect, it would extend the 50-percent differential for U.S. products now applicable to Defense Department purchases to purchases by all other Federal agencies. Among those agencies would be the Tennessee Valley Authority, the Bonneville Power Authority, and other Federal units which buy heavy electrical equipment, and in recent years have been making as much as 95 percent of their purchases abroad.

The IUE believes that such foreign-source purchasing is contrary to the best interests of this country, and especially to thousands of workers employed in making such equipment.

In saying this, we intend no criticism of the agencies involved. Under present law, they feel they are not authorized to give anything like a 50-percent differential preference to U.S. goods. This bill would require that they give such preference.

Members of Congress are well aware of the growing U.S. trade deficit which saw the country post an unfavorable balance of trade for the first time in this century last year, and has led to forecasts of a far more serious deficit in 1972. You also are aware of the Nation's continuing high unemployment and the high costs of that unemployment in terms of welfare and other expenditures.

At the same time, the picture in the heavy electrical equipment manufacturing industry is not reassuring. While the Nation's need for additional power are on the rise, employment is stagnant, and the share of this market held by foreign manufacturers is growing. Purchases abroad by Federal agencies contribute to this picture.

Such a situation in an industry as basic to the security and industrial strength of America is alarming. It is also suicidal when the policies of other countries are considered. With the exception of Canada, no other major industrial nation permits foreign manufacturers, including our own, to even bid on Government heavy electrical equipment contracts. Foreign countries which sell this equipment to the United States do not sell to each other.

The "Buy American" principle is well recognized and well established. The use of taxpayer dollars to serve the needs of our taxpayers makes good sense. The General Agreement on Tariffs and Trade gives it a strong international sanction.

Article III, paragraph 8(a) of GATT, states that—

Provisions of this Article shall not apply to laws, regulations, or requirements governing the procurement by governmental agencies or products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

The influence of Federal purchasing extends far beyond the immediate efforts on the industry involved. This is particularly true of such an industry as heavy electrical equipment, where most domestic plants employ more than 3,000 workers, and where large capital investment is required.

Clearly, if present practices and future prospects in Federal procurement are poor, the likelihood of expansion will be lessened. Furthermore, where the Government buys abroad, private purchasers are bound to be influenced to do the same.

Heavy electrical equipment is only a part of the industry in which members of IUE are employed. In some other segments, such as radio, television, and other consumer goods manufacturing, the situation is even more serious.

My union has seen whole product lines disappear from the home-based industry. There was a time when we regarded heavy equipment, by its very nature, as safe from the inroads of imports.

We have found out, however, that this is not the case, and that no jobs are safe unless we do something to save them. One step in that direction to save this important industry is passage of H.R. 11010.

Enactment of this bill will contribute to the public good, both in those communities directly affected and throughout the United States as well.

I just wanted to bring to the attention of the subcommittee one portion of my testimony in regard to what Congressman Stratton spoke of today, and that is in the heavy electrical equipment.

God knows we are hit hard enough in our industry by the electronics industries going down the drain, and especially, Mr. Chairman, in your State.

I would like to say in closing that I am sorry that Ms. Abzug is not here, because she was asking some witnesses about some of the bigger corporations that are operating overseas.

As you know, in our union we have contracts with some of the giant corporations, like General Electric and Westinghouse, General Electric being the largest, and when we have projects for heavy electrical equipment we do have General Electric getting together with union leaders and trying to put the pressure on the people down here and the people in the community to see, for example, that the TVA never commits that cardinal sin of buying electrical equipment abroad that they have been committing for years.

That is No. 1.

The fact is that even though they asked our union to work with them on this heavy electrical equipment business, we never see them down here testifying on a bill such as this, but we know where they stand, and we think, because of all the money they have invested in Taiwan, Hong Kong, and other places, their faces would be a little bit red if they showed up here and supported this bill, but I wish to let you know for the record that these corporations do lobby with our unions to try to save the jobs of the people in the heavy electrical equipment industry.

Thank you very much.

Mr. HOWARD. Thank you very much, Mr. Callahan.

We certainly appreciate your testimony, and the testimony from the International Union of Electrical Workers.

Thank you very much.

Our next witness today is Mr. David J. Steinberg, executive director of the Committee for a National Trade Policy, Washington, D.C.

