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General Accounting Office

Foreign Source Procurement Funded Through Federal Programs By States And Organizations

This report updates GAO's November 1978 report concerning foreign source procurement in six selected Federal grant and loan assistance programs.

Information on foreign source procurement by States and organizations is provided for federally assisted highway, wastewater treatment, airport, urban mass transportation, railroad, and rural electrification programs.

GAO found that foreign source procurement for the programs reviewed remained small in comparison with total procurement.

State domestic preference statutes are identified as well as changes in Federal Buy American preferences.



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GAO/NSIAD-83-9
JULY 25, 1983

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-208826

The Honorable John Murtha, Chairman
Congressional Steel Caucus
House of Representatives

Subject: Foreign Source Procurement in Selected
Federal Assistance Programs (GAO/NSIAD-83-9)

Dear Mr. Chairman:

This is the third of four reports in response to Chairman Gaydos' May 13, 1982, letter requesting information on foreign source procurement. This report updates our November 1978 report (ID-79-1) concerning foreign source procurement funded through Federal programs by States and organizations. Chairman Gaydos expressed interest in obtaining the latest information on (1) Federal and State domestic preference legislation and (2) foreign source procurement in Federal assistance programs involving highways, municipal wastewater treatment, airports, urban mass transportation, railroads, rural electrification, and local public works.

Appendix I identifies changes in "Buy American" provisions in the identified programs and lists State domestic preference statutes. At the Federal level, few changes have been made in Buy American legislation since our last report; changes made, however, have generally strengthened domestic preference for certain programs. At the State level, five more States have enacted domestic preference legislation and three have revised their statutes. A total of 16 States now have domestic preference statutes.

Appendix II summarizes our findings on foreign source procurement by States and organizations for six of the identified programs. Our information was obtained primarily from Federal, State, and grantee officials. For some of the

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programs, we also discussed foreign source procurement with consulting and project engineers, prime contractors, major suppliers, and manufacturers.

We did not re-examine the Local Public Works program, administered by Commerce's Economic Development Administration, because it had not received additional funding since 1978 and practically all projects had been completed.

For the six programs, the amount of foreign source procurement identified was small compared with total funds expended. This parallels what we reported to the Chairman in 1978. Domestic sourcing appears to have lost no ground and may have gained some from foreign competition. Clearly, Federal and State domestic preference legislation contributed to this result. Another important factor is that most programs involve construction projects whose significant cost elements, such as labor, services, and certain bulk construction materials (gravel, rock, sand, concrete), were not subject to foreign competition. In addition, prime contractors tend to prefer U.S. subcontractors, suppliers, and equipment manufacturers. Also, engineering specifications generally favor domestic manufacturers.

The Urban Mass Transportation Program continues to involve a greater incidence of foreign source procurement. From October 1978 through December 1982, 12 of 15 grantee awards for urban railcars went to foreign manufacturers. Each award, however, satisfied the program's Buy American requirements; more than 50 percent of the components (by cost) were of domestic origin and final assembly took place in the United States. Foreign manufacturers also received \$234 million in grantee bus awards during the same period. Many of these awards were for newly designed or articulated buses manufactured in Europe and Canada. Today, however, several foreign bus manufacturers have plants in the United States in order to comply with the final assembly requirements of the program's Buy American regulations.

Amtrak has greatly reduced its foreign source procurement by finding domestic source alternatives for French Turbo Train parts and overhauls. Foreign procurement for the 5 years ending September 30, 1982, represented about 0.5 percent of total procurement. Amtrak's foreign purchases for the prior 6-year period equalled 3.7 percent of total procurement.

Appendix III contains the current information on Federal assistance to State and local governments and other organizations for the programs examined.

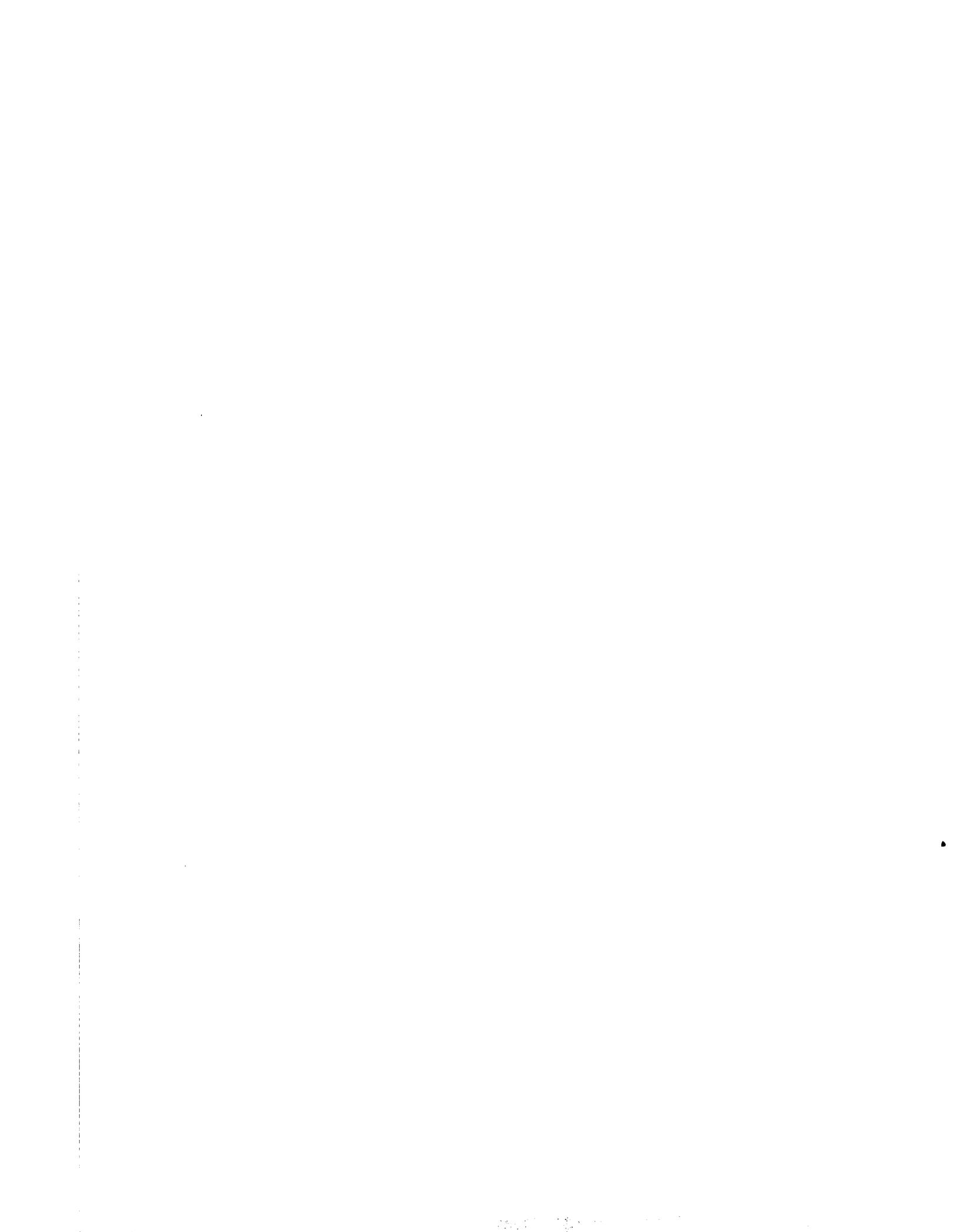
We did not obtain official agency comments. However, a draft of this letter was reviewed by agency officials concerned with each of the programs and their comments were considered in preparing the final report. Our review was made in accordance with generally accepted Government auditing standards.

