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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. FD 36873

UNION PACIFIC CORPORATION AND
UNION PACIFIC RAILROAD COMPANY

- CONTROL –

NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY

COMMENTS AND REQUESTS FOR CONDITIONS BY THE SUSQUEHANNA UNION RAILROAD COMPANY AND ITS SUBSIDIARIES

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Consistent with the STB's procedural order dated August 18, 2026 and its own notice of intent to participate dated February 10, 2026, the Susquehanna Union Railroad Company ("SURC"), on behalf of both itself and its subsidiaries (specifically, the Juniata Valley Railroad ("JVRR"), the Lycoming Valley Railroad ("LVRR"), the Nittany & Bald Eagle Railroad ("NBER"), the North Shore Railroad ("NSHR"), the Shamokin Valley Railroad ("SVRR"), and the Union County Industrial Railroad ("UCIR") – all Class III short line railroads that have a direct and substantial interest in this proceeding) – respectfully submits these comments and requests for conditions in response to the application by the Union Pacific Corporation and Union Pacific Railroad Company ("Union Pacific") for control of the Norfolk Southern Corporation and Norfolk Southern Railway Company ("Norfolk Southern").

SURC and its subsidiaries trace their history to 1984, and operate on lines once served by Conrail and its predecessors. Since 2010, SURC has been organized as a holding company for the JVRR, LVRR, NBER, NSHR, SVRR, and UCIR. The six short lines together provide quality rail service to a variety of businesses and industries located in Central Pennsylvania, running on 256.2 miles of track. The loads they handle are as varied as the businesses themselves, including aggregates, coal, grain, and plastics in addition to other commodities that move in, out, and around the region on the rails. In order to meet customer needs, the SURC family operates 29 locomotives, more than 260 railcars, and 30 support vehicles, and has agreements with various other railroads, most notably Norfolk Southern. The SURC lines, along with their customers, are highly dependent on Northern Southern for their access to the national rail transportation network.

As the STB is aware, this is the first application for the merger of two Class I railroads to be subject to the current policy criteria in 49 C.F.R. § 1180.1, including that there should be "substantial and demonstrable public benefits to the transaction that cannot otherwise be achieved. Such public benefits include improved service, enhanced competition, and greater economic

efficiency. The Board also will look with disfavor on consolidations under which the controlling entity does not assume full responsibility for carrying out the controlled carrier's common carrier obligation to provide adequate service upon reasonable demand." It is important to emphasize that these requirements do not merely say that a transaction must cause no harm, but that it must proactively improve competition. When the STB adopted these new procedural requirements, it also specifically noted that "we have given increased weight to issues and concerns of smaller railroads and shippers, a change that should benefit these small entities." *See Major Rail Consolidation Procedures*, 66 Fed. Reg. 32582, 32583 (June 15, 2001). Notably, applicants are required to explain exactly how they will preserve competitive options for Class III carriers. *See* 49 C.F.R. § 1180.6(b)(10)(i).

In this case, the applicants have asserted that short line railroads will benefit from the transaction, primarily for the reason that they would have "one point of accountability." Union Pacific and Norfolk Southern also assert that they "expect to adopt the best practices of each" Class I railroad vis-à-vis short lines. *See Amended Railroad Control Application*, vol. 1, p. 326 (April 30, 2026). They also have purported to be concerned about and to promote the interests of short lines in other contexts – for example, acknowledging that they are critical in driving growth for the Class I railroads.[1] But the merger application itself is sparse on detail regarding how a combined carrier would engage with Class III railroads. SURC is therefore concerned that the new railroad would be in a position to abuse its dominant position vis-à-vis short lines. There is no certainty as to what will happen to interchange practices, routing opportunities, service levels, rates, direct access, partnered business development efforts, or numerous other considerations that are essential for the continued efficiency and prosperity of short line railroads via their access to a new coast-to-coast Class I railroad.[2]

Therefore, without taking a position on the merits of the application as a whole (which may have significant indirect implications for short lines), SURC requests that any approval of the application be conditioned, pursuant to 49 U.S.C. § 11324(c), directly on the preservation of the core terms of existing operating agreements with short line railroads, which are necessary to prevent the impairment of competitive options and merger-related harm to the public interest, as recently confirmed by the STB. *See, e.g., Canadian National Railway Company and Grand Trunk Corporation – Control – Iowa Northern Railway Company*, Decision No. 3, STB Docket No. FD 36744 (January 1, 2025) (holding applicants to their commitment to "maintain the *status quo* … until the parties can reach a mutually beneficial agreement on interchange").

