



Simulating the Effects of Railroad Mergers

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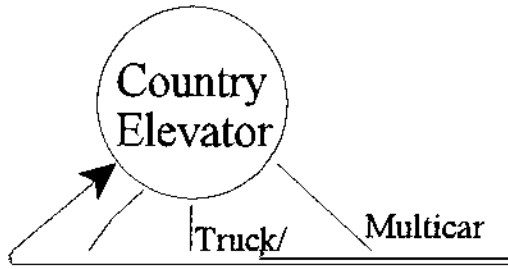
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6.9% to 19.0% of revenues in that market. A third railroad in a state has yielded benefits

yields social benefits of 2.4%–6.8% of revenues in that market. MacDonald (1987) found that

increased intrarailroad competition results in lower railroad grain prices. He found that a move-



Kansas. Subterminals are located at Colby, Dodge City, Wakeenaw, Liberal, and Olathe, Kan.

and Enid, Oklahoma.

Hayden was selected as the only market in order to make the study more feasible. This

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The profit improvement algorithm starts with all railroad prices set equal to variable cost

.....

that are 110% of variable cost

.....

country, cluster sites based on the cluster size and the presence of rail service. A total of 46

line for 0 to 50 miles but higher costs than the short line for distances that are greater than 50

with the estimated amount of service cost for the year 1997-1998: 140001.0.

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Railroad	No Mergers	Mergers	Percentage Change from No Mergers
	Revenues-Variable Cost (Dollars Per 1000 Bushels)		
Kyle	\$12.00	\$16.10	- 51.6

Table 3. Estimated Net Revenue and Revenue-Adjustable Cost Dollars for Affected Railroads

	1998	1999	2000	2001	2002	2003
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[The following text is heavily obscured by horizontal black bars and is largely illegible.]

Relative to the No Merger scenario, the BNSF and UP SD mergers resulted in maximal

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changes in market power for the combined railroads. For the BNSF, the mergers resulted in a maximum percentage change in the revenue/variable cost ratio of 2.9% (subregion 2) and a

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