

Who Benefits from Great Lakes Basin Transportation

Given that no railroad publically supports the plan to build a new Chicago rail bypass, there will not actually be a diversion of 25% of that city's rail traffic. In fact, the promoters of Great Lakes Basin Transportation (GLBT) know this, yet when it suits their purpose to talk about a need for their project, they misrepresent that their railroad will carry 110 trains a day. At more than 100 cars per train, a typical haul, this would be than 11,000 cars daily. This is fantasy.

GLBT knows and has admitted that they cannot achieve this. Their project has nothing to do with building a functional railroad that can earn a profit after paying off the initial construction and start-up costs. Like all major rail development in America, this project exists to enrich promoters and construction interests. The railroad cannot and will not be able to successfully operate under the massive debt required to build it, however this does not matter to promoters and construction interests as they will extract a fortune from the project before operations start.

The GLBT railroad, like virtually every rail line build in, will go into bankruptcy proceedings because it cannot support its massive debt structure. Another business interest then will buy the property at pennies-on-a-dollar. If needed, this will happen repeatedly until some large corporate interest controls the property with a financial structure far below what the right-of-way cost to build. This new entity will then operate the railroad profitably. Investors and the public will be lose while insiders make millions of dollars off promotion, finance, and construction scams.

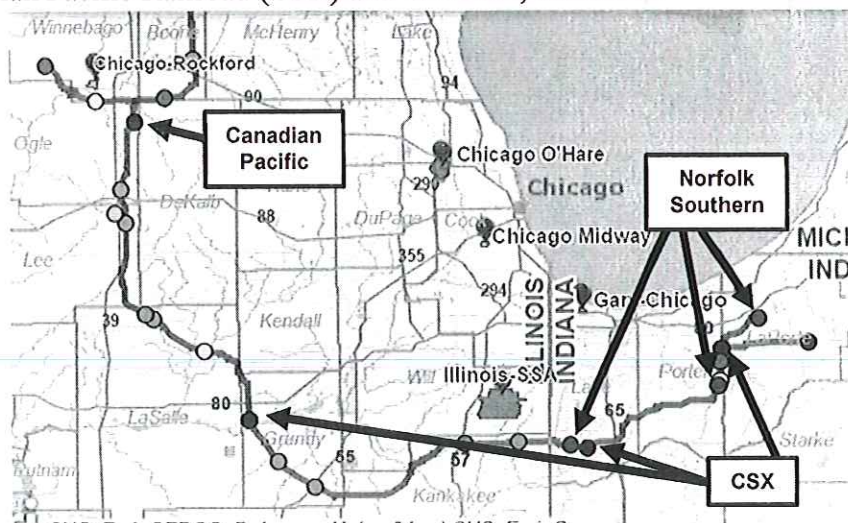
Who Will Benefit from Great Lakes Basin Transportation? CPR

GLBT cannot stand under its own weight, but millions of dollars will be made driving this corporate shell into bankruptcy. This is why GLBT misrepresents that they have investors lined up. They actually have none and admitted this fact only late last week. This is an intellectually dishonest proposal that is abusing the approval process. There are only 2 railroad interests that could benefit from this project: Canadian Pacific Railroad (CPR) and WATCO, owners of Wisconsin Central.

Those following the news know that CPR, the 6th largest railroad in North America, recently tried to acquire the largest Eastern railroads in the United States via hostile take-overs. The deal with CSX, the 3rd largest carrier in America, fell through last year. This year, CPR's attempt to buy Norfolk Southern (NS), the 4th largest carrier, was rejected.

What no one is talking about is the reason that Canadian Pacific was unsuccessful with these mergers is that *they do not currently have direct connections with these Eastern Carriers.*

