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ENTERED
Office of Chief Counsel
November 18, 2026
Part of
Public Record

November 18, 2026

LSRC-2

VIA ELECTRONIC FILING

Ms. Cynthia T. Brown
Chief of Case Administration
Office of General Counsel
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, DC 20423-0001

Re: **Docket No. FD 36873**
Union Pacific Corporation and Union Pacific Railroad Company -- Control -- Norfolk Southern Corporation and Norfolk Southern Railway Company

Dear Ms. Brown:

Attached for filing in the above-captioned proceeding is the public version of the **Comments and Request for Conditions of Lake State Railway Company** (LSRC-2)**,** dated November 18, 2026.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter. Kind regards.

Respectfully submitted,

/s/ *Janet H. Gilbert*

Janet H. Gilbert
Attorney for Lake State Railway Company

JHG:tl

Attachment

cc: Parties of Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36873

UNION PACIFIC CORPORATION AND
UNION PACIFIC RAILROAD COMPANY
– CONTROL –
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY

COMMENTS AND REQUEST FOR CONDITIONS OF LAKE STATE RAILWAY COMPANY

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ATTORNEYS FOR
LAKE STATE RAILWAY COMPANY

Dated: November 18, 2026

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36873

UNION PACIFIC CORPORATION AND
UNION PACIFIC RAILROAD COMPANY
– CONTROL –
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY

COMMENTS AND REQUEST FOR CONDITIONS OF
LAKE STATE RAILWAY COMPANY

Lake State Railway Company ("LSRC") hereby provide its comments and request for conditions in this control proceeding involving Union Pacific Railroad Company ("UP") and Norfolk Southern Railway Company ("NS").

I. INTRODUCTION

Michigan is a state defined by two peninsulas – a "Lower" and an "Upper". Neither peninsula has a contiguous east-west land border with more than one neighboring state or country, and the Lower Peninsula has none at all. A proposal to remediate Applicants' self-created threats to competition that focuses on east-west routes and is applicable only at locations on BNSF Railway Company ("BNSF") and CSX Transportation, Inc. ("CSXT") – or on short lines connecting solely with one of those carriers – is myopic for at least two reasons. First, much of the traffic in Michigan moves south, and second, predatory pricing and routing opportunities for the new UP-NS single system will exist well beyond locations just on BNSF or CSXT.

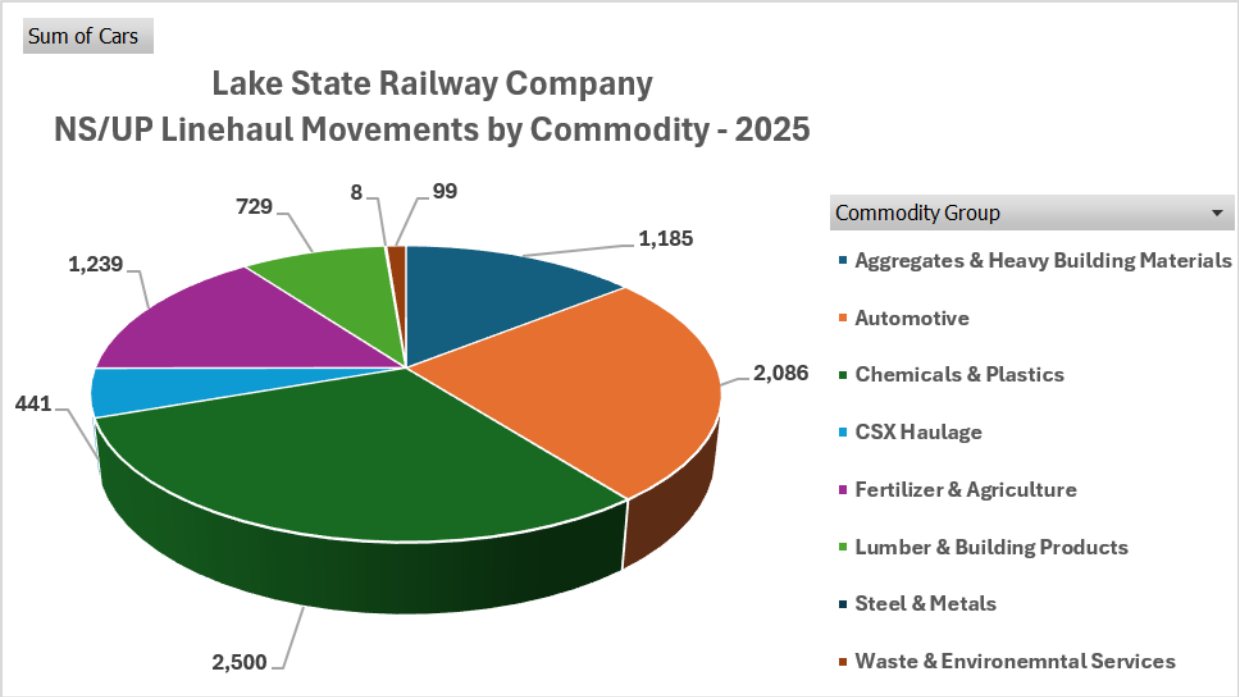
Those concerns for shipper rates and service undergird LSRC's interest in this proceeding. Without robust protection and continuous oversight of any gateway where UP has the option to receive/tender traffic from both NS and CSXT, Michigan short lines like LSRC and their customers will lose competitive rates and service that they currently enjoy. Applicants' proposed "Committed Gateway Pricing" condition ("CGP") does not offer sufficient protections or benefits to justify approval of a combination that threatens vertical competition as a UP-NS merger would. Should the Board nonetheless approve UP's control of NS, it should expand Applicants' CGP remedy to cover any interline traffic, of any commodity type, with a destination/origin route using a UP gateway, and decline to sunset that remedy concurrently with the termination of agency oversight of the merger.

