Railroad focuses on Chicago congestion to win merger support

By Micah Maidenberg January 20, 2016

Canadian Pacific Railway is emphasizing Chicago track congestion in a ramped-up effort to persuade Norfolk Southern shareholders and railroad regulators to approve a merger of the two companies.

In a report released today, the Alberta-based railroad says that if it completes its hostile bid to merge with Norfolk, it could shift at least some freight traffic to places such as Buffalo, N.Y.; Elkhart, Ind.; and Kansas City, Mo., avoiding the Chicago area.

Canadian Pacific spokesman Martin Cej declined to discuss how a merger would affect the number of local jobs, other than to say less congestion in the region for other carriers is a “net-net improvement” for the broader economy and job creation.

But some positions could be lost if the companies merge. Canadian Pacific has employees at its Bensenville intermodal yard, while Norfolk has intermodal facilities in Englewood, on 106th Street on the Southeast Side and elsewhere in the region.

Norfolk Southern, which is **fighting** the proposed merger, rejects Canadian's assertion that a combination would ease traffic jams that form as several freight railroads, Amtrak and Metra try to move around and through the region.

DISAGREEMENT ON CONGESTION RELIEF

James Clements, vice president of strategic planning and transportation services at Canadian Pacific, acknowledges that both sides “don't even agree on the basic set of facts.” Canadian Pacific thinks at least four or five trains a day could be diverted from the area if the firms combine, he said.

That's significantly more than Norfolk's estimates. Last month, **James Squires,** CEO of the Norfolk, Va.-based railroad, said less than one train per day of current traffic from both firms would shift out of the area.

But Canadian Pacific says in the new report that the larger company could build “manifest trains,” or trains with cars heading in the same direction but to different destinations, in Norfolk's yard in Elkhart rather than here.

Canadian Pacific also could skip Chicago by routing traffic from eastern Canada or the northeast U.S. through Detroit and down to Kansas City, according to its report. Buffalo would become a more important “gateway” for trains heading east, the report says, handling work now completed in Chicago.

The rail bottleneck in Chicago is a function of the region's position in the center of the North American freight network. The area has nearly **3,900 miles** of track and more than 50 freight yards, and it handles the movement of 1,300 freight and passenger trains each day, according to the Chicago Metropolitan Agency for Planning.

FREIGHT PROJECTION

The volume of freight moving through the area is expected to rise **62 percent** between 2007 and 2040 to more than 1 billion tons annually, according to the agency.

Canadian Pacific says merging with Norfolk Southern would allow it to create capacity here as it shifts operations elsewhere, opening room for other freight railroads, Amtrak and Metra.

In its report, the firm says the Chicago Region Environmental and Transportation Efficiency Program—the rail infrastructure effort known as Create—is insufficient for reducing congestion.

The planning agency, which has supported Create, said in a statement, “Freight volumes will keep rising in decades to come, combined with projected growth in commuter and intercity passenger rail. Now is not the time to lose our regional focus on building capacity through both infrastructure improvements and operational efficiencies.”

The agency added that the new federal transportation bill could help launch a series of improvements at one rail bottleneck, near **75th Street** on the South Side.

The battle over the proposed merger is the talk of the railroad industry. Last week, at the Midwest Association of Rail Shippers conference in Lombard, the CEO of Union Pacific **said** the firms will do “everything in our power” to fight big mergers in the rail sector.

Meanwhile, Canadian Pacific yesterday **asked** the U.S. Justice Department to look into a “collective campaign” by large railroads to block its hostile bid for Norfolk Southern.

The company said it sent a letter to inform the U.S. government of the “unprecedented action of major competitors organizing to block a new entrant from enhancing competition,” according to a statement.

Bloomberg contributed.