



Paterson GlobalFoods

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June 1, 2021

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

Dear Madam:

**Re: FD 36500 and FD 36514: Proposed Merger by Canadian Pacific
Railway Company ("CP") or Canadian National Railway Company
("CN") with Kansas City Southern Railway ("KCS")**

I am writing on behalf of Paterson GlobalFoods Inc. ("Paterson") regarding a change in views on our previously submitted correspondence. As I hope you can appreciate, two competing merger bids for KCS was not something that we had been expecting or were prepared for; and our views are evolving as more information becomes available.

Attached are four (4) letters to the Surface Transportation Board (the "Board") – one (1) issued as part of the CN filing FD 36514 and three (3) issued as part of CP filing FD 36500. Paterson hereby retracts the letter filed with CN and reaffirms support for our letters filed with CP, particularly the letter from Paterson filed on May 25, 2021 stating our opposition to the CN voting trust.

Respectfully submitted,

PATERSON GLOBALFOODS INC.

per:

A blue ink signature of Shane M. Paterson, consisting of a stylized 'S' and 'P' followed by a horizontal line.

Shane M. Paterson,
Director of Trading and Transportation
CC: All Parties of Record



Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E. Street, S.W.
Washington, DC 20423-0001

Re: FD 36514, Canadian National Railway Company, Grand Trunk Corporation, and CN's Rail Operating Subsidiaries—Control—Kansas City Southern, the Kansas City Southern Railway Company, Gateway Eastern Railway Company, and the Texas Mexican Railway Company

Dear Ms. Brown:

Paterson GlobalFoods Inc. ("Paterson") is a fully diversified grain company with origination locations in both Canada and the United States. Paterson ships grain, oilseeds, pulses, fertilizer as well as processed grain ingredients to destinations in Canada, the United States and Mexico. CN has become a key component of our supply chain and we are quite satisfied with the level of service and accountability that they have offered over our 100+ year relationship.

While Paterson has previously written to you in favour of the CP acquisition of KCS, Paterson was not at that time aware of the possibility of a CN/KCS combination. Of the two proposed acquisitions, Paterson prefers CN's acquisition of KCS because of the superior benefits a CN/KCS railway would bring by offering faster, safer, cleaner and more direct service for North-South trade, specifically in and out of Southern Manitoba where Paterson has significant operations.

We believe that a combination of CN and KCS would help us to win in our markets. CN's strong track record of success with superior service, intermodal and safety gives us confidence that a combined CN-KCS would be best positioned to serve our needs. Additionally, CN's successful track record of acquisitions over the past 25+ years also provides assurance that CN will effectively and seamlessly be able to integrate and partner with KCS.

The combined company would create network with enhanced end-to-end single-owner, single-operator service which will result in a faster, safer and more economical rail option for us where we currently rely on trucks and provide shorter distances on many key routes. We are hopeful about this transaction as a CN-KCS rail will be able to provide the seamless transportation and service that would not be available through KCS should it go forward with an alternative combination.

Mexico is an important market for Paterson, and currently the most efficient way to access this marketplace out of Southern Manitoba is by interswitching BNSF cars to CN at Emerson, loading them at Winnipeg or Morris, MB, and then returning them to the BNSF at Emerson for furtherance to Mexico, where they are again switched to a third carrier for delivery in Mexico. Having a single line haul from origin in Manitoba to destination in Mexico will create significant efficiencies for both parties and will allow Paterson to be more competitive in this marketplace. Equally, single line-haul access to the Gulf with greater optionality than that created by the CP/KCS combination will allow Paterson to expand into these markets. Finally, given CN's dedication to intermodal, which is not shared by CP, we expect that the CN/KC combination may open new markets for Paterson for intermodal grain shipments.

Paterson is confident in and strongly supports CN's proposed acquisition of KCS for all of the reasons as stated above. We hope to see the premier 21st century railway come to life.

Sincerely,

A handwritten signature in black ink, appearing to read 'ABP', is positioned above the printed name.

Andrew B. Paterson
President and Chief Executive Officer
Paterson GlobalFoods Inc.

cc: Parties of Record



March 29, 2021

ATTENTION: Surface Transportation Board

To Whom it May Concern:

**Re: Merger of Canadian Pacific Railway Limited ("CP") and Kansas City
Southern ("KCS")**

My name is Andrew Paterson and I am the President and Chief Executive Officer of Paterson GlobalFoods Inc. ("Paterson"). In my role, I am responsible for all aspects of Paterson's operations, including significant rail shipment volumes throughout North America.

Paterson is a fully diversified grain company with origination locations in both Canada and the United States. Paterson ships grain, oilseeds, pulses, fertilizer as well as processed grain ingredients to destinations in Canada, the United States and Mexico. CP has become a key component of our supply chain and we are quite satisfied with the level of service and accountability that they have offered over our 113-year relationship.

I am writing to express Paterson's support for the 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 Mexico – 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.

While CP provides Paterson with strong service domestically, CP's reach into the United States and Mexico is limited today. We know from experience that single line rail service options on CP would improve this reach and the economics thereof.

For example, Paterson imports significant volumes of fertilizer from the United States into Canada by rail. Currently, the most economical option for Paterson is to ship manifest traffic from origins in Minnesota to Paterson's warehouse in Winnipeg; which creates significant inefficiencies when unloading. The CPKC combination will give Paterson direct linehaul access to unit train fertilizer imports from the St. Louis area, significantly improving both the economics and efficiency of this aspect of our business.

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:

- CPKC's new single-line haul offerings will expand market reach and offer new competitive transportation options for our shipments of soybeans from Manitoba to Mexico.
- 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.

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.

For these reasons, Paterson 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. Paterson 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.

