

Buy America: Implications for Bus OEM's and Industry Suppliers

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2012 ANNUAL MEETING



New Flyer: Context

North America's #1 Heavy-Duty Transit Bus & Parts company

- Bus manufacturing plants in MN and Man. Fabrication plant in IN.
- Parts Distribution Centers in Man, Ont, KY and CA.
- >2,100 employees, 1,000 in the United States resulting directly from compliance with Buy America requirements.

Leader in Market Share, Technology and Innovation

- >100 unique bus builds/year. >32,500 buses delivered. >24,000 in operation.
- 35', 40', to 60' buses
- Propulsion options: Clean Diesel, Electric Hybrid, Electric Trolley, CNG, LNG, Hydrogen Fuel Cells and All-Electric.



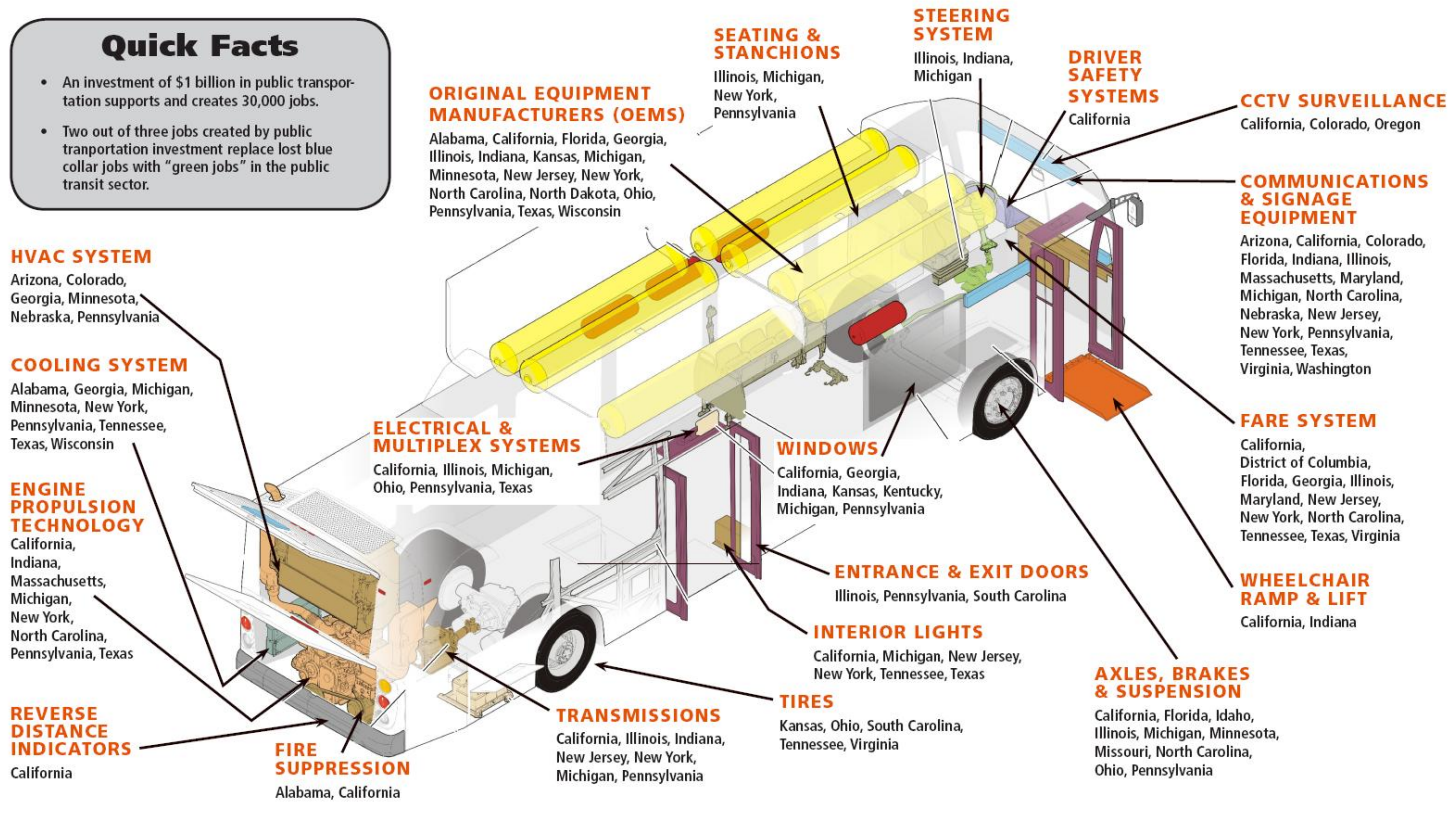
Bus OEMs have developed an extensive supplier network in America

Bus Manufacturing = Jobs Across America

Putting Americans to work, building stronger communities, and helping create a more energy-efficient America

