



U.S. Department of Transportation  
Federal Transit Administration



# Creative Procurements to Improve Transit Cost and Effectiveness

## Background

More flexible procurement policies and innovative practices, such as capital leasing and performance-based procurement, have received increasing attention as a potential means of improving transit cost and effectiveness. This topic is particularly salient with respect to integrating new technologies and rolling stock. This work was sponsored by the United States Department of Transportation (USDOT) Office of the Assistant Secretary for Research and Technology (OST-R) in partnership with the Federal Transit Administration (FTA).

## Objectives

The goal of this study was to build on existing FTA research and provide additional insight into the current state of the practice in the use of new procurement methods, with a particular focus on achieving lifecycle cost savings. This report focuses on two main areas of analysis: (1) the extent to which federal policy barriers limit the use of innovative practices in federally-assisted procurements and (2) the influence of procurement practices on transit agency ability to adopt new vehicles and other technologies.

## Findings and Conclusions

*Findings suggest that innovative transit procurement has generally been constrained by agency resources and regulatory complexities, unclear and outdated guidance, and lack of easily-accessible data to evaluate innovative approaches.*

The report includes the following key findings:

- The Fixing America's Surface Transportation (FAST) Act made changes to federal transit procurement law, generally expanding agency abilities to use innovative methods.
- Each innovative procurement strategy has a mix of advantages and limitations—State cooperative purchasing schedules and joint procurements introduce new benefits of reduced administrative burden and increased purchasing power; capital leasing provides a new business model for transit agencies but presents additional administrative challenges, especially for smaller agencies; unsolicited proposals and public-private partnerships enable transit agencies to take advantage of private sector innovation but are complex models that require sophisticated analysis; and performance-based procurements are efficient and highly beneficial for CV technology and ITS procurements.

- Staffing and resource limitations at many smaller and mid-size transit agencies are often more of a barrier to innovative procurement methods than specific FTA regulations.
- New technologies introduce procurement complexities and associated risks from factors such as incomplete information, rapidly changing markets, evolving technology standards, vehicle types, and different business models. State procurement schedules can mitigate some of those risks by providing additional buying power, reducing information costs, and providing other non-price benefits (e.g. production schedule, delivery time, and warranties). State procurement schedules can mitigate some of those risks by providing additional buying power, reducing information costs, and providing other non-price benefits (e.g. production schedule, delivery time, and warranties).
- Federal regulations related to minimum useful life and local product preference can be a barrier to innovative procurement and/or acquisition of advanced technologies.
- Standard Federal contracting clauses (e.g. on recycled products, cargo preference) are well-known within the transit industry and largely a non-issue, but can be daunting for would-be PPP participants from other industries, thus potentially limiting cost-effectiveness.
- As changes to federal requirements have taken place due to the FAST Act and other legislation, additional guidance and timely updates to existing circulars and other materials could ensure better compliance.

## Benefits

Findings from this study can be used to identify and prioritize efforts to update FTA's procurement-related resources, programs, and guidance. Although not all relevant influences on innovative procurement are within FTA's control, suggested next steps include the following:

- Greater awareness and expansion of the Joint Procurement Clearinghouse.
- National guidance and objective information and data on the benefits and costs of innovative procurement methods for agencies to analyze tradeoffs.
- Increased training opportunities for the development of specialized procurement officers at the state and local levels.
- Clear and timely updates to guidance, best practices, and circulars after new regulation and standards are in place, particularly related to third-party contracting.

## Project Information

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