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TRANSIT RAIL

Potential Rail Car Cost-Saving Strategies Exist

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Highlights

Highlights of GAO-10-730, a report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

Why GAO Did This Study

Rail transit offers society a number of benefits, including reduced congestion and pollution and increased mobility. However, rail systems and cars are costly: Transit agencies can pay more than $3 million per car, often using federal funds. As requested, this report describes (1) characteristics of the U.S. market for transit rail cars, (2) the federal government's role in funding and setting standards for transit rail cars, and (3) challenges transit agencies face when procuring rail cars. GAO analyzed U.S. and worldwide rail car market data for commuter, heavy, and light rail systems and interviewed Department of Transportation (DOT) officials and domestic and international industry stakeholders, including the American Public Transportation Association (APTA).

What GAO Recommends

GAO recommends that the Secretary of Transportation direct DOT to work with APTA to (1) develop a process to systematically identify and communicate opportunities for transit agencies with similar needs to participate in joint procurement and (2) identify additional opportunities for standardization, especially for new systems. DOT reviewed a draft of this report, generally concurred with its contents, and agreed to consider the recommendations.

View GAO-10-730 or key components.
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What GAO Found

U.S. demand for transit rail cars is limited and erratic and orders tend to be for customized cars. Transit rail cars in the U.S. comprise about 5 percent of the worldwide fleet. Transit agencies' purchases vary considerably over time: A large transit agency may replace its entire fleet in 1 year, contributing to a spike in the market, whereas in other years, there may be only a fraction of that demand for the U.S. market. Transit agencies often request custom car designs to address not only legacy infrastructure requirements and interoperability issues with existing fleets, but also preferences. Rail car orders of small size and demand for customized cars can increase the price per car by, for example, concentrating design costs among fewer cars.

The federal government provides some funding for transit rail cars and has varying levels of involvement in setting design standards for transit rail cars. More than half of the transit agencies GAO interviewed purchased rail cars with some type of federal funding, such as formula or discretionary capital funds. When transit agencies use federal funds to purchase rail cars, certain requirements apply, such as "Buy America"—which requires, among other things, that rail cars be assembled in the United States. The Federal Transit Administration (FTA) ensures that these requirements are met by overseeing new transit projects and through periodic reviews. The federal government's role in setting design standards for transit cars depends on the type of rail. For commuter rail, the Federal Railroad Administration has established safety standards that must be met, since these cars are intended to run on the same tracks as freight rail traffic. For other rail transit, FTA provided funds to help APTA—the standard-setting industry group—develop voluntary standards, including those for safety. However, the Secretary of Transportation proposed legislation in December 2009, which was introduced in Congress in February 2010, to give FTA more regulatory authority in relation to safety.

Transit agency officials identified several challenges in procuring rail cars, including securing funding, given all of their competing needs. Manufacturers and transit agencies also face legal and regulatory requirements, such as "Buy America" requirements, but have generally adapted to challenges posed by them. However, market challenges still exist, including the small size of many orders that may affect price. Joint procurements, whereby transit agencies combine orders, can help them increase their order sizes; however, they can only combine orders if a design exists that meets both agencies' needs. While a few transit agencies have become aware of opportunities to jointly procure rail cars through informal mechanisms, such as industry meetings, there is currently no formal mechanism to identify mutually beneficial opportunities for joint procurement. As FTA helps fund many procurements, it may be in the best position to help transit agencies identify joint procurement opportunities. Furthermore, FTA and APTA have efforts under way to standardize light rail cars to make rail car procurement more efficient and cost-effective. Standards also might be beneficial for other types of systems, such as streetcars, particularly for those without existing infrastructure limitations.