Testimony of

Tom Teske

EJ Americas

Vice President & General Manager

Hearing before the United States Congress

House Committee on Transportation and Infrastructure, Subcommittee on Water Resources and Environment

Building Back Better: The Urgent Need for Investment in America's Water Infrastructure

February 23, 2021

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Chairman DeFazio, Ranking Member Graves, Chairwoman Napolitano, Ranking Member Rouzer and members of the subcommittee:

Thank you for the opportunity to testify about an issue vital to our nation's health, economy and security. As we work to rebuild from the COVID-19 pandemic, we must make long-overdue investments to modernize and repair our nation's clean water infrastructure. If done right, such investments can provide a much needed stimulus for the American economy, truly building back better to the benefit of U.S. workers, U.S. manufacturers and their supply chains, and communities across the country.

My name is Tom Teske and I am Vice President and General Manager at EJ Americas. EJ is the global leader in the design, manufacture, and distribution of access solutions for the world's growing infrastructure. Municipal castings produced by EJ Americas include products critical to our nation's water and wastewater infrastructure, such as hydrants, valves, manhole covers, ring and frames, curb inlets and frames, and drainage gates. These products are all made from recycled scrap metals that are melted, poured, finished, machined, coated, and assembled exclusively in the United States.

EJ is a family owned company that has a long history of investing in American workers and communities. The EJ legacy dates back five generations to 1883 when our first manufacturing facility was built in East Jordan, Michigan. Decades later, we are now a global enterprise that spans six continents – promoting innovation, quality, and a commitment to customer service. While our operations span the globe, we remain dedicated to the U.S. market, and our U.S. employees remain the heart and soul of our company. Notably, over the past two decades, EJ has built three new manufacturing facilities in the United States, including two modern iron foundries. These investments are major commitments to our workers and communities that will endure for generations to come. We are particularly proud of our new state-of-the-art Syracuse Fabrication facility in Congressman Katko's district.

I would also like to highlight our employees' dedication during the ongoing public health emergency. As an essential business, our facilities have continued to produce and distribute products that are critical to the infrastructure of our country, working closely with public works departments nationwide to keep our water and sewer systems running during this difficult time. We look forward to turning the corner in the months ahead.

Today, as we discuss the importance of making long overdue investments in our nation's water infrastructure, I will make three main points:

1. Robust and long-term investments in our nation's water infrastructure are absolutely necessary and, when coupled with a strong Buy America policy, can help drive our economic recovery.

2. In addition to supporting our economy, Buy America helps ensure that the products used in our nation's infrastructure are produced in the safest and most environmentally-sound facilities in the world; in short, it reaffirms our nation's commitment to public health, safety and environmental safeguards.

3. A strong Buy America preference applied to our nation's infrastructure policy incentivizes companies like EJ to undertake major and long-term capital investments in communities across the United States; major R&D investments that drive the development state-of-the-art manufacturing technology, processes and facilities; and major human capital investments for generations to come.

Strong Buy America Policies Maximize the Economic Effects of Infrastructure Investments

At the outset, I'd like to commend the Committee for proposing a robust and long-term reauthorization of the Clean Water State Revolving Fund (CWSRF) in its discussion draft of the *Water Quality Protection and Job Creation Act of 2021*. In addition to addressing the tremendous backlog of water infrastructure needs nationwide, enactment of a multi-year bill will have a targeted economic stimulus impact, informing manufacturers' forecasted demand, triggering investments in manufacturing capacity, and spurring production and increased labor hours. Building water infrastructure requires manufacturing capacity, and manufacturers need market and funding certainty to support new investments. These investments, in turn, create and preserve the good, high-wage, family-supporting jobs necessary to manufacture these products.

While increased funding is crucial, Congress should also seek to ensure that these investments have the maximum possible impact on the American economy, and that the hard-earned tax dollars paid by American workers support the creation and preservation of American jobs. Specifically, the economic impact of these investments in our nation's clean water infrastructure is maximized when they are tied to procurement preferences for U.S.-produced waterworks products. Such Buy America policies include the "American Iron and Steel" preference policy applicable to projects financed with capitalization grants awarded through the CWSRF. These policies afford a commonsense preference in taxpayer-financed procurements for iron and steel products produced in the United States by U.S. workers.

But these Buy America policies are not universal. In fact, they are limited to specific programs, like the CWSRF and to a limited scope of waterworks infrastructure products, which in the case of the American Iron and Steel policy, is a finite list of primarily iron or steel products and construction materials, a mere fraction of the products and materials incorporated into the nation's clean water infrastructure. Where these laws are not expressly applied, foreign suppliers have unfettered access to U.S. taxpayer spending and are able to leverage their state subsidies, low labor costs, and unfair trading practices to seize ever-greater shares of the U.S. market.