II. BACKGROUND

LSRC serves the northeastern quadrant of the Lower Peninsula on rail lines it owns or operates via a permanent easement from the State of Michigan. It then generally carries the traffic on its own line and a line leased from CSXT to Plymouth, Michigan, in the southeastern part of the state. LSRC's principal interchange is with CSXT at Plymouth, constituting some {{ }}% of LSRC's total interline traffic. LSRC also has local interchanges with short lines in Bay City (located near the notch of the lower peninsula's "mitten") that provide limited access to Grand Trunk Western Railroad Company ("CN") and NS, and has a restricted interchange with CN at Flint, on LSRC's line to Plymouth. In all LSRC operates about 375 route miles.

LSR's two principal lines, converging roughly around Bay City (at the notch itself) were castoffs from the failures or inability of other railroads to provide adequate and competitive rail service to key Michigan industries that supply important commodities to the nation, among them automobiles, forest products, chemicals and gypsum. At its birth in early 1990s, LSRC was assembled from a western, former Penn Central/Conrail north-south line serving the central part of the Lower Peninsula that the State had purchased, and an eastern, shore-line railroad owned by the Detroit & Mackinac Railway Company. In 2005, an LSRC affiliate, Saginaw Bay Southern Railway Company ("SBS"), acquired operating rights from CSXT to operate in the Midland and Saginaw areas and towards Flint. Midland is home to large chemical shippers, and Saginaw had a long history as a key agricultural center and automobile part supplier. SBS was merged into LSRC in 2012. In 2019, LSRC entered into an agreement with CSXT to operate CSX's rail line from Flint to Plymouth, MI, extending LSRC's reach to southeastern Michigan.

Lakes State handled approximately {{ }} carloads of traffic in 2025. Of that, approximately {{ }}% was handled in interline service to or from points on UP or NS. As the chart below shows, chemicals and automative traffic were each a significant segment of that interline traffic.



III. COMMITTED GATEWAY PRICING

According to UP and NS, CGP offers pre-calculated, fixed, and non-discriminatory proportional rates, akin to haulage rates, for manifest carload interline shipments of specified commodities at four specific gateways (Chicago, St. Louis, Memphis, New Orleans) with CSXT and BNSF. It does not apply to automobile, chemical or intermodal traffic, and as initially proposed did not apply to unit train movements. Under an "expansion" of CGP that the Applicants offered in July of 2026, bulk unit trains would now be included. That same expansion dropped the CGP qualifier that the relevant CSXT or BNSF origin or destination must be solely-served, although the requirement that the origin or destination must be solely-served on the UP/NS end was retained. Where a short line connects solely with CSXT or BNSF, its traffic is eligible for inclusion in CGP, subject to the numerous other

limitations of the framework. All other short lines are excluded from CGP. This means that, while CSXT is by far LSRC's predominant interchange partner, LSRC does not fall within the intended realm of CGP because of its other, less-used or limited interchanges with other railroads.

