

# United States Senate

WASHINGTON, DC 20510

January 15, 2016

COMMITTEES:  
APPROPRIATIONS  
BUDGET  
HEALTH, EDUCATION,  
LABOR, AND PENSIONS  
HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS

The Honorable Daniel R. Elliott III  
Chairman  
United States Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Dear Chairman Elliott:

I write today about potential consolidation within the freight rail industry. Wisconsin's economy relies on a quality and responsive railroad system that allows businesses to move their goods to market. For that reason, I am concerned about reports of an offer by Canadian Pacific (CP) to merge with Norfolk Southern Railway (NS)—either through acquisition or hostile takeover—that would further reduce competition in an industry already operating with too few options for its customers. Therefore, should these railroads move forward with a merger, I urge the Surface Transportation Board (STB) to consider the impact the transaction could have on rail shippers and their consumers across the United States.

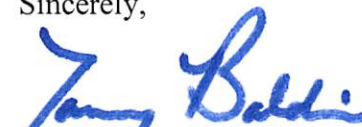
A long trend of industry consolidation has dramatically increased the power of railroads over shippers in the last few decades—leaving four carriers to provide nearly 90 percent of the nation's freight rail transportation. This consolidation has come at a high price for all who rely on freight rail in my state. In recent years, I have heard from too many of Wisconsin's manufacturers, utility companies, agricultural producers and small businesses experiencing service and reliability problems while paying excessive rates. Any further consolidation should prompt a high standard of scrutiny from the STB.

In 2001, the STB set new rules governing major railroad mergers. Class I railroads must now prove that mergers will both enhance competition and are in the public interest. While the rules have been in place for more than a decade, the potential merger of CP and NS would be the first reviewed under this high bar. To date, NS has rejected each iteration of the CP proposal, and Norfolk Southern's CEO has stated that a merger would be detrimental to the railroad's consumer base and transportation infrastructure.

Furthermore, any major rail merger has the potential to trigger additional industry consolidation. I am encouraged that the STB shared this concern in the context of the 2001 rulemaking process. The proposal from CP has already brought forth reports of other rail companies considering separate transactions. I am concerned that if approved, the deal may set off a final round of consolidation railroad industry that may well result in as few as just two separate rail carriers.

Again, I urge the Board to keep the best interest of rail shippers and consumers in mind throughout your careful review of this matter. I look forward to your response.

Sincerely,

A handwritten signature in blue ink that reads "Tammy Baldwin". The signature is written in a cursive style with a large initial "T".

Tammy Baldwin  
United States Senator