



U.S. Department
of Transportation

**Federal Transit
Administration**

The Administrator

1200 New Jersey Avenue, SE
Washington, D.C. 20590

OCT 20 2009

Dear Colleague:

It has come to the Federal Transit Administration's (FTA) attention that the transition to a new heavy duty transit bus engine manufactured by Cummins, Inc., is adversely affecting the transit vehicle manufacturing industry. Cummins has notified bus manufacturers that it will cease to manufacture its ISL heavy duty diesel transit bus engines on December 31, 2009, and will shut down its production line for several months in order to convert it to the manufacture of engines that comply with new environmental regulations.

Under normal business conditions, vehicle engines are paid for upon delivery, but due to the transition in engine models, Cummins is requiring transit vehicle manufacturers to make advance payments for its current model ISL heavy-duty diesel bus engines and to take delivery of them prior to December 31, 2009. Transit vehicle manufacturers, in turn, are seeking advance payments for these engines from their transit agency customers.

Given the unique circumstances created by the transition in engines and the requirement that transit vehicle manufacturers pre-purchase engines in order to meet their contractual obligations and maintain their production lines, FTA hereby authorizes its recipients to make advance payments to reimburse transit vehicle manufacturers for the costs of pre-purchasing Cummins model ISL heavy-duty diesel 2007 bus engines that are currently under existing contracts, consistent with Chapter IV, paragraph 2b.(5)(b), of FTA Circular 4220.1F.

Transit agencies may use FTA financial assistance to make advance payments to reimburse transit vehicle manufacturers for pre-purchased Cummins ISL 2007 engines, provided a transit agency obtains adequate security for those payments and has sufficient written documentation to secure the item for which payment has been made. FTA acknowledges that taking title to the engines may not be practicable or advisable under these circumstances, so recipients are advised to take suitable alternative measures to protect the FTA and local financial interests in the advance payment, as well as to address the potential of incomplete performance.

FTA emphasizes that the purchase of engines prior to December 31, 2009, in order to meet existing vehicle contracts is not intended to circumvent the new engine standards, but rather, to ensure the reliability and viability of our nation's transit industry. This authority to deliver and

install pre-purchased engines is limited to buses for which contracts were signed prior to October 1, 2009, but will be delivered by September 30, 2010, due to normal bus industry production cycles. Under no circumstances does this authority extend to buses with delivery dates thereafter.

Sincerely yours,



Peter M. Rogoff