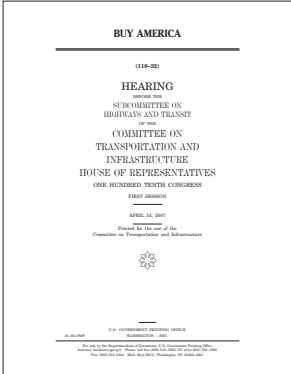


Transcript, Buy America Hearing

—Bob Luffy, President and CEO of American Bridge Company, before the U.S. House Subcommittee of Highways and Transit, April 24, 2007



MR. LUFFY: Thank you, Chairman DeFazio and Members of the Subcommittee. Thank you for inviting me here today.

I first want to apologize for not having written comments. I got word of this while I was overseas in China visiting some of the facilities that Chairman Oberstar talked about and just got back into town Monday. So

I have been out and have not had an opportunity to give written documentation. But I will provide it afterward, naturally.

I would like to tell you that I am President and CEO of American Bridge Company. We have been building steel bridges around the world, particularly in the United States, for over 140 years. We are a heavy civil contractor and there is probably not a major bridge to be built anywhere in the world today, with the exception of the Far East, that we would not be in pursuit of the project. We currently are the lead in two contracts on the Woodrow Wilson Bridge, two main crossings, we are the contractor there. And we are the lead of the joint venture that has the SAS project that was the subject of questions here with the last group.

So I have, I think, the facts on many of your questions, and I am going to cut my comments short, so that you have the opportunity to ask me whatever. I do want to say that we as a company are pretty unique. We not only are a large civil contractor bridge builder, but we are a steel fabricator. We have facilities in Western Pennsylvania, in Pittsburgh, also in Reedsport, Oregon. So we support, in a large way, Buy America, and applaud the efforts of Congressman Baird and Congressman Altmire.

But I can tell you, and I can go into detail, that is not enough. This has been in effect for over 20 years now. I have been in this business 35 or 40 years, and I can tell you that the steel fabrication capability in the United States has deteriorated over the last 20 years. It has not gotten stronger. It probably would not exist were it not for Buy America. But still today, bridges without Federal money or, I don't even understand how this works, bridges by the Corps or the Coast Guard are open to Buy America, or are not subject to Buy America. In fact, we just completed a Florida Avenue bridge down in the Port of New Orleans for the Coast Guard, and that steel went to a foreign provider.

Huey P. Long Bridge, it will be a \$60 million to \$100 million steel contract. It is bidding in June in New Orleans. It will definitely go to a foreign steel fabricator.

This is not an issue often of dollars. Ultimately it is, but until the issues of capacity and capability in guarantees are addressed, you won't be changing much. This is where the problem lies. The SAS project that everybody got into, and you were tied up over this \$400 million difference, I put those numbers together personally, so I can tell you exactly how they were arrived at, was not an issue of the steel being more expensive. It was the issue of nobody in the United States could do the job. The capacity is not here. It could simply not be done. There is a requirement by the law that you cannot bid the foreign price unless you bid the domestic price when you bid the contract like that both ways.

So we had to ourselves bid the domestic end of that job. We would not normally have gone after that job. And that difference in price reflects the investment in the infrastructure we would have to have made in order to drastically expand our facilities, to hire and train people and the liquidated damages that would have been necessary, because we would have been late. There is no way we could have done the job on time. And nobody else in the United States was interested in the job because of the constraints of the project itself.

Any major project that requires a fast delivery, you are going to have this problem, whether you have Federal money in it or not. There is not capacity. The largest steel fabricating facility in the United States for bridges, I don't know if Conn Abnee is still in the room, but I am guessing, because I know the industry so well, is probably 300 or 400 people on the floor working. I was in a facility that is going to fabricate the steel for the Oakland Bay Bridge all last week. They have 32,000 people in that facility. It is not even a contest. It is not even a contest.

Anyway, we are in support of Buy America. We would like to see it a lot more strongly enforced. There is some ambiguity, obviously, and that needs to be straightened out. It should apply to the whole project.