The CGP framework extends only to CSXT and BNSF, excluding the Canadian Class I carriers and all other railroads other than short lines connecting solely with CSXT or BNSF. CGP would continue for only for the period of STB oversight, presumed to be five years. *See generally* Decision No. 21, FD 36873, slip op. at 20 (STB served May 28, 2026). Applicants' CGP proposal is thus a temporary remedy, and would not address the permanent structural loss of vertical competition caused by the transcontinental consolidation of UP and NS.

The very narrow scope of CGP has been the subject of extensive commentary to date in this proceeding. CGP excludes vast segments of freight, including intermodal movements, chemical and automotive traffic and existing contract traffic. The Board has recognized evidence submitted by several parties that CGP would cover less that 1% of all rail traffic. Decision No. 21 at 20. In their July, 2026 "expansion" of CGP, Applicants claimed that the changes they proposed would double the number of carloads of traffic eligible for CGP. Even that, however, would only encompass 2% of rail traffic.

IV. LSRC's SPECIFIC OBJECTIONS TO CGP

LSRC shares in the objections raised by other parties to CGP. The proposal fails to acknowledge the secondary effects of limiting its scope to two specific

carriers (and their solely-connecting short lines) at just four gateways. Nor have Applicants explained or justified the exclusion of some 98% of rail traffic from CGP coverage, or why CBP should be limited in duration to the oversight period.

Even if these concerns are addressed – and they should be – LSRC would still receive no protection or benefit from the CGP condition, simply because LSRC has interchange connections with other railroads in addition to CSXT. Applicants' own treatment of their CGP framework demonstrates why this is not a rational limitation on the scope of CGP. As initially proposed, CGP applied only to solely-served customers on CSXT and BNSF, and only to short lines that connected solely with CSXT and BNSF. Applicants' July, 2026 "expansion" of CGP removed the first qualifier, but left the second one in place. What that means is that a dual-served customer at a location on CSXT might fall within the coverage of CGP, but a short line that connects with CSXT at the same location and has access to another rail carrier would not. If short lines functionally serve to extend the reach of Class 1 carriers to customers on the short line, there is no reason why CGP should discriminate against those short line customers on a basis of a condition that does not apply to the customers on the Class 1 railroad. Class 1 customers with "competitive" access are treated in one manner, while connecting short lines and their customers with "competitive" access are treated in another. LSRC does not believe that its local Michigan customer base, or the customers of any other short line, should be disadvantaged like this, and the Board should be loathe to adopt a proposal that had such an effect.

V. LSRC REQUEST FOR CONDITIONS

LSRC does not believe that Applicants have provided persuasive justification for the massive rail consolidation that they seek. And the CGP framework as proposed by Applicants is inadequate and would disadvantage short lines like LSRC. Applicants' focus on east-west traffic flows obscures and diminishes the critical importance and vitality of LSRC and similarly-situated carriers with a significant north-south traffic orientation. Adopting the CGP approach as conditioned by the Applicants would not only exclude short lines like LSRC from the protections and benefits supposedly offered by CGP, it would competitively harm them.

Thus, if the Board approves the UP-NS combination and imposes CGP as a condition of the transaction, the CGP framework should be modified as follows:

A. CGP should not be restricted to CSXT and BNSF, but instead should apply to customers of all carriers participating in interline movements with UP or NS.

B. CGP should not be limited to certain commodities and route combinations or to the four gateways as proposed by Applicants.

C. CGP should not be restricted to the STB oversight period, and instead should continue indefinitely.

WHEREFORE, LSCR respectfully requests that any approval of the proposed transaction and adoption of the CGP framework be conditioned in the manner outlined above.

Respectfully submitted,

/s/ *Janet H. Gilbert*

By:_____

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ATTORNEYS FOR
LAKE STATE RAILWAY COMPANY

Dated: November 18, 2026

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of November, 2026, a copy of the public version of the foregoing **Comments and Request for Conditions of Lake State Railway Company** (LSRC-2) was served by electronic mail or by first-class mail, postage prepaid, upon all Parties of Record.

/s/ *Janet H. Gilbert*

Janet H. Gilbert