

Correcting the Erroneous “Facts” on CRRC/CRRC MA/CRRC Sifang

Fact 1: Rail manufacturing is one of 10 industries included in the Chinese government’s “Made in China 2025” initiative, a plan targeting global dominance in sectors that the Government of China considers most strategic to its global aims.¹

Fact 2: CRRC, the Chinese state-owned rail enterprise, claims to control about 83 percent of the global rail market already, and tweeted out its plans to “conquer” the remaining 17 percent. This means that it seeks to take over the U.S. transit and freight markets.²

Fact 3: Australia’s freight rail market was decimated by the Chinese state-owned enterprise CRRC. In 8 years (by 2016), all Australian manufacturers ceased production or went out of business. This troubling example is instructive to U.S. policy makers.³

Fact 4: CRRC is using Chinese government funds as subsidies to dramatically underbid competitors and “win” major U.S. municipal transit contracts. Recent CRRC bids for new U.S. transit rail project offer compelling examples of how the Government of China is motivating U.S. cities to let it take over the U.S. market:⁴

- In Boston, CRRC bid 20% less than the next highest bid from a company with a major, longstanding U.S. manufacturing workforce— to win the contract in 2014.
- In Chicago in 2016, CRRC bid nearly a quarter billion dollars less than the next-highest bidder to win the contract.
- In Philadelphia in 2017, CRRC secured a SEPTA contract with SEPTA in Philadelphia with an underbid of more than 20%.
- In Los Angeles in 2017, CRRC used below-market financing tactics to finalize a contract with the L.A. County Metropolitan Transportation Authority for a rail system that could be worth up to \$647 million.

Fact 5: CRRC claims it has a manufacturing facility in the United States and is manufacturing their railcars in the U.S. In reality, CRRC has only built assembly facilities in the United States, where less than 200 employees are assembling railcars that have been completely built, shrink-wrapped, and shipped from China. Their facility in Springfield, MA will assemble the cars for the Boston, Philadelphia, and Los Angeles transit contracts.⁵

Fact 6: In comparison, foreign companies such as the Swiss company Stadler Rail, will open a manufacturing facility in Utah for Atlanta’s MARTA contract. There, they could employ over 1,000 Americans for this manufacturing facility.⁶

Fact 7: The delivery of CRRC’s transit cars for Philadelphia’s transit system, SEPTA, has been delayed by at least six-months due to concerns surrounding the car shells. Which as mentioned above, are being delivered directly from

¹James McBride and Andrew Chatzky, “Is ‘Made in China 2025’ a Threat to Global Trade?”, Council on Foreign Relations (May 2019), accessed on August 15, 2019 at root URL: <https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade>

² *Securing U.S. Surface Transportation from Cyber Attacks*, House Committee on Homeland Security Cong., 1-6 (2019) (testimony of Erik Olson). <https://docs.house.gov/meetings/HM/HM07/20190226/108931/HHRG-116-HM07-Wstate-OlsonE-20190226.pdf>

³ Oxford Economics, *Will We Derail US Freight Rolling Stock Production?*, May 2017, accessed on August 15, 2019 at root URL: <https://www.oxfordeconomics.com/my-oxford/projects/365881>

⁴ U.S.-China Economic and Security Review Commission, *2016 Report to Congress*, November 2016, <https://www.uscc.gov/sites/default/files/Research/China%27s%20High%20Speed%20Rail%20Diplomacy.pdf>

⁵ “New Train Cars Ready for Tests.”, Boston Herald (November 2018), accessed August 15, 2019 at root URL <https://www.bostonherald.com/2017/11/15/new-train-cars-ready-for-tests/>

⁶ “Stadler Rail Makes its First Move for U.S. Manufacturing Expansion”, Utah Governor’s Office of Economic Development (December 2015), accessed August 15, 2019 at root URL: <https://www.bostonherald.com/2017/11/15/new-train-cars-ready-for-tests/>

China. This is not the first time CRRC has been unable to meet their deadline. In Boston, Orange Line cars built by CRRC have been delivered and were originally scheduled to go into service in spring 2019, yet are still not in use.⁷

