



December 22, 2015

Chairman Daniel R. Elliott III
Surface Transportation Board
395 E. Street S.W.
Suite 1220
Washington, DC 20423-0001

2015 DEC 30 AM 9:18
OFFICE OF CHAIRMAN

RE: Proposed Combination of Canadian Pacific Railway with Norfolk Southern Corporation.

Dear Mr. Elliott:

The Alliance of Automobile Manufacturers and the Association of Global Automakers write to express the opposition of its members to the proposed combination of Canadian Pacific Railway ("CP") with Norfolk Southern Corporation ("NS"). The Alliance of Automobile Manufacturers (Alliance) and The Association of Global Automakers (Global Automakers) together represent all of the major automobile manufacturers building and selling vehicles in the United States

A CP/NS combination poses significant service and competitive concerns for the Alliance and Global Automakers' members. The degree of consolidation among Class I railroads in North America already is extraordinarily high. Large swaths of the U.S. and Canada are served geographically by just two Class I carriers. Further consolidation will substantially enhance the already significant commercial leverage of the rail industry, reduce service options for shippers, and increase rates.

Although there is little overlap between the CP and NS service territories, an end-to-end merger in today's already highly-concentrated rail industry threatens what remains of other forms of competition. For example:

- Product and geographic competition will suffer when two of the seven remaining Class I carriers merge their vast service territories, bringing even more captive producers and consumers under the umbrella of a single rail carrier.
- Bottleneck extensions would extend the captivity of shippers over much greater distances to the entire route of current joint line CP/NS movements, including transcontinental movements and north-south movements that extend from Canada to the Gulf of Mexico. This has the potential to foreclose competition that otherwise would be available over large portions of a route. Even to the extent that bottleneck pricing preserves existing routing options by short-hauling the bottleneck carrier, the potential downstream competition would be tempered by the absence of two neutral carriers.

A CP/NS combination also threatens to trigger a "final" round of rail industry consolidation, which would exacerbate the foregoing concerns. It is highly conceivable that the process would conclude with just two Class I railroads serving the U.S. and Canada. The incentives, and the ability, not to compete with one another over parallel routes would be enhanced through conscious

parallelism. Each carrier could maintain high prices by tacitly declining to offer competitive rates that would deprive the other carrier of its long-haul, even if the carriers otherwise were willing to quote bottleneck rates.

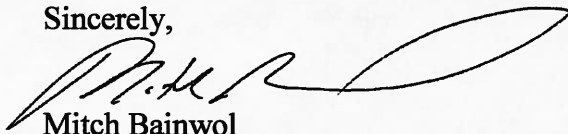
The “enhancements” to competition that CP has proposed are inadequate to overcome the foregoing concerns.

- Bottleneck pricing by itself is not pro-competitive, because a bottleneck carrier still can quote a high bottleneck rate that effectively steers the shipper to choose its long-haul route over the bottleneck route. The primary benefit of a bottleneck rate is to enable the captive shipper to pursue a regulatory remedy over a shorter portion of the route. But unless and until the STB adopts more accessible rate challenge procedures, most captive shippers will never realize the benefits of bottleneck pricing. Automakers, in particular, will not benefit from bottleneck pricing because nearly all of their rail traffic is exempt, and thus not subject to rate regulation.
- Terminal access rights are devalued when they come at the cost of greater consolidation. There is a current debate within the captive shipper community as to whether competitive switching would enhance rail-to-rail competition due to the current state of rail industry consolidation. Further consolidation will only add to those concerns. The Alliance and Global Automakers support competitive access to alleviate the anti-competitive effects of past mergers, but not at the cost of further industry consolidation.

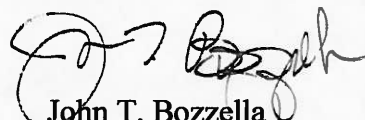
The Alliance and Global Automakers also object to a CP/NS combination from a service perspective. There do not appear to be any benefits to this merger that cannot be achieved through lesser means. Moreover, previous rail mergers of this magnitude have been followed by pro-longed periods of poor service levels and higher rates. CP’s publicly documented service problems from 2014 and its response to those challenges do not instill confidence that it is prepared for the challenge of merging its operations with NS.

For all of the foregoing reasons, the Alliance and Global Automakers oppose the proposed CP/NS combination. We urge CP to abandon its merger ambitions and to focus its attentions upon enhancing its current levels of customer service.

Sincerely,



Mitch Bainwol
President & CEO
Alliance of Automobile Manufacturers



John T. Bozzella
President & CEO
Association of Global Automakers

cc: Surface Transportation Board Chairman Daniel R. Elliott III
Surface Transportation Board Vice Chairman Ann D. Begeman
Surface Transportation Board Member - Deb Miller