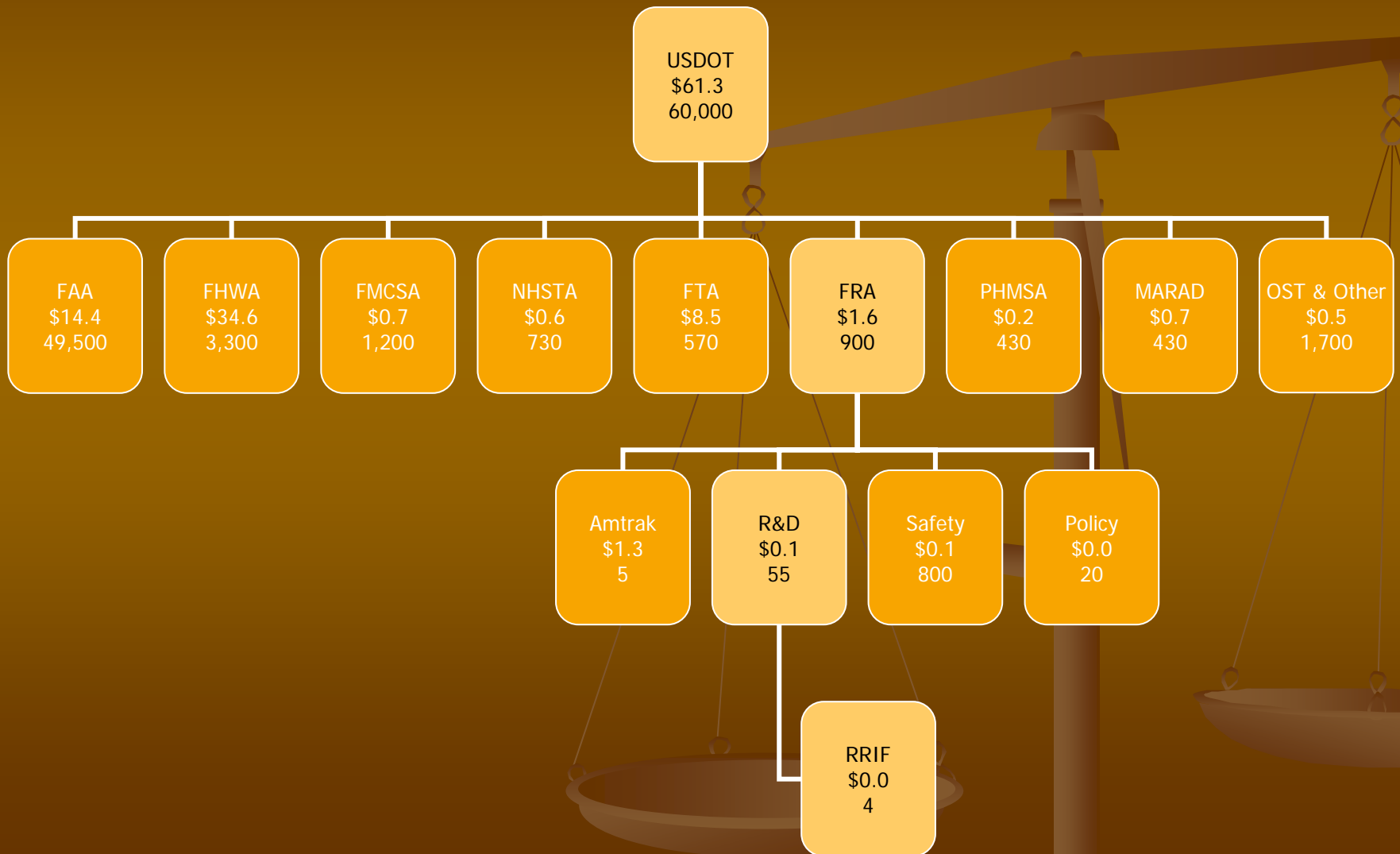




Railroad Rehabilitation & Improvement Financing RRIF

Clifford Eby
Deputy Administrator
USDOT - FRA

USDOT Organization



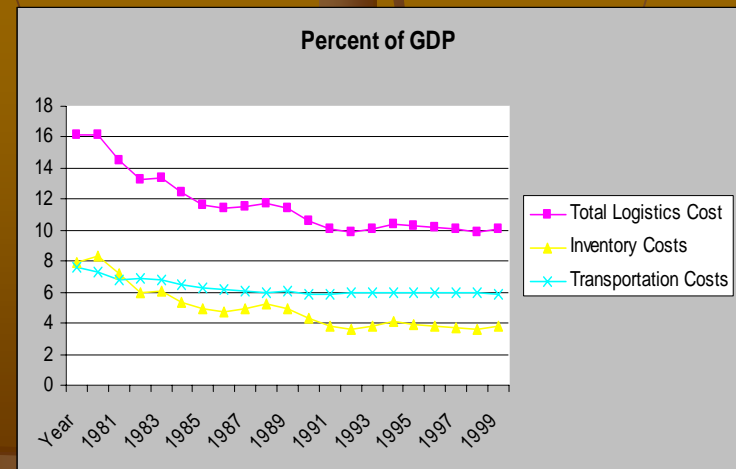
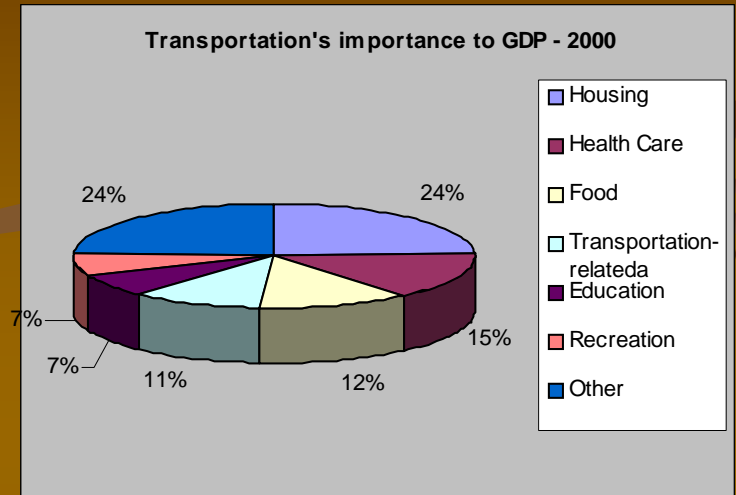
Private railroads direct and indirect contributions to the US economy

Direct Contributions

- Railroad salaries and benefits paid to workers total \$10.6 billion and \$4.1 billion per year, respectively.
- Railroads employ 180,000 and hire 10,000 new workers each year
- During 2005, railroad retirement-survivor benefits of \$9.2 billion were paid to 634,000 beneficiaries.
- Railroads will spend \$8.3 billion on new capital in 2006.
- Railroads paid \$1 billion in dividends to investors in 2006.
- These contributions amount to over \$30 billion of U.S. GDP. In contrast, trucking and air are \$105 and \$55 billion, respectively.

Indirect Contributions

- One in every \$10 of U.S. GDP is transportation value. Twenty-five years ago, transportation was 16 percent of GDP or one out of every six dollars. (The lower percentage in GDP reflects a more efficient, less costly transportation network.)
- Railroads carry only three percent of that value.
- However, railroads carry 10 percent of the tons of freight, and handle 34 percent of the ton-miles.