Post-Staggers Rail Act precedent generally supports the conditioning of any approval on the preservation of existing short line rights. *See, e.g., Burlington Northern Inc. & Burlington Northern Railroad Co. – Control & Merger – Santa Fe Pacific Corp. & The Atchison, Topeka &*

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[1] *See, e.g.,* Norfolk Southern, *Expanding our Short Line Performance Project across the entire network*," News Release (May 21, 2025) (https://www.norfolksouthern.com/en/newsroom/story-yard/expanding-our-short-line-performance-project-across-the-entire-n).

[2] The STB is well aware of the remarks made by the CEO of Union Pacific on March 17, 2026, which the railroad attempted to conceal and since has described as "comedy." In the realm of psychology, abusers often seek to avoid accountability by describing threats as jokes. The STB should be wary that the applicants are similarly attempting to *post hoc* reframe their true intentions.

Santa Fe Railway Co., 10 I.C.C.2d 661, 776-77 (1995) ("*BN/Santa Fe*") (conditioning approval to prevent a pre-existing blocking provision from acquiring an expanded scope and to preserve a competitive interchange option); *CSX Corp. & CSX Transportation, Inc., Norfolk Southern Corp. & Norfolk Southern Railway Co. – Control & Operating Leases/Agreements – Conrail Inc. & Consolidated Rail Corp.*, 3 S.T.B. 196, 276-77 (1998) ("*Conrail*") (accepting commitment to assume existing short line agreements for their duration, and preventing expansion of existing blocking provisions). Although *BN/Santa Fe* and *Conrail* predate the 2001 update, they remain instructive as examples of conditions historically used to preserve competitive options and to prevent merger-related harm to the public interest.

In particular, for SURC and its subsidiaries, it is crucial that the following agreements remain effective, subject only to changes agreed to by both parties, to maintain the *status quo*:[3]

1) The SURC family of railroads (excepting only the JVRR) since 2001 have had a haulage agreement with the Canadian Pacific Kansas City Limited ("CPKC") and its predecessor, which currently prevent them from being captive to Norfolk Southern; that agreement must be preserved;

2) For all SURC rail lines, the *status quo* likewise must be preserved for interchange and handling agreements with Norfolk Southern; the various interchange points (not previously identified by Norfolk Southern in the list submitted in 2025) include: Lewistown, PA (JVRR); Tyrone, PA (NBER); Lock Haven, PA (NBER); Newberry, PA (LVRR); and Northumberland, PA (LVRR, NSHR, SVRR, and UCIR);

3) For the NSHR, (i) its trackage rights between Northumberland and Selinsgrove for servicing certain customers in Kreamer, pursuant to a February 14, 2022 agreement; (ii) its leases with Norfolk Southern for two parcels at Northumberland, including the October 1, 2006 agreement for the "Car Wash Yard" track facilities and the November 7, 2014 lease, as amended, for additional facilities; and (iii) its trackage rights on the Watsontown Secondary Line, for servicing certain customers, pursuant to a September 20, 2016 agreement, must be preserved;

4) Additionally, for the LVRR, (i) its haulage rights on the Buffalo Line; (ii) its trackage rights to connect to the NBER on the Buffalo Line (Muncy to Lock Haven), pursuant to a September 1, 2001 agreement; and (iii) its trackage rights to the NSHR on the Buffalo Line (Muncy to Selinsgrove), pursuant to a February 14, 2021 agreement, must be preserved;

5) For the NBER, (i) its haulage rights on the Buffalo Line; (ii) its trackage rights at Driftwood for interchange with the Buffalo & Pittsburgh Railroad, pursuant to a February 1, 2014

[3] To the extent that SURC proposes that any STB approval of the application be conditioned on the maintenance of existing short lines agreements, and that SURC also does not propose to acquire any lines as part of the transaction itself, SURC understands that a responsive application is not a necessary vehicle, and thus no submission was required by the deadline established by the procedural order.

agreement; and (iii) its lease with Norfolk Southern for a parcel at Lock Haven, pursuant to a September 28, 2010 lease, as amended, must be preserved;

6) For the SVRR, its trackage rights between Northumberland and Sunbury in order to serve certain customers, pursuant to a February 14, 2022 agreement, must be preserved; and

7) For the UCIR, its trackage rights between Northumberland and Milton in order to serve certain customers, must be preserved.