Unfortunately, such is the case for a number of programs proposed to be reauthorized at significantly increased spending levels in the Committee's discussion draft of the *Water Quality Protection and Job Creation Act*. Under current law and the discussion draft, a project receiving a federal grant from EPA to decouple a municipality's combined stormwater and waste water system has no obligation to procure U.S. produced waterworks products or even to consider them. Likewise, a municipality receiving a grant for an alternative water source project or a project to make their system more resilient need not comply with any Buy America policies. EJ and other U.S. manufacturers are disappointed that the Committee did not include in the discussion draft the critical Buy America policy measures included in the version of the bill reported by the Committee in the last Congress.

U.S. manufacturers and workers are accustomed to hearing broad support for Buy America policies from policymakers. In fact, the policy has figured prominently in each of the last two presidential campaigns. In his pledge to "Build Back Better," President Biden made "Buy America" a core component of his economic recovery and revitalization plan, stating that "when we spend taxpayer money, we should buy American products and support American jobs." President Biden recently issued Executive Order 14005, *Ensuring the Future is Made In All of America by All of America's Workforce* (Jan. 25, 2021), affirming his administration's policy to "use terms and conditions of Federal financial assistance awards …to maximize the use of goods, products, and materials produced in, and services offered in, the United States," contemplating the manner in which Buy America requirements are applied to federal assistance infrastructure spending such as the programs proposed for reauthorized in the Committee's discussion draft.

Likewise, the prior administration issued three executive orders communicating support for and encouraging the application of Buy America preferences in taxpayer spending on infrastructure, including federal assistance infrastructure awards.

Yet for all of the public support from our policymakers, U.S. manufacturers and workers are routinely forced to advocate for the inclusion of *ad hoc* Buy America policies each and every time Congress authorizes a new infrastructure program or reauthorizes one of the litany of existing programs to which no domestic procurement preference applies. Given their overwhelming support with policymakers and U.S. voters, Buy America policies should be applied to federal assistance infrastructure spending without exception, not as the exception. Unfortunately, that is not the case. We look forward to working with the Committee to ensure that the billions of U.S. tax dollars authorized for these programs is expended prudently.

Government Procurement Policy Should Reflect Regulatory Policies

In the context of clean water infrastructure investments, the absence of Buy America laws applied to federal-aid infrastructure spending diminishes the effectiveness of U.S. regulatory policy, particularly our environmental safeguards.

As discussed, Buy America laws create demand for domestically produced goods, helping to sustain and grow domestic manufacturing and the millions of jobs it supports. Significantly, domestic preference programs also protect the environment. American foundries like EJ make their products with state-of-the-art, energy-efficient processes and pollution control systems. They invest significantly, at great cost, to meet U.S. regulatory requirements. In meeting, and in many cases exceeding, arguably the world's most exacting and effective environmental, health and safety regulatory standards, our plants are among the safest and most environmentally sound in the world.

By contrast, every day, U.S. producers must compete against foreign foundries that do not comply with environmental protection laws comparable to those with which U.S. manufacturers must comply. In fact, the foreign-origin producers with whom U.S. foundries most often compete are also the most polluting. Past analyses have found that a typical foundry in China emits more than 20 times the particulate (9.4 lbs per ton versus 0.4 lbs per ton) and nearly 35 times the carbon monoxide (149.4 lbs per ton versus 4.4 lbs per ton) than are emitted by a typical U.S. foundry.

Further, China is the largest source of both sulfur dioxide (SO2) and carbon dioxide (CO2) in the world. According to the Union of Concerned Scientists, China accounts for more than a quarter of the world's CO2 emissions.[1] China's iron and steel industry now accounts for as much CO2 emissions as the rest of the global iron and steel industry combined. Each ton of iron castings produced in a Chinese foundry generates two to three times more GHGs than a U.S. iron foundry, and probably four to five times more if the additional GHG impacts of producing iron from iron ore are considered. China's pollution is so severe that it can affect communities thousands of miles away. As one example, on smoggy days as much as 25% of the particulate matter in the air over Los Angeles can be traced back to China.

Notably, the iron foundry industry is one of the largest recyclers in North America. Approximately 85 percent of all materials used in iron foundries is recycled. Annually, U.S. foundries melt millions of tons of post-consumer scrap metal to make new, high-quality and long-lasting finished castings. Moreover, ferrous scrap can be recovered repeatedly – so in addition to containing as much as 98 percent recycled content, the products themselves are 100 percent recyclable at the end of their extensive useful lives.

In addition to the sustainability benefits of utilizing recycled ferrous scrap, the U.S. foundry industry's modern and efficient production processes result in dramatically lower greenhouse gas emissions per ton when compared to many of our foreign competitors. For instance, many ferrous foundries in other producing countries still use pig iron as their primary raw material, resulting in

[1] https://www.ucsusa.org/resources/each-countrys-share-co2-emissions.

up to 200% higher greenhouse gas emissions per ton than castings produced using recycled scrap metal.