As arranged with your office, we plan no further distribution of this report until 30 days from the date it is issued. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Frank C. Conahan
Director



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FEDERAL AND STATE BUY AMERICAN PROVISIONS

The Buy American Act (41 U.S.C. 10a-10d) requires generally that any Federal agency acquiring materials for public use within the United States purchase only domestic products, if present in sufficient and reasonably available commercial quantities and of a satisfactory quality. An agency head may waive these requirements if he or she determines either that (1) the cost of the domestic product is unreasonable or (2) acquisition of the domestic product is inconsistent with the public interest.

There has been some lessening of Federal Buy American restrictions under an international agreement covering governmental procurement.

States that accept Federal grant or loan assistance must also comply with Buy American restrictions to the extent that they are contained in authorizing legislation. The Supreme Court has held that the Federal Government may set the terms under which Federal aid grants to the States are disbursed and that State laws inconsistent with the Federal terms are invalid.¹ This finding was reiterated by Office of Management and Budget guidance to State and local grantees.²

BUY AMERICAN PROVISIONS IN
SELECTED FEDERAL ASSISTANCE
PROGRAMS

Not all Federal grant and loan assistance legislation contains Buy American provisions. As we reported in November 1978,³ six of the nine grant and loan assistance programs we examined contained Buy American restrictions. These were Federal aid to highways, municipal wastewater treatment, urban mass transportation, Amtrak improvement, rural electrification, and local public works.

The three programs that did not were airport development, regional railway reorganization, and railroad rehabilitation and improvement.

Our review of the legislation authorizing these programs shows that two substantive changes were made since our last report.

¹King v. Smith, 392 U.S. 309, 333 n. 34 (1968).

²Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments, Circular A-102 (Aug. 1, 1979).

³Foreign-Source Procurement Funded Through Federal Programs by States and Organizations, Nov. 30, 1978 (ID-79-1).

The Amtrak Reorganization Act of 1979 (Public Law 96-73, Sept. 29, 1979) added the following clause to the Buy American provision contained in Section 10 of the Amtrak Improvement Act of 1978 (Public Law 95-421, Oct. 5, 1978).

"(3) In addition to the exemptive authority set forth in paragraph (2), the Secretary may, upon application of the Corporation, exempt the Corporation from the requirements of paragraph (1) of this subsection with respect to the purchase of rolling stock or power train equipment if the Secretary determines that such rolling stock or power train equipment, as the case may be, cannot be purchased and delivered in the United States within a reasonable time."

The Surface Transportation Assistance Act of 1982 (Public Law 97-424, Jan. 6, 1983), which covers both urban mass transportation and Federal-aid highway grants, strengthened the Buy American provision (Section 401) contained in the Surface Transportation Assistance Act of 1978 (Public Law 95-599, Nov. 6, 1978). In effect, the new provision (Section 165)

- extended Buy American requirements to all contracts, not just to those whose total costs exceed \$500,000;
- narrowed the type of materials and articles subject to Buy American to steel, cement, and manufactured products;
- defined what constitutes a domestic product for rolling stock and buses (the cost of U.S. produced components must be 50 percent or more of the cost of all components in the vehicle or equipment and final assembly of vehicles must be done in the United States); and
- increased the domestic cost preference from 10 to 25 percent for all projects, except procurement of rolling stock which remained at 10 percent.

In addition, Buy American restrictions shall not apply when the Secretary of Transportation finds that their application would be inconsistent with the public interest or when domestic materials and products are not produced in sufficient and reasonably available quantities and of satisfactory quality.

To implement the new provision, Federal Highway Administration (FHWA) regulations (23 C.F.R., 635.410) were revised on January 17, 1983, as follows.

1. Buy American restrictions will apply only to steel and cement materials (manufactured products other than those made from steel and cement are not covered).⁴
2. Foreign steel or cement materials may not be used unless the use of domestic materials would increase the overall project cost by more than 25 percent.
3. A minimal use of foreign steel and cement is permitted, provided their cost does not exceed one-tenth of one percent of total contract cost or \$2,500, whichever is greater.
4. States may use their own Buy American provisions if they are equal to or more stringent than those in the Act.

The Department of Transportation has not yet revised its Urban Mass Transportation regulations to conform to the Act.

The Buy American provision of the Surface Transportation Assistance Act of 1982 and its implementing regulations also apply to highway improvement grants authorized under the Emergency Jobs Act (Public Law 98-8, Mar. 24, 1983).

STATE BUY AMERICAN PROVISIONS

Statutes restricting foreign source procurement have been enacted by the 16 States listed below. The restrictions differ from State to State, with some applicable to all State procurements, some applicable to only certain type projects, and some applicable to only specific products such as steel, aluminum, or glass.

Many of the State statutes include provisions for waiving the foreign source restrictions for such reasons as unreasonable price differential, non-availability, inferior quality, and being contrary to the public's best interest.

Alabama

Only materials, supplies, and products manufactured, mined, processed, or otherwise produced in the United States

⁴As of June 10, 1983, FHWA revised its regulations to make contracts of any value subject to Buy American restrictions. Projects costing less than \$450,000 were previously exempt from the restrictions.

or its territories, if the same are available at reasonable prices, shall be used in the construction, repair, or maintenance of any public works project to be financed entirely by the State of Alabama, or any political subdivision thereof. (Alabama code tit. 39 sec. 3 (1); Michie 1977.)

Hawaii

In all expenditures of public money for any public work or in the purchase of materials or supplies, preference shall be given to American products, materials or supplies. (Hawaii Rev. Stat. sec. 103-24, 1976.)

The statute does not make it mandatory to use American products, and a previous opinion from the Hawaii Attorney General's Office indicated that "preference" requires comparable products, and the determination of comparability of products is left to the administrative judgment and discretion of the department head. (State of Hawaii Department of Transportation Director's Memorandum No. 135, sec. 103.24, Sept. 8, 1975.)

Indiana

Every contract for the construction, reconstruction, alteration, repair, improvement or maintenance of public works must contain a provision that only domestic steel products are to be used or supplied in work contracted by public agencies. A 15-percent price differential is applied in determining whether the price of the domestic steel product is reasonable. However, the differential may be increased to 25 percent if the use of the domestic steel product would benefit the local or state economy through improved job security and employment opportunity. (Code 5-16-8, Burns Indiana Statutes Annotated (Michie 1983).)

Iowa

Preference shall be given to purchasing American-made products and from American-based businesses if the life cycle costs are comparable to those products of foreign businesses and which most adequately fulfill the [department of general services'] needs. (Sec. 18.3 ¶ 1, Iowa Code Annotated, Cumulative Supp. (West 1982).)

Maryland

Every contract advertised for bid for the construction or maintenance of public works or for the purchase or manufacture of any item of machinery or equipment of at least 10,000 pounds of steel products to be installed at sites of public works must use or supply only domestic steel products. A 20-percent price differential is applied in determining whether the price of domestic steel is reasonable; however, if the

product is produced in a labor surplus area, a 30-percent price differential is used. (Annotated Code of Maryland, Article 21 § 8-701 to 8-705.)

