

**Section 305 Next Generation Equipment Pool Committee
 Technical Subcommittee: Cars Subgroup
 April 22, 2010, Thompson Center, Chicago, Illinois**

The following is a summary of the Cars Subgroup meeting that was held on April 22, 2010 in Chicago. This summary was developed from notes taken by Ken Uznanski and Charles Poltenson during the meeting.

Attendance:

The subgroup was well attended, with the following participants signing in:

Ken Uznanski – Lead	Amtrak	Kenneth.uznanski@amtrak.com
Yasuyuki Kudo	Japan Int. Transp Inst	kudo@jterc.or.jp
Jim Breznay	US Railcar Company	Jim.breznay@usrailcar.com
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Armin Kick	Siemens	Armin.Kick@siemens.com
Michael Weinman	PTSI Transportation	ptsitransport@aol.com
Chris Heald	Interfleet Technology	Heald.c@interfleetinc.com
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Jitendra S. Tomar	CAF	Tomar@cafusa.com
Scott Braverman	Corridor Capitol	sb@ccrail.com
Joshua D. Coran	Talgo, Inc	jcoran@talgo-inc.com
Art Peterson	PB Americas	Petersona@pbworld.com
Shinichiro Ohta	Kawasaki	Ohta_sh@khi.co.jp
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Chuck Wochele	Alstom	Chuck.wochele@transport.alstom.com
Robert W. Haslam	CCJPA	rhaslam@bart.gov
George Mekosh	Bombardier	gmekosh@us.transport.bombardier.com
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Patrick Merrill	Amtrak	Patrick.merrill@amtrak.com
Charles Poltenson	NYSDOT	cpoltenson@dot.state.ny.us
Joe Quigley	Alstom	Joe.Quigley@transport.alstom.com
John Hanrahan	SEPSA	John.hanrahan@sepsa.es

There were a few more people in attendance who did not sign in.

As the cars subtask working group consists of most of the worldwide manufacturers and/or their representatives, as expected, there were strong opinions raised as to the need to coordinate and collaborate the work of other subgroups as well as “the industry’s” view of how to make the overall Section 305 Next Generation Equipment Pool Committee a successful venture.

Discussion by members within the group led to the general statements:

1. The members believe that a successful procurement process(es) need to be focused on commercial viability of the venture rather than writing technical specifications.
2. It is vital for the industry to understand the “commercial model” that will be used for obtaining equipment. Included in this is will be the need to understand the following:

- order sizes/volume
- timeframe(s) for acquisition
- anticipated rates of production
- who will own title to the equipment
- what is the anticipated life of the vehicles—what are the equipment life policies based upon

The manufacturing community seeks guidance from Amtrak/States in these matters. Most in the subgroup indicated that Amtrak's proposed equipment life policy in the Fleet Strategy Plan was consistent with the rest of the world's business model, while there was minority opinion that the equipment should be used and maintained for 40-60 years—despite objection that such a goal, although achievable, is not consistent with rebuilding the industry in the U.S.

3. The manufacturing members of the subgroup STRONGLY encouraged utilizing performance based specifications. A common theme was “Let the marketplace compete.” There is concern that the “design by committee” approach that is being utilized in the Section 305 process is leading down a path that is ultimately unworkable.

4. Although the goal is to provide for development and sustainability of the intercity rail passenger manufacturing base in the U.S., Concern was expressed that it is not clear how large the market actually will be. Using Amtrak's Fleet Strategy Plan as a baseline, the manufacturers stated that the approximate 100 cars/year with a modest additional amount for state corridors is not sufficient volume to sustain an industry. Members of the working group expressed strong doubt that large additional car/fleet orders will come from the states as most states do not have the financial resources to do so on top of paying for all corridor services as required under PRIIA – Amtrak needs to be the significant procurement partner. Examples of large commuter car orders with much higher volumes were cited as being important for setting up full-time, long term assembly lines in this country. In order to make the venture attractive, a multi-year procurement(s) of sufficient size will be required. Concerns were raised that whoever gets the first successful “bid” of any sufficient size wins, and the rest of the industry is shut out.

5. Issues were raised concerning the actual availability of funds to purchase equipment. European and Asian markets and standards are so radically different from the US so that nothing built in the United States to a standard U.S. specification(s) would likely be marketable elsewhere. That being the case, the industry questions what incentive there is to create an American market that is limited with no long-term concrete funding stream. “Why should the manufacturers take a risk?” Concern was expressed that aggressive changes in policy are not consistent with intercity rail passenger development outside the U.S. and actually harms the industry.

6. Other manufacturer concerns included the concept of standard cars themselves. The approach was likened to that of Europe in the 1970's (specifically, TGV was disussed), which has now been abandoned for a more market based approach.

Based upon extensive rail passenger development outside the United States, the manufacturers questioned/raised concerns about:

- The level of shared design
- Ownership of design(s)/public domain?
- Sharing intellectual property----strong belief that this is not realistic or necessary
- Manufacturing processes are proprietary and integral to the competitive process
- The desire for modularity limits and inhibits innovation and application of emerging technology

7. Much of the discussion centered around the current policy position of the USDOT and “Made in USA” requirements that are being imposed. After Kevin Kessler of FRA discussed the definition of “Buy America”, there was a great deal debate over what is achievable, what is reasonable, what is practical and the implications of such a policy.

The following recommendations came out of the Cars Subgroup concerning “Buy America”

- All manufacturers can meet a true 60% US content (based upon \$ amount) today. They all agreed that it was not appropriate to “get around” the rules by using FTA guidelines, but would rather commit to a hard percentage content-Period.
- 100% domestic content is not achievable, desirable or realistic.
- It was agreed that a content rate of more than 60% but less than 100% is achievable, however the benefits and costs of doing so must be carefully analyzed. As the US content increases, particularly with the size of order(s) being discussed, the cost per unit is going to increase dramatically. Any implications of such a policy will need to be clearly understood and recognized.
- One manufacturer strongly pushed for higher initial U.S. content than the 60%, but also agreed that the benefits and costs will need to be considered of an aggressive buy America policy.
- The 100% Buy America policy was questioned as to its appropriateness in the global marketplace. Jobs for export are also important. The manufacturers indicated that if the policy for 100% U.S. content is pushed, then there will likely be retaliation and loss of other markets—ultimately hurting U.S. jobs—to promote a policy in what is a relatively small piece of the industrial marketplace.
- Many builders indicated that they simply will not bid if 100% U.S. content is required.

8. It was recommended that the Section 305 Committee specify 5-10 items that will “define” the car and then let the industry bid. Whatever cars are built need to consider passenger comfort, amenities, and the ability to effectively function in the environment in which they will operate.

RESPONSES TO QUESTIONS FOR THE GROUP

1. The team's scope is to be the interface between all of the other teams to make sure that the work products/subsystems of the other groups are successfully integrated into a functional unit.
2. No subcommittees were formed at this initial meeting
3. The subgroup will need to obtain both a list of the work products and an understanding of those products, while developing a feedback mechanism to the other subgroups if there are issues/concerns with integration. The goal is/will be to help pull together products/specs that will provide a cost effective, maintainable, reliable, efficient end product.
4. TBD
5. There needs to be an understanding of the commercial model that will be used by Amtrak/states to guide the manufacturers in the Section 305 process.
6. Buy America is listed in the above meeting summary (item 7). A white paper is being developed that will be used to help educate policymakers as to the feasibility and ramifications of "Buy America" for the industry.