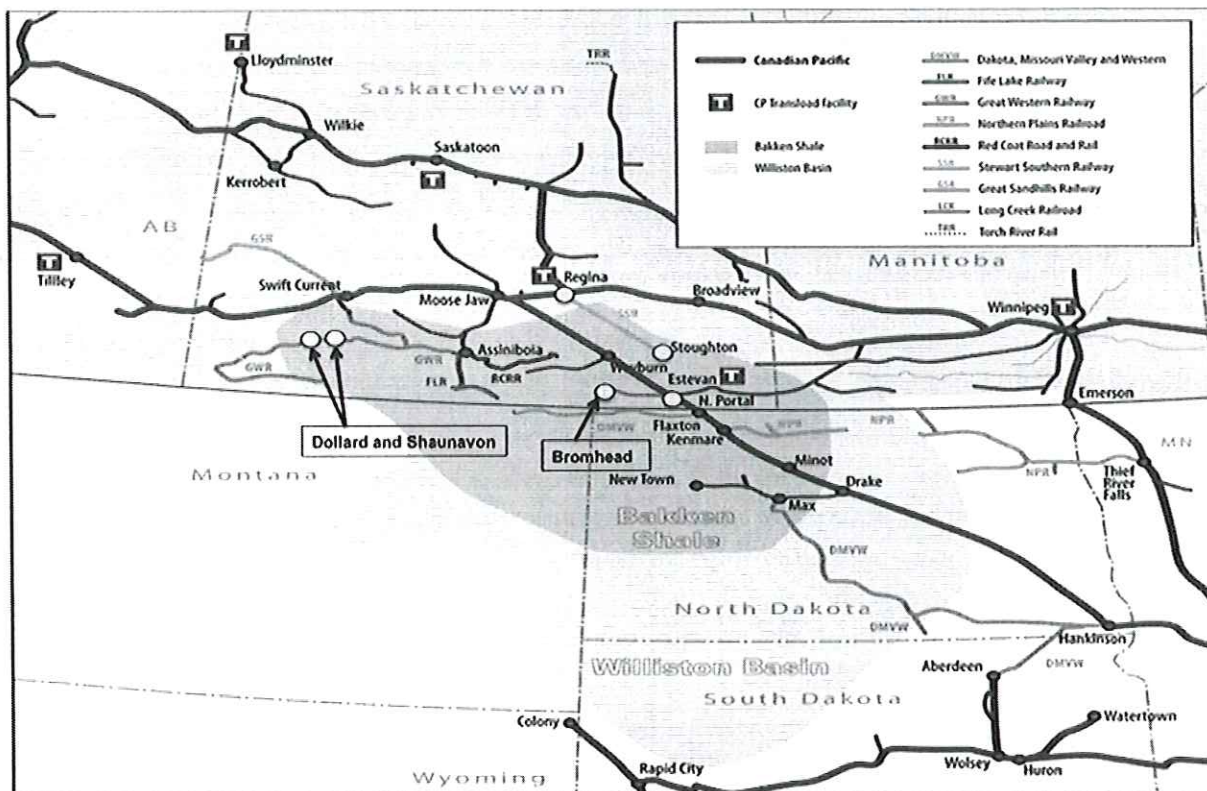
When the top executive at NS explained why CP's takeover was not in the interest of shareholders, he specifically said that since there was no direct connection between CPR and NS that there were no synergies nor efficiencies possible with this merger. It made no economic sense. There is no way to directly move traffic across a merged system.



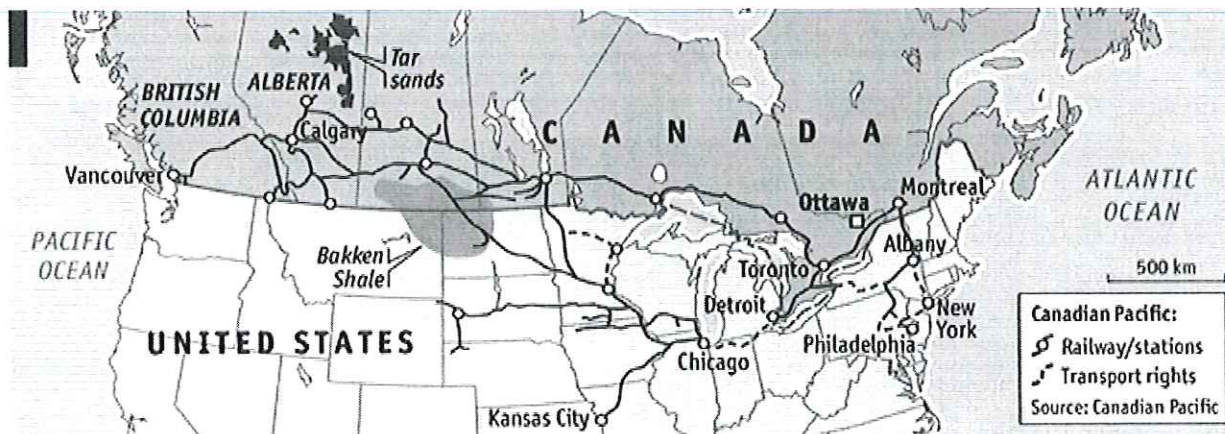
GLBT is designed to provide that connection – CPR's western lines will connect with GLBT just south of Rockford and then will meet NS's different trunk lines in Indiana. GLBT is not a railroad plan that can support an \$8 billion dollar investment, but this does not matter. Once the railroad is in bankruptcy, Canadian Pacific could purchase this line at "fire-sale" prices and have the connection needed to integrate NS or CSX seamlessly into its operations.

