

An \$8 Billion Plan to Untie Midwest Rail Knot

Software veteran's proposed Chicago bypass loop faces landowner opposition

By Bob Tita
And Laura Stevens

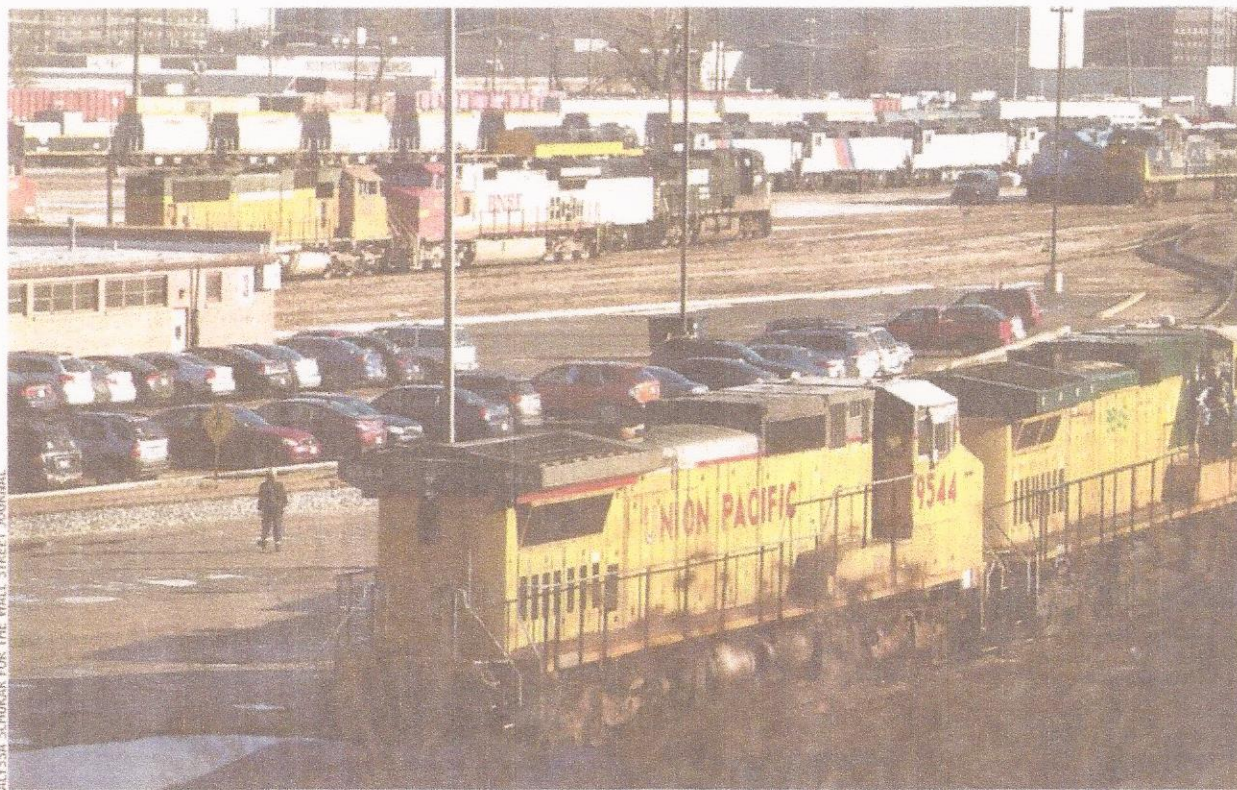
A software-industry veteran is taking on one of the toughest problems facing the U.S. railroad industry: the chronic traffic bottleneck surrounding Chicago that can take more than a day for freight trains to move through.

Frank Patton, 73 years old and chairman of fledgling Great Lakes Basin Transportation Inc., wants to build a privately financed rail route through Illinois, Wisconsin and Indiana that would allow trains to loop around the congested rail hub.

Mr. Patton's proposed 280-mile line would reduce the about 30-hour train travel times through Chicago to eight or 10 hours. It would take about five years to permit and build, and cost \$8 billion, he said—money that eventually would be paid off by user fees from the six major North American railroads the line intends to serve.

Its hurdles are many. Great Lakes Basin Transportation still has to assemble financing and obtain regulatory and environmental approvals. And the plan faces opposition from affected landowners and a so-far cool reception from railroads, which are pushing their own plan to dislodge the Chicago rail logjam.

