

Braley, Loeb sack Seek Federal Assistance to Help Repair Iowa Railroad Bridges Destroyed by Floods

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Washington, DC – Iowa Congressmen Bruce Braley and Dave Loeb sack today sent a letter to House Speaker Nancy Pelosi requesting her support to quickly repair Iowa railroad bridges destroyed by recent flooding.

The Braley/Loeb sack letter urged Speaker Pelosi to support changes to the Railroad Rehabilitation and Improvement Financing Program (RRIF), which finances low-interest loans for railroads to construct and rehabilitate railroad infrastructure. The letter requests flexible terms for railroad loans during natural disasters so Iowa railroads can quickly repair the downed bridges.

“These repairs are essential to getting life back to normal for many Iowa residents, producers, and businesses,” Braley said. “Waterloo’s Iowa Northern Bridge connected John Deere’s Waterloo Works to the country, and it is important that we act quickly to restore access to this vital facility. As Iowans continue down the road to recovery, it is essential for all of us to work together to help rebuild eastern Iowa.”

“Iowa’s rail lines are critical to businesses small and large throughout our state, and we must act quickly to repair the rail infrastructure damaged during the recent floods,” said Congressman Dave Loeb sack. “Two separate rail bridges have been destroyed in the Second District, and a third bridge in Waterloo must also be replaced. Congressman Braley and I are committed to seeing these bridges quickly rebuilt and necessary repairs made to the rail lines. We will continue to work with Speaker Pelosi, Congressional leadership, and the Federal Railroad Administration to ensure continued federal assistance is available so our communities, economy, and businesses can recover from this disaster.”

The Floods of 2008 destroyed three railroad bridges in Eastern Iowa- the Iowa Northern Bridge in Waterloo, the Cedar River Bridge in Cedar Rapids, and the Iowa, Chicago & Eastern Bridge near Columbus Junction.

A copy of the letter is attached to this message. The text of the letter is below:

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June 26, 2008

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
The Capitol, H-232
Washington, D.C.
20515

Dear Speaker Pelosi:

Thank you for your support and guidance during the devastating flooding in Iowa. Your personal words and actions of encouragement have meant a lot in these challenging times.

One of the many impacts of the Iowa floods has been the destruction of at least three railroad bridges in Eastern Iowa, which are essential to Iowa commerce. The Iowa Northern Bridge in Waterloo, the Cedar River Bridge in Cedar Rapids, and the Iowa, Chicago & Eastern Bridge near Columbus Junction are all now completely destroyed due to the flooding. It is essential to many Iowa residents, producers, and businesses that these bridges be repaired quickly, so that commerce in Iowa can begin to get back to normal.

We are writing to seek your support for a number of changes to the Railroad Rehabilitation and Improvement Financing Program (RRIF) (45 U.S.C. 821 et seq.), which would increase the ability of this program to help with urgent railroad bridge repair during times of natural disasters. RRIF provides long term low interest loans for railroad construction, acquisition and rehabilitation. We believe our suggestions would allow the RRIF program to become a valuable and cost effective way to assist in rebuilding Iowa's devastated railroad infrastructure.

RRIF provides loans for up to 25 years at interest rates equal to the rate on Treasury securities of similar terms. It has been used by a number of Iowa short line railroads for relatively modest track rehabilitation and equipment purchases. Today, Iowa's railroads are facing hundreds of millions of dollars in repair costs, far beyond their ability to fund with internal resources. We are recommending three changes that would give the railroads the ability to afford a much larger loan and provide them a significant increase in cash flow that could be reinvested in these repair projects.

Our suggestions are to 1) lengthen the term of a RRIF loan from 25 years to 35 years for all rehabilitation loans; 2) lower the interest rate to 1% on any loan used for bridge repair in a disaster area; and 3) freeze the "credit risk premium" for bridge repair loans in disaster areas at 2 percent of the loan amount. The longer term and credit risk premium freeze would not result in any cost to the government. The interest rate reduction would involve a relatively small cost which would in turn leverage a much larger private investment in projects, and provide the public benefit of reconstructing these devastated bridges.

We believe these three changes would allow Iowa's short line railroads to utilize RRIF loans for quick repair of the downed bridges. The 35 year term would not reduce the total repayments made by the applicant, but would provide much needed cash flow benefits in the early years of the loan. The interest rate would move from the current 4.8 percent (based on the rate on Treasury securities) to 1 percent for these emergency bridge projects, thereby making the loan more feasible for a short line railroad. The credit risk premium is paid by the applicant and is currently an amount established by the Department of Transportation based on its assessment of the potential risk and the amount of collateral available for each individual loan. Given the terrible damage these railroads have sustained due to the flooding, the value of their collateral has deteriorated significantly, and the current formula is likely to result in a prohibitively high credit risk premium, which is why freezing the credit risk premium at 2 percent of the loan amount is necessary.

Finally, it should be noted that since the creation of the RRIF program in 1998, not a single railroad has defaulted on a single payment, including four Iowa railroad loans. We are confident that these suggested changes will allow for urgent railroad bridge repairs in these times of devastation, without compromising the success of this loan program.

It will take enormous financial resources to recover from this disaster, and we know those resources are going to have to be pieced together from public and private sources. These RRIF changes are a low-cost way to leverage the maximum amount of private investment in needed repairs and to target that investment on the most serious and expensive needs. This is a very important piece of the relief puzzle and we hope you will support this effort.

Thank you again for your leadership during these tough times, and for your attention to this matter.

Sincerely,

Representative Bruce Braley

Representative David Loeb sack