

**TESTIMONY OF SCOTT N. PAUL
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BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HEARING ON THE IMPACTS OF STATE-OWNED ENTERPRISES ON PUBLIC TRANSIT AND
FREIGHT RAIL SECTORS
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Chairman DeFazio, Ranking Member Graves, and members of the Committee, on behalf of the Alliance for American Manufacturing (AAM), thank you for the opportunity to testify at today's hearing on the *Impacts of State-Owned Enterprises on Public Transit and Freight Rail Sectors*.

The Alliance for American Manufacturing is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coalition building around the issues that matter most to America's manufacturers and workers.

Introduction

For years, we have seen the destructive impacts of China's model of state-led capitalism on our domestic manufacturing sector, and the damaging ripple effects on thousands of communities across our nation. Between 2001, when China entered the World Trade Organization (WTO), and 2017, 3.4 million U.S. jobs were lost or displaced because of our massive bilateral trade deficit with China.¹ This economic carnage has been fueled by predatory trade practices and disruptive economic policies, including heavy subsidization of state-owned enterprises (SOEs) and other firms that Beijing has deemed strategically important for their own security and economic interests.

A threat is growing in the infrastructure arena. China's state-owned, state-subsidized, and state-supported enterprises are setting up assembly operations right here in the United States. Backed by deep government support, two such firms – China Railroad Rolling Stock Corporation (CRRC) and Build Your Dreams (BYD) – have begun securing lucrative, U.S. taxpayer-supported contracts to supply our major cities with transit rail cars and electric buses. Their ambitions are sizeable, that is to establish a substantial foothold into our market as a means of expanding into private sectors such as the freight rail and passenger automobile markets.

On a local level, it is understandably a positive outcome that these firms have established assembly operations and are hiring American workers – in many cases, skilled, union workers that deserve our utmost respect. However, it is the duty of this committee and of Congress to examine how these firms are systematically destroying the competitive national landscape for U.S. rolling stock manufacturing. With the seemingly endless backing of a foreign, non-market economy government and the stated goal of dominating these sectors, these firms pose a grave danger to established competitors. And, because their U.S. assembly operations are merely a supply line for imported components, ultimately the jobs of millions of American workers throughout our domestic supply chains are at risk.

It is essential that we scrutinize these investments and implement appropriate policies to protect against any deceptive or predatory actions that harm American workers and domestic companies, the

¹ "The China toll deepens: Growth in the bilateral trade deficit between 2001 and 2017 cost 3.4 million U.S. jobs, with losses in every state and congressional district," Robert E. Scott and Zane Mokhiber. Economic Policy Institute. 23 October 2018.

U.S. supply chain, and the national security of our nation. At the conclusion of my testimony, I offer a number of policy recommendations for your consideration.

China Railroad Rolling Stock Corporation (CRRC)

The Chinese government has shown its intention to dominate the global rail industry through various high-level, government initiatives, like Belt & Road and Made in China 2025. And it is carrying out this effort through its state-owned enterprises (SOE) like CRRC that benefit from an array of government subsidies and supports. China is not a fair player, and neither is CRRC.

In 2014 the Massachusetts Bay Transportation Authority (MBTA) made what I believe to be a shortsighted decision to award a \$566 million contract to a Chinese SOE that would ultimately become CRRC (after merging with another Chinese SOE that was disqualified from the same bidding process). At the time, I wrote to then-Massachusetts Governor Deval Patrick warning that CRRC would drastically alter the competitive landscape for domestic railcar manufacturing. “As a basic principle of fairness,” I wrote, “all bids should play by the same set of market rules and none should be allowed to benefit from the backing of a foreign government... It is cheating, plain and simple, and should not be rewarded using taxpayer dollars.” CRRC’s bid was more than \$200 million below the next lowest bidder and roughly half that of another established firm. Because of CRRC’s promise to build an assembly facility in Springfield with 120 jobs, local policymakers put potential short-term gains ahead of our collective, longer-term interests. They even gave CRRC an additional \$277 million add-on contract in 2016.

Unfortunately, this warning was ignored, and the concerns outlined in that letter five years ago have become reality. Once MBTA legitimized CRRC with its first major U.S. contract, the SOE quickly secured an additional \$2 billion in transit rail car contracts in Philadelphia, Los Angeles, and Chicago by again submitting implausibly low bids that no private-sector competitor could possibly match. In Philadelphia, another bidder was quoted as saying, “I cannot grasp how they are able to do it at that cost.”² With potential deals in Washington, DC and New York City in CRRC’s sights, the consequences are enormous for maintaining competition, national security, innovation, and jobs.

