

**BOMBARDIER**

**COPY**

TRANSPORTATION

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August 8, 2006

Honorable Charles E. Schumer  
United States Senate  
Washington, DC 20510

Subject: Senate Bills S. 2986, S. 2987 and S. 2988

Dear Senator Schumer:

Bombardier Transportation opposes Senate Bills S. 2986, S. 2987 and S. 2988 which seek to further extend the suspension of tariffs on stainless steel car shells manufactured in Japan by Nippon Sharyo as previously provided for in Senate Bills S. 1796, S. 1797, and S. 1798. The previous bills were intended to "temporarily suspend" the customs tariffs from May 2002 through December 2006. The proponent, Sumitomo Corporation of America (SCOA) imports these car shells from Nippon Sharyo for use on passenger rail car contracts awarded in the United States. These bills were introduced to eliminate the mandatory tariffs and gain the same tax benefits intended exclusively for those companies based in North America and covered under the North American Free Trade Agreement (NAFTA). Bombardier Transportation does not have the opportunity to compete in Japan on an equal tariff basis against SCOA and Nippon Sharyo.

The initial Senate Bills S. 1796, S. 1797, and S. 1798 involved two contracts with the Northeast Illinois Regional Commuter Railroad Corp. (Metra). The first contract was for 300 stainless steel Gallery type commuter passenger cars and the second contract included 26 Gallery EMU (Electrical Multiple Units) cars -- Gallery type rail cars are designed with passenger seating on two levels. All of the car shells for both of these contracts have now been delivered. The initial Senate Bills S. 1796, S. 1797, and S. 1798 have already resulted in a customs revenue loss to the United States and increased profit for the proponent in the range from \$3.3 to \$3.8 million USD (dollar values come from the amounts referenced as customs revenue loss in the three Senate Bills).

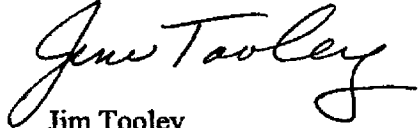
The proponent now seeks to further extend the tax free benefit until December 2009 and increase its profit for two other contracts. The first contract is with Virginia Railway Express (VRE) for an order of 61 stainless steel Gallery type rail cars, similar to those previously supplied to Metra. The other contract involves 160 new Gallery type EMU cars for Metra, also similar to those previously supplied to Metra. This contract was awarded in 2004, then placed on hold because of lack of funding and is expected to move forward next year. Further suspension of the tariffs would result in a customs revenue loss to the United States and

in the range from \$2.5 to \$3.0 million USD (dollar values are based on the three previous Senate Bills adjusted for quantity and escalation).

Although Bombardier Transportation enjoys the trade benefit provided by NAFTA on contracts won in the United States, it does not have the opportunity to compete in Japan on an equal tariff basis against SCOA and Nippon Sharyo. Therefore, based on the above information, Bombardier Transportation opposes Senate Bills S. 2986, S. 2987 and S. 2988 intended to further suspend the waiver on the tariffs on car shells imported from Japan for contracts awarded in the United States.

We thank you for your assistance in this important matter.

Yours sincerely,

A handwritten signature in cursive script that reads "Jim Tooley".

Jim Tooley  
General Manager  
Bombardier, Plattsburgh New York