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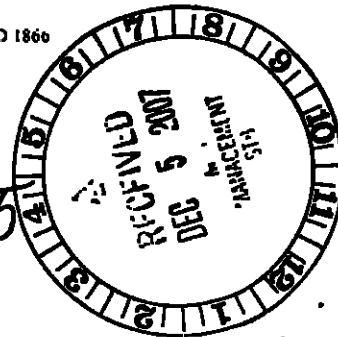
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December 5, 2007

The Honorable Vernon Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

220905



Re: Finance Docket No. 35081, *Canadian Pacific Railway Company, et al -- Control -- Dakota, Minnesota & Eastern Railroad Corp., et al*

Dear Secretary Williams:

Pursuant to the Decision served in the above-captioned proceeding on November 2, 2007, enclosed for filing are the following:

1. An original and 10 copies of a Public Version of the "Supplement to Application by Canadian Pacific Railway Company, *et al* for Approval of Control of Dakota, Minnesota and Eastern Railroad Corporation, *et al* " (the "Supplement to Application");
2. Ten copies of a Highly Confidential Version of the Supplement to Application, to be filed under seal pursuant to the terms of the Protective Order issued by the Board in this proceeding;
3. A check in the amount of \$248,400.00 in payment of the balance of the filing fee of \$255,000 required for the filing of a significant Application; and
4. A disk containing an electronic version of the Public Version of the Supplement to Application.

Please acknowledge receipt of the enclosed filings by date-stamping the extra copies and returning them to our messenger. If you have any questions, please contact the undersigned counsel.

Sincerely,

Terence M. Hynes

TMH:aat
Enclosures

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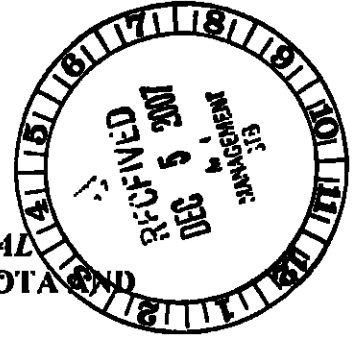
**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Canadian Pacific Railway Company, *et al* Control -
Dakota, Minnesota & Eastern Railroad Corp, *et al*

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SURFACE
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Finance Docket No 35081

**SUPPLEMENT TO APPLICATION BY
CANADIAN PACIFIC RAILWAY COMPANY, *ET AL*
FOR APPROVAL OF CONTROL OF DAKOTA, MINNESOTA AND
EASTERN RAILROAD CORPORATION, *ET AL***



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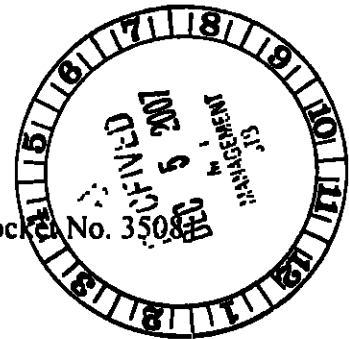
*Counsel for Canadian Pacific
Railway Company*

Dated: December 5, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

Canadian Pacific Railway Company, *et al* – Control –
Dakota, Minnesota & Eastern Railroad Corp. *et al*

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) Finance Document No. 3508
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SUPPLEMENT TO APPLICATION BY
CANADIAN PACIFIC RAILWAY COMPANY, *ET AL*
FOR APPROVAL OF CONTROL OF DAKOTA, MINNESOTA AND
EASTERN RAILROAD CORPORATION, *ET AL*

Pursuant to 49 U.S.C. §§ 11323 *et seq.*, 49 C.F.R. Part 1180, and the Decision served in the above-captioned proceeding on November 2, 2007 (the “*November 2 Decision*”), Canadian Pacific Railway Company (“CPRC”); Soo Line Holding Company (“SOO Holding”), Dakota, Minnesota & Eastern Railroad Corporation (“DM&E”); and Iowa, Chicago & Eastern Railroad Corporation (“IC&E”) (collectively, CPRC, SOO Holding, DM&E and IC&E are referred to hereinafter as “Applicants”), hereby submit this Supplement to their Application for approval by the Surface Transportation Board (“Board”) of the acquisition of control of DM&E and IC&E by SOO Holding (and, indirectly, by CPRC) filed in the above-captioned proceeding on October 5, 2007 (the *October 5 Application*)

In the *October 5 Application*, Applicants indicated their belief that the proposed transaction was a “minor” transaction under the Board’s regulations at 49 C.F.R. § 1180.2(b). *See October 5 Application* at 3-4. Nevertheless, in order to enable interested parties (and the Board) to understand more fully the benefits and effects of the proposed transaction, Applicants submitted not only the information required in connection with a “minor” transaction, but also the additional information prescribed by the Board’s regulations for “significant” transactions.

Specifically, the *October 5 Application* contained the information required for “significant” transactions by the following sections of the Board’s regulations: 49 C F R §§ 1180.6(b)(3) (Exhibit 8, Change in Control), (b)(5) (Exhibit 10, Issues); (b)(6) (Exhibit 11, Corporate Chart), (b)(7) and (b)(8) (Intercorporate or Financial Relationships); § 1180.7 (Exhibit 12 - Market Analysis); and § 1180.8(b) (Exhibit 13 - Operating Plan). *Id.* at 6.

In the *November 2 Decision*, the Board determined that the proposed transaction should be classified as a “significant” transaction, that the *October 5 Application* would be treated as the prefiling notification required for “significant” transactions, and that Applicants could “perfect” their Application on or after December 5, 2007 by submitting the remainder of the filing fee for a “significant” transaction. *See November 2 Decision* at 7. The Board also found that Applicants could perfect their *October 5 Application* “with or without supplemental information because they have already submitted sufficient information to substantially comply with the informational requirements for a ‘significant transaction.’” *Id.*¹

Applicants have today submitted the balance of the requisite filing fee, and respectfully request that the Board accept the *October 5, 2007 Application* (as supplemented herein). While that Application includes all of the information required in connection with a significant transaction, Applicants are submitting certain supplemental information that demonstrates further that the proposed transaction satisfies the standard set forth at 49 U.S.C. § 11324(d) and therefore must be approved:

¹ The *November 2 Decision* also instructed Applicants to submit a revised proposed procedural schedule reflecting the Board’s determination that the transaction is “significant.” Applicants submitted a revised proposed procedural schedule on November 13, 2007. On November 26, 2007, the Board issued a Decision inviting interested parties to comment on the proposed schedule on or before December 10, 2007.

First, Applicants are submitting the Supplemental Verified Statement of John H. Williams. The Verified Statement submitted by Mr. Williams as part of the *October 5 Application* presented a detailed analysis of every rail station that is (or could be) commonly served by CPR and DME today. As that testimony demonstrates, the proposed transaction would not result in a substantial lessening of competition at any possible “2 to 1” or “3 to 2” station. Mr. Williams’ Opening Verified Statement also showed that none of the fourteen short line carriers that presently connects with DME would be left without competitive routing options following the proposed transaction — indeed, most of those short lines have access to multiple options involving non-Applicant carriers.

Nevertheless, in a Verified Statement submitted on behalf of Iowa Northern Railway Company (“IANR”) on October 26, 2007, witness Curtis Grimm suggested that the *October 5 Application* did not adequately address the potential competitive impacts of the proposed transaction. *See* IANR-1, Comments of Iowa Northern Railway Company on Proposed Procedural Schedule, V S. Grimm at 43-47. Mr. Grimm made no attempt to analyze the competitive effects of the proposed transaction, nor did he identify a single competitive problem raised by the transaction. Rather, Mr. Grimm asserted that

“one cannot reach a conclusion that there are no horizontal competitive effects without a careful and systematic analysis of whether the instant merger eliminates independent rail routings between broader geographic areas, such as counties or BLAs. In addition, rail mergers can result in reductions in market and/or geographic competition.” *Id.* at 43-44.²

² Mr. Grimm also claimed (erroneously) that Mr. Williams’ Opening Verified Statement had dismissed the possibility of competitive harm at certain stations solely on the basis of the fact that DME does not “compete actively” at those locations (as reflected by the absence of any DME traffic to/from that station in the 2005 *Carload Waybill Sample*). *Id.* at 44. As Mr. Williams’ Supplemental Verified Statement (at 3) explains, Mr. Grimm’s assertion is incorrect.

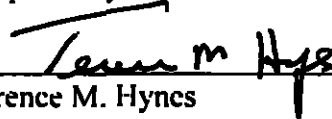
In order to demonstrate that Mr. Grimm's assertions lack substance, Applicants asked Mr. Williams conduct a supplemental analysis that examines Applicants' participation in rail traffic at the Bureau of Economic Analysis Economic Area ("BEA") level, rather than the station-specific level used in his Opening Verified Statement. Mr. Williams' Supplemental Verified Statement buttresses his conclusion that the proposed transaction will not result in a substantial lessening of direct rail competition between CPR and DME. That testimony also shows that the transaction will not reduce or eliminate source or destination competition for the traffic in which Applicants participate today.

Second, Applicants have attached a number of additional verified statements in support of the proposed transaction from both shippers and communities that are served by Applicants.

CONCLUSION

For the reasons set forth in the Application and in this Supplement, Applicants respectfully request that the Board approve, pursuant to 49 U.S.C. §§ 11323 *et seq.*, the transaction contemplated by the Application.

Respectfully submitted,



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*Counsel for Dakota, Minnesota & Eastern
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Counsel for Canadian Pacific Railway Company

Dated: December 5, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing Public Version of the Supplement to Application to be served by first class mail, postage prepaid, this 5th day of December 2007, on all parties of record and the persons listed in 49 CFR § 1180.4(c)(5) as follows

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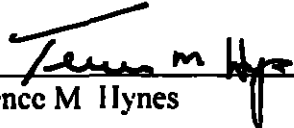
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The Governor, Public Service Commission and Department of Transportation of the States of Delaware, Idaho, Illinois, Indiana, Iowa, , Michigan, Minnesota, Missouri, Montana, Nebraska, New Jersey, New York, North Dakota, Pennsylvania, South Dakota, Virginia, Wisconsin, Wyoming.

Copies of the Highly Confidential Version of the Supplement to Application were mailed, postage prepaid, this 5th day of December 2007, to those parties who executed the Highly Confidential Undertaking


Terence M Hynes

SUPPLEMENTAL VERIFIED STATEMENT OF JOHN H. WILLIAMS

My name is John H. Williams. I am President of The Woodside Consulting Group, Inc., a firm that specializes in railroad transportation consulting. My business address is 385 Sherman Avenue, Suite 1, Palo Alto, CA 94306. My qualifications and experience are set forth in the Verified Statement that I submitted in this proceeding on October 5, 2007 (my "Opening Verified Statement"). The purpose of this Supplemental Verified Statement is to present the results of a further analysis of the potential competitive effects of the proposed acquisition of Dakota, Minnesota and Eastern Railroad Corporation ("DM&E") and its rail carrier subsidiary, Iowa, Chicago & Eastern Railroad Corporation ("IC&E") by Soo Line Holding Company (and, indirectly, by Canadian Pacific Railway Company).¹

In my Opening Verified Statement, I demonstrated that the proposed acquisition of DM&E by CPR will not result in a substantial lessening of rail competition, for several reasons.

First, the proposed transaction is almost entirely "end-to-end" — there is minimal overlap in Applicants' current rail systems, which intersect at only four locations (Chicago, IL and St. Paul, Minnesota City and La Crescent, MN)

Second, the traffic bases of CPR and DM&E are complementary rather than competitive.

Third, no shipper at any rail station that is currently served by both CPR and DM&E will be left without at least two competitive rail options as a result of the proposed transaction

Finally, the proposed transaction will not have adverse impacts on short line carriers whose lines connect with Applicants.

¹ DM&E and IC&E are referred to collectively herein as "DME" and Canadian Pacific Railway Company and its U.S. subsidiaries, Soo Line Railroad Company ("SOO") and Delaware and Hudson Railway Company, Inc. ("D&H") are referred to collectively as "CPR."

My Opening Verified Statement presented a careful analysis of every rail station that is (or could be) commonly served by CPR and DME today. The *Official Railway Station List* (“*OPSL*”) identified only 30 stations in four states (Illinois, Minnesota, Missouri and South Dakota) that appeared to be commonly served by CPR and DME.² Of those 30 stations, only five stations are (according to the *OPSL*) served exclusively by CPR and DMF, and ten others are served by CPR, DME and one other railroad. Based upon a detailed analysis of the competitive circumstances at each station, and of the traffic moving to/from each station reflected in the Board’s 2005 *Carload Waybill Sample*, my testimony demonstrated that, for a variety of station-specific reasons, the proposed transaction would not result in a substantial lessening of competition at any of those 15 possible “2 to 1” or “3 to 2” stations. My Opening Verified Statement also showed that none of the fourteen short line carriers that presently connects with DMF would be left without competitive routing options following the proposed transaction — indeed, most of those short lines have access to multiple options involving non-Applicant carriers.

Nevertheless, in a Verified Statement submitted on behalf of Iowa Northern Railway Company (“IANR”) on October 26, 2007, witness Curtis Grimm suggested that the Application does not adequately address the potential competitive impacts of the proposed transaction. See IANR-1, Comments of Iowa Northern Railway Company on Proposed Procedural Schedule,

² My Opening Verified Statement (at 19) indicated that DME had commercial rights to access shippers at Amherst, Britton, Claremont and Kidder, SD, pursuant to a switching arrangement with the carrier (DMVW) that operates the line on which those four stations are located. I have subsequently learned that DME does not, in fact, have such commercial access, and that the listing of those four stations in the *OPSL* as DMF-served (in anticipation of obtaining rights that were never secured by DME) was in error. Accordingly, DME does not have the ability to compete directly with CPR for traffic originating at Amherst, Britton, Claremont and Kidder, SD.

V.S. Grimm at 43-47. Mr. Grimm did not purport to analyze the competitive effects of the proposed transaction in his Verified Statement, nor did he identify a single competitive concern raised by the transaction. Rather, Mr. Grimm asserted that

“one cannot reach a conclusion that there are no horizontal competitive effects without a careful and systematic analysis of whether the instant merger eliminates independent rail routings between broader geographic areas, such as counties or BEAs. In addition, rail mergers can result in reductions in market and/or geographic competition.” *Id.* at 43-44.³

In order to demonstrate that Mr. Grimm’s assertions lack substance, Applicants asked me to supplement my prior testimony by examining their participation in rail traffic at the Bureau of Economic Analysis Economic Area (“BEA”) level, rather than the station-specific level used in my Opening Verified Statement. In particular, I have been asked to consider whether the proposed transaction might result in a substantial lessening of “geographic” (i.e., source or destination) competition for traffic in which CPR and DME currently participate

³ Mr. Grimm also claimed that my prior analysis dismissed the possibility of competitive harm at certain stations, such as Galewood and Itasca, IL., solely on the basis of the fact that DME did not “compete actively” at those locations (due to the absence of any DME traffic to/from that station in the 2005 *Carload Waybill Sample*). *Id.* at 44. This is incorrect. As my prior testimony made clear, IC&E does not have physical access to customers at Galewood and Itasca (or to other stations in the Chicago and Twin Cities terminal areas). Rather, ICF’s commercial access in those terminal areas is limited to industries for which CPR switches cars for ICF’s account pursuant to a terminal services agreement and CPR’s switching tariff. Industries that are open to IC&E under CPR’s Chicago and Twin Cities switching tariffs are open as well to other railroads serving those terminal areas. (CPR’s tariffs, which identify the commercial access for each CPR-served industry in the Chicago and Twin Cities areas, were included in my work papers. Mr. Grimm did not bother to peruse those workpapers prior to filing his testimony.) It was my analysis of the specific commercial access arrangements governing each station — and not the absence of DME movements in the 2005 *Carload Waybill Sample* — that provided the primary support for my conclusions.

I. METHODOLOGY

The analysis presented in this Supplemental Verified Statement addresses the potential for a reduction in geographic competition between CPR and DME through a detailed look at railroad traffic flows to or from BEAs. The continental United States is divided into 172 distinct BEAs. A single BEA is usually comprised of multiple counties, and may extend across state boundaries, so that the BEA encompasses portions of several states. Although the Bureau of Economic Analysis redefined the BEAs in 2004, my analysis utilizes the prior BEA definitions in order to be consistent with the 2005 *Carload Waybill Sample*, the data source underlying my analysis. The *Carload Waybill Sample* also includes thirteen additional “unofficial” BEA codes used to identify Canadian Provinces and Mexico, bringing the total to 185.⁴

An individual BEA may include any number of railroad stations, and each individual station within a BEA may be served by one or more railroads. Railroads serving shippers at different stations within the same BEA may or may not provide realistic competitive options for shippers located in the BEA. For example, if CPR serves customers at one station within a BEA and DME serves customers at a different station within the same BEA, CPR and DME may or may not competitively constrain one another within that BEA. The extent to which carriers do provide such a competitive constraint depends upon a variety of factors, including whether they handle the same commodity(ies) to/from the BEA, whether they serve the same customers (albeit at different stations within the BEA), whether a shipper located at one station within the BEA

⁴ Because some of the shipments in the *Carload Waybill Sample* are “rebill” (or Rule 11) traffic, shares of CPR, DME and other railroads as originating or terminating carriers may be overstated, especially in major BEAs such as Chicago and Minneapolis/St. Paul. Such large railroad hubs are, however, served by multiple rail carriers that often provide competitive options on both ends of rebill traffic movements.

could build out to reach the lines of another railroad, and whether the commodity(ies) in question can be transloaded. It is for that reason that I conducted my prior analysis of the horizontal competitive effects of the proposed transaction at a station-specific level (which, I believe, provides a far more accurate assessment of direct rail competition).

