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PUBLIC VERSION

VIA E-FILING

CSXT/PAR-24

Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E Street, SW
Washington, DC 20423

Re: STB Docket No. FD 36472, CSX Corporation and CSX Transportation, Inc., et al.—Control and Merger—Pan Am Systems, Inc., Pan Am Railways, Inc., Boston and Maine Corporation, Maine Central Railroad Company, Northern Railroad, Pan Am Southern LLC, Portland Terminal Company, Springfield Terminal Railway Company, Stony Brook Railroad Company, and Vermont & Massachusetts Railroad Company

Dear Ms. Brown:

On July 30, 2021, the Board¹ issued *Decision No. 4* in this proceeding accepting for consideration the Revised Application filed on July 1, 2021. In *Decision No. 4*, the Board requested supplemental traffic forecasts through 2027.

Enclosed for e-filing in the above-referenced proceeding is a public version of a Supplemental Verified Statement and exhibits of Mark K. Wallace, CSXT's Executive Vice President, providing the requested traffic projections, with appropriate redactions that the Board can place in its docket. We are concurrently filing a highly confidential version of the Supplemental Verified Statement to be filed under seal.

Please contact me with any questions.

¹ The acronyms and defined terms used in this letter are the same as those used in the July 1, 2021 Revised Application.

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Respectfully submitted,

/s/ Anthony J. LaRocca

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Peter W. Denton
Sally Mordi
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Enclosures

cc: Louis E. Gitomer
All parties of record

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36472

CSX CORPORATION AND CSX TRANSPORTATION, INC., ET AL.
—CONTROL AND MERGER—
PAN AM SYSTEMS, INC., PAN AM RAILWAYS, INC., BOSTON AND MAINE
CORPORATION, MAINE CENTRAL RAILROAD COMPANY, NORTHERN RAILROAD,
PAN AM SOUTHERN LLC, PORTLAND TERMINAL COMPANY, SPRINGFIELD
TERMINAL RAILWAY COMPANY, STONY BROOK RAILROAD COMPANY, AND
VERMONT & MASSACHUSETTS RAILROAD COMPANY

SUPPLEMENTAL VERIFIED STATEMENT OF MARK WALLACE

I. Background

My name is Mark Wallace. I am an Executive Vice President at CSX Transportation, Inc. (“CSXT”). I previously submitted a Verified Statement in support of the July 1, 2021 Amended and Supplemented Application (“Revised Application”).¹ My Verified Statement included a marketing plan. The marketing plan discussed, among other things, CSXT’s expectations for marketing the primary commodities handled by the PAR System, the expected impact of the Merger Transaction on traffic flows, intermodal competition and modal share, CSXT’s plans for attracting new business in the future that is currently handled by truck, and the impact of the transaction on access to regional ports.²

¹ Unless otherwise defined in this Verified Statement, the acronyms and defined terms used in this letter are the same as those used in Applicants’ Revised Application, filed on July 1, 2021, and the Board’s July 30, 2021 decision accepting the July 1 Revised Application, *Decision No. 4*, FD 36472 et al. (STB served July 30, 2021).

² See Revised Appl., Ex. 22-D, V.S. Wallace, July 1, 2021. The Board refers to the “Proposed Transaction” as the “Merger Transaction” and we will use that term herein.

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In my July 1, 2021 Verified Statement, I explained that CSXT assumes that the Merger Transaction will primarily support organic growth of freight traffic in the New England region over the short term.³ With some relatively limited exceptions for certain traffic diverted from PAS lines onto CSXT lines and certain CSXT traffic diverted to PAS, I explained that CSXT did not expect there to be significant changes in traffic flows or traffic patterns in the near future. Rather, CSXT's expectation is that the Merger Transaction will allow CSXT to support the growth of the dynamic New England economy by providing a reliable and efficient rail transportation service. I also discussed in detail CSXT's organic growth assumptions for PAR's primary commodity groups, including forest products, energy-related, and non-forest construction products.⁴ I explained that the combined CSXT/PAR system would provide opportunities for further traffic growth in the longer run, through diversions of existing business currently transported by truck and also new business that the efficient, long-haul network would attract and support to serve customers in New England and the rest of the United States.⁵ However, the benefits from the Merger Transaction that will allow this future traffic growth may take time to achieve. Therefore, for purposes of my traffic growth forecasts through the year 2024, I assumed that traffic for the PAR System and PAS would increase roughly at the rate of traffic growth assumed for CSXT as a system— 1.5% annually from 2019 through 2024.⁶

The assumed overall rate of traffic growth of 1.5% per year was also used to support other calculations and estimates in the Revised Application. For example, my colleague, Jamie

³ *Id.* at 7.

⁴ *See id.* at 25-51.