The details of a job will require that the job be broken into various segments, just so they can be bid and make more competition and therefore a better price to the State or the letting agency. But you have to look at the Buy America provision across the whole project, and that can still be done.

So I will cut my comments off there. I really appreciate being here. I have a lot of first-hand knowledge to this particular issue and I will answer any questions you have. Thank you.



Bay Bridge Steel Fabrication Facts

A GLOBAL EFFORT FOR A WORLD-CLASS BRIDGE

The 2.2 mile long East Span of the Bay Bridge serves almost 300,000 vehicles each day and is situated between two major seismic faults. After the Loma Prieta earthquake severely damaged the bridge in 1989, plans were made to replace it. In 2013, the new Bay Bridge will be delivered into public service. Responsible replacement of one of the world's busiest bridges – designed to withstand the largest earthquake to occur in the next 1,500 years – required a global approach. However, when it opens, the new bridge will be an overwhelmingly American story.

- **More than 75 percent of the permanent steel in the new bridge is American made.**
- In the United States, fabrication took place in more than 30 locations.
- In California, fabrication took place in more than ten locations.
- All work on site is performed by U.S. labor.
- Most of the international steel fabrication is involved in the Self-Anchored Suspension Span (SAS) of the new bridge. The SAS is a one-half-mile-long piece of the 2.2 mile-long new bridge. Steel fabrication for the SAS was performed at several sites around the world, including China, England, Japan, South Korea **and the United States.**

BUY AMERICA

The main span contract (the SAS) involves a huge amount of complex steel fabrication work. It includes almost 1 million individual welds. The main span contract was first put out to bid in 2004. Federal funds were potentially involved in the contract so the requirements of federal Buy America law did apply. One bid was received from American Bridge/Fluor (ABF), with a price of \$1.8 billion using a domestic steel fabricator (American Bridge proposed using its own steel fabrication facility) and a price of \$1.4 billion using a foreign steel fabricator. Under Buy America law, the contract would have been exempt from using domestic steel as the price of domestic steel was more than 25 percent higher than the price of foreign steel. **Buy America would NOT have resulted in the work being done in the U.S.** The contract was not awarded as the low bid of \$1.4 billion exceeded the available project budget.

CONTRACT AWARDED

Additional state and local funds were identified and the contract was put out to bid again in 2005. No federal funds would be used, so Buy America did not apply. Two bids were received, both proposing use of foreign steel. ABF was the low bidder – proposing Shanghai-based Zhenhua Port Machinery Company (ZPMC) for fabrication of the permanent tower and deck – and was awarded the \$1.4 billion contract. ABF received no proposals from U.S. fabricators for this work and was only able to submit a bid in 2004 because American Bridge proposed using its own domestic facility to fabricate the steel, and did so knowing that their domestic facility could not complete the work on time. (see page 4).

A RACE AGAINST TIME

The original bridge is vulnerable to collapse in the next – and long overdue – major earthquake. ZPMC fabricated 50 permanent SAS segments in less than five years. In comparison, two similar permanent steel deck segments fabricated domestically for the Bay Bridge's Skyway took two years to complete using nearly all of the fabricator's capacity, indicating that it would take a similar U.S. fabricator 50 years to complete the permanent SAS work. If the work was reasonably distributed among the largest U.S. fabricators, it would take 10 to 12 years at best to complete, resulting in 5 to 7 more years of significant seismic risk to the people who use the Bay Bridge and to the economy and jobs of the region.

FABRICATION CAPACITY

ZPMC has extensive plant, labor and equipment capacity, with 3 million square feet of fabrication bays, 3 million square feet of open engineered assembly space, four floating cranes with lifting capacity ranging from 1,000 to 4,000 metric tons, a fleet of specialty ships that can deliver fabricated steel throughout the world and a staff of about 30,000. Few facilities in the world can rival this capacity. U.S. steel fabricators perform excellent work, but there are no facilities in the U.S. that are even remotely close to this capacity.

