

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

JAMES P. HOFFA  
General President

25 Louisiana Avenue, NW  
Washington, DC 20001



KEN HALL  
General Secretary-Treasurer

202.624.6800  
www.teamster.org

**VIA OVERNIGHT MAIL**

January 18, 2016

The Honorable Daniel R. Elliott III, Chairman  
The Honorable Deb Miller, Vice Chairman  
The Honorable Ann D. Begeman, Member  
U.S. Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423



Re: Proposed Hostile Takeover of Norfolk Southern Railway by Canadian Pacific Railway

Dear Chairman Elliott, Vice Chairman Miller and Member Begeman:

I am writing on behalf of more than 70,000 active railroad workers who are members of the Teamsters Rail Conference — and its constituent unions, the Brotherhood of Locomotive Engineers and Trainmen and the Brotherhood of Maintenance of Way Employees Division — concerning recent reports of an attempt by Canadian Pacific Railway (“CP”) to acquire Norfolk Southern Railway (“NS”), in the face of rejection by the NS Board of Directors of the CP proposal. We wish to add our voices to the dozens of elected officials, shippers and labor unions that strongly oppose the proposed takeover.

As a general matter, the IBT Rail Conference believes that consolidation within the railroad industry at the Class I level has gone as far as it justifiably can. The last round of Class I consolidations required the imposition of numerous conditions in order to maintain even a semblance of competition, and it is certain that the remaining handful of Class I carriers would respond in kind to an approved CP–NS unification, thereby reducing the industry to just two transcontinental railroads, which is not in the best interests of our membership, U.S. shippers or the public.

An unbiased examination of the CP proposal underscores that the concerns expressed by so many others are warranted. At the present time the Class I railroad industry is financially stable, with consistent and substantial levels of profitability that permits continued significant investment in plant and technology over and above robust dividends paid to shareholders. CP’s proposal, on the other hand, appears designed to simply loot NS assets to generate even more cash that can be sucked out of the railroad for the exclusive benefit of shareholders and investors, and to the detriment to everyone else.

DENNIS R. PIERCE, President, Rail Conference, USA  
1370 Ontario Street, Mezzanine, Cleveland, OH 44113 • phone (216) 241-2630 fax (216) 241-6516

**The Hon. Daniel R. Elliott, III**  
**The Hon. Deb Miller**  
**The Hon. Ann D. Begeman**

(2)


**January 18, 2016**

The “substantial value creation” identified by CP in its December 16, 2015 presentation to investors that would flow from nearly a billion dollars in increased workforce and locomotive “productivity” will translate into massive layoffs and allowing the fleet to stagnate, and then decline. There should be no doubt that the physical plant also will be permitted to deteriorate, like the locomotive fleet, and “real estate monetization” should be clearly understood to mean dismantling of significant portions of the railroad in order to turn a quick buck in the real estate market. Service levels and safety would plummet while the railroad is stripped of its assets and its ability to safely and efficiently serve the public.

Even worse, if other railroads are forced to respond in kind, the rail freight industry nationally could find itself in the sort of death spiral — of job cuts and deferred plant and equipment maintenance leading to reduced services, leading to further job cuts and more deferred plant and equipment maintenance, and so on — that the Northeast and Midwest sectors saw between the late 1960s and the late 1970s. That crisis resulted in the loss of vital service, much of which never returned, and more than 100,000 jobs, threatening the solvency of the Railroad Retirement system in the process. In the end, it cost U.S. taxpayers hundreds of billions of dollars to restore those sectors of the industry to viability.

Perhaps most troubling is CP’s mistaken belief that it can move ahead without the Board’s approval through the artifice of a voting trust. We agree with former STB Members Mulvey and Nottingham that CP cannot implement its business plan for NS prior to formal STB approval of a merger without violating the law, and that any attempt to do so would usurp your exclusive jurisdiction to review and approve that plan. At the very least, the Board should immediately make clear to CP that it will not tolerate any attempt to short-circuit the process set forth in the law and accompanying STB regulations.

CP’s proposal — while it may be good for Wall Street, hedge funds and certain investors — is bad for the shippers, bad for the railroads’ workers, and bad for the public. I urge the Board to reject any and all attempts at this hostile takeover, and thank you in advance for your most serious consideration of our position.

Sincerely,  
  
Rail Conference President

**The Hon. Daniel R. Elliott, III**  
**The Hon. Deb Miller**  
**The Hon. Ann D. Begeman**

**(3)**

**January 18, 2016**

cc: The Honorable Loretta E. Lynch, Attorney General of the United States  
The Honorable John Thune, Chairman, U.S. Senate Committee on Commerce, Science & Transportation  
The Honorable Bill Nelson, Ranking Member, U.S. Senate Committee on Commerce, Science & Transportation  
The Honorable Deb Fischer, Chair, U.S. Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security  
The Honorable Cory Booker, Ranking Member, U.S. Senate Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security  
The Honorable Bill Shuster, Chairman, U.S. House of Representatives Committee on Transportation & Infrastructure  
The Honorable Peter A. DeFazio, Ranking Member, U.S. House of Representatives Committee on Transportation & Infrastructure  
The Honorable Jeff Dunham, Chairman, U.S. House of Representatives Subcommittee on Railroads, Pipelines, and Hazardous Materials  
The Honorable Michael E. Capuano, Ranking Member, U.S. House of Representatives Subcommittee on Railroads, Pipelines, and Hazardous Materials  
J. P. Hoffa, IBT General President  
F. N. Simpson, BMWED President  
J. F. Murphy, IBT Vice President and Rail Conference Director  
D. O. Cameron, Assistant to the Rail Conference Director  
E. L. Pruitt, Vice President, Teamsters Rail Conference  
P. K. Geller, Sr., Secretary-Treasurer, Teamsters Rail Conference  
S. J. Bruno, Member, Teamsters Rail Conference Policy Committee  
D. D. Joynt, Member, Teamsters Rail Conference Policy Committee  
R. D. Sanchez, Member, Teamsters Rail Conference Policy Committee  
J. P. Tolman, Member, Teamsters Rail Conference Policy Committee