December 23, 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:

On behalf of the Pennsylvania Chamber and Industry, the state’s largest broad-based business advocacy association, I am writing to urge your close scrutiny of the proposal by Canadian Pacific Railway (CP) to acquire Norfolk Southern (NS). After reading CP’s proposal letter dated Nov. 9, 2015 and listening to subsequent public comments made by CP’s Chief Executive Officer Hunter Harrison and venture capitalist Bill Ackman, I have significant concerns that CP’s unsolicited proposal to acquire NS, if allowed to proceed, would have a negative impact on Pennsylvania businesses, interstate commerce and our country’s transportation infrastructure.

In working to ensure the safety of travelers and move goods across the state and nation, the Pennsylvania Chamber recognizes that a modern, reliable transportation infrastructure is necessary. We were instrumental in helping enact Act 89 of 2013, a long-term, comprehensive transportation funding bill; and most recently applauded Congress for passing a five-year federal transportation funding plan that will provide about 40 percent of our state’s transportation funding needs.

NS has been a great partner to Pennsylvania businesses. Its expansive network in this state – which spans nearly 2,300 miles of track, 12 rail yards, 10 terminals, three ports and three locomotive shops – is critically important to the Commonwealth’s economy. Specifically, in Pennsylvania in 2014, NS was responsible for:
• Enabling the location or expansion of 16 industries that resulted in $2 billion in customer investment and 1,170 new jobs.
• $151 million of investments made in its tracks and facilities.
• Handling more than 1.7 million shipments of freight originating or terminating in the Commonwealth.
• Connecting 48 short line railroads to domestic and global markets.
• $1 billion in purchases and payments.
• $340 million in wages and benefits paid to 5,200 employees and 2,240 retirees.
• $34.4 million is state and local taxes.

The best example of NS’s commitment to not only Pennsylvania, but to the entire Northeast, is its recent acquisition of the southern portion of the Delaware & Hudson between Sunbury, PA and Schenectady, NY from CP. Under CP’s ownership, this 283-mile line segment was allowed to deteriorate through lack of maintenance, resulting in poor service to existing customers on the line and discouraging new rail-served business. NS’s $217 million purchase of the D&H South from CP strengthens transportation options for Pennsylvania businesses. In addition, the emergence just a few years ago of the rail service carrying crude oil from the Bakken region of North Dakota to the Philadelphia refineries has breathed new life into an area that was struggling from the high prices of oil imported from foreign countries. The continuation of this service is essential in the long term viability of the refineries.

Of equal concern is the possible harm the proposed CP acquisition of NS could have on Pennsylvania’s short line railroads. Pennsylvania has more short lines than any other state in the U.S. These small railroads, in partnership with NS, are connecting businesses in rural areas with domestic and international markets. If CP’s lack of investment in the D&H is to be used as an indication, Pennsylvania’s rail infrastructure could be in serious jeopardy under CP control.

In closing, the Pennsylvania Chamber is concerned that any merger could potentially lead to detrimental impacts on freight rail service here in Pennsylvania, throughout the Northeast United States and the mid-Atlantic region. Therefore, it is imperative that an acquisition of NS by CP not put additional pressure on local or regional carriers, or reduce shipping options for Pennsylvania products.

Thank you for your careful consideration of this important matter.

Sincerely,

Gene Barr
President and CEO