Welcome to the subcommittee, Mr. Steinberg, and please proceed as you wish.

STATEMENT OF DAVID J. STEINBERG, EXECUTIVE DIRECTOR, COMMITTEE FOR A NATIONAL TRADE POLICY, WASHINGTON, D.C.

Mr. STEINBERG. Thank you, Mr. Chairman.

I offer my entire prepared statement for the record.

Mr. HOWARD. Without objection, the entire statement will be made a part of the record at this point.

(The statement referred to follows:)

STATEMENT OF DAVID J. STEINBERG, EXECUTIVE DIRECTOR, COMMITTEE FOR A NATIONAL TRADE POLICY

The Committee for a National Trade Policy, for nearly 19 years a leading advocate of a freer world economy in the overall national interest, is a broadly based organization supported by businesses large and small, by trade associations, and by individuals as citizens and consumers. Our constituency is the nation, and the national interest is our only standard.

We oppose this array of Buy American bills, in whole and in part.

These bills would give suppliers of goods produced in the United States a 50 percent advantage in competing with foreign bidders. This would provide a subsidy without any assessment of the real needs of the affected industries, and of the most suitable, the most constructive assistance government might provide consistent with the needs of the nation as a whole. It ensures windfall gains to com-

panies that don't need government help, without helping to meet the real needs of those that do.

They would define U.S.-made products as those in which U.S. components exceed 75 percent of the cost. This would unfairly curtail bidding on government contracts by many U.S. companies who would not compete as well, or stay in business at all, without extensive foreign materials or components. It would thus penalize the enterprise of many businesses eager to produce the most competitive products for a rapidly growing world market.

This would permit the states and their political subdivisions to provide Buy American preferences without infringing upon the commerce clause of the constitution, and without violating any U.S. international agreement affecting government procurement practices. This raises considerable doubts about constitutionality.

They would require that the cost of foreign goods be calculated to include "hidden costs" such as U.S. unemployment, welfare payments, loss of personal and corporate tax revenue, "loss to the money supply of the United States," et al. This imposes unreasonable, perhaps insuperable burdens on procurement agencies and thus would seriously discourage competitive bidding from firms offering foreign-made products.

In general, these bills would

1. impede the most efficient utilization of limited public funds,
2. impose additional burdens on U.S. taxpayers,
3. add new fuel to inflationary pressures,
4. generate new foreign barriers against U.S. exports and aggravate foreign resistance to U.S. initiatives to achieve a freer world economy, and
5. aggravate the already serious problem of world uncertainty about the intentions of the United States in international economic policy and the wisdom of the United States in the handling of its internal economic affairs.

In these bills, Congress is being asked, as so often in the past, to restrict imports as a remedy for alleged economic weakness in an increasingly competitive world. If its help is to be sought at all, government should be asked to assess the real problems and real needs of ailing industries and help devise constructive answers that serve the total national interest, including the nation's vital stake in freer world trade.

These bills are the wrong way at the wrong time.

Mr. STEINBERG. I would, first of all, like to say a word about our committee.

Our committee has been, for the last 18 years, a leading advocate of a freer world economy in the overall national interest. We are supported by businesses large and small, by trade associations, and by individuals as citizens and consumers.

Our constituency is the Nation, and the national interest is our only standard, although it is obvious from what I said earlier that our committee is substantially supported by special interests in the form of various business interests.

We appear in this hearing, Mr. Chairman, to oppose this array of Buy American bills, in whole and in part.

I would like to give one indication of the reason for our opposition. It is the point I made in my statement regarding the 50-percent proposal, which would provide a subsidy without any assessment of the real needs of the affected industries, and of the most suitable, the most constructive assistance Government might provide consistent with the needs of the Nation as a whole. It insures windfall gains to companies that do not need Government help, without helping to meet the real needs of those that do.

In general, these bills would:

1. Impede the most efficient utilization of limited public funds.
2. Impose additional burdens on U.S. taxpayers.
3. Add new fuel to inflationary pressures.
4. Generate new foreign barriers against U.S. exports and aggravate foreign resistance to U.S. initiatives to achieve a freer world economy.

5. Aggravate the already serious problem of world uncertainty about the intentions of the United States in international economic policy and the wisdom of the United States in the handling of its internal economic affairs.

