



PAN AM RAILWAYS

1700 IRON HORSE PARK
NO. BILLERICA, MA 01862

February 18, 2020

300407

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

ENTERED
Office of Proceedings
February 18, 2020
Part of
Public Record

**Re: Soo Line Corporation – Control – Central Maine & Quebec Railway US Inc.
Finance Docket No.: 36368**

Dear Ms. Brown:

Enclosed for filing with the Board in the subject docket on behalf of Springfield Terminal Railway Company are a the “Comments and Request for Conditions” for Springfield Terminal Railway Company and the attached “Verified Statement of Michael Bostwick”. Thank you very much for your assistance.

Please let us know if there are any questions regarding this filing.

Very truly yours,

Robert B. Culliford, Esq.
1700 Iron Horse Park
North Billerica, MA 01862
(978) 663-1126
rculliford@panam.com

Encls.

*Attorney for Springfield Terminal
Railway Company*

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO.: 36368

SOO LINE CORPORATION

--CONTROL--

CENTRAL MAINE AND QUEBEC RAILWAY US, INC.

**SPRINGFIELD TERMINAL RAILWAY COMPANY
COMMENTS AND REQUEST FOR CONDITIONS**

Springfield Terminal Railway Company ("ST"), respectfully submits these comments and request for conditions in response to the above-referenced application filed by Soo Line Corporation ("Applicant") to acquire control of Central Maine and Quebec Railways US, Inc. (the "Transaction") In particular, ST has significant concerns that the Transaction will result in a significant lessening of competition that will outweigh the public interest if specific conditions are not imposed by the Board to mitigate those impacts.

I. FACTUAL BACKGROUND

ST is a Class II rail carrier providing freight rail transportation service throughout the'

Northeast and Canadian Maritimes, and is a party to an interchange agreement with Central Maine and Quebec Railway US, Inc. (“CMQ”) at Northern Maine Junction, Maine. *Verified Statement of Michael Bostwick (“VS”) at 1.* This interchange agreement has been in place since approximately 2015, and governs traffic moving to and from Northern Maine and the Canadian Maritimes. *Id.* Traffic moving via this interchange is a mix of interline and haulage carloads, the majority of which originates or terminates on the Eastern Maine Railway Company, the Maine Northern Railway Company or the New Brunswick Southern Railway Company Limited (collectively the “Irving Railroads”). *VS at 1-2.* The Irving Railroads connect with CMQ at Brownville, Maine and CMQ then shuttles traffic between Brownville and Northern Maine Junction. *VS at 2.*

Initially, ST and CMQ sought to increase the interchange of traffic in response to the routing of traffic to and from the Canadian Maritimes away from ST’s line to Mattawamkeag, Maine. *Id.* This change was driven by the condition of ST’s Mattawamkeag line and the efficiencies that could be gained by the new routing. *Id.* These efficiencies were noted by the State of Maine, Department of Transportation in a 2015 TIGER Grant Application, in which MDOT stated:

Recently CMQ and PAR have entered into a unique and experimental relationship where CMQ trains are combining traffic with PAR and are concentrating that traffic on the CMQ line between Northern Maine Junction and Brownville Junction for furtherance to MNR or EMR. Although only a few months have passed since this arrangement has begun, benefits include greater density on one main line in lieu of two light density lines. This is expected to have long-term positive effects for the freight traffic and the public. This unique partnership of the railroads led to the pursuit of the combined TIGER grant application. The pursuit is the first of its kind in New England and likely in the US and can transform rail traffic in the region. *2015 Maine Regional Railways Project Application. Id.*

As noted by MDOT, this arrangement has delivered positive results despite some initial hiccups relating to service and pricing. *Id.* As a result, ST believes that it is imperative that a

similar arrangement exists post-Transaction to ensure competitive alternatives for shippers to and from this region. *Id.* At 2.