CRRC is Disrupting the Marketplace.

With the financial backing of Beijing, CRRC is systematically working to drive established competitors out of the market and to achieve a monopoly in transit rail car production. If successful, this would be a disaster for taxpayers and for transit providers that are looking for legitimate, fair and broad competition for their contracts. Once established competitors are driven out of the U.S. market, it is reasonable to assume that the lowball bids of CRRC will disappear and U.S. customers will be at their mercy in terms of pricing. If you don’t think this is possible, I suggest you look at the Australian market for perspective. In just the last decade, CRRC undertook a similar campaign leading to the obliteration of that country’s rail manufacturing sector.³

Already, established companies in the U.S. rail manufacturing space are facing unprecedented economic pressure to stay afloat. And, high-wage jobs throughout the domestic rail manufacturing supply chain are at risk of being displaced by workers operating under harsh conditions and little pay in China. To be fair, Boston, Los Angeles, and Chicago each stipulated that final assembly of rail cars be completed locally, but there are few guarantees that component and parts manufacturing will be conducted in the United States. CRRC’s U.S. assembly plants are a vehicle – both literally and figuratively – for Chinese content to be delivered into the U.S. market.

² “Mass.-based company with Chinese backing beats local group for SEPTA car contract,” The Philadelphia Inquirer. 21 March 2017.

³ “China to bid on D.C. Metro rail deal as national security hawks circle,” Reuters. 09 May 2019.

According to the BlueGreen Alliance, there are more than 750 companies in at least 39 states that manufacture components for passenger rail and transit rail. This includes: 24 major locomotive, railcar, and streetcar assembly facilities; 188 direct suppliers that manufacture major propulsion, electronics, and body components and systems; and, in the Midwest and Mid-Atlantic alone, 540 additional companies manufacturing sub-components, materials, track and infrastructure, as well as providing repair and re-manufacturing to the industry. All told, the U.S. rail manufacturing sector supports 90,000 jobs.⁴

Security Concerns.

CRRC's ascent also raises alarming questions about Beijing's access to, or operational control over, critical technology embedded in our rail infrastructure – such as GPS, sensors, and other safety features. This is why security experts have raised concerns that the Washington Metropolitan Area Transit Authority (WMATA) may award its pending procurement contract for its 8000-series car to CRRC – putting rail cars manufactured by a Chinese state-owned firm underneath the Pentagon and in close proximity to other sensitive locations. Doing so would potentially provide an adversary with operational control of or access to a major U.S. transit system and potentially expose sensitive data and communications of riders.

CRRC's entry into the transit procurement market is almost assuredly a precursor to entering the freight rail market, a sector that not only supports 65,000 manufacturing jobs but is also responsible for moving 40 percent of all goods in the United States.⁵ This is a clear security risk.

Build Your Dreams (BYD)

The medium- and heavy-duty electric bus sector is also in Beijing's sights. In 2013, BYD Motors, Inc. – a subsidiary of BYD Company, Ltd. (short for "Build Your Dreams") – established an electric bus assembly facility in Lancaster, California, signaling its intention to compete for taxpayer-funded transit contracts in U.S. cities. As of September 2018, BYD says it has delivered more than 270 buses in North America, has more than 80 more in production, and has 300 bus orders with options in place. It has expanded its facility to produce up to 1,500 electric buses each year.⁶

BYD Benefits from Government Subsidies, Policy Direction, and a Protected Home Market.

A key feature of China's industrial policy is the support of "national champions." These are industry leaders that Beijing believes to have a high potential for growth, innovation, and the ability to advance China's industrial and other policy goals. Hence, BYD has been the beneficiary of a mix of government support, including a lower corporate tax rate, loans from state-owned and policy banks, and generous grants and subsidies.