In these bills, Congress is being asked, as so often in the past, to restrict imports as a remedy for alleged economic weakness in an increasingly competitive world. If its help is to be sought at all, Government should be asked to assess the real problems and real needs of ailing industries, and help devise constructive answers that serve the total national interest, including the Nation's vital stake in freer world trade.

In short, these bills are the wrong way at the wrong time.

And, Mr. Chairman, may I add one more point, lest my very brief statement be misinterpreted.

I am deeply concerned with the fact that there is so much unemployment, so much economic weakness in the United States today, and I have been urging for many years adequate, effective, constructive Government response to these problems.

We need a full employment policy as an essential ingredient in an adequate adjustment policy. As a firm believer in a freer world economy, I want to emphasize that a vital dimension of what I am advocating in trade policy is an economic assistance program that guarantees a good job for every American who wants to work. So I do not want what I am saying in this hearing to be interpreted as suggesting that I am unmindful of the many problems being brought before your committee and the Congress across the board. I am concerned with these problems. I urge constructive Government answers to these problems.

Mr. HOWARD. Thank you, Mr. Steinberg.

I agree with you in your call for economic policy for jobs in the country, and good jobs for all the people able to work, and we would hope that someday in the future that the whole world would be on a kind of a competitive basis where we would not need any Buy American laws so we would not have to have this, but some of us feel that in the meantime we must concern ourselves with our workers.

In talking about, for instance, the textile industry, talking with people in Japan, they can produce things maybe cheaper, and they are a bit out of competition.

Well, the garment workers and clothing workers in my district, which are suffering very, very greatly, are among the poorest, and the least educated of almost all of the unionized workers or workers anywhere in the country.

They are the least flexible. They are the least able to get a job in some other area, or some other profession, and so while we say—while I say that I would like to see us in a fair competitive advantage around the world, in some instances we cannot compete with other countries. They can do that better than we can, and we are out of it.

We cannot neglect the people in our country who are suffering now, and my argument is that the Government has not been doing enough to reeducate these people and make them flexible enough so that they can move to another area when a foreign industry is bringing them down, but we do have the responsibility of saying to the people something more than, "Well, we are very sorry for you. Maybe your children, or the next generation will find this country in a position to

have a kind of business world that you and I wish to see." But some steps must be taken, and I am certain that the committee is not going to try to pass legislation ignoring some of the basic problems in this legislation that you bring in, but will be able to work them in in a fair manner, and also concern itself with the situation as it exists now, and will probably exist in the future.

I did not mean to go into this in a long way, but it is a carryover from discussions we had recently in Japan with business people who are having a very great problem in relation to Taiwan and some other countries.

I wish I had more time, but this being an even numbered year, I should keep my voting record intact, and get to the floor and vote.

If any of you have any other testimony, you may send it to the Committee on Public Works, and the committee will publicize any further public hearings and any executive sessions, if there are any, before this reaches the floor of the House, and I want to thank all of you for appearing here, and for your attempts to, in the American interest, confront what is a real problem in the country today.

The subcommittee stands adjourned.

(Whereupon, at 2:25 p.m. the Subcommittee on Public Buildings and Grounds was adjourned.)

(The following were received for the record:)

STATEMENT OF HON. JOSEPH P. ADDABBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I appreciate this opportunity to present my statement to your Subcommittee to support H.R. 12905, the "Buy American Act." I sponsored this legislation because I believe the Congress should encourage and support those States which take affirmative steps to give priority to American products in connection with government purchasing policies.

The bill before the Subcommittee does not change national policy on free international trade nor does it make "protectionist" policies the law of the land. What H.R. 12905 does do is to leave to the States the freedom to decide local policy on government purchase requirements.

In my capacity as Chairman of the House Select Small Business Subcommittee, I have been particularly involved with and concerned about the problems facing our Nation's small businessmen. H.R. 12905 can be of some assistance in assuring these small businessmen a priority in bidding on State government contracts, just as they receive such a priority under federal law through the National "Buy American Act."

The corresponding benefits to labor by assuring domestic employment in affected industries is certainly a welcome by-product of this proposed legislation. With unemployment a major problem in the United States with very few signs of improvement in the near future, Congress should be most anxious to take steps to protect domestic jobs.

There are then to summarize social as well as economic reasons for my support and sponsorship of H.R. 12905, and I urge the Members of this Subcommittee to act favorably on this legislation.