Additionally, SURC understands that Norfolk Southern has deferred discussing the sale of certain additional lines and property to SURC pending the resolution of unrelated litigation that is pending in the Pennsylvania state courts involving SURC and third parties. SURC does not propose that their sale be a condition of the merger, but does propose that the transaction be conditioned on a right of first refusal for their sale, on fair and reasonable terms, being provided by Northern Southern (or, post-acquisition, Union Pacific) to SURC.[4] In particular, SURC should have a right of first refusal to acquire:

1) The 62-mile portion of the Buffalo Line that currently is still operated by Norfolk Southern (*i.e.,* from Northumberland (MP256.6) to Lock Haven (MP194.5)), which connects five of the six short lines of the SURC family of railroads;

2) The 14-mile Watsontown Secondary Line that connects to the Buffalo Line, and over which the NSHR already has limited rights pursuant to the September 20, 2016, agreement; and

3) The one parcel in Lock Haven and two parcels in Northumberland and that the NBER and NSHR, respectively, currently lease from Norfolk Southern for support facilities (as discussed above).

The potential for those acquisitions would help ensure the continued connectivity, viability and competitiveness of the SURC family of railroads.

Finally, Norfolk Southern should be required to eliminate interchange commitments – commonly known as *i.e.,* "paper barriers" – that have outlived any potential justification, which impede the operation of certain SURC railroads, in addition to short lines across the country. As the Board has recognized, paper barriers create significant risks of anti-competitive outcomes.[5]

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[4] The STB previously has indicated that a right of first refusal is a condition that it will consider. *See, e.g., Georgetown Railroad Company – Track Rights and Asset Purchase* – Decision No. 14, STB Docket No. FD 20880 (Sub-No. 7) (April 7, 1987).

[5] A set of comments regarding these and similar issues filed before the deadline is *Evidentiary Statement of Party on Record, George Avery Grimes* (October 2, 2026); other filings on this topic are anticipated. *See also Review of Rail Access and Competition Issues – Renewed Petition of the Western Coal Traffic League*, STB Ex Parte No. 575 (Sub-No. 1) (October 29, 2007) (discussing factors for case-by-case review of whether interchange commitments represent more harm than good); Jim Bowers, "Eliminating Paper Barriers is the Pro-Competitive Move," *Railway Age* (November 4, 2025) (https://www.railwayage.com/freight/class-i/eliminating-paper-barriers-is-the-pro-competitive-move/).

Generally, they may be used to prohibit competitor railroads, with whom commodities are interchanged, from providing rail service to certain potential customers, or to impose costs that prevent them from doing so on an equal and competitive basis. Although the Board has not prohibited them categorically, this transaction is unprecedented, especially because it would create the nation's first and (for the foreseeable future) only transcontinental railroad. That result would significantly amplify the anti-competitive effects of paper barriers.

Paper barriers are emblematic of challenges facing short lines across the country, which it would be in the public interest to resolve as part of this proceeding. Notably, as discussed above, the applicants must not only show that the merger would not harm competition, but that it would proactively improve competition. Accordingly, there should be at least a presumption that paper barriers imposed on short lines such as the SURC railroads are fundamentally inconsistent with the application and must be prohibited as a condition of approval, with the burden on the applicants to demonstrate otherwise. In particular, SURC is unjustifiably constrained from further developing its business because:

1) Norfolk Southern limits the circumstances under which the NSHR can accept loads from CPKC for its Kreamer branch;

2) For trackage between the NBER terminus at Lock Haven and the Driftwood terminus of the Buffalo and Pittsburgh Railroad, Norfolk Southern restricts the commodities that may be carried and the OD pairs that may be served; and

3) For the SVRR, although there is a railroad industry agreement enabling the Reading Blue Mountain & Northern Railroad ("RBMN") access via the SVRR to the LVRR – but Norfolk Southern imposes restrictions on commodities and OD pairs for shipments received from or destined for the RBMN, and also prohibits interchange with the four other SURC lines.

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SURC appreciates the Board's attention to the concerns addressed in these comments, and reiterates that if the transaction is approved (subject to review for compliance with all applicable public interest factors), the analysis should include the implications for short line railroads, and appropriate conditions, including those discusses above to ensure that the JVRR, LVRR, NBER, NSHR, SVRR, and UCIR remain able to provide competitive services to their customers.

Respectfully submitted,



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November 18, 2026

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Comments and Requests for Conditions by the Susquehanna Union Railroad Company and Its Subsidiaries has been electronically filed with the Surface Transportation Board and served on all parties of record in this proceeding by electronic mail this 18th day of November 2026.



Jol A. Silversmith