

Does the Great Lakes Basin Transportation plan make sense?

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To impress people that the railroad will be built to the highest standards, avoid grade-crossings, and utilize the latest railroad technology for efficiency and safety, GLBT proclaims that the initial investment will be \$8 billion dollars and that they have investors' lined-up.

When called out on the absurdity of this excessive capitalization that an operating railroad will never be able to repay, then GLBT state that the \$8 billion dollar figures they have repeated over-and-over-again is too high.

GLBT admitted after 2 hearings in April 2016 that they do not have investors for the project. They have no financial commitments to implement their plan. They do not even have any railroads supporting GLBT.

They have been unclear and inconsistent as to whether their right of way will be 200 feet wide including a 50 foot wide right of way for unrelated profit-making utility infrastructure or whether they are actually demanding a 250 foot wide right of way. GLBT's latest story is that there will be a connection in swampland east of Milton with *Wisconsin and Southern* (WSOR). Initially, the proposal began in Illinois and then this was moved to a connection with WSOR in swampland west of Janesville near Brodhead.

GLBT has now adopted a curious route that makes less sense than what was originally revealed. Evidently, they know that obtaining their right-of-way through key Illinois counties like DeKalb is not going to happen.

These facts alone demand that STB halt the approval process immediately. There cannot be hearings when GLBT has intentionally mislead the public and STB itself. There cannot be meaningful hearings until GLBT puts forth a consistent and rational proposal. There cannot be an environmental study until there is a legitimate plan that more-precisely identifies GLBT's route. Details matter. GLBT's shape-shifting railroad has none.

No one can come to these hearings with specific factual objections, because GLTB does not have a consistent plan. They dismiss legitimate concerns by adopting constantly changing routes, rail volumes, costs, and anything else. How can STB hold legitimate hearings when there is no real plan? How can STB allow the approval process to begin?

Setting aside the many intellectually dishonest aspects in the GLB proposal, the only way this project can happen is if eminent domain laws, never created to enrich a few business interests with risky and dubious schemes, are abused to allow

GLBT to coerce landowners to sell their property. There is no need for any environmental studies when the plan has no details, the management dishonestly changes the plan to pretend concerns are irrelevant, and there is no legal process to coerce landowners to sell through threats of condemnation of property using eminent domain claims lawfully.

But let's assume for a moment that somehow GLBT corrupts the process and is allowed to unjustly bully landowners with its shape-shifting proposal. There still can be no legitimate application of eminent domain, because even when given the benefit-of-the-doubt, the GLBT business plan serves no public need with a public use. There is no reason for an environmental study of any type based on the sketchy and constantly-changing GLBT proposal.

It doesn't matter why GLB has been unable to put together a workable and consistent business plan for their multi-billion dollar for-profit enterprise. Given it was only after 2 hearings were held last week that GLBT denied the scope of the project in-terms of finance and traffic volume, STB can only conclude that it has been the intent of GLBT to mislead, distract, and misdirect attention from the only issue that counts:

In its current form, GLBT's railroad is not needed, is not supported by the rail industry, cannot be adequately capitalized, will not generate reported freight volumes, cannot meet its fixed-costs, and cannot lawfully acquire its right-of-way using eminent domain claims.

Whether this is because of a lack-of understanding, incompetence, or outright fraud does not matter. The *Surface Transportation Board* and the approval process exist specifically to protect the environment, the public, the transportation industry, and investors from these types of boondoggles. There are 2 compelling issues, both of which GLBT fails to address, which demand that STB immediately halt this travesty being misrepresented as a Chicago rail bypass.

First — there is no need for the railroad GLBT is proposing. Railroads serving Chicago will not re-route 25% of rail carloads onto an extremely overcapitalized third-party line, short-hauling themselves. The system of rails in place for almost 150 years continues to work.

Second — GLBT is being simultaneously misrepresented as a bridge route and a short-line. It cannot be both. There are no traffic studies that indicate GLBT will originate or terminate

any carloads. It is disingenuous that GLBT continues to tell farmers with adjacent properties that they will have an option to load rail cars with their products. Individual farmers have not shipped directly on railroads since the late 1800s!

The connecting carriers that would be needed to move individual farmer's carloads to points off GLBT do not want this traffic and will not provide acceptable levels of service on "loose-car" or even small groups of freight cars. GLBT management knows this.

Before proceeding with an environmental study, it is reasonable and necessary to consider that GLBT's contradicting statements, shifting plans, and irrational economic justifications are intentional.

They know that if they revealed details of this railroad, it could not stand up to scrutiny. This alone should force STB to stop the approval process and not allow an environmental study until a real proposal is submitted.

