

IT'S A MATTER OF TRUST



Canadian National Proposal: Would Reduce Competition and Negatively Impact Shippers

On March 21, 2021, Canadian Pacific (CP) and Kansas City Southern (KCS) announced plans to combine to create the first U.S.-Mexico-Canada rail network that would drive competition and economic productivity and create jobs across North America. Recently, amid the filing of CP-KCS regulatory approvals, KCS received an unsolicited acquisition offer from Canadian National (CN). The CN proposal would create the third largest Class 1 railroad by U.S. operating revenue and destabilize the competitive balance in the North American rail industry.

- **Who Do you Trust?** CN has falsely claimed in a filing with the Surface Transportation Board (STB) that its proposed merger with KCS is “end to end” (i.e. that CN and KCS are not competitors).
- **What is the Truth?** CN and KCS have significant competitive overlap. More than 340 shipper facilities have service from both CN and KCS at locations across KCS’s U.S. system (not including shippers benefitting from build-in/build-out competition, geographic competition, and access to both railroads via connecting shortline railroads).
- **Why does it matter?** The shipper community, organized labor, and other stakeholders all stand to suffer significant impacts from the proposed CN/KCS merger, whereas a CP/KCS deal has none of those harms. A CN/KCS merger would wipe away the benefits to shippers from CP/KCS – especially in areas such as Iowa, Minnesota and North and South Dakota, where the transaction would inject new competition with UP, BNSF and CN.
- **It’s a Question of Trust:** If the STB allows CN to acquire KCS and close into a trust pending final approval, the game is over – CN would buy KCS shares and there could be no CP/KCS deal. Interested parties may have as little as a few weeks to take a stand at the STB. There is a choice – CP or CN. The STB has already approved CP’s voting trust. Now is the time to let the STB and KCS know: CN should not get a trust!

CP-KCS Combination: Greater Competition and More Options for Customers

The only combination involving KCS that has none of the adverse impacts and is clearly in the public interest is the one that Canadian Pacific has proposed, and which has already garnered support from over 400 shippers and other stakeholders. While remaining the smallest of the six U.S. Class 1 railroads by revenue, a combination between CP and KCS creates stronger single-line competition against existing Class 1 routes.

- A CP and KCS combination **enhances competition by creating new and stronger competitive options against existing UP, BNSF and CN single-line routes**, as well as trucks, and (unlike CN/KCS) eliminates no competitive options. One prime example would benefit the U.S. Upper Midwest grain-growing regions of the Dakotas, Minnesota, and Iowa, where CP/KCS will inject new competition for shippers now beholden to UP and BNSF to reach the Gulf and other end markets. The Canadian National proposal would not bring these benefits and would instead cause competitive harm.
- The combined railroad would remain the **smallest of six Class 1 railroads by revenue**.
- A CP-KCS combined network’s new single-line offerings would deliver dramatically expanded market reach for customers served by CP and KCS, provide new competitive transportation service options, and support North American economic growth. Importantly, **no customer will experience a reduction in independent railroad choices as a result of the transaction**.
- KCS and CP operate complementary networks that, once combined, would increase network fluidity, and enhance capacity, accommodating more rail traffic while reducing congestion. As a result, more trains would spend more time moving freight, resulting in better services for shippers.
- The transaction is also **expected to create jobs across the combined network**, and efficiency and service improvements are expected to achieve meaningful environmental benefits.
- Additional information on the transaction and the benefits it is expected to bring to the full range of stakeholders is available online at www.FutureForFreight.com.

