

Progress Rail

A Caterpillar Company



**PROGRESS RAIL LOCOMOTIVE INC.
DISADVANTAGED BUSINESS ENTERPRISE (DBE)
TRANSIT VEHICLE MANUFACTURER DBE GOAL AND
METHODOLOGY
FOR
FEDERAL FISCAL YEAR-2018**

I. INTRODUCTION

Progress Rail Locomotive Inc. is required to prepare and submit a Disadvantaged Business Enterprise (DBE) Goal for DBE participation as a condition of acquiring transit vehicle procurements with Federal Transit Administration (FTA) financial assistance. Pursuant to Moving Ahead for Progress in the 21st Century; 49 CFR Part 26 "Participation by Disadvantaged Business Enterprises in U.S. Department of Transportation Programs" and the FTA Master Funding Agreement, PRL submits its 2018 Federal Fiscal Year (FFY) DBE goal.

II. BACKGROUND

Progress Rail Locomotive Inc. ("PRL") [formerly known as Electro-Motive Diesel, Inc. ("EMD")] is the world's largest manufacturer of freight and passenger locomotives. Today, we continue the EMD legacy by providing the same reliable products the industry has come to depend on—not only with the iconic EMD product name, but also innovative features and technologies to meet stringent customer requirements and maintain high performance. As a worldwide leader, PRL offers diesel-electric EMD locomotives and aftermarket parts for all commercial railroads, including freight, intercity passenger, commuter, switching-industrial, and mining applications. More than 65,000 EMD-powered locomotives have been delivered to more than 75 countries to date. As a Transit Vehicle Manufacturer (TVM), PRL designs, manufactures, rebuilds, repowers, maintains, and services passenger and transit locomotives -- the highly sophisticated, heavy-duty prime mover for passenger trains – for transit railroads in the United States. In the TVM arena, PRL focuses exclusively on the locomotive (not passenger railcars or other ancillary vehicles). Our passenger locomotive offerings include high-speed operation (up to 125 miles per hour), for intercity and commuter operations.

Since 2014, PRL has pursued new, repower and overhaul locomotive TVM procurements with FTA grantees. As a TVM, PRL understands we must develop and implement a DBE Program plan and annually submit our DBE goal and methodology. Under the guidance of the Susan Lash, DBE Liaison Officer, PRL offers its 2018 FFY DBE Goal and Methodology for FTA assisted projects that PRL plans to propose in 2018.

III. SUMMARY OF THE OVERALL GOAL

The PRL herein presents its proposed Annual DBE Goal and Methodology for FFY 2018, which represent a 1.5% Race-Neutral DBE goal.

The manufacturing of a locomotive is highly sophisticated and heavily regulated for many factors such as from the US Environmental Protection Agency (EPA) on emissions for diesel locomotives of all types and for the same standards for remanufactured locomotives and from the Federal Railroad Administration (FRA) on Locomotive Safety Standards that specifies the manufactured engineering and locomotive electronics standards.

The EPA and FRA require the locomotive manufacturer to certify that the new locomotive and or remanufactured locomotive meet these stringent regulatory standards. We must maintain the highest quality, meet federal regulatory requirements and maintain the integrity of the design build locomotive specifications. Our industry is challenging for small, minority, women and DBEs who are similarly required to follow the same high standards when providing their manufactured products to PRL.

The locomotive is a design build project for each client. Approximately 98% of the locomotive is manufactured to engineered specification. Therefore, each part must be manufactured to the new locomotive design, repower or overhaul.

PRL completed an analysis to determine our FFY 2018 DBE goal. Our belief is that our FFY 2018 DBE goal is 1.5%. Our goal is based on the best available information that is representative of the relative availability of DBEs, potential DBEs and non-DBEs in our geographic market area. Our geographic market area are eleven States: Illinois, Indiana, Michigan, Ohio, Iowa, Kentucky, Georgia, Alabama, New York, Wisconsin and Washington. The geographic market was based on the States where PRL's TVM sub-procurements are awarded to and / or where most manufacturer / supplier quotes are received for sub-procurements. In addition, the eleven states are prospective clients for locomotive TVM procurements. Our DBE numerator is 114 which is representative of the eleven states DBE Unified Certification Program Directories and who have NAICS codes as manufacturers of locomotive parts. The denominator is 16824 which is representative of the relative availability of DBEs and non-DBEs in the locomotive parts manufacturing NAICS code and in the eleven states. The analysis is discussed in Section IV.

III. FTA-ASSISTED CONTRACTING PROGRAM FOR FFY 2018

Table 1 represents 6-proposed locomotive TVM projects that PRL is planning to pursue in FFY 2018. These 6-projects were considered for preparing the **Annual DBE Goal-Setting Methodology**. The projects include new, repower and overhaul locomotives and are anticipated to be awarded within FFY 2018.

