



Western Asphalt Products
65 Limestone Road East
Brandon, Manitoba
R7A 7L5

April 11th, 2021

301953

The Honorable Cynthia T. Brown
Chief, Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

ENTERED
Office of Proceedings
April 13, 2021
Part of
Public Record

Re: Finance Docket No. 36500 – Reply to Objections to KCS Waiver

My name is Dean Arnill and my business address is 65 Limestone Road East, Brandon, Manitoba. I am the President of Western Asphalt Products. In my role, I am responsible for making a profit for the company with the resources we have.

Western Asphalt has previously submitted to the Board a letter supporting approval of the proposed CP-KCS combination, and I have attached a copy of that letter for the Board's convenience. As expressed in our previous letter, Western Asphalt supports swift approval of the CP-KCS combination because of the significant benefits we expect to realize from this transaction.

Western Asphalt is aware that several parties have filed objections to the application of the pre-2001 merger rules to the CP-KCS transaction under the "waiver" issued in 2001 for transactions involving KCS. Western Asphalt wishes to reply to those objections by urging the Board not to revoke the KCS waiver. The pre-2001 rules provide the Board and all interested parties all the tools that are needed to fully evaluate the proposed transaction.

We are fully cognizant of the Board's mandate to ensure that Class I mergers are in the public interest, and do not risk significant disruptions in the railway system. From our perspective, the unique nature of the CP-KCS transaction alleviates the concerns that motivated the new rules adopted in 2001. Reviewing the CP-KCS combination under the tried and true pre-2001 merger standards will prevent undue delay, while still allowing for a thorough public interest assessment by the Board.

As we have mentioned in our March 28th letter, the end-to-end CP-KCS transaction will improve service options, with new single-line hauls and broader access to markets across North America. Our experience shows us that single-line rail service options are far superior to public and private fleets. The unique synergies of a CP-KCS combination promise significant public benefits to Western Asphalt and similarly situated shippers, which we are eager to see realized as soon as possible, without the delays and additional burdens that would result from applying the 2001 rules for the first time ever to this transaction.



Western Asphalt Products
65 Limestone Road East
Brandon, Manitoba
R7A 7L5

Nothing about the CP-KCS transaction raises the kinds of concerns that would flow from a merger of the much larger Class I railroads. The issues should be simple – the transaction improves competitive options and service – and any concerns any party has should be easy to address under the pre-2000

rules. The 2001 rules were designed for much more complex transactions raised much more serious issues, and they should not be tested out in this case.

Western Asphalt and our shipping partners are looking forward to a stronger CPKC network that will increase our access to diversified market opportunities. As such, we urge the Board to apply the KCS waiver provision it thoughtfully included in its 2001 Major Merger Rules. An elongated period of review will delay and potentially reduce the positive synergies this merger promises. The KCS waiver will allow the Board to conduct a thorough but efficient and fair review and allow for the benefits of the new CPKC network to come to fruition more quickly.

Western Asphalt is additionally concerned that applying the 2001 Major Merger Rules to the CP-KCS merger, a transaction the rules were not designed for, would lead to precedent with unintended consequences and might also create an easier path for some other Class I merger proposals that would be problematic in ways CP-KCS is not. The CP-KCS merger is unlike other Class I merger combinations, in that it is a straightforward transaction between the two smallest U.S. Class I railroads, and it promises substantially more benefits than risks to the public interest. We also know that this transaction, among all possible Class I mergers, is unique in not posing any serious concerns about lost competition, service disruption, or other harms. Interpreting and applying the 2001 rules to this transaction could encourage other Class I railroads to see an easier path for their own Class I merger proposals without the same unique benefits of the CP-KCS transaction.

For these reasons, Western Asphalt urges the Board to maintain the KCS waiver and reject calls to revoke it, and to proceed to review and approve the CP-KCS proposed combination as expeditiously as possible. We look forward to seeing CPKC as a stronger competitor in the industry.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Dean Arnill", is written over a light blue rectangular background.