The use of BEAs in this supplemental analysis addresses both whether or not CPR and DME actually overlap in providing rail service (i.e., a further evaluation of possible horizontal competitive issues) and whether or not Applicants' traffic is subject to effective geographic competition. In considering the potential horizontal competitive effects of the proposed transaction, it is important to note that, in virtually every BEA in which both CPR and DME originate or terminate rail traffic, they face vigorous competition from one or more of BNSF, UP and CN. All three of those carriers operate networks with more comprehensive geographic coverage than CPR or DME. Indeed, in the two major BEAs where Applicants' systems overlap — BEA No. 64 (Chicago/Gary/Kenosha) and BEA No. 107 (Minneapolis/St. Paul) — they compete with all three of those larger rail systems, and with a variety of other regional and short line carriers (not to mention other modes of transportation such as trucks and barges). As the testimony set forth below demonstrates, a BEA-based analysis does not reveal any significant horizontal competitive effects that were not identified by my prior station-specific analysis.

My analysis of the proposed transaction's potential impact on geographic competition has two elements. I first consider the effects of the transaction on "source" competition. Source competition may exist when two or more railroads transport the same commodity from different origins to a common destination. Economic theory holds that receivers of that commodity at that

destination may benefit from the existence of competition between rail carriers supplying the commodity from alternative origins.

In order to assess the potential effect of the proposed transaction on source competition, I applied a so-called “50/10” screen to Applicants’ 2005 traffic to identify destination/commodity pairs (“Destination BEA/Commodity Pairs”) for further analysis.⁵ Specifically, utilizing the 2005 *Carload Waybill Sample* (at the seven-digit STCC level), I identified those instances in which, (1) CPR and DME each originated, terminated or interchanged (i.e., “participated in”) 10% or more of the units of a commodity delivered to the same destination BEA, and their combined share (without double-counting) was 50% or more for that Destination BEA/Commodity Pair (the “50/10 Participation Screen”); or (2) CPR and DME each originated 10% or more of the units of a commodity delivered to the same destination BEA, and their combined share of originations was 50% or more for that Destination BEA/Commodity Pair (the “50/10 Origination Screen”); or (3) CPR and DME each terminated 10% or more of the units of a commodity at the same destination BEA, and their combined share of terminations was 50% or more for that Destination BEA/Commodity Pair (the “50/10 Termination Screen”). In applying the 50/10 Participation Screen, shipments in which Applicants were both participants (e.g., CPR as originating carrier and DME as a bridge or terminating carrier) were counted toward both CPR’s and DME’s shares for purposes of determining whether both carriers participated in 10% or more of the traffic in that Destination BEA/Commodity Pair. However, in order to avoid

⁵ The Board (and the ICC before it) have accepted the use of 50/10 screens as a framework for analyzing issues relating to geographic competition in prior railroad consolidation cases. Moreover, it is my opinion that a substantial reduction in either source or destination competition in a particular BEA/Commodity Pair is unlikely if either applicant handles less than 10% of the total shipments of the subject commodity to/from a particular BEA or if 50% or more of such traffic is handled by non-applicant rail carriers.

double-counting, such shipments were counted only once toward Applicants' combined share for the Destination BEA/Commodity Pair, and the sum of Applicants' individual shares not only had to be at least 50%, it also had to be at least 10 percentage points higher than the greater of the two carriers' individual shares. Destination BEA/Commodity Pairs identified by one or more of the 50/10 Participation Screen, the 50/10 Origination Screen or the 50/10 Termination Screen were reviewed in greater detail to determine whether such traffic holds the potential for a significant reduction in source competition as a result of the proposed transaction. In all, application of the 50/10 screens identified 18 Destination BEA/Commodity Pairs for further review. Those Destination BEA/Commodity Pairs are listed in Attachment A

The fact that application of the 50/10 screens identified one or more commodity movements for further study does not, in and of itself, indicate that the proposed transaction is likely to result in a substantial lessening of source (or destination) competition with respect to that movement. The 50/10 screens merely provide a starting point for an analysis of geographic competition. CPR and DME may not, in fact, be capable of providing an effective competitive constraint on one another for the Destination BEA/Commodity Pairs identified by applying the 50/10 screens. Rather, the competitive circumstances relating to each of the identified Destination BEA/Commodity Pairs must be considered in order to determine whether it represents a potential harm to source competition. As Part II A of this Supplemental Verified Statement shows, each of the Destination BEA/Commodity Pairs identified by applying the 50/10 screens in this case has rail access to ample alternative sources of the subject commodities. I conclude, therefore, that the proposed transaction will not create opportunities for Applicants to

raise prices significantly or to reduce service levels for the studied traffic, as such actions would, in all likelihood, result in the loss of the business to alternative sources of supply.

My analysis of the proposed transaction's potential impact on geographic competition also considered the effects of the transaction on "destination" competition. Destination competition may exist when two or more railroads transport the same commodity from a common origin to different destinations. In assessing the potential effect of the proposed transaction on destination competition, I applied the same "50/10" analysis to Applicants' 2005 traffic to identify origin/commodity pairs ("Origin BEA/Commodity Pairs") for further analysis.

Specifically, utilizing the 2005 *Carload Waybill Sample* (at the seven-digit STCC level), I identified those instances in which: (1) CPR and DME each originated, terminated or interchanged (i.e., "participated in") 10% or more of the units of a commodity originating at a particular BEA, and their combined share (without double-counting) was 50% or more for that Origin BEA/Commodity Pair (the "50/10 Participation Screen"); or (2) CPR and DME each terminated 10% or more of the units of a commodity that moved from the same origin BEA, and their combined share of terminations was 50% or more for that Origin BEA/Commodity Pair (the "50/10 Termination Screen"); or (3) CPR and DME each originated 10% or more of the units of a commodity that moved from the same origin BEA, and their combined share of originations was 50% or more for that Origin BEA/Commodity Pair (the "50/10 Origination Screen"). In applying the 50/10 Participation Screen to this destination competition analysis, shipments in which Applicants were both participants (e.g., CPR as originating carrier and DME as a bridge or terminating carrier) were counted toward both CPR's and DME's shares for purposes of determining whether both carriers participated in 10% or more of that Origin BEA/Commodity

Pair traffic, but such shipments were counted only once in calculating Applicants' combined share and the sum of Applicants' individual shares not only had to be at least 50%, it also had to be at least 10 percentage points higher than the greater of the two carriers' individual shares. Origin BEA/Commodity Pairs identified by one or more of the 50/10 Participation Screen, the 50/10 Origination Screen or the 50/10 Termination Screen were reviewed in greater detail to determine whether such traffic holds the potential for a significant reduction in destination competition as a result of the proposed transaction. In all, this analysis identified 24 Origin BEA/Commodity Pairs for further review. Those Origin BEA/Commodity Pairs are listed in Attachment B. As Part II.B of this Supplemental Verified Statement shows, the availability of source competition for those movements at the destination, and/or the ability of shippers at the origin to access alternative destinations for the commodities handled by Applicants from a common origin BEA today, will constrain the ability of Applicants to impose significant prices increases or to reduce service levels following the proposed transaction

II. STUDY RESULTS

This part of my Supplemental Verified Statement presents the results of my analysis of the potential effects of the proposed transaction on source and destination competition, based upon application of the 50/10 screens to Applicants' 2005 traffic. The potential effects of the proposed transaction on source competition are discussed in Part II A. and the potential effects of the proposed transaction on destination competition are considered in Part II.B

As can be seen in Attachments A and B, there are few Destination BEA/Commodity Pairs or Origin BEA/Commodity Pairs in which both CPR and DME participate significantly. Indeed, application of the 50/10 Participation Screen, the 50/10 Origination Screen and the 50/10

Termination Screen to Applicants' 2005 traffic yielded only 18 Destination BEA/Commodity Pairs and 24 Origin BEA/Commodity Pairs for further review. Moreover, the volumes potentially at issue for most of those Destination BEA/Commodity Pairs and Origin BEA/Commodity Pairs are very modest. They amount to more than 5200 cars annually, or one train per week, for only one Destination BEA/Commodity Pair, and one Origin BEA/Commodity Pair, identified for further review by the 50/10 screens. See Attachment A, Line 1, Attachment B, Line 1. (As the analysis set forth below shows, those two movements involve wheat and soybeans, ubiquitous commodities for which there exists extensive source and destination competition.) Thirty-one (31) of the 42 Destination BEA/Commodity Pairs and Origin BEA/Commodity Pairs listed on Attachments A and B involve movements for which Applicants' combined share is less than three (3) units per day, and 17 of those 31 movements involve less than one (1) unit per day. The Board's decisions in recent consolidation proceedings governed by Section 11324(d) indicate that it "must grant the application unless there will be adverse competitive impacts that are both 'likely' and 'substantial'."⁶ The relatively few commodity movements identified by applying the 50/10 screens to Applicants' 2005 traffic at the BEA level, and the very small volumes of traffic involved for most of the identified movements, confirms the conclusion set forth in the station-specific analysis presented in my Opening Verified Statement that the proposed transaction would not result in a substantial lessening of direct rail competition between CPR and DME. Moreover, even if some of the commodity movements identified for further study by the 50/10 screens represented potential threats to source or destination competition – and, as my testimony demonstrates, they do not – effects on such small

⁶ See, e.g., Finance Docket No. 34783, *The Indiana Rail Road Company – Acquisition – Soo Line Railroad Company*, Decision No. 4, dated April 6, 2006, at 4.

traffic movements would not support a finding that the proposed transaction would generate “substantial” anticompetitive impacts.

A. Analysis of Source Competition

Attachment A contains a list of eighteen (18) Destination BEA/Commodity Pairs identified for further review by application of the 50/10 screens to Applicants’ 2005 traffic. For each Destination BEA/Commodity Pair, Attachment A identifies the Destination BEA (by number and geographic name); the commodity (by seven-digit STCC and description); the relevant 50/10 screen (Participation, Origination or Termination) under which the movement was identified for further review; the number of units that CPR originated, terminated or participated in (depending on the applicable screen) during 2005; the number of units that DME originated, terminated or participated in (depending on the applicable screen) during 2005, Applicants’ combined share of total originations, terminations or participation (depending on the applicable screen); and the total number of units of the subject commodity moved into the Destination BEA by all rail carriers during 2005. The Destination BEA/Commodity Pairs on Attachment A are listed in descending order, based on the total number of units shown in the “Post-Transaction Combined” column. All unit figures are from the 2005 *Carload Waybill Sample*

As can be observed from Attachment A, in only one of the 18 Destination BEA/Commodity Pairs identified for further analysis by the 50/10 screens does the number of units potentially at issue exceed 5200 cars per year (or one train per week). In fact, in all but four (4) of those Destination BEA/Commodity Pairs, the traffic potentially at issue is less than three (3) units per day, and nearly half (8) involve less than a single carload per day.

My analysis of each of the Destination BEA/Commodity Pairs identified on Attachment A is set forth below

Line No. 1: BEA No. 106, STCC 0113710

Destination BEA No. 106 is Rochester, MN-IA-WI, and the commodity is STCC 0113710 (Spring wheat). The Rochester BEA is served by BNSF and UP, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 5,652 shipments of spring wheat to the Rochester BEA during 2005, of which CPR participated in 2,844 units and DME participated in 3,448 units. The total number of units of spring wheat delivered by all rail carriers to the Rochester BEA in 2005 was 6,928 units. BNSF originated 1,972 units of spring wheat that moved to the Rochester BEA from origins in North Dakota, South Dakota and Texas. ICWR originated 808 units from origins in Minnesota and South Dakota, CPR originated 700 units from Minnesota and North Dakota, and DME originated 3,448 units, all from South Dakota. A portion of this traffic, 640 units, moved in CPR-DME interline service during 2005 and will benefit from the single system service made possible by the proposed transaction.

The "Class 1 Freight Commodity Statistics" published by the Association of American Railroads (the "*Freight Commodity Statistics*") indicate that BNSF originated a total of [] units of wheat at various points on its lines during 2005. (This is approximately [] times the volume of wheat shipments to the Rochester BEA in which Applicants participated during that year.) BNSF serves the Rochester BEA, and participated in movements of nearly 2,000 units of spring wheat to that BEA in 2005. BNSF could easily divert additional units of spring wheat from other origins to the Rochester BEA in response to any attempt by CPR-DME to raise prices

significantly, or to reduce service levels, following the proposed transaction. ICWR, which operates lines in southern Minnesota and originated more than 800 units of spring wheat moving to the Rochester BEA in 2005, is likewise positioned to respond to such actions by CPR-DME. The presence of BNSF and ICWR as originators of spring wheat shipments into the Rochester BEA provides ample source competition for spring wheat shipments handled by CPR-DME, and those carriers will effectively constrain CPR-DME's post-transaction pricing of this traffic.

Line No. 2: BEA No. 107, STCC 2631117

Destination BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA, and the commodity is STCC 2631117 (Pulpboard or fiberboard). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 3,120 shipments of pulpboard/fiberboard to the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 2,160 units and DME participated in 1,920 units. The total number of units of pulpboard/fiberboard delivered by all rail carriers to the Minneapolis-St. Paul BEA in 2005 was 5,920 units. This ubiquitous traffic originated in a myriad of U.S. States and Canadian Provinces, including Alabama, Arkansas, British Columbia, Florida, Georgia, Iowa, Louisiana, Michigan, Mississippi, Montana, New Hampshire, Oregon, Oklahoma, Quebec, South Carolina, Tennessee, Texas, Virginia, Washington and Wisconsin. Moreover, the 5,920 units of pulpboard/fiberboard that moved to the Minneapolis-St. Paul BEA in 2005 were originated by a dozen different rail carriers, although neither CPR nor DME originated any of those shipments. Rather, CPR terminated 2,160 shipments, while DME served as terminating carrier for 1,040 shipments and participated as a bridge carrier in 960 of the shipments terminated by CPR.

The facts that (1) the Minneapolis-St. Paul BEA is served by three Class I railroads (BNSF, CN and UP) in addition to Applicants, as well as a number of short line carriers, (2) the 5,920 shipments of pulpboard/fiberboard delivered to the Minneapolis-St. Paul BEA during 2005 originated at numerous points throughout the United States and Canada; (3) all of those 5,920 shipments were originated by a railroad other than CPR or DME, and (4) carriers other than Applicants accounted for 47% of the terminated units of pulpboard/fiberboard at the Minneapolis-St. Paul BEA in 2005 demonstrate that there exists strong source competition for pulpboard/fiberboard traffic moving to the Minneapolis-St. Paul BEA, and that the proposed transaction is unlikely to result in any reduction in source competition for this commodity

Line No. 3: BEA, No. 104, STCC 3241115

Destination BEA No. 104 is Madison, WI-IL-IA, and the commodity is STCC 3241115(Cement). The Madison BEA is served by BNSF and WSOR, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined originated 2,088 shipments of cement that moved to the Madison BEA during 2005, of which CPR originated 708 units and DME originated 1,220 units. The total number of units of cement delivered by all rail carriers to the Madison BEA in 2005 was 2,128 units. CPR provided single system service to 708 units that originated elsewhere in Wisconsin. CPR and DME provided joint service to 1,220 units, all of which were originated by DME in Iowa and delivered by CPR. This interline traffic will enjoy the benefits of single system service as a result of the proposed transaction. The remaining traffic was originated by UP in Iowa and by a short line in Michigan.

Cement is a readily available product that is subject to truck and barge competition, as well as competition from alternative rail routes and sources. For example, the *Freight Commodity Statistics* indicate that UP originated almost [] units of cement, and BNSF almost [] units, on their respective lines during 2005. Given the large volume of cement originating on the lines of these competing carriers (particularly in comparison to the volume handled by Applicants into the Madison BEA), it is likely that shipments of cement could be diverted to the Madison BEA via alternate rail routings involving BNSF and/or WSOR in response to any attempt by CPR-DME to raise prices significantly, or to reduce service levels, following the proposed transaction. Cement could also be transloaded from a competitive railhead on BNSF or WSOR and trucked to destinations in the Madison BEA. Accordingly, it is my opinion that the proposed transaction will have little effect on source competition for cement shipments moving to the Madison BEA (although the transaction will provide the benefits of single system service to the 1,220 units of cement traffic that CPR and DME handle on an interline basis today)

Line No. 4: BEA No. 107, STCC 2821142

Destination BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 2821142 (Polyethylene). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 2,036 shipments of polyethylene that moved to the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 1,640 units and DME 396 units. The total number of units of polyethylene delivered by all rail carriers to the Minneapolis-St. Paul BEA during 2005 was 3,236 units. This

traffic originated in a variety of States, including Illinois, Iowa, Louisiana, Minnesota, Texas and Wisconsin, as well as Provinces of Alberta and Ontario.

Carriers other than CPR and DME originated 64% of the polyethylene traffic destined to this BEA. UP originated the largest share (1,320 units, or 41% of all rail shipments of polyethylene delivered to the Minneapolis-St. Paul BEA during 2005). BNSF originated 360 units, CN originated 200 units, CSX originated 40 units, and EJE originated 160 units. CPR provided single system service for 560 units and originated an additional 240 units that were delivered by UP. DME originated 356 units, most of which were terminated by UP.