Massachusetts

Legislation governing purchases of supplies and materials for State departments includes a preference, other considerations being equal, in favor, first, of supplies and materials manufactured and sold within the Commonwealth and second, of supplies and materials manufactured and sold elsewhere within the United States. (Massachusetts Annotated Laws ch. 7, sec. 22 (17); Michie/Law Co-op, 1980.)

Minnesota

When all other factors are substantially equal, preference is to be given to those products which are manufactured to the greatest extent in the United States. This provision applies to all materials purchased by the State for governmental purposes. Also, to the extent possible, specifications are to be written so as to permit the State to purchase materials manufactured in the United States. (Minnesota Statutes Annotated, sec. 16.073, Cumulative Supp. (West 1983).)

New Jersey

New Jersey law requires contract specifications to state that only manufactured and farm products of the United States, wherever available, be used in work contracted by counties and municipalities. Title 52:33-2 specifies that only domestic material be used on public works projects. (New Jersey Statutes Annotated 40A:11-18; West 1980.)

New York

Contracts over \$100,000 in value awarded by the State for any public works shall require that structural steel, reinforcing steel, and/or other major steel items be produced or made in whole or substantial part in the United States, its territories, or possessions. These provisions shall not apply if the head of the department or agency determines that such provisions would not be in the public's best interest, would result in unreasonable costs, or that such steel cannot be produced or made in the United States in sufficient and reasonably available quantities and of satisfactory quality. (Book 55, Sec. 146 (McKinney's Consolidated Laws of New York Annotated) Interim Annotation Service, June 1982.)

Ohio

Only domestically produced steel is to be used in construction projects where State funds are involved. (Pages Ohio Rev. Code Annotated, sec. 153.011. Supp. 1982.)

Oklahoma

All agencies, boards, commissions, offices, institutions, or other governmental bodies of the State of Oklahoma shall purchase goods and equipment manufactured or produced in the United States of America. (Oklahoma Statutes Annotated, title 61, sec. 51; West, 1963.)

Pennsylvania

Every contract document for the construction, reconstruction, alteration, repair, improvement, or maintenance of public works must contain a provision that only domestic steel products, including cast iron products, be used or supplied in work contracted by public agencies. (Purdon's Pennsylvania Statutes Annotated, tit. 73, secs. 1881-1887, Cumulative Supp. (West 1982) as amended by Act of June 18, 1982.)

Rhode Island

Contracts for public works must contain a provision that only steel products made in the United States will be used in performing the contract or any subcontracts thereunder.

This section shall not apply if the head of the public agency, in writing, determines that steel products as herein defined are not produced or readily available in the United States or that such steel products shall not exceed 15 percent of the costs of any other steel products obtainable nationally or internationally. (General Laws of Rhode Island, 1956, Re-enactment of 1977 and 1979; (Cumulative Supp. (1981) secs. 37-2.1-3; 37-2.1-5.)

Virginia

Contracts and subcontracts of \$50,000 or more for any public works must contain a provision that only domestic steel products shall be supplied unless the governing body or head of such agency determines that the cost of domestic steel products is unreasonable or that the products are not produced in sufficient quantities or are not sufficiently available to meet the contract requirements.

The offered or bid price of domestic steel products is not unreasonable unless it is more than 10 percent higher than the price of foreign-made steel products including any applicable duty. (Code of Virginia, amended by adding in tit. 11, ch. 4.1, secs. 11-23.6-11-23.10 (Michie, Cumulative Supp. (1982).)

West Virginia

Every contract and subcontract for the construction, reconstruction, alteration, repair, improvement, or maintenance of public works or for the purchase of any item of equipment to be used at sites of public works must contain a provision that only domestic aluminum, glass, or steel products be supplied in work contracted by public agencies. This requirement applies to any public works contract awarded in an amount more than \$50,000, and provided that these products are produced in sufficient quantities domestically. With regard to steel only, this requirement applies to any public works contract awarded in an amount more than \$50,000 or requiring more than 10,000 pounds of steel products. A 20-percent differential is applied in determining whether the price of domestic steel is reasonable and a 30-percent differential if the products are produced in a substantial labor surplus area. (Article 19, §5-19-2 & 4, Cumulative Supp. (Michie 1982).)

Wisconsin

When all other factors are substantially equal, the State shall purchase any goods, supplies, equipment, or any other tangible products or materials which are manufactured to the greatest extent in the United States. (Wisconsin Statutes Annotated 16.754, West Cumulative Supp. 1982.)

BUY AMERICAN CONTRACT RESTRICTIONS
FOR FEDERAL-AID HIGHWAY PROJECTS

To receive FHWA funds, States must meet at least one of the following requirements with respect to procurement of foreign products.

1. The project includes no permanently incorporated steel or cement materials. If cement or steel materials are to be used, all manufacturing processes for these materials must occur in the United States.
2. The project is undertaken pursuant to 23 U.S.C. 117 which permits a State to certify that its laws, regulations, directives, and standards are adequate to accomplish the policies and objectives of section 165 of the Surface Transportation Assistance Act of 1982, Public Law 97-424, 96 Stat. 2097.
3. The State has standard contract provisions that favor the use of domestic materials and products, including cement and steel materials, to the same or a greater extent than the provisions here set forth.

4. The State elects to include alternate bid provisions for foreign and domestic steel and/or cement materials which comply with the following requirements. Where utilized, the contract provisions must require all bidders to submit a bid based on furnishing domestic steel and/or cement materials and the provisions must clearly state that the contract will be awarded to the bidder who submits the lowest total bid based on furnishing domestic steel and/or cement materials unless such total bid exceeds the lowest total bid based on furnishing foreign steel and/or cement materials by more than 25 percent. Any procedure for obtaining alternate bids based on furnishing foreign steel and/or cement materials which is acceptable to the Division Administrator may be used. The alternate bid provision may apply to steel, cement or both steel and cement.

5. When domestic cement and steel materials are otherwise required, the requirements do not prevent a minimal use of foreign materials, if the cost of such materials used does not exceed one-tenth of one percent (0.1 percent) of the total contract cost or \$2,500, whichever is greater.

In the summer of 1982, through contacts with State transportation department officials, we found that 49 of the 50 States had standard contract provisions which implemented FHWA Buy American regulations. Ohio, the lone exception, has a Buy American statute requiring domestic steel to be used on all construction projects involving State funds. This satisfies the FHWA requirements for receiving Federal funds.

ISSUES RELATED TO STATE AND
LOCAL BUY AMERICAN RESTRICTIONS

There has been no litigation since that discussed in our November 1978 report over the constitutionality of State and local Buy American restrictions in the programs we reviewed. Our 1978 report discussed cases involving the validity of such restrictions from 1962 through 1977.

FOREIGN SOURCE PROCUREMENT
BY STATES AND ORGANIZATIONS

FEDERAL-AID HIGHWAY PROGRAM

The FHWA, through its Federal-Aid Highway Program, provides the States, the District of Columbia, and the U.S. territories with funds to construct and improve urban and rural highway systems. The program provides 75 to 100 percent of a highway project's cost. Federal-aid highway construction contracts awarded from January 1979 through December 1981 totaled almost \$21 billion.¹

The Surface Transportation Assistance Act of 1978, which authorized the Federal-Aid Highway Program until January 6, 1983,² required, with exceptions, that Federal funds could not be obligated for highway projects unless materials and supplies were of domestic origin. Implementing regulations, however, narrowed the restrictions to only one product--structural steel.

