



December 23, 2015

Mr. Daniel Elliott, Chairman
Surface Transportation Board
395 E Street, SW
Washington, DC 20423
Delivered via Federal Express

Re: Potential Class I Mergers

Dear Chairman Elliott:

As you are aware, there have been recent public discussions about potential mergers between Class I railroads in North America, specifically Canadian Pacific Railway's proposal to acquire Norfolk Southern Corporation. I am writing you today to express my concerns with this particular transaction. I hope you will consider this opinion as you complete your thoughtful and forward-looking analysis of this potential merger and its long-term effects on the stakeholders of the rail industry. I respectfully submit that any merger favoring one particular carrier over the greater rail industry and the customers that it serves should not be approved by the Surface Transportation Board.

As you are aware, Watco Companies is the holding company for 35 short line railroads in the United States, operating 4,870 miles of track by 2,950 team members who serve customers in 39 states. We include Class I railroads in our customer base, since as short line railroads we are a small extension of their networks. Our mission is to serve our customers safely every day.

At Watco Companies, we believe that rail customers, the most important rail industry stakeholders, would be negatively impacted by this proposed CP-NS merger. From our day-to-day interactions with the thousands of customer locations we serve, Watco Companies knows that the consolidation of any two major railroads tends to have a negative impact on service and rates. Many of our customers, including all but one of our connecting Class I carriers, have stated publically that a merger between two Class I railroads would not be in their best interests. The STB's decision-making process should be guided by what is best for the customers of the rail industry. Consistent with the customers' best interests, the STB should not approve the proposed CP-NS merger.

Watco Companies, L.L.C.

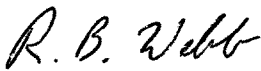
315 W. 3rd Street • Pittsburg, KS 66762 • Phone: 620-231-2230 • Fax: 620-231-0812

Watco Companies understands that CP intends to offer customers modified terminal access and bottleneck rate solutions if the proposed merger is approved. But, such solutions can be provided to customers without a merger that would negatively impact service and rates. Further, Watco Companies struggles to see how such solutions, which would be unilaterally offered by just one major railroad, would actually benefit customers when the stated expectation is that it would be very infrequently used.

Finally, many respected rail industry observers have cautioned that the next round of Class I railroad mergers would more than likely be the last. The proposed CP-NS merger likely would result in a national duopoly, which would dramatically reduce competitive rail options for customers. As such, the proposed CP-NS merger is clearly a matter of the utmost importance requiring a thorough STB review. This review must include ample opportunity for customers, other Class I railroads, short lines, labor interests, communities, and the public to comment.

Thank you for the opportunity to share my thoughts with you. I urge your thoughtful review of the proposed CP-NS merger, and I encourage you to put the customer first in your decision-making process.

Sincerely yours,



R.B. Webb
Chief Executive Officer
Watco Companies, LLC

Cc: Vice Chair Ann Begeman
Commissioner Deb Miller

Watco Companies, L.L.C.

315 W. 3rd Street • Pittsburg, KS 66762 • Phone: 620-231-2230 • Fax: 620-231-0812