



**STATEMENT FOR THE RECORD OF  
THE RAIL SECURITY ALLIANCE**

**BEFORE THE  
HOUSE WAYS & MEANS SUBCOMMITTEE  
ON TRADE**

**AT A HEARING ENTITLED  
“THE GLOBAL CHALLENGE OF FORCED LABOR IN SUPPLY CHAINS:  
STRENGTHENING ENFORCEMENT AND PROTECTING WORKERS”**

July 29, 2021

## Introduction

The Rail Security Alliance (RSA) is a coalition of North American freight railcar manufacturers, suppliers, unions, and steel interests committed to ensuring the economic and national security of our passenger and freight rail systems. On behalf of our coalition, thank you for the opportunity to submit a statement for the record before the committee to communicate to you the work of RSA and the importance of protecting U.S. competitiveness and North American manufacturing jobs from the unfair trade and labor practices from countries using forced labor, such as the People's Republic of China. Given the hearing will be focused forced labor and cleaning up our supply chains, our coalition wanted to share information from an Australian Strategic Policy Institute report detailing the role the Chinese government has in facilitating the mass transfer of Uyghurs to factories across China<sup>1</sup> and a story from NBC News regarding the mining of mica with child labor that has ended up in manufactured material on our shores. Both reports detail how the China Railway Rolling Stock Corporation's (CRRC) supply chain is engaging in these human rights abuses.

As way of background, RSA was formed in response to the merging of China's two rail manufacturers into one massive 100% state-owned enterprise (SOE), CRRC. CRRC, by their calculation, controls roughly 83 percent of the global rail market, with the intent to "conquer" the remaining 17 percent, per the company's own public acknowledgment.<sup>2</sup> As a state-owned enterprise, CRRC has access to unlimited state funding that allows them to win transit contracts around the world by underbidding competitors. CRRC has made aggressive and alarming incursions into the U.S. rail market using state-backed financing, below-market pricing, and other anti-competitive tactics. Alarming, in June of 2020, CRRC was named one of 20 companies by the Department of Defense that is owned or controlled by China's People's Liberation Army.<sup>3</sup>

## Chinese Government Facilitating Transfer Of Uyghurs To Factories For Forced Labor

In March 2020, the Australian Strategic Policy Institute released their report *Uyghurs for sale—'re-education', forced labour and surveillance beyond Xinjiang*, examining the Chinese government's facilitation of the mass transfer of Uyghur and other ethnic minorities from the Xinjiang region to factories across the country. It is estimated that at least 80,000 Uyghurs were transferred out of Xinjiang and sent to work in factories across China between 2017 and 2019, under working conditions that strongly suggest forced labor. These factories are in the supply chains of popular global brands in technology, clothing, and automotive sectors. Companies the report names include Apple, BMW, Gap, Huawei, and concerning to our coalition—CRRC.

## CRRC Railcars Supplied With Mica Mined By Children

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<sup>1</sup> Xiuzhong Xu, Vicky. Rep. *Uyghurs for Sale—'Re-Education', Forced Labour and Surveillance beyond Xinjiang*. Australian Strategic Policy Institute, 2020. <https://www.aspi.org.au/report/uyghurs-sale>

<sup>2</sup> @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. [https://twitter.com/CRRC\\_global/status/951476296860819456](https://twitter.com/CRRC_global/status/951476296860819456)

<sup>3</sup> U.S. Deputy Secretary of Defense David L. Norquist Letter to Senator Tom Cotton, June 24, 2020. <https://www.cotton.senate.gov/files/documents/Sen%20Cotton%20NDAA%20FY%201999%20Sec%201237%20Response%2006242020.pdf>

This is not the first time CRRC has been called out by independent research for human rights violations and questionable labor sourcing. In November 2019, NBC News Exclusive aired a report regarding the thousands of children that are exploited in Madagascar mining for mica.<sup>4</sup> These children—as young as four years old—lack access to clean water, proper health care, education, and suffer from a myriad of medical conditions due to mining mica. Mica is a mineral that is both tough and elastic, even in very high temperatures. It is commonly used in manufacturing across the globe, such as in trains, planes, electronics, and automobile parts. This news story highlights that CRRC uses mica, sourced in Madagascar by children, for its railcars. In fact, NBC interviewed CRRC executives inside its Springfield, MA facility as part of the story. The CRRC executive was not able to answer direct questions regarding the source of parts for the facility he was managing.