FHWA's Buy American regulations allowed States to purchase foreign structural steel for Federal-aid highway projects if (1) the estimated project cost was less than \$450,000 or (2) the use of foreign structural steel would reduce total project cost by at least 10 percent. Further, a State could request a waiver of the provision if it was not in the public's best interest or the steel was not available domestically in sufficient quantity and quality.

We asked State transportation department officials and their counterparts in the District of Columbia and the U.S. territories to identify all foreign steel purchases on Federal-aid highway projects from January 1979 through December 1981.³ We also visited 12 State transportation departments to substantiate information provided by letter and to review applicable procurement records and compliance with Buy American regulations, where appropriate.

¹Secondary road construction excluded.

²The 1978 Act was repealed by the Surface Transportation Assistance Act of 1982. (See p. 2, app. I for discussion of Buy American provision changes.)

³Calendar year 1981 was the latest full year procurement information available at the time of our review. We did not update the data to include calendar year 1982 because the small amount of foreign procurement reported for the base period did not warrant such a followup.

Table 1 summarizes foreign steel purchases reported by the States and territories. In brief, 29 States and 2 territories reported some foreign steel purchases on Federal-aid highway projects; 19 of these States and the 2 territories identified approximately \$63.2 million in such purchases. Foreign structural steel procurement totaled \$28.8 million of this amount and the remaining \$34.4 million represented the cost of other foreign, nonstructural steel items, such as prestressed wire strand and reinforcing bar. These amounts are approximate because some States reported data that included labor and other costs. The other 10 States could not quantify their foreign steel purchases.

It should be noted that, although \$28.8 million was spent on foreign structural steel, two bridge projects--the Arkansas River Bridge and the Wisconsin Arrowhead Bridge--accounted for 82 percent of this total. The Arkansas project used \$17,685,844 in foreign structural steel and the Wisconsin project used \$5,957,936.

The steel used on the Arkansas and Wisconsin projects satisfied Federal Buy American provisions, which allowed foreign structural steel to be used if it reduced total project cost by at least 10 percent. On the Arkansas River Bridge project, foreign structural steel reduced total project cost by 11 percent; the bid with foreign steel totalled \$24,243,995, whereas the lowest domestic bid was \$27,381,201. On the Wisconsin Arrowhead Bridge project, foreign structural steel reduced total project cost by 12 percent; the bid with foreign steel totalled \$6,825,886, whereas, the lowest domestic bid was \$7,764,683.

Table 1

Foreign Steel Procurement by States and Territories
(Calendar Years 1979-81)

<u>State</u>	<u>Steel materials</u>	<u>Primary sources</u>	<u>Approximate value</u> (note a)
Alabama	Prestress wire strand	Japan	Unknown
Alaska	Structural steel	Great Britain	\$ 434,145
	Prestress wire strand	Japan	283,608
Arkansas	Structural steel	Japan	17,685,844
	Prestress wire strand	Japan/Mexico	50,400
California	Structural steel	Japan	b1,473,800
	Prestress wire strand	Japan	5,748,800
	Miscellaneous steel items	Japan	11,044,400
Colorado	Prestress wire strand	Japan/Brazil	184,065

<u>State</u>	<u>Steel materials</u>	<u>Primary sources</u>	<u>Approximate value (note a)</u>
Connecticut	Prestress wire strand	S. Africa/Japan/ Germany	Unknown
	Reinforcing bars	Japan/France/ Luxemburg/S. Africa	Unknown
	Reflective sheeting	Japan	Unknown
Florida	Prestress wire strand	Japan/Spain	Unknown
Georgia	Structural steel	Unknown	Unknown
	Prestress wire strand	Japan	Unknown
Guam	Miscellaneous steel items	Unknown	50,000
Illinois	Structural steel	Japan/Germany/ Great Britain/ France	Unknown
	Prestress wire strand	Japan	Unknown
	Miscellaneous steel items	Japan/Canada/ Korea/Yugoslavia	Unknown
Indiana	Miscellaneous steel items	Germany	50,000
Iowa	Steel extrusions and miscellaneous steel items	Germany/Great Britain	10,000
Kansas	Structural steel	Japan/Great Britain	\$ 406,055
Louisiana	Prestress wire strand	Japan	Unknown
Maine	Prestress wire strand	Unknown	Unknown
	Reinforcing bars	Unknown	Unknown
Missouri	Structural steel	Brazil	17,160
Montana	Prestress wire strand	Japan	36,078
	Pipe pile	Japan	30,500
Nebraska	Prestress wire strand	Japan	30,000
New York	Prestress wire strand	Japan/Brazil S. Africa/ Great Britain	Unknown

<u>State</u>	<u>Steel materials</u>	<u>Primary Sources</u>	<u>Approximate value</u> (note a)
N. Carolina	Structural steel	S. Africa	68,400
	Prestress wire strand	Japan	521,333
	Prestress wire strand	Brazil	260,667
	Reflective sheeting	Japan	32,592
N. Dakota	Structural steel	Canada	895,978
	Reinforcing bars	Canada	427,978
	Miscellaneous steel items	Canada	32,691
Northern Mariana Islands	Miscellaneous steel items	Unknown	1,170
Oklahoma	Miscellaneous steel items	Unknown	284,200
	Prestress wire strand	Unknown	Unknown
Oregon	Prestress wire strand	Japan	13,300,000
S. Carolina	Prestress wire strand	Japan	Unknown
	Wire fencing	Japan	Unknown
	Reflective sheeting	Japan	Unknown
S. Dakota	Structural steel	Canada	1,298
Utah	Prestress wire strand	Japan	Unknown
	Reinforcing bars	Japan	Unknown
	Signposts	Japan	Unknown
Washington	Structural steel	Japan/Great Britain	\$ 1,684,150
	Miscellaneous steel items	Korea/Japan/Great Britain	566,250
	Prestress wire strand	Japan	Unknown
West Virginia	Prestress wire strand	Japan	1,400,000
	Miscellaneous steel items	Germany	40,000
Wisconsin	Structural steel	Japan	5,957,936
Wyoming	Structural steel	Canada	200,000
	Miscellaneous steel items	Unknown	Unknown
Total			<u>\$63,210,808</u>

^aRepresents either costs of materials or in-place costs.

^bValue applies to both Federal-aid highway projects and projects receiving 100-percent California Dept. of Transportation funding.

Reported foreign steel purchases are very small when compared with the total steel used on Federal-aid highway projects. FHWA has estimated that total steel used on highway construction for 1978, 1979, and 1980 represented 8.1 percent of total project costs. If this percentage is representative, then the value of steel used on construction contracts let⁴ from January 1979 through December 1981 was about \$1.7 billion. In contrast, foreign steel purchases reported to us by the States were valued at \$63.2 million. The latter amount is an approximation, however, because some States were unable to determine the value of foreign steel purchases and some data reported included related labor and other costs.

Request for Waiver of
FHWA Buy American Requirements

From January 1979 through December 1981, Seattle, Washington, submitted the only request for waiver of FHWA's Buy American requirements. FHWA approved the request because (1) no domestic steel supplier was willing to furnish the structural steel needed for the project and (2) FHWA wanted to preserve a competitive bidding process between steel and reinforced concrete alternatives. The project, however, was eventually constructed using reinforced concrete rather than structural steel.

Possible Violations of Buy
American Requirements

As a result of our visits with transportation officials in 12 States, we identified six Federal-aid highway projects for which contractors purchased foreign structural steel apparently without meeting the conditions for use of such steel (see p. 9). These purchases totaled almost \$1 million and were made on projects in North Dakota and Washington from February 1979 through August 1981, as shown below.