⁵ *Id.* I noted that “[f]ollowing the integration of PAR and the implementation of the operating and infrastructure improvements, CSXT expects to see additional traffic growth opportunities over a multi-year horizon in certain areas.” *Id.* at 7.

⁶ *Id.*

Boychuk, CSXT's Executive Vice President of Operations, sponsored and verified the supplemented Operating Plan for the Revised Application.⁷ Mr. Boychuk developed projected traffic and density changes for three years following the Proposed Transaction (through 2024) based upon projected annual growth on the CSXT network and on the PAR System and PAS network.⁸

On July 30, 2021, the Surface Transportation Board ("STB" or "Board") accepted the Revised Application.⁹ In the decision, the Board requested additional information about the potential for traffic growth beyond the three years of traffic projections (estimated forecasts for 2022 through 2024) submitted with the Revised Application.¹⁰ Specifically, the Board stated the following:

So that the Board can fully evaluate whether the impact of the Merger and Related Transactions would have any potential for environmental impacts warranting environmental review when the PAR System integration has occurred, the Board directs CSXT to update its projections by providing traffic forecasts through 2027—five years after the date of the anticipated year of the issuance of a final decision from the Board.”¹¹

In submitting the updated projections, the Board instructed CSXT to “ensure that the traffic forecasts are on a segment-specific basis (using the same segments shown in CSX Envtl. Comment)”¹² and to include projections “to the extent that [CSXT] has not already done so in previously submitted projections (e.g., for segments on the Southern Route).”¹³

⁷ See Revised Appl., Ex. 13, Operating Plan, July 1, 2021.

⁸ See *id.* at 5-6, 9-10, 34.

⁹ See *Decision No. 4*, FD 36472 et al. (STB served July 30, 2021).

¹⁰ *Id.* at 26.

¹¹ *Id.* at 26.

¹² *Id.* at 27.

¹³ *Id.* at 26-27.

The purpose of this Supplemental Verified Statement is to comply with *Decision No. 4* and to provide the Board with the requested traffic estimates through 2027. For the updated projections, I further discuss traffic forecasts by segment for the affected lines for three railroad networks: (1) the PAR System; (2) PAS; and (3) CSXT.¹⁴

II. Basic Assumptions of the Requested Traffic Growth Scenarios from 2024 to 2027

Before I present the Board with the requested traffic growth scenarios, I would like to explain several assumptions that inform, in part, the traffic growth scenarios discussed in this Supplemented Verified Statement.

First, it is my understanding that the Board is seeking information regarding the updated traffic forecasts through 2027 for a comparison of the annual freight density by segment using a “no action” and “proposed transaction” framework. I understand that the Board has certain criteria to assist it in determining whether a proposed transaction is likely to have significant effect on the environment and that the criteria involve, in part, the level of expected changes in traffic that would result from a transaction. Therefore, I am providing traffic growth estimates that can be used in a comparison of a “no action” and “proposed transaction” scenarios.

Second, as discussed in the Revised Application, the Merger Transaction and Related Transactions are not expected to result in any significant changes in rail operations, other than a small impact on traffic flows on two routes running generally west-to-east: (1) the “Northern Route” on PAS between Rotterdam Junction, NY and Ayer, MA, and (2) the “Southern Route” between Voorheesville, NY and Ayer, MA.¹⁵ There will be an increase of one NSR

¹⁴ While the Board’s Decision specifically refers to the segments listed in CSXT’s Environmental Comment (Ex. 4-A), *Decision No. 4*, FD 36472 et al., slip op. at 27, in the interest of providing a complete record for the Board’s review, I have provided 2027 estimates for a broader group of segments.

¹⁵ See. e.g., Revised Appl., Ex. 4, Env’tl. Matters 1-6, July 1, 2021; see also *id.*, Ex.4-A, CSXT Env’tl. Comment 2-5, July 1, 2021; Ex. 13, Operating Plan 40-44, July 1, 2021; Ex. 13-C, V.S. Daly 11-12, July 1, 2021.

intermodal/automotive train pair per day (one train in each direction) on the Southern Route, and a corresponding decrease of one NSR train pair per day on the Northern Route, with an additional adjustment to account for the routing of certain CSXT traffic over the Northern Route rather than the Southern Route.¹⁶

Third, as I explained in my July 1 Verified Statement, I expect that the Merger Transaction will allow CSXT to support organic growth of the industries in New England that currently rely on rail service. Specifically, in Section IV of, and in the Appendix to, my July 1 Verified Statement, I discussed CSXT's organic growth assumptions as they relate to the primary commodities handled by PAR.¹⁷

Fourth, the conversion of interline movements to single-line movements will result in improved operations. From a marketing perspective, the single-line service will allow CSXT to support rail customers' organic traffic growth as the economy in New England grows, and to better compete with trucks.¹⁸ However, these benefits, including truck diversions resulting from service improvements, will not occur immediately. As I explain below, I expect that these benefits will increasingly be experienced in growth of traffic in years three to five following consummation of the Merger Transaction.

