

# Section 305 Technical Subcommittee Progress Report: Buy America Survey



# Background

- Spending authorized under PRIIA is subject to the Buy America provision of 49 U.S.C. § 24405(a)
- 100% domestic content is not likely achievable
- Grant program administered using guidance currently; rulemaking is planned
- Informal survey conducted of 9 car and locomotive manufacturers to develop data to inform these processes



# Approach

- Survey provided to 9 manufacturers with existing US manufacturing facilities
- Following receipt of written responses, 1-hour teleconference conducted to ensure common understanding of questions/answers
- Responses distilled into generic manufacturer-neutral “survey response”



# Findings

- **Current Capacity**

- Car builders are currently able to produce rolling stock with **U.S. content in the range of 60%\* to 85% applying current FTA rules**

- **Future Capacity**

- The maximum level of U.S. content that respondents felt could realistically be obtained **ranged from 80% to 90% applying current FTA rules AND in an incremental/phased fashion**

\*Some manufacturers discontinue accruing domestic content at or slightly above the 60% level, therefore actual domestic content may be greater.



# Findings (2)

- **Relevance of FTA Guidelines**

- All respondents well acquainted with the FTA Buy America terms and conditions.
- Favor adoption of these rules by the FRA to avoid unnecessary complexity and confusion.

- **Estimated volumes needed to sustain industry**

- 50 to 200 vehicles annually for an individual carbuilder/factory
- 200 to 1000 vehicles per year needed to re-establish a U.S. supply chain and sustain the entire industry.

# Significant impediments to increasing domestic content

- PRIMARY: Lack of a consistent level of assured, sustained demand for passenger rolling stock
- SECONDARY: Domestic availability of certain items with the appropriate quality and pricing:
  - Stainless steel and aluminum suitable for body shells
  - Electronic components
  - Specialty castings, forged wheels
  - Propulsion systems, transmissions

# How can the DOT/agencies help?

- Make long-term commitments to support the industry with a dedicated funding level.
- Establish realistic goals for U.S. content so as not to discourage localization or the adoption of innovative technologies.
- Acknowledge that adjusting/increasing US content requirements needs to be considered carefully as different equipment types have different constraints.
- Provide clear and consistent rules to administer the Buy America requirements (including the audit process).



# Other notable observations

- Manufacturing and assembly costs account for approximately 1/3 of the total car cost.
- Except for carbody shells and truck frames, most components are outsourced by the carbuilders to the supply industry, with the carbuilder essentially serving as a system integrator.
- Tier 1 suppliers are responsible for and conduct significant levels of design/engineering activities in the US.
- State of the industry is 'healthier' for major system suppliers (Tier 1 suppliers) than it is for the carbuilders
- Most respondents have built or acquired at least one manufacturing and assembly plant in the U.S. in the recent past. Future plans for investment in production capability are dependent on the market demand.
- There is significant excess production capacity for passenger rail rolling stock in the U.S. Localization without sufficient demand leads to cyclical excess capacity as orders are completed and then plants forced to close due to lack of further orders.