II. ARGUMENT

Applicant asserts that there will be no anticompetitive effects as a result of the Transaction, and even if there were, those impacts would be outweighed by contributions to the public interest that the Transaction will bring. *Soo Line Corporation—Control—Central Maine and Quebec Railways US, Inc.—Application for a Minor Transaction*, STB Finance Docket No. 36368, filed December 17, 2019 (the “Application”), at 4. To support his argument, the vast majority of the Application recites the benefits to be gained from east-west interline traffic between the present day CMQ and Applicant, as well as growth of new traffic over this line. *Application at 9-12*. To the extent any north-south routings are discussed in any detail, it is to focus on the potential growth of the Port of Searsport to also feed into east-west movements via Applicant’s lines. By contrast, the Application devotes a mere three (3) sentences to CMQ’s existing Class II and III connections, including the connection with ST and Northern Maine Junction and the Irving Railroads at Brownville. *Application at 13*.

Given the approximately \$130 million that Applicant is paying to acquire CMQ, a focus on growing Applicant’s long haul traffic is understandable as a means to maximize revenue. However, that very same focus is the reason why the Transaction will likely have significant anticompetitive impacts on shippers by downgrading or potentially closing the current north-south interchange at Northern Maine Junction. (“Competitive harm would result from a merger to the extent that the merging parties would gain sufficient market power to profit by raising rates and/or reducing service.” *Kansas City Southern—Control—The Kansas City Southern Railway Co., et al.* STB Finance Docket 34342, Served November 29, 2004, at 11). These

adverse impacts would most likely flow from Applicant's desire to divert as much traffic as possible over its own lines, or from Applicant's desire to utilize the Northern Maine Junction connection to grow its traffic from Searsport to the detriment of other shippers. *VS at 2*.

Moreover, this anticompetitive outcome is directly related to the Transaction, and is not merely related to pre-existing conditions. *Kansas City Southern—Control*, at 11. Indeed, the CMQ has a vested interest in maintaining an efficient interchange with ST at Northern Maine Junction and the Irving Railroads at Brownville. *Id.* Specifically, given its size, the revenue provided to CMQ by shuttling trains between Brownville and Northern Maine Junction was significant and provided CMQ with an incentive to provide reliable service at reasonable rates. *VS at 2-3*. This commitment was underscored not long after this arrangement was put in place and ST grew concerned with service and pricing levels provided by CMQ and moved its interchange with the Irving Railroads back to Mattawamkeag. *VS at 3*. In response, CMQ was amenable to making the necessary changes to win this traffic back to the benefit of shippers in the region. *Id.*

Applicant, on the other hand, is a Class I carrier that by its own admission is focused on east-west traffic and revenue growth, with no vested interest in maintaining the Northern Maine Junction interchange. Moreover, Applicant is also focused on carload growth at Searsport, which will also travel through Northern Maine Junction, impacting capacity for other shippers' traffic. Clearly, therefore, there is significant risk that the Transaction will result in a loss to shippers of the existing routing via Northern Maine Junction, leaving those shippers with fewer options than would exist absent the Transaction. Moreover, while ST is raising this issue, it is not because it is solely concerned with the adverse impacts of the Transaction on ST. In fact, if necessary ST could revert to its Mattawamkeag interchange and avoid Northern Maine Junction

altogether, while still competing for traffic originating and terminating on the Irving Railroads. However, at this point the current arrangement is working well to the benefit of shippers and ST does not believe that the Transaction alone should be the reason to discontinue it. (“In addition, it is well settled that, in exercising its conditioning power, the Board seeks to protect competition, not individual competitors.” *Norfolk Southern Railway Co.—Acquisition and Operation—Certain Lines of the Delaware and Hudson Railway Co., Inc.* STB Finance Docket No. 35873, Service Date May 15, 2015).

III. CONCLUSION

For the foregoing reasons, ST respectfully request that the Board condition approval of the Transaction on Applicant’s grant to ST of trackage rights between Northern Maine Junction and Brownville, Maine. The grant of these rights will ensure that ST can still reach the Irving Railroads and other shippers in Northern Maine and the Canadian Maritimes moving traffic to Brownville, and will preserve the north-south option for shippers. Not only will such a condition ameliorate the likely anticompetitive impacts of the Transaction, it will not impose an undue burden on the Applicant. Rather, ST operations to Brownville will allow Applicant to use its own crews and equipment to grow the east-west traffic described in the Application, thereby *increasing* competition as ST and Applicant vie for shippers’ traffic, while also allowing Applicant to use this line to grow traffic at Searsport.

Dated: February 18, 2020

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'R. B. Culliford', written in a cursive style.