According to the *Freight Commodity Statistics*, UP is the principal U.S. carrier of this commodity, having originated [] units — or [] of all U.S. rail shipments of plastic materials — in 2005. (By contrast, CPR is a very small originator of plastics, having originated less than [] of the U.S. total in 2005.) The volume of plastics shipments originated by UP alone is [] times the number of polyethylene shipments to the Minneapolis-St. Paul BEA in which Applicants participated during 2005. Given its extensive access to origins for this commodity, and its ability to offer single line service to the Minneapolis-St. Paul BEA, UP could readily divert additional units of polyethylene to the Minneapolis-St. Paul BEA in response to any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction. BNSF also has access to substantial originations of polyethylene and serves the Minneapolis-St. Paul BEA, so that it could mount a similar competitive response. Polyethylene pellets could also be transloaded at a competitive railhead for delivery to CPR customers in the Minneapolis-St. Paul BEA, if such a response were required.

Given the significant presence of other carriers, including principally UP, BNSF and CN, originating traffic for this Destination BEA/Commodity Pair, and the ability to transload this commodity, it is my opinion that Applicants will continue to face effective source competition for these movements.

Line No. 5: BEA No. 107, STCC 4909152

Destination BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA, and the commodity is STCC 4909152 (Ethanol). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined originated 1,080 shipments of ethanol that moved to the Minneapolis-St. Paul BEA during 2005, of which CPR originated 400 units and DME 680 units. The total number of shipments delivered by all rail carriers from the Minneapolis-St. Paul BEA during 2005 was 1,800 units. BNSF and UP both handled shipments of ethanol on a single system basis into the Minneapolis-St. Paul BEA during 2005, with BNSF handling 560 units and UP handling 120 units. Origins for the BNSF and UP traffic were in Iowa, Kansas, Missouri, Nebraska and South Dakota. The 400 units handled by CPR originated at stations in Minnesota and moved in single system service to destination. The 680 DME units originated at stations in Iowa, and all of them were interchanged with CPR at River Jct., MN and delivered by CPR. These 680 units will enjoy the benefits of single system service as a result of the proposed transaction. CPR terminated an additional 40 units originated in Wisconsin by WSOR.

The *Freight Commodity Statistics* indicate that UP originated [] units, BNSF [] units, and CN [] units, of ethanol traffic at locations on their respective lines during 2005.

These shipments originated by UP, CN and BNSF amount to more than [] times the number of ethanol shipments potentially at issue for this Destination BEA/Commodity Pair. Given the large volume of product originating on the lines of these competing carriers, and the fact that UP and BNSF both can deliver shipments of ethanol to the Minneapolis-St. Paul BEA on a single line basis, it is likely that either (or both) of those carriers could divert additional units to the Minneapolis-St. Paul BEA in response to any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction. The combined influence of BNSF and UP in this Destination BEA/Commodity Pair would be more than adequate to preclude any price or service actions by the combined CPR-DME that might otherwise adversely affect rail customers. Moreover, as witness Foot's testimony demonstrates, the ethanol marketplace is rapidly evolving, with new facilities coming on line and many more in the planning stage. If Applicants were to raise rates or reduce their service offerings for ethanol, producers could simply build their new facilities on the lines of competing railroads rather than on CPR-DME. This would defeat CPR's goal of becoming a substantial participant in the growing ethanol business.

Line No. 6: BEA No. 64, STCC 0114940

Destination BEA No. 64 is Chicago-Gary-Kenosha, IL-IN-WI, and the commodity is STCC 0114940 (Sunflower seeds). The Chicago-Gary-Kenosha BEA is served by all of the Class I railroads, including BNSF, CN and UP, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 840 shipments of sunflower seeds to the Chicago BEA during 2005, of which CPR participated in 120 units and DME participated in 720 units. The total number of units of sunflower seeds delivered by all rail

carriers to the Chicago BEA in 2005 was 960 units. Single system service to Chicago was provided by CPR, which originated 120 units in North Dakota; by DME, which originated 640 units in South Dakota; and by BNSF, which originated 120 units in North Dakota. DME also originated an additional 80 units in South Dakota that were delivered in Illinois by CN.

Sunflower seeds are another common agricultural product that is originated not only in North and South Dakota, but in Colorado, Kansas, Nebraska and Texas. Of the total oilseeds (other than soybeans) traffic originated in the U.S. during 2005, BNSF originated [], UP originated [], while CPR originated only [] of total units. The volume of this commodity available from alternative origins served by BNSF and UP dwarfs the 840 shipments potentially at issue for this Destination BEA/Commodity Pair. Either BNSF or UP (or both) could readily divert additional units of sunflower seeds to the Chicago-Gary-Kenosha BEA in response to any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction.

Line No. 7, BEA No. 107, STCC 3312265

Destination BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA, and the commodity is STCC 3312265 (Iron or steel structural plates). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 760 units of iron or steel structural plates delivered to the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 120 units and DME participated in 640 units. The total number of units of iron or steel structural plates delivered by all rail carriers to the Minneapolis-St. Paul BEA during 2005 was 880 units. DME both originated and terminated 640 units from Iowa, CPR originated and

terminated 120 units from Saskatchewan, and BNSF originated and terminated 120 units from Alabama.

The *Freight Commodity Statistics* indicate that BNSF originated [] units, UP originated [] units, and CN (U.S. operations) originated [] units, of primary iron and steel products at locations on their respective lines during 2005. Given the very large volume of iron and steel products available from sources served by those railroads, and the fact that each of them can deliver shipments to the Minneapolis-St. Paul BEA on a single line basis, it is clear that any of those competing carriers could deliver additional primary iron and steel products from alternate origins to the Minneapolis-St. Paul BEA in response to any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction. The threat of losing the subject shipments to competing carriers and sources would be more than adequate to preclude any price or service actions by CPR-DME that might adversely affect rail customers of this commodity in this Destination BEA.

Line No. 8: BEA No. 141, STCC 3312663

Destination BEA No. 141 is Denver-Boulder-Greeley, CO-KS-NE, and the commodity is STCC 3312663 (Iron or steel pipe). Neither CPR nor DME serves the Denver BEA.

As shown in Attachment A, CPR and DME combined participated in 600 shipments of iron or steel pipe to the Denver BEA during 2005, of which CPR participated in 440 units and DME participated in 160 units. The total number of units of iron or steel pipe delivered by all rail carriers to the Denver BEA during 2005 was 880 units. All 880 units in this Destination BEA/Commodity Pair were terminated by UP. Of this total, 280 units were handled by UP in

single system service from origins in Illinois, Iowa and Oklahoma CPR originated 440 units in Alberta and DME originated 160 units in Iowa

As the sole terminating carrier for this Destination BEA/Commodity Pair, UP clearly is the dominant railroad in this movement. I see no opportunity for Applicants to raise rates or reduce service on this traffic as a result of the proposed transaction. As stated in connection with Line No. 7 above, UP originated [] units of iron and steel products at various locations on its system during 2005. Given the massive volume of iron and steel products available from alternative UP-served origins, and the fact UP can deliver such shipments to the Denver BEA on a single line basis, it is clear that any attempt by Applicants to exercise such power would result in the loss of the traffic.

Line No. 9: BEA No. 4, STCC 2092314

Destination BEA No. 4 is Burlington, VT-NY, and the commodity is STCC 2092314 (Soybean oil meal). The Burlington BEA is served by CN, MMA, NI.CR and VTR.

As shown in Attachment A, CPR and DME combined participated in 560 shipments of soybean meal to the Burlington BEA during 2005, with each carrier participating in 280 units. The total number of units of soybean meal delivered by all rail carriers to the Burlington BEA during 2005 was 916 units. Neither CPR nor DME can serve the Burlington BEA. Of the total volume, 200 units were originated by DME in Iowa, 280 units were originated by CPR in Chicago, 80 units were originated by CN in Iowa and Illinois, 80 units were originated by UP in Minnesota, 80 units were originated by CLP in New York, and the remaining 196 units were originated by NECR in Massachusetts.

Soybean meal is another product that is shipped by rail in large volumes. According to the *Freight Commodity Statistics*, [] units of soybean cake and meal were originated by rail in 2005. BNSF originated [] units, CN originated [] units, and UP originated [] units, while CPR originated only [] units of this traffic. These figures demonstrate that additional units of soybean meal could readily be diverted to the Burlington BFA, by a number of railroads from a multiplicity of alternative origins, in response to any attempt by CPR-DME to raise prices or to reduce service levels following the proposed transaction. Source competition from three large Class I carriers, BNSF, CN and UP, as well as from CLP and NECR, provides an effective competitive restraint to any action by CPR-DME for the traffic at issue in this Destination BFA/Commodity Pair.

Line No. 10: BEA No. 107, STCC 0114940

Destination BEA is Minneapolis-St. Paul, MN-WI-IA, and the commodity is STCC 0114940 (Sunflower seeds). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined terminated 476 shipments of sunflower seeds in the Minneapolis-St. Paul BEA during 2005, of which CPR terminated 200 units and DME terminated 276 units. DME originated all 476 units.

As I have previously discussed (*see* Line No. 6, BEA No. 64 (Chicago-Gary-Kenosha)), sunflower seeds are a common product that is originated in several states. The two primary originating Class I carriers of sunflower seeds are BNSF and UP, both of which serve the Minneapolis-St. Paul BEA. If CPR-DME were to attempt to raise prices significantly or to

reduce service levels following the proposed transaction, either BNSF or UP (or both) could be expected to divert additional units of sunflower seeds to the Minneapolis-St. Paul BEA.

Moreover, because DME already originates 100% of the sunflower seeds shipments that terminate in this BEA, the proposed transaction would not have any impact on existing source competition for this Destination BEA/Commodity Pair. What the proposed transaction will do is extend single system service by the combined CPR-DME to an additional 200 units of this traffic.

Line No. 11: BEA No. 104, STCC 2821142

Destination BEA No. 104 is Madison, WI-IL-IA and the commodity is STCC 2821142 (Polyethylene). The Madison BEA is served by BNSF and WSOR, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 360 units of polyethylene that moved to the Madison BEA during 2005, of which CPR participated in 160 units and DME 200 units. The total number of units of polyethylene delivered by all rail carriers to the Minneapolis-St. Paul BEA during 2005 was 400 units. UP originated 240 units, or 60% of all polyethylene shipments into the Madison BEA, from origins on its lines in Iowa, Louisiana and Texas. CPR originated 80 units in Chicago, and also terminated 80 units that were originated by UP. DME originated 80 units in Iowa that were terminated by WSOR. Of UP's total originated traffic, 40 units were terminated by BNSF, 80 units were terminated by CPR and 120 units were terminated by DME at the Madison BEA.

As previously discussed (see Line No. 4 (Minneapolis-St. Paul BEA)), polyethylene is a commonly available commodity that is produced at a variety of locations in the U.S. Consistent

with its position as the largest originator of rail shipments of plastic materials, UP already originates 60% of the total polyethylene traffic destined to the Madison BEA. Given UP's access to massive volumes of polyethylene from alternative sources, it could easily replace the 360 units (less than one carload per day) in which Applicants participated to the Madison BEA in response to any anticompetitive behavior by CPR-DME, most likely in joint rail service with WSOR. In addition, as discussed above, pelletized polyethylene could easily be transloaded from a competitive railhead for delivery to any CPR-served destination in the Madison BEA

Line No. 12: BEA No. 107, STCC 2871315

Destination BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 2871315 (Nitrogen fertilizer). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined participated in 284 shipments of nitrogen fertilizer delivered to the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 120 units and DME participated in 164 units. The total number of units of nitrogen fertilizer delivered by all rail carriers to the Minneapolis-St. Paul BEA during 2005 was 496 units. BNSF, CN and UP originated 328 units -- or 66% of all shipments of nitrogen fertilizer delivered to the Minneapolis-St. Paul BEA during 2005 -- at various locations in the States of Iowa and Oklahoma and the Province of Manitoba. CPR originated and terminated 120 units and DME originated and terminated 48 units.

According to the *Freight Commodity Statistics*, UP originated [] units, BNSF [] units, and CN [] units, of fertilizer at points on their respective systems during 2005. All three of these Class I carriers serves the Minneapolis-St. Paul BEA, and therefore could deliver

additional volumes of fertilizer to that destination in efficient single system service. Given the large volume of alternative product available to each of these Class I competitors, any one of them could easily displace the 284 units (less than one carload per day) of nitrogen fertilizer to the Minneapolis-St. Paul BEA in which Applicants currently participate.

Line No. 13: BEA No. 5, STCC 2046210

Destination BEA No. 5 is Albany-Schenectady-Troy, NY, and the commodity is STCC 2046210 (Corn starch). The Albany-Schenectady-Troy BEA is served by CSX and NS, in addition to CPR.

As shown in Attachment A, CPR and DME combined originated 280 shipments of corn starch delivered to the Albany-Schenectady-Troy BEA during 2005, of which CPR originated 120 units and DME originated 160 units. All 280 units were terminated by CPR in the Albany-Schenectady-Troy BEA. The proposed transaction would enable Applicants to convert the 160 units in which DME currently participates to single system service.

The *Freight Commodity Statistics* indicate that the volume of corn starch shipments originated by rail carriers in the U.S. in 2005 was [] units, or [] times the number of corn starch shipments potentially at issue for this Destination BEA/Commodity Pair. To the extent that the receiver of the subject traffic has competitive rail options at the destination, the large volume of this commodity that is available from other rail-served sources will act as a competitive restraint to any adverse price or service actions by CPR-DME. To the extent that CPR's position as terminating carrier for 100% of the shipments in this Destination BEA/Commodity Pair during 2005 is attributable to the fact that the traffic moved to a single

station that is served exclusively by CPR, the proposed transaction would not, in any event, result in a reduction in the receiver's competitive options⁷

Line No. 14: BEA No. 178, STCC 2879958

Destination BEA No. 178 is Ontario, Canada, and the commodity is STCC 2879958 (Tree or weed killing compounds). The Ontario BEA is served by CN, CSX and NS, in addition to CPR

As shown in Attachment A, CPR and DME combined participated in 240 units of tree/weed killing compounds delivered to the Ontario BEA during 2005, of which CPR participated in 80 units and DME participated in 160 units. The total number of units of tree/weed killing compounds delivered by all rail carriers to the Ontario BEA during 2005 was 280 units. Of this total, CN was the dominant terminating carrier, with 200 units (or 71%) of the total BEA volume. CPR terminated only 80 units, or 29% of the traffic. CN and IAIS originated traffic in Iowa and Louisiana and DME originated all of its traffic in Iowa. Applicants' combined share of this traffic amounted to less than one (1) carload per day.

In the event of any adverse price or service actions by CPR-DME, CN would, in my opinion, work with IAIS to handle its originated traffic and CN would select alternate sources for the traffic now originated by DME. All of these potential actions by CN would serve as a competitive restraint to any adverse price or service actions by CPR-DME.

⁷ The 100% origination share shown for CPR and DME in the 2005 *Carload Waybill Sample* for this Destination BEA/Commodity Pair (and similar shares for other Destination BEA/Commodity Pairs and Origin BEA/Commodity Pairs on Attachments A and B with very small shipment volumes) does not necessarily mean that no other railroads ever originate, terminate or participate in those movements. Rather, it is possible that the participation of such other carriers in such infrequent shipments was not picked up in the 2005 *Carload Waybill Sample*.

Line No. 15: BEA No. 4, STCC 0114940

Destination BEA No. 4 is Burlington, VT-NY, and the commodity is STCC 0114940 (Sunflower seeds). The Burlington BEA is served by CN, MMA, NECR and VTR.

As shown in Attachment A, CPR and DME combined originated 208 shipments of sunflower seeds that were delivered to the Burlington BEA during 2005, with CPR originating 40 units and DME 168 units. Neither CPR nor DME can serve the Burlington BEA. All of the traffic originated by Applicants, which amounted to less than one unit per day, was delivered by MMA. The total number of units of sunflower seeds delivered by all rail carriers to the Burlington BEA during 2005 was 248 units.

As I have discussed above (see Line No. 6, BEA No. 64 (Chicago-Gary-Kenosha)), sunflower seeds are a common agricultural product that is originated by a number of Class I rail carriers at locations in a variety of states. The volume of this commodity available from alternative origins served by non-Applicant carriers dwarfs the 208 units potentially at issue for this Destination BEA/Commodity Pair. If Applicants were to attempt to raise prices significantly or to reduce service levels for this traffic following the proposed transaction, other carriers could readily divert additional shipments of sunflower seeds to the Burlington BEA. In particular, because neither CPR nor DME serves the destination BEA, CPR-DME originated traffic would be particularly vulnerable to resourcing from origins and routings not involving Applicants.

Line No. 16: BEA No. 106, STCC 4905421

Destination BEA No. 106 is Rochester, MN-IA-WI, and the commodity is STCC 4905421 (Liquefied petroleum gases ("LPG"), a hazardous material). The Rochester BEA is served by BNSF and UP, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined terminated 160 shipments of LPG that were delivered to the Rochester BEA during 2005, with CPR terminating 40 units and DME terminating 120 units. Applicants' combined traffic amounts to less than one unit every two days. All of this traffic was originated by CPR in Alberta and terminated by either CPR or DME.