China started its government support for new energy vehicles with a 2009 pilot program that evolved into a national program targeting battery, hybrid, and fuel cell electric vehicles, covering both passenger and commercial vehicles.⁷ According to a 2019 Bloomberg article, "The company received new energy vehicle subsidies equal to 380 percent of its electric-car sales...The Shenzhen-based company gets about 8.2 billion yuan (\$1.2 billion) from the central government and 4.4 billion yuan [\$647 million] from local governments...Official aid even enabled BYD to push into making electric commercial vehicles."⁸ BYD's revenue growth has coincided closely with the trend of government support subsidies, access to below-market-rate capital and other industrial policies. While the initial stream of direct electric vehicle

⁴ "Passenger Rail & Transit Rail Manufacturing in the U.S.," BlueGreen Alliance and the Environmental Law & Policy Center. January 2015.

⁵ "Will we derail US freight rolling stock production: An assessment of the impact of foreign state-owned enterprises on US freight rolling stock production," Oxford Economics. May 2017.

⁶ BYD Press Release. 25 September 2018.

⁷ Compiled from Government of China Announcements

⁸ "Buffett's China Ride Is Losing Power With Investors," Bloomberg. 19 February 2019.

subsidies has now declined, many of the other programs not only remain in place but are buttressed by Beijing's continued push to achieve the goals of President Xi to advance the country's national champions and promote global competitors.

New energy vehicles have been deemed a priority, high-technology industry important to China's mid- and long-term growth strategy. Two national-level industrial plans have outlined the development objective and strategic importance of the new energy vehicle sector: the *13th Five-Year Plan for Strategic and Emerging Industries Development* and the *Made in China 2025 Strategy*, which identified new energy vehicles as one of 10 priority sectors for developing indigenous innovation capability. *Made in China 2025* leverages state resources to rework and generate prejudicial advantage on a global scale. This unparalleled state-driven intrusion will continue to destabilize the market, causing artificially reduced prices, and distort U.S. manufacturing and innovation of medium- and heavy-duty electric buses. Meanwhile, BYD has enjoyed nearly exclusive access to its home market of Shenzhen, a city of 12 million people, where it has supplied upwards of 80 percent of the city's 14,000 electric buses.⁹

BYD is Not Your Average "Privately-Owned Company."

Despite BYD's assertion that the company is "privately-owned," a closer look raises legitimate questions about its connections to the Chinese government. For example, while Berkshire Hathaway is a major investor in BYD, there are several Chinese state-owned investment funds that hold equity interests in BYD or its subsidiaries.¹⁰ This indicates that the central government has confidence in BYD as a leader in a priority industry, which, in turn, attracts private investment. And, as the U.S.-China Economic & Security Review Commission has noted, "some private Chinese companies operating in strategic sectors are private only in name, with the Chinese government using an array of measures, including financial support and other incentives, as well as coercion, to influence private business decisions and achieve state goals."¹¹ BYD certainly falls in that category.

BYD's leadership have past and current ties to local and national Chinese governments. Its Chairman and CEO Wang Chuanfu, who owns a significant stake in the company¹², was a delegate of the People's Congress of Shenzhen from 2000 to 2010 and held a position with the city legislature from 2005 to 2015. Zou Fei, an expert of the "Thousand Talents Program" of the Organization Department of the Central Committee of the Communist Party of China, serves as a supervisor on BYD's Board.¹³ Zou was previously the managing director of the special investment department of the China Investment Corporation, a sovereign wealth fund responsible for managing China's foreign exchange reserves. Also, the deputy general manager of Norinco Group – a state-owned defense company – serves as a supervisor on BYD's Board.¹⁴

BYD Relies on the Battery Power System to Meet Buy America Laws.

U.S. domestic content preference laws – including the Buy America law applied to transit federal assistance – are an important policy to incentivize domestic capital investment and ensure that American workers supply the materials and components used to build our vehicles and infrastructure. The statutory Buy America law for rolling stock procurements funded with Federal Transit Administration (FTA) grants requires that assembly occur in the United States and that domestic content account for a minimum of 65 percent as measured by total material cost. The cost of the components and subcomponents produced in the U.S. increases to 70 percent or more for Fiscal Year 2020 and beyond.

⁹ "100% Electric Bus Fleet For Shenzhen (Population 11.9 Million) By End Of 2017," *Clean Technica*. 12 November 2017.

¹⁰ BYD 2017 Annual Report and BYD Financial Releases

¹¹ US-China Economic and Security Review Commission, 2017 Annual Report to Congress, at 3.

