

News from Senator

BOB DOLE



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DOLE QUESTIONS NEW YORK CITY TRANSIT AUTHORITY PURCHASE OF CANADIAN-BUILT SUBWAY CARS -- SETS FINANCE COMMITTEE HEARING

WASHINGTON -- Senator Robert Dole (R.-Kan.), Chairman of the Senate Finance Committee, said today a planned 600-million dollar subway car purchase by the New York Metropolitan Transit Authority may be in violation of international trade agreements.

Dole set the Committee hearing to study details of the MTA's planned purchase of subway cars from a Canadian firm, Bombardier, Inc. The hearing has been scheduled for Friday, May 28, 1982, at 9:30 a.m. in the Senate Finance Committee hearing room, 2221 Dirksen.

"There are some aspects of the MTA deal that raise serious questions about whether the subway car purchase from a Canadian company violates international trade agreements. According to our information, 85% of the financing package for the MTA was put together by a Canadian government agency at an interest rate of approximately 9.7%. If that is the case, it may well be in opposition to the Organization of Economic Cooperation and Development's agreement on export subsidies, and domestic law as well," Dole said. "Subsidized exports to the U.S. market cannot be allowed to undercut domestic industry. The MTA deal seems to run contrary to international trade agreements and could be subject to countervailing duties under U.S. trade law."

Public accounts of the MTA purchase indicate that Bombardier, Inc. of Canada has contracted to deliver 825 subway cars worth \$633 million. A domestic producer of subway cars, the Budd Company of Troy, Michigan has asserted that were it not for the subsidized export credit terms offered by the Canadian government, it could have matched, or exceeded the Bombardier deal.

"The foreign export subsidy issue is becoming a steadily increasing threat to U.S. industry. However, this threat is not limited to the acquisition of subway cars--it is also endangering many other U.S. concerns including the commuter aircraft industry." Dole said.

"Additionally, I want to know if the New York MTA is using, or planning to use, safe harbor leasing to finance portions of its subway car deal. Safe harbor leasing was enacted last year to help stimulate domestic industrial production, but it seems to me that the mass purchase of foreign subway cars hardly fulfills the intent of the leasing provision," Dole said.

Some of the witnesses scheduled to appear before the Finance Committee include: Richard Ravitch, Chairman of the Metropolitan Transit Authority of the State of New York; John Doane, Treasurer, The Budd Co., Troy, Michigan; Don DeKeiffer, General Counsel, Office of the U.S. Trade Representative.