

**CANADIAN NATIONAL/ILLINOIS CENTRAL ORAL ARGUMENT
OPENING STATEMENT OF VICE CHAIRMAN WILLIAM CLYBURN, JR.
MARCH 18, 1999**

Good morning. Thank you Chairman Morgan. I am William Clyburn, Jr., Vice Chairman of the Surface Transportation Board. We are here today because we are addressing a matter of great importance. Often times a safe and efficient transportation system is not fully appreciated until something goes wrong. Apparently those of us assembled here today recognize that our transportation system is vital to our nation's economy and welfare.

Today we will hear oral argument in the Canadian National (CN)/Illinois Central (IC) rail consolidation proceeding now pending before the Board. Per the procedural schedule we will vote on the merits of this case a week from today on March 25, 1999.

However, long before that voting conference is held, long before the written decision is disseminated, and long before today's important oral argument, arduous hours have been invested by the staff and Members of the Board because of the importance of this proceeding. So I am ready and I am prepared, but before decisions are made, statements must be heard, questions must be asked, and the record must be reviewed.

The law mandates that the Board evaluate whether a major merger is in the public interest, and if so deemed, the merger must be approved.

In this proceeding, 60 or more parties of record have produced an impressive body of facts and evidence to guide the Board in its decision next week. The control application alone contains 2,504 pages of evidence and the Board has already issued 32 procedural decisions, including 13 decisions by Judge Harfeld related to discovery.

The applicants filed their primary application on July 15, 1998, and even prior to that

filing, packets of merger-related information were sent to Congressional offices. Under the merger agreement, CN proposes to acquire all of the common stock of IC for a total equity value of approximately \$2.4 billion and to assume IC's net debt of approximately \$560 million. CN operates 14,150 route miles in Canada and 1,150 route miles in the United States. CN's transcontinental routes serve every major city in Canada and reach the U.S. cities of Superior, WI, Detroit, MI, Buffalo, NY, and Chicago, IL. IC operates 3,370 route miles running north-south between Chicago and the Gulf of Mexico. IC has rail connections with all major railroads in the United States, particularly at Chicago, Memphis, TN, Jackson, MS, Mobile, AL, New Orleans, LA, and Baton Rouge, LA.

Today we will hear testimony from the applicants, Kansas City Southern Railway Company, Union Pacific Railroad Company, Canadian Pacific Railway Company, and Ontario Michigan Rail Corporation. We will also hear from the United States Department of Transportation, the North Dakota Public Service Commission and North Dakota Departments of Transportation and Agriculture. In addition, Exxon Chemical Americas, three shippers in the Geismar, LA, area, and five rail union representatives will make presentations.

The issues to be discussed include whether the Board should require Kansas City Southern to join the transaction as a co-applicant because of its role in the Alliance and Access Agreements, and whether the Board should grant UP's request for haulage rights over IC's Baton Rouge-to-New Orleans rail line to cure alleged anticompetitive effects in that area. Also to be discussed today is the concern of Geismar, LA, chemical shippers that the merger will eliminate their build-in option and that, as a consequence, KCS should be given access to their facilities now served by IC. We also expect to hear testimony with respect to the Sub-No. 1 application

by KCS for terminal trackage rights at Springfield, IL, the requests by CP and the Ontario Michigan Rail Corporation for divestiture of CN's 50% interest in the Detroit River Tunnel, and whether the Board should impose North Dakota's request for CP haulage rights on agricultural commodities originating in North Dakota to all points served by IC. We will hear from several rail unions regarding the status of their negotiations with the applicants.

Carriers and their shareholders have expectations. Rail shippers — large and small — have expectations. Labor and the public have expectations. I am looking forward to hearing from the parties to determine how best to address all of the concerns raised in this proceeding.

I am looking forward to hearing from the parties on these issues.