CRRC has won four U.S. metropolitan transit contracts—through severely underbidding its competitors by way of unlimited financing from the Chinese government—in Boston, Chicago, Los Angeles, and Philadelphia. The children-mined mica is used in the shell of the railcars that end up being shipped over from China to their Springfield, MA, facility for final assembly. In November 2017, the first four metro cars manufactured by CRRC for the Massachusetts Bay Transportation Authority (MBTA) in Boston were shipped over from China.<sup>5</sup> Plans to put the railcars into service were interrupted several times due to quality concerns, and most recently the orange line cars were pulled from service due to a derailment of one of the trains.<sup>6</sup> While many of the transit agencies have pressed CRRC on its labor practices, specifically the use of child labor in producing its railcars, none of the contracts won by CRRC in the United States have been altered or canceled in response.

## **Threat of CRRC To The Freight Rail Industry**

The North American freight industry is not immune to the advances by CRRC either. Their current foothold in the U.S. transit industry allows them the opportunity to pivot into freight rail assembly, a subsector of rail not protected by the same Buy America requirements as transit rail. CRRC has attempted to enter the U.S. freight rail manufacturing sector with a joint venture, Vertex Rail, in North Carolina. Fortunately, that effort failed. CRRC has also launched American Railcar Services, with a separate assembly facility headquartered in Miami, FL, and maintaining its assembly operations in Moncton, New Brunswick.

Our concerns regarding CRRC’s transition from transit railcar manufacturing to freight railcar manufacturing is best highlighted by the recent experience of the rail industry in Australia. CRRC entered the Australian freight rail market in 2008, and within less than 10 years,

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<sup>4</sup> McFadden, Cynthia. “Over 10,000 Children in Madagascar Are Mining Mica for Everyday American Products (Part 2).” NBCNews.com. NBCUniversal News Group, November 18, 2019. <https://www.nbcnews.com/nightly-news/video/over-10-000-children-in-madagascar-are-mining-mica-for-everyday-american-products-part-2-73654341952>.

<sup>5</sup> Buell, Spencer. “The New Orange Line Trains Are ‘Shipping Up to Boston.’” Boston Magazine. Boston Magazine, November 14, 2017. <https://www.bostonmagazine.com/news/2017/11/14/new-orange-line-trains-shipping-boston/>.

<sup>6</sup> McKenna, Charlie. “MBTA pulls new cars, will run shuttle buses for 3 weeks after Orange Line train derails at Wellington Station.” Boston Globe, March 16, 2021. <https://www.bostonglobe.com/2021/03/16/metro/orange-line-train-derailed-wellington-station-one-fleet-new-cars-being-put-into-service/?p1=HP> TrendingBar.

decimated the sector. The result was four domestic suppliers being forced out of business and the rail market, leaving only CRRC.<sup>7</sup>

The U.S. industry is concerned that CRRC could aggressively move into the U.S. freight rail market. Representatives Schneider and LaHood have introduced legislation, the Freight RAILCAR Act (H.R. 2289), that would provide short-term investment tax credits to encourage the replacement and modernization of North America's freight railcar fleet with higher capacity, more fuel-efficient vehicles. This legislation aids in the stabilization of jobs in the American railcar manufacturing industry and ensures the U.S. can make strides toward greater environmental sustainability in the transportation sector. Investment in this vital industry will provide for greater economic security in the United States. Congress needs to act to modernize our rail fleets with greener railcars as well as secure our domestic supply chain against state-owned enterprises, especially those with a history of using forced labor.

Additionally, language was included into the INVEST Act and the Senate Commerce Committee passed surface transportation reauthorization bill that would ensure railcars are manufactured or assembled in North America by a qualified builder in a qualified facility. The SAFE TRAINS Act requires only 20% of railcar content can originate from a state-owned-enterprise or nonmarket economy country, then it drops to 15% after two years. This language includes provisions that would protect sensitive technologies by ensuring none of it originates or is sourced from a state-owned-enterprise from a nonmarket economy country. It helps guarantee that freight rail products manufactured with forced labor will never travel on our country's rails.

Although the above pieces of legislation are an important step to ensure the long-term viability of the North American rail industry, it is not enough. Given the credible accounts that CRRC is using forced and child labor to manufacture passenger railcars and that those railcars are now being used in major U.S. cities we call on Congress to ensure products manufactured with forced and child labor not be allowed to be imported into the U.S. Section 307 of the Tariff Act of 1930 specifically prohibits these types of imports and should be applied to CRRC railcars and parts that are currently entering the U.S. We ask that members of the committee urge Customs and Border Patrol to open an investigation into these imports and take proper action if what the attached report and NBC have found to be true.

Thank you again for the opportunity to submit testimony and we stand available as a resource if you have any questions.

Respectfully submitted,



Erik Robert Olson  
Vice President

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<sup>7</sup> Oxford Economics, *Will We Derail US Freight Rolling Stock Production?*, May 2017, at 16.