The *Freight Commodity Statistics* indicate that Class I railroads originated [] units of similar traffic in 2005. Alternative sources of this commodity would be readily available from other locations and would serve as a competitive constraint upon any adverse price or service actions by CPR-DME. My opinion is that the only effect of the proposed transaction on this traffic would be to convert 120 units from CPR-DME interline service to more efficient single system service.

Line No. 17: BEA No. 107, STCC 4905419

Destination BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA, and the commodity is STCC 4905419 (Liquefied petroleum gases ("LPG"), a hazardous material). The Minneapolis-St. Paul BFA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined terminated 120 units of LPG at the Minneapolis-St. Paul BEA during 2005, with CPR terminating 80 units and DME terminating 40 units. Applicants' combined traffic amounted to less than one unit every three days. All of it was originated by CPR in Alberta and terminated by CPR or ICE.

As discussed in connection with Line No. 16 above, there are ample sources of this commodity produced in the U.S. that could be resourced to the Minneapolis-St. Paul BFA in the event of any adverse price or service actions by CPR-DME. UP, BNSF and CN each have the

capability to deliver LPG from alternative origins to the Minneapolis-St. Paul BEA in single system service. Given these competitive circumstances, the only likely result of the proposed transaction will be to convert 40 units of this commodity from CPR-DME interline service to more efficient single system service

Line No. 18: BEA No. 107, STCC 2621215

Destination BEA No. 107 is Minneapolis-St. Paul MN-WI-IA, and the commodity is STCC 2621215 (Ground wood paper, uncoated). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment A, CPR and DME combined terminated 80 shipments of ground wood paper LPG at the Minneapolis-St. Paul BEA during 2005, with each carrier terminating 40 units. Applicants' combined traffic amounted to approximately one carload every five days. All of this traffic was originated by CPR in Quebec and delivered by CPR or DME.

The *Freight Commodity Statistics* indicate that Class I railroads originated [] units of uncoated ground wood paper at U.S. origins in 2005. In combination with Canadian production, the available volume of this commodity from alternative sources could easily replace the 80 units terminated by Applicants at the Minneapolis-St. Paul BEA during 2005. This reality will act as competitive constraint upon any adverse price or service actions by CPR-DME. Again, the only likely effect of the proposed transaction on this traffic will be the conversion of 40 units of this traffic from CPR-DME interline service to single system service.

B. Analysis of Destination Competition

Attachment B contains a list of twenty-four (24) Origin BEA/Commodity Pairs identified for further review by application of the 50/10 screens to Applicants' 2005 traffic. For each

Origin BEA/Commodity Pair, Attachment B identifies the Origin BEA (by number and geographic name), the commodity (by seven-digit STCC and description); the relevant 50/10 screen (Participation, Origination or Termination) under which the movement was identified for further review; the number of units that CPR originated, terminated or participated in (depending on the applicable screen) during 2005; the number of units that DME originated, terminated or participated in (depending on the applicable screen) during 2005; Applicants' combined share of total 2005 originations, terminations or participation (depending on the applicable screen); and the total number of units of the subject commodity moved from the Origin BEA by all rail carriers during 2005. The Origin BEA/Commodity Pairs on Attachment B are listed in descending order, based on the total number of units shown in the "Post-Transaction Combined" column. All carload figures are from the 2005 *Carload Waybill Sample*.

As can be observed from Attachment B, in only one of the 18 Origin BEA/Commodity Pairs identified for further review by the 50/10 screens does the number of units potentially at issue exceed 5200 cars per year (or one train per week). In fact, 17 of those 24 Origin BEA/Commodity Pairs involve less than 3 units per day, and 9 involve less than a single carload per day.

My analysis of each of the Origin BEA/Commodity Pairs identified on Attachment B is set forth below.

Line No. 1: BEA No. 107, STCC 0114410, Dried Soybeans

Origin BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 0114410 (Dried soybeans). Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined participated in 5,659 units of dried soybeans that originated in the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 3,948 units and DME participated in 1,711 units. The total number of units of dried soybeans transported by all rail carriers from the Minneapolis-St. Paul BEA in 2005 was 10,099 units. Of these 10,099 units, BNSF originated 4,132 units in this BEA that it delivered in single-line service to Washington. BNSF also participated as the terminating carrier in 1,611 units of the soybeans originated by DME in the Minneapolis-St. Paul BEA during 2005. CPR handled 1,240 units of soybeans in single-line service to destinations in British Columbia, Quebec, Illinois, Minnesota and Wisconsin. CPR originated an additional 2,408 units of soybeans in the Minneapolis-St. Paul BEA that were terminated by UP in Washington. DME originated 100 units that it interchanged with UP for delivery in Minnesota. Other carriers, including CN and UP, originated smaller volumes of soybeans in the Minneapolis-St. Paul BEA (totaling 608 units) that terminated in Illinois and Texas. In total, BNSF and UP participated in 8,355 units, or 83%, of all shipments of soybeans that originated in the Minneapolis-St. Paul BEA during 2005.

These facts demonstrate that CPR and DME face vigorous direct rail competition for shipments of soybeans originating in the Minneapolis-St. Paul BEA. The 2,408 units of soybeans that CPR handled in interline service with UP from the Minneapolis-St. Paul BEA to Washington are subject to direct competition from BNSF's single line route between those BEAs. The 1,240 units of soybeans that CPR handled in single-line service to destinations in British Columbia, Quebec, Illinois, Minnesota and Wisconsin are subject to competition from BNSF, UP or (for Canadian destinations) CN.

Moreover, the *Freight Commodity Statistics* indicate that BNSF originated a total of [] units of soybeans at points on its lines during 2005. (This BNSF traffic alone is more than [] times the number of soybean shipments from the Minneapolis-St. Paul BEA in which Applicants participated during that year.) UP originated an additional [] units of soybeans on its lines during 2005. BNSF and UP both serve the primary destination for CPR's soybean traffic that originates in the Minneapolis-St. Paul BEA (Washington State). Indeed, UP is the terminating carrier for CPR's traffic to that destination, and BNSF already handles more soybean traffic than CPR and DME combined from the Minneapolis-St. Paul BEA to Washington State. BNSF already participates as the terminating carrier in all but 100 of DME's 1,711 soybean shipments that originated in the Minneapolis-St. Paul BEA. Given these facts, BNSF and/or UP could easily divert additional units of soybeans to the destinations to which Applicants' soybean traffic originating in the Minneapolis-St. Paul BEA moves, in response to any attempt by CPR-DME to raise prices significantly, or to reduce service levels, following the proposed transaction. The presence of BNSF, UP and CN provides ample competition for Applicants' soybean shipments, and those carriers will effectively constrain CPR-DME's post-transaction pricing of this traffic. Accordingly, my conclusion is that the proposed transaction will not reduce or eliminate effective destination competition for this traffic.

Line No. 2: BEA No. 111, STCC 0113720

Origin BEA No. 111 is Minot, ND and the commodity is STCC 0113720 (Durum wheat). The Minot BEA is served by BNSF and several short lines, in addition to CPR.

As shown in Attachment B, CPR and DME combined terminated 4,192 shipments of durum wheat that originated in the Minot BEA during 2005, of which CPR terminated 3,136

units and DME terminated 1,056 units. The total number of units of durum wheat terminated by all rail carriers from origins in the Minot BEA during 2005 was 7,692 units. Of those 7,692 units, single system service was provided by BNSF, which terminated 1,978 units in Illinois, Minnesota, Missouri, North Dakota and Wisconsin, and by CPR, which terminated 3,056 units in Illinois, Minnesota, North Dakota and Wisconsin. CPR originated 634 units that were terminated by UP in Louisiana and Missouri. An additional 1,056 units were originated by CPR and terminated by DME in Missouri, this traffic will enjoy the benefits of single system service as a result of the proposed transaction.

According to the Class I *Freight Commodity Statistics*, BNSF originated [] units of wheat in 2005. This BNSF traffic alone is more than [] times the volume of wheat potentially at issue for this Origin BEA/Commodity Pair. If CPR-DME attempted to raise prices significantly, or to reduce service levels, following the proposed transaction, BNSF could easily divert additional units of wheat (either via single line service or jointly with connecting carriers) to the destinations to which the wheat traffic originated by Applicants in the Minot BEA currently moves. The presence of BNSF and several short lines in the Minot BEA also creates the opportunity for shippers of Applicants' wheat traffic originating in the Minot BEA to ship their product via other rail carriers to alternative destinations. These competitive circumstances will effectively constrain CPR-DME's post-transaction pricing of and service for this traffic.

Line No. 3: BEA No. 107, STCC 4021125

Origin BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 4021125 (Scrap iron or steel). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined terminated 4,036 units of scrap iron or steel that originated in the Minneapolis-St. Paul BEA during 2005, of which CPR terminated 3,200 units and DME terminated 836 units. The total number of units of scrap iron or steel originated by all rail carriers in the Minneapolis-St. Paul BEA in 2005 was 7,412 units. Of those 7,412 units, BNSF handled 1,316 units in single system service that terminated in Arkansas, California, Colorado, Illinois, Iowa, Kansas, Minnesota, Nebraska, Tennessee and Texas. Other single system service was provided by CN, which terminated 280 units in Wisconsin, UP, which terminated 908 units in Colorado, Illinois, Indiana, Nebraska, Texas and Wisconsin; CPR, which terminated 3,000 units in Illinois, Minnesota and Wisconsin and the Province of Saskatchewan, and DME, which terminated 280 units in the states of Illinois and Iowa. Shipments from the Minneapolis-St. Paul BEA to other states and provinces, including Mississippi and Ontario, were served jointly by these and other carriers. In particular, DME served as the terminating carrier in Iowa for 116 units originated by BNSF and for 360 units originated by UP.

Iron and steel scrap is a widely available commodity that can be originated by rail at its source or transloaded from its source to a railhead. The *Freight Commodity Statistics* indicate that UP originated [] units, BNSF [] units, and CN (U.S. operations) [] units of iron and steel scrap on their respective lines during 2005. Given the large volume of this commodity available from alternative origins served by these competing carriers, it is likely that shipments of iron and steel scrap could readily be diverted to almost any of the destination BEAs in Iowa, Illinois, Minnesota and Wisconsin to which Applicants transport iron and steel scrap shipments originating in the Minneapolis-St. Paul BEA. Moreover, iron and steel scrap originating in the

Minneapolis-St Paul BEA already moves by rail to a wide variety of destinations, encompassing thirteen U.S. States and two Canadian Provinces. Thus, shippers of iron and steel scrap traffic originating in the Minneapolis-St Paul BEA have a variety of alternative destinations – many of which can be served by non-applicant railroads on a single system basis – to which they could divert their shipments in response to anticompetitive behavior by CPR and DME following the proposed transaction. This evidence of broad source and destination competition buttresses my opinion that the proposed transaction would not enable Applicants to raise prices significantly, or to reduce service levels, on the movements involved for this Origin BEA/Commodity Pair.

Line No. 4: BEA No. 102, STCC 3241115

Origin BEA No 102 is Davenport-Moline-Rock Island, IA-IL and the commodity is STCC 3241115 (Cement). The Davenport-Moline-Rock Island BEA is served by BNSF, IAIS, and UP, in addition to DME.

As shown in Attachment B, CPR and DME combined terminated 3,564 units of cement that originated in the Davenport-Moline-Rock Island BEA during 2005, of which CPR terminated 1,220 units and DME terminated 2,344 units. The total number of units of cement originated by all rail carriers in the Davenport-Moline –Rock Island BEA in 2005 was 3,640 units. The 1,220 units that CPR terminated are the same shipments discussed above in Part II.A of this testimony (*see* Line No. 3, Destination BEA No. 104 (Madison, WI-IL-IA)). Those 1,220 units were originated by DME and terminated by CPR in Wisconsin, and will enjoy the benefits of single system service following the proposed transaction. Another 76 units were terminated by UP in Iowa, and the remaining 2,344 units were handled by DME in single system service to points in Minnesota.

As I have previously discussed in Part II.A above, cement is a readily available product that is subject to truck and barge competition, as well as competition from alternative rail routes and sources. The *Freight Commodity Statistics* indicate that UP originated [] units of cement, and BNSF originated [] units, on their respective lines during 2005. Given the large volume of cement originated by UP and BNSF (particularly in comparison to the volume at issue for this Origin BEA/Commodity Pair), it is likely that shipments of cement could be diverted by those carriers from alternate sources to the destinations in Minnesota and Wisconsin to which DME and CPR deliver cement that originates in the Davenport-Moline-Rock Island BEA in response to an attempt by CPR-DME to raise prices significantly, or to reduce service levels, following the proposed transaction. Cement could also be transloaded from a competitive railhead and trucked to the ultimate destination. Because BNSF, UP and IAIS all serve the Davenport-Moline-Rock Island BEA, cement shippers located in that Origin BEA would also have the option to seek alternative destinations (served by carriers other than Applicants) for their product. Accordingly, the proposed transaction is not likely to have an adverse effect on destination competition for this Origin BEA/Commodity Pair.

Line Nos. 5, 9, 10 and 16: BEA No. 102, STCCs 3312265, 3312332, 3312240 and 3312140

Origin BEA No. 102 is Davenport-Moline-Rock Island, IA-IL, the commodities are STCC 3312265 (Iron or steel structural plates), 3312332 (Coil steel), 3312240 (Iron or steel boiler plates), and 3312140 (Slabs, iron or steel slabs). The Davenport-Moline-Rock Island BEA is served by BNSF, IAIS, and UP, in addition to DME.

I have consolidated the discussion of these four Origin BEA/Commodity Pairs because they relate almost entirely to the traffic of a single shipper, [] As an initial matter, it

should be noted that

[]
[]
[] testimony belies the notion that the proposed transaction would have anticompetitive consequences for [].

As shown in Attachment B (Line No. 5), CPR and DME combined terminated 3,480 units of iron or steel structural plates that originated in the Davenport-Moline-Rock Island BEA during 2005, of which CPR terminated 1,560 units and DME terminated 1,920 units. The total number of units of iron or steel structural plates originated in the Davenport-Moline-Rock Island BEA in 2005 was 3,760 units. DME was the originating carrier for all 3,760 shipments. The 1,560 units terminated by CPR moved to points in the Provinces of Alberta, Ontario and Saskatchewan. DME handled 1,920 units in single system service to points in Illinois, Iowa and Minnesota. The remaining 280 units were terminated by BNSF in Arkansas, Nebraska and Texas, and by CSX in West Virginia.

As shown in Attachment B (Line No. 9), CPR and DME combined terminated 920 units of coil steel that originated in the Davenport-Moline-Rock Island BEA during 2005, of which CPR terminated 280 units and DME terminated 640 units. The total number of units of coil steel originated in the Davenport-Moline-Rock Island BEA in 2005 was 1,200 units. DME was the originating carrier for all 1,200 shipments. The 280 units terminated by CPR moved to points in the Provinces of Alberta, Ontario and Saskatchewan. DME handled 640 units in single system service to points in Iowa and Minnesota. The remaining 280 units were originated by DME and terminated by BNSF in Arkansas and Nebraska, and by CSX in Illinois.

As shown in Attachment B (Line No. 10), CPR and DME combined also terminated 760 units of iron or steel boiler plates that originated in the Davenport-Moline-Rock Island BEA during 2005, of which CPR terminated 560 units and DME terminated 200 units. The total number of units of iron or steel boiler plates originated in the Davenport-Moline-Rock Island BEA in 2005 was 1,480 units. DME was the originating carrier for all 1,480 shipments. DME provided single system service for 200 units to points in Illinois, Kansas and Minnesota. The 560 units terminated by CPR moved to points in Wisconsin, Alberta, Ontario, Quebec and Saskatchewan. All of those shipments will enjoy the benefits of single system service as a result of the proposed transaction. UP terminated 360 units in California, Minnesota, Nebraska, Oregon and Utah. BNSF terminated 320 units in Arkansas, California, Colorado, North Dakota, Oklahoma, Oregon and Utah. CN terminated 40 units in Ontario.

Finally, as shown in Attachment B (Line No. 16), CPR and DME combined terminated 200 units of iron or steel slabs that originated in the Davenport-Moline-Rock Island BEA during 2005, of which CPR terminated 160 units and DME terminated 40 units. The total number of units of iron or steel boiler plates originated in the Davenport-Moline-Rock Island BEA in 2005 was 240 units. DME was the originating carrier for all 240 shipments. The 160 units terminated by CPR moved to points in Saskatchewan, these shipments will enjoy the benefits of single system service as a result of the proposed transaction. The 40 units handled by DME in single line service moved to points in Iowa, and the 40 remaining units were terminated by UP in Oregon.

The proposed transaction is not likely to result in a substantial lessening of source or destination competition affecting these shipments. As discussed in Part II.A above (*see* Line

No. 7, Destination BEA No. 107 (Minneapolis-St. Paul, MN-WI-IA)), a very large volume of iron and steel products is available from origins served by BNSF and UP, both of which serve the Davenport-Moline-Rock Island BEA. Specifically, the *Freight Commodity Statistics* indicate that BNSF originated [] units, UP originated [] units, and CN (U.S. operations) originated [] units, of primary iron and steel products at locations on their respective lines during 2005. In response to any attempt by CPR-DME to raise prices significantly or to reduce service levels, one or more of BNSF, UP or CN could divert shipments of iron or steel products to the destinations in Illinois, Iowa and Minnesota to which CPR and DME delivered traffic originating in the Davenport-Moline-Rock Island BEA in 2005. CN likewise could offer deliveries from alternate sources on its lines (or, on a joint line basis, from origins served by BNSF or UP) to the Canadian destinations to which CPR delivered the traffic in which it participated. The threat of losing the subject shipments to competing carriers and sources would be more than adequate to preclude any adverse price or service actions by CPR-DME. Moreover, traffic originating at the DME-served facility involved for these Origin BEA/Commodity Pairs could be moved by truck to a nearby transload point on the lines of BNSF, IAIS or UP, providing the shipper the option to seek alternative destinations (served by carriers other than Applicants) for its products. Given these competitive alternatives, the only likely effect of the proposed transaction on these Origin BEA/Commodity Pairs will be to extend the benefits of single system service to a significant portion of the shipments that now move in interline rail service.