CPR is not a major player in the rail freight that moves through Chicago. So where will this traffic come from to justify a merger? It will increase railcar loadings of Bakken crude from tar sands along the U.S. Canadian borders. As the map below clearly demonstrates, CPR not only runs directly through the most productive areas of Bakken Tar Sands, but no other rail system is as uniquely positioned to directly access virtually all of the Bakken Shale crude.

» CP Bakken Shale rail connections



What prevents CPR from exponentially increasing is crude oil shipments, as the map below indicates, is that they do not own the long haul from origin to destination – seaports to export this oil. CP also does not have direct access to U.S. refineries, so it has to short-haul itself.

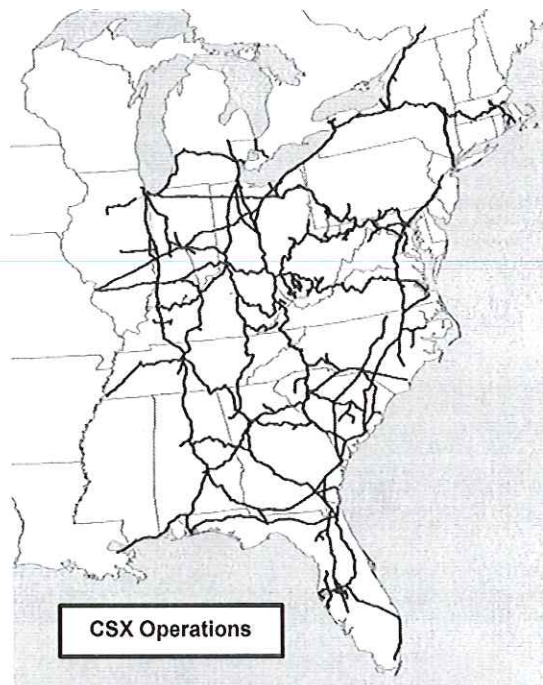


Now let's look at the route-maps of Norfolk Southern – remember, the hostile takeover by CPR of NS was only averted because these 2 rail giants (number 6 and number 4 respectively) do not physically connect.



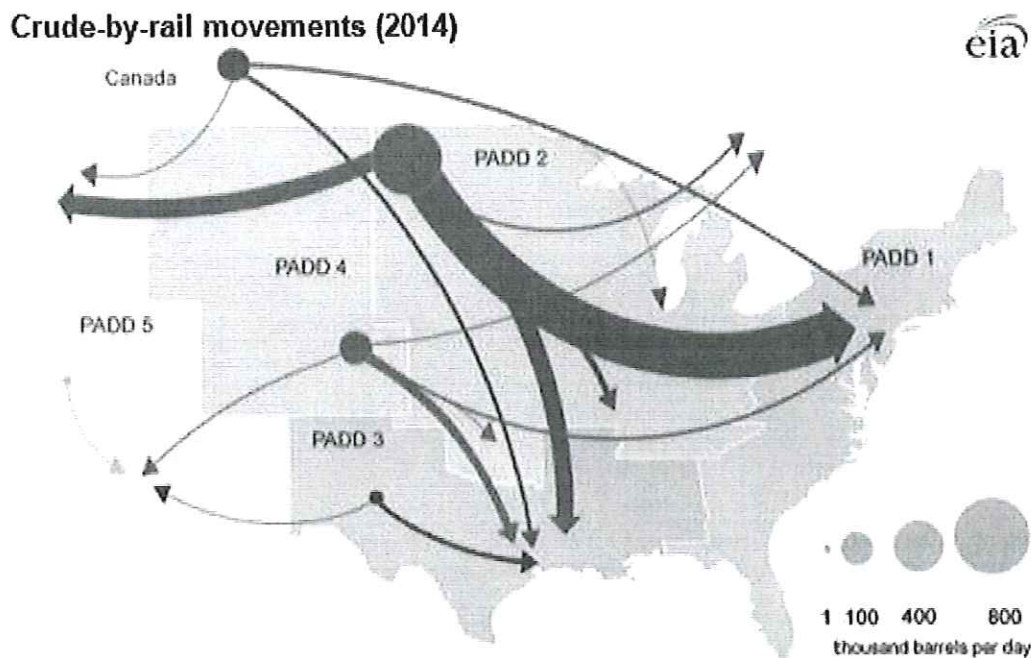
Now we see the real reason GLBT is promoting an impossibly overcapitalized railroad to bypass Chicago. This project will make millions of dollars in excessive profits for promoters, financiers, and construction contractors. The railroad will never be able to support the multi-billion dollar capital structure needed to create it. The operations will soon be bankrupt and the line will be sold in a rigged auction as only a few business interest can turn this corridor into a high-volume profitable rail line.

