February 3, 2016

The Honorable Daniel R. Elliott III
Chairman
United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-001

The Honorable Ann D. Begeman
Vice Chairwoman
United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-001

The Honorable Debra Miller
United States Surface Transportation Board
395 E Street, SW
Washington, DC 20423-001

Dear Chairman Elliot and Surface Transportation Board Members:

This letter is written on behalf of the Virginia Port Authority to express our significant concern regarding the initiative by Canadian Pacific Railway (CP) to acquire Norfolk Southern Corporation (NS) and the negative effects it will have on The Port of Virginia and the economy of the Commonwealth of Virginia.

The Port of Virginia (POV) helps to generate and support more than 375,000 jobs statewide and $60 billion in annual revenues for Virginia. This is a growing port that provides safe harbor to the largest ships in the Atlantic trade and counts the world’s largest ocean carriers as its customers. Moreover, we move more than one-third of our total cargo volume by rail: last year we moved more than 484,000 container units by rail and we are forecasting that amount to double in the next 15 years.

We are fortunate to have on-dock service provided by both of the East’s Class I railroads: NS, which is our largest rail carrier, and CSX. Both rail carriers have, and continue to make strategic investments that benefit the movement of rail cargo to and from this port. Those investments and their integration into many regional short-line haulers help to create and support
thousands of jobs along the supply chain in Virginia and elsewhere. It is our belief that those investments and aforementioned jobs, revenue and volume statistics will be negatively affected by a CP-NS merger, especially given public statements by CP’s leadership about cutting costs and reducing jobs.

Much of our growth in the last three years has been driven by our ability to quickly and efficiently move cargo by rail. The NS’ Heartland Corridor provides the port direct, double-stack access to Chicago and within the next year, CSX’s National Gateway double-stack project will open up even more new markets for intermodal service to-and-from the Port of Virginia.

The competition between these rail carriers is healthy for our customers and cargo owners and it is critical to the future of The Port of Virginia. As we plan to expand our capacity, we consult with NS and CSX to ensure that there is a parallel commitment to reinvest in their networks and infrastructure. Removing or diminishing that competition will have a direct, negative effect on how ocean carriers and their customers will use this port and others along the US East Coast.

Our concerns are many: reduced competition; reduced infrastructure investments that would impact the efficient movement of rail cargo; reduced intermodal connectivity to critical Midwest manufacturing markets and population centers; and a reduction in cargo velocity to those markets. Further, history shows that with such mergers there is a significant, long-term disruption in service: the supply chain becomes overburdened and inefficient, goods move to market more slowly and ultimately, it is the consumer that suffers.

In closing, such a merger would have a wide-ranging negative impact on The Port of Virginia and our ability to continue to be the Mid-Atlantic’s gateway to global trade. We do not think CP’s desired acquisition of NS would be in the public’s best interest. In fact, we see it as a threat to our ability to expand and to be a significant contributor to the Virginia economy. Finally, it is our opinion that such a merger would be detrimental to the economic vitality of the US market.

We appreciate your consideration of our concerns as you evaluate the implications of the proposed merger.

Warmest Regards,

[Signature]

John F. Reinhart
CEO and Executive Director