The capacity issue is not new. It is the result of decades of changes in the global steel fabrication market, and using an international fabricator is not unique to the Bay Bridge. New capacity does not come online overnight. It takes time in this country to build new facilities. It takes time to attract and train skilled workers – even in our current economic situation.

Where Have All the Welders Gone?
Wall Street Journal, August 15, 2006
<http://tinyurl.com/6qy6osb>

Help Wanted: In Unexpected Twist, Some Skilled Jobs Go Begging
Wall Street Journal, November 26, 2011
<http://tinyurl.com/792sume>

COST SAVINGS

The cost difference between domestic and foreign steel for the SAS is at least \$400 million, based on the 2004 bid. Even with the added costs of overseeing the fabrication in China, the likely savings are still in the range of \$380 million.

QUALITY ASSURANCE

The Bay Bridge is being built to the highest standards. ZPMC is a global provider of steel and was awarded certification by the American Institute of Steel Construction (AISC). ZPMC used nearly 300 inspectors for this project. ABF and Caltrans also maintained a significant inspection presence in China with another 300 inspectors, including a group of full-time senior State engineers, providing quality control and quality assurance.

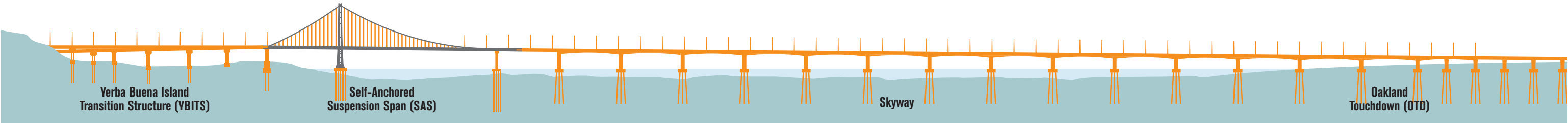
Domestic

Foreign

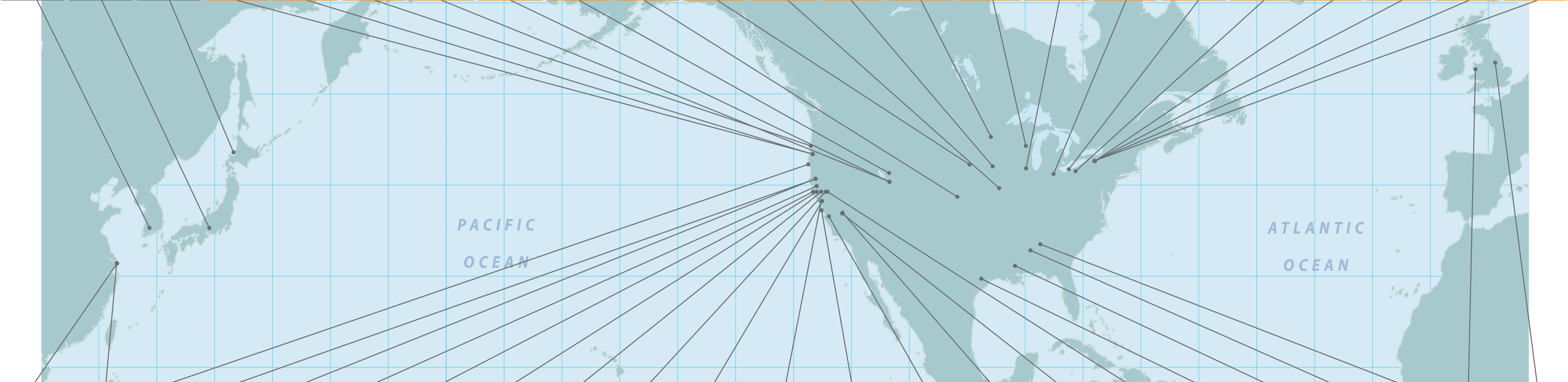
Bay Bridge East Span Steel Fabrication Locations

BAY BRIDGE EAST SPAN STEEL FABRICATION FACTS AT A GLANCE

- More than 75 percent of the permanent steel in the new bridge is American made.
- In California, fabrication took place in more than ten locations.
- In the United States, fabrication took place in more than 30 locations.
- All work on site is performed by American workers.