Incentives

- Credit/loan
- Tax Incentives
- Labor Credits
- Grants
- Regulation
- Revenue / Traffic Guarantees



high

Public Benefit

GOVERNMENT CREDIT FRAMEWORK

low

low

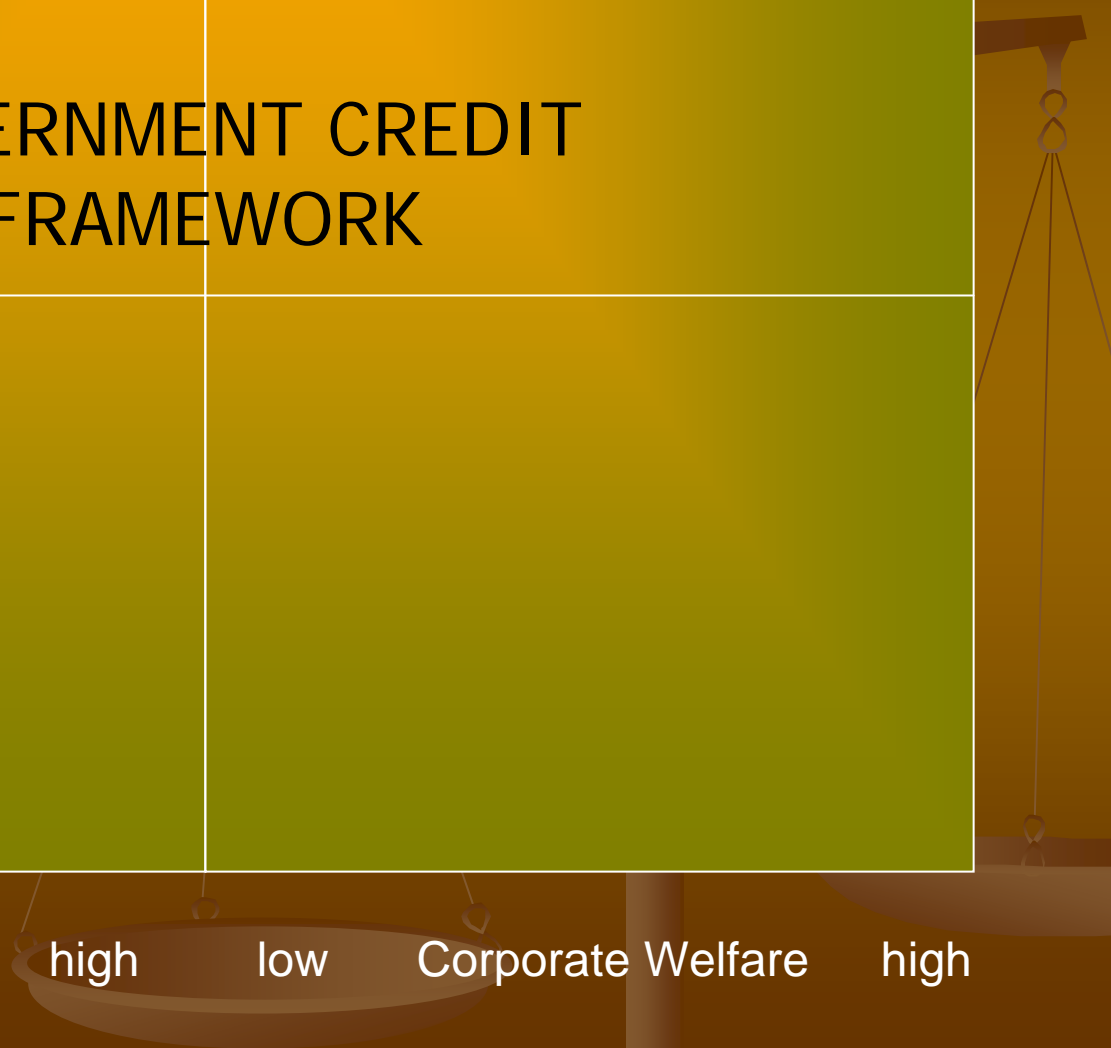