If GLBT wants to build a legitimate railroad, they need to identify relatively specific route, legal plans to obtain the right-of-way, accurate and documentable traffic volumes, a verifiable breakdown of commodities that will be hauled, partnerships with local communities for emergency contingencies, and precise plans for non-railroad uses of additional lands they seek along their right-of-way.

Until then, STB should inform GLBT that their fantasy does not merit serious consideration. Hearings on moving forward with environmental studies give false credibility to this potentially fraudulent enterprise and will be misrepresented by GLBT as STB bestowing legitimacy on their glaringly inadequate proposal. GLBT is falsely hiding behind claims of "non-disclosure agreements" and proprietary trade secrets to keep the public and STB uninformed.

There are many reasons to immediately deny GLBT's proposal. The most compelling reasons to immediately stop GLBT is that it lacks details and specificity for environmental analysis, is not a project that can be completed within applicable laws, cannot document a need, does not have the rail industry's support, cannot raise capital to finance construction, and will not be able to operate and cover costs and earn a profit.

GLBT has not submitted a reasonable proposal that merits consideration by STB. Given the inadequacy of what GLBT has submitted, for an environmental study.

U.S. Rail History

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The *Union Pacific Railroad*, today the largest in the U.S. and the world, was created by President Abraham Lincoln in 1862. Because it was deemed to be of vital national interest, the nation's first transcontinental railroad was heavily subsidized by the Federal Government.

It was constructed westward from Council Bluffs, Iowa, to meet the *Central Pacific Railroad*, which was constructed eastward from San Francisco Bay. The financial shenanigans used to swindle money from the project are legendary and represent how virtually all American railroads have been built.

Promoters get rich promoting a rail plan that cannot support its debt and financial structure. Financiers get rich misrepresenting impossible capital structures as "investment opportunities". Construction contractors get rich building the line and have no reason to do so in cost-effective ways, because they are paid by the mile and their costs. Once they start building, no one can afford to let construction stop.

The promoters, financiers, and builders are not tied to the operations of the railroad. They make their money before a single wheel turns. Like smart slot machine players, when they hit the jackpot, they cash in and go home! The financial fraud and criminality behind the construction of UP reached its climax in 1872, a few years after the "golden spike" joining East and West was driven in 1869.

Today, the economic chaos that resulted is known as the "*Crédit Mobilier scandal*", named after the *Crédit Mobilier of America* construction contractor that built the line — but promoters, financiers, and the day's leading politicians were in on the scam too.

The financial problems created by the UP's promotion, financing, and building fraud allowed Robber Baron Jay Gould to acquire the property for pennies-on-a-dollar and he reorganized as the *Union Pacific Railway* in 1880. Even then, the "new" UP could not support its debt and in a few short years declared bankruptcy. History books often misrepresent every fraudulent business transaction as being due to "panics". This is not true.

Businesses and people of that era knew and expected the U.S. economy to fluctuate just like American's accept ups-and-downs in the business cycle today. The financial scams were not a "glitch" due to a financial panic. They are "features" of how a multi-million/billion dollar cons play out

Great Lakes area citizens need to read the books: *The Milwaukee Road: Its First 100 Years* (August Derleth) and *The Nation Pays Again: The Demise of the Milwaukee Road, 1928-1986* (Thomas H. Ploss). Each details the shenanigans and fraud behind construction of that railroad's transcontinental line, common railroad practices.

What was once the most profitable railroad stock in America was bled dry by financiers, oil interests, top management, and promoters of a West Coast extension completed in 1909. Fortunes were made and the railroad was bankrupt multiple times.

But these stories are not unique. This is how America's railroads were built. Is GLBT just another financial scheme to enrich a few at the expense of many? GLBT cannot possibly support a reported \$8 billion dollar capital structure handling the dozen or so trains a day Frank Patton now admits to. Is the plan to use bankruptcy and receivership to allow another carrier or interest, perhaps *Canadian Pacific*, to buy this line for pennies-on-a-dollar?

GLBT's biggest lie: Patton cannot and will not pay \$20,000 per acre for land!

Frank Patton and GLBT must know that, if their project is approved by *Surface Transportation Board*, then they must use federal eminent domain laws to acquire property. GLBT has been consulting with one of the oldest, largest, and most powerful law firms in America — *Venable, LLP*. They know the law and cannot claim otherwise.

GLBT has also admitted they will need to secure federal funds. This is not a privately financed railroad. Federal law demands that they can not pay a premium for land. They must pay "market value", using an average of current land appraisals. GLBT knows the law will not allow payments of \$20,000 per acre and has no intention of paying more than the law allows.