GENERAL ELECTRIC Co.,
Washington, D.C., August 11, 1972.

HON. KENNETH GRAY,
Chairman, Subcommittee on Public Buildings and Grounds, Committee on Public Works, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Recently your Committee held hearings on H.R. 11010, a bill introduced by the Honorable Sam Stratton of New York.

We submit the following material in the hope that it may be of value to you in connection with your deliberations.

Very truly yours,

L. B. DAVIS.

General Electric, a New York corporation, is pleased to file its comments in respect to H.R. 11010, a bill to amend Title III of the "Buy American Act" of 1933 (41 USCA 10a). In so doing, as an expression of its interest in this proposed legislation, the Company feels that it can best contribute to the Subcommittee's deliberations by presenting herein a brief factual statement on its experiences with the workings of the Buy American preference in the various product areas of heavy electrical equipment.

For many years, General Electric has been an advocate of fair, free trade—a position which favors the fewest possible restrictions against the movement of goods across national borders so that customers everywhere have freedom of choice in making purchases on a fair and equitable basis. It is implicit in this concept that the "rules" of international competition be approximately even-handed. Governments should not confer special benefits on exporters, thereby in effect subsidizing their foreign sales at artificially low prices. Similarly, governments should not erect artificial barriers which effectively prohibit competitive imports from entering the market or so increase their prices as to make them unattractive to potential purchasers.

In respect to heavy electrical equipment, the U.S. import-export trade is neither free nor fair. General Electric does export such equipment or components thereof—primarily to Japan, Canada and certain non-producer countries; in addition, because of this country's substantial technological lead, American electrical manufacturers have been able to export significant quantities of nuclear reactors and their components. But among those countries, which produce heavy electrical equipment, especially in Europe, nationalistic procurement policies and practices of their government-owned or controlled electric utilities exclude General Electric and other U.S. manufacturers from competing in their markets. Where the nation has a domestic capability in the equipment needed, its utilities buy almost without exception from the domestic electrical manufacturing industry. Sometimes, the authority for such policies is contained in law, administrative regulation, or executive order; sometimes, it is simply a tacit or informal practice rooted in a modern day economic nationalism.

The result of such buy-national policies has been to allow and encourage high non-competitive prices from domestic suppliers in these insulated markets—with consequent effects on the openly competitive markets in the United States and third countries. These protected home market sales at artificially high prices permit and encourage the same suppliers to export to the United States and other open markets at prices which, in a true commercial sense, are at less than fair value. So far as General Electric has been able to determine, the ex-factory prices thus offered—that is, without regard to tariffs and transportation expenses—range between 20 and 50 percent below home market values. Thus, the competitive disadvantage to the American industry is two-fold: exclusion from potentially profitable markets, and unfair pricing in the United States.¹

In the face of these circumstances, the Buy American preferences of 6 and 12 percent established under Executive Order 10582 in application to procurements by Federal agencies have had little significance in swinging an evaluative price balance from a foreign to a domestic supplier. General Electric believes that, because the mandatory Buy American valuation on such purchases is readily apparent to any bidder, price quotations are simply adjusted downward by foreign competitors who might choose to negate the known effect of the preference by deliberate underpricing. On the other hand, since 1962 when the Department of Defense established a 50 percent preference for balance-of-payments reasons, its constituent purchaser of heavy electrical equipment—the U.S. Army Corps of Engineers—has not on open bid purchased such an item from an offshore producer.

The Buy American preference, whether established legislatively or by the Executive Branch, is applicable only to Federally operated utilities—at most to about 15 percent of the total capacity and purchasing requirements of U.S. electric utility systems. Of the remainder, the large majority are investor-owned or private enterprise systems, and a minority are owned locally or by States, or cooperatives. The purchasing influence of Federal agencies on other sectors of the industry varies from product to product. General Electric believes that Federal agency decisions in favor of foreign suppliers of transmission equipment strongly affects the buying determinations of non-Federal utilities; in the instance of steam turbine-generators,

¹ General Electric has previously called the attention of various arms of the U.S. Government to this situation. See, for example, the Company statement of June 7, 1968 before the Trade Information Committee, Office of the Special Representative for Trade Negotiations, Docket No. 67-4; the Company statement of June 30, 1970 before the Committee on Ways and Means of the House of Representatives in regard to H.R. 14870 and other trade matters; testimony and evidence given in U.S. Tariff Commission, Determination of Injury in Investigations Nos. AA 1921-86/90; and a current filing of Aug. 4, 1972 with the Office of Emergency Preparedness.

it is the Company's opinion that private utility purchases are somewhat influenced by Federal choice.

