United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

SEP 20 2013

The Honorable Daniel R. Elliott III
Chairman
Surface Transportation Board
395 E Street, SW.
Washington, D.C. 20423

RE: Finance Docket No. 35081 Sub. No. 2, Canadian Pacific Railway Company, *et al.* – Control-Dakota, Minnesota & Eastern Railroad Corporation. *et al.*

Dear Chairman Elliott:

This letter[1] is in support of the petition of the State of South Dakota, acting by and through its Department of Transportation to enforce Canadian Pacific Railway Company's (CP) investment representations to the Surface Transportation Board (STB). On March 4, 2008, the U.S. Department of Agriculture (USDA) filed comments with STB in support of the merger of CP and Dakota, Minnesota & Eastern Railroad Corporation (DM&E), which had interchanges with all seven major railroads.

USDA provided its support of the merger on the condition that CP kept all current connections to these other railroads open at economically competitive and non-discriminatory rates. USDA also encouraged CP to make sufficient investment in the former DM&E line to maintain or improve its condition.

South Dakota is served by only two major railroads, the BNSF Railway Company and the former DM&E line, which is now operated by CP. The former DM&E line is the only east-west rail line that crosses the middle portion of the State. It has improved shippers' competitive access to markets in Chicago, the Pacific Northwest, Texas, and the eastern United States with its connections to all major railroads. The loss of this line, or major portions of it, could eliminate rail service to a major portion of the State. Even where service would remain, agricultural shippers would only have access to a single railroad, which could increase rail rates for agricultural shippers and receivers of corn, wheat, soybeans, ethanol, distillers, dried grains, flour, fertilizer, and seeds. This, in turn, could reduce farm income and increase truck traffic on rural roads and bridges.

[1] The Agricultural Adjustment Act of 1938 (7 U.S.C. §1291) and the Agricultural Marketing Act of 1946 (7 U.S.C. 1621(j)) provide USDA authority to represent the interests of the agricultural shipping industry to the STB (and other Federal transportation regulatory bodies) with respect to rates, charges, tariffs, and practices relating to the transportation of farm products.

Investment in the former DM&E line is therefore critical to serve the needs of agricultural shippers and receivers.

It is important to enforce the investment representations with regard to the former DM&E line, particularly for the line west of Tracy, Minnesota. This portion of the line could be sold without connections to other major railroads, resulting in a large portion of South Dakota's agricultural producers losing cost-effective rail service or having access to only one major railroad with higher rates. A full accounting of the promised investment, as requested by South Dakota, is a reasonable step forward.

Sincerely,

Thomas J. Vilsack
Secretary