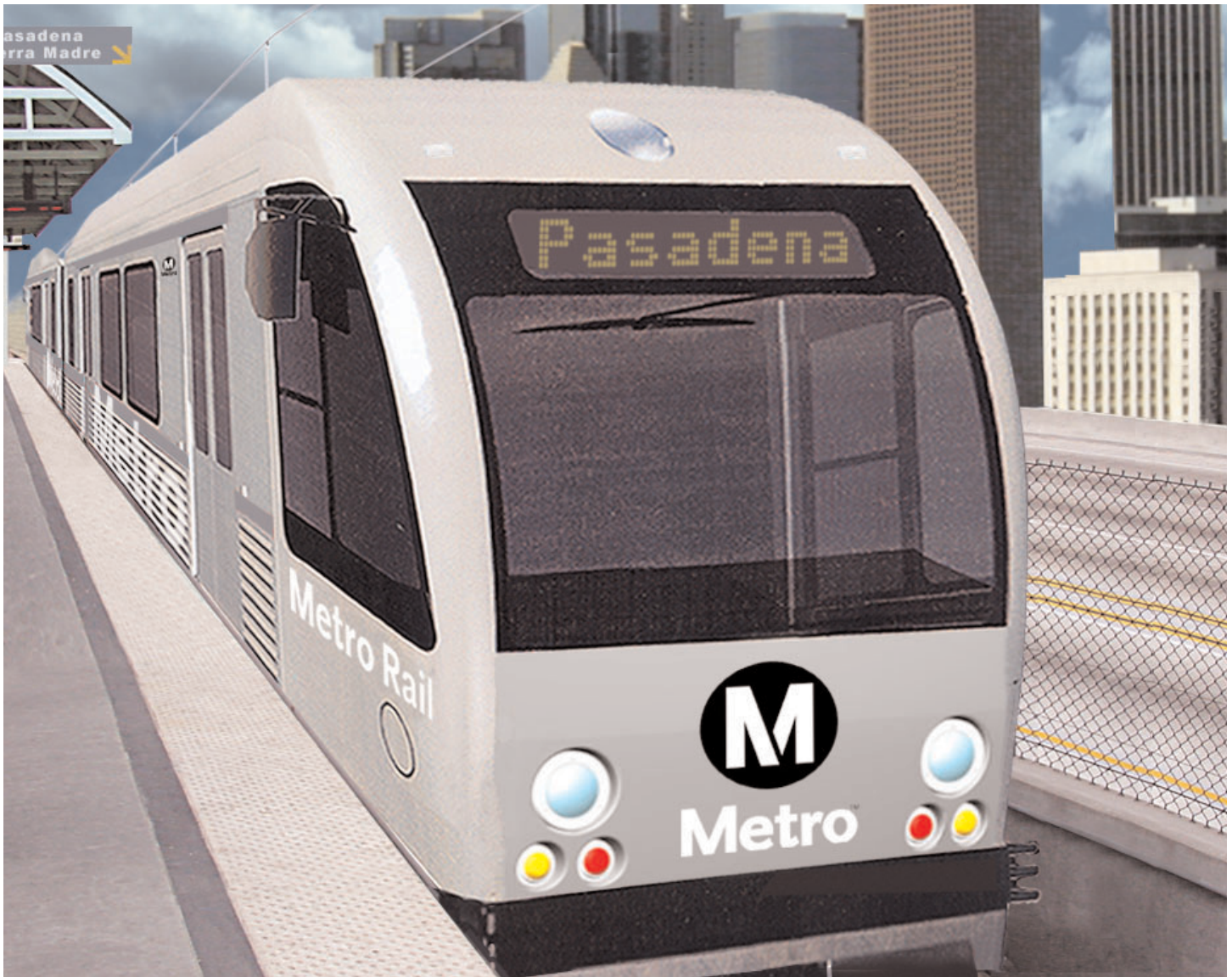


2550 Rail Vehicle Program

March 2008



2550 RAIL VEHICLE PROGRAM

QUARTERLY PROJECT STATUS REPORT

THE PREPARATION OF THIS DOCUMENT HAS BEEN FINANCED IN PART THROUGH A GRANT FROM THE U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL TRANSIT ADMINISTRATION (FTA), UNDER THE FEDERAL TRANSIT ACT OF 1964, AS AMENDED AND WITH FUNDS FROM THE STATE OF CALIFORNIA

March 2008

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PROJECT OVERVIEW

The 2550 Light Rail Vehicle Base Contract for a Base order of 50 LRVs was awarded to AnsaldoBreda, S.p.A. of Pistoia and Naples, Italy (A.B.). The 2550 Contract also includes two 50-LRV pre-priced options for future growth, expansions, and new lines. These options are subject to specific U.S. Department Of Labor Producer Price Index escalation and will require future Metro Board approval in order to become a binding contract requirement.

