

**TESTIMONY OF  
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BEFORE THE  
SUBCOMMITTEE ON RAILROADS, PIPELINES & HAZARDOUS MATERIALS  
U.S. HOUSE COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE  
UNITED STATES HOUSE OF REPRESENTATIVES  
HEARING ON  
RAILROAD AND HAZARDOUS MATERIALS TRANSPORTATION PROGRAMS:  
REFORMS AND IMPROVEMENTS TO REDUCE REGULATORY BURDENS  
APRIL 7, 2011**

Mr. Chairman and members of the Subcommittee, I want to thank you for inviting me to testify on behalf of the Alliance for American Manufacturing at today's hearing entitled "Railroad and Hazardous Materials Transportation Programs: Reforms and Improvements to Reduce Regulatory Burdens."

First, I would like to introduce the Alliance for American Manufacturing (AAM) to you. We are a partnership formed in 2007 by some of America's leading manufacturers and America's largest industrial union – the United Steelworkers – to work in a cooperative, nonpartisan way for one goal: strengthening American manufacturing and therefore our nation's economic and national security. Our mission is to provide policymakers like you with useful analysis of the issues, as well as innovative policy ideas to move us toward effective solutions.

I will focus my remarks today on the positive outcomes that result when "Buy America" laws are utilized to promote the use of American-made products in our nation's federally-funded infrastructure investments.

While other nations speed ahead to update their infrastructure – supporting job creation and a more competitive economy – the United States is falling behind, investing just 40 percent of the level needed to keep up, according to several Congressionally-appointed commissions. Investing in our infrastructure both directly and indirectly supports a host of job creating sectors, including manufacturing, services, agriculture, trucking, and tourism. In addition, the President’s goal of doubling exports over five years depends on a strong and stable infrastructure network.

Sustained investment in our national infrastructure system through public investment and other creative mechanisms to attract private investment – such as a national infrastructure bank, loan guarantee programs, and direct loans programs – is essential to the development of a robust manufacturing supply chain and, in turn, creating good jobs for American workers. As part of this effort, we must make every effort to ensure that American-made iron, steel, and other manufactured goods are used in the construction of our roads, bridges, highways, railways, sewer systems, schools, clean energy projects, and other infrastructure.

This is not a new concept. For nearly 80 years, the United States has had domestic sourcing – or “Buy America” – laws on the books. To support our national security capabilities, Buy America laws were expanded in the 1940s to apply to defense spending; and in the early 1980s, President Ronald Reagan signed into law an expansion of Buy America for highway and transit projects that are funded by federal grants.

In a nod to the benefits of domestic sourcing, federal policymakers have applied Buy America provisions to AMTRAK and to the High-Speed Rail, Intercity Rail Passenger programs. A “Buy

America” provision was first applied to Amtrak when the *Rail Passenger Service Act* was passed by Congress in 1978. And when Congress passed the *Amtrak Reorganization Act of 1979* it reiterated its desire to reinvest U.S. taxpayer dollars in U.S. taxpayer jobs noting in the conference report that “[i]t was the conference committee’s strong belief that Amtrak equipment purchased with U.S. tax revenues should continue to be returned to the U.S. economy by *strongly favoring* American suppliers and U.S. labor.”

That U.S. taxpayer dollars should be reinvested in the U.S. economy is a view echoed by today’s policymakers. The Federal Railroad Administration recently observed relative to the High Speed Rail Intercity Rail (HSRIPR) program’s Buy American requirements that “encouraging grantees to use manufacturers or suppliers who maximize domestic content,” will help it “achieve its goal of 100% domestic content in the near future.”

Indeed, it is important that as we seek to improve our economy we focus our attention to manufacturing job creation. Buy American policies are effective tools to stimulate a nascent industry and create jobs. As applied to rail, observers point to their successes. For instance, a recent report by the Duke University Center for Globalization observes, “[d]omestic content requirements have helped develop a robust U.S. component supply chain and give vital opportunities to U.S. firms.”

Over the long term, sustained federal investment in our crumbling infrastructure network, coupled with strong Buy America laws, presents an opportunity to expand supply chains and create desperately-needed manufacturing jobs in the U.S. For every \$1 billion in new infrastructure spending, we create anywhere from 18,000 to over 30,000 new jobs. When the use

of U.S.-made materials is maximized with Buy America laws, manufacturing employment gains from infrastructure investment increase by up to 33 percent.