Finally, I explain below that the uncertainties that are necessarily associated with forecasts far into the future require estimates of a range of possible conditions. Therefore, the traffic forecasts I posit here involve a range of assumptions.

To address the Board's request, I have updated below and in the attached exhibits my traffic forecasts through 2027, so that the Board can fully evaluate whether the impacts of the

¹⁶ See Operating Plan 41-42, July 1, 2021.

¹⁷ Revised Appl., Ex. 22-D, V.S. Wallace 10-11; 25-51, July 1, 2021.

¹⁸ See *id.* at 11.

Merger and Related Transactions will have potential for environmental impacts warranting environmental review.

III. Requested Traffic Growth Scenarios from 2024 to 2027

Forecasting freight railroad traffic volumes beyond five years into the future is often a challenging task, particularly for a network serving as diverse a collection of commodities and customers as the combined CSXT/PAR system. Such efforts are increasingly challenging when the factors affecting individual product markets and customers are confounded by a global pandemic that is approaching its second full year of stressing and straining the functioning of industries and of customers. Recognizing this inherent uncertainty, I provide multiple traffic growth scenarios, and a range of potential outcomes as requested by the Board.

Below, I explain in detail that none of the traffic growth scenarios following consummation of the Merger and Related Transactions over a five-year period would exceed the STB's thresholds for identifying significant environmental effects on any segment of rail line that is at issue in this proceeding.¹⁹ Consistent with my discussion of traffic forecasts in my prior Verified Statement, I first forecast traffic growth for the PAR System, then I forecast traffic growth for the PAS network and CSXT. Within each case (PAR, PAS, CSX) I consider traffic growth under a "no action" and a "proposed transaction" scenario. The exhibits attached to this Verified Statement present the results of my estimates.

A. PAR Traffic Forecasts

In its Revised Application, CSXT estimated 2024 traffic densities for 11 individual PAR segments.²⁰ These forecasts reflected an annual projected traffic growth of 1.5%, which was

¹⁹ Under the Board's regulations, the relevant question regarding thresholds is whether there is an increase of eight trains per day or 100% increase in rail traffic as measured in gross-ton miles. *See Decision 4*, FD 36472 et al., slip op. 24 (citing 49 C.F.R. § 1105.7(e)(5)(i)).

²⁰ *See* Revised Appl., Ex. 14, Density Charts, July 1, 2021.

consistent with CSXT's estimate of system-wide growth. As the historical traffic files relied upon in the Revised Application were from 2019, the volume forecasts applied the 1.5% annual growth for 5 years, *i.e.*, from 2019 to 2024.²¹

In extending the estimates from 2024 to 2027, I submit four different volume projections for the PAR segments:

- (1) Original (continuation of 1.5% growth);
- (2) GDP Update (range of GDP estimates);
- (3) PAR Growth (reflecting estimated commodity-based traffic growth on PAR); and
- (4) Transaction Impact.

The first three scenarios – the “Original,” the “GDP Update,” and the “PAR Growth,” – each represent baseline projections “without the Transaction,” *i.e.*, a volume forecast that does not reflect the impact of the acquisition and control of the PAR system by CSXT. The fourth scenario is the “full impact” of the Merger and Related Transaction in estimating 2027 volumes for the segments on the PAR system. First, I will describe each of the scenarios and explain how they are applied to the requested traffic projections. Then, the results of each of the scenarios are displayed in Exhibit 4 to this Supplemental Verified Statement, “Forecasted 2027 Freight Density by Segment.”

Original Forecast Scenario: The Original forecast scenario continues to apply the projected 1.5% traffic growth relied upon by CSXT in its Revised Application, for the entire period of 2019 through 2027. The rationale for this assumption is that without the Merger Transaction, PAR may not be able to keep up with any traffic growth beyond the base-line of economic growth that I assumed for CSXT on a system-wide basis. As CSXT explained in the

²¹ See *id.*, Ex. 22-D, V.S. Wallace 7, July 1, 2021.

Revised Application, PAR is an under-resourced rail network that will be improved with the investments that CSXT intends to make.

