Congress Should Slash $2.3 Billion Stealth Earmark: Taxpayers Could be Railroaded by Largest Ever

Contributed by Aaron Lee
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Washington, D.C. – – Frontiers of Freedom Institute today voiced opposition to approval by the Federal Railroad Administration (FRA) of a $2.3 billion bailout for the privately-held Dakota, Minnesota and Eastern Railroad (DM&E), orchestrated by DM&E lobbyist-turned-U.S. Senator John Thune.
For Immediate Release

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"The American taxpayer is being railroaded again,” said George Landrith, President of Frontiers of Freedom Institute. “This enormous government giveaway is a textbook example of a stealth pork project that drives up the federal deficit. Congress and the President should put a stop to it.”

“The loan and the secret way it was engineered are outrageous. We don’t even know who we’re giving billions of tax dollars to, because we don’t know who owners of the privately-held DM&E railroad are," added Landrith.

The stealth earmark was made possible when Sen. Thune slipped a provision into the pork-laden 2005 Transportation bill, which moved a decimal point. Overnight, and without congressional debate or hearing, the FRA's Railroad Rehabilitation & Improvement Financing loan program increased from $3.5 billion to $35 billion. Thune also modified the loan criteria to benefit only one company, setting in place provisions for the loan to be granted to his former employer with no collateral and no payments for six years.

The DM&E bailout would be a direct loan, which would immediately raise the federal deficit by $2.3 billion. The proposed deal has not been subject to any debate in Congress, and the public has been barred from examining details of the loan application and the company's finances.

“The magnitude of this secret bailout is stunning. It is larger than the famous Chrysler bailout, which was debated vigorously in the halls of Congress and by the American people, but in this case almost no one knows it’s happening,” said Landrith.

According to a recent study conducted by BearingPoint, serious questions were raised about the ability of the DM&E railroad to repay this loan. The study concluded that the loan would leave the already highly leveraged railroad seriously undercapitalized, with long-term debt 23 times greater than its current equity value of $111 million. This loan would put billions of taxpayer dollars at risk.

“The DM&E railroad has a history of failing to live up to its financial obligations,” explained Landrith. “American taxpayers deserve to know who the money is going to and how it's going to be paid back."

The $2.3 billion bailout in question is being sought by DM&E, a Class II regional railroad, to expand its service into the Wyoming Powder River Basin (PRB) to begin hauling coal east to the Mississippi River. Two Class I railroads already compete on this route. In fact, the Burlington Northern Santa Fe Railway and Union Pacific Railroad are poised to invest

$100 million of their own capital to meet current market demands.

“The free market is already working to meet America’s shipping and energy needs" concluded Landrith. “Taxpayers don’t want or need the federal government to get into the railroad business.”

There is reason private investors have stayed away from this project,” added Landrith. “If it’s for a bad investment for private sector than it’s a bad investment for the taxpayers of American.”

The Frontiers of Freedom Institute is a public policy foundation dedicated to promoting free market principles and constitutionally limited government and protecting the constitutional and economic freedom embodied in the Declaration of Independence and the Constitution.

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