CPR is the only carrier that can directly exploit this bi-pass profitably, but they would need purchase the line in bankrupt, paying below actual construction costs. Acquiring the bankrupt assets of GLBT will remove the only obstacle between a CPR-NS takeover (hostile or otherwise), a direct connection. This takeover would then most certainly occur.



However, if for any reason NS will not sell or CPR chooses not to pursue that takeover again, there is another option that the map on the previous page illustrates. CPR can pick up its buy-out of the nation's 3rd largest carrier, CSX, and reap the same benefits by reaching all major Eastern seaports and the Gulf of Mexico by taking ownership of that railroad.

The U.S. Energy Information Administration's most-recent crude-by-rail map is from 2014. While crude prices have greatly fallen from peak prices of more than \$100 per barrel that year, it is just a matter of time before they rise again. To understand what GLBT is actually about and why promoters constantly misrepresent their plan, please look at the map below:



Now we can see the real purpose of GLBT – it will massively increase rail shipments of oil, specifically Bakken Crude, and this is one of the most volatile and dangerous commodities that can be imagined. From a Bloomberg report (January 4, 2014):

Crude oil produced in North America's booming Bakken region may be more flammable and therefore more dangerous to ship by rail than crude from other areas, a U.S. regulator said after studying the question for four months.

<http://www.bloomberg.com/news/articles/2014-01-02/bakken-crude-more-dangerous-to-ship-than-other-oil-u-s->

The same report states that three-quarters of the oil produced in North Dakota is shipped by rail rather than pipeline. Pipelines cannot be used to meet the profit demands of the oil industry because they are inflexible delivery systems. Rail, on the other hand, can be used to route oil to different markets based on who will pay the most. America's rail network is not tethered to fixed terminals like pipelines are. The majority of oil would never be shipped on pipelines under any circumstances as there is more money to be made shipping this commodity by rail.

But there is another multinational corporate railroad interest that will benefit greatly from GLBT even though it is sure to end up in bankruptcy and investors will lose billions.

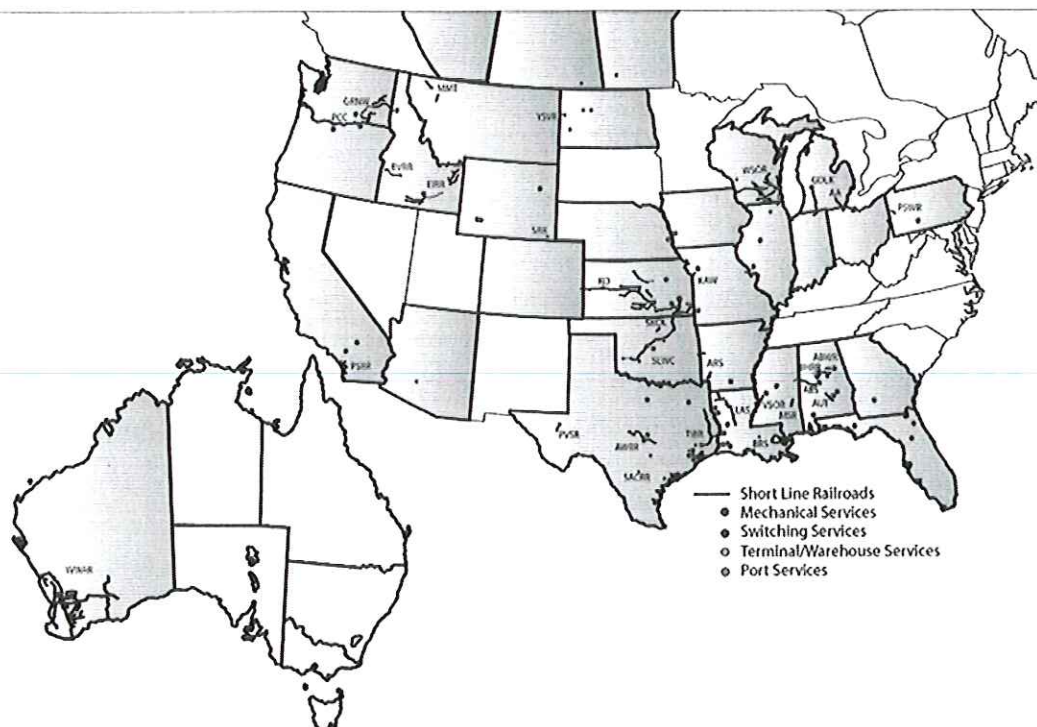
WATCO: The largest transportation holding company in the world

