



STATE OF SOUTH DAKOTA
DENNIS DAUGAARD, GOVERNOR

February 12, 2014

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The Honorable Daniel R. Elliott, III
Chairman
Surface Transportation Board
395 E Street, Southwest
Washington, DC 20423

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February 18, 2014
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Public Record

The Honorable Ann D. Begeman
Vice Chairman
Surface Transportation Board
395 E Street, Southwest
Washington, DC 20423

Dear Chairman Elliott and Vice Chairman Begeman,

Please find enclosed a courtesy copy of my public statement regarding the Genesee & Wyoming, Inc.'s expected request for an exemption and its intent to purchase the Canadian Pacific's track west of Tracy, Minnesota.

Sincerely,

Dennis Daugaard

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Enclosure



STATE OF SOUTH DAKOTA
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Sale of the CP's South Dakota Lines to G&W

Over the past month, I have had the opportunity to meet with representatives of the Genesee & Wyoming Inc. (G&W), and the Canadian Pacific Railway (CP) regarding the G&W's proposed purchase of the CP's rail lines in South Dakota, Minnesota, Nebraska, and Wyoming, by and through its subsidiary Rapid City, Pierre & Eastern Railroad. In addition to meeting with those representatives, the South Dakota Department of Transportation and members of my staff have conducted a great deal of due diligence to ascertain the terms of the sale. The due diligence included:

- Review of the sales contract between the parties.
- Telephone conferences with at least ten different states' departments of transportation to understand the G&W's operating record in those states.
- Three meetings with the G&W's top executives.
- Conferences with shippers in multiple states to understand their opinion of the G&W.
- Touring Union Pacific's facilities at Mankato, MN to understand the UP's capacity to compete for South Dakota's rail traffic.

I felt it was necessary to conduct this level of due diligence because the future viability of these rail lines is imperative to South Dakota's future growth. Agriculture is the backbone of South Dakota's economy and access to competitive shipping options is essential to South Dakota's agricultural economy.

I have learned that the G&W has a very good reputation across the United States. G&W leads the rail industry in safety and customer service, and the G&W prides itself on supporting the local communities it services. I understand G&W has extensive experience in working with Class 1 railroads and that is supported by the fact that it interchanges with all seven Class 1 railroads in the United States. After meeting the executives from the G&W, I was impressed with their acumen and dedication to the company's core values: "focus, integrity, respect, and excellence."

I understand the G&W will be seeking an exemption from the Surface Transportation Board in an effort to fast track its purchase of the lines. After an extensive review of the agreement and the G&W, and based upon the representations made by the G&W about its commitment to long-term service across South Dakota and to growing business on the lines, I have determined not to oppose the Canadian Pacific's sale to the G&W.

I have great hope for the G&W's future in South Dakota, and I want to express a warm welcome to them. South Dakota prides itself on being a great place to do business, and I am certain the G&W will find South Dakota's business climate to be second to none.

Though I do not feel it is in our best interest to oppose the G&W's acquisition, I do feel it is important to follow through with the state's petition currently filed with the Surface Transportation Board, which was filed for the purpose of determining whether or not the Canadian Pacific Railway fulfilled the promises it made when it acquired the DM&E. Therefore, I intend to complete the discovery process the Surface Transportation Board has granted the state through its recent order responding to the state's petition request.