Line No. 6: BEA No. 113, STCC 2093342

Origin BEA No. 113 is Fargo-Moorhead, ND-MN and the commodity is STCC 2093342, (Rapeseed oil). The Fargo-Moorhead BEA is served by BNSF and CPR

As shown in Attachment B, CPR and DME combined terminated 1,400 units of rapeseed oil that originated in the Fargo BEA during 2005, of which CPR terminated 1,160 units and DME terminated 240 units. The total number of units of rapeseed oil originated by all rail carriers in the Fargo BEA in 2005 was 2,080 units. CPR provided single system service for 1,160 units terminated in the states of Illinois and Minnesota. CPR originated 240 units that were terminated by DME in Missouri; this traffic will enjoy the benefits of single system service following the proposed transaction. CPR originated an additional 560 units that were terminated by CN, NS, ST, and UP in the states of Illinois, Massachusetts, New Jersey, Oregon, and Washington. BNSF provided single system service for 120 units that terminated in Illinois

This is a Origin BEA/Commodity Pair for which CPR already has influence on most of the traffic, either as the carrier providing single system service or as a joint participant with DME or other carriers. BNSF and UP are also strong competitors for this commodity, having originated [] units and [] units, respectively, of similar traffic in 2005. The vast majority of the shipments at issue in this Origin BEA/Commodity Pair were terminated by CPR in Illinois and Minnesota, which are both served by BNSF and UP (as well as CN). Thus, it is likely that competing railroads could divert shipments from alternate sources in response to any anticompetitive behavior by Applicants. The presence of BNSF within the Fargo BEA may also permit the shipment of this commodity from that Origin BEA to the same or alternate destinations. In my opinion, the proposed transaction will have little effect on this Origin

BEA/Commodity Pair, except to provide the benefits of single system service to the 240 units of rapeseed oil traffic that CPR and DME currently handle on an interline basis.

Line No. 7: BEA No. 116, STCC 0114940

Origin BEA No. 116 is Sioux Falls, SD-IA-MN-NE and the commodity is STCC 0114940 (Sunflower seeds). The Sioux Falls BEA is served by BNSF and DME

As shown in Attachment B, CPR and DME combined terminated 1,116 units of sunflower seeds that originated in the Sioux Falls BEA during 2005, of which CPR terminated 200 units and DME terminated 916 units. The total number of units of sunflower seeds originated by all rail carriers in the Sioux Falls BEA in 2005 was 1,640 units. DME participated in all 1,640 shipments, handling 916 units in single system service to destinations in Illinois and Minnesota. The 200 units terminated by CPR were interchanged by DME to CPR and moved to destinations in Minnesota. These shipments will benefit from single system service following the proposed transaction. CPR also participated as a bridge carrier in 404 units of traffic that was terminated by CN and MMA in Vermont and Wisconsin, and CN terminated an additional 120 units in Illinois and Ontario. A portion (1,284 units) of the shipments of sunflower seeds at issue in connection with this Origin BEA/Commodity Pair are the same traffic that I analyzed in Part II A above. (See Destination BEA/Commodity Pairs at Line No. 15, BEA No. 4 (Burlington, VT-NY), Line No. 6, BEA No. 64 (Chicago-Gary-Kenosha, IL-IN-WI); and Line No. 10, BEA No. 107 (Minneapolis-St. Paul))

As discussed above, sunflower seeds are a common product that is originated not only in North and South Dakota, but in Colorado, Kansas, Nebraska, and Texas. BNSF is the largest originating carrier of oil seeds (other than soybeans) traffic, having originating [] units in

2005, while UP originated almost [] units (according to *Freight Commodity Statistics*) The volume of sunflower seeds available from alternative sources served by BNSF and UP is more than [] times the 1,116 shipments potentially at issue for this Origin BEA/Commodity Pair). Moreover, both BNSF and UP provide extensive service in the destination states for most of this traffic (Illinois and Minnesota). Thus, either BNSF or UP (or both) could readily divert additional units of sunflower seeds to most of the destinations to which shipments originated by DME in the Sioux Falls BEA move. Because BNSF serves the Sioux Falls BEA, it is also possible that sunflower seed shipments currently originated by DME could be trucked to a BNSF railhead, thereby providing the shipper the option to seek alternative destinations (served by carriers other than Applicants) for its product. As a result, any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction would, in all likelihood, result in the loss of this traffic. Therefore, the proposed transaction will have little effect on this Origin BEA/Commodity Pair, except to provide the benefits of single system service to the 200 units of sunflower seed traffic that CPR and DME currently serve on an interline basis.

Line No. 8: BEA No. 102, STCC 2879958

Origin BEA No. 102 is Davenport-Moline-Rock Island, IA-IL, and the commodity is STCC 2879958 (Tree or weed killing compounds). The Davenport-Moline-Rock Island BEA is served by BNSF, IAIS and UP, in addition to DME.

As shown in Attachment B, CPR and DME combined participated in 1,000 shipments of tree or weed killing compounds that originated in the Davenport-Moline-Rock Island BEA during 2005, of which CPR participated in 480 units and DME participated in 520 units. Of the

520 units handled by DME, 40 units originated on DME and were terminated by it in South Dakota, and the other 480 units originated on DME and were terminated by BNSF, CN, CSX or UP in the states of Georgia, Iowa, Missouri, Nebraska and the Province of Ontario. IAIS originated the 480 units that were terminated by CPR in the Provinces of Alberta, Ontario and Saskatchewan. (Of these 480 CPR shipments, 240 units are the same traffic that was considered in Part II A above (*see* Line No 14, BEA No 178 (Ontario, Canada))

IAIS, as the originating carrier for 48% of the tree or weed killing compounds shipments originating in the Davenport-Moline-Rock Island BEA, has demonstrated its ability to provide effective competition to DME for this traffic. In the event of any adverse price or service actions by CPR-DME, IAIS could work with CN to divert the shipments currently handled by CPR to Canadian destinations. The majority of the 520 shipments handled by DME move to destinations that are served by competing carriers – indeed, 480 of those shipments are already terminated by BNSF, CN, CSX or UP. IAIS could likewise work with those carriers to divert the subject shipments, or to provide shippers in the Davenport-Moline-Rock Island BEA the option to ship to different destinations, in response to anticompetitive actions by Applicants. All of these potential actions would serve as a competitive restraint to any adverse price or service actions by CPR or DME.

Line No. 11: BEA No. 107, STCC 2099520

The origin BEA No 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 2099520 (Foodstuffs). Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined participated in 760 shipments of foodstuffs that originated in the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 440 units and DME participated in 320 units. The total number of units of foodstuffs originated by all rail carriers in the Minneapolis-St. Paul BEA during 2005 was 1,440 units. Of those 1,440 units, BNSF handled 320 units in single system service to points in California, Illinois and Washington; UP handled 360 units in single system service to points in Nevada and Texas; and CPR handled 240 units in single system service to points in Illinois. CPR also originated 200 units that were terminated by other carriers in the states of California, Maryland, New York and Texas. DME originated 320 units that were terminated by other carriers in the states of California, Florida and Texas.

The Class I railroads serving the Minneapolis-St. Paul BEA originated large volumes of miscellaneous food preparations at various points on their lines during 2005. According to the *Freight Commodity Statistics*, BNSF originated [] units, CN originated [] units, and UP originated [] units of such traffic. Moreover, railroads face vigorous truck competition for the movement of most food products. These competing carriers could easily divert additional food products shipments to points in the states to which Applicants' traffic moved (which include major population centers such as California, Florida, Illinois, Maryland, New York and Texas). Moreover, because most food products are consumed nationwide, and the Minneapolis-St. Paul BEA is served by non-Applicant Class I railroads including BNSF, CN and UP, shippers located in the Minneapolis-St. Paul BEA would clearly have the ability to ship their products by rail to alternative destinations in response to price increases (or service reductions) by CPR and

DME. It is my judgment, therefore, that the combined proposed transaction would not have any adverse competitive consequences for this Origin BEA/Commodity Pair

Line No. 12: BEA No. 80, STCC 3312140

Origin BEA No. 80 is Mobile, AL and the commodity is STCC 3312140 (Iron or steel slabs). The Mobile BEA is served by BNSF, CN, CSX and NS, but it is beyond the rail networks of CPR, DME and UP.

As shown in Attachment B, CPR and DME combined participated in 560 units of iron or steel slabs that originated in the Mobile BEA during 2005, of which CPR participated in 400 units and DME participated in 160 units. The total number of units of iron and steel slabs originated by all rail carriers in the Mobile BEA in 2005 was 600 units. Of those 600 units, BNSF provided single system service for 40 units that terminated in Oregon; NS originated 400 units that were terminated by CPR in Saskatchewan; and 160 units were terminated by DME in Iowa at BEA No. 102, Davenport-Moline-Rock Island, IA-IL.

The proposed transaction is not likely to result in a substantial lessening of source or destination competition for these shipments. As discussed above (*see* Line Nos. 5, 9, 10 and 16, Destination BEA No. 102 (Davenport-Moline-Rock Island)), large volumes of iron and steel products are available from origins served by competing railroads. The *Freight Commodity Statistics* indicate that NS originated [] units, BNSF originated [] units, UP [] units, and CN (U.S. operations) originated [] units, of steel ingot and semifinished products at various locations on their respective lines during 2005. In response to any attempt by CPR-DME to raise prices significantly or to reduce service levels, NS could work with CN to divert the 400 shipments that NS handles in conjunction with CPR to points in Saskatchewan, or CN could re-

source that traffic from an alternative origin on its lines. BNSF likewise has the ability to source on its lines shipments that could displace the units handled by DME to the Davenport-Moline-Rock Island BEA. Alternatively, because the Mobile BEA is served by four non-Applicant Class I railroads (BNSF, CN, CSX and NS), shippers at Mobile would have the option to seek alternate destinations for their products that would not require transportation by CPR-DME. The threat of losing the subject shipments to competing carriers or sources would be more than adequate to preclude any adverse price or service actions by CPR-DME.

Line No. 13: BEA No. 107, STCC 2041208

Origin BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 2041208 (Wheat middlings). Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, as well as by CPR and DME.

As shown in Attachment B, CPR and DME combined terminated 520 units of wheat middlings that originated in the Minneapolis-St. Paul BEA during 2005, of which CPR terminated 280 units and DME terminated 240 units. The total number of units of wheat middlings originated in the Minneapolis-St. Paul BEA in 2005 was 920 units. Of those 920 units, CPR originated 680 units, 280 of which it handled in single system service to destinations in Illinois and Minnesota. CPR also originated 240 units that were terminated by DME in Missouri, 120 units that were terminated by CN in Mississippi, and 40 units that were terminated by KCS in Oklahoma. Single system rail service for wheat middlings shipments originating in the Minneapolis-St. Paul BEA was also provided by UP, which handled 200 units to the states of Arizona, Arkansas, Oklahoma, and Texas, and by BNSF, which handled 40 units to Oklahoma.

According to the *Freight Commodity Statistics*, UP originated [] units of wheat middlings at points on its lines, BNSF originated [] units of such traffic, and CN originated [] units of wheat middlings on its system during 2005. Collectively, the volumes of wheat middlings available from alternative sources served by competing railroads are more than [] times the volume of wheat middlings traffic potentially at issue for this Origin BEA/Commodity Pair. These figures demonstrate that additional units of wheat middlings could readily be diverted by a variety of railroads from a multiplicity of alternative origins to the destinations to which the shipments handled by CPR and DME from the Minneapolis-St. Paul BEA moved. Moreover, because the Minnesota-St. Paul BEA is served by three non-Applicant Class I railroads (BNSF, CN and UP) and several short line carriers, shippers at Minneapolis-St. Paul would have the option to seek alternate destinations for their product that would not require transportation by CPR-DME. Therefore, the proposed transaction will not have an adverse effect on source or destination competition for this Origin BEA/Commodity Pair. To the contrary, the transaction will promote competition by extending the benefits of single system service to the 240 units of wheat middlings traffic that CPR and DME currently serve on an interline basis.

Line No. 14: BEA No. 113, STCC 2041208

Origin BEA No. 113 is Fargo-Moorhead, ND-MN and the commodity is STCC 2041208 (Wheat middlings). The Fargo-Moorhead BEA is served by BNSF and DME.

As shown in Attachment B, CPR and DME combined terminated 520 units of wheat middlings that originated in the Fargo BEA during 2005, of which CPR terminated 400 units and DME terminated 120 units. The total number of units of wheat middlings originated in the Fargo BEA in 2005 was 800 units. Of those 800 units, CPR provided single system service for 400

units that terminated in the state of Illinois and the Provinces of Alberta, British Columbia and Saskatchewan. An additional 120 units originated by CPR were terminated by DME in Missouri, this traffic will enjoy the benefits of single system service following the proposed transaction. BNSF is a significant competitor for this Origin BEA/Commodity Pair, providing single system service for 280 shipments of wheat middlings to the states of California, Montana, North Dakota and Texas.

As discussed in connection with Line No. 13, BEA No. 107 (Minneapolis-St. Paul, MN-WI-IA)) above, other western Class I carriers originate substantial volumes of wheat middlings traffic on their lines. BNSF serves the states of Illinois and Missouri and CN serves the three Canadian provinces in which CPR terminated this wheat middlings traffic. Collectively, the volume of wheat middlings available from such alternative sources is many times greater than the number of shipments potentially at issue for this Origin BEA/Commodity Pair. These facts demonstrate the ability of competing carriers to divert additional units of wheat middlings to the destinations to which shipments handled by CPR and DME from the Fargo BEA moved. In addition, because BNSF serves the Fargo BEA, shippers may have the option to seek alternate destinations for their product that would not require transportation by CPR-DME. Therefore, the proposed transaction would not adversely affect source or destination competition for this Origin BEA/Commodity Pair. To the contrary, the transaction will promote competition by extending the benefits of single system service to the 120 units of wheat middlings traffic that CPR and DME currently serve on an interline basis.

Line No. 15: BEA No. 107, STCC 2821142

Origin BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 2821142 (Polyethylene). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined participated in 436 units of polyethylene that originated in the Minneapolis-St. Paul BEA during 2005, of which CPR participated in 160 units and DME participated in 276 units. All 160 units in which CPR participated were handled by it in single system service to points in Minnesota and British Columbia. All 276 units originated by DME were terminated by UP in Minnesota.

Of the 436 units of polyethylene at issue for this Origin BEA/Commodity Pair, 396 units are part of one of the movements that I analyzed in Part II A above (*See* Destination BEA/Commodity Pair at Line No. 4, BEA No. 107 (Minneapolis-St. Paul)). In that discussion, I explained that UP is the principal U.S. carrier of this commodity, having originated [] units, or []% of all U.S. rail shipments of plastic materials in 2005. The volume of plastics shipments originated by UP alone is more than [] times the number of polyethylene shipments from the Minneapolis-St. Paul BEA in which Applicants participated during 2005. Given its extensive access to origins for this commodity, and its ability to serve numerous destinations in Minnesota (the primary U.S. state to which the shipments from this Origin BEA/Commodity Pair moved), UP could easily divert additional units of polyethylene to those destinations in response to any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction. (As the terminating carrier for 63% of this Origin BEA/Commodity Pair traffic, UP would appear to have an economic incentive to do so.) BNSF is likewise capable

of mounting such a competitive response. Moreover, because UP and BNSF (as well as CN) serve the Minneapolis-St. Paul BEA, and pelletized polyethylene can be transloaded, these competing carriers could offer shippers of the traffic handled by CPR and DME today the option to seek alternative end markets for their product. Therefore, the proposed transaction would not adversely affect source or destination competition for this Origin BEA/Commodity Pair.

Line No. 17: BEA No. 180, STCC 3312265

Origin BEA No. 180 is Saskatchewan, Canada and the commodity is STCC 3312265 (Iron or steel structural plates). The Saskatchewan BEA is served by CN and CPR.

As shown in Attachment B, CPR and DME combined terminated 160 shipments (or less than one shipment every two days) of iron or steel structural plates that originated in the Saskatchewan BEA, of which CPR terminated 120 units and DME terminated 40 units. The total number of units of iron or steel structural plates originated in the Saskatchewan BEA in 2005 was 200 units. CPR originated all 200 units and handled 120 units in single line service to points in Minnesota; interchanged 40 units with DME for delivery in Iowa; and forwarded 40 units to BNSF for termination in Mississippi. I found that 120 units of the iron or steel structural plates traffic at issue for this Origin BEA/Commodity Pair are part of the same movement that I analyzed in Part II A above. (See Destination BEA/Commodity Pair at Line No. 7, BEA 107 (Minneapolis-St. Paul))

As Part II A of my testimony showed, competing carriers such as BNSF, CN and UP all have the ability to source very large quantities of iron and steel products on their lines in the United States. Those carriers also operate rail lines in Minnesota (the primary destination for this Origin BEA/Commodity Pair) and Iowa, and BNSF already serves as the terminating carrier

for the shipments to Mississippi. Thus, it is likely that these competing carriers could easily divert additional units of primary iron and steel products to those destinations in response to any attempt by CPR-DME to raise prices significantly or to reduce service levels following the proposed transaction. Moreover, it may be possible for CN to offer the Canadian producers of this traffic the option to ship the product to alternative U.S. (or export) destinations. The threat of losing the subject shipments to competing carriers or sources would be more than adequate to discourage anticompetitive price or service actions by CPR-DME. Thus, the only likely competitive impact of the proposed transaction will be positive, as the 40 units of this traffic currently handled by CPR and DME on an interline basis obtain the benefits of single system service.

