February 8, 2016

The Honorable Daniel R. Elliott III
Chairman, United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Ann D. Begeman
Vice Chairman, United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

The Honorable Debra Miller
United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

Dear Chairman Elliott, Vice Chairman Begeman, and Board Member Miller:

We write to you regarding Canadian Pacific Railway (CP)’s proposal to acquire Norfolk Southern Corporation (NS). After carefully studying the various CP proposals, we have significant concerns that CP’s unsolicited proposal to acquire NS, if allowed to proceed, would have a negative impact on New Jersey, interstate commerce, and our country’s transportation infrastructure. We are especially concerned with the potential harm this proposal would have on NS-CSX joint ownership of the North Jersey Shared Assets, which has been heralded as an unequivocal success. The same can be said for the South Jersey Shared Assets, both of which are operated by Conrail.

We speak on behalf of the industries and citizens of New Jersey in applauding the members and staff of the Surface Transportation Board for its work in restoring competitive rail service to New Jersey and its ports, as well as its role in the success of the Conrail Shared Assets. Conrail serves as the local rail service provider for much of NS’s customers, as well as those of CSX. Conrail’s job is to ensure customers’ freight shipments are safely and efficiently moved between their rail sidings and the long distance freight trains operated by CSX and NS. As a result, NS and CSX have been diligent in providing Conrail with the investment and resources necessary to better serve New Jersey industries and keep our ports viable and competitive.

In contrast, the CP CEO E. Hunter Harrison made statements about reductions to NS’s physical plant and employment levels on November 19, 2015 that indicate severe cuts in resources will be a primary focus. These comments lead us to believe that there would be negative implications for employment and service levels if a merger were to occur at a time when our state and the nation are in dire need of more investment in the transportation network. We would ask the members of the Board to reflect on CP’s history with regard to the Delaware and Hudson Railway. As far back as the 1980s, it gained rights to operate over Conrail lines in New Jersey and Oak Island for
the purpose of providing some competitive options for New Jersey rail shippers. Upon review, there are concerns that CP may not have lived up to its promises.

From the beginning of its acquisition of Conrail, NS worked with New Jersey on a major public private partnership that saw capacity increases in freight rail in the state for the first time since the Penn Central Transportation Company bankruptcy. Although it only has 210 employees in New Jersey, Conrail, its local service provider, has over 900 employees in New Jersey, and together with Conrail, operates two major classification yards and seven smaller ones. In addition, NS owns Croxton and E-Rail Yards in North Jersey and its 210 employees have a payroll of $13 million.

Additionally, NS has worked with the Port of New York and New Jersey to enhance service and add capacity in preparation of the widening of the Panama Canal. As a result, intermodal service has grown significantly and the Port-owned Express Rail continues to break records for lifts. At this moment, the Port Authority of New York and New Jersey is prepared to spend $300 million in capital on Greenville Yard and the publicly owned car float operations. Public officials are willing to contribute this substantial amount of funding because they firmly believe that NS will continue to offer the efficient and competitive rail service as well as invest in its own infrastructure.

Combined with the Port of New York and New Jersey, the industries NS serves in New Jersey (including petroleum products, chemicals, petrochemicals, steel, paper and other consumer products) provide thousands of jobs and taxes for the state. We are concerned that a combination between CP and NS would have a negative impact as outlined above. We also have significant concerns regarding the impact that a merger would have on the many businesses in New Jersey and across the country that depend on railroads to get their products to market. Finally, we are concerned that a cost-cutting transaction, as proposed by CP, would result in decreased investment in our transportation infrastructure.

Accordingly, we believe any major railroad combination requires a compelling benefit to freight customers, which has not been demonstrated at all by the unilateral CP move on NS. As such, we intend to follow future developments between CP and NS closely and urge the Surface Transportation Board to do the same.

Thank you for your careful consideration of this important matter.

Sincerely,

Albio Sires
Member of Congress

Frank LoBiondo
Member of Congress