Wisconsin citizens that are paying attention know that Wisconsin Southern (WSOR) was criminally used by former owner Bill Gardner to launder money to promote the political career of Gov. Scott Walker. The serious felonies Gardner committed resulted in him receiving a slap-on-the-wrist and then he parlayed his criminality into millions and millions of dollars selling controlling interests to WATCO, the largest transportation holding company in the world.

What most people do not know is that Wisconsin & Southern, even under WATCO's ownership, is only a paper railroad and owns virtually none of its tracks. The rails are owned by Wisconsin taxpayers and are leased to WSOR far below market value. Not only is each and every carload shipped on WSOR heavily subsidized by the State of Wisconsin, but the Badger State actually pays WSOR handsomely to maintain the roadbeds! WATCO, a privately held corporation, could not profitably operate WSOR without the massive public dollars it receives.

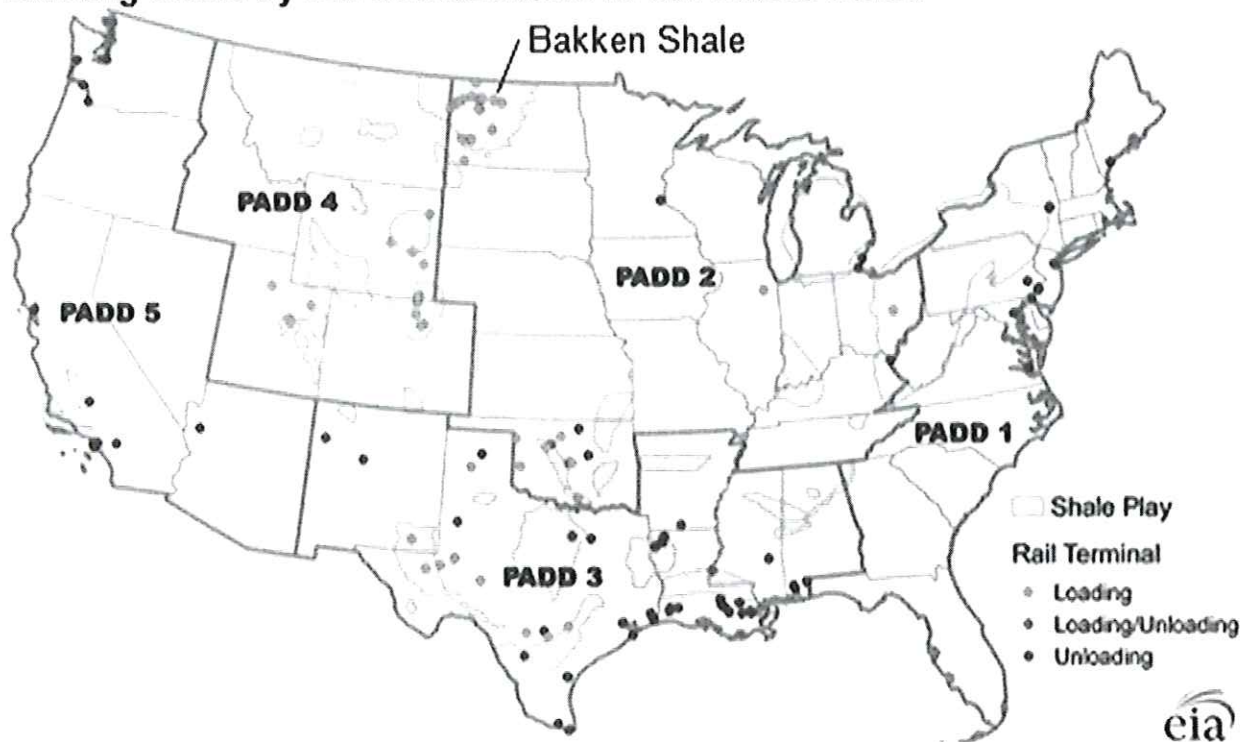
But WATCO owns much more than railroads around the world – it owns oil and gas transloading facilities. WATCO also has another heavily subsidized business. WSOR gives them direct access to the best frack sand mines in the world. Right now, because oil prices are relatively low, fracking and frack sand mining is not in the news, but it did not go away. Oil prices will go up again and fracking will explode exponentially, demanding more Wisconsin Frack Sand.