Line No. 18: BEA No. 64, STCC 4932342

Origin BEA No. 64 is Chicago-Gary-Kenosha, IL-IN-WI and the commodity is STCC 4932342 (Ferric chloride solution, a hazardous material). The Chicago-Gary-Kenosha BEA is served by all Class I railroads including, BNSF, CN and UP, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined participated in 160 units of ferric chloride solution that originated in the Chicago-Gary-Kenosha BEA during 2005, with each carrier participating in 80 units. CPR originated 80 units that it terminated in Wisconsin, and DME originated 80 units that were terminated by UP in Colorado and Texas. Applicants' combined traffic for this Origin BEA/Commodity Pair amounted to less than one shipment every two days.

The *Freight Commodity Statistics* indicate that competing railroads handle thousands of units of inorganic industrial chemicals such as ferric chloride. Given the substantial volumes of such commodities that are produced at alternative origins, it is likely that one or more competing railroads could divert additional capacity to the destinations to which the traffic handled by Applicants from the Chicago-Gary-Kenosha BEA during 2005 moved. Moreover, because all of the Class I railroads serve the Chicago-Gary-Kenosha BEA, shippers in that origin BEA are especially likely to have the ability to access alternative end markets for their product. Therefore, the proposed transaction is not likely to adversely affect source or destination competition for this Origin BEA/Commodity Pair.

Line No. 19: BEA No. 106, STCC 2041210

Origin BEA No. 106 is Rochester, MN-IA-WI and the commodity is STCC 2041210 (Wheat middlings). The Rochester BEA is served by BNSF and UP, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined participated in 160 units of wheat middlings that originated in the Rochester BEA during 2005, with CPR participating in 80 units and DME participating in 120 units. CPR originated 80 units of this traffic, of which it terminated 40 units in Minnesota and interchanged 40 units with DME for delivery in Missouri. UP originated 80 units, all of which were terminated by DME in South Dakota. Applicants' combined traffic for this Origin BEA/Commodity Pair amounted to less than one shipment every two days.

As I discussed above at Part II B, Line No. 13 BEA No. 107 (Minneapolis-St. Paul), both BNSF and UP originate significant volumes of wheat middlings at other origin points. The

volumes of wheat middlings available from these alternative sources are more than sufficient to permit the diversion of product to the destinations to which the wheat middlings originated in the Rochester BEA moved. Moreover, because the Rochester BEA is also served by BNSF and UP, it is likely that at least some shippers would have the ability to access alternative end markets for their product that would not require transportation by CPR-DME. Therefore, the proposed transaction is not likely to adversely affect source or destination competition for this Origin BEA/Commodity Pair

Line No. 20: BEA No. 177, STCC 4021430

Origin BEA No. 177 is Quebec, Canada and the commodity is STCC 4021430 (Aluminum or aluminum alloy scrap). The Quebec BEA is served by CN and CSX, in addition to CPR.

As shown in Attachment B, CPR and DME combined participated in 160 shipments of aluminum or aluminum alloy scrap that originated in the Quebec BEA during 2005, with CPR participating in 120 units and DME participating in 40 units. CPR originated 120 units that were terminated by NS in New Jersey. CN originated the remaining 40 units, which were terminated by DME in Iowa. Applicants' combined traffic for this Origin BEA/Commodity Pair amounted to less than one shipment every two days.

The *Carload Waybill Sample* indicates that the 120 units that CPR interchanged with NS were shipped in containers that originated at a CPR intermodal facility in the Montreal area. CN also operates intermodal facilities in Montreal, thus, this traffic is susceptible to direct modal competition from a CN-NS routing to the destination in New Jersey. Moreover, the *Freight Commodity Statistics* indicate that competing railroads (including NS and CN) originate

thousands of carloads of metal scrap traffic annually. This strongly suggests that shipments of aluminum or aluminum alloy scrap could be diverted by competing carriers to the destinations to which CPR and DME transported the subject traffic. These competitive options will discourage any attempt by Applicants to raise prices significantly, or to reduce service levels, on these shipments following the proposed transaction.

Line No. 21: BEA No. 179, STCC 4021125

Origin BEA No. 179 is Manitoba, Canada and the commodity is STCC 4021125 (Scrap iron or steel). The Manitoba BEA is served by BNSF and CN, in addition to CPR.

As shown in Attachment B, CPR and DME combined terminated 160 shipments of scrap iron or steel that originated in the Manitoba BEA during 2005, with each carrier terminating 80 units. The total number of units of scrap iron or steel originated by all rail carriers in the Manitoba BEA in 2005 was 240 units. CPR originated 160 units destined to Illinois, Iowa and Minnesota, 80 units of which it handled in single line service, and 80 units which CPR interchanged for delivery by DME. (The latter units will gain the advantages of single system service as a result of the proposed transaction.) CN originated the remaining 80 units, which were destined to Illinois. Applicants' combined traffic for this Origin BEA/Commodity Pair amounted to less than one shipment every two days.

As stated in my analysis of Part II.B, Line 20, BEA No. 177 (Quebec, Canada) above, the *Freight Commodity Statistics* indicate that competing railroads originate thousands of carloads of metal scrap traffic annually. This strongly suggests that shipments of scrap iron or steel could be diverted by competing carriers to the Minnesota and Iowa destinations to which CPR and DME transported the subject traffic. The likelihood of such action in response to any

attempt to raise prices significantly, or to reduce service levels, on these shipments will protect shippers in this Origin BEA/Commodity Pair from such actions by Applicants following the proposed transaction.

Line No. 22: BEA No. 107, STCC 2041962

Origin BEA No. 107 is Minneapolis-St. Paul, MN-WI-IA and the commodity is STCC 2041962 (Wheat flour). The Minneapolis-St. Paul BEA is served by BNSF, CN, UP and several short lines, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined terminated 120 shipments of wheat flour that originated in the Minneapolis-St. Paul BEA during 2005, with CPR terminating 80 units and DME terminating 40 units. All of these shipments were originated by CPR, with 80 units handled by it in single line service to Illinois and the remaining 40 units interchanged to DME for movement to Iowa. (The latter units will gain the advantages of single system service as a result of the proposed transaction.) Applicants' combined traffic in this Origin BEA/Commodity Pair amounted to less than one shipment every three days.

BNSF and UP both serve the Minneapolis-St. Paul BEA, and they also serve each of the destination BEAs for this traffic. CN also serves the Minneapolis-St. Paul BEA as well as the destination BEA in Illinois. CN could also serve the destination BEA in Iowa via interline service. Thus, Applicants face direct rail competition for these shipments.

The *Freight Commodity Statistics* indicate that BNSF, CN and UP each originate thousands of cars of wheat flour at points on their lines. Because these competing carriers also serve the Illinois and Iowa destination BEAs to which the subject traffic was moved by Applicants, they have the ability to divert shipments of wheat flour to those destinations in

response to any attempt to raise prices significantly, or to reduce service levels, on the movements at issue. Moreover, because the Minneapolis-St. Paul BEA is also served by BNSF, CN and UP, it is likely that shippers would have the ability to access alternative end markets for their product that would not require transportation by CPR-DME. Accordingly, the proposed transaction is not likely to have adverse competitive effects for this Origin BEA/Commodity Pair.

Line No. 23: BEA No. 104, STCC 2821142

Origin BEA No. 104 is Madison, WI-IL-IA and the commodity is STCC 2821142 (Polyethylene). The Madison BEA is served by BNSF and WSOR, in addition to CPR and DME.

As shown in Attachment B, CPR and DME combined participated in 80 units of polyethylene that originated in the Madison BEA during 2005, with each carrier participating in 40 units of this traffic. CPR originated 40 units that were terminated in the Minneapolis BEA, and DME originated 40 units that were terminated in BEA No. 68, Champaign-Urbana, IL, by CN. Applicants' combined traffic for this Origin BEA/Commodity Pair amounted to approximately one shipment every five days. Of the 80 units of polyethylene for this Origin BEA/Commodity Pair, 40 units are part of the same movements that I analyzed in Part I A above (see Destination BEA/Commodity Pair at Line No. 4, BEA No. 107 (Minneapolis-St. Paul)).

In conjunction with WSOR, CN can provide competitive rail service from the Madison BEA to both destination BEAs. Thus, Applicants face direct rail competition for these shipments. Moreover, as discussed previously, the massive volume of plastics shipments originated by competing carriers is more than sufficient to insure their ability to divert additional

units of polyethylene to the destinations to which the shipments handled by CPR and DME from the Madison BEA moved, if CPR-DME were to raise prices significantly or to reduce service levels following the proposed transaction. Moreover, pelletized polyethylene originating in the Madison BEA could be transloaded at a competing railhead, enabling shippers of the traffic handled by CPR and DME today to ship their product to alternative end markets. These competitive circumstances make it unlikely that proposed transaction would adversely affect source or destination competition for this Origin BEA/Commodity Pair.

Line No. 24: BEA No. 113, STCC 2092336

Origin BEA No. 113 is Fargo-Moorhead, ND-MN and the commodity is STCC 2092336 (soybean oil soap stock). The Fargo-Moorhead BEA is served by BNSF and DME.

As shown in Attachment B, CPR and DME combined terminated 80 shipments of soybean oil soap stock that originated in the Fargo BEA during 2005, with each carrier terminating 40 units. All of these shipments were originated by CPR, with 40 handled by it in single line service to British Columbia and the remaining 40 units interchanged to DME for movement to Missouri. (The latter units will gain the advantages of single system service as a result of the proposed transaction.) Applicants' combined traffic for this Origin BEA/Commodity Pair amounted to approximately one shipment every five days.

Potential direct rail competition for this traffic is provided by BNSF, as that carrier can serve the origin Fargo BEA, the destination Missouri BEAs and parts of the destination British Columbia BEA. Moreover, the *Freight Commodity Statistics* indicate that BNSF and other western railroads originate thousands of shipments of this (and similar) commodities at points on their lines. This strongly suggests that shipments of soybean oil soap stock could be diverted by

competing carriers to the destinations to which CPR and DME transported the subject traffic, in response to any attempt by Applicants to raise prices significantly, or to reduce service levels, on these shipments. Therefore, the proposed transaction is not likely to adversely affect source or destination competition for this Origin BEA/Commodity Pair.

Attachment A
CPR-DME 50/10 Destination BEA/Commodity Pairs
(Units)

CPR-7 DME-7

Line	BEA	Destination BEA	STCC	Commodity	Relevant Screen ¹	Pre-Trans CPR ²	Pre-Trans DME ²	Post-Trans Combined ²	Total BEA-STCC Pair ³
1	106	Rochester, MN-IA-WI	0113710	Wheat, spring	P	2,844	3,448	5,652	6,928
2	107	Minneapolis-St Paul, MN-WI-IA	2631117	Pulpboard or fibreboard	P	2,160	1,920	3,120	5,920
3	104	Madison, WI-IL-IA	3241115	Cement, hydraulic, portland	O	708	1,220	2,088	2,128
4	107	Minneapolis-St Paul, MN-WI-IA	2821142	Polyethylene, other than liquid	P	1,640	396	2,036	3,236
5	107	Minneapolis-St Paul, MN-WI-IA	4909152	Ethanol	O	400	680	1,080	1,800
6	64	Chicago-Gary-Kenosha, IL-IN-WI	0114940	Sunflower seeds	P	120	720	840	960
7	107	Minneapolis-St Paul, MN-WI-IA	3312265	Plates, structural nec, iron or steel	P	120	640	760	880
8	141	Denver-Boulder-Greeley, CO-KS-NE	3312663	Pipe, iron or steel, nec	P	440	160	600	880
9	4	Burlington, VT-NY	2092314	Meal, soybean oil	P	280	280	560	916
10	107	Minneapolis-St Paul, MN-WI-IA	0114940	Sunflower seeds	T	200	276	476	476
11	104	Madison, WI-IL-IA	2821142	Polyethylene, other than liquid	P	160	200	360	400
12	107	Minneapolis-St Paul, MN-WI-IA	2871315	Nitrogen fertilizer solution	P	120	164	284	496
13	5	Albany-Schenectady-Troy, NY	2046210	Corn starch	O	120	160	280	280
14	178	Ontario, Canada	2879958	Tree or weed killing compounds, nec	P	80	160	240	280
15	4	Burlington, VT-NY	0114940	Sunflower seeds	O	40	168	208	248
16	106	Rochester, MN-IA-WI	4905421	Liquified petroleum gases (hazmat)	T	40	120	160	160
17	107	Minneapolis-St Paul, MN-WI-IA	4905419	Liquified petroleum gases (hazmat)	T	80	40	120	120
18	107	Minneapolis-St Paul, MN-WI-IA	2621215	Ground wood paper, uncoated	T	40	40	80	80
Notes									
1) P=Participation screen, O=Origination screen, and T=Termination Screen									
2) For each destination BEA/commodity pair, units displayed are determined by the relevant screen									
Participation screen units handled (as originating/terminating/bridge carrier) by CPR, DME, or (after eliminating double counts) CPR-DME combined									
Origination screen units originated by CPR, DME, or CPR-DME combined									
Termination screen units terminated by CPR, DME, or CPR-DME combined									
3) Total units for all railroads in destination BEA/commodity pair.									
Source 2005 Carload Waybill Sample									

Attachment B
CPR-DME 50/10 Origin BEA/Commodity Pairs
(Units)

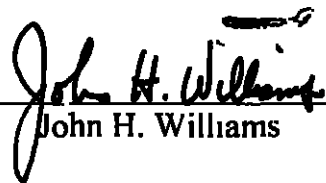
CPR-7 DME-7

Line	BEA Origin BEA	STCC	Commodity	Relevant Screen ¹	Pre-Trans CPR ²	Pre-Trans DME ²	Post-Trans Combined ²	Total BEA-STCC Pair ³
1	107 Minneapolis-St Paul, MN-WI-IA	0114410	Soybean, dried	P	3,948	1,711	5,659	10,099
2	111 Minot, ND	0113720	Wheat, durum, amber or red	T	3,136	1,056	4,192	7,692
3	107 Minneapolis-St Paul, MN-WI-IA	4021125	Scrap iron or steel, nec, not copper clad	T	3,200	836	4,036	7,412
4	102 Davenport-Moline-Rock Island, IA-IL	3241115	Cement, hydraulic, portland	T	1,220	2,344	3,564	3,640
5	102 Davenport-Moline-Rock Island, IA-IL	3312265	Plates, structural, nec, iron or steel	T	1,560	1,920	3,480	3,760
6	113 Fargo-Moorhead, ND-MN	2093342	Rapeseed oil (colza oil)	T	1,160	240	1,400	2,080
7	116 Sioux Falls, SD-IA-MN-NE	0114940	Sunflower seeds	T	200	916	1,116	1,640
8	102 Davenport-Moline-Rock Island, IA-IL	2879958	Tree or weed killing compounds, nec	P	480	520	1,000	1,000
9	102 Davenport-Moline-Rock Island, IA-IL	3312332	Sheet steel, in coils, plain or galvanized	T	280	640	920	1,200
10	102 Davenport-Moline-Rock Island, IA-IL	3312240	Boiler plates, iron or steel	T	560	200	760	1,480
11	107 Minneapolis-St Paul, MN-WI-IA	2099520	Mixed loads of foodstuffs	P	440	320	760	1,440
12	80 Mobile, AL	3312140	Slabs, iron or steel, in the rough	P	400	160	560	600
13	107 Minneapolis-St Paul, MN-WI-IA	2041208	Wheat middlings, pel	T	280	240	520	920
14	113 Fargo-Moorhead, ND-MN	2041208	Wheat middlings, pel	T	400	120	520	800
15	107 Minneapolis-St Paul, MN-WI-IA	2821142	Polyethylene, other than liquid	P	160	276	436	436
16	102 Davenport-Moline-Rock Island, IA-IL	3312140	Slabs, iron or steel, in the rough	T	160	40	200	240
17	180 Saskatchewan, Canada	3312265	Plates, structural, nec, iron or steel	T	120	40	160	200
18	64 Chicago-Gary-Kenosha, IL-IN-WI	4932342	Ferric chloride solution (hazmat)	P	80	80	160	160
19	106 Rochester, MN-IA-WI	2041210	Wheat middlings or shorts	P	80	120	160	160
20	177 Quebec, Canada	4021430	Aluminum or aluminum alloy scrap, nec	P	120	40	160	160
21	179 Manitoba, Canada	4021125	Scrap iron or steel, nec, not copper clad	T	80	80	160	240
22	107 Minneapolis-St Paul, MN-WI-IA	2041962	Wheat flour clears, not cereal	T	80	40	120	120
23	104 Madison, WI-IL-IA	2821142	Polyethylene, other than liquid	P	40	40	80	80
24	113 Fargo-Moorhead, ND-MN	2092336	Soybean (soya bean) oil soap stock	T	40	40	80	80
Notes								
1) P=Participation screen, O=Origination screen, and T=Termination Screen								
2) For each destination BEA/commodity pair, units displayed are determined by the relevant screen								
Participation screen units handled (as originating/terminating/bridge carrier) by CPR, DME, or (after eliminating double counts) CPR-DME combined								
Termination screen units terminated by CPR, DME, or CPR-DME combined								
Origination screen units originated by CPR, DME or CPR-DME combined								
3) Total units for all railroads in destination BEA/commodity pair								
Source 2005 Carload Waybill Sample								

VERIFICATION

I, John H. Williams, verify under penalty of perjury that the foregoing statement is true and correct. Further, that I am qualified and authorized to file this statement.