Dean Arnill
President
Western Asphalt Products

CC: Parties of Record



Western Asphalt Products
65 Limestone Road East
Brandon, Manitoba
R7A 7L5
204-735-9538

**STB Finance Docket No. 36500
CP-KCS Proposed Combination**

ATTENTION: Surface Transportation Board

My name is Dean Arnill and my business address is 65 Limestone Road East, Brandon, Manitoba. I am President of Western Asphalt Products. In my role, I am responsible for managing and overseeing all facets of the business from estimating, raw material purchases to business development.

Western Asphalt Products is thrilled with the CP Merger with KCS. Western Asphalt receives various commodities at our terminal including, steel coil, rebar, fertilizer, latex, emulsifiers, lumber, asphalt, refined products including drilling fluids. We have had a strong relationship with CP exploring new opportunities and adding value to third party supply chains.

Western Asphalt supports approval of the CP/KCS combination. The transaction would provide significant benefits that we are eager to see realized as soon as possible.

For our perspective, the transaction promises to provide improved service options and invigorate transportation competition in the markets we serve. The combined CPKC network – with new single-line hauls and access to premier ports on the U.S. Gulf, Atlantic and Pacific coasts as well as to key overseas markets – would help us reach our existing markets and new markets more efficiently. And, with the two railroads' strong focus on safety and their track record of operational excellence, I have no doubt that CPKC will be able to integrate their operations seamlessly to the benefit of rail customers and other stakeholders. Western Asphalt has not often spoken favorably about railroad consolidation, but we see this transaction as uniquely beneficial, with none of the downsides that might result from another round of Class I consolidation.

Currently with CP with ship or transload the following to Brandon, Manitoba:

- Steel coil from Hamilton, Ontario
- Rebar from Mexico
- Fertilizer from around North America
- Asphalt and refined products from various refineries across North America
- Latex from Chattanooga, Tennessee
- Emulsifiers from across the US.

Western Asphalt is thrilled about the new single line service that can be provided by CP. We will be able to drop interchange fees and reach new markets we did not consider possible.

We are very excited about the transaction because it will allow a combined CPKC to provide new, more efficient and reliable rail service options. This will strengthen competition against the other, larger rail carriers and trucks that serve our markets. For example,

- We are particularly enthusiastic about the role new CPKC single-line routes will play in expanding access to growing markets across the United States, Mexico and Canada under the USMCA trade agreement. It is important that there be a true USMCA railroad option.

- CPKC's new service offerings will improve transit times and reliability, which will reduce our equipment costs and improve our efficiency.
- CPKC will add value to our customers who never through it was possible to purchase raw materials as far south as Mexico City.

KCS and CP have had a cooperative relationship in the past, and CP-KCS joint routes are among our transportation options, but as separate companies they have not been able to offer the kind of seamless, single-line service we have come to expect from our transportation providers. This transaction will improve our transportation options.

At the same time, the entirely complementary nature of CP's and KCS' networks – connecting only at Kansas City and not overlapping anywhere – means that the transaction will not have any adverse effects on competition. It will only make these carriers a better alternative relative to the other options that already exist, since CPKC will continue to interchange with all of their other existing interline partners.

We have been struck by the attention of CP and KCS to safety and operational effectiveness. Given the straightforward network connectivity between CP and KCS, and the fact that CP and KCS are the two smallest U.S. Class I railroads, we are confident that they will be able to implement their transaction without the service disruptions that have accompanied some past rail mergers.

For these reasons, Western Asphalt is voicing strong support for the combination of CP and KCS, because it will enhance competition, provide expanded options and drive efficiencies for customers of all sizes. Western Asphalt urges the STB to approve CP's acquisition of KCS as swiftly as possible so that these systems can be integrated and the end-to-end benefits of this deal can be realized for the benefit of all stakeholders.

Sincerely,



Dean Arnill
President
Western Asphalt Products