FOR RELEASE
11/29/2000 (Wednesday)
No. 00-44

Contact: Dennis Watson
(202) 565-1596
FIRS 1 (800) 877-8339
www.stb.gov

SURFACE TRANSPORTATION BOARD FINDS NO COMPETITIVE PROBLEMS IN ITS FIRST ANNUAL ROUND OF GENERAL OVERSIGHT IN THE "CN-IC" MERGER

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued a decision finding that there have been no competitive problems in the first annual round of general oversight in the 1999 "Canadian National-Illinois Central" merger. The Board continued its general oversight of the merger in accordance with the schedule provided in the decision.

In a decision issued in May of last year, the Board approved the merger of the Canadian National (CN) and Illinois Central (IC) railroads. In doing so, the Board established general oversight for a period of up to five years so that the effectiveness of the various conditions imposed by the Board on the merger, the competitiveness of CN-IC service, and the railroads' Alliance Agreement with The Kansas City Southern Railway Company (KCS) all might be assessed. In March 2000, the Board began the oversight proceeding by requiring CN to file a progress report and inviting interested parties to comment on the merger's status.

In response to CN's progress report, comments generally in support of the CN-IC merger were filed by the BASF Corporation, KCS, Gaylord Container Corporation, and Wisconsin Central Ltd. Comments requesting additional or other relief were filed by the United States Department of Transportation, Ontario Michigan Rail Corporation (OMR), Canadian Pacific Railway Company (CP), and Joseph C. Szabo on behalf of United Transportation Union-Illinois Legislative Board.

In today's decision, the Board found that the CN-IC merger has been successful to date and that safety and employee relations have not been compromised. The Board also found that there is no evidence of anticompetitive behavior by the CN-IC system or by the participants in the CN-IC-KCS Alliance Agreement; that rail-to-rail competition in the Geismar, Louisiana area is robust; and that the CN-IC Chicago gateway remains open for grain shipments originating in North Dakota. The decision also noted that, although CP and OMR allege that CN has not negotiated in good faith regarding the sale of CN's interest in the Detroit River Tunnel (Tunnel), CP and OMR have failed to show the nexus between their renewed divestiture request and any anticompetitive impact of the CN-IC merger.

With respect to the Tunnel, the Board indicated that, while its 1999 decision approving the merger referred to CN's willingness to sell its interest in the Tunnel, the 1999 decision denied the requests of CP and OMR that CN be forced to sell its interest in the Tunnel on the grounds that the divestiture requests were unnecessary and not in the public interest. At that time, the Board instead encouraged the parties to pursue a private-sector solution to their concerns. Because negotiations are ongoing, the Board found that it would be premature and counterproductive to insert itself into that process now. The Board stated in today's decision that it would continue to monitor issues related to investment in and operation of the Tunnel.

The Board's decision was issued today in *Canadian National Railway Company, Grand Trunk Corporation, and Grand Trunk Western Railroad Incorporated--Control--Illinois Central Corporation, Illinois Central Railroad Company, Chicago, Central and Pacific Railroad Company, and Cedar River Railroad Company (General Oversight)*, STB Finance Docket No. 33556 (Sub-No. 4), Decision No. 2.

A printed copy of today's decision is available for a fee by contacting: **D~-To-D~ Office Solutions, Room 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 466-5530**. Today's decision is also available for viewing and downloading via the Board's website at **http://www.stb.dot.gov**

###