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September 5, 2019

The Honorable James Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

The Honorable Adam Smith
Chairman
Committee on Armed Services
United States House of Representatives
Washington, DC 20515

The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate
Washington, DC 20510

The Honorable Mac Thornberry
Ranking Member
Committee on Armed Services
United States House of Representatives
Washington, DC 20515

RE: Preserve the Transportation Infrastructure Vehicle Security Act (TIVSA) in NDAA Conference

Dear Chairman Inhofe, Chairman Smith, Ranking Member Reed and Ranking Member Thornberry,

The Railway Supply Institute (RSI) is an international trade association representing more than 200 companies involved in the manufacture of goods and services in the locomotive, freight car, maintenance of way, communications and signaling and passenger rail industries. RSI members provide critical products to Class I and short line railroads, shippers, Amtrak, and transit authorities nationwide and work with these customers to create new products or services that drive enhancements in safety and efficiency across their networks.

The rail supply industry is a robust pillar of the American economy, supporting roughly 125,000 jobs in the United States and \$74 billion in GDP. While our members have a strong presence across the United States, they also market their products around the world and have complex global supply chains that support their manufacturing operations. Over the past few years, our members have witnessed increased government intervention in the global rail marketplace from foreign governments. Most notably, a Chinese-owned State-Owned Enterprise (SOE) called CRRC has identified rail manufacturing as a strategic market sector and made clear their intention to dominate the global railway supply and rolling stock market.

Here in the United States, CRRC and its affiliates have leveraged state-backed financing and below-market loan rates to secure \$2.6 billion in railcar contracts for commuter agencies in Boston, Chicago, Los Angeles and Philadelphia, with other contracts pending including one in Washington, D.C. The company has won these contracts by as much as thirty percent below the next lowest bid, raising significant questions about whether these are market-based offerings.

Allowing a SOE to continue these activities creates both economic and national security concerns. These actions are already undermining a \$74 billion dollar a year industry with current American rail supply

manufacturers concerned that more SOE involvement will lead to a loss of domestic manufacturing and a reduction in American jobs. This also has long term national security impacts as demonstrated in Australia with the complete takeover by an SOE of the Australian domestic market and its capability to build both passenger and freight rail cars. America's rail system covers more than 140,000 miles and carries forty percent of America's intercity freight, including 111 million tons per year of hazardous materials. Allowing a foreign, state-backed entity to increase direct investment in our nation's critical infrastructure, particularly projects utilizing federal funding, creates significant economic and national security concerns.

For that reason, RSI was proud to support S.846/H.R. 2739, the Transit Infrastructure Vehicle Security Act (TIVSA) and we applaud Congress for including it in both the House and Senate versions of the National Defense Authorization Act (NDAA). TIVSA is a bipartisan bill that will prevent federal taxpayer dollars from being used to purchase or subsidize the purchase of rail rolling stock from Chinese state-owned or state-directed entities. This will help create a level playing field that will allow this industry to continue to thrive in the United States while also enhancing our national security.

As the House and Senate now begin to reconcile the differences between the House and Senate NDAA bills, we strongly urge you to preserve this existing provision.

RSI appreciates the opportunity to provide these recommendations on critical issues affecting our industry and will continue working with Members of Congress to formulate policies that enhance rail safety, security and efficiency.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Michael Malley". The signature is written in a cursive, flowing style.

Mike O'Malley
President

CC: Members of the House and Senate Armed Services Committee