

Buy America: Implications for OEMs & Industry Suppliers



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New Flyer: Background & Context

#1 Heavy-Duty Transit Bus & Parts company in the US and Canada

- Bus manufacturing plants in MN and Mb.
- Part Fabrication plant in IN.
- Parts Centers in KY and CA.



Over 2,200 employees in total. 1,029 in the US resulting directly from compliance with Buy America

Leader in Market Share, Technology and Innovation



- >100 unique bus contracts/year.
- >32,500 buses delivered.

Propulsion options: Clean Diesel, Electric Hybrid, Electric Trolley, CNG/ LNG, Hydrogen Fuel Cells and All-Electric.

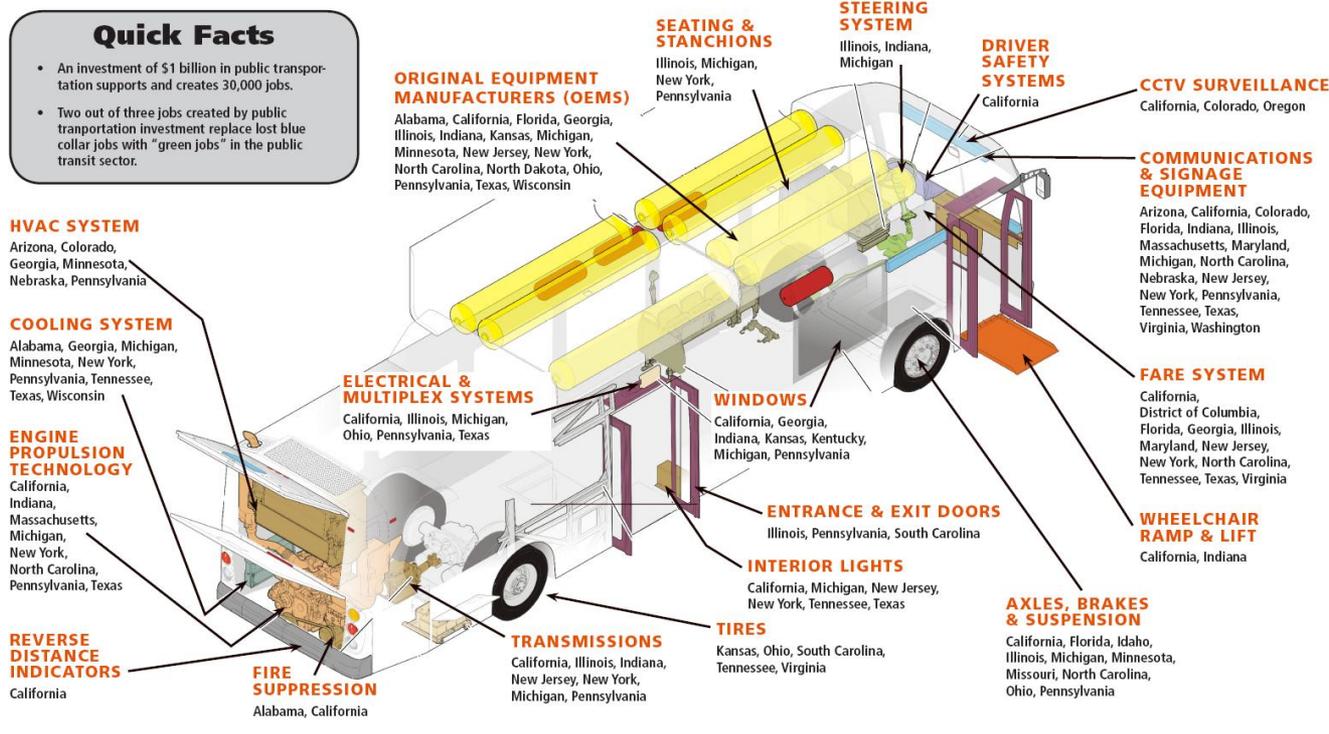
Bus OEMs have developed an extensive supplier network in America

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 OEMs sell to operators.

