

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

**Paul Soubry**

*President & CEO*

*New Flyer of America*



**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.



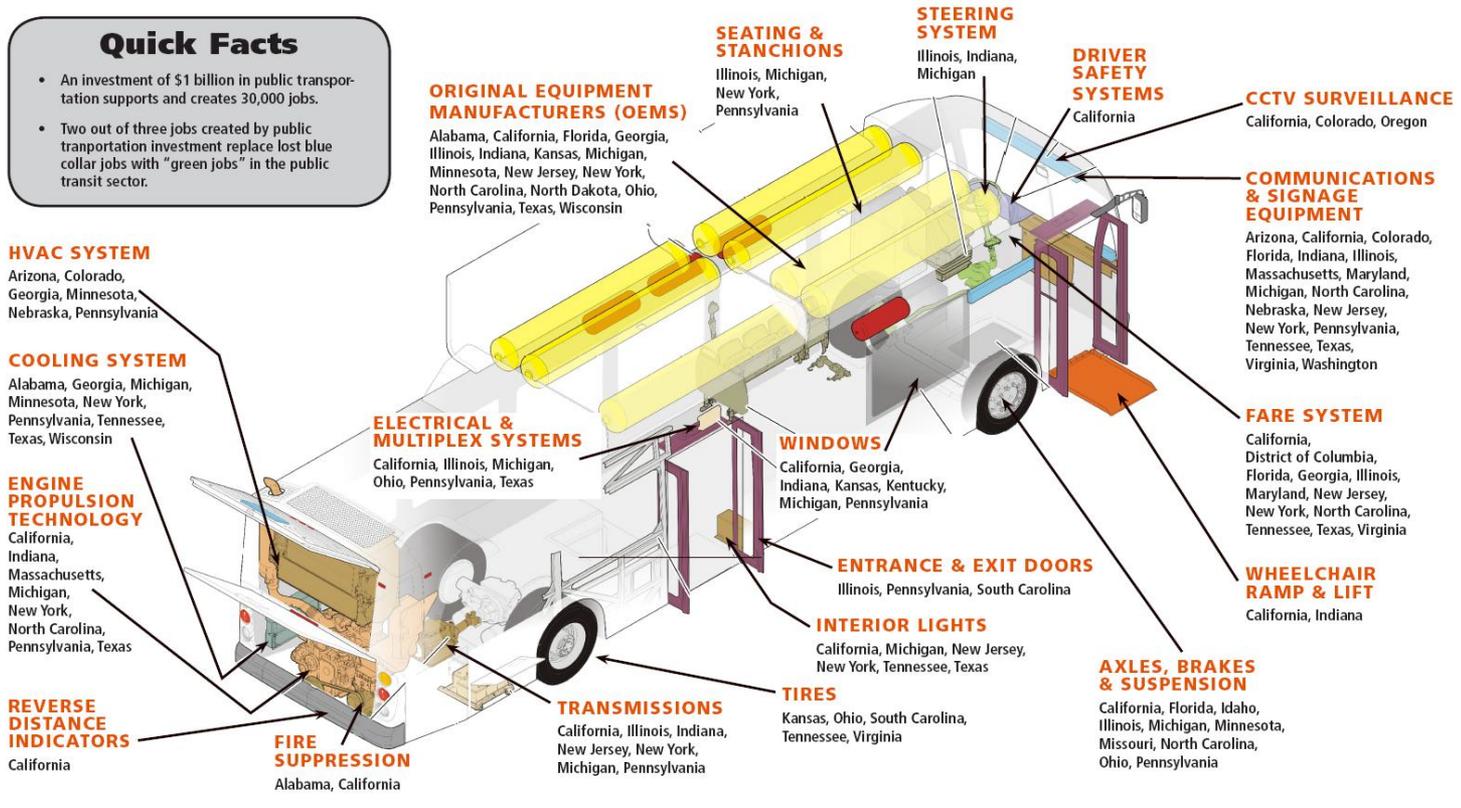
# Bus OEMs have developed an extensive supplier network in America

