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April 8, 2016

BY E-FILING

Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E Street, SW
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Office of Proceedings
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Public Record

Re: STB Docket No. FD_36004_0, *Canadian Pacific Railway Limited – Petition for Expedited Declaratory Order*

Dear Ms. Brown:

On behalf of the Alliance of Automobile Manufacturers, we wish to express concerns with the Petition for Expedited Declaratory Order filed by Canadian Pacific Railway (“CP”) on March 2, 2016, and reiterate our opposition to the possibility of a proposed combination of CP with Norfolk Southern Corporation (“NS”). The Alliance of Automobile Manufacturers (“Alliance”) is a trade association of twelve car and light truck manufacturers comprised of BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche Cars, Toyota, Volkswagen Group and Volvo Cars. As the leading advocacy group for the auto industry, the Alliance represents 77 percent of all car and light truck sales in the United States. In addition, the auto sector relies on rail transportation for the delivery of nearly 75 percent of finished vehicles.

In their March 2nd filing, CP requests that the Surface Transportation Board (“Board” or “STB”) confirm the feasibility of a voting trust structure that CP has suggested would be used as part of their desire to merge with Norfolk Southern. Canadian Pacific’s proposed voting-trust framework entails placing CP into a trust – as the acquiring railroad – while the STB considers the merger, which our members view has being a very controversial proposal. Upon approval of the voting trust structure, the current CEO of Canadian Pacific would terminate his position at CP and become CEO of Norfolk Southern.

As a prominent shipper of both Class I railroads, we are very concerned about the impact this new structure – under the control of existing CP management – would have on overall rail service and operations. Specifically, CP has consistently been one of the poorest performing rail carriers that automakers utilize – ranking extremely low in on-time performance and empty rail car supply to loading requirements. The Board certainly understands the service concerns that our members witnessed during the rail service and rail car supply disruptions that impacted not

only our sector but other industries during the 2013-2015 timeframe. Additionally, CP has experienced negative growth in its automotive business since the current management was put in place following a proxy battle in 2012, despite the auto industry experiencing record breaking sales year-after-year (see Figure 1). Prior to the management change in 2012, CP's growth was outpacing the industry trend. As such, we are highly skeptical that the new holding company, under control by existing CP management, will deliver consistent or quality rail service for shippers.

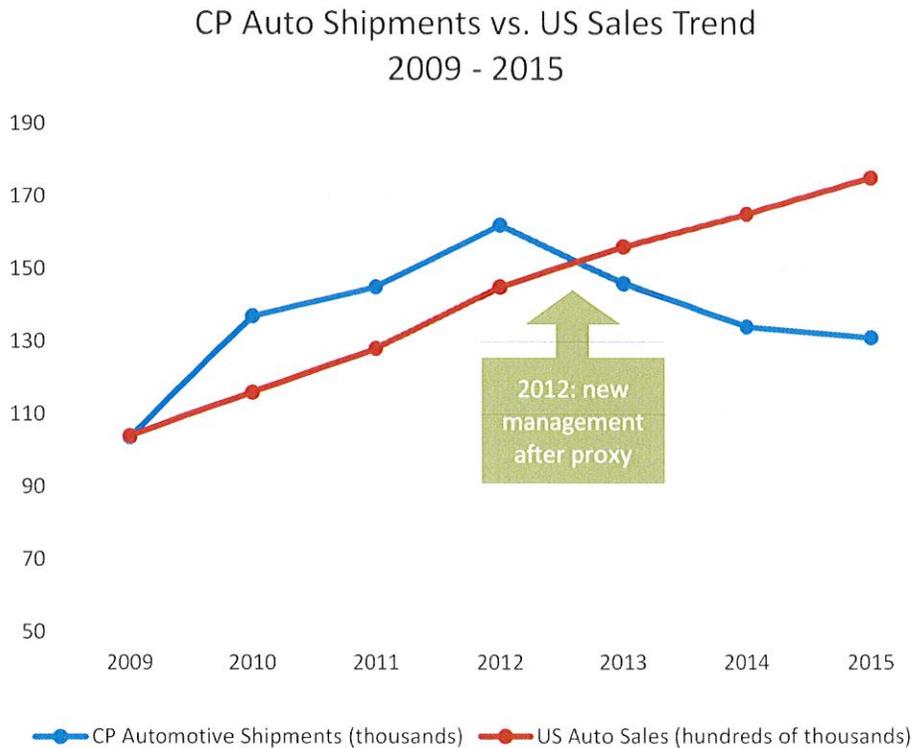


Figure 1 (sources: CP earning release, WSJ sales data)

Additionally, the Alliance would like to reiterate our general opposition to the proposed CP/NS merger as it poses significant competitive and service concerns for our industry. The degree of consolidation among Class I railroads in North America already is extraordinarily high. Large swaths of the U.S. and Canada are served geographically by just two Class I carriers. Further consolidation will substantially enhance the already significant commercial leverage of the rail industry, reduce service options for shippers, and potentially increase rates.

Although there is little overlap between the CP and NS service territories, an end-to-end merger in today's already highly-concentrated rail industry threatens what remains of other forms of competition. For example:

- Product and geographic competition will suffer when two of the seven remaining Class I carriers merge their vast service territories, bringing even more captive producers and consumers under the umbrella of a single rail carrier.

- Bottleneck extensions would extend the captivity of shippers over much greater distances to the entire route of current joint line CP/NS movements, including transcontinental movements and north-south movements that extend from Canada to the Gulf of Mexico. This has the potential to foreclose competition that otherwise would be available over large portions of a route. Even to the extent that bottleneck pricing preserves existing routing options by short-hauling the bottleneck carrier, the potential downstream competition would be tempered by the absence of two rival carriers.

The Alliance also objects to a CP/NS merger because of the adverse effect it will have on rail service. Previous rail mergers of this magnitude have been followed by prolonged periods of poor service levels and higher rates. Yet, CP contends that a CP/NS merger would result in improved service – particularly at the Chicago interchange. The automotive business in Chicago is primarily affected by the Indiana Harbor Belt (IHB), which would be majority controlled by CP if they assumed NS's share. We have yet to see any indication of how CP obtaining controlling interest in the IHB would streamline service and open up capacity within the Chicago rail network. And, as previously noted, CP already has a poor customer service track record and we are not confident that it will improve should CP merge its operations with NS.

For all of the foregoing reasons, the Alliance opposes the proposed CP/NS combination and the proposed voting trust structure outlined in CP's March 2nd petition to the STB. We urge the STB to reject CP's proposed voting trust because of the negative impact it will have on the rail shipping community. Finally, should the STB proceed with the proposed voting-trust structure that CP seeks, our Association and members stand ready to voice our strong objections and what such a voting structure and merger could mean to the automotive manufacturing sector and our corresponding supply chain that depends greatly on consistent and reliable rail service.

Thank you for your consideration of our views.

Sincerely,



Mitch Bainwol
President & CEO

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing “Comments of the Alliance of Automobile Manufacturers” has been served this 8th day of April 2016, via first class mail upon the following:

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