# S.A.N. ¤ Sustainability Action Network

a Kansas not-for-profit organization
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Mr. Joshua Marx, Regulatory Project Manager 7 August 2009
U.S. Army Corps of Engineers
Kansas City Regulatory Office
402 Federal Building
601 East 12th Street
Kansas City MO 64106-2896

re: BNSF Permit Application #2006-1014 – Gardner Intermodal Facility

Dear Mr. Marx:
Ton for ton, ocean transport is the most energy efficient, with rail being second most efficient. This fact has not escaped investor Warren Buffet who has purchased 21% of BNSF stock over the past two years. He is literally banking on moving Chinese products by ocean container and rail through the western Mexican Port of Lázaro Cárdenas and the Port of Los Angeles to the Gardner Intermodal Facility.

Mr. Buffet is the richest man in the U.S. and I don't presume to second guess his investment strategies. He knows when to buy and when to sell stocks, so that he profits handsomely. What must be considered though, is that Mr. Buffet's commitment is liquid, and he will shed his investment when he sees that the BNSF operations are no longer profitable. In contrast, the cities of Gardner or Edgerton, or the regional tax jurisdictions like Johnson County and Douglas County will have made capital and infrastructure investments that they will be stuck with for decades. These communities will be paying on their bonds and the citizens will be shouldering the tax burden even after the Gardner Intermodal Facility becomes under-performing. We will be stuck with the white elephant.

And under perform it will, because there are two huge factors that the financial proponents of this facility are either not considering, or are not telling the public about. They want to rush through the permit process before the public officials understand this. The two unexplored factors are: peak oil, and US consumer debt and trade deficit. Here's how they will undermine the intermodal viability in the not too distant future.

Peak oil is defined as "new oil discoveries no longer keeping up with current oil extraction rates". Without going into detail about oil geology, everyone from the US Department of Energy, the International Energy Agency, the Saudi Oil Ministers, and major petroleum companies agrees that the world is at or near the historical peak of oil extraction. With extraction rates declining world-wide and not being replenished by discoveries, we are at the point of no longer being able to meet global oil demand (which is rising, incidentally). By classic supply-and-demand principles, oil and gasoline prices are rising and will continue to do so.

The Gardner Intermodal Facility's success is predicated on circumventing peak oil by the transport efficiencies of ocean container ships and rail. But these are only two of the three critical links in the distribution chain, the third being truck. Trucks are not energy efficient, the average 18-wheeler getting only 6mpg of diesel. Add to this the increasing cost of asphalt (a petroleum product) because of peak oil, and the increasing cost of gasoline for millions of daily consumer trips to stores, and it is a formula for a sharp decline in this consumer product distribution chain.

US consumer debt and trade deficit is the second and more complex factor that will severely limit the viability of the Gardner Intermodal Facility. It is clear that the average consumer's ability to pay for consumer products is in crisis and getting worse. Even if the made-in-China supply end is kept as cheap as possible, with the demand end seriously curtailed, shipping of any goods will obviously drop.

For nearly a century, US worker's income had steadily risen, but that ended over the past three decades, which saw incomes go flat and then decline. This resulted from corporations automating production to eliminate jobs, and also exporting millions of jobs to cheap labor countries like China. According to the Economic Policy Institute, the U.S. trade deficit with China cost 2.3 million American jobs just between 2001 and 2007. Currently, US unemployment has risen to nearly 10%. As explained by Robert Reich, former Labor Secretary, US citizens responded to this squeeze by taking on unsustainable debt in the form of userious credit card interest, and equity loans on their homes. Finally on top of that, the inflation rate has historically followed the rise of the price of oil, which again is on the upswing.

If it is assumed that the current economic crisis will end because of US government stimulus, a glance at the Federal economic policies and trends will show otherwise. In late 2008, US Treasury reported that the Federal budget deficit reached a record $445 billion (which had been a surplus only ten years earlier), and the overall national debt passed the $10 trillion mark. Already, in the first six months of this fiscal year, the federal deficit is running at $956.8 billion, or nearly one seventh of gross domestic product — levels not seen since World War II, according to Wrightson ICAP, a research firm.

The Federal government is addressing this crunch in two ways, first by selling increased quantities of US Treasury Bonds and Notes (selling our debt). But because of our shaky dollar, large financial institutions are more hesitant to buy than as before. And the two largest buyers of our debt, China and Japan, are so concerned about the dollar's health, that they have called for the world to drop the dollar as the global trade "reserve currency", a call echoed by a U.N. Economic policy panel in 2008. The second way the government is dealing with the crisis is by the Federal Reserve issuing fiat money, money printed simply from thin air. As can be seen, the value of the dollar is eroding in a downward spiral, so ultimately the US consumer is losing buying power at the very time that his/her income is dropping.

For the past 30-50 years, we have had a consumer economy fueled by debt, relying on the rest of the world to be producer economies. It has become apparent that this model is unsustainable. If the US fails to reinvest in our production capacity, and abandon the "import-and-consume" model, our economy will crumble entirely. Infrastructure such as the Gardner Intermodal is so 20th Century, and bound to fail in a green and clean-energy 21st Century. By allowing it to go forward, you would seal our fate.

Please deny the Section 404 Permit based on a flawed Environmental Assessment. Furthermore, please initiate a procedure for a full Environmental Impact Statement that will require relevant data and consider more comprehensive data such as is referenced in this letter.

Thank you,

Michael S Almon, Secretary
Sustainability Action Network, Inc.