<u>State</u>	<u>Project cost</u>	<u>Foreign struc- tural steel cost</u>
North Dakota	\$2,304,485	\$465,700
North Dakota	485,741	244,658
North Dakota	696,861	185,620
Washington	4,499,273	25,344
Washington	1,029,563	2,226
Washington	670,847	900
Total		<u>\$924,448</u>

⁴Secondary road construction excluded.

State officials were uncertain why these foreign steel purchases were not identified and challenged by State employees. We referred these cases to the FHWA in March 1983 for its resolution. We requested that FHWA consider recovering the funds which have been expended improperly to purchase foreign structure steel under the Federal claims collection Act of 1966 (31 U.S.C. §3711) or the feasibility of waiving the Buy American restrictions in these cases, pursuant to 23 C.F.R. §635.410(d). As of July 8, 1983, FHWA had not reached a final determination on the cases.

WASTEWATER TREATMENT CONSTRUCTION PROGRAM

The Environmental Protection Agency, through its Wastewater Treatment Construction (WWTC) program, provides funds to help local units of government construct or upgrade wastewater collection and treatment systems. The program permits grants of up to 75 percent of the cost of constructing such facilities. Over \$5 billion in Federal funds were approved for 1,851 WWTC projects from October 1979 through September 1981.

The Federal Water Pollution Control Act, as amended,⁵ authorizes the WWTC program and requires, with exceptions, that no grant shall be made for any treatment project unless materials and supplies are of domestic origin. Implementing regulations, however, limit this preference to a 6-percent price differential between domestic and foreign construction materials.

To estimate the amount of program funds being used to purchase foreign goods, we reviewed 50 grants selected at random from the 1,851 grants awarded during fiscal years 1980 and 1981. For each grant reviewed, we contacted grantee officials, consulting engineers, contractors, suppliers, and some manufacturers to identify, to the extent practicable, all foreign purchases made under the grant. We used telephone interviews and grantee and contractor documentation to develop this information. We also visited seven projects to inspect facilities and review records.

We identified about \$2.5 million in foreign purchases for the grant projects in our sample (see table 2). This represented less than 1 percent of the total Federal funding (about \$289 million) provided for the projects. About \$2.1 million of the \$2.5 million in foreign purchases was for sheet piling and struts and whales necessary for construction but not incorporated in the facility; these items are the property of the contractor and are to be salvaged upon completion of the project.

⁵Section 39 of the Clean Water Act of 1977.

Table 2

Foreign Items Purchased In
Wastewater Treatment Grants

<u>Project sponsor</u>	<u>Foreign item</u>	<u>Country of origin</u>	<u>Estimated cost</u>
Cass City, Mich.	Scale	Switzerland	\$ 2,500
Genessee County, Mich.	One soil moisture tester	England	847
Eaton, Ohio	Typewriter	W. Germany	960
	Scales	Switzerland	5,500
Madison, Wis.	Misc. nuts and bolts	Unknown	500
Glenwood, Iowa	2" ball valves	Japan	120
	Scale	Switzerland	2,500
Sabattus, Me.	Scale	Switzerland	3,300
Greensboro, N.C.	Misc. nuts and bolts	Japan	17,000
Las Vegas, Nev.	Typewriter	W. Germany	800
	Misc. iron and steel	Japan	1,800
	Scales	Switzerland	5,000
Van Buren, Mo.	Scale	Switzerland	1,700
Weatherford, Tex.	Scale	Switzerland	1,800
Corsicana, Tex.	Ball-check valves	Sweden	28,752
Rockland Co., N.Y.	Q-seal	Japan	1,945
Tacoma, Wash.	Air blowers	Canada	20,000
	Nails	Unknown	10,000
	Galvanized steel pipe	S. Korea	3,000
Cobden, Ill.	Screw pumps	Canada	25,000
	Scale	Switzerland	2,000
Huntsville, Tex.	Scale	Switzerland	1,800
Missola, Mont.	Hydraulic gear drives	England	45,000
Yankton, S.D.	Mechanical bar screens	Canada	38,000
Dequeen, Ark.	Scale	Switzerland	1,200

<u>Project sponsor</u>	<u>Foreign item</u>	<u>Country of origin</u>	<u>Estimated cost</u>
Dunkirk, Ind.	Scale	Switzerland	1,000
Vinita, Okla.	Scale	Switzerland	2,430
Noel, Okla.	Scale	Switzerland	1,560
San Francisco, Calif.	Steel sheet piling	France, Japan	1,930,336
	Struts and whales	France, Belgium	200,000
	Pile driving hammer	Japan	100,000
	Pumps	Denmark	37,500
Foley, Ala.	Lubrication pumps	Netherlands	12,000
	Gear drive	Netherlands	<u>15,000</u>
Total			<u>\$2,520,850</u>

Consulting engineers, contractors, and equipment manufacturers and suppliers told us that very few foreign source products or materials are used on WWTC projects because:

- Buy-American statutes and regulations prompt engineers and contractors to specify U.S. producers.
- U.S. consulting engineers and contractors have had many years of experience with domestic wastewater treatment products and materials and have confidence in their performance characteristics. This makes it particularly difficult for new or foreign suppliers to enter the waste treatment market.
- Considerable use is made of bulk materials (aggregates, concrete pipe, etc.) and competition is usually limited to firms near the construction site.
- Some foreign manufacturers of wastewater treatment products assemble their products in the United States, using a large percentage of domestic components.
- Many municipalities encourage purchasing services from local firms and products from local suppliers.

AIRPORT DEVELOPMENT AID PROGRAM

The Federal Aviation Administration, through its Airport Development Aid Program (ADAP), makes grants to eligible airport owners⁶ for (1) constructing or improving runways, taxiways, and terminal buildings and (2) purchasing land, lighting, and navigational aids and safety, security, and snow removal equipment. In fiscal years 1980 and 1981, ADAP provided up to 90 percent of the costs for airport development at small air carrier airports, commuter airports, and general aviation airports and up to 75 percent of project costs for large and medium-size air carrier airports. Almost \$1 billion was approved for 1,439 ADAP projects during this period.

Legislation authorizing ADAP, the Airport and Airway Development Act of 1970, expired in October 1980, but the Congress extended funding through September 1981. In 1982, the Congress enacted the Airport and Airway Improvement Act of 1982, which continues the grants program, now called the Airport Improvement Program. Neither Act contains a Buy American provision that restricts ADAP grantee procurement.

To estimate the extent of foreign source procurement in ADAP, we reviewed 50 grants selected at random from the 1,439 grants awarded during fiscal years 1980 and 1981. These grants included projects for land acquisition, land clearing, landscaping, lighting, excavating, paving, fencing, building construction, and vehicle acquisition. For each grant reviewed, we contacted grantee officials, consulting engineers, contractors, suppliers, and some manufacturers to identify, to the extent practicable, all foreign purchases made under the grant. We used telephone interviews and grantee and contractor documentation to develop this information. We also visited eight projects to inspect facilities and review records.

We did not identify any foreign purchases in the 50 grants reviewed. This strongly suggests that foreign source procurement for ADAP, as a whole, is a very small portion of overall procurement. This is consistent with the minimal foreign purchases reported in November 1978.