Fact 8: Commuter transit railcars are highly interconnected, digitally sophisticated vehicles that move through and between all major U.S. cities. They are nodes in complex transit communications networks, extensions of a transit authority's information and operational technology infrastructures, and even Wi-Fi hotspots. In the control of the wrong hands, there are reasons to believe a city's transit rail could be cyber-hacked, allowing an entity to operate it remotely, capture information on its passengers, or to take other dangerous steps.⁸

Fact 9: As illustrated by the Dec. 20 Department of Justice indictment against the Chinese Ministry of State Security, the Chinese Communist Party's use of predatory economic practices like illegal state-sponsored cybertheft reinforce concerns about Chinese companies playing a role in critical infrastructure — whether it be rail cars or 5G telecommunications networks. We should be deeply concerned about giving the Government of China access to our Metro cars and tunnels.⁹

Fact 10: Members of Congress have responded to this threat by offering commonsense, bipartisan legislation to ban federal funds from being used to acquire trains from a Chinese state-owned enterprise. In the Senate, 47 Republicans and Democrats – including the chairs and ranking members of key committees – have cosponsored this measure.¹⁰ There is a House companion version of this bill, with 47 Republicans and Democrats in the House cosponsoring the bill.¹¹ Members of both armed services committees understand the national security implications of a Chinese state-owned-enterprise winning these transit contracts. Language from this bipartisan legislation has been placed in both the House¹² and Senate¹³ versions of the National Defense Authorization Act for Fiscal Year 2020.

Fact 11: According to a 2019 Oxford Economic study, for every job in the rail sector that a Chinese state-owned enterprise creates, the United States actually loses 3.5 to 5.4 jobs. And according to job sites such as indeed.com and glassdoor.com, the “American jobs” created are actually going to Chinese nationals.

Fact 12: CRRC, and therefore the Government of China, has lobbyists in the United States, some that are registered under the Foreign Agent Registration Act (FARA) while others are blatantly in violation of U.S. law and remain unregistered.

⁷ Jim Kinney, “Springfield’s CRRC, Philadelphia transit system agree to delay delivery of commuter rail cars”, Mass Live (July 2, 2019), accessed August 15, 2019 at root URL: <https://www.masslive.com/news/2019/07/springfields-crrc-philadelphia-transit-system-agree-to-delay-delivery-of-commuter-rail-cars.html>

⁸ National Security Vulnerabilities of the U.S. Freight Rail Infrastructure and Manufacturing Sector—Threats and Mitigation, Brigadier General John Adams, US Army (Retired), October 22, 2018, <http://railsecurity.org/wp-content/uploads/2018/10/RSA-National-Security-Risks-to-US-Freight-Rail-Report-Final.pdf>

⁹ Robert McCartney and Faiz Siddiqui, “Could a Chinese-made Metro car spy on us? Many experts say yes.”, Washington Post (January 7, 2019), accessed on August 15, 2019 at root URL: https://www.washingtonpost.com/local/trafficandcommuting/could-a-chinese-made-metro-car-spy-on-us-many-experts-say-yes/2019/01/07/00304b2c-03c9-11e9-b5df-5d3874f1ac36_story.html?noredirect=on

¹⁰ “S.846-Transit Infrastructure Vehicle Security Act”, Congress.gov, accessed on August 15, 2019 at root URL: <https://www.congress.gov/bill/116th-congress/senate-bill/846>

¹¹ “H.R. 2739-Transit Infrastructure Vehicle Security Act”, Congress.gov, access on August 15, 2019 at root URL: <https://www.congress.gov/bill/116th-congress/house-bill/2739/>

¹² “H.R. 2500-National Defense Authorization Act for Fiscal Year 2020”, Congress.gov, accessed on August 15, 2019 at root URL: <https://www.congress.gov/bill/116th-congress/house-bill/2500/>

¹³ “S.1790-National Defense Authorization Act for Fiscal Year 2020”, Congress.gov, access on August 15, 2019 at root URL: <https://www.congress.gov/bill/116th-congress/senate-bill/1790>