GDP Update Forecast Scenario: In my July 1 Verified Statement, I assumed that traffic growth would average 1.5% annually from 2019 through 2024.²² This level of growth is consistent with overall industrial production forecasts during this time period. But there are several sources of GDP forecasts that produce a somewhat higher expected growth in the overall economy. For this scenario, I assume that PAR (without the Proposed Transaction) would be able to keep up with those average GDP-based growth assumptions. Therefore, I have examined the carload traffic using 11 different estimates of current GDP forecasts.²³ Specifically, I identified 11 different entities that have released GDP forecasts in 2021 for at least some portion of the 2022-2027 period.²⁴ My analysis includes GDP indices from the Congressional Budget Office, World Economic Outlook, and S&P.²⁵ Exhibit 1 to this Supplemental Verified Statement summarizes the forecasts from each source for each year.

The downturn in economic activity due to the pandemic requires special consideration. The volume estimates in CSXT's Revised Application did not explicitly incorporate a downturn due to the pandemic.²⁶ Therefore, the 2019 volumes were increased by a constant growth

²² *Id.* at 7.

²³ *See* Ex. 1, GDP Projections 2022-27.

²⁴ As not all of the organizations provide GDP projections through 2027—*e.g.*, some provide forecasts only through 2023, or for 2022 through 2025—I incorporate the data that are available for each year from each of the 11 organizations.

²⁵ The indices used are: Economic Report of the President (ERP); Office of Management & Budget (OMB); Congressional Budget Office (CBO); World Economic Outlook (WEO); Economist Intelligence Unit (EIU); Standard and Poor's (S&P); Research Seminar in Quantitative Economics (UMich-RSQE); World Bank; Conference Board; Morgan Stanley; and Organisation for Economic Co-operation & Development (OECD).

²⁶ *See, e.g.*, Revised Appl., Ex. 13, Operating Plan 5, July 1, 2021 ("For CSXT, I used 2019 as a base year. I did not use 2020 as a base year, since it was non-representative due to the impacts of the COVID-19 pandemic. I forecasted an average annual growth rate of 1.5% per year from 2019 through 2024.").

assumption of 1.5% through 2020, 2021, and 2022.²⁷ To avoid complicating the forecast estimates for 2020-2022 with pandemic effects, I use for the GDP Update scenario the average annual growth in the median forecast value in each year from 2023 through 2027. The median GDP growth figures range from 1.7% (2025 to 2026) to 2.3% (2022 to 2023), and result in an annual growth rate of 1.9%.²⁸

PAR Growth Forecast Scenario: The third “no action” forecast scenario reflects the commodity-specific overview described in detail in the Appendix to my July 1 Verified Statement.²⁹ In Section III of the Appendix, I discussed the current movements and opportunities for PAR’s most important commodities and presented forecasts of the organic growth that PAR might realize if it were able to keep up with organic growth in the dynamic New England economy.³⁰ As I discussed in my July 1 Verified Statement, these growth assumptions did not expressly include any assumptions about diversions from trucks or new traffic created by opportunities resulting from the efficient, long-haul service to be provided by the combined CSXT/PAR system.³¹ These opportunities will occur only after the Merger and Related Transactions have been fully implemented.

Therefore, for purposes of the PAR Growth Forecast Scenario, I summarized the organic growth forecasts that I estimated for each PAR commodity. This is set out in Exhibit 2 to this Supplemental Verified Statement.³² For example, I indicated that PAR’s shipments of Printing

²⁷ See *id.*; see also *id.*, Ex. 22-D, V.S. Wallace 7, July 1, 2021.

²⁸ See Ex. 1, GDP Projections 2022-27.

²⁹ Ex. 22-D, V.S. Wallace 25-51, July 1, 2021.

³⁰ *Id.* at 28-51.

³¹ See, e.g., *Id.* at 10-11.

³² See Ex. 2, PAR Commodity-Specific Traffic Forecasts (citing V.S. Wallace 28-51, July 1, 2021).

Paper were expected to grow [REDACTED]

[REDACTED]³³ Exhibit 2 shows that across the nine high-volume PAR commodities that I addressed on July 1, the organic growth would average 2.3% annually.³⁴ For the PAR Growth forecast scenario, I assume that PAR would be able to support this level of growth even without the benefits of CSX's infrastructure spending and improved service. For this scenario, I therefore apply the 2.3% average annual growth through 2027 in a "no action" scenario.

Transaction Impact Forecast Scenario: The Transaction Impact forecast scenario projects the impact of the transaction in estimating 2027 volumes. For the PAR segments, this scenario incorporates three specific sources of traffic growth:

1. *Traffic Shift:* CSXT's Revised Application (Environmental Comment) identifies a traffic shift between the two available East-West rail segments across Massachusetts. In particular, there will be an increase of one NSR intermodal/automotive train pair per day on the Southern Route (CSXT's Selkirk Line), and a corresponding decrease of one train pair per day on the Northern Route, with an adjustment to account for certain CSXT traffic routed over the Northern Route. This shift affects the traffic volumes on one PAR segment, Worcester to Ayer.³⁵ Details about the traffic shift were included in the Environmental Comment, Exhibit 4-A.³⁶

2. *PAR Growth:* The Transaction Impact forecast incorporates the same 2.3% annual average organic traffic growth on PAR lines that was used in the PAR Growth Forecast Scenario.