Stewardship

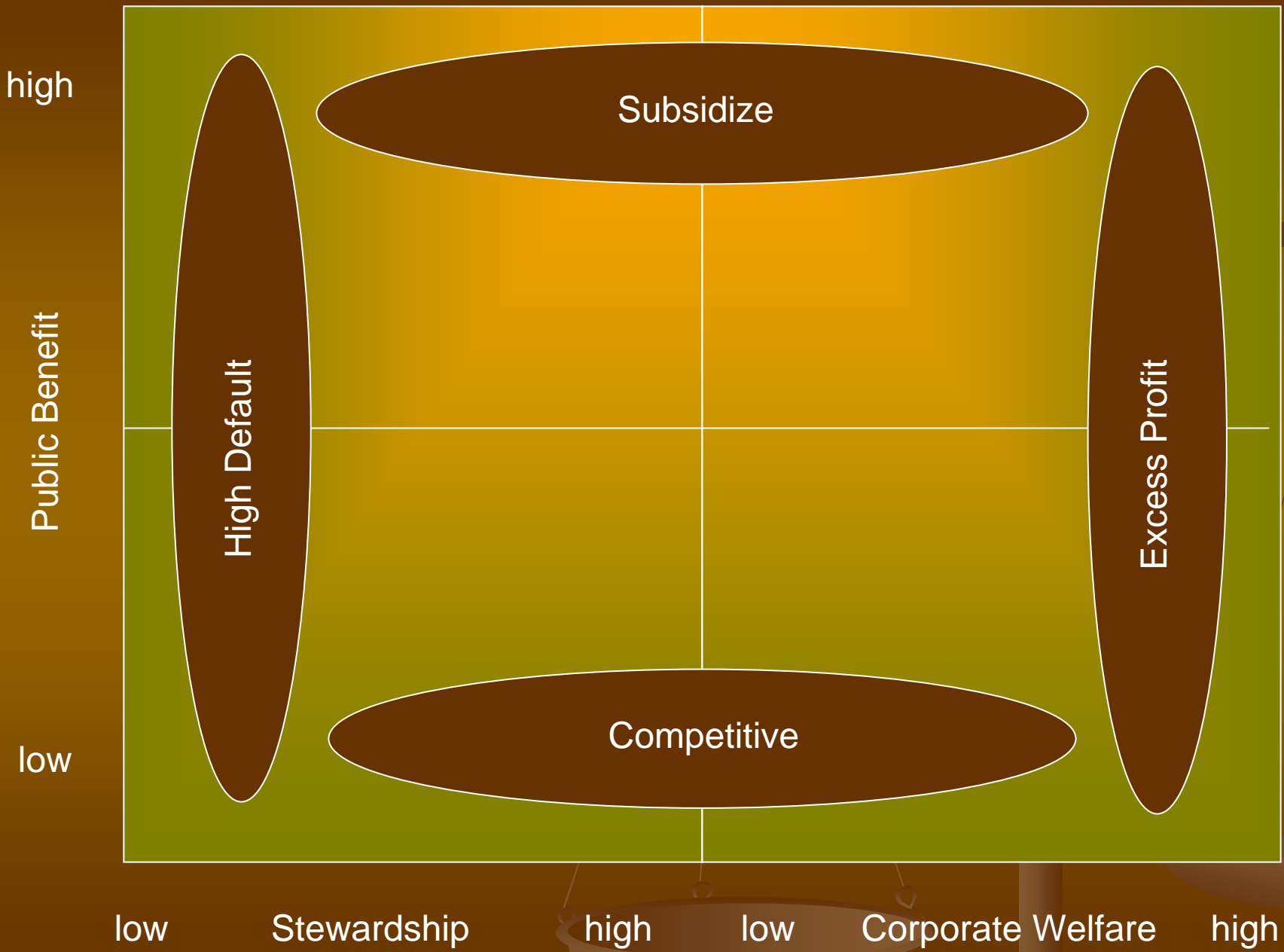
high

low

Corporate Welfare

high





low

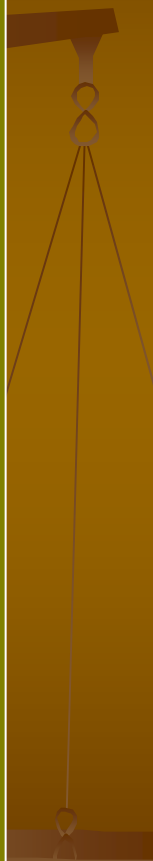
Stewardship

high

low

Corporate Welfare

high