As a result of the project status evaluation by the new Project Team, AB continues to make several changes to AB's Project Management staff organization and increased supervision of the project by the addition of new expert vehicle consultants and Engineers to AB's team.

Project accomplishments for this period:

1. The Project Team continued evaluation of the overall project status. A series of critical technical items list was identified as a basis of discussions with AnsaldoBreda (AB). Numerous meetings have been held with AB engineers to determine the status and to close engineering open items.
2. The Project Team is continuing meetings with the new Project Director of AnsaldoBreda, Mr. Fantappie and AB's Senior Project Management members. Metro received AnsaldoBreda's pledge to improve their Final Assembly and Delivery performance.
3. AnsaldoBreda resumed shipment of car shells from Italy to Pittsburg, however, shipment of vehicles from Pittsburg to Los Angeles is on hold until such time as quality and workmanship issues are addressed and vehicle configuration is finalized.
4. The Project Team visited the Pittsburg Final Assembly Plant to focus on vehicle assembly issues during the period. Additionally the Project Team met AB Management and Engineering staff in Pistoia Italy to discuss numerous open items identified on the "critical technical items list" referenced in Item 1 above. The majority of critical and safety related items were either closed or Action Items generated for responsible individuals to address and to close during subsequent daily team conference calls.
5. To date Metro has received a total of nine (9) vehicles at Los Angeles from the Pittsburg Final Assembly Facility. Further to date eight (8) assembled vehicles are at Pittsburg Facility. An additional 26 one half car shells are in Pittsburg, CA. for a total of 13 additional vehicles. One additional car (703) is held in Italy to be used as a test car until such time as all qualification testing have been approved.
6. AB informed Metro that all future shipments of car shells from Italy to U.S. will use American Flag Vessels.
7. Vehicles have been certified for revenue service by Metro Safety and CPUC.
8. On March 5, 2008 Metro Conditionally Accepted vehicle numbers 706 and 708 for operation on Metro Gold Line only. Vehicles have been operating in revenue service since acceptance, however, some propulsion issues have been encountered, requiring additional engineering work by AB.

MANAGEMENT ISSUES

Concern No. 1: The AnsaldoBreda proposed revised “worse-case” schedule displays a considerable slip in the Contract Schedule but still sufficient to meet the operational schedules of the next two light rail lines that are scheduled for substantial completion from 2009 onward. This schedule is currently under revision.

Status/Action No. 1: With the acceptance of the first two vehicles, AB is now able to finalize vehicle configuration and is in the process of finalizing a draft delivery schedule for the remainder of vehicles. AB has designated car number 710 and 704 as to the next two cars to be delivered to Metro for Conditional Acceptance. A final fleet delivery schedule is expected in April/May time frame.

Concern No. 2: Resolution of remaining open items on Conditionally Accepted vehicles and vehicle configuration finalization.

Status/Action No. 2: Based on successful results achieved during Project Meeting in Pistoia, Italy with AB engineering and managerial staff, a second major Project Meeting has been scheduled in Los Angeles for May 2008 to discuss, review and set Action Items on remaining critical open issues affecting vehicle design, vehicle maintenance (manuals/training), spare parts and special tools, vehicle weight, operation restrictions on other Metro lines, etc;

Concern No. 3: Vehicle production capacity in Pittsburg Plant, California affecting Metro’s future need for vehicle delivery.

Status/Action No. 3: Once vehicle final configuration is finalized, the critical path will be the capacity of vehicle assembly rate and availability of parts. A series of meetings will be scheduled in Pittsburg, CA to audit, review and address critical items for improvement of production rate capacity.

