

**Testimony of Ike Brannon, Ph.D.
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*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*

14 January 2022

I believe that the proposed merger between CSX and Pan Am Railways would bring benefits to both the U.S. economy and the environment. The consolidation will serve to improve rail service in the Northeast and increase the quantity of goods shipped by rail, which will in turn reduce road congestion, particulate emissions, and greenhouse gasses. There is no reason to think that this merger will result in a materially higher market concentration, or that prices will increase for Northeast shippers. The opposition to the merger appears to be motivated by parochial interests, and the cost of preserving them vastly outweighs the public benefits from the merger.

First, the merger between the two railroads will not change the competitive balance in the rail industry in the Northeast in any discernible way—at least not for the current Pan Am customers. The shippers formerly served by Pan Am will now have a Class 1 Railroad rather than a short line railroad providing their service.

CSX does not currently have tracks in the places where Pan Am operates, so it is merely expanding its network by incorporating Pan Am's network into its own. It is *not* eliminating a competitor.

By being a part of a larger network, Northeast shippers will be able to get better service. There will be more customers that they can ship to directly, which tends to be quicker and less expensive to do, as well as more efficient in general. This transaction will allow CSX to take advantage of economies of scale in operating a train network, and by extending into the Northeast it will acquire more customers who can benefit from their network and resources.

The merger should serve to increase the capacity of the current Pan Am rail network, which will have a positive benefit for New England. Being integrated with the larger CSX rail network will allow CSX to expand how much trains can operate and carry in the region. Being a part of a larger, better-capitalized company will undoubtedly boost investment in maintaining tracks and expanding capacity.

Besides benefitting shippers in the area, New England residents will benefit from expanded train capacity because it will reduce the number of trucks operating in New England. Fewer trucks mean that there should be less congestion on the area's roads, *which translates to less smog, less particulate pollution, and fewer emissions of greenhouse gasses.*

Reducing transportation costs is an unalloyed benefit for society that helps firms reach customers faster and less expensively, saving them and their customers money.

That is why it is puzzling that several governmental bodies (but by no means all of them) oppose the merger. It appears that one objection deals with a Pan Am dispatch office that would likely see its functions folded into and integrated within CSX's broader dispatching operations. But holding up such a merger benefits an entire region over such parochial interests could effectively force New England's shippers to pay more and accept inferior service for the sake of a relatively small number of jobs--when a more efficient and robust train transport system would almost

surely serve to create more jobs and higher wages in the region in the long run while at the same time also providing additional benefits to shippers across New England.

The objections of Amtrak and its supporters--who want guarantees that passenger rail access would be unaffected by the merger--are also misplaced: It is unclear how blocking the merger would help Amtrak, but doing so would result in more goods being transported by truck, as would their demands for passenger rail priority on the combined rail network. Shifting goods from rail to truck to accommodate little-used passenger rail routes makes no economic or environmental sense. Amtrak's opposition is even more puzzling when we see that other passenger rail focused entities in the region have been publically supportive of the transaction because of the expected upgrades to the rail network that will seemingly lead to improved passenger rail performance for everyone over the status quo.

The Biden Administration has opposed or delayed a wide number of mergers in the last year, for reasons of both economics and, I submit, ideology. But I fail to see how either precept can explain its apparent opposition to this merger. The competitive landscape for Northeast freight rail would be unaffected.

The benefits of this transaction--from jobs created in the long-term to its positive impact on the environment and the substantial benefits that would accrue to shippers in the region who stand to gain from an improved and expanded network--should be obvious to public policy officials. Rejecting this merger would amount to the government rejecting its explicit economic agenda of combating climate change and expanding economic opportunities for slower-growing regions in the country for narrow, short-term, parochial interests.