

**Statement for the Record of Nicole Brewin
Vice President of Government & Public Affairs, Railway Supply Institute**

**Before the Senate Committee on Commerce, Science, and Transportation
Subcommittee on Manufacturing, Trade, and Consumer Protection**

**Hearing Titled
“Examining the American Manufacturing Industry’s Response to the COVID-19 Pandemic”**

**Tuesday, November 17, 2020
2:30 PM ET**

Chairman Moran, Ranking Member Blumenthal, and Members of the Subcommittee:

Thank you for convening this hearing to examine the current state of the manufacturing industry and the impact that COVID-19 has had on the thousands of American businesses that help support this industry. We write to make you aware of some of the critical issues impacting the railway supply manufacturing industry and our customers as a result of COVID-19 and to offer several policy recommendations that will help sustain as well as move this industry forward.

As way of background, the Railway Supply Institute (RSI) is an international trade association representing more than 150 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. These systems are supported by an extensive, domestic railway supply industry that has been a dynamic and vital part of the U.S. economy for over 200 years, encompassing 125,000 jobs across all 50 states and paying an average wage 40 percent higher than the national average.¹ Without this robust domestic rail supply industry, our nation’s passenger and freight railroads simply could not meet their customers’ needs.

As Congress looks to examine areas where you can support manufacturers and American jobs, we welcome the opportunity to highlight several issues facing the railway supply industry and encourage Congress to keep this industry in mind as it considers any form of COVID-19 relief as well as a robust infrastructure package or surface transportation reauthorization.

Impact of the COVID-19 Pandemic

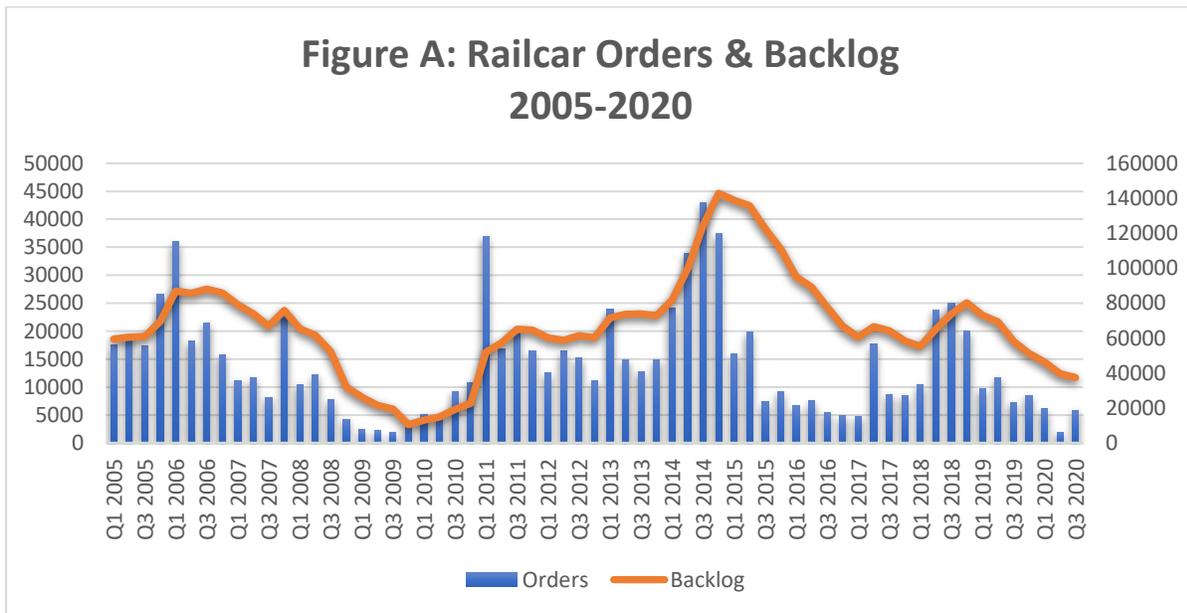
Based on a 2017 Oxford Economics study, the rail supply community delivered nearly \$75 billion a year in economic value and directly employed 125,000 Americans across the country.² We now estimate that those numbers have declined substantially since that period, with the vast majority of those declines happening over the past eight months. According to an internal survey of RSI’s members, half of all respondents reported seeing permanent layoffs at their company as a result of the pandemic. Several of the largest freight railcar builders and their component suppliers have also reported layoff rates nearing

¹ Tracking the Power of Rail Supply, The Economic Impact of Railway Suppliers in the U.S. <https://www.rsiweb.org/Files/EIS%202018/RSI-Infographic%20FINAL.pdf>

² Ibid

or exceeding 50 percent, with an expectation that more will come if action is not taken by Congress to help this industry.

According to data compiled by RSI on rail freight car orders and deliveries over the past 15 years, the second quarter of 2020 showed that freight railcar orders fell to match the low point of the Great Recession (Figure A),³ where industry unemployment reached 18.5 percent.⁴ This also represents a decline of nearly 70 percent from the preceding quarter, putting rail industry demand for new railcars at a level that is unsustainable for many suppliers looking to keep their doors open. While orders did rebound slightly in the third quarter, we could see long-term impacts that devastate the railway supply chain for years to come if this trend does not improve substantially moving forward.