Respectively,

PATERSON GLOBALFOODS INC.

Per:



Andrew B. Paterson,
President and Chief Executive Officer

May 5, 2021

ATTENTION: Surface Transportation Board
RE: STB Finance Docket No. 36500 (CP-KCS Potential Combination)

Paterson GlobalFoods Inc. ("Paterson") hereby files this letter to further elaborate upon its views about the competing bids by Canadian National ("CN") and Canadian Pacific ("CP") to acquire Kansas City Southern ("KCS").

As mentioned in previous correspondence, Paterson is a fully diversified grain company with origination locations in both Canada and the United States. Paterson ships grain, oilseeds, pulses, fertilizer as well as processed grain ingredients to destinations in Canada, the United States and Mexico.

Paterson has previously expressed support for both the CP/KCS and the CN/KCS mergers. As Paterson is reliant on both CP and CN for transportation services in certain markets it therefore does not wish to voice a position taking the side of one railroad over the other.

Paterson does, nonetheless, have strong views about the kind of railroad combination that the STB should allow – and indeed expedite – versus the kind of combination that it should not permit to proceed.

The kind of transaction that is in the interests of shippers and the public would:

- ***Not have competitive overlaps*** that reduce the number of independent rail options.
- ***Improve competitive options***, including by adding new single-line routes where other, larger railroads currently dominate.
- ***Not pose a risk of stimulating further industry consolidation***, such as by destabilizing the six large carrier balance in North America

A transaction meeting these three criteria is in the public interest and should receive swift Board approval. Quick approval of procompetitive transactions is critical to helping shippers and other stakeholders reap the benefits sooner rather than later, and we have no objection to the use of a voting trust mechanism to facilitate such a transaction. However, because of the different nature of the respective proposed transactions, Paterson does feel strongly that the review process for a

CP/KCS voting trust must be considered in a different light than the review process for a CN/KCS voting trust. In both our discussions with CN and the media, CN has stated that they intend to proceed under the post 2001 Surface Transportation Board ("STB") regulations which we feel is appropriate given the overlap between CN and KCS's networks. However, given that this overlap is not as significant with respect to the CP/KCS transaction, we feel it appropriate that the CP/KCS voting trust be considered under the pre-2001 STB regulations. For transactions that do not meet the three criteria set out above, we would strongly object to the Board allowing the transaction to proceed even as far as a voting trust, which itself could diminish competition and lead to downstream concerns.

We trust the Board to assess the two proposals for KCS in light of these criteria.

Respectfully submitted,

Paterson GlobalFoods Inc.

A handwritten signature in black ink, appearing to read 'ABP', with a stylized flourish at the end.

Andrew B. Paterson
President and Chief Executive Officer

ABP/jvl

May 25, 2021

By Electronic Filing

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

Dear Madam:

Re: Finance Docket No. 36514 – Canadian National Ry. – Control – Kansas City Southern

I am writing to express Paterson GlobalFoods Inc.'s ("Paterson") perspective on Canadian National Railway's ("CN") proposal to use a voting trust in connection with its proposed acquisition of Kansas City Southern ("KCS"). In Decision No. 3, Paterson was pleased to see the Surface Transportation Board (the "Board") explain that it will adopt a "more cautious approach" to CN's proposed voting trust and will consider whether allowing the use of a voting trust would be consistent with the public interest in light of the "potential benefits and costs of such use." We are writing to express our view that the use of a trust in this proceeding would not be in the public interest.

We have not formed a definitive view regarding the public interest consequences of CN or CP's proposed acquisition of control of KCS, but we welcome the fact that the Board has confirmed its intention to consider whether the proposed CN/KCS transaction is in the public interest under the Board's 2001 Major Merger rules. As the Board acknowledged in Decision No. 3, those rules place "heavier burden[s] on merger applicants to show that a major rail consolidation is consistent with the public interest" and give the Board much greater discretion to disapprove proposed transactions or impose extensive conditions aimed at ensuring that they serve the public interest.

We think the fact that the Board cannot (and should not) pre-judge whether CN's proposed control transaction would ultimately be found consistent with the public interest after 18+ months of review under the new rules is exactly why the Board should not allow CN to use a voting trust to complete its acquisition first and have it reviewed later. CN would be spending tens of billions of dollars to buy KCS, and there is no way to be confident that it could ever recoup that investment were it required – more than a year and a half from now – to divest KCS. Such a scenario could have significant negative consequences for rail shippers in Canada and throughout North America. The unpredictable consequences of such a divestiture, and of leaving ownership of KCS shares in the hands of CN all that time – could encumber the Board's evaluation of the first-ever major merger to be reviewed under the 2001 rules. The Board should not have to worry about the consequences of KCS coming out of trust as it decides whether to allow CN to take control of KCS, or how extensive the conditions need to be for it to do so.

Finally, this is the first time the Board will be applying the 2001 merger rules, both on the merits and in considering whether to allow a voting trust. A cautious approach is warranted given the precedent setting nature of the decision and the complex issues raised. In these circumstances Paterson does not see any public interest benefit to the use of a trust. Nothing would prevent KCS and its shareholders from deciding to pursue the proposed CN/KCS transaction without the need for CN to use a voting trust. Rejecting the proposed voting trust and allowing KCS to consider whether CN's proposed transaction could in fact be approved by the Board is a better way for KCS and its shareholders to participate in the decision about what path forward for this important railroad is appropriate.

Accordingly, we urge the Board to reject CN's motion to approve its proposed voting trust.

Respectfully submitted,

PATERSON GLOBALFOODS INC.

per:



Shane M. Paterson,
Director of Trading and Transportation

Cc: All Parties of Record