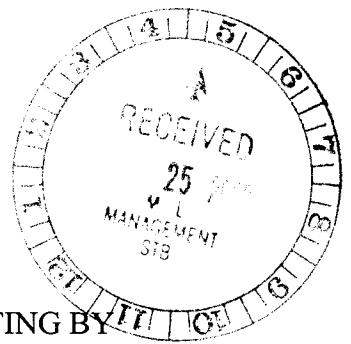


200104

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 634



PROPOSAL TO REQUIRE CONSOLIDATED FINANCIAL REPORTING BY
COMMONLY CONTROLLED RAILROADS

**COMMENTS OF CANADIAN PACIFIC RAILWAY COMPANY
SOO LINE RAILROAD COMPANY AND
DELAWARE AND HUDSON RAILWAY COMPANY, INC.**

Canadian Pacific Railway Company ("CPR"), Delaware and Hudson Railway Company Inc. ("D&H") and Soo Line Railroad Company ("Soo") (collectively "CPR") hereby submit the following comments in response to the Surface Transportation Board's ("Board") proposal served on September 25, 2000, to require consolidated financial reporting by commonly controlled railroads ("Proposal").

INTRODUCTION

CPR is a Class I carrier that operates a 14,400-mile rail network serving all of the principal business centers of Canada, as well as 13 states in the U.S. Northeast and Midwest. Through its Soo and D&H subsidiaries, CPR operates nearly 5000 miles of rail lines in the United States. CPR interchanges traffic directly with all of the major Class I railroads.

Although CPR has extensive operations in the United States, CPR's Soo and D&H subsidiaries tend to operate separately. Soo operates in the Midwest in the states of North Dakota, Minnesota, Wisconsin, Illinois, Indiana and Michigan. D&H operates in the Eastern United States in the States of New York, New Jersey, Pennsylvania,

Maryland, Delaware and Virginia. D&H and Soo do not connect and operate as separate rail systems. No traffic is interchanged directly between these two carriers and in only a small amount of traffic do both carriers participate in the haul.

**NON-INTEGRATED RAILROAD AFFILIATES SHOULD
NOT BE REQUIRED TO FILE
CONSOLIDATED FINANCIAL INFORMATION**

According to the Proposal, FASB No. 94 requires consolidated reporting for all majority owned subsidiaries. The Board is of the view that such consolidation provides it with more meaningful data regarding the operations of these carriers. The Board further recognizes that such consolidated reporting will result in a change in status for several Class II and Class III railroads.

CPR does not read the Proposal or prior Board decisions as requiring consolidated filings by non-integrated rail carriers sharing a common parent where neither carrier controls the other nor has combined operations.¹ Nothing in the Proposal appears to change this. To the extent the Board is considering changing this policy, CPR submits

¹ In Standards For Railroad Revenue Adequacy, 3 I.C.C.2d 261, 302-303 (1986) the Board stated:

Upon review of all the comments, we continue to endorse the concept of consolidation for revenue adequacy purposes. However, we agree that common control should not be the sole criterion for consolidation. **It is also important to consider the nature and the extent of the operating and management relationship between commonly controlled Class I railroads. Two railroads could, for example, be under common control but, nevertheless, be independently managed and form separate and distinct rail systems. In that situation, consolidation would be inappropriate, since it is highly unlikely that a decision affecting one railroad would also affect the other railroad.** (emphasis supplied).

that it should not. The policy reasons articulated by the Board in *Standards for Revenue Adequacy*, cited above, remain valid.

Where railroads are managed separately and where decisions on one railroad will not have a direct impact on the other, the filing of consolidated financial statements could be misleading. Indeed, such consolidated information will not provide the Board with any indication of the revenue adequacy of either carrier.²

THE PROPOSAL COULD IMPOSE SIGNIFICANT ADDITIONAL ADMINISTRATIVE BURDENS

As noted above, CPR does not read the Proposal as requiring inclusion of non-integrated rail affiliates into Class I filings. If it does, such a requirement, in addition to being misleading, would impose significant and unjustified administrative burdens upon CPR.³

CPR is also concerned with the Board's statement that "reporting of railroad and railroad-related activities on a consolidated basis for all regulatory purposes." Proposal at p. 3. The statement is ambiguous. Given its context, the statement appears to be limited

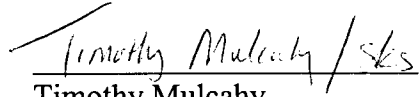
² Indeed, there is little justification for treating a non-integrated Class II carrier which happens to be affiliated with a Class I carrier differently from other Class II carriers. If the Board wishes to impose these types of Class I obligations on affiliated Class II carriers it should impose such obligations on all Class II carriers regardless their affiliation.

³ CPR estimates that it will take an initial investment of 1200 hours to compile R-1 data from the D&H to be incorporated in Soo's R-1. CPR estimates that it will take over 800 additional hours annually to prepare R-1's incorporating D&H data. In addition, in the event the Board decides to implement its Proposal, it should consider delaying complete consolidated for at least 2 years since it will be extremely difficult for rail carriers to provide consolidated financial information for the year 2000 by March, 2001.

to filings required under 49 C.F.R. Part 1201; however, this is not clear in the Proposal.

CPR believes the terms "railroad-related activities" and "all regulatory purposes" need to be clarified.

Respectfully submitted,

Handwritten signature of Timothy Mulcahy in cursive script, with a horizontal line drawn underneath the signature.

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