But Mr. Patton is undaunted. "Anybody who looks at the projections for a 60% increase in traffic by 2040, they know something has to



A Bedford Park, Ill., rail yard where freight trains can back up.

happen," he said. "The Chicago terminal is one snowstorm away from disaster." He is moving quickly to get regulators' approval and to line up financing.

Mr. Patton, who owned and managed Portfolio Dynamics, a financial-software company for 30 years, became interested in railroading about six years ago while volunteering for a Chicago civic group. He and a group of former railroad executives started the initial regulatory approvals process for building a railroad. The team met with the U.S. Surface Transportation Board in September, then submitted a revised plan.

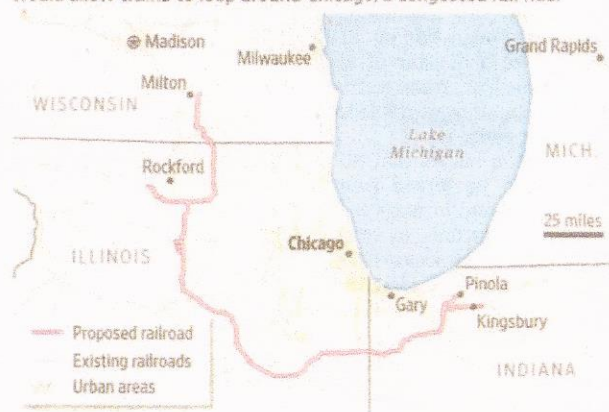
Last week, regulators began conducting public hearings to gather information on the proposed project, which requires federal approval following an in-depth environmental impact study that allows communities to voice concerns about noise and disruption and potential damage to wildlife and water.

The project's scope "has the potential to affect so many people, we thought it was important to get out there and let them know very quickly," said Victoria Rutson, director of the Surface Transportation Board's office of environmental analysis.

Mr. Patton is still working
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Railroad Remedy

Great Lakes Basin Transportation wants to build a rail route that would allow trains to loop around Chicago, a congested rail hub.



Source: the company

THE WALL STREET JOURNAL

RAILS

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to secure financing. That shouldn't be a problem because of the cost-reduction benefits, he says. "The margins are just so thin [on freight shipped by rail] that cutting distribution costs through Chicago would be significant," he says.

Opponents are organizing, too. People living along the proposed route say they are worried the project's maximum traffic load of 110 trains a day will expose them to relentless noise and the risk of accidental hazardous cargo spills. The proposed 200-foot-wide track right of way would restrict nearby farmers' access to their fields and destroy drainage and crop irrigation systems, they say. Moreover, they object to a law that allows railroads to force owners to sell their land if an amicable purchase deal can't be reached.

"We're not just going to lay down," said Robert Cauffman, a retired conservation officer who says his house near Kouts, Ind., is about 200 feet from the proposed route. "Nobody is going to willingly give up ground. You have third, fourth and fifth-generation families that farm. [The bypass] would split these farms in half."

The major freight railroads are largely staying on the sidelines. The bypass "seems to be pretty good and a novel idea worth exploring," says ABH Consulting railroad industry analyst Anthony Hatch. He suspects railroads are reticent to sign on in part because they

find it hard to believe that a new project like this can withstand an environmental review.

A failed railroad merger may help move the project forward. Canadian Pacific Railway Ltd. earlier this month abandoned a bid for U.S. rival Norfolk Southern Corp. One of Canadian Pacific's arguments for the deal was the merger would ease congestion in Chicago, where a quarter of all North American train traffic either starts, stops or connects to another railroad.

Mr. Patton insists that nobody would be forced from their homes and farmers will be able to continue to work their land after he acquires the right of way. He added the railroad could make their property more valuable by expanding the potential uses to include rail-served warehouses, grain storage elevators and other developments.

Union Pacific Corp., the only major freight railroad to take a public position on the bypass, said it determined in 2014 that it is "not interested in moving forward with a discussion on the Great Lakes Basin Railroad's bypass project—an exceedingly expensive idea with no publicly identified funding sources."

Some don't think the Great Lakes Basin bypass is necessary because their own infrastructure improvement projects in Chicago, known by the acronym Create, are starting to work. So far Create has shaved an average of 11 hours off the time it takes a train to get through Chicago, according to the Association of American Railroads, the railroads' trade association.



Freight cars get assembled into trains at a yard outside Chicago.

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