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April 30, 2021

ATTN: Surface Transportation Board
RE: Objection to KCS Waiver in Finance Docket No. 36514

The City of Quitman submits this letter to express its concerns related to potential application of the KCS waiver in connection with Canadian National's ("CN") bid to acquire Kansas City Southern ("KCS").

CN's submissions in this docket and in the pending CP/KCS docket are confusing in that CN seems clear that it does not want the KCS waiver to apply. But out of an abundance of caution, we are submitting this letter to state our objection to the KCS waiver applying to a CN/KCS transaction. We would not be surprised if CN's embrace of the waiver was designed to lull stakeholders into believing that there was no need for file objections.

There are several reasons why a waiver should not apply to any aspect of CN's proposed takeover of KCS (including the use of a voting trust), a transaction that have vastly different impacts from the CP/KCS transaction for which the STB has already held the KCS waiver would apply.

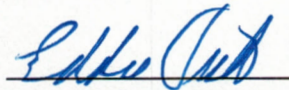
- CN is a much larger railroad in the U.S. than CP, and unlike a combined CPKC, CN/KCS would not be the smallest U.S. railroad.
- Unlike the CP/KCS combination, which is truly end-to-end in nature, a potential CN/KCS combination is heavily overlapping across much of KCS's U.S. system. There are likely profoundly serious competitive harms, and CN proposes to fix just a handful of 2-to-1 points. These impacts on competition are exactly the kinds of issues to which the 2001 merger rules were intended to apply.

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- The potential “downstream” impacts of a CN transaction are significant: unlike CP/KCS, which leaves the six largest railroads in basically the same relative positions, CN/KCS would destabilize the balance of the six-carrier network, creating pressure for CP and others to combine. That is exactly the kind of issue the 2001 rules were designed to address.
- CN’s much higher cash bid for KCS implies an incredibly significant acquisition premium that we are concerned would create incentives for CN to raise rates even in those instances where it is not harming competition. This is the kind of issue that the 2001 merger rules provide the Board with greater flexibility to address.
- **CN’s proposal to acquire KCS would kill the CP/KCS deal, which we see as a perfect fit that injects new competition into the rail industry. In addition, it would destroy any opportunity for municipalities along the eastern side of Mississippi to be able to competitively move products to the Deep-Water Ports at Pascagoula and Mobile. Any rail addition on this side of the state would not be started or completed. As soon as CN acquires KCS’s shares, the CP/KCS deal is dead. Thus, a waiver allowing use of a voting trust without formal Board public interest review (which CN has already applied for) would be inappropriate.**

Respectfully submitted,



Eddie Fulton, Mayor of Quitman, MS

CC: All Parties of Record