This is why GLBT begins in Wisconsin at connections with WATCO's Wisconsin & Southern. Not only does WATCO have huge financial interests in Bakken Tar Sands development, they control the proppant most-widely used to make fracking possible: Wisconsin Silica Sand. While WSOR does not currently ship crude, this does not mean that WATCO will not be able to route crude over these lines should they acquire an advantageous position in GLBT. Below is a map of WATCO's transportation and port business – we can see they will benefit from anything that increases rail shipments from the Bakken Shale region to sea ports for export.

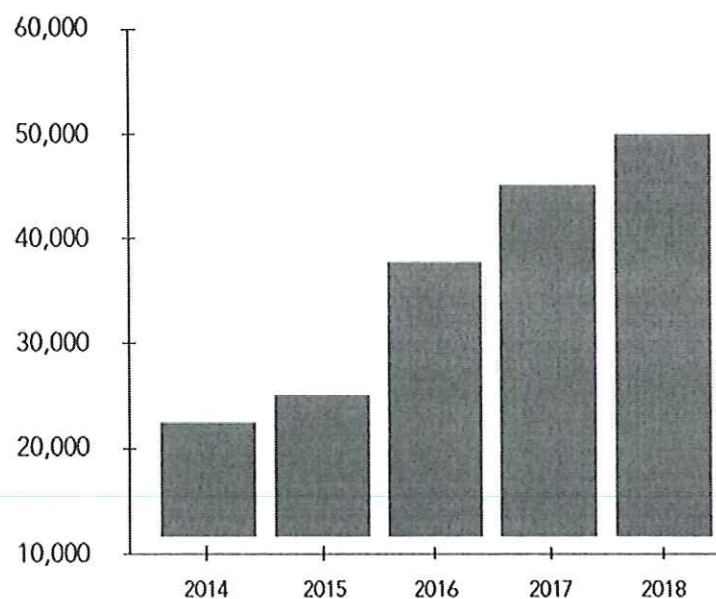


Compare the map on the previous page with existing crude-by-rail infrastructure in the United States and you will see why WATCO will also profit from a direct or indirect interest in GLBT.

Existing crude-by-rail infrastructure in the United States



But more importantly, we know directly from WATCO's public statements that they see Bakken tar sands oils as their most ludicrous profit opportunity. Not only can they load, transport, and unload this crude via rail, barge, ship, and truck; they will also benefit from moving refined products and refining byproducts, including fracking liquids which are proprietary chemical concoctions that are highly toxic and flammable.