ROI < 0

0

k_0

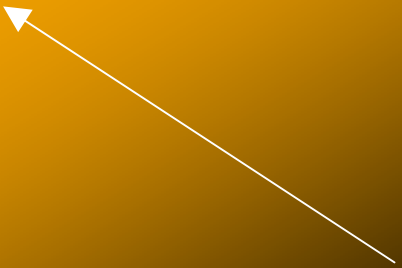
ROI > k_0

high

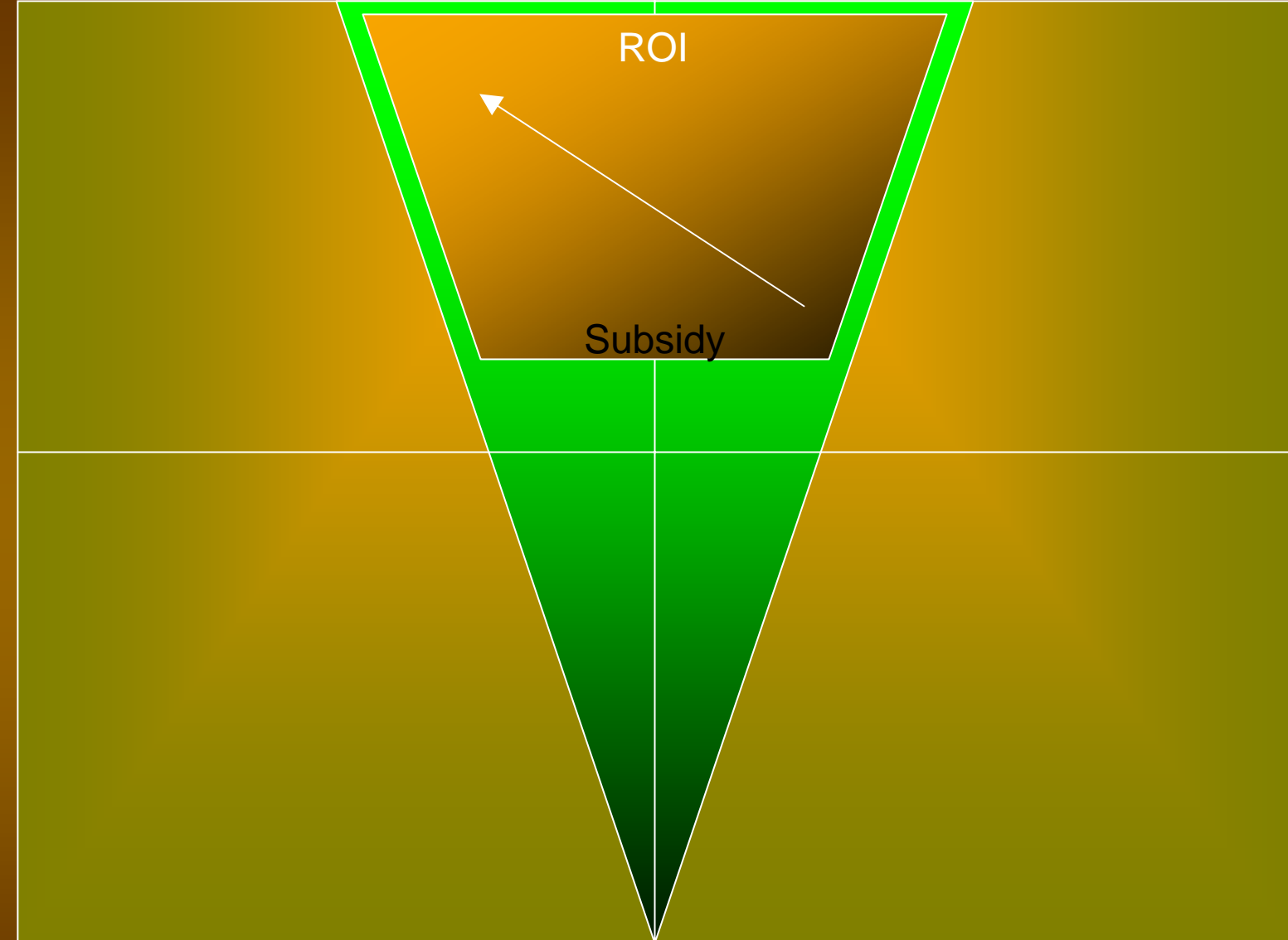
Public Benefit

low

ROI



Subsidy



low

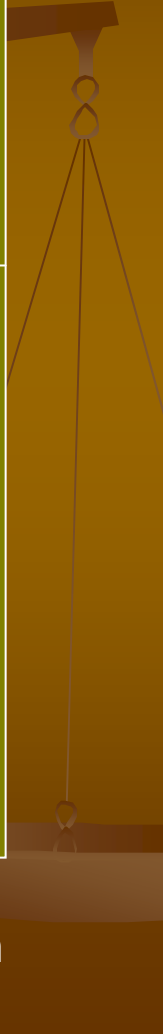
Stewardship

high

low

Corporate Welfare

high



Credit Subsidies

- Rate Discount
- Guarantees / Insurance
- Maturity / Balloon
- Covenants and fees
- Approval time
- Equity requirements
- Ramp up

