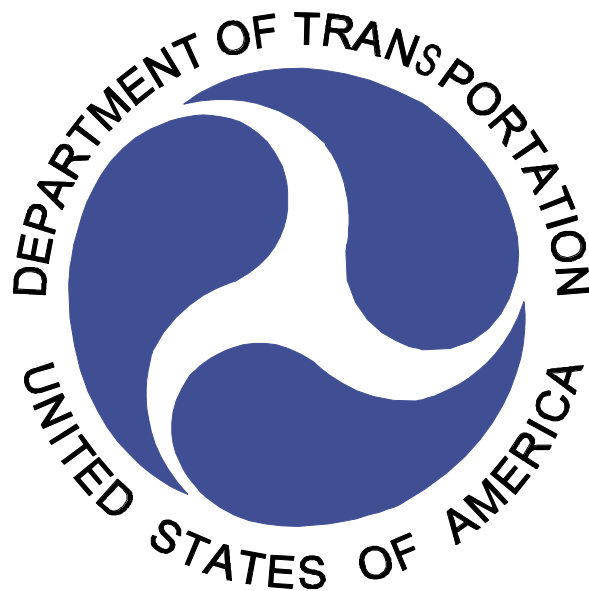

Office of the Inspector General

Audit Report

*Management Advisory Memorandum
on Buy American Act Requirements
for Amtrak High-Speed Trainsets*

Report No. R2-FR-7-002





**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Memorandum

Subject: INFORMATION: Management Advisory Memorandum on Buy
American Act Requirements for Amtrak High-Speed Trainsets
Report No. R2-FR-7-002

Date: November 5, 1996

From: Raymond J. DeCarli
Associate Deputy Inspector General

Reply to
Attn of: J-3

To: Federal Railroad Administrator

We have completed a review of the Buy American Act (Act) requirements for Amtrak's contract to purchase high-speed trainsets for use on the Northeast Corridor. The review was conducted in response to a hotline complaint regarding compliance with the Act's rules and special financing terms.

Our review included discussions with Amtrak operating officials, Amtrak Inspector General (IG) staff, and our Office of Legal Counsel regarding the Act's provisions and terms of the contract. We also evaluated applicable contract bid and award documents and contractor financing arrangements. Based on our review, we concluded Amtrak is in compliance with the requirements of the Act. The Amtrak IG is currently reviewing the contractor's subcontracting plan as part of a premanufacturing audit and plans to monitor the contractor's compliance with the Act's provisions of the contract.

On September 16, 1994, Amtrak issued a request for proposal to purchase high-speed trainsets for use on the Northeast Corridor. The request for proposal required proposers to comply with the Act's requirements and set a goal of 70-percent U.S. content for the trainsets. During the contract bid process, Bombardier/GEC Alstom Transportation Consortium (Consortium) offered a minimum of 67-percent U.S. content for the trainsets. On May 1, 1996, Amtrak awarded the contract to the Consortium. The 67 percent offered by the Consortium was incorporated into the contract. Based on a legal

opinion from our Office of Legal Counsel, the terms of the contract control and the contractor is required to ensure 67-percent U.S. content in its trainsets.

In a recent meeting with Amtrak, Consortium officials restated their intention to meet or exceed the 67-percent U.S. content requirement. In addition, the Amtrak IG plans to monitor the Consortium's progress toward meeting the Act's requirements, and will calculate any penalties due if the Consortium misses the requirement upon completion of the contract. The contract imposes a penalty of 1 percent of the total contract value for every percentage point below the 67 percent requirement.

With respect to the contractor's financing arrangements, the complainant was not correct in alleging the contractor obtained preferential financing requiring 50-percent Canadian content. The loan agreement was entered into by Amtrak, not the contractor, and, according to Amtrak officials, no minimum Canadian content was specified.

If I can answer any questions or be of further assistance, please feel free to contact me at 366-1964, or Michael E. Goldstein, Regional Manager, at 212-264-8701.

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