Executed on November 21, 2007



John H. Williams

ADDITIONAL VERIFIED STATEMENTS FROM SHIPPERS

Board of Directors

**Bradley M. Ahrens, President
Brian Peterson, Vice President
Darrel Trom, Secretary
Duane Klocke, Treasurer**



Randall J. Doyal, General Manager/CEO

Board of Directors

**Gary Borgschatz
Terry Ebeling
Rodney Jorgenson
Lou Kuhlmann**

**Verified Statement
of
Randall Doyal
On behalf of
Al-Corn Clean Fuels**

My name is Randall Doyal, and I am General Manager and Chief Executive Officer for Al-Corn Clean Fuel ("Al-Corn"). This verified statement is submitted in support of the proposed acquisition of the Dakota, Minnesota & Eastern Railroad and Iowa, Chicago & Eastern Railroad (collectively, "DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). Al-Corn supports this transaction because we believe it will help us compete by creating new marketing opportunities for our products.

Al-Corn is an ethanol plant located in Claremont, Minnesota. Al-Corn is owned by local farmers and investors, who provide the grain used in the ethanol production process. Al-Corn has been operating since 1996, and it produces 45 million gallons of ethanol per year. Al-Corn also produces distillers' grain, a high-protein feed for livestock, as a byproduct of the ethanol production process.

Al-Corn is located on the lines of the DM&E, and it uses rail service to ship a significant amount of products to its customers. Approximately twenty percent of the distillers' grain produced by Al-Corn is shipped via rail to customers in the Southwest, West Coast, Virginia, and Tennessee. Al-Corn's ethanol is generally shipped via truck. Al-Corn's reliance on truck transportation for ethanol is driven in part by the fact that the DM&E's limited reach does not allow us to ship directly to customers in markets outside the DM&E's network. The relatively

higher costs and longer transit times of joint line movements are disincentives for Al-Corn to use rail service more extensively.

I would note that another cooperative plans to begin operations at a new ethanol facility near Al-Corn's facility. That new facility will begin production in fall 2009 with a capacity of 55 million gallons per year, and virtually all of that new production is expected to be transported to customers via rail.

Al-Corn supports the proposed transaction because it believes that the transaction will make rail service a more competitive option for marketing to our customers. Al-Corn currently only has access to single-line service to customers in the Midwest served by DM&E. While we market both ethanol and distillers' grain to customers far beyond the DM&E's network, the usefulness of rail service is reduced by the greater cost and longer transit times of joint line service. If the transaction is approved, however, Al-Corn will have access to single-line service on Canadian Pacific to customers in markets across the nation, from Chicago and Detroit to New York and Philadelphia. Al-Corn would also have direct single-line service to Canadian markets, which could be a growing opportunity for American ethanol producers in light of Canada's requirement that fuel contain 10% ethanol. This single-line service will make rail service a more attractive option. In addition, Al-Corn expects that the proposed transaction will improve rail service and reliability. As a Class I railroad, we anticipate that Canadian Pacific's resources will allow it to fund maintenance and safety upgrades that are essential to move freight faster and handle increased volumes of ethanol and other traffic.

Al-Corn supports the proposed transaction, and we urge the Board to approve the transaction at the earliest possible time.

I, Randall Doyal, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 29, 2007.

A handwritten signature in black ink, appearing to be 'Randall Doyal', written over a horizontal line.

Randall Doyal
General Manager/CEO
Al-Corn Clean Fuel
797 5th Street
Claremont, MN 55924



Friendly Steel Handlers

My name is Paul Blaisdell, and I am Materials Director for McNeilus Steel, Inc. McNeilus Steel submits this verified statement to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation and Iowa, Chicago & Eastern Railroad Corporation (collectively, "DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). We support this acquisition because we believe it will create a stronger rail provider and spur needed investment and service upgrades.

McNeilus Steel is one of the largest steel suppliers in the Midwest, with facilities in Fargo, North Dakota and Dodge Center, Minnesota. Our Dodge Center facility is served by the DM&E. McNeilus Steel purchases steel from steel mills, and processes it into a wide variety of products for distribution to end users. Rail service is absolutely essential to McNeilus Steel's business. Approximately 60% of the steel we bring to our facilities arrives in large 25-ton coils of steel plate and sheet, which are extremely difficult to move by truck. Virtually all of these large coils must be brought in by rail; as a result, the DM&E transports approximately 14,000 tons a month of steel coil to the Dodge Center facility. In total, approximately 70% of the steel delivered to McNeilus Steel's facilities arrives via rail. A significant amount of these inbound shipments are imported from Sault Ste. Marie, Ontario. Much of McNeilus Steel's outbound shipments to customers are moved via truck.

McNeilus Steel, Inc. strongly supports the proposed acquisition of the DM&E by Canadian Pacific for three reasons. First, the proposed transaction will create a stronger rail provider. Reliable and cost-effective rail service is critical to our business. As discussed above, rail transportation is the only practical alternative for moving the heavy steel coils that our facilities depend on. The transaction will ensure that McNeilus Steel will be served by a rail provider with the resources to fund needed investment and service improvements.

Second, and relatedly, we understand that Canadian Pacific intends to invest \$300 million in capital improvements to DM&E over the next several years. This investment can only improve service for McNeilus Steel. In particular, track improvements that would permit greater car weights would allow us to ship larger, 40-ton steel coils to Dodge Center.

Third, the proposed acquisition will give us greater access to single-line service from stations on the Canadian Pacific network that potentially would be cheaper and more efficient than joint-line service. As mentioned above, we currently import a significant amount of steel from Ontario. If the transaction is approved, access to Canadian Pacific's expanded network will give us access to competitive single-line service from Canada and from many other destinations in the northeastern United States.

For these reasons, we urge the Board to approve the transaction.

I, Paul Blaisdell, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 29, 2007.

A handwritten signature in black ink, appearing to read 'P. Blaisdell', is written over a horizontal line. Below the line, the name 'Paul Blaisdell' is printed in a standard font.

Paul Blaisdell

**VERIFIED STATEMENT
of Doug Montgomery
on behalf of the Mosaic Company**

My name is Doug Montgomery. I am Assistant Vice President – Supply Chain for the Mosaic Company (“Mosaic”). I am submitting this verified statement on behalf of Mosaic to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation and Iowa, Chicago & Eastern Railroad Corporation (collectively, “DM&E”) by Canadian Pacific Railway Company (“Canadian Pacific”). Mosaic supports the proposed transaction for two primary reasons; (a) it should promote more reliable rail service and (b) enable more predictable pricing.

Formed in 2004 from the merger of IMC Global and Cargill Crop Nutrition, Mosaic mines, manufactures, markets, and distributes nitrogen, phosphorous, and potassium-based (potash) fertilizers around the world. Mosaic is known as one of the leading producers of concentrated phosphate and potash crop nutrients. Mosaic produces approximately 11.7 million metric tons (short tons) of potash, 9.4 million tons of phosphates, and 1.4 million tons of nitrogen fertilizers each year. Mosaic operates three large-scale potash mines in Canada distributing this product to both domestic and export customers. Mosaic transports in excess of three million tons of potash from its Canadian mines to North American destinations, with a large concentration into the Midwestern United States. Rail service in general and the Canadian Pacific’s rail service in particular, is an essential part of Mosaic’s distribution of potash to our North American customers.

Mosaic supports the proposed transaction because of the advantages of single-system rail service to our customers and potential customers located on the DM&E. Put simply, we have found that dealing with a single rail provider allows us to serve our customers more efficiently. Shipments over a single, integrated rail system tend to have improved transit times and more reliable service. And, single system movements tend to have more predictable pricing patterns than multiple-system movements. We anticipate that Canadian Pacific's acquisition of the DM&E will lead to more efficient, streamlined, and reliable rail service for our shipments to customers on the DM&E's network.

For these reasons, Mosaic supports the transaction and urges the Board to approve it at the earliest possible time.

I, Doug Montgomery, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on December 4, 2007.


Doug Montgomery



**VERIFIED STATEMENT
of Dan Wycoff
on behalf of Shine Brothers Corp.**

My name is Dan Wycoff, and I am General Manager of Shine Bros Corp. Shine Bros. Corp. is a large scrap processing company located in Spencer, Iowa. Our facility is currently served by the Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). We have been operating since 1902, and provide full scrap services to the immediate area. Shine Bros Corp.'s main specialty is processing insulated wire and cable. We are also a large processor of non-ferrous metals regionally. Locally we are a large processor of ferrous scrap.

In recent years Shine Bros. Corp. has processed an increasing amount of scrap iron, which we predominantly ship to customers via rail. Since we installed an auto shredder in 2004, our outbound rail shipments of scrap iron have increased significantly. We average 50 to 75 cars per month of scrap iron. That scrap iron is delivered to steel mills in Iowa, Indiana, and Illinois. In the past we have also shipped scrap to facilities in Canada. Reliable, efficient and competitive rail service is therefore critical to our business. In fact, Shine Bros Corp. has invested a significant amount of money in the private track at its facility in order to upgrade that track to handle increased volumes of rail cars.

Shine Bros Corp. strongly supports the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") and IC&E by Canadian Pacific Railway Company ("Canadian Pacific"), for two reasons. First, the proposed acquisition will give us access to single-line service for potential customers. As mentioned, we have shipped in the past to steel mills located in Canada on Canadian Pacific's lines. We anticipate that access to Canadian Pacific's expanded network will give us access to competitive single-line rates for those shipments and to many other destinations in the northeastern United States and Canada.

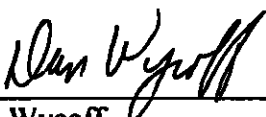
We also support the transaction because we believe it will not adversely affect rail service, and may improve it. We have received good quality service from the IC&E, and we are

counting on receiving the same quality service from the consolidated railroad. Moreover, we hope that the combined railroad's greater resources will allow improved service in areas like car supply. In addition, we understand that Canadian Pacific intends to invest \$300 million in capital improvements to DM&E and IC&F over the next several years. This investment can only help improve service.

We urge the Board to approve the transaction at the earliest possible time.

I, Dan Wycoff, declare under penalty of perjury that the foregoing is true and correct, to the best of my knowledge and belief. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 28, 2007.



Dan Wycoff



**Verified Statement of Dale Locken
on behalf of the
South Dakota Wheat Growers**

My name is Dale Locken, and I am the Chief Executive Officer of the South Dakota Wheat Growers ("SDWG"). SDWG submits this verified statement in strong support of the Canadian Pacific Railway Company's proposed acquisition of the Dakota, Minnesota, and Eastern Railroad and the Iowa, Chicago and Eastern Railroad (together referred to as the "DM&E"). SDWG supports this proposed transaction because it will improve service and increase market alternatives for South Dakota Wheat Growers producers.

SDWG is a locally owned grain and agronomy cooperative in the heart of the James River Valley of South and North Dakota. SDWG has been in existence since 1923, and is the largest such cooperative in South Dakota. We have 3,850 active members, and are governed by a 22-member elected Board of Directors. Our members are South and North Dakota farmers. Approximately half of our members' crops are corn; approximately a quarter is wheat; and approximately a quarter is soybeans. Our purpose is to provide our membership with access to reliable markets and services.

Rail service is essential to provide our members with access to markets for their products. Wheat Growers ships approximately 100 million bushels of grain per year and the DME provides a significant outlet for our patron's grain. In the future we anticipate that number rising to 150 million bushels per year. In addition, we depend on rail service for inbound shipments of fertilizer from Florida, Oklahoma, Kansas, Canada, and imports from the Texas and Louisiana Gulf. Over 90% of our fertilizer arrives via rail.



SDWG supports the proposed transaction because it will create more competitive market alternatives for our customers. The acquisition of the DM&E by a Class I carrier would give South Dakota producers access to a larger network and therefore to more market opportunities. In particular, the transaction would allow our members direct, single-system service to destination markets on Canadian Pacific's network. The DM&E has served us well, but the long-term rail service needs of South Dakota shippers are best served by the DM&E's acquisition by a Class I carrier with a national reach. We particularly support DM&E's acquisition by the Canadian Pacific, which we have found to be a professional and up-front railroad.

In conclusion, SDWG believes that the proposed transaction is in the best interests of our members, and we urge the Board to approve it at the earliest possible time.

I, Dale Locken, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

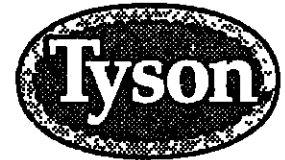
Executed on November 30, 2007.

A handwritten signature in black ink that reads "Dale Locken". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Dale Locken

VERIFIED STATEMENT
of

Powered by



on behalf of
TYSON FOODS, INC.

My name is John Grass. I am VP Input Exposure Mgmt Desk for Tyson Foods, Inc. ("Tyson"). Tyson is the world's largest processor and marketer of chicken, beef, and pork, and is the second largest poultry processor in the United States. Tyson has multiple poultry feed mills in Arkansas, Oklahoma, and Mississippi, which require significant volumes of corn. Tyson purchases a large percentage of that corn in Iowa, and Tyson ships much of that corn on the Iowa, Chicago and Eastern Railroad ("IC&E") to feed mills located on the rail lines of the Kansas City Southern Railroad ("KCS"). Tyson moves approximately 15,000 tons of corn on the IC&E's lines each year, which amounts to as many as 150-200 rail cars each week.

Tyson urges the Surface Transportation Board to approve Canadian Pacific Railway's proposed acquisition of the Dakota, Minnesota & Eastern Railroad ("DM&E") and the IC&E. We believe the transaction will help to ensure reliable, timely rail service. For example, we understand that Canadian Pacific intends to invest \$300 million in capital improvements to the IC&E and DM&E over the next several years, an investment that can only help shippers. In addition, access to Canadian Pacific's broader network will provide us with more competitive opportunities for shipping products and supplies.

In conclusion, Tyson Foods supports the transaction and urges the Board to approve it at the earliest possible time.

I, John Grass, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 30, 2007

A handwritten signature in black ink, appearing to read "John Grass", written in a cursive style.

John Grass

V. P . Input Exposure Mgmt Desk

Tyson Foods, Inc.

2210 Oaklawn Dr

Springdale, Ar 72762



**VERIFIED STATEMENT
of
TIM KENNEDY
on behalf of
VITERRA**

My name is Tim Kennedy, and I am Director of Transportation for Viterra. I am submitting this verified statement on behalf of Viterra to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") and Iowa, Chicago & Eastern Railroad Corporation ("IC&E") by Canadian Pacific Railway Company ("Canadian Pacific").

Viterra was created by the merger of Saskatchewan Wheat Pool and Agricore United, combining the strengths of Canada's two largest grain handlers. Our new company commands the largest network of grain handling and marketing resources in Canada, with 104 elevators and nearly 2 million tons of grain handling capacity. Our grain handling facilities are spread over the Canadian prairie provinces and include significant export facilities at Vancouver and Thunder Bay.

Viterra is therefore a major consumer of rail services. Viterra ships approximately 140,000 rail cars of agricultural products per year on the Canadian Pacific and the Canadian National. A significant percentage of this traffic is exports to the United States. Annually Viterra ships approximately 400,000 tons of wheat and durum to the United States, as well as 450,000 tons of oats, 250,000 tons of canola oil, 20,000 tons of flax, and a number of other products such as malt barley. A large proportion of these exports are transported on the Canadian Pacific. In addition, Viterra imports crops from the United States. For example, Viterra ships several thousand cars of corn from

U S origins to Canada to fulfill its supply contracts with Canadian ethanol producers and feed markets.

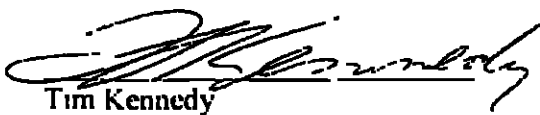
Viterra supports Canadian Pacific's proposed acquisition of the DM&E and IC&E because it will increase the predictability and reliability of rail service. In our experience, transportation over a single rail system typically is better for our business than transportation over multiple rail systems. One advantage of single-system service is a better ability to forecast rates. Multiple carriers often change their rates at different times, which makes it difficult to predict rates in advance for multiple-system movements. When dealing with a single system, we are more able to track rate changes and to forecast rates in advance. Predictability in pricing is particularly important for agricultural shipments, where the price of products may be set many months in advance. Another advantage of single-system service is the reduced switching and relatively superior efficiency of single-system service. In short, whether Viterra is shipping corn from the IC&E's lines to Canadian ethanol plants or shipping canola oil from Canada to crushing facilities on the IC&E's lines, single-system service on the combined Canadian Pacific/DM&E/IC&E railroad will be advantageous both for Viterra and for the U.S. producers and consumers Viterra serves.