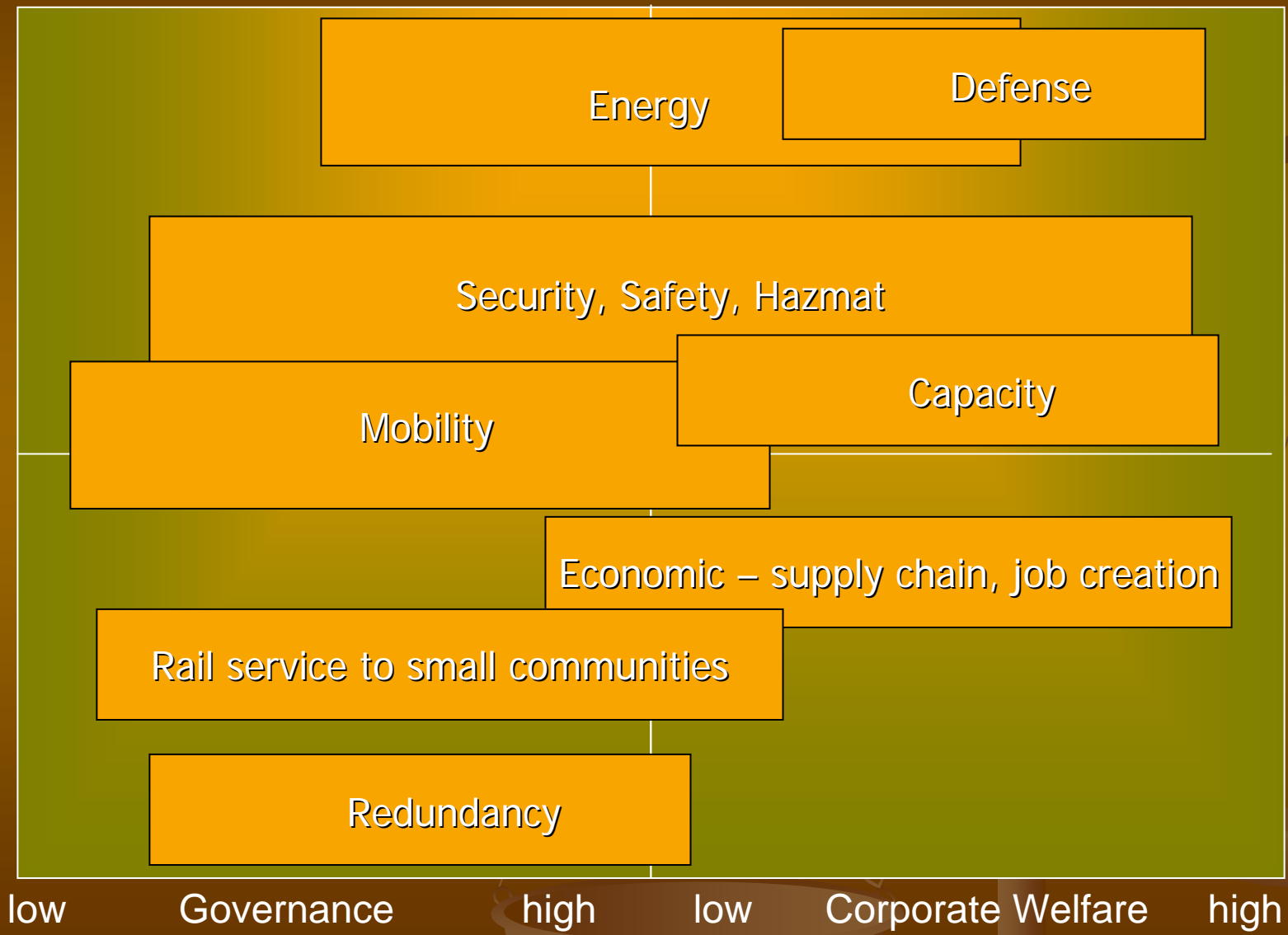


Public Benefits

high

Public Benefit

low



low

Governance

high

low

Corporate Welfare

high

RRIF

Pros

- Public Benefit
-
- Maturity / Assets
 - Low fees
 - Market driven
 - No appropriation

Cons

- Market interference
- Contingent liability
- Poor diversification
- Inefficient admin
- Poor risk assessment



Comparison of DOT Credit Programs

Item	RRIF	TIFIA	Title XI	GARVEE
Purpose	Fill market gap for long-term financing	Fill market gap for PPP financing	Sustain US Shipbuilding	Use Highway Trust Fund payments for collateral
Applicants	Railroads, states, and cities	States, PPPs, other entity undertaking USDOT project	Ship owners and shipyards	States
Program Limit	\$35 billion revolving	\$2.5 billion/yr estimated	\$11.5 billion revolving	Percent of HTF
Project Limit	None	Max: 33% of project Min: \$50 million	87.5% of project	None
Credit type	Direct Loan Loan Guarantee	Direct Loan Loan Guarantee Standby LOC	Loan Guarantee	Grant Anticipation
Interest Rate	Treasury equivalent	Treasury equivalent	Treasury equivalent	Market

