

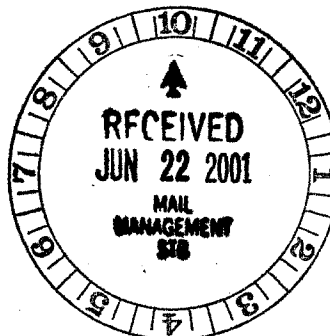
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Procter & Gamble

The Procter & Gamble Company
General Offices
1 Procter & Gamble Plaza, Cincinnati, Ohio 45202-3315

June 21, 2001

Surface Transportation Board
Office of the Secretary
Case Control Unit
1925 K Street NW
Washington, DC 20423-0001



Re: Canadian National Railway Company, Grand Trunk Corporation, and WC Merger Sub, Inc. - Control - Wisconsin Central Transportation Corporation, Wisconsin Central Ltd., Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and Wisconsin Chicago Link Ltd., Finance Docket No. 34000

Dear Secretary Williams,

Enclosed for filing in the above-referenced matter are an original and 25 copies of the Comments of The Procter & Gamble Company, together with a WordPerfect diskette. A certificate of service accompanies the document.

If there are any questions concerning this matter, please call the undersigned at (513) 983-6748.

Sincerely yours,

Michael R. Benoit
North America Rail Process Manager
The Procter & Gamble Company

ENTERED
Office of the Secretary

JUN 22 2001

Part of
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34000



*Canadian National Railway Company, Grand Trunk Corporation,
and WC Merger Sub, Inc.*

- Control -

*Wisconsin Central Transportation Corporation, Wisconsin Central Ltd.,
Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and
Wisconsin Chicago Link Ltd.*

COMMENTS

submitted by

The Procter & Gamble Company

Michael R. Benoit
North America Rail Process Manager
The Procter & Gamble Company
1 Procter & Gamble Plaza
Cincinnati, Ohio 45202
(513) 983-6748

Due: June 25, 2001

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34000

*Canadian National Railway Company, Grand Trunk Corporation, and
WC Merger Sub, Inc.
– Control –
Wisconsin Central Transportation Corporation, Wisconsin Central Ltd.,
Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and
Wisconsin Chicago Link Ltd.*

COMMENTS

submitted by

The Procter & Gamble Company

The Procter & Gamble Company ("P&G") respectfully submits these comments to the Surface Transportation Board ("STB" or "Board") in response to the Notice of Acceptance of Application and Issuance of Procedural Schedule issued by the STB on May 9, 2001.

P&G is a major manufacturer of consumer products that are distributed worldwide with sales exceeding \$38 billion annually. Rail is a key mode of transportation for the shipment of our inbound and interplant bulk materials, as well as outbound chemicals. Our annual rail shipment volume is over 27,000 carloads, and we use all of the major Class I railroads along with several regional railroads for these rail

shipments. P&G currently has contracted shipments with both the CN and the WC. P&G appreciates the opportunity to comment on this merger application.

P&G opposes the CN/WC merger, primarily because of the negative impact we believe this transaction will have on competition. In addition, P&G believes that there will only be minor benefits resulting from this merger, as opposed to the large degree of benefits claimed by the CN. P&G's doubt about the claimed benefits is based on the results we have seen from the execution of the CN/IC merger that was approved in 1999. Given that the CN is the controlling railroad in both the CN/IC and the CN/WC mergers, and that both of these mergers are "end-to-end" mergers, P&G believes that the impacts and results from both of these mergers will be very similar.

The CN is claiming that this merger will have no adverse effect on competition, and that this transaction will enhance "transportation" competition. However, the CN appears to be silent on what the impact will be relative to rail-to-rail competition. P&G believes that the CN/WC merger will have an adverse impact on rail-to-rail competition, and that this merger will continue the slow erosion of rail-to-rail competition that has been taking place over the past twenty years. As a specific example, adverse competitive impacts will be seen on freight that is open to both the CN and the CP originating in Canada moving to destinations in the region currently served by the WC. P&G's data from situations like this seen in previous mergers does not support the logic that a CP-CN lane will ever be competitive with a CN-direct option for the same lane, regardless of any claims made prior to the mergers. These situations have rarely produced improved service and lower rates for the shipper, and P&G does not believe

that the CN/WC merger will lead to any better results than other mergers, to include the CN/IC merger.

The CN is claiming that all active gateways affected by this transaction will remain open at commercially reasonable rates. P&G has had the opportunity to see how the CN applies this approach via the CN/IC merger. The CN indeed keeps the gateways open. However, when they are the originating carrier, they choose the gateway that best meets their needs. For the CN/IC example, freight originating in Canada with a destination in the southeast part of the United States will be interchanged at Memphis as opposed to Buffalo so that the CN can get the long-haul. On the surface, this seems harmless, except that the other carrier that is part of this interline move is not pleased with the short-haul, and this carrier will consequently get the same revenue through Memphis as if the freight had gone through Buffalo, all at the expense of the shipper. After the merger as an example, this same issue can apply with interline freight that originates in the current WC region with a destination in the southeast part of the United States. The Chicago interchange will probably be replaced by a Memphis interchange, and the other carrier in the interline move will get the short-haul. P&G believes that the revenue issues for the short-haul carrier will be no different in the CN/WC situation than it has been in CN/IC situations.

The CN is claiming that this transaction will generate service and efficiency gains for shippers by virtue of avoiding or minimizing car handling between the two railroads with single-line service. Obviously, this is true only for those lanes where the origin and destination are on the CN and the WC, or vice versa. However, P&G currently has no lanes that have a routing of CN-WC, and as a result, this "efficiency gain" is non-

existent for our business. P&G suspects that the number of shipments in general with a current routing of CN-WC, or WC-CN, represents a small percentage of the total shipments impacted by this transaction.

The CN is claiming that this transaction will provide significant benefits to the shipping public. From a financial standpoint, the claimed savings of approximately \$52 million per year is surrounded by such terms as "improved equipment utilization", "reduced operating costs", and "engineering" and "general and administrative cost reductions". It seems to P&G that these terms apply to savings for the CN as opposed to benefits for the public at large. Similar savings were no doubt realized with the CN/IC merger. As yet, P&G has not seen any of these CN/IC savings passed on in the form of reduced rates, and we wonder what will be different with the CN/WC merger.

Conclusion

Were it not for the administrative burden associated with the requirement of protesting parties to provide "substantial evidence" for any request that this merger application be denied, P&G would have opted to take a stronger position against this merger application rather than just submitting comments indicating our opposition to the merger. However, P&G is hopeful that the Board will consider our comments when making its final decision and recommendations concerning this merger application.

Respectfully submitted,

By: Michael R. Benoit

Michael R. Benoit
The Procter & Gamble Company
1 Procter & Gamble Plaza
Cincinnati, Ohio 45202

North America Rail Process Manager

Dated: June 21, 2001

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 22nd day of JUNE, 2001, he served a true and correct copy of the above and foregoing document on all parties of record on the Service List (Appendix A of the Notice To Parties in this proceeding served June 12, 2001) in accordance with the Surface Transportation Board's Rules of Practice by:

- ☒ United States mail, first class postage prepaid
☐ Facsimile transmission
☐ Hand delivery



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