We found that grantee proclivity toward domestic sourcing stems largely from the nature of the projects and the types of services and products used in airport improvement grants. The construction of runways, taxiways, and aprons, which represents a large share of ADAP costs, involves contractor services, such as landscaping and installing airport lighting, that are not readily amenable to foreign competition. Such construction also

⁶To be eligible for an ADAP grant, an airport must be included in the National Airport System Plan.

involves significant amounts of different paving materials which, because of their bulk and weight, are generally procured locally.

Other grant items, in effect, prohibit foreign competition. These include the acquisition of land or easements and the purchase of airport lighting and navigational equipment. These latter items must be made by FAA-approved manufacturers and only domestic manufacturers had been approved at the time of our review.

Those involved in the program also said that foreign source procurement was unlikely because:

- Local contractors and suppliers are preferred because of convenience, familiarity with their work and personnel, and a general desire to support local businesses.
- Metal fencing materials brought in via ocean transport require anti-corrosion coating, which some view as undesirable.
- Although U.S. vehicles are higher priced than foreign vehicles, parts availability and lower labor and parts costs involved in maintaining U.S.-built vehicles makes them competitive.

URBAN MASS TRANSPORTATION CAPITAL
IMPROVEMENT AND OPERATING ASSISTANCE
GRANTS

The Urban Mass Transportation Administration (UMTA) provides financial assistance to States and local public agencies for planning, developing, and improving mass transportation systems. Most of this funding comes in the form of discretionary capital improvement grants and formula assistance grants authorized by the Urban Mass Transportation Act, as amended. Prior to enactment of the Surface Transportation Act of 1982, discretionary capital improvement grants provided 80 percent⁷ of the cost of new system equipment, property acquisition, construction, and modernization of transit facilities and equipment. And, formula assistance grants provided and continue to provide 50 percent of the cost of transit operating deficits and 80 percent of total capital costs to improve or continue mass transportation service. UMTA obligated over \$3.1 billion for these programs during fiscal year 1982.

⁷Federal participation is now limited to 75 percent.

During our review, UMTA grants were conditioned by a domestic preference provision contained in Section 401 of the Surface Transportation Assistance Act of 1978 and interpreted in UMTA regulations. In relevant part, the regulations considered an end product to be domestic if more than 50 percent of that end product's components (by cost) were of U.S. origin and final assembly occurred within the United States. The regulation also permitted the Administrator to waive the domestic preference requirement under certain conditions.

UMTA grantees purchased about \$3 billion in mass transit railcars and buses from October 1978 through December 1982. Although most of the railcar awards went to foreign manufacturers, each purchase satisfied UMTA's definition of a domestic product. For buses, domestic firms received almost 87 percent of the awards.

Since January 1, 1982, UMTA received 13 grantee requests for waivers of the Buy American provision for bus procurements⁸. It approved 7 of these requests. Most were approved because overall project costs would have increased by more than 10 percent if the contracts had been awarded to the domestic bidders.

Railcar procurement

UMTA funded 15 railcar procurements (\$1,203 million) from October 1978 through December 1982. Foreign manufacturers received 12 of the 15 awards. We were told, however, that each foreign award satisfied Buy American requirements--more than 50 percent of the components (by cost) were of domestic origin and final assembly took place in the United States. UMTA officials estimated that U.S. content in the foreign awards ranged from 50 to 65 percent of the cost. Table 3 shows details of the railcar procurements.

Table 3

Domestic and Foreign Railcar Awards (Oct. 1978-Dec. 1982)

<u>Grantee location</u>	<u>Manufacturer</u>		<u>Railcars Purchased</u>	<u>Value of awards (millions)</u>	<u>Percent of total awards</u>
	<u>foreign</u>	<u>domestic</u>			
Chicago		Budd	300	\$133.3	
Baltimore		Budd	56	40.6	
Miami		Budd	136	98.0	
Subtotal domestic			<u>492</u>	<u>\$271.9</u>	<u>23</u>

⁸Information on total waivers requested prior to 1982 was not readily available.

<u>Grantee location</u>	<u>Manufacturer</u>		<u>Railcars Purchased</u>	<u>Value of awards (millions)</u>	<u>Percent of total awards</u>
	<u>foreign</u>	<u>domestic</u>			
Pittsburgh	Siemens		55	\$ 53.0	
San Francisco	Safarval		90	127.0	
Southeast Pennsylvania	Nissho-Iwai Kawasaki		141	57.7	
Washington Metropolitan Area	Breda		294	275.0	
Philadelphia	Nissho-Iwai Kawasaki		110	63.0	
Northern, Indiana	Sumitomo		35	33.5	
New Jersey	Boyardier		57	43.0	
Buffalo	Tokyu Car		33	21.8	
Portland Trimet	Boyardier		26	21.7	
Cleveland	Tokyu Car		60	57.0	
Atlanta	Tokyu Car		30	39.0	
Houston (note a)	Hitachi-C. Itch		130	139.3	
Subtotal foreign			<u>1,061</u>	\$ 931.0	<u>77</u>
Total			<u>1,553</u>	<u>\$1,202.9</u>	<u>100.0</u>

^aDepends on approval of railcar system.

Transit Buses

From October 1978 through December 1982, UMTA provided grantees approximately \$1.77 billion to purchase buses. Grantees used almost 87 percent of these funds to purchase domestic buses. They also purchased almost 1,600 buses (\$234 million) from foreign manufacturers, principally because domestic firms did not respond to invitations for bids. UMTA officials told us that during the late 1970s most "new look" and articulated buses were manufactured in Europe and Canada. Today, however, many foreign bus manufacturers have plants in the United States in order to comply with the final assembly requirements of UMTA's Buy American regulations.

Information provided by UMTA regional offices on bus awards is shown in table 4.

Table 4
Foreign Bus Procurement
 (Oct. 1978 - Dec. 1982)

<u>Grantee</u>	<u>Manufacturer</u>	<u>Reason for Award (note a)</u>	<u>Number of buses</u>	<u>Value of award</u>
Massachusetts Bay, Mass.	General Motors-Canada	1	121	\$10,424,332
	Flyer Industries-Canada	2	168	20,957,160
Greater Hartford, Conn.	General Motors-Canada	1	4	581,454
Southeast Regional, Mass.	General Motors-Canada	1	10	1,211,170
Lewiston-Auburn, Ga.	General Motors-Canada	1	14	1,617,456
Greater Attleboro/ Taunton, Mass.	Ontario Bus Industry Canada	3	3	33,513
Westchester County, N.Y.	MAN Truck and Bus-West Germany	1	41	10,823,107
Central New York	Flyer Industries-Canada	1	25	3,276,330
Suffolk County, N.Y.	Flyer Industries-Canada	1	25	3,399,100
Northern Kentucky	General Motors-Canada	N/A	40	5,360,000
Chicago, Ill.	Flyer Industries-Canada	2	200	25,222,000
Bi-State, Mo.	General Motors-Canada	1	136	17,509,000
	General Motors-Canada	1	35	4,506,000
Topeka, Kan.	General Motors-Canada	3	3	443,190
Colorado Springs, Colo.	General Motors-Canada	2	4	503,656
Denver, Colo.	General Motors-Canada	2	58	7,060,232
	General Motors-Canada	2	69	8,401,026
Utah	General Motors-Canada	2	24	2,904,076
	General Motors-Canada	2	63	8,101,642
San Mateo, Calif.	Flyer Industries-Canada	1	13	1,596,881
	Crown Taurus-Hungary	1	10	1,950,000