National Oilwell Varco/Hochang Machine Ulsan, South Korea	Nippon Steel Corp. Tokyo, Japan	Japan Steel Works Hokkaido, Japan	Oregon Iron Works (OIW) Clackamas, Oregon	L&M Fabricators Tangent, Oregon	Universal Structural, Inc./OIW Vancouver, Washington	Mountain States Steel Lindon, Utah	Universal Industrial Sales Lindon, Utah	Eaton Metal Products Salt Lake City, Utah	Wichita Steel Fabricators Wichita, Kansas	Valmont Industries, Inc. Valley, Nebraska	WireCo WorldGroup Chillicothe, Missouri	Musco Lighting Oskaloosa, Iowa	LeJeune Bolt Company Burnsville, Minnesota	Neenah Foundry Neenah, Wisconsin	USA Hoist Chicago, Illinois	D.S. Brown North Baltimore, Ohio	Dyson Corporation Painesville, Ohio	Lubrite Tech. Meadville, Pennsylvania	Watson Bowman Acme Amherst, New York	KDM Die Co. Buffalo, New York	Eagle Fabricators Buffalo, New York	Private Systems, Inc. Blasdell, New York
SAS Bearings & Shear Keys	SAS S-Wire Cable Wrap	SAS Cable Saddles	SAS Hinge Pipe Beams	SAS Splice Plates	Skyway Steel Transition Section, SAS Footing Box	Bicycle/Pedestrian Path	Overhead Signs	SAS Pile Cap Casings	OTD Shear Pins	Light Poles	SAS Suspender Cables	Lighting Fixtures	SAS Bolts	Manhole Covers	SAS Elevator	Skyway, OTD, YBITS Joints	SAS Parallel Wire Strand Anchor Rods	SAS Bearings and Shear Keys	SAS Joints	SAS Joints	SAS Joints	SAS Joints



Shanghai Pujiang Cable Shanghai, China	ZPMC Shanghai, China	C&K Johnson Industries Arcata, California	XKT Engineering Vallejo, California	F&M Fabricators Vallejo, California	Transbay Steel Corp Napa, California	Kwan Wo Ironworks San Francisco, California	Handy Rebar Services Oakland, California	Harris Salinas Rebar, Inc. Livermore, California	Regional Steel Corporation Tracy, California	Schwager Davis Construct. San Jose, California	Metalfab Inc. Santa Clara, California	Lubron Bearing Systems Huntington Beach, California	Westmont Industries Santa Fe Springs, California	CMC Rebar Fontana, California	Ameron Steel Fabrication Fontana, California	Sumiden Wire Products Stockton, California	Kiewit Offshore Services Ingleside, Texas	Twin Brothers Marine Lafayette, Louisiana	Southern Cast Products, Inc. Meridian, Mississippi	Steward Machine Co./Hardie-Tynes, Inc. Birmingham, Alabama	Goodwin Steel Castings Stoke-on-Trent, England	Macalloy Limited Sheffield, England
SAS Pre-Fabricated Wire Strands	SAS Tower and Box Girder Decks, Bike/Ped Path	SAS Cable Isolation Sleeves and Cable Shrouds	Skyway Piles, YBITS Joints and Service Platforms	SAS Railing	SAS Pile Casings, Skyway Hinge Pipe Beams	Skyway Railing	SAS Reinforcing Steel	YBITS & Skyway Reinforcing Steel	SAS Reinforcing Steel	YBITS Post-Tensioning Strands	Service Platforms	OTD Bearings	Traveler	OTD Reinforcing Steel	SAS Skyway Piles	Skyway Post-Tensioning Strands	SAS Footing Box and Template, Skyway Footing Boxes	OTD Piles	SAS Suspender Socket Castings	OTD Shear Keys	SAS Cable Band Castings	SAS High-Strength Prestressing Bars