

Los Angeles County Regional Zero Emission Bus Procurement Policy

BACKGROUND

The United States transit bus manufacturing industry is in crisis. Severe cash flow pressures caused by quality issues related to unreliable components and immature technology; outdated payment practices and delays; capital and other commercial risks; cost increases due to supply chain disruptions in the wake of the COVID-19 pandemic; and additional burdens due to Buy America, Altoona testing, 12-year design life, and other factors have contributed to marketplace turmoil.

POLICY OBJECTIVE

The Federal Transit Administration (FTA) Dear Colleague Letter dated February 7, 2024 introduced several procurement recommendations to bolster interest and competition within the U.S. bus manufacturing industry. This includes supporting the standardization of vehicle specifications across multiple agencies, introducing progress payments to relieve original equipment manufacturer (OEM) cash flow pressures, as well as reducing supply chain constraints, lead times, and costs for both OEMs and agencies.

POLICY STATEMENT

Metro, through its collaboration with the Los Angeles County Municipal Operators Association (LACMOA), will leverage funds to regionally procure zero emission buses (ZEB) and related infrastructure, increasing competition and interest among U.S. bus manufacturers. This coordinated approach is essential to resolving the challenges facing U.S. bus manufacturing and ensuring that sufficient manufacturers remain in the market to support Metro and LACMOA's transition to zero emission fleets. Without such efforts, the pool of available bus manufacturers may shrink further, undermining the ability of agencies to meet their zero emission goals at a pivotal time.

As such, LA County transit agencies will participate in either a regional procurement or statewide procurement that meets the following criteria:

- **Reduces Customization.** By facilitating standardization of vehicle specifications across multiple agencies, a regional or statewide procurement process will alleviate pressures on OEMs and reduce supply chain constraints, lead times, and costs for both OEMs and transit agencies. The regional approach will reduce the need for extensive customization, streamlining production and enhancing market stability.
- **Includes Milestone Payments and Performance-Based Technical Specifications.** In alignment with the American Public Transportation

Association Bus Manufacturing Task Force recommendations, prioritizing milestone payments and performance-based technical specifications, including limiting brand preferences, helps ensure a fair and competitive bidding process. Additionally, milestone payments will be contingent upon more rigorous testing standards, enhancing quality assurance and reducing program risks for agencies transitioning to ZEB.

- **Includes Pricing Standards.** The regional approach also allows bus price escalation between Notice to Proceed and production, based on the Producer Price Index.

The regional procurement is an important step in strengthening U.S. bus manufacturing, and Metro will continue to collaborate with LACMOA on future procurements to support acceleration of our region's clean vehicle future as well as to ensure our region's communities receive reliable transit service.