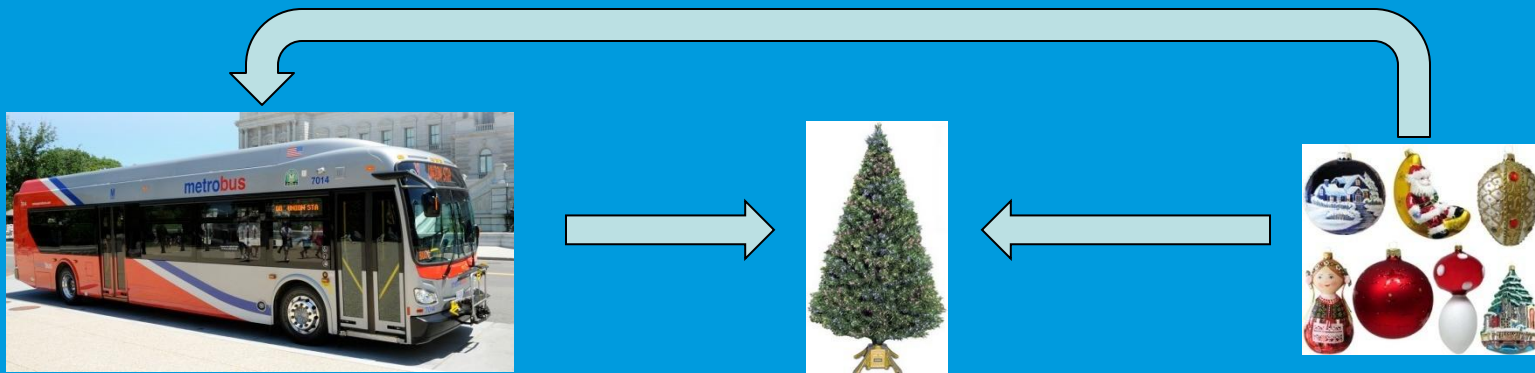
Quick Facts

- An investment of \$1 billion in public transportation supports and creates 30,000 jobs.
- Two out of three jobs created by public transportation investment replace lost blue collar jobs with "green jobs" in the public transit sector.



US Jobs impact: **OEM: 1-2 jobs/bus,**
4-5 jobs/bus at suppliers

US Transit has a unique supply chain. OEM's sell the bus, but Component OEM's sell direct.



Transit Operator

Specifies >50% of components and systems (by \$)