Table 1

| Project Name | Procurement Type | Anticipated Award Month and or Year |
|--|------------------|-------------------------------------|
| Altamont Commuter Express | New Locomotives | 2018 |
| Long Island Rail Road | Repower | 2018 |
| Maryland Area Regional Commuter | Overhaul | 2018 |
| Northeast Illinois Regional Commuter Railroad Corp | Repower | November 2017 |
| Northeast Illinois Regional Commuter Railroad Corp | Repower | December 2017 |
| Seattle Washington Sounder | Repower | 2018 |

Table 2 below represents the most refined summary of the NAICS codes and description of work in which DBEs are certified to participate in manufacturing parts for a locomotive, repower or overhaul.

| NAICS | NAICS Description | Description of Components/parts |
|---------------|---|------------------------------------|
| 326220 | Hoses, rubberized fabric | Hoses |
| 331420 | Bar, copper, copper alloy, made from purchased cooper or integrated secondary smelting and rolling, drawing or extruding or wire drawing plants, cable, magnet wire, insulated, made from purchased copper in wire drawing plants | Copper bars, cable, magnet wire |
| 332119 | Metal stampings, unfinished manufacturing | Metal stamping and laminations |
| 332322 | Sheet metal work manufacturing | Sheet metal fabrications |
| 332613 | Coiled springs, heavy gauge metal manufacturing | Coiled springs |
| 332710 | Machine Shops | Machining |
| 332722 | Bolts, nuts, screws, rivet and washer manufacturing | Fasteners |
| 332999 | Tapered roller bearings | Bearings |
| 332996 | Pipe fabricating made from purchased metal pipe | Fabricate pipes |
| 333618 | Locomotive diesel engines manufacturing | Locomotive diesel engines |
| 334419 | Harness assemblies for electronic use and applications manufacturing | Wire harnesses |
| 334514 | Motor vehicle instruments manufacturing | Gauges |
| 335312 | Motors, electric (except engine starting motors, gearmotors, outboard), coils for motors and generators manufacturing | Blower, motors, coils and windings |
| 335314 | Relays, electrical and electronic manufacturing | Relays |
| 335931 | electrical conductors (except switchgear-type) lugs and connectors, electrical manufacturing | Lugs, connectors |
| 336390 | Radiators and cores manufacturing | Radiators |
| 339991 | Gaskets manufacturing | Gaskets |
| 423510 | Metal merchant wholesalers | Misc. Steel |

IV. OVERALL DBE GOAL METHODOLOGY

Step 1: Determination of a Base Figure (26.45)¹

To establish the PRL Base Figure of the relative availability of DBEs to all comparable firms (DBE and Non-DBEs) available to propose on the 6-projected TVM procurement opportunities; the PRL followed 1 of the 5-prescribed federal goal-setting methodologies in accordance with 49 CFR Part 26.45 *How Do Recipients Set Overall Goals*.

The PRL made a concerted effort to ensure that the scope of manufacturers included in the numerator was as close as possible to the scope included in the denominator. For corresponding detail of the NAICS work category classifications, refer to *Table 2*.

- ⇒ ***For the numerator: State UCP DBE Database of Certified Firms***
- ⇒ ***For the denominator: DBEs and Non-DBEs***

To determine the relative availability of DBEs, PRL divided the numerator² representing the ratio of ready, willing and able DBE firms, by the denominator³ representing all firms (DBE and Non-DBEs) available in each work category. Application of this formula yielded the following baseline information:

$$\frac{\text{Number of Ready, Willing and Able DBEs}}{\text{Number of All Available Firms}} + \text{Weighting} = \text{BASE FIGURE}$$

(including DBEs and Non-DBEs)

The Step 1: Base Figure: We considered the geographic market areas as *Illinois, Indiana, Wisconsin, Michigan, Ohio, Iowa, Alabama, Georgia, Kentucky, Washington and New York*. These eleven states were selected as markets in which DBEs could potentially be ready, willing and able to manufacture parts for a new, repower or overhaul locomotive. The Unified Certification Program (UCP) Directory of Certified DBE firms and the 2012 Census Bureau of business establishments in each state for the respective NAICS codes (Table 2) were analyzed.

The best available data for the eleven states defined the relative availability of DBEs and non-DBEs for the 18 specified NAICS code manufacturers sought. The databases used, resulted in our DBE numerator at 114 and the DBE and non-DBE denominator at 16824.

The Step 1: Base Figure includes the weighting of the volume of locomotive components and parts manufactured for each NAICS code. The numerator, denominator and the weighted calculations are shown in *Table 3*:

¹ §26.45 represents Title 49 CFR Part 26 regulatory referenced section.