Transit Operator

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



Bus OEM

Build bus frame, acts as general contactor & system integrator



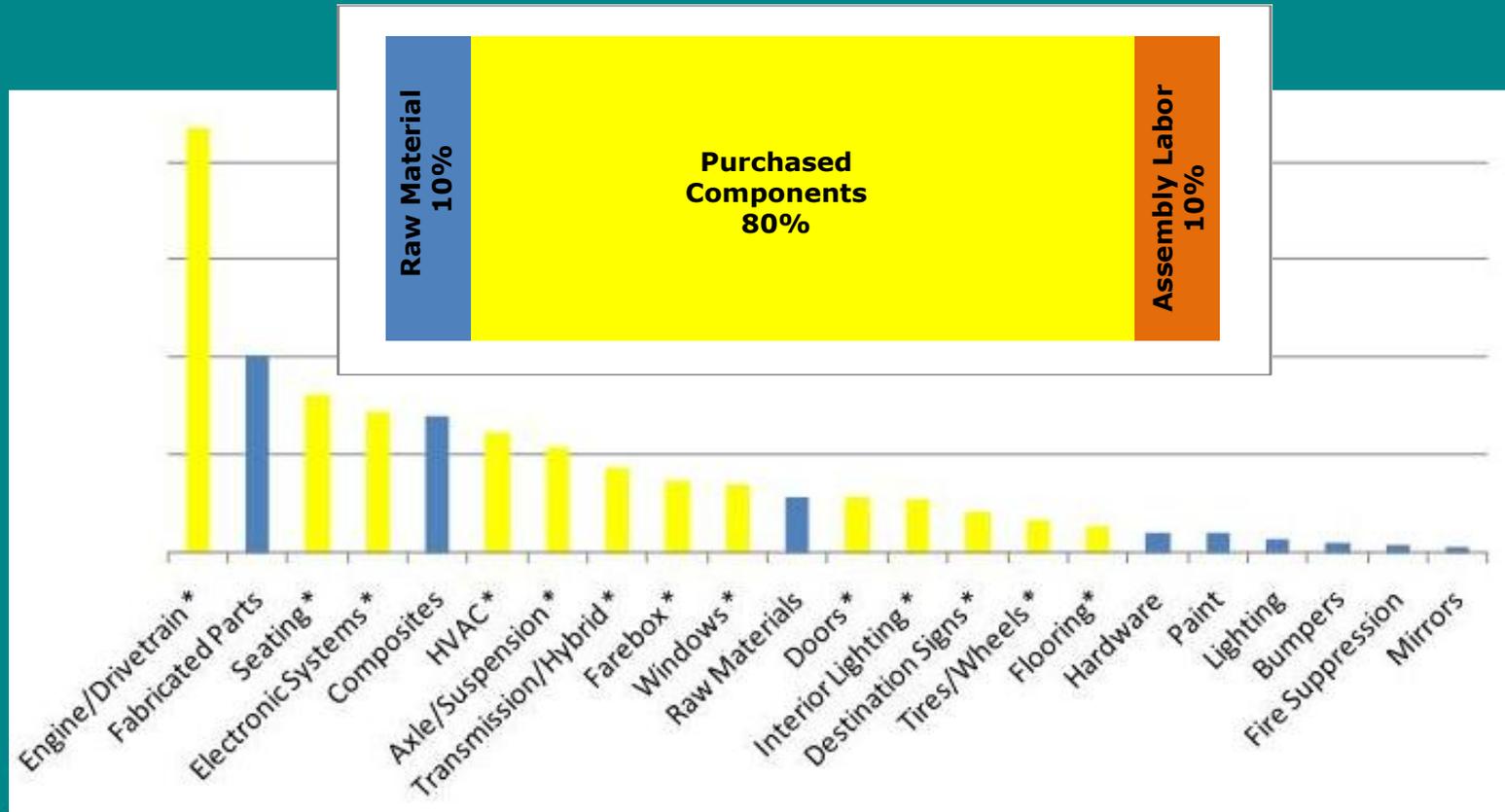
Component OEM

Most often sell to operators, not the Bus OEMs.



