

**Glacier State  
Distribution Services, Inc.**

7517 60th Street  
Kenosha, WI 53144  
262-657-0711  
glacierstate@sbcglobal.net

February 18<sup>th</sup>, 2016

Chairman Daniel R. Elliott III  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423-0001

Vice Chair Ann D. Begeman  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423-0001

Deb Miller, Member  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423-0001

OFFICE OF CHAIRMAN  
2016 MAR -3 PM 3:44

Dear Chairman Elliot and Surface Transportation Board Members:

I am writing today to express the opposition of Glacier State Distribution Services concerning Canadian Pacific's proposals to acquire the Norfolk Southern.

I should probably provide my qualifications to evaluate this transaction. I hold Bachelors (senior thesis – Economics of Shortline Railroads) and Masters (thesis – Economics of Per Diem on Ownership of Freight Cars and Operations) degrees in Transportation. I have previously worked in Industrial Engineering at Santa Fe; executive department cost and operation analysis at Southern Pacific; marketing at Southern Pacific; and Marketing and General Manager of the Wisconsin & Calumet regional. Glacier State Distribution Services was started in 1994 with the primary goal of facilitating otherwise infeasible rail movements through transloading, which continues to be the function of the company today. Glacier State is presently served by Canadian Pacific at our facility in Kenosha, WI.

Glacier State's opposition to CP's proposed takeover of NS is based on the following observations:

1. CP Rail is obviously far behind all other major carriers in computerization of many of its normal functions. I've had CP sales reps ask how many carloads Glacier State moved in a prior year because they did not show any. While our volume may be small, when I worked at Southern Pacific *30 years ago* SP employees had the capability to pull up any customer's traffic data in moments – even if the customer's name was mis-spelled. CP does not have rate-lookup functions on the internet as all four of the major US carriers do. CP's billing function is incredibly clumsy. Even CP's website functions with a limited set of browsers. These are the signs of management not being on top of emerging trends and cost saving techniques.

2. CP Rail operations have often been absolutely hamstrung by winter weather. The carrier has worked under those conditions in their primary territory since its inception in 1886, and still has yet to figure out how to operate in those conditions, or is not willing to devote the resources of capital investments and labor. Glacier State had a car stuck for 20 days in a remote siding, and when a complaint was filed the response was "It was coooold." like a 3 year old who was told to wear a jacket but didn't see the benefits of doing so. Was it not cold for all the previous 120 some odd winters? Glacier State has unloaded road salt from railcars in extreme cold environments such as International Falls and Thief River Falls, MN and within one winter figured out how to keep the machinery consistently going at minus 20 degree air temperatures. CP has yet to figure out how to keep trains moving after all these years, or is absolutely unwilling to devote the resources to do so. Further personnel cuts do not bode well for CP shippers, and it would be a mistake to entrust CP's upper management with control of another major portion of the national rail infrastructure.
3. CP's marketing function is pathetic. It often takes a month to get rate requests answered, even with a follow up two weeks in, and a pointed reminder email a week after that. These are not a complicated matrix of interline joint rates – these are a few traffic lanes of CP local rates that do not require the concurrence of other carriers. These excessive delays are pretty much typical for CP Rail. Other carriers usually provide rates same or next day from the request. I recently got a new rate offer from another carrier within 9 minutes of the request and it showed they had actually thought about the rate and changed it. Other carriers usually take less than 4 hours, or next day for rate requests unless there are extenuating circumstances.

Rates in two of our traffic lanes were raised 27% and 47% just over a year ago, and they lost our traffic in those lanes. Such massive increases that take CP out of the market indicate that CP's marketing is out of touch with reality. In my estimation based on my costing background, they were profitable moves for CP prior to the rate increase. Inconsistencies such as what I've seen from CP do not make for an efficient market.

I recognize that my volume of carloads is a mere dust mite on a gnat's eyelash to CP, but they do have a common carrier responsibility to work with and handle all customers. Glacier's largest potential for growth is by working with Canadian Pacific, but our biggest hindrance is trying to work with Canadian Pacific.

Given the problems that previous mega-mergers have generated, allowing CP with their obviously behind-the-times and incompetent management to take over another major carrier would be risking the same sort of severe impacts to the shipping community and conceivably the regional economy as those endured in the 1990's. This merger wasn't born from railroaders who see efficiencies and synergies to be gained, it came from a financier who wants to manipulate the North American rail network for capital gains while ignoring the consequences to the public as a whole of failures in ongoing operations.

Further, as the number of major carriers has declined, so has the amount of competition. While I was working as a marketer for railroads, I enjoyed and utilized the freedoms of deregulation to capture more traffic, and the railroad industry enjoyed a resurgence as a result of the Staggers Act. However, the fundamental economic principles of competitive balance that were in place at the time when decisions were made to deregulate sectors of traffic no longer exist due to the mega-mergers, and this

merger would further the trend towards limiting source and carrier competition. The STB should take a step back and consider re-opening some of those deregulation decisions, and impose remedial actions similar to the interswitching requirements in Canada.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steven Herr', with a long horizontal flourish extending to the right.

Steven Herr  
President  
Glacier State Distribution Services, Inc.