² Numerator represents all DBE firms established within the PRL's market area.

³ Denominator represents all comparable available established firms (DBEs and non-DBEs).

| NAICS | NAICS Description - Manufacturing | Description of Components and parts | Total in 11 - States* | | Relative Availability |
|---|---|-------------------------------------|-----------------------|--------------|--|
| | | | DBEs | Non-DBEs | Weighted by Volume of Components and Parts |
| 326220 | Hoses, rubberized fabric | Hoses | 2 | 82 | 2.44% |
| 331420 | Bar, copper, copper alloy, made from purchased cooper or integrated secondary smelting and rolling, drawing or extruding or wire drawing plants, cable, magnet wire, insulated, made from purchased copper in wire drawing plants | Copper bars, cable, magnet wire | 1 | 95 | 1.05% |
| 332119 | Metal stampings, unfinished manufacturing | Metal stamping and laminations | 6 | 683 | 0.88% |
| 332322 | Sheet metal work manufacturing | Fabrications | 34 | 1311 | 2.59% |
| 332613 | Coiled springs, heavy gauge metal manufacturing | Coiled springs | 0 | 177 | 0.00% |
| 332710 | Machine Shops | Machining | 6 | 6880 | 0.09% |
| 332722 | Bolts, nuts, screws, rivet and washer manufacturing | Fasteners | 4 | 378 | 1.06% |
| 332999 | Tapered roller bearings | Bearings | 0 | 1416 | 0.00% |
| 332996 | Pipe fabricating made from purchased metal pipe | Fabricate pipes | 4 | 233 | 1.72% |
| 333618 | Locomotive diesel engines manufacturing | Locomotive diesel engines | 0 | 129 | 0.00% |
| 334419 | Harness assemblies for electronic use and applications manufacturing | Wire harnesses | 10 | 344 | 2.91% |
| 334514 | Motor vehicle instruments manufacturing | Gauges | 0 | 97 | 0.00% |
| 335312 | Motors, electric (except engine starting motors, gearmotors, outboard), coils for motors and generators manufacturing | Blower, motors, coils and windings | 1 | 172 | 0.58% |
| 335314 | Relays, electrical and electronic manufacturing | Relays | 4 | 349 | 1.15% |
| 335931 | electrical conductors (except switchgear-type) lugs and connectors, electrical manufacturing | Lugs, connectors | 3 | 143 | 2.10% |
| 336390 | Radiators and cores manufacturing | Radiators | 1 | 658 | 0.15% |
| 339991 | Gaskets manufacturing | Gaskets | 2 | 195 | 1.03% |
| 423510 | Metal merchant wholesalers | Steel | 36 | 3482 | 1.03% |
| | | Total | 114 | 16824 | 1.5%⁴ |
| *Illinois, Indiana, Wisconsin, Michigan, Iowa, New York, Kentucky, Georgia, Alabama, Ohio, Washington | | | | | |

⁴ The Relative Availability of DBEs and non-DBEs were further weighted by the volume of locomotive components and parts manufactured for each NAICS code.

Based on applying the rule of thumb of identifying the address of the firms that manufacture and supply to PRL's TVM sub-procurements and / or where most manufacturer / supplier quotes are received; and weighing the relative availability of the volume of manufactured components and parts; it is reasonableness to accept the relative availability of DBEs and non-DBE in the eleven states as our 1.5% Step 1 Base figure.

Step 2: Adjusting the Base Figure

Upon establishing the Base Figure, PRL reviewed and assessed other known evidence potentially impacting the relative availability of DBEs within the geographic market area, in accordance with prescribed narrow tailoring provisions set forth under 49 CFR Part 26.45 Step 2; DBE Goal Adjustment guidelines.

Evidence considered in making an adjustment to the Base Figure included PRL's *Past DBE Goal Attainments, Disparity Studies, and Public Participation*, as follows:

A. Past DBE Goal Attainments

PRL considered an adjustment to the Step 1 Base Figure based on historical past DBE goal attainments for federal FFYs 2014 to 2017 with the new proposed contracting opportunities (*reference Table 1*) identified and considered in the DBE Goal Analysis for FFY 2018. One project MetroLink – Southern California Regional Rail Authority (SCRRA) was awarded to PRL in 2014. No other TVM contract has been awarded to PRL. The SCRRA project is the design and build of new locomotives. The SCRRA project is still active and the full DBE past participation has not been fully realized to assess past participation for future awards. Another reason why we cannot consider the SCRRA past participation to proposed awards is because over 66% of the potential award value in FFY 2018 are for locomotive repower and overhaul. The FFY 2018 proposed projects are far different in type of manufacturing and dollar value on the one 2014 procurement for new locomotives. Consequently, past participation was not used to adjust the proposed DBE goal.

