



U.S. Department
of Transportation

**Federal Railroad
Administration**

1200 New Jersey Avenue, SE
Washington, DC 20590

JUL 17 2014

Rick Hall
Chief Financial Advisor
Arkansas and Missouri Railroad Company
306 East Emma
Springdale, Arkansas 72764

Re: Request for Waiver from Federal Railroad Administration's Buy America Requirement

Dear Mr. Hall:

This letter is in response to your request dated May 12, 2014, that the Federal Railroad Administration ("FRA") grant the Arkansas and Missouri Railroad Company ("A&M"), a waiver from the Buy America policy applicable to FRA's Railroad Rehabilitation and Improvement Financing loan program ("RRIF") in connection with A&M's refinance of its purchase of three (3) locomotives. FRA is granting A&M's Buy America waiver request under the public interest exception.

A&M is seeking a \$6,809,000 loan under RRIF to refinance the purchase of three (3) existing SD70ACe locomotives it purchased from Electro-Motive Diesel ("EMD"), a U.S. company headquartered in Illinois. EMD manufactured the locomotives in 2012 and previously used the locomotives as prototype units. The EMD units were assembled in Ontario, Canada; however, they contain substantial U.S. content by cost.

FRA's RRIF Buy America policy is that the steel, iron, and manufactured goods used in projects funded by RRIF must be produced in the United States. This policy includes the purchase of new or existing goods, or the refinance of assets, including rolling stock and railroad infrastructure. Further, FRA's RRIF Buy America policy for rolling stock, including locomotives, requires domestic final assembly and that all of the components be manufactured in the U.S. FRA may waive the Buy America policy if FRA finds that:

1. The steel, iron, and goods produced in the U.S. are not produced in a sufficient and reasonably available amount or are not of a satisfactory quality;
2. Rolling stock or power train equipment cannot be bought and delivered in the U.S. within a reasonable time;
3. Including domestic material will increase the cost of the overall project by more than 25 percent; and/or
4. Applying the RRIF Buy America policy would be inconsistent with the public interest.

In A&M's case, FRA believes a waiver is appropriate under the public interest exception (4. above) for the following reasons:

- The locomotives were manufactured by a U.S. company that has subsequently moved its assembly plant to the U.S. thereby increasing the manufacturing capability of the U.S.
- The locomotives were produced by a U.S. company with substantial domestic content and retrofitted with domestic A&M software in Kentucky, which demonstrates A&M's positive impact on U.S. manufacturing.
- The locomotives were produced as prototype units and have enhanced safety and reduced emissions compared to A&M's current fleet, as well as reducing noise and fumes contributing to a safer work environment for the crews.
- Enhancing rail service and capacity and providing short line railroads access to financing are important purposes of the RRIF program, and A&M is a private, short line US railroad with headquarters in Arkansas and operations in Arkansas and Missouri.
- It is FRA's understanding of the current U.S. freight locomotive manufacturing base that certain components of locomotives, even if final assembly of the locomotive occurs in the U.S., may not be available from U.S. manufacturers for an order as small as that which would be pursued by A&M (just three units). A&M purchased a very limited number of locomotives. Therefore, a Buy America waiver would still be required if A&M could purchase different locomotives.

Pursuant to FRA's RRIF Buy America policy, FRA will publish this letter granting A&M's request on FRA's website¹ and provide an opportunity for public comment after which this waiver will become effective. Please note, however, FRA's decision to grant this waiver for the project will have no impact on any future FRA decision on A&M's application for a RRIF loan. A&M's application for RRIF financing for this project will be evaluated under the governing statutes, regulations and policies of the RRIF loan program.

Question about this letter can be directed to, John Johnson, Attorney-Advisor, at john.johnson@dot.gov or (202)493-0078. We look forward to continuing to work with you on A&M's loan application

Sincerely,



for Joseph C. Szabo
Administrator

¹ At <http://www.fra.dot.gov/Page/P0694> please follow link titled "Waiver Request Granted for Comment."