¹² BYD 2017 Annual Report

¹³ BYD 2017 Annual Report

¹⁴ BYD 2013 Interim Report

A critical area of concern is the way battery power systems with Chinese subcomponents are accounted for as part of the Buy America calculation and certification. In our view, this issue sets BYD aside from its competition. An Inspector General (IG) report issued by the City of Albuquerque calls into question the legitimacy of BYD's compliance with federal Buy America laws. In the case of buses provided to the City of Albuquerque, BYD met the 65 percent threshold with 53 percent of the total cost of materials attributed to its Power Battery System, which appears to have been manufactured by another BYD subsidiary. This, in turn, means that all other domestic components – such as seats and the farebox – accounted for as little as 18 percent of the total cost of materials.¹⁵ Meanwhile, other major elements of BYD's buses, such as steel chassis, are imported directly from China.

America is still gaining its footing with regard to designing, developing, and deploying cutting-edge battery technology that can meet the needs of companies. We need to dramatically enhance the capacity to meet this growing demand. Unfortunately, it appears that BYD imports large quantities of battery cells from another BYD subsidiary in China. They are likely combined into a battery pack in the United States, allowing Chinese state-subsidized foreign content to qualify as a domestic component.¹⁶

We must recognize that short-term market limitations exist for the domestic production of battery packs and a supporting supply chain. For the long-run, however, we must take appropriate steps to ensure that millions of new energy vehicles – both passenger and mass transit – rely on domestic production rather than Chinese imports. Congress and the administration should work together to establish a mix of incentives and policies to maximize the utilization of new energy vehicles and to expand the supply chain for the domestic production of batteries. Adopting the right kind of transition policies would also ensure that the recently-negotiated update of the North American Free Trade Agreement – which requires that advanced batteries, including the cells, originate in the United States – will advance the interests of the United States, Canada, and Mexico.¹⁷

An Individual was “Pressured” to Validate Buy America Compliance.

Based on the comments of individuals interviewed as part of the Albuquerque IG report, there is ample cause for concern that BYD is misrepresenting the already meager amount of domestic content in its buses. An individual identified in the report as “TD-1” indicated that he felt “pressured” to validate [Buy America] compliance by signing documents representing that he personally validated the origination of the components. Upon being told that “signing the document was just a ‘formality’ to ensure compliance,” he said that he felt “uncomfortable” signing. He later told the IG “that he felt he was under duress in being pressured to sign the document.” Meanwhile, the IG report indicates that BYD provided the “summary of calculations for the percentages of United States made parts” to the auditor tasked with ensuring Buy America compliance. This raises serious questions as to the accuracy of that information and how thorough of an audit was conducted.

“Everything Appeared to Originate in China.”

According to the Albuquerque IG report, a BYD official said “that only the frames of the buses were made in China, and that all of the other assemblies and components were manufactured in the United States by American suppliers.” Yet, city inspectors interviewed offered sharply different accounts.

An individual identified as TD-5 observed that “many of the shipping labels for various components had Chinese characters.” TD-6 said that based on package markings, discussions with BYD personnel, and

¹⁵ “Inspection of Albuquerque Rapid Transit Project Procurement,” Peter Pacheco, Office of the Inspector General, City of Albuquerque. 6 June 2018.

¹⁶ BYD's U.S. Imports Derived from Shipping Manifests, 2017 and 2018 YTD as of Nov. 28, 2018, Obtained from Panjiva, Inc.

¹⁷ Office of the United States Trade Representative, “Estimated Impact of the United States-Mexico-Canada Agreement (USMCA) on the U.S. Automotive Sector, April 18, 2019, at 5.

other factors he believed that the chassis, walls, drive train, axles, motor, and modules were made in China. TD-7 said that when asking about the assembly process status for electric lights, seating, seat belts, and other components, he was told “it’s on the boat.” He said that as far he knows, it seemed everything appeared to originate in China based on responses to his questions. And, TD-9 said “the majority, if not all, parts were manufactured in China and shipped to the United States.”

Further evidence to support these assertions includes BYD’s public comments to the Office of the U.S. Trade Representative (USTR) requesting Section 301 tariff relief for storage batteries¹⁸, air conditioning machines, seats, parts and accessories¹⁹, and electric vehicles, specifically noting its K9S²⁰, K9MC²¹, K7M²², and K8S²³ electric bus models. BYD submitted Section 301 tariff exclusion requests to USTR for its electric buses, which were all denied. USTR’s General Counsel stated that the “request was denied because the request concerns a product strategically important or related to “Made in China 2025” or other Chinese industrial programs.”