B. Disparity Studies

In the *Tips for Goal-setting in the DBE Program* the guidance is to either conduct a disparity study or consider the information contained in a disparity study to make an upward or downward DBE goal adjustment. In addition, the *Tips* indicate that the goal setting must also be a narrowly tailored analysis with sufficient evidence of discrimination within the recipient or subrecipient own transit contracting marketplace to determine if there is the need for race- or gender-conscious remedial action. A disparity study also measures the availability of DBEs, Minority and Women businesses that are able to work on federally funded projects.

PRL did not conduct a disparity study for its FTA financial assisted procurements. Absence completing a disparity study and based on the *Tips* guidance, PRL did review and consider the availability and disparity analysis information contained in 7-disparity studies that were completed in the last 5-years.

- 2012 State of Illinois Department of Transportation DBE Disparity Study
- 2015 State of Indiana Department of Transportation DBE Disparity Study
- 2015 State of Indiana Department of Administration Minority and Women Business Disparity Study

- 2015 New York State Department of Transportation Minority & Women Business Disparity Study
- 2016 State of Ohio Department of Transportation DBE Disparity Study
- 2016 Georgia State Department of Transportation DBE Disparity Study
- 2012 Washington State Department of Transportation DBE Disparity Study

The 7-disparity studies were reviewed for relevance to the locomotive procurement contracting opportunities and PRL's geographic market area. The 7-disparity study analyses were based on minority- and women owned businesses and DBE and non-DBEs who were awarded state Departments of Transportation "highway" construction related contracts or public works contracts within each state. PRL continued to review each study to determine if the study included an availability analysis of minority, women businesses and DBEs with locomotive manufacturing NAICS codes. While each study report covered their entire state as the geographic market area to establish the relative availability, the study reports did not collect data on the availability of minority and women businesses, DBE or non-DBEs as locomotive or rail road manufacturers or suppliers.

Therefore, PRL could not rely upon the 7-disparity study reports to establish the narrow tailoring requirement of the relative availability of minority and women businesses and DBEs to non-DBEs and to establish sufficient evidence on whether or not discrimination exists in transit procurements and specifically to locomotive manufacturing. Consequently, the 7-disparity study reports were not used to adjust the proposed DBE goal.

C. Public Participation and Consultation

In accordance with public participation regulatory requirements under 49 CFR Part 26, §26.45(g), minority, women, local business chambers, and community organizations within PRL's geographic market area were consulted and asked to provide comment to the goal and methodology and share information concerning the availability of disadvantaged and non-disadvantaged businesses and to provide suggestions on how to improve our goal and methodology.

Public Notice

On September 22, 2017, the DBE Goal Notice was published on the webpage at www.progressrail.com under Supply Chain Management subpage Supplier Chain. The notice informed the public that for 30 days from September 22, 2017 the draft proposed goal and methodology were available for inspection during normal business hours at the PRL office located at 1600 Progress Drive, Albertville, Alabama 35950 and the goal and methodology was on the website at www.progressrail.com. The public notice encouraged the public to review the goal and methodology and provide comments on the goal and methodology.

V. RACE-NEUTRAL MEASURES

In conformance with 49 CFR Part 26; "Participation by Disadvantaged Business Enterprises in Department of Transportation Programs", PRL goal methodology has resulted in implementing a **strictly Race-Neutral Annual DBE Goal for FFY 2018**. Our positioning is due to the absence of readily available evidence of discrimination and its effects in PRL's TVM geographic marketplace.

In accordance with 49 CFR Part 26.51, PRL will implement race-neutral measures to meet the DBE goal. The measures include but not limited to:

- Post timely solicitations for bids in ways that facilitate DBE participation.
- Where possible break-down large procurements to encourage DBE's to bid as major sub-suppliers.
- Encourage major suppliers to identify sub-procurement opportunities that may facilitate a greater number of interested DBE's to bid on the smaller sized work.
- Refer DBEs to the Business Development Programs as referenced in Section 26.35 of this program plan for technical assistance and other business development services that will enable the DBE to bid PRL procurements.
- Post PRL's contracting procedures, terms and conditions, supplier quality manual, product approval process and specific procurement opportunities on PRL website.
- Disseminate bid opportunity information to Minority/Women and non-minority business organizations.
- Refer Minority and Women businesses to their home state Unified Certification Program to obtain DBE certification.

Based on public participation and consultation and other factors as addressed in Steps 1 and 2 discussions, the PRL annual DBE goal for FFY 2018 is 1.5% race-neutral.