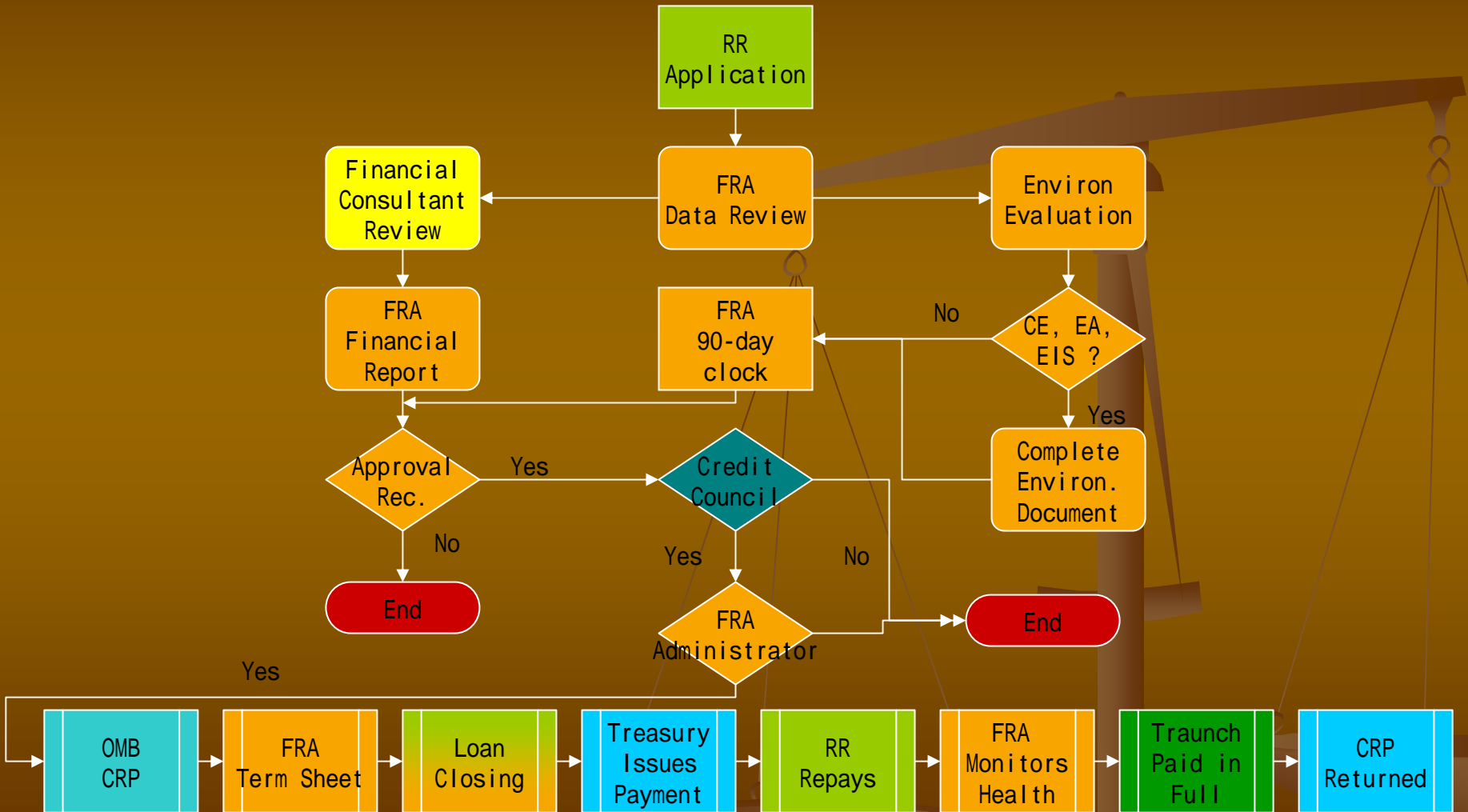
Comparison of DOT Credit Programs

Item	RRIF	TIFIA	Title XI	GARVEE
Term	25 years	35 years	25 years	20years
Payment	Five year deferral	Five-year deferral	Interest only during construction	Market
Subsidy	Credit Risk Premium (CRP)	\$122 million/year	Annual appropriations	N/A
Collateral	Not required, but reduces CRP	Dedicated revenue source	Vessel and other assets	HTF payments
Fees	0.5% of loan for investigation	\$30,000 application \$100,000-300,000 negotiation	\$5,000 application 1% on first \$10 million	Market
Other Fees	Not permitted	\$11,000 annual service fee	Guarantee fee	

Comparison of DOT Credit Programs

Item	RRIF	TIFIA	Title XI	GARVEE
DOT Approval	FRA Administrator DOT Credit Council	TIFIA Office DOT Credit Council	MARAD Administrator DOT Credit Council	None
Project Oversight	Visit at completion of construction	On-site inspections required during design and construction	On-site inspections required during design and construction	State sets standards

RRIF Process



RRIF Portfolio



Amount Authorized	\$35 billion
Amount Approved	\$760 million
Average/median loan	\$50/25 million
Maturity	25 years; one at 5 years
Defaults	None
Number of RR's	12
Applications pending	8
Amount pending	\$100 million plus one at \$2,235 million

2008 Budget

- Limit direct loans to \$600 million
- Limit guarantees to \$100 million
- Introduce legislation to:
 - Target credit assistance to needy
 - Focus goals of program
 - Restrict refis that displace private lending