3. *Additional Rail Traffic:* As described above, the combined CSXT/PAR system will

³³ See V.S. Wallace 32, July 1, 2021.

³⁴ See Ex. 2.

³⁵ See Revised Appl., Ex.4-A, CSXT Env'tl. Comment 4, July 1, 2021.

³⁶ See generally *id.*; see also *id.*, Ex. 13-C, V.S. Daly 11-12, July 1, 2021.

attract and support new rail traffic by diverting truck shipments and generating new business. To produce an estimate of the amount of growth that will occur due to these diversions and new traffic opportunities, I started with the discussion of growth opportunities set out in my July 1 Verified Statement, where I discussed examples of such opportunities for the following commodities: [REDACTED].³⁷ I then used the Freight Analysis Framework Version 5 (“FAF data”) produced by the U.S. Department of Transportation, which I discussed in my July 1 Verified Statement, to identify the best opportunities for diversion of traffic from trucks.³⁸ In Exhibit 3 to this Supplemental Verified Statement, I show that these illustrative commodities account for nearly 14 million tons of total “longer-haul” shipments³⁹ to/from New England: accordingly, this represents opportunities for the combined CSXT/PAR system to divert traffic from trucks.⁴⁰ I estimate that increasing the rail share of these shipments by 1 percentage-point by 2027 equates to traffic growth of roughly 1,900 total carloads. I assume that these new opportunities will not become available until 2025. Therefore, I assume that new rail traffic represents an additional 1.5% volume growth for the 2025 through 2027 period.

In sum, for the Transaction Impact scenario, I incorporate the Traffic Shift, apply an average annual growth rate of 2.3% for 2019 through 2024 (organic growth without new traffic diversions) and an average annual growth rate of 3.8% for 2025 through 2027 (organic growth plus new traffic opportunities).

³⁷ See V.S. Wallace 28-51, July 1, 2021.

³⁸ *Id.* at 10-11.

³⁹ As the FAF data identify traffic flows at the individual state level, I excluded any shipments between New England and New York, New Jersey, or Pennsylvania.

⁴⁰ See Ex. 3, Freight Analysis Flows Data.

Results: Exhibit 4 to this Supplemental Verified Statement summarizes the 2027 estimated volumes for the individual PAR segments under each of the four forecast scenarios.⁴¹ The exhibit, “Forecasted 2027 Freight Density by Segment,” shows that for 10 of the 11 segments, the differences between the “no action” forecasted 2027 volumes and the Transaction Impact projections range from 4-11%.⁴² For the Worcester-Ayer segment that involves the Traffic Shift, the forecasted 2027 volumes reflecting the Transaction Impact are 74-85% higher than the baseline projections.⁴³ The difference is primarily explained by the diversion of one NSR intermodal train per day in each direction to the CSXT “Southern Route.” While the results show an increase in traffic growth on this segment, the growth is well below the criteria that the Board uses to assess the environmental impacts of a transaction.⁴⁴

B. PAS and CSXT Traffic Forecasts

In addition to estimating the 2027 traffic volumes for the PAR segments in a “no action” and “proposed transaction” scenario, I have also included projections of 2027 volumes for PAS

⁴¹ The Board’s July 31 decision instructed CSXT, in part, to submit the following: “For the updated projections, and to the extent that it has not already done so in previously submitted projections (e.g., for segments on the Southern Route), CSXT should ensure that the traffic forecasts are on a segment-specific basis (using the same segments shown in CSX Env’tl. Comment).” See *Decision No. 4*, FD 36472 et al., slip op. at 27. CSXT has complied with this instruction. The segments in Ex. 4 are divided by PAR segments, PAS segments, and CSXT segments. These segments encompass the segments described in Ex. 4-A (CSXT’s Environmental Comment) on the Northern and Southern Routes. Compare Revised Appl., Ex.4-A, CSXT Env’tl. Comment 4 at Att. 3, Chart Reflecting Traffic Changes for the Northern and Southern Routes, July 1, 2021 (segments divided by Northern and Southern Routes) with Ex. 4, Forecasted 2027 Freight Density by Segment (segments divided railroad).

⁴² See Ex. 4, Forecasted 2027 Freight Density by Segment. These estimated volumes have also been used to update the growth figures depicted in the density charts provided in Exhibit 14 of the Revised Application. See Workpapers.

