

October 21, 2014

The Honorable Deval Patrick  
Massachusetts State House  
Office of the Governor – Room 105  
Boston, MA 02133

Dear Governor Patrick:

On behalf of the Alliance for American Manufacturing – a labor-management partnership forged between the United Steelworkers and some of America's leading manufacturers to strengthen American manufacturing – I write to express our disappointment with reports that the Massachusetts Bay Transportation Authority (MBTA) is set to award a \$1.3 billion subway contract to a subordinate of China CNR Corporation Ltd. (CNR), a Chinese state-owned rail manufacturer supervised by the State Council of the People's Republic of China.

I first want to make clear that we welcome foreign investment into our economy and believe that many foreign firms with manufacturing operations in the United States provide job opportunities and contribute to economic growth. But heavily subsidized firms tied to the Chinese government are the exception to that rule, since their economic activity distorts the marketplace and crowds out competitive private-sector firms.

As a basic principle of fairness, 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. State-owned enterprises unfairly benefit from a wide array of government subsidies, including grants, tax breaks, subsidized loans, and debt forgiveness. Consequently, government-backed entities are able to undercut market prices that privately owned businesses are able to offer. It is cheating, plain and simple, and should not be rewarded using taxpayer dollars.

It should also be well understood that awarding this contract to a Chinese state-owned firm would likely mean that the vast majority of value-added parts and component manufacturing would occur in China, and not regionally. While we appreciate that MBTA's bidding process requires that final assembly of the subway cars be completed in Massachusetts, there are no guarantees that any actual component or parts manufacturing will be conducted within the Commonwealth – or anywhere else in the United States. In fact, the consequences of this decision extend well beyond the missed opportunity to create supply chain jobs. By making CNR's entry into the U.S. market possible, this procurement opens the door to unfair, state-owned competition on other rail and transit procurements throughout the United States – again, with no guarantee of any domestic content being used.

This bid process is a drastic departure from federal procurements and those of many other states and cities, which require that U.S.-made parts and components be used in addition to mere assembly. Instead, the MBTA process has failed to recognize that such an award would undermine a highly competitive and extensive domestic supply chain of vehicle, system, and component part manufacturers that employ thousands of U.S. workers, including some in Massachusetts. To the

contrary, CNR's proposed Springfield assembly plant will be a vehicle – both literally and figuratively – for foreign-made parts and components.

There are other facets to this decision to consider. Important social concerns also accompany any award of tax dollars to state-owned firms in China. Labor and human rights organizations have raised legitimate objections to using taxpayer dollars to select a bidder backed by the authoritarian Chinese government, whose values are out of line with those of the people of Massachusetts.

Consideration must also be given to sustainability and the impact on the environment – priorities which you have frequently voiced. China's weak environmental regime means that goods produced there result in more carbon emissions than in any other country. Conversely, relying on domestic manufacturing not only ensures that appropriate environmental safeguards are followed, but also eliminates the waste associated with transporting manufactured goods from halfway around the world. The sustainability benefits of transit investment are undermined when governments award procurement contracts to firms that manufacture in overseas facilities that will contribute multiples of carbon emissions compared to domestic production.

What's more, it is far more preferable from an efficiency perspective to monitor quality, engineering standards, and delivery schedules when most of the manufacturing occurs regionally.

The selection of CNR raises serious concerns about whether this bid selection process adequately sought to maximize domestic job creation and protect the interests of Massachusetts taxpayers. And while it has been reported that you have "thoroughly vetted" CNR, including at a meeting in Hong Kong, we remain concerned that you have left jobs on the table and disappointed that you are both rewarding and further enabling competition tied to the Chinese government.

We hope that you will give consideration to these critical issues and take appropriate corrective actions, which may include re-opening the bidding process after carefully revising the criteria to ensure the best value for commuters and taxpayers in the Commonwealth. We also urge your leadership and support for state-level Buy America legislation – like S. 2094, sponsored by Senator Richard Moore – to ensure that Massachusetts' infrastructure investments are truly American-made, maximizing job creation here at home and not in China.

Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott N. Paul". The signature is fluid and cursive, with the first name "Scott" and last name "Paul" clearly distinguishable.

Scott N. Paul

cc: Massachusetts Department of Transportation  
Massachusetts Bay Transportation Authority