February 22, 2016

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

Dear Chairman Elliott:

Cincinnati East Terminal Railway (CCET), a Class III rail carrier operates a rail line under long-term lease from owner Norfolk Southern Corporation and currently interchanges traffic exclusively with NS. CCET currently serves nine active shippers, including lumber, grain, paper, chemicals and wood products.

CCET wishes to formally state its opposition to the proposed merger/hostile takeover of Norfolk Southern Corporation by Canadian Pacific Railway. A recent survey of our on line shippers reflected a lack of support for this proposed combination, along with a decrease in opportunities for increasing traffic volumes.

While on paper, this proposed combination would be considered end-to-end, the markets and lanes affected are few and appear to have little if any benefit to our shippers. Conversely, many of our shippers remain sensitive to service disruptions including those stemming from previous merger integration periods which created a negative impact on the performance of their businesses. In 2015, the rail network has seen significant gain in operational execution in relation to the 2014 weather and congestion related issues. Similar degradation in service levels would cause significant harm to the shippers that our line serves.

CCET has found NS in their current management structure to be increasingly service-focused. The aim as communicated from their top management down is to continue to grow business levels profitably. Should post-merger pricing and network strategy negatively target our shippers in an effort for a combined CP/NS to reduce resources to generate cost savings from the merger, our business, as well as that of our shippers would be impacted negatively.
As a "short line" operator, our business provides a lifeline to the communities that we serve by bringing transportation value closer to our shippers. In our territory, many of these communities are considered economically distressed. Our business is low density and profitability is impacted by every shipment. NS and their marketing staff consistently recognize the utility and market advantage that the short lines provide. NS strives to provide resources designed to nurture, maintain and grow these relationships in a way that provides benefit to their network as well. CCET wishes to continue to grow our relationship with NS to increase our traffic opportunities. A merger designed to achieve an immediate beneficial financial impact will likely result in a significant impact to CCET and other short lines, with collateral damage to the communities that we serve.

Based upon this feedback and combination of perceived threats to the CCET business and the businesses we serve, CCET wishes again to express our opposition to this proposed combination for the reasons stated. I appreciate your consideration as you prepare for a potential approval process regarding this matter.

Sincerely,

Paul Didelius
Cincinnati East Terminal Railway

cc:
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