Source: American Railway Car Institute Committee, Railway Supply Institute

Losses to the domestic railway supply chain will create an opening for Foreign SOEs to exploit American manufacturing.

Over the past decade, our industry has witnessed substantial intervention in the global rail marketplace from non-market economy foreign governments. Most notably, the People’s Republic of China – working through state-owned enterprises (SOEs) like CRRC – has identified rail manufacturing as a strategic market sector and made clear their intention to “conquer” the global rolling stock market.⁵ Backed by the full resources of the Chinese government, CRRC and its affiliates have leveraged direct subsidies, state-backed financing, and below-market loans to secure more than \$2.6 billion in railcar contracts at far below market rates for transit agencies in Boston, Chicago, Los Angeles and Philadelphia. These manipulative incursions into the U.S. market present both national and economic security risks. There is ample evidence illustrating the Chinese government’s willingness to use industrial espionage,

³ Railway Supply Institute, American Railway Car Institute Committee Quarterly Statistics 2005-2020.

⁴ U.S. Bureau of Labor Statistics, Transportation Equipment Manufacturing, July 2009

⁵ @CRRC_global, “Following CRRC’s entry to Jamaica, our products are now offered to 104 countries and regions. So far, 83% of all rail products in the world are operated by #CRRC or are CRRC ones. How long will it take for us conquering the remaining 17%?” Twitter, January 11, 2018.

hacking, intellectual property theft, and more to achieve its global objectives, giving us every reason to be concerned about their involvement with critical rail infrastructure and the technology that supports it.

The experience of the Australian market serves as perhaps the best example of what can happen in the freight rail sector. In less than ten years, Australia's freight railcar manufacturing was rapidly overtaken by CRRC and its predecessor companies as it systematically drove its competition out of the market. Today, there is no meaningful producer of freight rail rolling stock in Australia and thus China is effectively the sole supplier. Independent research has suggested that similar actions in the United States could result in the loss of as many as 65,000 U.S. jobs and \$6.5 billion in GDP.⁶ If an opening presents itself for CRRC to make more aggressive inroads in the freight rail sector, there is little doubt that they will do so.

Current Actions & Policy Recommendations

In August, U.S. Representatives Brad Schneider (D-IL) and Darin LaHood (R-IL) spearheaded the introduction of H.R. 8082, the "Freight Rail Assistance and Investment to Launch Coronavirus-era Activity and Recovery Act of 2020," or the Freight RAILCAR Act. This bill would offer several time-limited tax credits intended to encourage the replacement or modernization of North America's freight railcar fleet with higher capacity, more fuel-efficient vehicles, and to stabilize jobs in the railcar manufacturing and modification industry in response to the COVID-19 pandemic.

New high strength and lightweight materials, innovative designs, and advanced technologies have led to lighter, more energy-efficient freight railcars. These modernized freight railcars carry greater loads and use less fuel, therefore reducing greenhouse gases. Incentivizing private investment in new freight railcars that utilize these modern designs with increased capacity results in reduced shipping costs and an increase in long-haul freight moved by rail. This could lead to between 3 and 13 million tons of CO₂ being saved by each railcar over 20 years.⁷

This short-term tax credit will incentivize businesses to invest private capital and protect middle-class family-wage jobs that are clearly at risk during these unprecedented times. The modernization and upgrading of the freight railcar fleet also supports our national defense and ensures we have the assets and the supply chain that America needs.

Finally, we would be remiss not to mention our great concerns about the viability of Amtrak and public transit systems due to the impacts of COVID-19. Both essential systems will collapse without congressional intervention, and we urge you to support funding and service protections for passenger rail and transit. Ensuring that the federal government includes aid to public transportation and Amtrak to help offset the substantial costs and lost revenues related to COVID-19, is critical to maintaining the manufacturing and supply chain and ensure the continuation of essential maintenance, repair, and equipment refurbishment or acquisitions. Most importantly, this action will help limit the enormous economic damage caused by the pandemic.

⁶ Oxford Economics, *Will We Derail US Freight Rolling Stock Production?*, May 2017, at 24. <https://www.oxfordeconomics.com/recent-releases/will-we-derail-us-freight-rolling-stock-production>

⁷ Freight Railcar Modernization Promotes Environmental Efficiency while Upgrading Critical Infrastructure https://www.rsiweb.org/wp-content/uploads/2020/09/RAILCAR_Act_Why_Needed-Environment-7_28_20-FINAL.pdf

Conclusion

RSI members will continue investing and doing all we can to support our railroad customers in serving the mobility and economic development needs of communities across the country, but the assistance of this Congress will be essential to ensuring that we remain able to continue offering that support. We appreciate 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 that reads "N. Brewin". The signature is written in a cursive, flowing style.

Nicole Brewin
Vice President, Government and Public Affairs