To realize the job creating and economy expanding potential of the Buy America preferences in our infrastructure laws, it is important that the preference apply to all manner of federal-aid infrastructure programs in a way that maximizes domestic content. As stated in 2010 Northeastern University study, "full domestic sourcing would dramatically increase employment."

In the context of passenger and freight rail, this means that the Buy America provision should be applied across programs in a manner that maximizes U.S.-produced content. This will create more jobs, expand economic opportunity for U.S. businesses, and enable businesses to better manage their supply chains. The domestic content requirement currently applied to the HSRIPR program should be applied to all federal-aid programs for rail infrastructure. For instance, the domestic content Buy American provision should extend to the Railroad Rehabilitation & Improvement Financing (RRIF) program, to require a preference for U.S taxpayer produced goods, in return for the \$35 billion in taxpayer dollars authorized to the RRIF program for direct loans and loan guarantees to finance the development of railroad infrastructure.

To anyone who questions the effectiveness of our Buy America laws, perhaps suggesting that they are not achievable, desirable or realistic or that the U.S. does not currently have sufficient capacity to meet a particular domestic content threshold, I would respond by reminding them that domestic content provisions merely create a preference, not a mandate or a requirement, for American-made goods when they are available and competitively priced.

To alleviate any short-term market limitations, our Buy America laws have been carefully crafted to provide common-sense waiver flexibility in instances when excessive cost or limited product availability would be an impediment in the completion of a project.

To improve the effectiveness of the waiver process, AAM urges the subcommittee to review ways to increase and streamline transparency when waivers are requested and issued. Some, but not all, government agencies make waiver requests available to the public for 15 days before approving the purchase of goods manufactured abroad. AAM supports efforts to streamline such transparency provisions so that they apply to all government agencies overseeing procurement and relevant programs to incentivize private investment. Doing so would help to reduce lost opportunities for American companies and their workers to provide the needed goods.

After publishing a Buy America waiver request in October 2010 for a road project on State Route 60 in Alleghany County, Pennsylvania, the Federal Highway Administration (FHWA) received feedback during its comment period that the steel pipe in question could, in fact, be produced domestically. After verifying with Pennsylvania transportation authorities (PennDOT), FHWA rescinded the waiver. In this case, waiver transparency led to American workers manufacturing this product at a comparable cost instead of importing steel pipe from a foreign factory.

What waiver transparency tells us is that the U.S. has a significant supply chain already in place to support infrastructure investment in passenger rail; and more than 30 foreign and domestic rail

manufacturers and suppliers have committed to locating or expanding their base of operations in the U.S. if they get the chance to work on our high speed rail program. In fact, the recent study released by the Duke University found that it is “largely thanks to Buy America that the domestic supply chain is already quite well developed.” For instance:

- Siemens is manufacturing train cars and other equipment in Sacramento, CA.
- CAF is manufacturing train cars and other equipment in Elmira, NY.
- Caterpillar/EMD is building a locomotive assembly plant in Indiana.
- Steel Dynamics, Inc. is expanding a steel manufacturing plant in Columbia City, IN.

Funding in the *Recovery Act* is helping to develop downtown transit systems in Portland, OR, and Tucson, AZ. To support the new demand for streetcars, Oregon Iron Works is building the first modern streetcars in the U.S. in over 60 years because of Buy America laws, and they are doing it with American-made parts:

- Miles Fiberglass in Oregon manufactures front and rear shell pieces for the streetcars;
- Penn Machine Co. of Johnstown, Pennsylvania, manufactures wheel sets with gear boxes;
- Recaro of Auburn Hills, Michigan, manufactures seats; and
- Milwaukee Composites supplies flooring materials.

While some critics of domestic preferences contend that other countries might retaliate by restricting U.S. imports, “in fact,” a recent Northeastern University report on the U.S. rail industry states, “many of the same countries that object to U.S. domestic content are far more strategic in developing their own industries.” If the U.S. is to compete internationally, then it must adopt

more strategic, trade-compliant policies that foster and don't disadvantage U.S. manufacturing. To be clear, our Buy America laws are 100% compliant with our international trade obligations.

Public support for Buy America laws could not be stronger: 89 percent of midterm election voters said they support policies to ensure that their tax dollars are used to buy American-made materials (91% among Democratic voters; 87% among Tea Party supporters). Thus, it is no surprise that over 500 state and local governments have passed Buy America resolutions of their own as they seek to direct spending towards job creation in their region.

Mr. Chairman, I will conclude by providing some important background on the state of American manufacturing. According to AAM polling conducted in 2010, midterm election voters said that manufacturing was the most important sector for the overall strength of our economy and for our national security – ranking ahead of finance, services, healthcare and other key sectors. The reason is simple: manufacturing is the backbone of our economy, spurring job creation and innovation.