APPENDIX II

<u>Grantee</u>	<u>Manufacturer</u>	<u>Reason for Award (note a)</u>	<u>Number of buses</u>	<u>Value of award</u>
Santa Clara, Cal.	Crown Ikarus-Hungary	1	15	4,785,525
San Diego, Cal.	General Motors-Canada	N/A	45	5,907,015
Torrance, Cal.	Flyer Industries-Canada	N/A	4	549,960
Lane County, Mass	General Motors-Canada	1	18	1,852,096
Seattle, Wash.	Flyer Industries-Canada	1	116	12,114,228
Anchorage, Alas.	Flyer Industries-Canada	1	10	1,227,100
	Flyer Industries-Canada	1	5	613,550
	Flyer Industries-Canada	1	15	1,957,650
Boise, Idaho	General Motors-Canada	1	10	1,233,110
Tri-Met. Ore.	Crown-Ikarus-Hungary	1	87	20,118,750
Grays Harbor, Wash.	General Motors-Canada	3	1	118,223
Seattle, Wash.	MAN Truck and Bus-West Germany	N/A	202	48,119,632
			<u>1,594</u>	<u>\$234,478,164</u>

^aWaivers granted because:

1. No responsive or responsible domestic bid received.
2. Domestic procurement would increase cost of overall project by more than 10 percent.
3. Project value was \$500,000 or less.

PURCHASE OF CONRAIL
DEBENTURES AND PREFERRED STOCK

To provide for an economically viable rail system in the Northeast and Midwest sections of the country, the Congress has authorized Government investment in the Consolidated Rail Corporation (Conrail). Since April 1976, the Government has purchased \$1 billion in Conrail debentures and \$2.28 billion in Conrail preferred stock. These funds have supplemented Conrail's internal cash flow for rehabilitating certain properties acquired from bankrupt railroads.

Neither legislation authorizing Government investment in Conrail nor Conrail internal policy requires that preference be given to domestic suppliers.

A Conrail official told us that Conrail procurement totaled about \$2.5 billion from April 1978 through March 12, 1983. During this same period, Conrail made foreign purchases of approximately \$13.0 million, as shown below.

Conrail Foreign purchases (note a)
(April 1978 - March 1983)

<u>Item</u>	<u>Cost</u>
Tie Plates	\$ 4,744,072
Steel truck castings	3,174,516
Field Welds	5,136,233
	<u>\$13,054,821</u>

^aIncludes foreign purchases, other than service contracts and fuel related items, in excess of \$200,000.

GUARANTEES OF OBLIGATIONS AND
PURCHASE OF PREFERENCE SHARES
OF U.S. RAILROADS

The Federal Railroad Administration, in the Department of Transportation, administers railroad rehabilitation and improvement financing under the Railroad Revitalization and Regulatory Reform Act of 1976. Section 511 provides for guarantees of obligations and section 505 provides for Government purchases of redeemable preference shares and debt instruments issued by railroads and others.

The preference share and obligation guarantee programs have provided \$634.2 million to the railroads as of March 31, 1983, over 71 percent of it to the Chicago, Milwaukee, St. Paul and Pacific Railroad Company; the Chicago and North Western Transportation Company; and the Illinois Central Gulf Railroad Company. Neither the Federal Railroad Administration nor any of the railroads contacted require preference for domestic products.

The Chicago, Milwaukee, St. Paul and Pacific Railroad Company has received \$50.9 million through the sale of redeemable preference shares and trustee certificates to the Government. It also received \$40.5 million in funding under the guarantee program. For the 3 years ending December 31, 1982, the company identified foreign purchases totaling \$797,599 for wheels and bearings.

The Chicago and North Western Transportation Company reported \$14.3 million in foreign purchases from January 1, 1978 through March 31, 1983. Items purchased were steel castings, wheels, roller bearings, and a small amount of steel rail. The company noted that the purchases were used on several of its own

programs, so they cannot be directly tied to the \$144.1 million in preference share funding and the \$66.2 million in guarantee funding received as of March 31, 1983.

The Illinois Central Gulf Railroad Company has received \$149.8 million through the sale of redeemable preference shares to the Government. It identified \$8.3 million in foreign purchases from October 1, 1978, through September 30, 1982, for steel rail, wheels, and tie plates.

AMTRAK GRANTS AND NORTHEAST
CORRIDOR IMPROVEMENT PROGRAM

The Congress, in the Rail Passenger Service Act and related legislation, authorized approximately \$4.61 billion for Amtrak operations, capital improvements, and the Northeast corridor program from October 1, 1978 through September 30, 1982. This funding was subject to a domestic preference requirement similar to that in the Buy American Act. The preference, however, only applies to Amtrak purchases of \$1 million or more. Further, purchases of rolling stock or motive power equipment may be exempt, if the Secretary of Transportation finds that such equipment cannot be purchased and delivered in the United States within a reasonable time. The Secretary has issued no regulations implementing the domestic preference provision.

Amtrak has a Buy American policy which permits foreign purchases only after all possible alternatives to foreign procurement, including specification changes and schedule relief, have been explored. Before a foreign purchase can be made, it must be demonstrated that the product or service is not available from domestic sources at a reasonable price or will not be available in time to meet schedule requirements.

Amtrak's purchases and leases for the 5 years ending September 30, 1982, totaled almost \$1.7 billion. Foreign purchases and leases were almost \$7.9 million, or about 0.5 percent of total procurement. This compares with foreign purchases of \$51.1 million (3.7 percent of total purchases) for the 6 years ending December 31, 1977. The decline in foreign procurement, we were told, is largely due to Amtrak's success in finding domestic source alternatives for French Turbo Train parts and overhauls.

Table 5 shows Amtrak's foreign purchases by fiscal year. Unless otherwise indicated, these purchases were made on the basis of sole source or non-availability in the United States.

Table 5

Amtrak's Foreign Purchases

<u>Fiscal year</u>	<u>Vendor</u>	<u>Item</u>	<u>Cost</u> (thousand)
1978	ANF (France)	Turbo train parts	\$458.6
	Turbomecca (France)	Turbo engine and engine overhauls	169.8
	Voith (Germany)	Transmission parts and turbo engine overhauls	53.6
	Sable Freres (France)	Seats and turbo train parts	1.3
	WABCO (France)	Turbo train air brake parts	<u>16.7</u>
	Total		<u>\$700.0</u>
1979	Martin Voorhees Assoc. (Great Britain)	Marketing research	\$ 10.0
	A.I Welders Ltd. (Scotland)	Spare parts	4.5
	ANF (France)	Turbo train parts	681.8
	Turbomecca (France)	Turbo engine parts and overhaul	274.9
	Voith (Germany)	Transmission parts	70.9
	Sable Freres (France)	Seats and parts	8.5
	WABCO (France)	Air brake parts	57.7
	Faiveley (France)	Turbo doors	1.7
	Creusot-Loire Steel-Valdunes Division (France)	Wheels-turbo train	377.6
	Canadian Steel Wheel (Canada)	Wheels-Superliner, Amfleet	<u>^a621.9</u>
	Total		<u>\$2,109.5</u>

