

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35081

CANADIAN PACIFIC RAILWAY CO., *et al.* – CONTROL –
DAKOTA, MINNESOTA & EASTERN RAILROAD CORP., *et al.*

REPLY COMMENTS OF THE
U.S. DEPARTMENT OF AGRICULTURE

Bruce I. Knight
Under Secretary
Marketing and Regulatory Programs
U.S. Department of Agriculture
Washington, D.C. 20250

Date: April 18, 2008

AUTHORITY AND INTEREST

The Secretary of Agriculture is charged with the responsibility under the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946 to represent the interests of agricultural producers and shippers in improving transportation services and facilities by, among other things, initiating and participating in Surface Transportation Board (Board) proceedings involving rates, charges, tariffs, practices, and services.

COMMENTS

On March 4, the Department of Agriculture (USDA) submitted comments conditionally supporting the Canadian Pacific Railway Company (CP) application to purchase the Dakota, Minnesota & Eastern Railroad Corporation (DM&E). USDA reaffirms its conditional support of the application and reaffirms its request that the Board condition this acquisition with the requirement of maintaining cost-competitive and non-discriminatory connections to other railroads.

As the largest regional railroad in the United States, the DM&E system has provided neutral connections to all seven major U.S. railroads. Loss of this neutrality could diminish market access and the choice of carriers for grain shippers located on the DM&E system and to those markets—including those located in the Pacific Northwest, Texas, Mexico, southern poultry markets, and points beyond the Chicago gateway—that rely upon grain originated on the DM&E system.

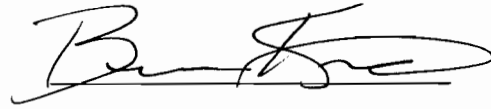
Since USDA's previous comments on this proceeding, we understand that an agreement has been reached between CP and Southern Minnesota and Northern Iowa Shippers Association, which maintains cost-competitive and non-discriminatory connections as well as a commitment

to upgrade those lines. USDA supports the agreement and requests the Board condition the acquisition with the agreement because USDA believes it is in the best interest of agricultural shippers in that area and because it upholds the principle expressed in our March 4 comments. USDA believes these lines are very important as they preserve 2-railroad competition in the region served by the lines.

Due to poor availability of grain cars in good mechanical condition to North Dakota shippers, USDA also requests that the Board consider conditioning this application with the requirement that CP maintain the number of grain cars available to agricultural shippers on the DM&E system at the levels provided during 2007 without reducing the supply available to North Dakota shippers. In addition, USDA reaffirms its request that CP not favor Canadian shippers over those from the U.S.

Another example of the principle expressed in our March 4 comments is the existing agreements between Kansas City Southern Railways (KCS) and the DM&E system. USDA requests that the Board condition its approval of the CP purchase of DM&E with the requirement that cost-competitive and non-discriminatory connections be maintained with KCS as well. USDA contends that it is in the public interest to preserve the neutrality of the DM&E system which would preserve the ability of shippers to choose the markets in which they sell their products and the rail carrier.

Respectfully submitted,

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Bruce I. Knight
Under Secretary
Marketing and Regulatory Programs
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CERTIFICATE OF SERVICE

I, Bruce Blanton, certify that on this 18th day of April, 2008, I caused a copy of the foregoing document to be served by first-class mail, postage prepaid, on all parties of record in STB FD No. 35081.

A handwritten signature in black ink, appearing to read "Bruce Blanton", written over a horizontal line.

Bruce Blanton
Director
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