

contracts. The use of U.S. materials is a condition of the grant; recipients must comply with Buy American requirements in order to be eligible for the funds. These projects are often in sectors of key interest to Canadian exporters such as transportation and communications. Use of Canadian products in these projects is often difficult or impossible. Federal funding programs include:

- The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 provides capital and operating funds granted by the Federal Transit Administration and the Federal Highway Administration for transportation projects, including urban mass transit, rail and highways. In general, it requires the use of U.S. materials and equipment unless the granting agency determines that an exception should be made.
- The Federal Transit Administration grants funding on the understanding that all steel and manufactured products (except cement) used in the funded project - - even at the state or local level -- be produced in the United States. All of the manufacturing processes for the product must take place in the United States and all items or materials used in the product must be of American origin. There are detailed definitions for calculating American content in components and subsystems. On any grant made for the purchase of transit vehicles, the general prohibition does not apply if the cost of components produced in the United States is more than 60 per cent of the cost of all the components, and final assembly takes place in the United States. The Federal Highway Administration interprets the Buy American Act provisions of ISTEA more narrowly. When it grants funds, it requires only that manufactured products made of iron or steel be made in the United States.
- The Airport and Airways Facilities Improvement Act authorizes the Federal Aviation Administration to grant funds to state, local, and private organizations to build and improve airports and related facilities and equipment. The Act requires that all facilities and equipment purchased with such funds contain a minimum of 60 per cent U.S. materials, and final assembly of the goods or systems must take place in the United States. This requirement is a barrier to Canadian suppliers of electronics, navigation, telecommunications, and computer equipment; microwave landing systems; road clearing and maintenance equipment.
- The Foreign Relations Act requires 55 per cent American content on all Voice of America modernization contracts, and has restricted the use of Canadian antennae, transmitters, and related telecommunications equipment.