<u>Fiscal year</u>	<u>Vendor</u>	<u>Item</u>	<u>Cost</u> (thousands)
1980	Swedish Rail System (Sweden)	Spare parts	\$ 12.2
	ANF (France)	Train parts	644.9
	Turbomecca (France)	Turbo engine parts and overhaul	50.5
	Voith (Germany)	Transmission parts	328.6
	Sable Freres (France)	Seats and parts	5.1
	WABCO (France)	Airbrake parts	54.8
	Faiveley (France)	Turbo door parts	132.6
	Bombardier Ltd. (Canada)	Car parts	25.2
	Bombardier Ltd. (Canada)	LRC Train lease	b73.2
	Vapor (Canada)	Car parts	.04
	Fundidora de Aceros (Mexico)	Coupler yokes and parts	c247.0
	Canadian Steel Wheel-(Canada)	Wheels-Turbo and AEM 7	d1,635.0
	Total		<u>\$3,209.1</u>
1981	ANF (France)	Train parts	\$ 58.6
	Turbomecca (France)	Turbo engine and parts	86.8
	Voith (Germany)	Transmission parts	26.2
	Vapor (Canada)	Locomotive and car parts-Turboliners	.6
	Sable Freres (France)	Seats and parts	.5
	WABCO (France)	Air brake parts	.5

<u>Fiscal year</u>	<u>Vendor</u>	<u>Item</u>	<u>Cost</u> (thousands)
	WABCO (France)	Brake shoes	\$ 7.2
	Faiveley (France)	Turbo parts-doors	12.7
	Faiveley (France)	Pantograph parts, AEM 7	13.0
	Bombardier Ltd. (Canada)	LRC Train lease	^b 499.0
	American SAB (Sweden)	Air brake parts-Superliner	6.8
	Bombardier Ltd. (Canada)	Car parts-LRC equipment	31.4
	Valdunes (France)	Axles	^c 57.8
	Canadian Steel Wheel (Canada)	Wheels-Jersey Arrow	^c 472.0
	Micanite (Great Britain)	PCB distillation system	74.6
	Swedish Rail System (Sweden)	Spare parts	<u>21.5</u>
	Total		<u><u>\$1,369.2</u></u>
1982	Mitsui & Co. (Japan)	Tie pads	^e \$ 33.6
	American SAB (Sweden)	Air brake parts-Superliner	.9
	Bombardier Ltd. (Canada)	Locomotive parts-LRC	.1
	Dofasco (Canada)	Truck assemblies test	^e 96.0
	Faiveley (France)	Pantograph parts	33.7
	Bombardier Ltd. (Canada)	LRC Train lease	^b 304.9
	Total		<u><u>\$ 469.2</u></u>

^aLack of U.S. wheel manufacturing capacity; purchase made to protect availability of equipment.

^bTesting of new technology.

^cOnly vendor who could meet Amtrak's requirements.

^dDevelopment of alternate source of wheels for AEM-7; all U.S. manufacturers declined opportunity.

^eEvaluation program.

RURAL ELECTRIFICATION LOANS
AND LOAN GUARANTEES

The Rural Electrification Administration (REA), an agency of the Department of Agriculture, makes and guarantees loans to finance electric facilities in rural areas. Nonprofit and cooperative associations, public agencies, and other electric organizations may obtain such loans and loan guarantees for construction and operation of generating plants and transmission and distribution lines and systems. Borrowers for generation and transmission facilities received \$564.9 million in REA loans and \$21.8 billion in loan guarantees from October 1, 1978 through April 20, 1983. This does not include the telephone component of the Rural Electrification program.

Financial assistance is subject to REA's Buy American provision, which gives domestic suppliers a 6-percent price preference over foreign firms. The restriction applies to participation projects (generation plant construction partially financed by REA) as well as generation and transmission projects wholly funded through REA loans and guarantees.

Foreign source procurement reported on projects with REA electrification loans and loan guarantees totaled \$7.6 million from October 1, 1978 through April 25, 1983, as shown in table 6.

Table 6
Foreign Source Procurement
Reported by REA Electric Borrowers
(Oct. 1, 1978 - Apr. 25, 1983)

Generation Project

<u>Location</u>	<u>Foreign Supplier, Product</u>	<u>Cost</u> (thousands)	<u>Basis for</u> <u>foreign</u> <u>procurement</u>	<u>Estimated</u> <u>project cost</u> (000 omitted)
Louisiana	Brown-Boveri (Switzerland) Generator breakers	\$551.7	Sole source	\$ 563,000
Missouri	Trench Electric Ltd (Canada) Coupling capacitor, voltage transformers	31.9	Price	494,150
Colorado	Canada, Overhead crane rail	25.0	N/A domestically	
	Gould-Brown Boveri (Switzerland) Generator breaker	787.9	Sole source	485,891
	TIE Industries Ltd./BEC Brown Boveri (Canada) Generator terminal equipment	494.0	Price	

Generation Project

<u>Location</u>	<u>Foreign Supplier, Product</u>	<u>Cost</u> (thousands)	<u>Basis for foreign procurement</u>	<u>Estimated project cost</u> (000 omitted)
Kentucky	Trench Electric Ltd. (Canada) Linetraps, surge arrestors and CVT's and tuners	\$ 287.0	Price	\$1,694,000
New Mexico	Dresser-Dewarance (England) High pressure valves	254.1	Price	340,200
	Gould-Brown Boveri (Switzerland) Isolated phase bus	281.8	Price	
Utah	Brown Boveri (Switzerland) Isolated phase Bus	380.0	Price	788,000
	ASEA, Inc. (Sweden) 354 KV reactors	922.9	Price	
Louisiana	MAN (West Germany) Turbine foundation	<u>1,250.0</u>	Sole source	<u>1,100,000</u>
	Total	<u>\$5,266.3</u>		<u>\$5,465,241</u>

Transmission Project

North Dakota	SAE Electric (Italy) Tower Steel	\$2,200.0	Price	\$12,500
Kansas	Trench Electric Ltd. (Canada) Shunt reactors	144.0	Price	4,200
	Total	<u>\$2,344.0</u>		<u>\$16,700</u>

^aEstimated

FEDERAL ASSISTANCE (OBLIGATIONS) TO STATE AND LOCAL GOVERNMENTS
AND OTHER ORGANIZATIONS FOR SELECTED PROGRAMS - FY 1982

	<u>Grants</u>	<u>Other</u>
	(000 omitted)	
Federal Highway Administration: Federal aid highway program	\$ 8,010,981 (est.)	\$
Environmental Protection Agency: Wastewater treatment works	3,500,000 (est.)	
Federal Aviation Administration: Airport development aid program	a405,700	
Urban Mass Transportation Administration: Capital improvements program	b1,634,500	
Formula grant program (Operating and capital)	b1,353,239	
U.S. Railway Association: Purchase of Conrail debentures		c0
Purchase of Conrail preferred stock		c0
Federal Railroad Administration: Guarantee of obligations		d0
Purchase of redeemable preference shares and debt instruments		d30,000
Amtrak grants	e735,000	
Department of Agriculture: Rural Electrification insured/ guaranteed loans		f5,915,000
TOTAL	<u>\$15,639,420</u>	<u>\$ 5,945,000</u>

Source: Unless otherwise noted, information was obtained from the "Catalog of Federal Domestic Assistance," Executive Office of the President, Office of Management and Budget.

aObtained from Federal Aviation Administration.

bObtained from Urban Mass Transportation Administration.

cObtained from U.S. Railway Association; represents actual purchases.

dObtained from Federal Railroad Administration.

eObtained from Federal Railroad Administration; figure represents Federal appropriations for Amtrak.

fObtained from Rural Electrification Administration.



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