The statistics highlighted in the sentences below show clearly the high incidence of foreign purchases by Federal agencies between 1964 (when such buying became prevalent) and 1971. Because of the long time cycle between ordering and delivery and the facts that market demand for these products is inelastic, procurements are stated in terms of annual orders received by manufacturers rather than shipments:

EHV Power Transformers.—Of the total of 62,700 kilovolt-amperes (KVA) in such transformers purchased by the Tennessee Valley Authority, Bonneville Power Authority and U.S. Bureau of Reclamation, 53,100 KVA or 84.7 percent were obtained from foreign producers. Among all (public and private) electric utility purchases, 84,600 KVA or 18.3 percent of total procurements amounting to 463,200 KVA were of foreign origin. Thus, almost two-thirds of all U.S. purchases of foreign-produced EHV power transformers were made by Federal agencies.

EHV Power Circuit Breakers.—During the 1964-71 period, some 1,854 such units were bought by U.S. electric utilities at an estimated total expenditure of \$350.4 million. Foreign units numbered 437 at an estimated price of \$73.9 million. Federal agencies bought 137 foreign units of their total purchases of 184 units; the comparable values are \$28.6 million out of total expenditures of \$41.8 million for this type of equipment. Thus, of all foreign-produced EHV power circuit breakers sold in the U.S., Federal agencies purchased nearly one-third of the units and accounted for over half the expenditure.

Steam Turbine-Generators.—Foreign penetration in this product line occurred in the 1950's and increased in 1967, and since then has amounted to 28 units with total ratings of 24,800 megawatts (MW). Of the Federal agencies, only the Tennessee Valley Authority generates electric power by this method; its foreign purchases have totaled 4 units rated at 5,200 MW. Thus, TVA's orders account for one-seventh of all foreign units sold in the U.S. and 21 percent of their rated power.

Hydro-generators.—A major Federal purchaser of this equipment is the U.S. Army Corps of Engineers who exercise a mandatory 50 percent Buy American preference. Since 1964, other Federal agencies have bought \$5.1 million from foreign sources out of \$28 million in total procurements. Much of the U.S. content in the latter figure resulted from a special "set-aside" which required domestic procurement of units to be installed at Grand Coulee Dam. For the country as a whole, during the period foreign-produced hydro-generators amounted to \$43.4 million or 16 percent in aggregate purchases of \$269.0 million by all U.S. electric utilities.

General Electric is hopeful that the above figures will assist the Subcommittee by setting a perspective on the degree of penetration by foreign manufacturers of the U.S. markets for the four product lines. The Company believes and is most concerned that the biggest part of this competition arises from conditions that are basically unfair, as described in the earlier pages of this statement.

A significant amount of competence in certain high-technology equipment is gained through sales in this country to the Federal power agencies. Sales to these Federal agencies are enormously important to the development of technology because they operate large systems that require high engineering sophistication. These agencies rank among the leaders in moving up to the larger sizes and voltage levels which require new advances in technology. Their influence on U.S. and world electric utility technology cannot be underestimated. Thus, to the extent that U.S. public procurement policy permits foreign manufacturers virtually full access to the Federal market—at prices substantially below their home market prices—while U.S. technology is denied access to foreign markets, there is technological unilateralism.

STATEMENT BY THE UNITED STATES-JAPAN TRADE COUNCIL

This statement, submitted by the United States-Japan Trade Council, is addressed to the several "Buy American" bills currently pending before the Subcommittee on Public Buildings and Grounds of the House Committee on Public Works. These are: H.R. 11010, H.R. 11164, H.R. 11743, H.R. 12095, H.R. 13283, H.R. 12905. An invitation to submit comments for the record was extended by the Subcommittee at the close of public hearings on these bills, July 19, 1972.

The United States-Japan Trade Council has a membership of approximately 900 firms in the United States involved in trade between the United States and Japan. Because a substantial contributing member, the Japan Trade Promotion Office, is

financed by the Japanese government, the Council has registered with the Department of Justice as an agent of a foreign principal.