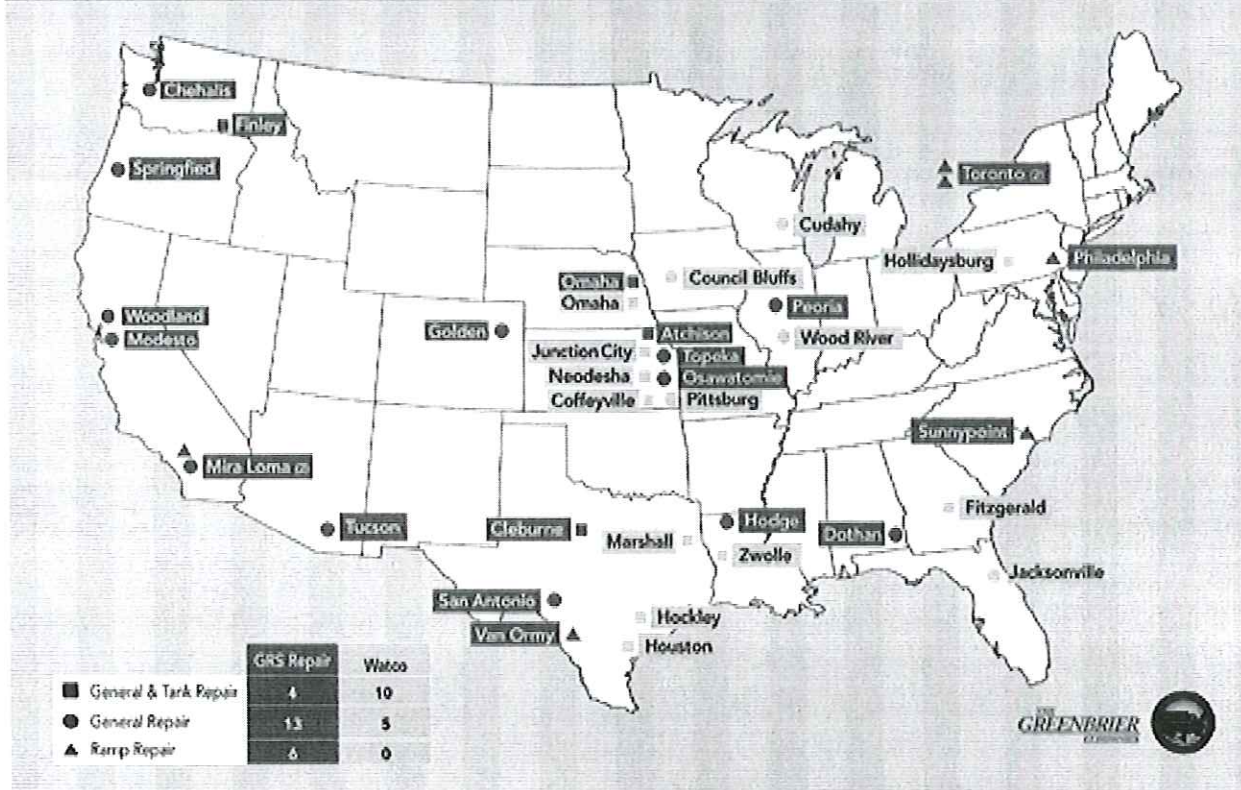


WATCO is also one of the largest rail car maintained and repair operators in the U.S.

Over the next few years, huge numbers of railroad tank cars will need to be recertified to operate. WATCO have recently partnered with Greenbrier and now are the dominant player in servicing rail tank cars. They have their business model positioned to directly make money providing transportation services and then maintaining and rebuilding rail cars used to ship crude oil, refined fuels, refined byproducts, and fracking liquids.