⁴³ See *id.*

⁴⁴ See Revised Appl., Ex.4-A, CSXT Env’tl. Comment 2, July 1, 2021.

segments and relevant CSXT segments.⁴⁵ There are two differences between the forecasts for the PAS and CSXT segments when compared to the PAR forecasts discussed above.

First, the “PAR Growth Forecast Scenario” and the “Transaction Impact Forecast Scenario” described above each reflect growth opportunities specific to PAR segments and are not applicable to PAS or CSXT segments. The commodity-specific forecasts are not applicable to PAS, and the infrastructure improvements and operating and service tools that CSXT will bring to PAR are not relevant to PAS. Consistent with my prior forecasts of PAS traffic, it is therefore likely that changes in PAS traffic will follow more closely changes in overall economic forecasts. As a result, there are only two baseline forecast scenarios for the PAS and the CSXT segments: (1) the Original Forecast Scenario (1.5% annually) and (2) GDP Update Forecast Scenario (1.9% annually).

Similarly, I do not forecast changes in the expected growth on CSXT’s Southern Route as a result of the Proposed Transaction, since the infrastructure, operational and service changes from the Proposed Transaction will be focused on the PAR lines to be acquired, and not on CSXT’s existing lines. However, there will be traffic diversions on both the PAS Northern Route and the CSXT Southern Route, as discussed above. In particular, there will be an increase in traffic on the Southern Route from the addition of an NSR intermodal train. And there will be a decrease in traffic on the Northern Route due to the diversion of those trains, adjusted to account for a change in routing of certain CSXT traffic on that Northern Route.⁴⁶

⁴⁵ *See id.*

⁴⁶ *See, e.g.,* Revised Appl., Ex. 13, Operating Plan 39-47, July 1, 2021; *Id.*, Ex. 22-C, V.S. Pelkey 11-14, July 1, 2021; *Id.*, Ex. 4, Env’tl. Matters 4-5, July 1, 2021.

Results: Since the PAR organic growth, truck diversions, and new opportunities described in the previous section do not apply as explained above, I present Transaction Impact projections for the PAS and CSXT line segments that align with the baseline forecast scenarios. Exhibit 4 summarizes the results for the PAS segments and for the CSXT segments on the Southern Route, which are affected by the Traffic Shift. The results are summarized below:

- For the PAS segments on the Northern Route (the Patriot Corridor), the Transaction Impact projections results in 2027 traffic levels that range from 48% lower to 24% higher than the 2027 projections without the impacts of the Merger and Related Transactions.
- For the PAS segments on the North-South route (the Knowledge Corridor), the Merger and Related Transactions have no impact on the forecasts of 2027 traffic levels.
- For the CSXT segments on the Southern Route (between Worcester MA and Voorheesville NY), the Merger and Related Transactions results in 2027 traffic levels that range from 2-15% higher than the 2027 projections without the impacts of the Transaction.

IV. Conclusion

As requested by the Board and demonstrated in my Supplemental Verified Statement and the attached exhibits, none of the multiple traffic growth scenarios following consummation of the Merger and Related Transactions over a five-year period through 2027 would exceed the STB's thresholds on any segment of rail line that is at issue in this proceeding.