The Council has long advocated reduction of non-tariff barriers, promotion of freer trade, and improvement of the American competitive position in the international market place. It has consistently opposed "Buy National" policies of any sort on the ground that such policies lessen the advantages to be gained from freer competition, and subsidize both inefficient and efficient industries without distinction.

As a general proposition, Buy National policies in public works procurement increase the cost to the taxpayer of needed and valuable services, and add to the inflationary pressures generated by government expenditures. Additionally, they have a "spill over" effect in the private sector by generally deterring material suppliers from maintaining mixed inventories of domestic and imported raw materials. These conclusions are well summarized in the recent report of the Joint Economic Committee as follows:

"Regardless of the goal of 'Buy American' policy . . . the central conclusion of the analysis of this study is that the policy is always in part self-defeating and may under some circumstances be perverse in its effects. The reason is that 'Buy American' policy is not applied across all sectors of the U.S. economy, but is directed only to the Government sector. When domestically produced and foreign commodities are at all competitive (substitutable in consumption or use), the same policy which discriminates against foreign suppliers in the Government sector discriminates in favor of foreign suppliers in the private sector. The mechanism underlying this conclusion is that decreased purchases of imports and increased purchases of domestic goods by the Government sector tends to lower import prices and raise domestic prices, leading the private sector to substitute away from domestic suppliers and toward imports. The upshot is that economywide imports are discouraged less than Government imports alone, and if incomes of domestic producers are subsidized at all, the extent of subsidization is less than would be indicated by focusing on Government purchases alone.

"In fact, the possibility that 'Buy American' policy actually reduces the incomes of domestic producers is shown to exist."¹ At best, Buy National policies offer only minimal short-term assistance, and do little to overcome the more fundamental causes of trade imbalance. Rather than subsidize inefficiency, government ought to attack it at its roots. Putting the tax dollars lost by Buy American policies into basic research and development, technological advancement, and worker retraining would help to strengthen the fundamental competitive advantage of U.S. domestic industries. When that advantage is aggressively exploited in the competitive market place the long range benefits in terms of industrial expansion, more jobs, and increased tax revenues will be far greater than any temporary short term benefits to be gained by protecting domestic industries.

The record of Congress on foreign trade policy shows a consistent recognition of the benefits to be gained by freer world trade. Enactment of "Buy American" legislation at this juncture would represent a retreat from this approach. In light of the predictable economic consequences of "Buy American" policies, the actual effect of these bills would be contrary to that hoped for.

Some of the "Buy American" bills currently before the Committee (e.g., H.R. 13283, H.R. 11743), seek to authorize the states to pursue "Buy American" policies in accordance with what the states individually deem to be in the best interest of their local economies. These proposals are both misguided, for the reasons cited above, and unconstitutional. They are unconstitutional because they would allow the states to individually exercise a plenary policy making power which is inherently and exclusively vested in the Federal government. Moreover, allowing the states to pursue "Buy American" policies, which are clearly non-tariff trade barriers, would unnecessarily and uselessly complicate the conduct of our foreign trade policy.

In a recent opinion, the California Court of Appeals declared that state's Buy American statute unconstitutional. The Court's rationale was directly and succinctly stated:

"Only the federal government can fix the rules of fair competition when such competition is on an international basis. Foreign trade is properly a subject of national concern, not state regulation. State regulation can only impede, not foster, national trade policies. The problems of trade expansion or non-expansion are national in scope, and properly should be national in scope of their resolution These are delicate matters. If state action could defeat or alter our

¹ Joint Economic Committee of the Congress of the United States, "The Economics of Federal Subsidy Programs; A Compendium of Papers, Part II—International Subsidies," (1972) Pg. 220.

foreign policy, serious consequences might ensue. The nation as a whole would be held to answer if a state created difficulties with a foreign power."²

On both the law and the economic facts, "Buy American" legislation like that currently before this Committee ought not be enacted. What is needed to solve the problems of economic development and employment is a coordinated attack on fundamental root causes. "Buy American" legislation does not meet this need.

² *Bethlehem Steel Corporation v. Board of Water and Power of the City of Los Angeles*, 276 A.C.A. 266, 271-72 (1969).



