

Dear Chairman Oberman, Vice Chairman Schultz, and Members Fuchs, Primus, and Hedlund:

As a member of the Minnesota House of Representatives, it is my duty to represent the concerns of my constituents to the best of my ability. Many of those I represent live in small towns or rural areas, and agriculture is a crucial part of our economy and way of life.

As such, I write to you today to ask that you carefully consider all angles of the proposed merger between Canadian Pacific Railway and Kansas City Southern Railway. While there are certainly potential benefits to agriculture that may result from this merger, I ask that the possible downsides receive additional analysis and investigation.

Specifically, in February of this year the United States Department of Agriculture (USDA) submitted a letter to the Surface Transportation Board (STB) to raise awareness about how the merger might impact competition in the rail industry. The agency stressed the importance of market-based solutions, as they are the most likely to result in reasonable shipping rates and terms of service.

For example, farmers rely on fertilizer to produce sufficient yields and sustain their operations. The Fertilizer Institute has estimated that over half of all fertilizer in the U.S. moves by rail. Unfortunately, in recent years there have been significant disruptions in rail service. This has played a role in exploding fertilizer prices, which have forced farmers to suffer financially and raised costs for consumers.

Given that the proposed merger is between two large railroads, it may reduce competition in the railroad industry. Reduced competition would give the railroad industry increased leverage over the shipment of goods such as fertilizer, which could allow them to raise shipping rates and cause further pain for farmers.

In addition, the USDA's letter discusses the negative impact previous rail mergers have had on rail service continuity. Unfortunately, the STB is currently considering the CP – KCS merger under old merger rules. These rules did not require the merging parties to put a Service Assurance Plan (SAP) in place to guarantee consistent service. As I mentioned previously, recent disruptions have already caused tremendous financial difficulties for farmers. If the STB does not require CP – KCS to develop an SAP, the situation could get even worse.

In conclusion, I respectfully request that the members of the board ensure this merger maintains continued competition in the railroad industry and reliable rail service. To do otherwise could be disastrous for agriculture in Minnesota and consumers across the country.

Sincerely,
Minnesota State Representative Paul Anderson
Ranking Member
Agriculture Finance and Policy Committee