- *More R&D.* American manufacturers are responsible for 70% of the research and development performed by industry in the United States.
- *Patents.* Roughly 90% of all patents filed come from the manufacturing sector.
- *Technology.* American manufacturers are the leading buyers of new technology in the United States.
- *More Jobs.* American manufacturing directly employs 11.7 million Americans and directly supports millions of additional jobs in other sectors.

- *More Growth.* American manufacturing has a higher multiplier effect than other sectors, supporting four to five jobs indirectly. Manufacturing jobs also pays better wages – 22 percent higher on average – than other sectors and are more likely offer better training.
- *Still significant.* Manufacturing is the largest sector of economy in a number of states and represents 13% of our Gross Domestic Product. By itself, U.S. manufacturing would be the 9<sup>th</sup> largest economy in the world.
- *Powers Exports.* Manufactured goods represent 60% of U.S. exports.
- *Productivity.* Manufacturing productivity exceeds rest of private sector by 60%.

While those are significant – and to many Americans surprising – achievements, the challenges that face manufacturing are even more shocking.

- Well over 5 million American manufacturing jobs have been eliminated since 2000; that represents one-third of all manufacturing jobs in this country.
- Over 50,000 manufacturing facilities have closed over last ten years.
- Industrial production dropped last decade – it had risen every decade before that, even during the Great Depression; and while the U.S. economy expanded 17% from 2002-2007, manufacturing expanded only 5%.
- The trade deficit in manufacturing goods has quadrupled since 1997. We already have growing high technology and green technology trade deficits.
- Our trade deficit with China alone has climbed steadily since it joined the World Trade Organization in 2001 – from \$83 billion in 2001 to a record \$273 billion in 2010.
- According to the Economic Policy Institute, 2.4 million American jobs were lost or displaced between 2001-2008 due to our massive and growing trade deficit with China.

As our manufacturing base continues to decline, our position as a world leader is put at risk.

- In a February 2011 Gallup poll, 52% of Americans said China is the leading economy, compared with 32% who chose the U.S. In 2009, those two countries were tied.
- According to IHS Global Insight, the U.S. has already lost its position as the world's largest manufacturing nation by output to China – a position held for 110 years.
- China surpassed Japan in 2010 to become the world's second-largest economy by GDP and could surpass the U.S. by as soon as 2020.
- China surpassed Germany to become the world's top exporting nation in 2009.
- China is poised to surpass the U.S. and Japan and become the world leader in patent activity in 2011.
- China is on track to overtake the United States in scientific output as early as 2013.
- China overtook the U.S. as the world's largest auto market in 2009.

Mr. Chairman, we look forward to working with you and members of the subcommittee to boost the effectiveness of our federal programs to create jobs through improvements to our railroad and hazardous materials transportation programs.

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
*Truth in Testimony Disclosure*

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Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name: Scott N. Paul

(2) Other than yourself, name of entity you are representing: Alliance for American Manufacturing

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

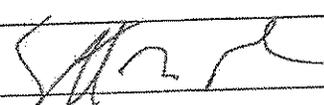
YES

If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

Signature



Date

4/5/2011

## Scott Norman Paul

Silver Spring, MD 20910

### Work Experience

*Alliance for American Manufacturing*  
*Executive Director*

*Washington, DC*  
*2005 -Present*

- Founding director of a successful non-partisan, non-profit labor-management partnership between the United Steelworkers union and several leading U.S. manufacturers, including Fortune 500 Companies;
- Maintain deep content expertise in U.S. manufacturing, international trade policy, U.S. economic legislative and regulatory issues, Chinese trade and economic matters, and U.S. trade agreements;
- Initially designed – and currently manage – all administrative and programmatic aspects of the organization;
- Supervise and direct a staff of 11, an annual budget of \$5 million, and relationships with outside legal, media, and policy consultants;
- Develop and lead a dynamic program of research, grassroots outreach, and strategic communications work;
- Draft op-ed columns, blog postings, letters-to-the-editor, strategy memos, talking points, speeches, and other policy and advocacy materials;
- Serve as organization's spokesperson, including testifying before the U.S. Senate and the U.S. House of Representatives, delivering keynote addresses at national meetings and conferences, facilitating town hall meetings, serving as Master of Ceremonies for a presidential candidates' forum with Senators Obama and Clinton (April 2008), and participating in interviews with television, radio, print, and online media; and
- Maintain strong working relationships with the board of directors and stakeholders.