Like designing a Christmas tree then told which ornaments to use.

The major costs (jobs) of a Bus are with Components selected by the Customer



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

Buy America (or jobs) Rule Changes impact the entire Supply Chain. 1,000's of suppliers.



- Like Bus OEM's, all suppliers have built their business to comply with the current requirements.
- Example: Today's primary engine supplier would not meet an 80% US content requirement. Transit only represents 5% of their global sales.
 - The time required to evaluate, test and integrate a new engine takes years. And if done only for transit, it may sub optimize the product and lead to significant price increases, or worse, a unique supplier exits transit.
- To comply with increased Buy America or Regional content: Time is needed to design, source, integrate, test and validate.
 - "100% Buy America"? Maybe, but one Trade-off is limiting access to technologies from around the world that may provide better value

Changes require time to react or "runway"

Contracts with unique job creation requirements can create risk to our long term health

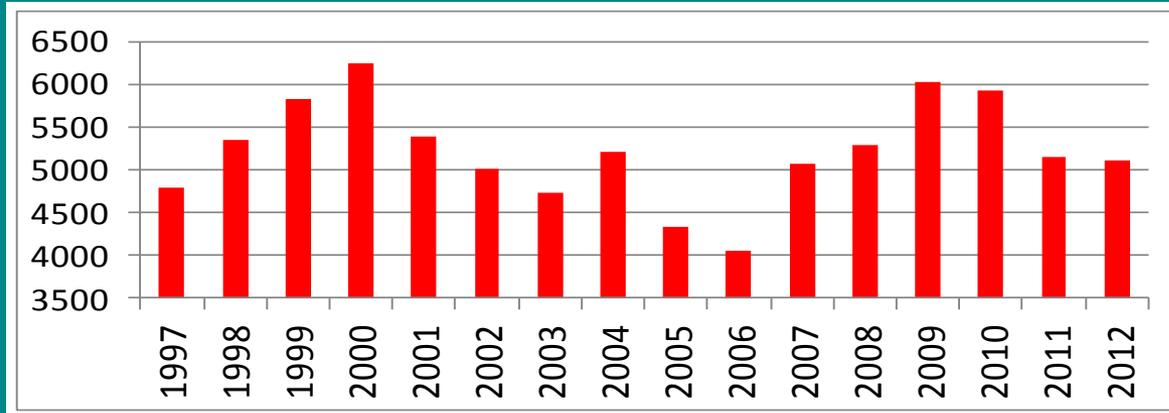


- Significant efforts in sourcing, design, integration and testing are required for integrating new designs or components. Current products have been designed and optimized under “Buy America” rules established in 1983.
- Individual Contracts with regional job creation incentives are challenging to adapt to and risk suppliers sub-optimizing the business.
 - Example: One customer may buy 100 buses/yr with special criteria to create US jobs, but we build 1,800 other buses to core FTA rules
- OEMs seek recognition for sustaining employment and stabilizing our workforce. If introduced incorrectly, it could lead to incenting new starts or transferring jobs while penalizing organizations that have made significant long term financial commitments to transit.

Criteria should be universally applied by FTA with sufficient time to react/adapt

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

North American HD Transit Bus Deliveries (EUs)



- Cyclical markets make 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 down, I can create jobs at another OEM's expense.
 - Changing suppliers might 'game' the system: E.g. Sub-supplier "A" displaces Sub-supplier "B" (and get credit for new jobs, when job losses for Supplier "A" would occur)

**We support job creation objectives,
but close cooperation is needed**