The Senate of Texas

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The Honorable Patrick Fuchs
The Honorable Michelle Schultz
The Honorable Karen Hedlund
Surface Transportation Board
395 E Street, NW
Washington, DC 20423

Re: *Opposition to UP-NS Proposed Merger*

Dear Chairman Fuchs, Vice Chairman Schultz, and Member Hedlund,

I write because I strongly believe that Union Pacific and Norfolk Southern's proposed merger presents significant risk for the Texas and the U.S. economies. I am concerned the merger will harm shippers and their customers by eliminating competition, disrupting service, weakening the U.S. supply chain, and increasing transportation rates. This would lead to higher costs for American businesses, making it harder for America to compete in global markets and harder for everyday Americans to afford basic necessities.

Given these high stakes, I respectfully ask the Board to carefully consider the following concerns as it scrutinizes whether any form of the transaction (including any conditions intended to remedy competitive harms or enhance rail-to-rail competition) can meet the appropriately rigorous standards set forth in the Board's governing statutes and regulations:

- ***Reduced Competition and Rate Increases.*** A combined UP-NS would dominate key freight markets and shared rail industry assets, giving it unmatched power over shippers, suppliers, and rail workers. Less competition means higher costs for everyone. **Texas leads the nation today with over 800 different shippers that are "captive" to Union Pacific (UP), which may explain why almost 25% of UP's total revenue comes from freight moving to and from the Lone Star State.**

- ***Service Degradations and New Supply-Chain Vulnerabilities.*** As seen with prior rail mergers, the proposed transaction would likely cause service disruptions and congestion. While the UP-SP merger is the best-known example of that unfortunate history because

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of its widespread and severe impacts to the U.S. supply chain, you need only look back to earlier this year to see history repeating itself. Given the size and scope of the proposed merger, even relatively minor disruptions could cripple rail service across the country, with ripple effects across the rest of the US supply chain and our economy. UP would also gain control of key facilities and terminal railroads, having incentives to favor its own trains while creating bottlenecks and service problems for others. Though UP-NS promise a “seamless” integration, the last round of major rail consolidations in the 1990s, which at the time were overseen by experienced and capable railroad operators, caused severe supply chain disruptions in Texas. **The Houston Chronicle in 1998 reported that Texas businesses were losing $100 million per month as the UP – Southern Pacific merger crashed the supply chain.** Despite improvements in technology, each railroad continues to operate its own unique and complex systems, which will need to be integrated seamlessly on day one across a new 55,000-mile railroad to avoid disruption.

- ***UP’s Promises Are Undercut by Its Track Record.*** UP has a history of failing to honor the competitive remedies granted to shippers in the last major round of mergers. Over the past 25 years, UP has raised rates and shed traffic instead of expanding service, signaling that it values profits overgrowth. This history strongly suggests that a merger with NS will only shrink the rail network further. Even if UP really does want to chart a new course towards growth, it’s unclear why a merger that will risk the U.S. supply chain is needed, given collaboration opportunities that can already be pursued today.

- ***Resilience and Optionality.*** The merger would permanently lock in UP’s dominance, eliminating alternative routes and creating single points of failure across the rail network. Resilience depends on shippers having multiple choices and a rail network that can shift to changes in supply, demand, and shipping patterns.

I appreciate the opportunity to raise these concerns with the Board, and the Board’s attention to the risks the merger poses to the businesses, workers, suppliers and everyday Texans who rely on our nation’s rail network to bring competitively priced goods to and from U.S. markets.

Sincerely,

Tan Parker

The Honorable Tan Parker

Texas State Senator

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