**2550 Rail Vehicle Program
Quarterly Project Status Report**

March 2008

P2550 LIGHT RAIL VEHICLE CONTRACT & PROPOSED DELIVERY SCHEDULE

No. Of Cars	VEHICLE NUMBER	CONTRACT DELIVERY REQUIREMENT - MONTHS AFTER JUNE 6, 2003 NTP	CONTRACT REQUIRED DELIVERY DATE (End of Month)	UNAPPROVED DELIVERY SCHEDULE	ACTUAL DATE OF ARRIVAL AT METRO	ACTUAL DELIVERY DATE	ACTUAL ACCEPTANCE DATE
1	701	24 MONTHS	JUNE/05	6/15/05	6/11/05		
2	702	24 MONTHS	JUNE/05	7/22/05	7/26/05		
3	705	26 MONTHS	AUGUST/05	10/31/06	1/09/07*		
4	704	27 MONTHS	SEPTEMBER/05	11/30/06	1/30/07*		
5	706	28 MONTHS	OCTOBER/05	12/31/06	2/28/07*	3/5/08 **	
6	707	28 MONTHS	OCTOBER/05	12/31/06	5/31/07*		
7	708	29 MONTHS	NOVEMBER/05	1/31/07	6/20/07*	3/5/08 **	
8	709	29 MONTHS	NOVEMBER/05	1/31/07	7/31/07*		
9	710	30 MONTHS	DECEMBER/05	2/28/07	8/30/07*		
10		30 MONTHS	DECEMBER/05	2/28/07			
11		31 MONTHS	JANUARY/06	3/31/07			
12		31 MONTHS	JANUARY/06	3/31/07			
13		32 MONTHS	FEBRUARY/06	4/30/07			
14		32 MONTHS	FEBRUARY/06	4/30/07			
15		33 MONTHS	MARCH/06	4/30/07			
16		33 MONTHS	MARCH/06	5/31/07			
17		34 MONTHS	APRIL/06	5/31/07			
18		34 MONTHS	APRIL/06	5/31/07			
19		35 MONTHS	MAY/06	6/30/07			
20		35 MONTHS	MAY/06	6/30/07			
21		36 MONTHS	JUNE/06	6/30/07			
22		36 MONTHS	JUNE/06	7/31/07			
23		37 MONTHS	JULY/06	7/31/07			
24		37 MONTHS	JULY/06	7/31/07			
25		38 MONTHS	AUGUST/06	8/31/07			
26		38 MONTHS	AUGUST/06	8/31/07			
27		39 MONTHS	SEPTEMBER/06	8/31/07			
28		39 MONTHS	SEPTEMBER/06	9/30/07			
29		40 MONTHS	OCTOBER/06	9/30/07			
30		40 MONTHS	OCTOBER/06	9/30/07			
31		41 MONTHS	NOVEMBER/06	10/31/07			
32		41 MONTHS	NOVEMBER/06	10/31/07			
33		41 MONTHS	NOVEMBER/06	10/31/07			
34		42 MONTHS	DECEMBER/06	11/30/07			
35		42 MONTHS	DECEMBER/06	11/30/07			
36		42 MONTHS	DECEMBER/06	12/31/07			
37		43 MONTHS	JANUARY/07	12/31/07			
38		43 MONTHS	JANUARY/07	1/31/08			
39		43 MONTHS	JANUARY/07	1/31/08			
40		44 MONTHS	FEBRUARY/07	2/28/08			
41		44 MONTHS	FEBRUARY/07	2/28/08			
42		44 MONTHS	FEBRUARY/07	3/31/08			
43		45 MONTHS	MARCH/07	3/31/08			
44		45 MONTHS	MARCH/07	4/30/08			
45		45 MONTHS	MARCH/07	4/30/08			
46		46 MONTHS	APRIL/07	5/31/08			
47		46 MONTHS	APRIL/07	5/31/08			
48		46 MONTHS	APRIL/07	6/30/08			
49		47 MONTHS	MAY/07	6/30/08			
50		47 MONTHS	MAY/07	7/31/08			

* Note: The Contract defines "Delivery" as arrival at Metro in a final production configuration that allows Metro to immediately commence inspection and pre-acceptance testing. Vehicles that arrive and require further Contractor labor to achieve final production configuration are NOT considered DELIVERED for the purposes of Delivery payment until production configuration is achieved. Project Team's goal is that all future shipments from AnsaldoBreda/Pittsburg be in final configuration.

** Due to nature and quantity of open items list attached to the "Conditional Acceptance" of vehicles 706 & 708, actual Delivery is pending upon closing of majority of open items list referenced above.

SCHEDULE ISSUES

Notice to Proceed was given June 6, 2003. The base contract engineering effort was scheduled to take approximately two years and delivery of the first two cars was scheduled for June 2005. The 50 car base contract funding was divided between Metro (40 cars) and the FTA (10 cars). The last (fiftieth) base contract LRV was scheduled for delivery 48-months after NTP, or approximately May 2007.