Press Reports Document BYD’s Quality and Consistency Issues.

The City of Albuquerque has resorted to legal action against BYD for delays and incomplete certification testing.²⁴ According to city officials, the bus batteries limited the bus range to 177 miles on a single charge, far short of the 275 miles stipulated in its contract. The buses also experienced serious safety issues, including brake pressure issues, door issues, cracked and missing welds compromising the integrity of the buses, malfunctioning wheelchair accessibility, and exposed high voltage cables that created a risk of electrical fire.²⁵

According to the *Los Angeles Times*, “Internal emails and other agency records show that agency staff called them ‘unsuitable,’ poorly made and unreliable for more than 100 miles.” Buses used in Los Angeles experienced white smoke, wouldn’t start, lost charge, and stalled on the road. Others experienced door and air system failures. In Denver, bus doors would not open or close. In Columbia, Maryland, passengers were “jolted by an explosion and a wheel fire.”²⁶

BYD Aspires to Dominate the Global Electric Vehicle and Battery Market.

Already the world’s largest electric vehicle company by sales, BYD executives have been outspoken in their plans to one day sell passenger cars in the United States. The *Los Angeles Times* reported that in 2008 BYD’s chairman “boasted of plans to dominate world auto sales by 2025.” Reuters reported that in 2017 a BYD executive said the company planned to sell passenger cars in the United States in “roughly 2 to 3 years.” And, in the meantime, the company is planning to raise funds through a public listing of its battery business in order to build vehicle-battery factories in Europe and the United States.²⁷

Allowing BYD to extend its non-market influence and operations into the U.S. auto market would put hundreds of thousands of jobs at risk. BYD’s economic model of assembling vehicles in the United

¹⁸ BYD America Corp. comments and appendix, *Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, Docket No. USTR-2018-0005, May 14, 2018.

¹⁹ BYD Motors LLC comments, *China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, Docket No. USTR-2018-0026, Sept. 6, 2018.

²⁰ Exclusion Denied, BYD Motors Inc., Electric bus, HTS 8702903100, USTR-2018-0025-7530, Oct. 26 2018.

²¹ Exclusion Denied, BYD Motors Inc., Electric bus, HTS 8702903100, USTR-2018-0025-7528, Oct. 26, 2018.

²² Exclusion Denied, BYD Motors Inc., Electric bus, HTS 8702903100, USTR-2018-0025-7346, Oct. 25, 2018.

²³ Exclusion Denied, BYD Motors Inc., Electric bus, HTS 8702903100, USTR-2018-0025-7347, Oct. 25, 2018.

²⁴ *City of Albuquerque v. BYD Motors, Inc.*, No. 1:2019-cv-00012 (US Dist. Ct., NM).

²⁵ “BYD faces Albuquerque lawsuit: City claims bus firm didn’t live up to deal,” Antelope Valley Press. 08 December 2018.

²⁶ “Stalls, stops and breakdowns: Problems plague push for electric buses,” Paige St. John. Los Angeles Times. 20 May 2018.

²⁷ “Warren Buffett-Backed Electric Vehicle Maker Plans Battery Unit IPO,” Bloomberg. 05 December 2018.

States, but relying on imported parts and components, would threaten over 5,600 auto parts suppliers spread across the nation, employing 871,000 workers.²⁸

State-Owned Chinese Firms are an Exception to the Rule

My testimony today should not be read as an attack on the hundreds of American workers employed by CRRC or BYD. These dedicated individuals get up and go to work each day focused on providing for their families. Many have the protections of a union which, as anti-union activity in the U.S. rises, cannot be overlooked. As a former shop steward for the CWA and policy advocate for the AFL-CIO who has walked picket lines with, marched with, and represented these workers, I urge you to respect the dignity of work. That's an entirely separate question from the impact of state-owned enterprises on our economy. Tens of thousands of American jobs are supported by a competitive, market-based ecosystem of companies that do not benefit from aggressive foreign government support to bankroll anti-competitive behavior. Ultimately, millions of our jobs are still at risk, while millions more have been vanquished by shifts of production and import competition over the past two decades.

