

OPEN LETTER TO THE RAILROADS

We, the undersigned rail customer organizations, thank Canadian Pacific, CSX, Norfolk Southern, and Union Pacific for your joint January 11, 2000 "open letter" to us, expressing your views of the proposed Canadian National-Burlington Northern Santa Fe merger. We agree that the timing of the merger is inappropriate, but our perspective is somewhat different.

Over the past several decades, we have experienced increasing adverse effects of the remonopolization of the railroad industry. As railroads merged into fewer and more dominant carriers, our options have evaporated and our service has deteriorated. In almost all markets we rely on either one or two territorial monopolies. While we have proposed modest changes that eliminate regulatory-imposed barriers to competitive choice among rail carriers as the answer, you have rejected these changes, incredibly tagging them as *re-regulation* and *forced access*. But it is universally accepted that competition is the opposite of regulation, and that with competition, much regulation is unnecessary. In fact, it is your *customers* who are forced to use your service. Other regulated industries have gone through, or are going through, restructuring, leading to greater competition. The railroad industry, which exists to serve its customers, should not be an exception.

Recently, AOL and Time Warner announced their proposed merger, and simultaneously announced that they would permit competitors to use Time Warner's cable system as a condition of approval of that merger. Similar steps have been taken in the telecommunications, natural gas, and electric utility industries. If you were to join us in advocating the same approach for railroads, you would help mend the industry's badly frayed relations with its customers. At the same time, you will see that good service promotes growth. Indeed, CSX and Norfolk Southern promoted their acquisition and division of Conrail on the theory that they would take a million trucks per year off the highway; so far, the opposite has occurred. CSX and Norfolk Southern have already lost 5% of the total rail freight traffic in the east to trucks due to poor service.

We urge you to recognize that the time has come to put your customers first by working with us to achieve greater competition in the railroad industry. Competition is the engine that propels the free enterprise system. If you would be interested in resolving the problems we see, we would be delighted to collectively sit down and seek agreement. We look forward to your response.

Alliance for Rail Competition

American Farm Bureau Federation

American Iron and Steel Institute

Chemical Manufacturers Association

Edison Electric Institute

National Rural Electric Cooperative Association

The Fertilizer Institute

Transportation Intermediaries Association