Robert B. Culliford
Counsel for Springfield Terminal Railway
Company
1700 Iron Horse Park
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(978) 663-1126
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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO.: 36368

SOO LINE CORPORATION

– CONTROL –

CENTRAL MAINE AND QUEBEC RAILWAY US INC.

VERIFIED STATEMENT OF MICHAEL BOSTWICK

My name is Michael Bostwick, I am the Chief Commercial Officer and Executive Vice President of Sales of Springfield Terminal Railway Company. I have been employed in positions involving rail transportation and sales and marketing of rail services continuously since 2000.

ST is a Class II rail carrier providing freight rail transportation service throughout the Northeast and Canadian Maritimes, and is a party to an interchange agreement with Central Maine and Quebec Railway US, Inc. ("CMQ") at Northern Maine Junction, Maine. This interchange agreement has been in place since approximately 2015, and governs traffic moving to and from Northern Maine and the Canadian Maritimes. Traffic moving via this interchange is a mix of interline and haulage carloads, the majority of which originates or terminates on the Eastern Maine Railway Company, the Maine Northern Railway Company or the New Brunswick Southern Railway Company Limited

(collectively the “Irving Railroads”). The Irving Railroads connect with CMQ at Brownville, Maine and CMQ then shuttles traffic between Brownville and Northern Maine Junction. Initially, ST and CMQ sought to increase the interchange of traffic in response to the routing of traffic to and from the Canadian Maritimes away from ST’s line to Mattawamkeag, Maine. This change was driven by the condition of ST’s Mattawamkeag line and the efficiencies that could be gained by the new routing. These efficiencies were noted by the State of Maine, Department of Transportation in a 2015 TIGER Grant Application, in which MDOT stated:

Recently CMQ and PAR have entered into a unique and experimental relationship where CMQ trains are combining traffic with PAR and are concentrating that traffic on the CMQ line between Northern Maine Junction and Brownville Junction for furtherance to MNR or EMR. Although only a few months have passed since this arrangement has begun, benefits include greater density on one main line in lieu of two light density lines. This is expected to have long-term positive effects for the freight traffic and the public. This unique partnership of the railroads led to the pursuit of the combined TIGER grant application. The pursuit is the first of its kind in New England and likely in the US and can transform rail traffic in the region.
2015 Maine Regional Railways Project Application.

As noted by MDOT, this arrangement has delivered positive results despite some initial hiccups relating to service and pricing. As a result, ST believes that it is imperative that a similar arrangement exists post-Transaction to ensure competitive alternatives for shippers to and from this region.

Additionally, adverse impacts would most likely flow from Applicant’s desire to divert as much traffic as possible over its own lines, or from Applicant’s desire to utilize the Northern Maine Junction connection to grow its traffic from Searsport to the detriment of other shippers.

Indeed, CMQ has a vested interest in maintaining an efficient interchange with ST at Northern Maine Junction and the Irving Railroads at Brownville. Specifically, given

its size, the revenue provided to CMQ by shuttling trains between Brownville and Northern Maine Junction was significant and provided CMQ with an incentive to provide reliable service at reasonable rates.

This commitment was underscored not long after this arrangement was put in place and ST grew concerned with service and pricing levels provided by CMQ and moved its interchange with the Irving Railroads back to Mattawamkeag. In response, CMQ was amenable to making the necessary changes to win this traffic back to the benefit of shippers in the region.

VERIFICATION

Commonwealth of Massachusetts
Middlesex County, ss.

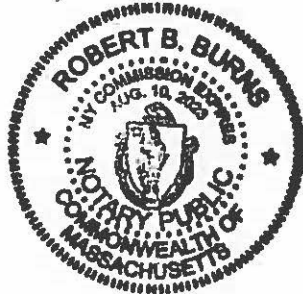
I, Michael Bostwick, being duly sworn according to law, hereby depose and state that I am authorized to make this Verification, that I have read the foregoing document, and that I know the facts asserted therein are true and accurate as stated, to the best of my knowledge, information and belief.



Michael Bostwick

Subscribed and sworn to
before me this 18th Day
of February, 2020.



Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the above Comments and Request for Conditions and the Verified Statement of Michael Bostwick have been served, by first class mail, postage prepaid, this 18th day of February, 2020 on the following:

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