*AFL-CIO*  
*Legislative Representative*  
*Legislative Director, Industrial Union Council*

*Washington, DC*  
*2001-2005*  
*2003-2005*

- Directed, developed, and implemented the 13 million member labor federation's Congressional relations and advocacy activities on international trade, foreign policy, and manufacturing issues, including overall strategy, direct lobbying, domestic and international coalition building, and organizational partnerships;
- Spearheaded and coordinated the lobbying efforts of a coalition of the U.S. labor union community, progressive advocacy organizations, business groups, and other interested parties in opposition to the U.S.-Central American-Dominican Republic Free Trade Agreement and Trade Promotion Authority; developed the associated legislative, grassroots, media strategies, and messaging;
- Developed and maintained strong relationships with Members of Congress and key Congressional staff, particularly Members and staff with the House Ways and Means Committee, Senate Finance Committee, and House and Senate Democratic Leadership;
- Coordinated Congressional strategy for a labor-industry coalition on Asian currency issues;
- Developed and implemented the AFL-CIO Industrial Union Council's legislative agenda on Capitol Hill, including overseeing the legislative agenda for annual conferences, the introduction of legislation to preserve Buy American laws, and efforts to highlight the importance of a strong domestic manufacturing base as a national security issue;
- Chaired weekly meetings of the Industrial Union Council to direct and coordinate lobbying strategies for manufacturing-based unions on issues such as international trade, health care, and pensions;
- Made presentations and served as federation spokesperson to the Congress, business, labor and environmental community coalition partners, and print, radio, and television media; and
- Created advocacy and campaign materials such as issue briefs, policy analyses, Congressional testimony, action alerts, legislative updates, model legislation, legislative language, briefing memoranda, talking points, and correspondence to Congress.

**Democratic Whip, U.S. Representative David E. Bonior (D-MI)**  
*Legislative Aide/Foreign Policy Advisor*

Washington, DC  
1995-2001

- Developed and implemented the Democratic leadership's legislative strategies on international trade, economic, and foreign policy issues, including Congressional support for interventions in Bosnia and Kosovo, opposition to China's entry into the World Trade Organization, and Trade Promotion Authority; a majority of such work involved a regional focus on South and East Asia, Latin America, the Balkans, and the Middle East;
- Drafted legislation, prepared "Dear Colleague" letters and correspondence to Federal agencies, and wrote speeches and opinion pieces on trade and foreign policy topics;
- Coordinated whip and outreach efforts for House Democrats on major issue campaigns involving trade and foreign policy issues;
- Collaborated with stakeholder organizations and coordinated coalition initiatives in support of the Whip office's efforts; and
- Communicated directly with Members of Congress, Administration officials, key Congressional staff and constituency groups, including national labor, human rights, business, and environmental organizations.

**U.S. Representative Peter Barca (D-WI)**  
*Legislative Director/Communications Director*

Washington, DC  
1993-1994

- Planned, managed, and implemented an aggressive legislative and communications strategy;
- Drafted legislation and speeches, managed media relations, and counseled on messaging and strategy; and
- Managed and directed the work of legislative staff of three.

**Citizens Trade Campaign**  
*Deputy Director*

Washington, DC  
1993

- Designed and implemented a legislative and communications strategy for a grassroots coalition of 70 national organizations that opposed the North American Free Trade Agreement.

**U.S. Representative Jim Jontz (D-IN)**  
*District Representative/Legislative Aide*

Washington, DC and Valparaiso, Indiana  
1989-1992

- Managed district projects, Congressman's schedule, and district office for ten Northern Indiana counties; and
- Maintained policy responsibilities for Congressman's Veterans Affairs and Education and Labor Committee assignments, as well as transportation, foreign policy, and trade issues.

**Education**

*Masters of Arts in Security Studies, Georgetown University, December 2004.*

Graduated with honors. Emphasis of graduate studies: globalization, international terrorism, foreign intelligence, regional security, innovative approaches for democracy building in the Middle East, and conflict resolution.

*Bachelor of Arts in International Politics, Pennsylvania State University, May 1989.*

**Other Relevant Experience**

*Official Congressional Travel to People's Republic of China, Morocco, Nepal, Pakistan, India, and Balkan Region, 1995-2001.*

*Congressional campaign work in Indiana, Wisconsin, Michigan, North Carolina, and Pennsylvania, 1988-2004.*

*Candidate, Indiana State House of Representatives, 1992.*

*Intern, U.S. Senator Richard G. Lugar (R-IN), 1987.*