GREENBRIER & WATCO

OUR NEW NETWORK



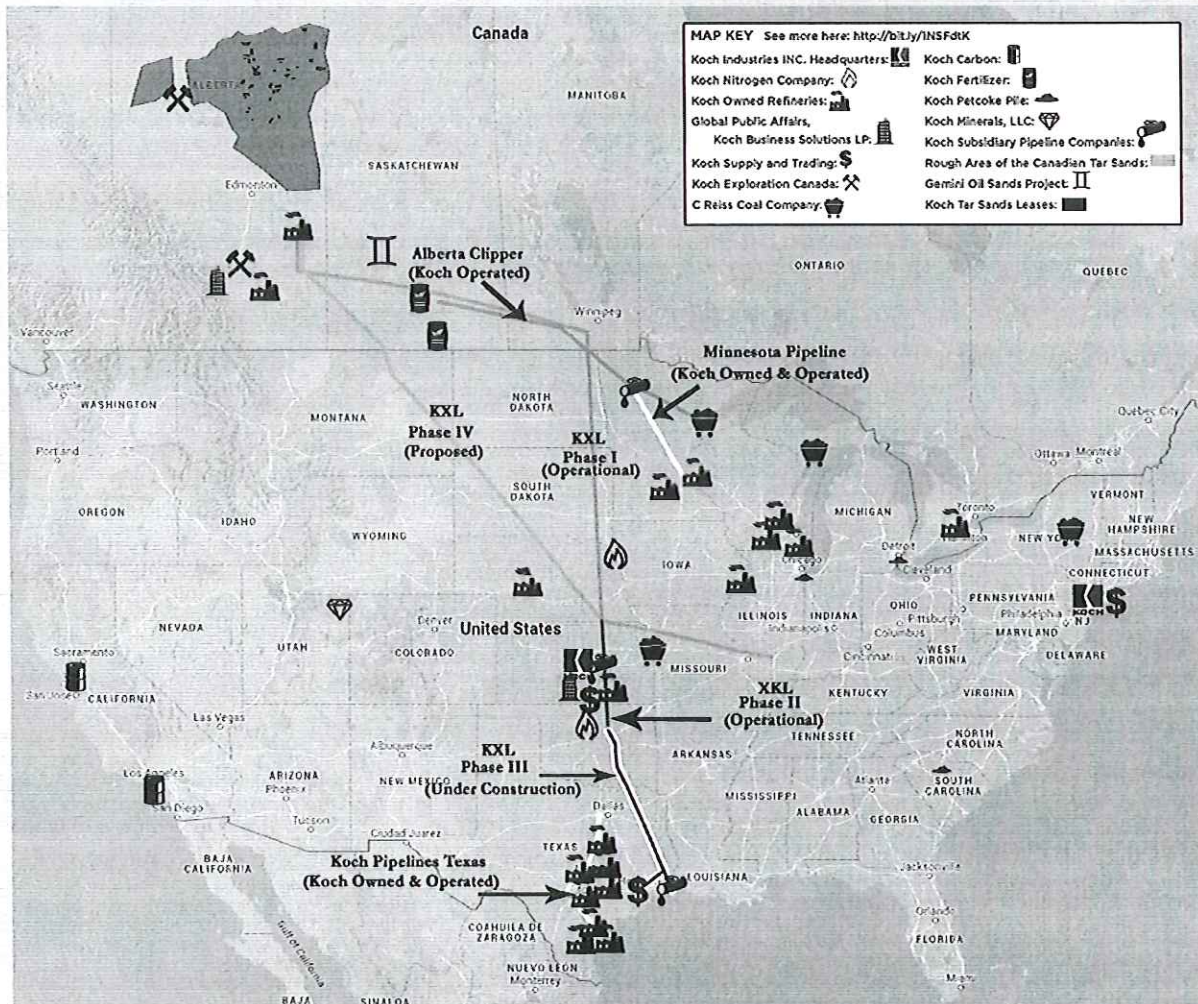
Koch Industries

And who is WATCO's biggest customer? By their own company newsletter, we know it is Koch Industries. In 2014, Koch canceled its plans to build a 250,000 barrels per day pipeline to transport oil out of the Bakken in Western North Dakota to points in Illinois. Given the expense, opposition, and unstable nature of crude prices; there is no need for a massive pipeline that cannot flexibly direct different volumes of Bakken crude to different markets based on who will pay the highest price.

It is not a coincidence that the current promoters of GLBT acknowledge that they began to develop their plans in 2014 – this is immediately after Koch abandoned their pipeline proposal. So who is really behind GLBT?

While we can see that Canadian Pacific Railroad has a great deal to gain and we know that the project is designed to begin with rail connections with WATCO's Wisconsin & Southern Railroad, no multinational corporate interest has more at stake in GLBT than Koch Industries. Its tar sands interests encompass everything from leasing and selling holdings for prospective development to exploring, drilling and mining bitumen; marketing and exporting oil; and selling lucrative byproducts. Koch is the second largest refiner in the U.S. Midwest. Its four U.S. refineries are capable of handling some 700,000 barrels per day, according to the U.S. Congressional Research Service (<http://fas.org/sgp/crs/misc/R41478.pdf>). So while many environmental activists believe we escaped great harm when the Keystone XL pipeline was abandoned, in reality this oil is now going to ship by rails and this is what GLBT is designed to do.

Koch Assets in the Tar Sands Trade



Koch investments in tar sands industry range from their potential two million acres in Alberta to thousands of miles of pipeline and storage facilities to two Texas refineries along the Gulf Coast. Ownership of so much infrastructure affords the Kochs access to insider's intelligence about the industry's supply, so the Kochs are able to place big bets on price movements in trading oil futures, derivatives, and other "innovative" and unregulated financial instruments that have made them the world's two wealthiest men.

International Forum on Globalization - ifg.org/koch-assets-map-tar-sands

Conclusion

There are many reasons that the proposed GLBT railroad should not be built. Paramount is the fact that the promoters have been dishonest and have misled the public and now Surface Transportation Board. This project has nothing to do with re-routing current carloads of freight around Chicago. GLBT has admitted this publically after 2 STB hearings last week, stating that they have nowhere near 110 trains a day to divert and that they have no investors. This project is about creating a corridor to massively increase rail shipments of Bakken tar sands oil. This is why it was initiated in 2014 after Koch Industries announced they would not build the Keystone Pipeline to the Gulf of Mexico. The business model is built on lies of commission, omission, and financial fraud. The proposed railroad cannot support multi-billion dollar capital investments. Like virtually all of America's rail development from more than 100 years ago, this is a financial scheme to enrich promoters, financiers, and builders. The railroad will be promptly placed in receivership and sold to one of the interests I have identified for pennies-on-a-dollar.