December 22, 2015

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 and Surface Transportation Board Members:

I am writing regarding Canadian Pacific Railway’s (CS) proposal to acquire Norfolk Southern Corporation (NS). As spokesman for the manufacturers in the Commonwealth of Kentucky, I am concerned about the impact a proposed NS-CP merger may have on the service, competitive pricing and availability of freight rail.

Norfolk Southern maintains an important and vibrant rail network in Kentucky. This network is vital to many established industries, as well as the intermodal network. Moreover, Kentucky is focused on the continued development of manufacturing growth. Competitive rail access and service are critical to our efforts to continue the growth of this important sector of Kentucky’s economy. Norfolk Southern has been a very reliable partner, providing timely investment and cooperation to improve their network, resulting in an environment conducive to manufacturing growth. A merger could place that rail access in jeopardy.
Canadian Pacific’s leadership has indicated that should a merger proceed, up to $1.8 billion in “synergies” could be achieved. Unfortunately, that cost savings would come at the expense of fewer employees, smaller locomotive fleet, and operations rationalization. The recent history of railroading in the United States demonstrates that a railroad’s failure to invest in adequate crew, locomotive, and other resources and network capacity makes it highly vulnerable to catastrophic service failures in response to growing or shifting shipper demands. We are justifiably concerned that Canadian Pacific’s proposal to slash resources available to the current Norfolk Southern threatens the economy of our state.

Finally, as you are well aware, the Surface Transportation Board’s current rules set a high bar for further consolidation, recognizing that such consolidation could lead to massive service disruptions for shippers, reduced competition between carriers, and momentum for further consolidation among remaining railroads. It goes without saying that any or all of these circumstances would be contrary to the greater good of the economy and negatively impact our members.

Given these facts and the current economic pressures on the entire industry, I believe the Board should be focused on public policy solutions that boost economic growth, support strong sustainable rail competition and protect the recent service gains that are helping our shippers and communities. I encourage the Surface Transportation Board to review any proposal by Canadian Pacific very closely in light of the potential significant public interest harm.

Sincerely,

Charles Gregory Higdon
President & CEO
Kentucky Association of Manufacturers