Neither should our criticisms be read as an attack on international competition. Foreign investment is welcomed in our economy, and many foreign firms that manufacture in the United States provide high-wage jobs and contribute to economic growth. This includes foreign firms that manufacture buses and rail cars for our transit procurement markets. State-owned, state-subsidized, and state-supported Chinese firms, though, are an exception to the rule. Short-term promises of assembly jobs belie the long-term economic damage being done to our economy – it is an unhealthy proposition to allow foreign government-funded competition to push market-based firms into bankruptcy.

Congress Needs to Act

It is timely that action be taken to promote fair competition, ensuring that the next generation of transit vehicles supported by U.S. taxpayers at the federal, state, and local level and deployed in major U.S. cities are made by American workers and rely on a robust domestic supply chain. Even though CRRC and BYD have made substantial investments in our market, it is not too late to implement policies that will prevent the destruction of the competitive landscape for rolling stock manufacturing. I wish to outline a series of recommendations for this committee and Congress to consider.

First, we urge your support for the bipartisan *Transit Infrastructure Vehicle Security Act*, which has been introduced in the House and Senate. This bill would prohibit federal funds from being used by transit agencies to purchase rail cars or buses manufactured by foreign-government-owned, controlled, or subsidized companies. America's tax dollars should not be used to support Chinese SOEs seeking to undermine legitimate competition.

Second, it is necessary to apply further pressure to transit systems that aim to employ clever accounting as a means of using non-federal resources to award contracts to these Chinese SOEs. The Washington Metropolitan Area Transit Authority (WMATA) is currently reviewing bids – including one from CRRC – to supply its 8000-series rail cars. The procurement of CRRC rail cars would hurt thousands of workers throughout the rail supply chain and it poses security risks as it serves countless government and private-sector contractor employees in our nation's capital. WMATA should not be permitted to allocate “non-federal” resources for the procurement of rail cars from CRRC when it also receives hundreds of millions annually from the federal government.

²⁸ “State of the U.S. Automotive Industry,” American Auto Policy Council. August 2018.

Third, it is necessary to make improvements to longstanding Buy America laws by closing loopholes and adding additional teeth to prevent erosion of our supply chains. The U.S. Department of Transportation and Federal Transit Administration (FTA) need to promptly modernize Buy America rules as it pertains to battery-electric power propulsion systems on buses. A long-term plan, with appropriate recognition of the need for transition strategies, must be adopted.

Fourth, we urge that both CRRC's and BYD's Buy America certifications be audited to ensure compliance. Individuals interviewed as part of the City of Albuquerque IG Report said that they were "pressured" to validate domestic content and felt as if they were "under duress" to do so. Others suggested that "everything was made in China."

Fifth, even if bids by firms like CRRC and BYD were to abide by market-based pricing, it is necessary that we address security concerns related to Chinese state-owned, -invested, and -supported firms having operational access or control over critical infrastructure systems. These firms must be required to provide the source code for U.S. government experts to analyze for any signs of suspicious activity, including any installed software, patches, updates, upgrades, and any other modifications. It is simply not enough to accept the word of these firms that they will structure their operations in a manner that resolves our security concerns. Extensive oversight is vital for the safety and security of Americans.

Sixth, we must protect our freight rail sector with unprecedented transparency and limitations on Chinese state involvement. Any U.S. entity seeking to procure freight rail cars from a Chinese state-owned, -controlled, or -subsidized firm, should be required to publicly disclose the details of that purchase and assume full liability for any future misdeeds that may occur.

Seventh, we must insist on reciprocity in procurement. No U.S.-based firm may enter the Chinese procurement market the way in which CRRC and BYD have entered the American market. China is not a signatory to the Government Procurement Agreement (GPA). Put simply, the United States should consider banning all Chinese products and firms from our procurement market until there is demonstrable progress on reciprocity in law and in practice.

Last, but certainly not least, we encourage you to continue the hard work of passing a substantial infrastructure investment paired with strong Buy America requirements. A lack of adequate, consistent funding puts added pressure on transit agencies to find ways to cut costs, even if that means sourcing rolling stock from companies with lingering quality issues, dubious Buy America compliance, security issues, and clear designs on leveraging state backing to grab market share from their competitors.

Conclusion

I applaud the Committee for holding today's hearing and for drawing attention to impacts of China's state-owned, state-subsidized, and state-supported entities on our public transit and freight rail sectors. Thank you for the opportunity to testify. We look forward to working with you to strengthen America's economy and national security through smart infrastructure and procurement policy.