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February 28, 2000

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Fed. Ex. (priority)

Surface Transportation Board, Office of the Secretary
Case Control Unit, ATTN: STB Ex Parte 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

MAR 01 2000

Re: STB Ex Parte 582

Dear Sir/Madam:

Pursuant to the Board's February 16, 2000 notice in subject proceeding, please find enclosed for filing therein an original and ten (10) copies each of the Written Statement of the United Transportation Union ("UTU") and the notice of the speaker for UTU on March 8, 2000. Also enclosed are two 3.5 inch IBM-compatible floppy diskettes (in, or convertible by and into, WordPerfect 7.0 format) that are electronic copies of each document.

Very truly yours,

Clinton J. Miller, III
General Counsel

Enclosures

bcc: C. L. Little, International President (w/paper encl.)
B. A. Boyd, Jr., Assistant President (w/paper encl.)
J. M. Brunkenhoefer, National Legislative Director (UPS Next Day Air) (w/paper encl.)
K. N. Thompson, Vice President-Administration (w/paper encl.)

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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 582

PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

MAR 01 2000
Dept of
Public Record

UNITED TRANSPORTATION UNION'S
WRITTEN STATEMENT

United Transportation Union ("UTU") respectfully submits the following as its written statement in this proceeding.

As the STB stated in its notice of this proceeding:

> [T]here has been a great deal of speculation that the strategic responses of the remaining North American rail carriers to the proposed BNSF/CN transaction will lead to a new round of major railroad consolidations, ultimately resulting in the formation of two North American transcontinental railroad systems.
>
> [The Board is] also aware that this speculation has caused concern given that the structure of the North American railroad industry has already changed dramatically in the past half decade. There remain two major western railroads and two major eastern railroads in the United States.

As a result, the Board is holding this hearing to address rail consolidations in general, to consider the effect of a BNSF/CN merger on the present and future structure of the North American railroad industry, and to hear the concerns of those who will be most directly affected by the STB's decisions in this area.

There is no organization who has been more affected by the Board's regulation than UTU. UTU is the nation's largest rail labor organization and has approximately 79,000 members in the United States and Canada. Rail mergers have cost UTU members many jobs, and have adversely affected the employment of many more members over the years. The number of railroad employees on the major carriers went from about 950,000 in 1957 to 488,000 in 1975 during the first phase of major rail mergers. This job loss continued with the proliferation of short-line spin-offs in the 1980's and 1990's. Jobs were lost and pay was cut without any form of protection. Moreover, more major mergers took place during this time. As a result, rail employment has fallen to around 178,000.

There are presently only six major railroads in the United States due to the mergers in the 1970's, 1980's and 1990's, which were formed from 47 predecessor railroads. The adverse effects of these mergers have hurt employees and overall labor relations over the years. The last stage of more mega- mergers, starting with the largest proposed merger in history, CN-BNSF, looms on the horizon with the real threat of even more job losses and adverse employment effects.

The eventual merger of our nation's railroads into two major carriers appears imminent, unless something is done, in light of the CN-BNSF control application which will be filed soon. This merger is not an end-to-end merger as the two applicant carriers claim. There is significant parallel trackage involved. Parallel mergers are duplicative, eliminate competition and create captive shippers. This proposed merger would force competing rail carriers such as UP, KCS and CP, and perhaps even NS and CSX, to respond in defense. These carriers would not be able to compete with a mega-carrier like CN-BNSF, which could generate large amounts of cash, create huge gathering networks and dominate traffic routing, and they would be forced to combine with other carriers to remain competitive or be eliminated. In any event, the likely result is that two major carriers would remain

if this merger takes place. This condensed two-monopoly system would only lead to fewer jobs and more difficult times for railroad workers.

Moreover, a merger of this magnitude will in all likelihood lead to further service disruptions and operational problems. The Board is all too familiar with the service crisis caused by the UP/SP Merger and the recent service problems that have developed from the CSX/NS/Conrail transaction. While the merging and acquiring carriers have always predicted that there would be no service problems, recently that has not been the case, as the Board well knows. The service disruptions of the recent past have caused shippers to lose faith in our nation's railroads, resulting in shippers moving to trucks for their shipping needs, a load that industry cannot bear for long. The recent proposed CN-BNSF merger provoked a response indicating the concerns the public has about service problems when, upon its announcement, the stock of the major carriers fell to 52-week lows.

In addition, the operating employees of the nation's railroads represented by UTU usually suffer the most when service disruptions occur due to employee shortages and inefficient operations. These employees, who already work long hours in dangerous conditions, will inevitably be called upon to work more hours when the service disruptions from a transaction occur. More work and operating complications can only contribute to fatigue and potentially compromise the safety of the working environment.

It is beyond cavil that the freight railroad industry continues to struggle with the implementation of recent mergers and acquisitions in the western and eastern United States. The national railroad system is unsettled and needs time to assimilate these transactions. The timing of the current proposed BNSF-CN merger is premature and will likely cause more mega-mergers at this most inopportune time. A new, and final, round of mergers could threaten the viability of the

American freight rail system by diverting management attention and resources from continued work on successful execution of recent rail mergers and acquisitions. The public interest, as well as the interest of rail employees, calls for the rejection of the CN-BNSF transaction at this time to allow the settling of the industry and to restore shipper confidence. Otherwise, the rail industry in the United States may be irreparably harmed.

Respectfully submitted,

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