Status as of this writing follows:

This is a performance-based contract under which compensation is only paid when deliverables are received and approved by Metro. Compensation for contract milestone completion is an ongoing process directly related to Contractor performance. While progress is continuing, sufficient accomplishment for payment of Contract payment milestones lags behind. Performance improvement is promised by AnsaldoBreda Project Director, with the addition of more engineering staff at the Pittsburg, California Final Assembly Facility and Project Management staff at Pistoia Italy, and at Los Angeles Commissioning Facilities.

Subsequent to several meetings of Metro Management with AB Management, AB proposed a best effort schedule for delivery of two (2) vehicles (706 and 708) for Conditional Acceptance by Metro by mid-December 2007. However, due to lingering technical difficulties with EMI and ATP/TWC Testing, the December schedule was postponed to March 2008. On March 5, 2008 the above two vehicles were Conditionally Accepted for Metro Gold Line operation only.

Some of the known time critical and technical/safety related issues that remain to be resolved to achieve the final Acceptance are:

- **Vehicle Electro Magnetic Interference (EMI) Test.** AB reduced EMI levels of the vehicle for safe operation on the Metro Gold Line and its Eastside extension. Though progress was made in January 2008 Testing, AB is pursuing additional corrective measures to mitigate the remaining specification non-compliance items as of this writing. Specifically EMI levels must be reduced for operation on the Metro Blue Line.
- **4000 Mile Operational Test.** In order to complete the design review and approval cycle, the P2550 specification requires a 4000 mile revenue simulated test run of 3 cars.
- **Vehicle Weight Issues Mitigation.** The vehicle weight issue is being reviewed by Metro. Various mitigation alternatives are being considered. Those alternatives are, but not limited to, the study of critical bridge structures and analysis, AB's investigation and proposal of feasible weight reduction measures, implementing vehicle passenger load increase monitoring capability with visual and audible annunciations of overweight conditions and commercial consideration etc;

SCHEDULE ISSUES

Presently nine (9) vehicles have arrived at the MTA's shop facilities. Cars 701 and 702 remain at Metro Green Line and Metro Blue Line facilities and used primarily for Operations and Maintenance staff training. Cars 706 and 708 were conditionally accepted by Metro and placed in revenue service at Metro Gold Line. The remaining five (5) vehicles are located at Metro Gold Line facilities. Additional work is being performed on vehicles 710 and 704 to address quality and workmanship open items for preparation for conditional acceptance of these vehicles. Metro is planning to return cars 701 and 702 to Pittsburg for upgrade during the second quarter of 2008.

PROJECT BUDGET STATUS

ELEMENT	LRV PROJECT BUDGET FOR 800151 (40 LRV'S)	LRV PROJECT BUDGET FOR 800088 (10 LRV'S)	TOTAL LRV PROJECT BUDGET	COMMENTS
Base Buy 50 LRVs	\$119,734,000	\$29,933,500	\$149,667,500	
Base Buy Spare Parts	\$5,849,886	\$1,462,471	\$7,312,357	
Base Buy Special Tools & Test Equip	\$1,407,051	\$351,763	\$1,758,814	
Subtotals	\$126,990,937	\$31,747,734	\$158,738,671	
Contingency	\$12,699,094	\$3,174,773	\$15,873,867	
Subtotals	\$139,690,031	\$34,922,507	\$174,612,538	
Rail Consultant	\$6,870,830	\$1,717,707	\$8,588,537	Contract PS 8310-1267 for Rail Consultant staff technical services
Contingency	\$343,542	\$85,885	\$429,427	
Subtotals	\$7,214,372	\$1,803,592	\$9,017,964	
MTA Staff	\$6,014,602	\$1,577,798	\$7,592,400	
TOTALS	\$152,919,004	\$38,303,898	\$191,222,902	

To be revised to show reduction in awarded Contractor value resulting from a sales tax exemption on rail cars (Granted by the California State Board of Equalization).

Fiscal Year Cashflow Table (Milestone Payment) is currently under review.

