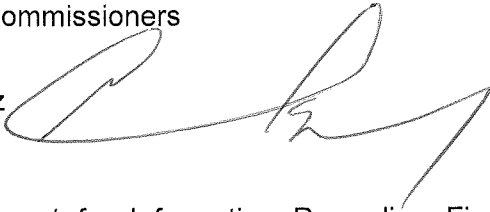


Memorandum



Date: April 8, 2014

To: Honorable Chairwoman Rebeca Sosa
Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Response to Request for Information Regarding Financial Status of AnsaldoBreda S.p.A. and New Heavy Rail Vehicles

The following information regarding the financial status of AnsaldoBreda S.p.A. (AnsaldoBreda) is provided in response to your memo dated March 11, 2014.

On November 8, 2012, the Board of County Commissioners (Board) approved a contract with AnsaldoBreda for the purchase of 136 new heavy rail vehicles for Miami-Dade Transit (MDT). Currently, the design and manufacturing of the rail vehicles is on schedule. AnsaldoBreda is providing the required resources to complete contract milestones, and continues to work collaboratively with MDT. MDT and AnsaldoBreda are currently completing intermediate design reviews of vehicle sub-systems (heating ventilation and air conditioning, communications, brakes). Final design reviews are on schedule to be completed December 2014. Delivery of the six pilot vehicles that will be tested on county property is scheduled to begin November 2015. Series vehicle deliveries are scheduled to begin in the third quarter of 2016. Final vehicle delivery is scheduled to begin in the fourth quarter of 2018.

The Mass Transit Unit within AnsaldoBreda is the entity that will manufacture the rail vehicles. As requested, staff has reviewed the specific articles regarding the firm's finances. The articles raised issues regarding risk involving AnsaldoBreda and its capacity to meet its contractual obligations. Finmeccanica, S.p.A the parent company for AnsaldoBreda, is undergoing an organizational restructuring. A telephone meeting to gather additional information was hosted by the Internal Services Department (ISD) with an AnsaldoBreda representative on March 18, 2014 to request specific information regarding the firm's financial capacity to continue to design and complete the fabrication and delivery of the 136 rail vehicles. In addition, a senior-level meeting with MDT, ISD contracting professionals and AnsaldoBreda's top management is being scheduled this month to confirm the firm's financial capacity. Please be assured that the County's contract with AnsaldoBreda contains several provisions to mitigate any potential risk to the County. The County holds a performance bond in the amount of \$89,666,160, which can be accessed in the event AnsaldoBreda breaches its performance obligations or defaults on the contract, as well as a payment bond in the amount of \$5,977,744, that serves as financial protection in the event AnsaldoBreda fails to meet its payment obligations to sub-contractors, should the County be determined liable for such payments. Finally, the contract also stipulates liquidated damages in the amount of \$1,653 (per married pair, per day) for late delivery. The contract milestone payment schedule includes a holdback of three percent (3%) of the contract value (\$896,661) until the five-year vehicle warranty expires.

AnsaldoBreda's February 27, 2014 letter (attached) to the MDT Project Manager states, "AnsaldoBreda is confirming that we do not anticipate any impact with respect to the project performance and commitments of our company to fulfill our contractual obligations." We continue to closely monitor this contract and information reported regarding AnsaldoBreda.

Honorable Chairwoman Rebeca Sosa
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Should you have any questions or require additional information, please do not hesitate to contact Miriam Singer, Assistant Director, Internal Services Department at 305-375-5502 or me directly at 305-375-1880.

Attachment(s)

c: Honorable Vice Chair Lynda Bell and Members
 Board of County Commissioners
 R. A. Cuevas, Jr, County Attorney
 Alina T. Hudak, Deputy Mayor
 Edward Marquez, Deputy Mayor
 Lester Sola, Director, Internal Services Department
 Ysela Llort, Director, Miami-Dade Transit Department
 Miriam Singer, CPPO, Assistant Director, Internal Services Department
 Christopher Agrippa, Director, Clerk of the Board
 Charles Scurr, Executive Director, Citizens' Independent Transportation Trust



AnsaldoBreda

A Finmeccanica Company

AB/MDT-00518L
Letter

Mr. Adien Toledo, P. E.
Project Manager Rail/Mover Vehicle
Acquisition Project
Miami-Dade Transit
6601NW 72 Ave, Miami, FL 33166 - USA

c/o Mr. Rick Carter
MDT Engineer
Senior Program Manager
URS Corporation
8350 NW 52nd Terrace, Suite 100
Miami - FL 33166 - USA

Pistoia, February 27th, 2014

Subject: MIAMI-Metrorail Vehicles - Contract no. 654
Contractual Obligations

Dear Mr. Toledo:

Following the news appeared on several information agencies in the past days, AnsaldoBreda is confirming that we do not anticipate any impact with respect to the project performances and commitments of our company to fulfill our contractual obligations.

Should you need clarifications, please feel free to contact us at your convenience.

Yours truly,

Simone Mazzoni
Program Manager HRV USA

Giampaolo Nuotino
BU Mass Transit Vice President
Program Management

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Finmeccanica S.p.A.

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MEMORANDUM

Rebeca Sosa

Chairwoman

BOARD OF COUNTY COMMISSIONERS

To: Honorable Carlos A. Gimenez, Mayor

Date: March 11, 2014

From: Rebeca Sosa, Chairwoman

Re: Concerns Regarding
AnsaldoBreda, S.p.A. and New
Heavy Rail Vehicles

On November 8, 2012, the Board of County Commissioners authorized you to enter into an almost \$314 million contract with AnsaldoBreda S.p.A. to supply 136 new Metrorail cars for Miami-Dade Transit. It has come to my attention that there are concerning reports in the media regarding AnsaldoBreda. I have read various reports, including *Reuters* articles from February 14, 2014 and November 8, 2013, and a *Bloomberg* article from November 8, 2013, that the company is facing significant financial challenges. The company lost €300 million from January 2013-September 2013 alone. AnsaldoBreda has also had problems with similar contracts in San Antonio, Washington DC, Los Angeles, and Europe.

I am concerned about the potential impacts. How could their financial challenges affect their contract with the County? What do we need to do to minimize the risk to the County? Where are we now with this contract? I appreciate a timely response to these concerns.

cc: Honorable Vice Chair Lynda Bell and Members,
Board of County Commissioners
R.A. Cuevas, Jr., County Attorney
Christopher Agrippa, Director, Clerk of the Board