

TANANA RIVER CROSSING

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NATIONAL STEEL BRIDGE ALLIANCE

A Division of the American Institute of Steel Construction

One East Wacker Drive ■ Suite 700 ■ Chicago, Illinois 60601 ■ Telephone 312.670.2400 ■ Fax 312.896.9022

June 23, 2011

Mr. Christopher Aadnesen
President & CEO
Alaska Railroad Corporation
327 West Ship Creek Avenue
PO Box 107500
Anchorage, Alaska 99510-7500

Dear Mr. Aadnesen:

I am writing on behalf of the National Steel Bridge Alliance regarding the plans for the Tanana River Crossing being developed as part of the Alaska Railroad Corporation's Northern Rail Extension and our interest in ensuring that domestically produced and fabricated steel is given full consideration for this project in accordance with federal law and our national security needs.

It is my understanding that the Environmental Protection Agency has given clearance to the U.S. Army Corps of Engineers' decision to issue a permit for this \$190 million bridge project which will provide the military year round access to the Joint Pacific Area Range Complex (JPARC) military training grounds and is a key to Alaska's plans for eastward rail expansion. I appreciate that this project has been under development for some time and that it is benefitting from significant levels of federal planning funds from the Federal Railroad Administration and the Federal Transit Administration with more than \$104 million in Department of Defense funds already set aside for construction.

This is an extraordinary federal commitment to a transportation infrastructure project that will also provide real benefit to the military and our defense preparedness. As you may be aware, federal transportation law has very clear Buy America provisions to ensure that when U.S. taxpayer funds are invested in domestic transportation projects, preference is given to the use of steel produced in the United States so that U.S. workers and businesses receive the jobs and associated economic benefits of that investment. That requirement extends to the Federal Highway Administration, Federal Transit Administration and to the Federal Railroad Administration. Additionally, this policy commitment to the use of federal funds to support procurement of domestically produced and manufactured products, like steel for bridge construction, extends to the Department of Defense under the Berry Amendment.

I recently became aware that after many years of assistance and value engineering from domestic firms to achieve the greatest value from this project, efforts are being made to source the material and fabrication from non-domestic sources. Our industry would be extremely concerned if every effort was not made to source the steel for the Tanana Bridge project from U.S. producers and fabricators, especially in this difficult economic period. In our view, it would be an outrageous abuse of taxpayer funds if they are used to support the steel industry overseas for this important national security project when we could be providing jobs for our citizens. There is no need to

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seek a foreign option for a product that is routinely and efficiently produced at home at very high quality.

We are interested in a better understanding of how federal funds have been and will be used on this project and we look for your assurance that the Alaska Railroad Corporation, which has benefitted significantly from federal investment in capital projects to further its growth, will communicate to contractors the expectation that steel for this enormous taxpayer funded project be domestically sourced.

I appreciate your consideration of our concerns and would welcome the opportunity to discuss the federal financing of this project and the commitment of our member companies to meeting the needs of the Alaska Railroad Corporation on this project.

Sincerely,

Roger Ferch
Executive Director

cc: Secretary of Transportation Ray LaHood
Secretary of the Air Force Michael Donley
Secretary of the Army John McHugh
Deputy Secretary of Transportation John Porcari
Federal Transit Administrator Peter Rogoff
Federal Railroad Administrator Joseph Szabo
Commander, Alaskan Command Lt. General Dana Atkins
Major General Raymond Palumbo
Senator Mark Begich
Senator Barbara Boxer
Senator Maria Cantwell
Senator James Inhofe
Senator Daniel Inouye
Senator Jeff Merkley
Senator Patty Murray
Senator Lisa Murkowski
Senator Jay Rockefeller
Senator Ron Wyden
Representative Jaime Herrera Beutler
Representative Peter DeFazio
Representative Norm Dicks
Representative John Garamendi
Representative Steny Hoyer
Representative John Mica
Representative Nick J. Rahall
Representative Adam Smith
Representative Don Young

Some of you may have heard ads that are currently running on 750 KFQD regarding the Alaska Railroad using foreign products on the Tanana River Crossing.

Since you're certain to get asked about the ad, several talking points about the project that you can use in conversations with friends and family are attached and listed below. You are the best face in the community and the best spokesperson for the Railroad so please take the time to get to know the details about the project so folks don't just get one side of the issue.

Supervisors please post attached document on bulletin boards for those without emails.

August 2011

Talking Points Relating to Acquisition of Steel for the Tanana River Crossing Project

ARRC has a fixed budget of \$188.2 million to deliver the Project. There is no prospect of additional funding.

ARRC has employed the CM/GC model for constructing the Tanana River Crossing project; ARRC's general contractor Kiewit Infrastructure West Co. (a subsidiary of Kiewit Corporation) is a respected construction firm having worked on many projects in the Northwest including the \$650 million new Tacoma Narrows Bridge completed in 2007.

- Kiewit, responsible for the procurement and logistics of construction material for the project, received quotes for steel and girder fabrication from both domestic and foreign sources. Kiewit received a small number of responsive bids for the work; however, only one was from a domestic supplier.
- Department of Defense (DOD) funds were transferred to the Federal Railroad Administration (FRA) for purposes of administering a federal grant to the Alaska Railroad for the bridge project. FRA requires the Alaska Railroad to comply with the provisions of the Buy American Act, 41 U.S.C. 10a-d, which requires that only domestic construction materials be used for the bridge project except where the cost would be unreasonable.
- Under the Buy American Act and applicable regulations, the purchase of materials of domestic origin shall be deemed to be unreasonable if the cost of the domestic material exceeds the cost of the foreign material by more than 6%.
- The lowest domestic supplier represents a 35% premium (approximately \$5.3MM) over foreign supply pricing.
- Forcing an unreasonable economic procurement decision with regard to domestic supply of steel will take the project beyond all funding sources, eliminating hundreds of American jobs, and a vital piece of national defense infrastructure.
Construction timelines required ARRC to proceed with construction activities in July 2011; ARRC has received Federal Railroad Administration approval to proceed with construction activities.
- Davis Bacon wages will be paid on the project and we anticipate significant local hire.
- Fabrication and delivery of steel girders required for the Project is very complicated. The bridge requires 80, 165-foot long by 11.5 feet high steel girders weighing over 60 tons each. Few fabricators

can produce both the quantity and size of these large bridge members. The scale of the project, combined with the logistics of delivery, limit the number of suppliers and fabricators willing and capable of providing the material.

ARRC and Kiewit are aware of recent articles relating to the Bay Bridge project in San Francisco questioning quality of Chinese steel. The issue appears to be one of quality control/assurance. Kiewit will monitor fabrication/delivery closely. The successful supplier of steel will be required to meet design specifications and be subject to the same quality control and assurance requirements regardless of the country of origin.

Timothy M. Sullivan, Jr.

Manager External Affairs
Alaska Railroad Corporation
907.265.2357