## Bus Manufacturing = Jobs Across America

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

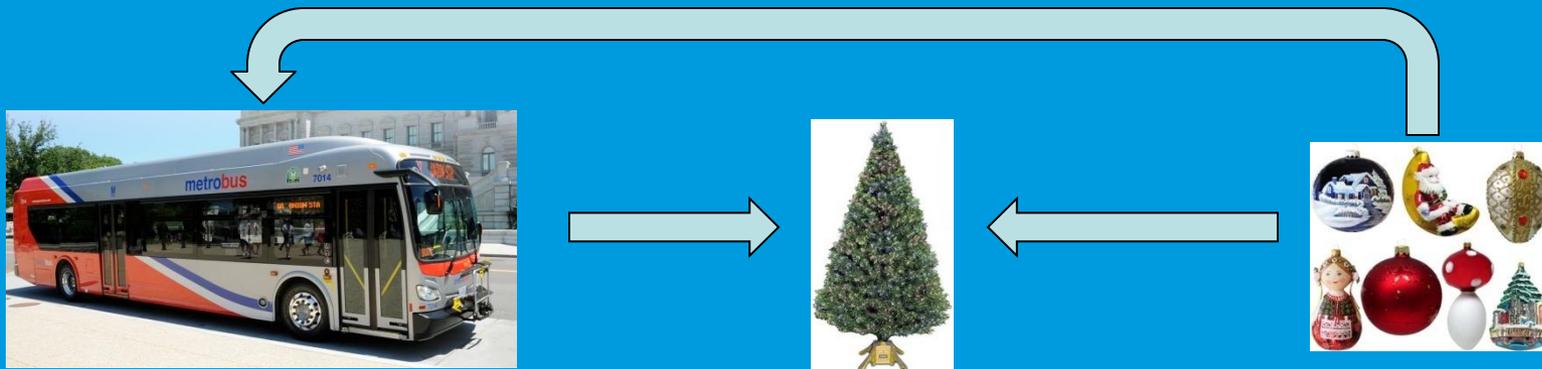
### Quick Facts

- 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 \$)

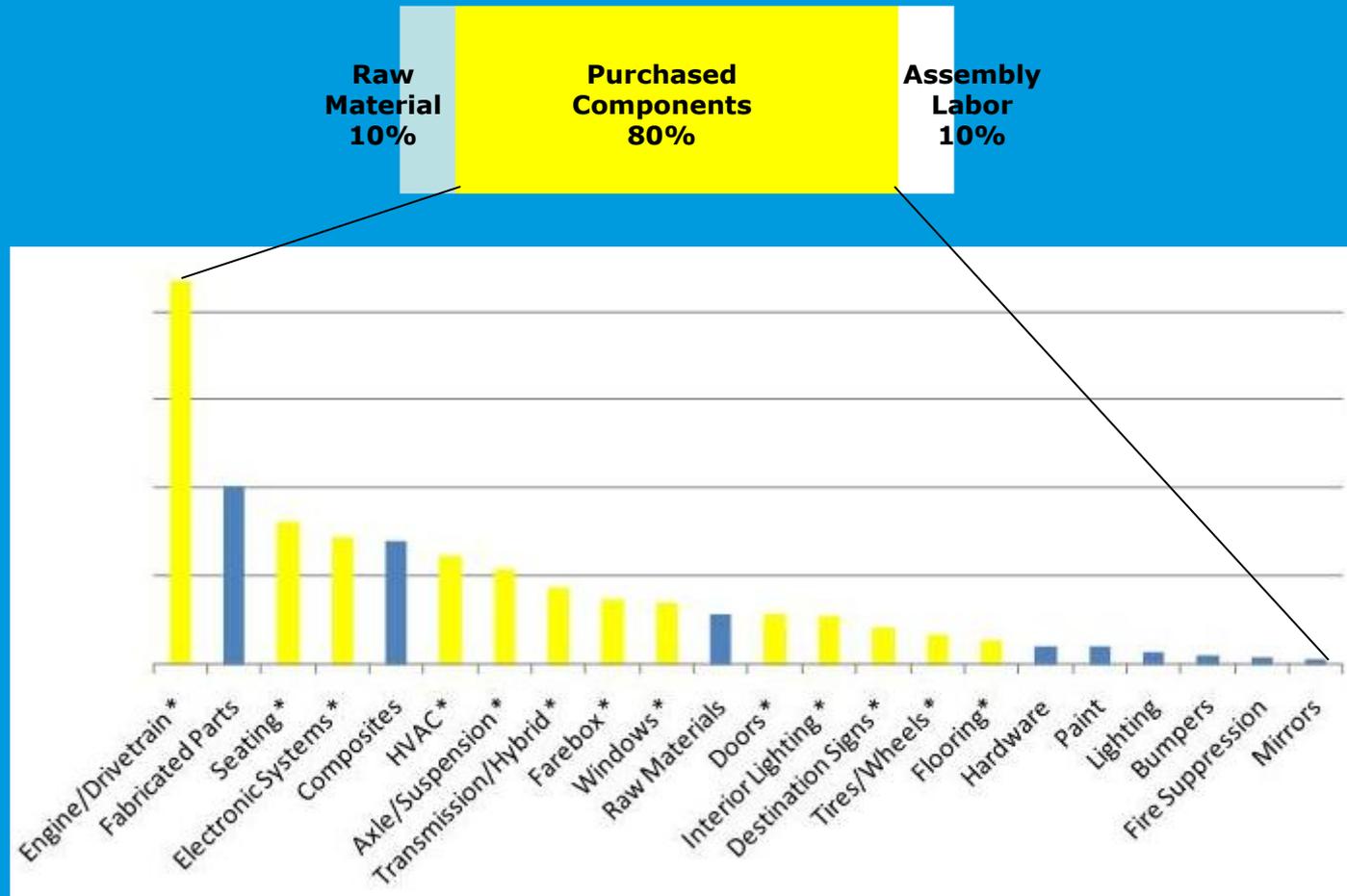
## Bus OEM

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?**