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VERIFICATION

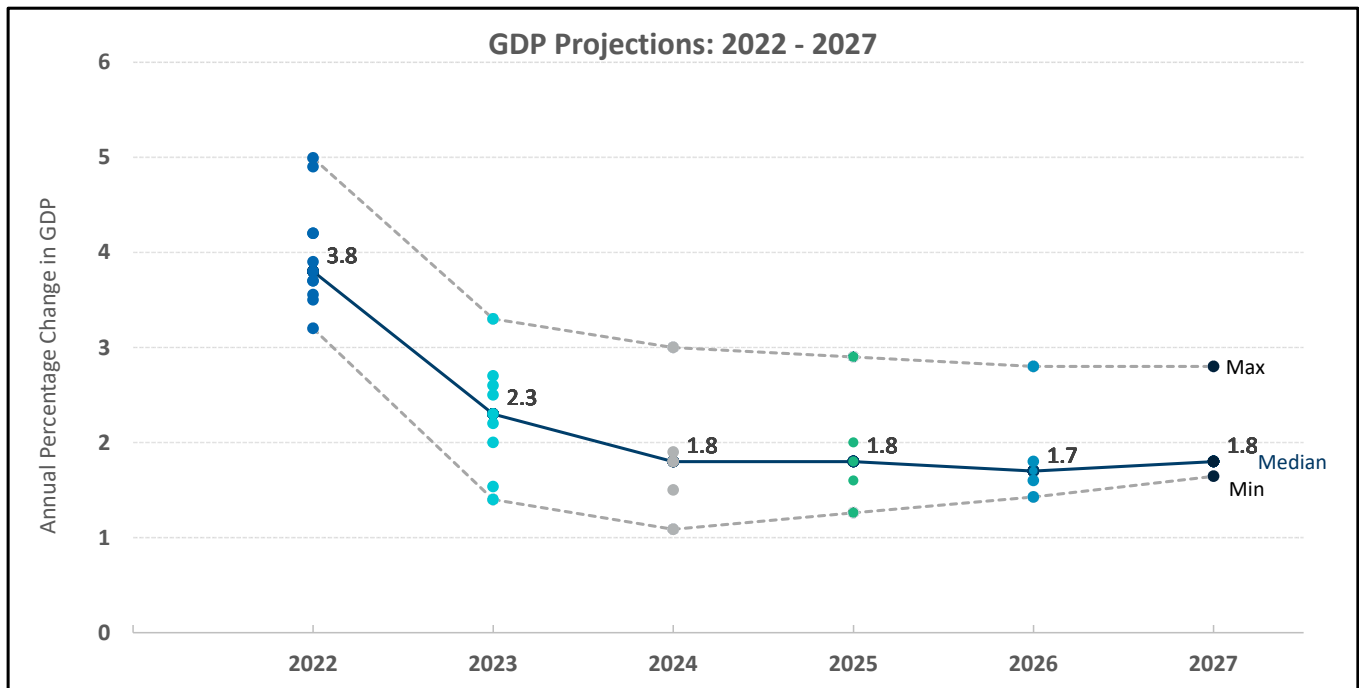
I, Mark Wallace, declare under penalty of perjury that the forgoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

/s/ Mark Wallace

Mark Wallace

Executed on August 19, 2021.

**Forecasted Year-over-Year Change in GDP (%)****Annual Growth Rate**

	'21-'22	'22-'23	'23-'24	'24-'25	'25-'26	'26-'27	2021-2027	2022-2027
Economic Report of the President (ERP)	3.9	3.3	3.0	2.9	2.8	2.8	3.1%	3.0%
Office of Management & Budget (OMB)	3.2	2.0	1.8	1.8	1.8	1.8	2.1%	1.8%
Congressional Budget Office (CBO)	5.0	1.5	1.1	1.3	1.4	1.6	2.0%	1.4%
World Economic Outlook (WEO)	3.5	1.4	1.5	1.6	1.6		1.9%	1.5%
Economist Intelligence Unit (EIU)	3.7	2.2	1.9	2.0			2.4%	2.0%
S&P	3.7	2.6	1.8				2.7%	2.2%
Research Seminar in Quantitative Economics (UMich-RSQE)	4.2	2.7					3.4%	2.7%
World Bank	4.2	2.3					3.2%	2.3%
Conference Board	3.8	2.5					3.1%	2.5%
Morgan Stanley	4.9						4.9%	N/A
Organisation for Economic Co-operation & Development (OECD)	3.6						3.6%	N/A

Exhibit 2

PAR Commodity-Specific Traffic Forecasts from CSXT's Revised Application

HIGHLY CONFIDENTIAL

**The Freight Analysis Flows Data Identify More than 13 Million Tons Shipped Long Distances to/from
New England (1/) for the PAR Commodity Groups Addressed in CSXT's Revised Application**

Tonnages in 000s 1/

Commodity Group	1-Truck	2-Rail	5-Multiple modes & mail	Total	Truck Share	Rail Share	Mixed Share
27-Newsprint/paper	2,099	641	657	3,397	62%	19%	19%
31-Nonmetal min. prods.	1,732	860	239	2,831	61%	30%	8%
23-Chemical prods.	1,574	32	139	1,746	90%	2%	8%
26-Wood prods.	1,560	466	490	2,516	62%	19%	19%
41-Waste/scrap	1,436	1,545	138	3,120	46%	50%	4%
Total, Above Commodities	8,401	3,545	1,663	13,609	62%	26%	12%

Increasing Rail Share by 1%

Tonnage Diverted to Rail:	136,089
Avg. Rail Tonnage per Car:	80
Carloads Diverted to Rail (2017 levels):	1,701
Growth from 2017 to 2024 (1.5%):	1.11
Forecasted Diverted Carloads (2024 levels):	<u>1,888</u>

1/ Excludes traffic flows between New England and any of New York, New Jersey, or Pennsylvania.