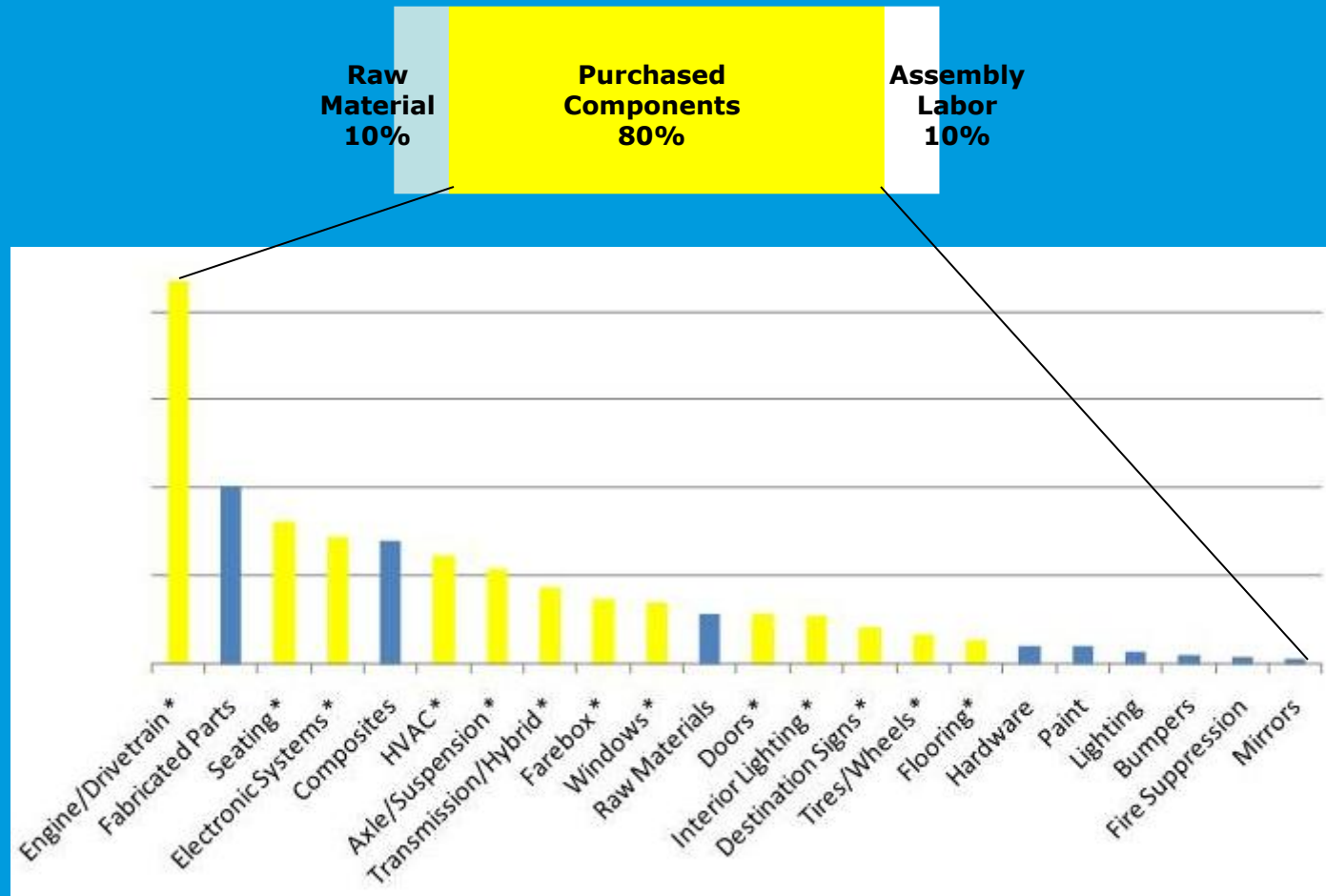
Bus OEM

Build bus frame, acts as general contactor & system integrator

Component OEM

Like making Christmas trees and told which ornaments to use.

The real cost of a Bus (& the jobs) are with the Component and Sub-Component Suppliers



But Bus OEM's are not in complete control of selecting components

Buy America Rule Changes impact the entire Supply Chain. Several thousand suppliers.



- Suppliers have built their business to comply with the current requirements.
- Example: The industry engine supplier would not meet an 80% US content requirement. US Bus transit bus engine sales are a small % of their overall global business and would require a special product.
 - The time required to evaluate , test and integrate a new engine is years. And if done only for transit, it may sub optimize the product and lead to further price increases to transit
- To comply with increased Buy America or Regional content: Time is needed to design, source, integrate, test and validate.
- “100% US” focus: Possible ? Yes, but a Trade-off is limiting access to technologies from around the world that may provide better value

Changes require time to react or “runway”.



It's not the rule changes that really hurt. OEM's and Suppliers need time to react.

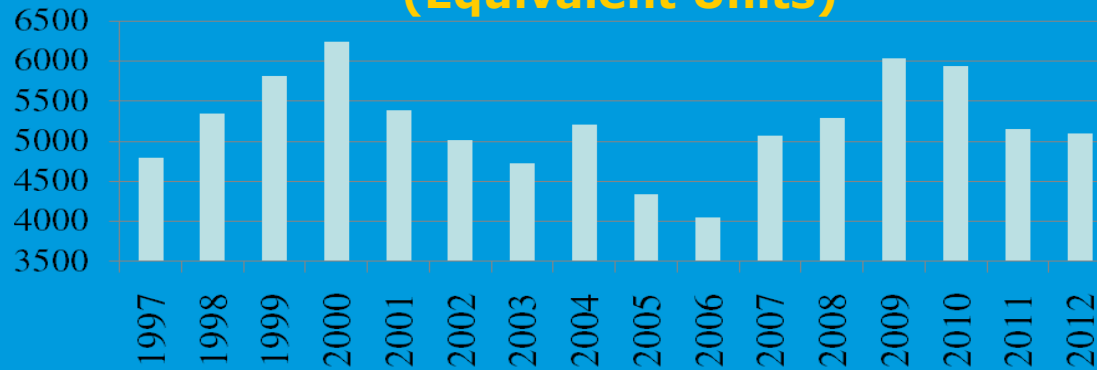


- OEM's : significant efforts in design, sourcing, testing (Altoona) is required for integrating a new component. Current products have been designed and optimized under the current FTA Buy America rules established in 1983.
- New product Validation and Customer Acceptance takes years
Example: New Flyer designed Xcelsior 2006-08 (evolution of >20 yrs experience). Altoona completion in 2009. First production delivery in Q-2010. YTD 2012 only approx 40% of deliveries.
- Individual Contracts with regional job creation incentives are challenging to adapt to and risk sub-optimizing the business.
 - Example: One customer may buy 100 buses/year with special criteria to create US jobs, but we build 1,600 other buses to core FTA rules

**Criteria should be universally applied
by FTA with enough runway to adapt**

“New Jobs” in a cyclical slow growth industry is impacted by many factors

**North American HD Transit Bus Deliveries
(Equivalent Units)**



- A cyclical market makes it difficult to track real new jobs.
- Also depends on where each individual bidder is in their own business cycle and market share? If my volume is currently down, I can create jobs at another OEM's expense.
- Changing suppliers can 'game' the system: Eg. Sub-supplier A displaces Sub-supplier B (and get credit for new jobs).

**Could it be a Zero-Sum game
that shifts jobs, not creates jobs?**