FINANCIAL/GRANT STATUS

MARCH 2008		STATUS OF FUNDS BY SOURCE							
SOURCE	(A) ORIGINAL BUDGET	(B) TOTAL FUNDS ANTICIPATED	(C) TOTAL FUNDS AVAILABLE	(D) (D/B) COMMITMENTS		(E) (E/B) EXPENDITURES		(F) (F/B) BILLED to FUNDING SOURCE	
				\$	%	\$	%	\$	%
FEDERAL - STIP	71.1	15.4	15.4	15.4	100%	15.4	100%	15.4	100%
FED-SEC 5309 FIXED GUIDEWAY	38.3	25.9	25.9	25.9	100%	25.9	100%	25.9	100%
FEDERAL - RSTP	7.7	7.7	7.7	7.7	100%	0.0	0%	0.0	0%
FEDERAL - CMAQ	14.2	14.2	14.2	14.2	100%	0.0	0%	0.0	0%
STATE STIP	6.0	61.7	61.7	57.7	93%	10.5	17%	10.5	18%
STATE STA	15.6	15.6	12.2	15.6	100%	8.6	55%	8.6	55%
PROPOSITION A 35% BONDS	0.0	12.3	0.0	0.0	0%	0.0	0%	0.0	0%
UNBILLED ACRUALS									
TOTAL	152.9	152.9	137.1	136.5	89%	60.5	40%	60.5	40%

(1) Based on September 06 Regional Programming Funding Plan.
 Note: Expenditures are cumulative through February 2008.
 The 2550 Rail Vehicle Program consists of 40 light rail vehicles (LRV) and associated costs. The remaining 10 LRV's and associated costs under Contract P2550 are being charged directly against the Metro Gold Line Eastside Extension Project.

STATUS OF FUNDS ANTICIPATED

STIP STATE: LACMTA requests for STIP allocation have been approved. \$61.73 million is available for drawdown.

FEDERAL SECTION 5309: LACMTA grant applications have been approved. \$25.9 million in section 5309 funds were approved. Funds have been drawdown.

FEDERAL RSTP: A grant agreement for \$7.7 million was executed on April 7, 2005. Funds are available for drawdown.

FEDERAL CMAQ: A grant agreement for \$14.2 million was executed on August 25, 2005. Funds are available for drawdown.

STATE TCA: An additional \$3.544 million is available in FY09 for drawdown.

CURRENT PHOTOS



2550 LRV Coming Around the Curve into Union Station.



2550 LRV at Metro Gold Line Yard with Decals for LA Olympic Bid.

APPENDIX

COST AND BUDGET TERMINOLOGY

COMMITMENTS: The total of actual contract awards, executed change orders or amendments, approved work orders of Master Cooperative Agreements, offers accepted for purchase of real estate, and other Metro actions that will result in specific expenditures at a future time.

INCURRED COST: The total value of work performed to date of services received and acquired materials or properties.

EXPENDITURES: The total dollar amount of checks written by Metro's Accounting department for contractor or consultant invoices, third party invoices, staff salaries, and closing payments for escrow accounts that is reported in Metro's Financial Information System (FIS).

CONSTRUCTION: Includes guideways, yards and shops, systems equipment, stations, and vehicles.

PROFESSIONAL SERVICES: Includes general engineering, construction management services, consultant design support services during construction, legal counsel, and agency (Metro staff) costs.

CONTINGENCY: A fund established at the beginning of a project to provide for anticipated but unknown additional costs that may arise during the course of the project.

SPECIAL CONDITIONS: Includes utilities relocation, environmental compliance and mitigation, master cooperative agreements, insurance program, artwork, systems integration testing and pre-revenue operations.

**APPENDIX
LIST OF ACRONYMS**

ATP	Automatic Train Protection
CN	Change Notice
CO	Change Order
CMAQ	Congestion Mitigation & Air Quality
CTC	California Transportation Commission
FFGA	Full Funding Grant Agreement
FIS	Financial Information System
FTA	Federal Transit Administration
FY	Fiscal Year
HVAC	Heating, Ventilation, Air Conditioning
LACMTA	Los Angeles County Metropolitan Transportation Authority (Metro)
LNTP	Limited Notice To Proceed
LRV	Light Rail Vehicle
METRO	Los Angeles County Metropolitan Transportation Authority
MGL EE	Metro Gold Line Eastside Extension
N/A	Not Applicable
NTE	Not to Exceed
NTP	Notice To Proceed
PGL	Pasadena Gold Line
PMOC	Project Management Oversight Consultant
QPSR	Quarterly Project Status Report
RSTP	Regional Surface Transportation Program
SSPP	System Safety Program Plan
STIP	State Transportation Improvement Program
TBD	To Be Determined
TWC	Train to Wayside Communications
US&S	Formerly Union Switch and Signal