Forecasted 2027 Freight Density by Segment

Baseline Scenarios, without Transaction						Full Impact of Transaction						
		1.Original (1.5%)		2.GDP Update (1.9%)		3.PAR Growth (2.3%)		Traffic Shift, 2.3% through 2024, 3.8% for 2025 through 2027				
PAR Segments	Seg Miles	2027		2027		2027		2027	Original	GDP Update	PAR/Wallace	% Variance
		Total MGTMs		Total MGTMs		Total MGTMs		Total MGTMs	% Variance	% Variance	% Variance	Range
Worcester-Ayer	28	106		109		113		196	85%	80%	74%	74-85%
Ayer-Rockingham	59	414		427		441		461	11%	8%	4%	4-11%
Rockingham-Portland	60	412		425		438		458	11%	8%	4%	4-11%
Portland-Waterville	85	436		450		464		485	11%	8%	4%	4-11%
Waterville-Bangor	56	95		98		101		105	11%	8%	4%	4-11%
Bangor-Mattawamkeag	57	18		19		19		20	11%	8%	4%	4-11%
Portland-Rumford	67	74		76		78		82	11%	8%	4%	4-11%
Ayer-Boston	44	6		6		6		6	11%	8%	4%	4-11%
Boston-Peabody	18	4		4		4		4	11%	8%	4%	4-11%
Lowell Jct-Boston	20	17		18		18		19	11%	8%	4%	4-11%
N.Chelmsford-Concord	45	15		15		16		16	11%	8%	4%	4-11%

		1.Original (1.5%)		2.GDP Update (1.9%)		1.Traffic Shift & Original		2.Traffic Shift & GDP Update		
PAS Segments (E/W Line)	Seg Miles	2027		2027		2027	Original	2027	GDP Update	% Variance
		Total MGTMs		Total MGTMs		Total MGTMs	% Variance	Total MGTMs	% Variance	Range
Rotterdam-Mechanicville	22	55		56		67	24%	70	24%	24%
Mechanicville-Hoosick Jct	22	192		198		136	-29%	141	-29%	-29%
Hoosick Jct-N. Adams	23	187		193		129	-31%	133	-31%	-31%
N. Adams-East Deerfield	39	321		331		223	-31%	230	-31%	-31%
East Deerfield-Gardner	38	248		256		152	-39%	157	-39%	-39%
Gardner-Fitchburg	15	86		89		48	-44%	50	-44%	-44%
Fitchburg-Ayer	14	73		75		38	-48%	39	-48%	-48%

		1.Original (1.5%)		2.GDP Update (1.9%)		1.Original (1.5%)		2.GDP Update (1.9%)		
PAS Segments (N/S Line)	Seg Miles	2027		2027		2027	Original	2027	GDP Update	% Variance
		Total MGTMs		Total MGTMs		Total MGTMs	% Variance	Total MGTMs	% Variance	% Variance
White River Jct-Bellows Falls	39	3		3		3	0%	3	0%	0%
Bellows Falls-Brattleboro	24	23		23		23	0%	23	0%	0%
Brattleboro-East Deerfield	27	53		55		53	0%	55	0%	0%
East Deerfield-Northampton	22	20		21		20	0%	21	0%	0%
Northampton-Berlin	53	30		31		30	0%	31	0%	0%
Berlin-Waterbury	25	7		8		7	0%	8	0%	0%

		1.Original (1.5%)		2.GDP Update (1.9%)		1.Traffic Shift & Original		2.Traffic Shift & GDP Update		
CSXT Berkshire Segments	Seg Miles	2027		2027		2027	Original	2027	GDP Update	% Variance
		Total MGTMs		Total MGTMs		Total MGTMs	% Variance	Total MGTMs	% Variance	% Variance
Worcester-E. Brookfield	19	338		349		389	15%	401	15%	15%
E. Brookfield-Palmer	21	412		425		463	12%	478	12%	12%
Palmer-W. Springfield	16	373		385		411	10%	424	10%	10%
W. Springfield-Westfield	9	327		337		355	9%	366	9%	9%
Westfield-Pittsfield	43	1,346		1,389		1,450	8%	1,496	8%	8%
Pittsfield-Selkirk	46	1,619		1,671		1,743	8%	1,798	8%	8%
Selkirk-Voorheesville	9	624		644		639	2%	659	2%	2%

CERTIFICATE OF SERVICE

I hereby certify that I have caused this Supplemental Verified Statement in Docket No. FD-36472, *CSX Corporation and CSX Transportation, Inc.—Control and Merger—Pan Am Systems, Inc., Pan Am Railways, Inc., Boston and Maine Corporation, Maine Central Railroad Company, Northern Railroad, Pan Am Southern LLC, Portland Terminal Company, Springfield Terminal Railway Company, Stony Brook Railroad Company, and Vermont & Massachusetts Railroad Company*, to be served electronically or by first class mail, postage prepaid, on all parties of record in this proceeding.

/s/Anthony J. LaRocca

Anthony J. LaRocca
Attorney for CSX Corporation and
CSX Transportation, Inc.
August 19, 2021