Further, even when they do utilize recycled scrap, foundries in countries such as China and India often use labor-intensive production methods that result in higher scrap rates compared to U.S. plants. Scrap rates measure the amount of cast product that is unsuitable for market and destined for recycling as ferrous scrap feedstock to foundry melting operations. Higher scrap rates translate to wasted energy and increased emissions as production facilities must re-melt unused scrap. With scrap rates as much as two-times higher, these foreign foundries may emit 5% more greenhouse gases per ton than domestic foundries.

We must compete every day against foreign, state-owned or subsidized foundries that regularly flout international trade laws, have no regard for worker safety (or even age), the environment, or public health, and are not required to operate by comparable regulatory standards. This creates a significant cost and competitive disadvantage for American producers, that has led to lost sales, closed plants, lost tax revenues, and lost jobs.

U.S. environmental protection laws do not have extraterritorial application. It does not further the intent of these laws to encourage the off-shoring of manufacturing to the world's most polluting nations. Strong domestic preference policies, on the other hand, can help reduce the pollution associated with the manufacture of products necessary for U.S. infrastructure projects and can ensure taxpayer dollars are reinvested in America's companies and workers. American companies have invested significantly to modernize their U.S. operations to meet federal environmental and worker safety regulations. They deserve a commonsense preference for meeting – not avoiding – these standards and for keeping jobs here in the United States.

BA Laws Should Require a Strong Origin Standard

Buy America laws encourage capital investment, research and development, and job retention and creation in the United States. These benefits are maximized when strong standards are set for determining a product's origin. When Buy American laws apply to upstream inputs they ensures that the economic benefits of government spending are reaped by an entire supply chain, not merely at the final stage of manufacturing.

In recent years, opponents of Buy America policies have sought, where these laws apply, to weaken their origin standards, urging a standard based on the final state of processing. Such standards eviscerate the benefits of Buy America laws for upstream domestic material inputs and the manufacturers and workers that produce them. They also would rob the communities in which these business operate of the indirect economic impact of the taxpayer finance spending on public works.

To synthesize the value of Buy America laws with robust origin standards consider: When these laws apply EJ must source all of its inputs from U.S. manufacturers, be it EJ itself, another iron foundry or a steel mill. When there is increased demand for EJ's products, there is a corresponding increase in demand of our suppliers and service providers. As our productivity increases, so too does our capacity utilization, meaning, among other things, that we consume more labor hours.

And for EJ's hourly team members, that means more take home pay to support their families and spend in their communities.

Weakened or simply no Buy American origin requirements miss the multiplier effect of taxpayer-financed spending, resulting in lost opportunity and forsaken economic return.

The EJ Story: A Commitment to the United States

In the last two decades, EJ has made a number of acquisitions and, importantly, significant capital investments, to reinvest in our business and modernize our manufacturing capabilities. Among our three largest capital investments in the United States during that time, two were brand new foundries.

In 2001, EJ commenced operations at its Ardmore, Oklahoma foundry. The $70,000,000 greenfield investment was constructed on a former military site and features state-of-the-art environmental control technology. Its 190,000 square feet of manufacturing space is dedicated to the production of EJ's municipal castings.

After acquiring the assets of Syracuse Castings in 2012, EJ made another significant capital investment when it constructed a wholly new fabrication facility in Schroeppel, New York, which opened 2019. The new fabrication facility, an $11 million capital investment, was constructed utilizing steel produced by Nucor in New York State which it also uses as the feedstock for its fabricated products, such as access hatches. The new facility was constructed a short distance from the original Syracuse Castings operation, allowing for the retention of all of its skilled workforce.

After 135 years at its original location, in 2018 EJ commenced operations at its new flagship foundry in Northern Michigan. The new state-of-the-art foundry spans more than 7.5 acres under one roof and sits on a 200 acres site. A capital investment in excess of $140 million dollars, the new foundry features four electric melt furnaces, two molding lines, and advanced automation and technology. Constructed a mere 14 miles from EJ's original East Jordan, Michigan location, the proximity of the new foundry allowed EJ to retain all of its employees and its commitment to manufacturing in Northern Michigan.

As members of the Committee contemplate the reauthorization of the clean water programs, it is important you understand that the existence of "Buy America" applied to federal-aid infrastructure spending was an important factor in EJ's decisions to proceed with these capital investments in the United States. I'm here to tell you that Buy America policies work and EJ's investments in its U.S. manufacturing capacity is demonstrable proof.

On behalf of EJ and our employees, thank you for giving me the opportunity to testify today and thank you for your continued commitment to the U.S. manufacturing sector.