In conclusion, Viterra supports the transaction and urges the Board to approve it at the earliest possible time.

I, Tim Kennedy, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement

Executed on December 3, 2007.


Tim Kennedy

ADDITIONAL VERIFIED STATEMENTS FROM COMMUNITIES

PO Box 388
Balaton, MN 56115-0388
Phone (507) 734-4711
FAX (507) 734-2316

City of Balaton

email balaton@frontiernet.net

**Verified Statement of
Mayor Del Rutz
on behalf of the
City of Balaton, Minnesota**

My name is Del Rutz, the Mayor of Balaton, Minnesota. On behalf of the City of Balaton, I am submitting this verified statement to show my support of the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation and Iowa, Chicago & Eastern Railroad Corporation (collectively, "DM&E") by Canadian Pacific Railway Company ("Canadian Pacific").

Balaton is an agricultural community of approximately 650 in southwestern Minnesota. Rail service is very important to our community and region. Our farmers grow corn and soybeans and they depend on the DM&E's service to ship these crops to market. Our farmers also depend on rail service for inbound shipments of essential products like fertilizer.

The City of Balaton supports this transaction because our community, and rural communities like ours, need good, viable rail service. The consolidation of the DM&E and Canadian Pacific will ensure that our community continues to receive high-quality rail service. The broader network that the transaction will create will give Balaton area shippers single-line service to more destinations on Canadian Pacific's network. The creation of a consolidated railroad with the resources to undertake upgrades and improvements as necessary will be good for our community.

I, Del Rutz, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 29, 2007.



Mayor Del Rutz
PO Box 338
Balaton, MN 56115

Verified Statement of
Mayor David Schneider
on behalf of the
City of Belle Fourche, South Dakota

My name is David Schneider. I am Mayor of Belle Fourche, South Dakota. I am submitting this verified statement on behalf of the City of Belle Fourche to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). We support this acquisition because we believe it will improve rail service that is essential to both Belle Fourche and other communities in the northern Black Hills region.

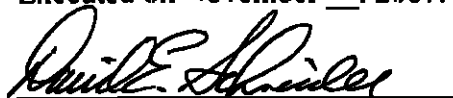
Belle Fourche is located in western South Dakota and is the site of the geographic center of the United States. Belle Fourche had 4565 residents at the time of the 2000 census, and we expect to become the 14th Class I city in South Dakota. Belle Fourche is located on the DM&E's lines, and top-flight rail service is essential to Belle Fourche's businesses. One of Belle Fourche's most important industries is the bentonite clay industry. Bentonite's unique chemical structure gives it a diverse range of capabilities, enabling it to act as a thickener, sealant, binder, lubricant or absorption agent. Bentonite is used in metalcasting, pet products, oil and gas well drilling, industrial specialties and agriculture. A significant amount of bentonite is shipped from Belle Fourche via rail every year. Another Belle Fourche industry that will depend on rail service is ethanol. Pro-Eco Energy, a Belle Fourche company, plans to start construction on a state of the art ethanol production facility in the first quarter of 2008. Their CEO has told me they have selected their contractors and are in the detailed design and process engineering phase. Eventually the facility will have a capacity of 100 million gallons per year. This facility

will depend on rail service both to bring corn into Belle Fourche for processing and to deliver ethanol to customers. The facility will require approximately 30 carloads of corn per day and will produce approximately 11 carloads of ethanol per day. For these reasons, our community needs top-flight rail service on a rail network that is as upgraded and efficient as possible. Other local businesses depend on efficient rail service. One of those businesses being Dakota Mill and Grain, a large western South Dakota company, relies on this service for transportation of their products.

I support the proposed transaction because I believe it will enable the essential upgrades and improvements that are needed to support Belle Fourche's growing reliance on rail service. In the first place, Canadian Pacific's announcement that it will invest \$300 million in improvements to the DM&E and IC&E over the next several years should improve service and the fluidity of the DM&E's network to the benefit of Belle Fourche shippers. Moreover, the greater resources of the combined railroad should allow it to continue to make needed investments and improvements in the future. And, giving Belle Fourche industries access to a Class I railroad's network will help them compete with other businesses nationwide. For these reasons, the City of Belle Fourche strongly supports the transaction.

I, David Schneider, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November __, 2007.

A handwritten signature in dark ink, appearing to read "David E. Schneider", is written over a horizontal line.

Mayor David Schneider
606 6th Avenue
Belle Fourche, South Dakota



City of Huron

PO Box 1369 • 239 Wisconsin Ave SW • Huron, SD 57350
Ph (605) 353-8502 • Fax (605) 353-8506

**Verified Statement of David McGirr
on behalf of the
City of Huron, South Dakota**

This verified statement is submitted on behalf of the City of Huron, South Dakota ("Huron"). My name is David McGirr, and I am the Mayor of Huron. I am submitting this verified statement on behalf of the Huron City Commission to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). In a Resolution of support unanimously passed by the Huron City Commission on December 3, 2007, the Commission supported this acquisition because we believe it will ensure the future of rail service to Huron and improve the competitive environment for Huron businesses.

Huron is a city of 11,893 residents located in the heart of eastern South Dakota. Huron is located on the DM&E's main east-west line, and the railroad is vitally important to our community. In the first place, the DM&E is an important employer, providing hundreds of well-paying jobs to Huron residents at DM&E's Maintenance and Operations Center. Moreover, the DM&E is a vital transportation connection for Huron businesses. Effective and efficient rail transportation is an important factor both in keeping businesses in Huron and in encouraging new growth for Huron businesses. The Huron businesses that depend on rail service to deliver their products to customers include multiple grain shippers and an ethanol plant with a production of 40 million gallons per year. Other Huron businesses depend on inbound rail service, such as a lumber distribution wholesaler that ships lumber into Huron for processing and distribution. Our need for reliable rail service will only increase in the future; for example, the ethanol plant mentioned above plans to double its production in the coming years.

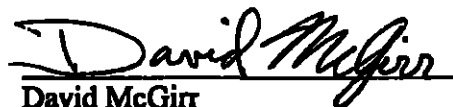
Huron supports the transaction because we believe it will expand and improve rail transportation for our community. Access to single-system rail service throughout Canadian Pacific's network expands potential markets for our businesses. For example, after the transaction Huron-originating ethanol could be shipped via single-system service to markets in New York, Philadelphia, and Canada served by Canadian Pacific, and Huron-originating grain would have better access to export markets. For instance, the transaction would provide Huron with more efficient service to the Pacific Northwest for export, over Canadian Pacific's routes to Vancouver and Portland.

In addition, the acquisition of DM&E by a Class I railroad like Canadian Pacific provides the potential for future service improvements. Canadian Pacific has indicated that it plans to spend \$300 million to rehabilitate and upgrade DM&E's rail lines. This investment—and the fact that the consolidated railroad generally would have greater resources with which to make capital investments—should improve the fluidity of DM&E's operations and enable it to provide faster, more efficient service.

Finally, we support the transaction because the consolidation will ensure the future of rail service to our community for future generations. The DM&E has been essential to our community, and the DM&E's consolidation with a Class I railroad will guarantee that our community will continue to reap the benefits of DM&E's service. For these reasons, the City of Huron strongly supports the transaction, and asks the Board to approve it at the earliest possible time.

I, David McGirr, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on December 3, 2007.


David McGirr

Sworn to and subscribed before me this 3rd day of December, 2007.

My Commission Expires: 8/25/10


Notary Public

RESOLUTION NO. 20-07

WHEREAS, Canadian Pacific Railway Company ("Canadian Pacific") is in the process of submitting to the Surface Transportation Board an application for the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") and the application will be reviewed by the Surface Transportation Board; and

WHEREAS, DM&E is an important employer providing hundreds of well-paying jobs to Huron residents at their Maintenance and Operations Center, and is vitally important to our community as effective and efficient transportation is an important factor both in keeping businesses in Huron and in encouraging new growth for Huron businesses; and

WHEREAS, Canadian Pacific has indicated that it plans to spend \$300 million to rehabilitate and upgrade DM&E's rail lines, and that investment and the fact that the consolidated railroad generally would have greater resources with which to make capital investments should improve the fluidity of DM&E's operations and enable it to provide faster, more efficient service.

NOW, THEREFORE BE IT RESOLVED that the Huron City Commission hereby supports the proposed acquisition because we believe it will ensure the future of rail service to Huron and improve the competitive environment for Huron businesses.

Passed, approved and adopted this 3rd day of December, 2007 on a motion by Manolis, seconded by Heller. Motion carried.

David McFerrin
Mayor

ATTEST:

Pauline Amey
Finance Officer

**Verified Statement of
John Hart
on behalf of the
City of Philip, South Dakota**

My name is John Hart, and I am Mayor of Philip, South Dakota. This verified statement is being submitted on behalf of the City of Philip to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). We support this transaction because we believe access to a broader rail network will improve rail service to Philip and competitive options for Philip businesses.

Philip is located in western South Dakota. Philip was established in 1907, and this past summer we celebrated our centennial. Rail service is extremely important for our community, and we have long been supporters of the DM&E. In the early 1980s when the Chicago and North Western railroad proposed to abandon its line through Philip, Philip was a strong supporter of the creation of the DM&E to provide continued rail service. The reason for our support is simple—Philip businesses need affordable transportation to move their products to market. For example, many Philip residents are wheat farmers, and if those farmers are not able to affordably transport their products to market, they will get out of the business. In many ways, the presence of the railroad allows heartland communities like Philip to survive and thrive

We support this transaction because we believe it will enhance Philip businesses' ability to compete. The proposed acquisition will allow Philip businesses to ship to markets on the Canadian Pacific system via single-line service. This will give many of our shippers competitive alternatives to transport their products to domestic markets on the Canadian Pacific system east

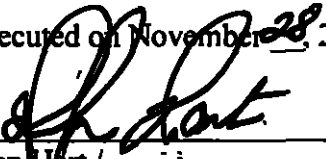
of Chicago. In addition, the transaction would give Philip shippers more competitive access to export markets. For example, the transaction would provide Philip wheat farmers with more efficient service to the Pacific Northwest for export, over Canadian Pacific's routes to Vancouver.

We do not see any anti-competitive effects from Canadian Pacific's acquisition of DM&E. Canadian Pacific and DM&E operate end-to-end networks that complement one another. On the contrary, the acquisition will enhance South Dakota shippers' competitive position by improving service and access to markets.

For these reasons, the City of Philip supports the transaction. We ask the Board to approve it at the earliest possible time.

I, John Hart, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November ²⁸ 2007.

A handwritten signature in black ink, appearing to read "John Hart", is written over a horizontal line.

John Hart
P.O. Box 408
Philip, South Dakota

**Verified Statement of
Mayor Mark Brown
on behalf of the
City of Springfield, Minnesota**

My name is Mark Brown, and I am Mayor of Springfield, Minnesota. On behalf of the City of Springfield, I am submitting this verified statement in support of the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation and Iowa, Chicago & Eastern Railroad Corporation (collectively, "DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). We support this acquisition because we believe it will improve Springfield's access to competitive rail transportation.

Springfield is a predominantly agricultural community in rural Minnesota with a population of approximately 2200 people. Springfield is located on the DM&E, and we heavily depend on rail service. Our farmers depend on rail service to ship corn, soybeans, and wheat, and local industries such as brick manufacturing and trailer manufacturing also need rail service to efficiently ship products to their customers. Indeed, the railroad is one of the factors that has kept our community viable. Many other towns that lack rail service have been unable to sustain local industries in the way Springfield has—precisely because those other communities lack access to the competitive transportation alternative that rail service provides. For this reason, our community has been active in supporting the DM&E and in encouraging improved rail access.

Springfield supports the proposed transaction because it will improve rail service and enhance the competitive position of Springfield shippers. First, the consolidation of Canadian Pacific and DM&E will open up new markets for Springfield shippers. The

expanded network will allow Springfield grain shippers to ship directly to destinations throughout the northeastern United States and Canada via single-system service, which tends to have more competitive rates and more efficient service. Our grain shippers will also have better access to export markets via the Great Lakes or Pacific Northwest over more competitive and direct single-system routes. Second, we believe the transaction will lead to improved service. The DM&E has taken important steps to improve its rail network, and we anticipate that Canadian Pacific will continue to build on this success. We understand that Canadian Pacific plans to spend \$300 million to upgrade DM&E's rail lines. This investment will benefit our community and other communities on the DM&E by upgrading track and facilitating safer and more efficient service.

For these reasons, the City of Springfield strongly supports the proposed transaction

I, Mark Brown, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November ~~30~~ 2007.



Mayor Mark Brown
2 E. Central Street
Springfield, MN

**Verified Statement of
Mayor Stephen Ferrazzano
on behalf of the
City of Tracy, Minnesota**

My name is Stephen Ferrazzano, and I am Mayor of Tracy, Minnesota. I am submitting this verified statement on behalf of the City of Tracy to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") by Canadian Pacific Railway Company ("Canadian Pacific"). We support this acquisition because we believe it will allow continued, viable rail service to our community.

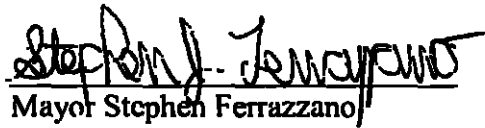
Tracy is a southwestern Minnesota community. In the 2000 census we had 2268 residents. Tracy was established in 1870, and was a prominent railroad community from the outset. In fact, the city was named after a railroad executive, and we continue to celebrate our rail history with the annual Labor Day weekend Box Car Day Celebration. Today Tracy is served by the DM&E, and rail service continues to be important to our community. Our local CHS grain elevator depends on the DM&E's service to ship grain to market.

Tracy supports the proposed transaction because our community needs viable and reliable rail service. We are particularly encouraged by Canadian Pacific's plans to spend \$300 million to upgrade DM&E's rail lines. This investment can only benefit shippers by enabling faster, safer, more efficient service. Similarly, the consolidation of Canadian Pacific and the DM&E will create an expanded network that will better serve Tracy shippers, who now will have access to single-line service to destinations throughout the northeastern United States and Canada. For example, if the transaction is approved, grain from Tracy could be shipped to the Great Lakes or Pacific Northwest for export over more competitive and direct single-line routes.

For these reasons, the City of Tracy strongly supports the transaction. We ask the Board to approve it at the earliest possible time.

I, Stephen Ferrazzano, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement

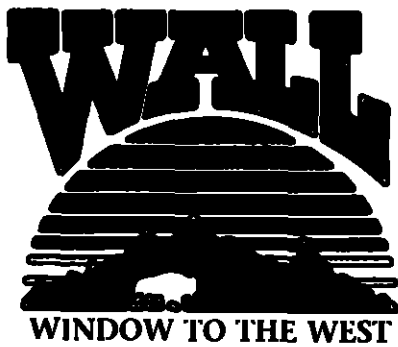
Executed on November 23, 2007.

A handwritten signature in black ink, appearing to read "Stephen J. Ferrazzano", is written over a horizontal line.

Mayor Stephen Ferrazzano

336 Morgan St.

Tracy, MN



City of Wall

**501 MAIN STREET P.O. BOX 314
WALL, SOUTH DAKOTA 57790-0314**

**Phone 605/279-2663
Fax 605/279-2067
Email: wallcity@gwtc.net**

November 29, 2007

This verified statement is being submitted on behalf of the City of Wall, South Dakota to support the proposed acquisition of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E") by Canadian Pacific Railway Company ("Canadian Pacific") My name is David L Hahn, and I am Mayor of the City of Wall, SD We support this transaction because it will allow better, faster rail service to our community

Wall is a small community in western South Dakota; at the time of the 2000 census Wall had 818 residents. While Wall has a growing tourism industry, agriculture remains the foundation of our community economy Wheat is the primary crop grown in the Wall area The DM&E's rail service has been essential to supporting our agricultural industry Our local grain elevator ships out approximately 2.5 million bushels of grain each year Truck transportation is not a viable option to deliver this grain to markets, both because our local grain elevator is not designed for large-scale truck loading and because the large volume of trucks that would be necessary to transport this wheat would strain our street and highway systems In addition, our agricultural industry depends on the railroad for important inbound shipments of products like granular fertilizer. In short, our community depends on having reliable rail service

Our need for reliable rail service is why we are submitting this verified statement in support of the transaction The consolidation of the DM&E into Canadian Pacific's wider rail network should give Wall shippers better and faster service We understand that Canadian

AGRICULTURE & TOURISM "Industries of which we are proud."

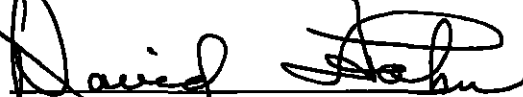
Pacific plans to spend \$300 million to upgrade DM&E's rail lines. This investment can only benefit shippers by enabling faster, safer, more efficient service. In addition, track upgrades that could lead to faster service would alleviate one downside from rail service, which is the amount of time that trains block grade crossings in Wall. Faster trains means less time blocking grade crossings. I would note that, if the line is upgraded as required for DM&E to expand a line into the Powder River Basin, the problem with blocked grade crossings would largely be alleviated.

In short, the City of Wall supports the transaction, and we ask the Board to approve it at the earliest possible time.

I, David L. Hahn, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 29, 2007



Mayor David L. Hahn
P O Box 314
Wall, South Dakota