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June 1, 2023

CSXT/PAR-59

VIA E-FILING

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:

Pursuant to *Decision No. 9* in the above-referenced proceeding, enclosed for e-filing is a public version of CSX's Second Biannual Report, with appropriate redactions that the Board can place in its docket. We are concurrently filing a highly confidential version of the Report to be filed under seal.

Respectfully submitted,

/s/ Anthony J. LaRocca

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Peter W. Denton
Sally Mordi
*Attorneys for CSX Corporation and
CSX Transportation, Inc.*

Cynthia T. Brown
June 1, 2023
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Enclosures

cc: Louis E. Gitomer
All parties of record

BEFORE THE
SURFACE TRANSPORTATION BOARD

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

OVERSIGHT

CSX'S SECOND BIENNIAL REPORT

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Dated: June 1, 2023

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

OVERSIGHT

CSX'S SECOND BIENNIAL REPORT

In *Decision No. 9* in this proceeding, served on April 14, 2022, the Board¹ approved the application by CSXC and CSXT to acquire control of seven rail carriers owned by Pan Am Systems, Inc. (“Systems”), and Pan Am Railways, Inc., and to merge six of those PAR Railroads into CSXT (the “Merger Transaction”). The Board also approved a number of related transactions, one of which allowed Pittsburg & Shawmut Railroad, LLC d/b/a Berkshire & Eastern Railroad (“B&E”) to replace Springfield Terminal as the operator of Pan Am Southern LLC (“PAS”), a 50/50 joint venture between Boston & Maine (a PAR Railroad now wholly-owned and controlled by CSX) and NSR (the “B&E transaction”). *Decision No. 9* became effective on May 14, 2022. As CSX previously reported to the Board, on June 1, 2022, CSX acquired Systems and CSX now owns and controls Springfield Terminal, Boston & Maine, and

¹ The acronyms and defined terms used in this Report are the same as those used in *Decision No. 9* in this proceeding, served by the Board on April 14, 2022, or in the Revised Application filed in this proceeding on July 1, 2021.

the other PAR Railroads. *See* CSXT/PAR-56, filed June 1, 2022. While CSX now controls those PAR Railroads, they have not yet been merged into CSXT.

In *Decision No. 9*, the Board ordered that “CSX shall file, starting six months from the closing date of the Merger Transaction and then lasting for two years (after which time the Board will determine if reporting should continue), the following data:

- Traffic volume by carload and ton-miles on the Patriot Corridor (i.e., the Northern Route), broken out by carrier account, haulage partner, and commodity at the 2-digit STCC level.
- Truck-to-rail conversions on the CSX lines subject to this proceeding.”

Decision No. 9, slip op. at 53. Pursuant to *Decision No. 9*, CSX submitted its first biannual report on December 1, 2022. *See* CSXT/PAR-58, filed Dec. 1, 2022. CSX now submits its second biannual report. The facts and data presented in this report are verified by Michael Clements, Director - Short Line Development at CSXT. This report also provides an update to CSX’s August 12, 2022 progress report on the B&E transaction. *See* CSXT/PAR-57, filed Aug. 12, 2022.

I. Traffic Volume on the Patriot Corridor

Attachment A to this report contains “[t]raffic volume by carload and ton-miles on the Patriot Corridor (i.e., the Northern Route), broken out by carrier account, haulage partner, and commodity at the 2-digit STCC level.” *Decision No. 9*, slip op. at 53. The traffic volume totals listed in Attachment A consist of PAS movements from November 16, 2022, to May 15, 2023, over the Patriot Corridor (between milepost 467.4 at Mechanicsville, NY, and milepost 311.97 near Willows, Mass.) and the Rotterdam Branch (between milepost 12.16 at Rotterdam Junction, NY and milepost 0.0 (CPF 477) near Burnt Hills, NY). As shown by the data, overall traffic

levels on the Patriot Corridor have been stable over the recent six-month period. The specific data and traffic volume totals are designated as highly confidential, pursuant to the protective order in place in this proceeding.

II. Truck-to-Rail Conversions on the CSX Lines Subject to this Proceeding

The Board also seeks data showing “[t]ruck-to-rail conversions on the CSX lines subject to this proceeding.” *Decision No. 9*, slip op. at 53. In CSX’s first biannual report, CSX explained that there is no existing source of precise data on truck-to-rail conversions, since the decisions to choose rail over truck are made by individual shippers in particular circumstances and the commercial sensitivity of such shipper-specific decisions makes the collection of such data impractical. However, CSX developed an approach to identify the requested data by examining changes over time in the rail volumes of certain types of long-haul traffic that are particularly susceptible to truck-to-rail conversion. *See CSXT/PAR-58* at 3-7. CSX concluded that such changes can provide a reasonable indication of possible truck-to-rail conversions.

CSX used the same approach for this second biannual report, analysing how carload volumes on the PAR System for “longer-haul” rail movements of certain commodities susceptible to truck-to-rail conversions changed between the six-month period prior to the close of the Merger Transaction (December 1, 2021 to May 31, 2022), the six-month period immediately following the close of the Merger Transaction (June 1, 2022 to November 30, 2022), and the most recent six-month period since the first biannual report was filed (December 1, 2022 to May 31, 2023).

As discussed in the first biannual report, the starting point for this methodology is the analysis of CSX’s witness Mark Wallace submitted earlier in this proceeding, which identified commodities where potential truck-to-rail conversions were particularly likely. As Mr. Wallace explained, there are a number of commodities on the PAR system that are carried over “longer-

haul” distances that can easily shift between rail and truck. *See* CSXT/PAR-24, Wallace Supplemental VS at 11, filed Aug. 19, 2021. These are movements where improvements in efficiency of rail transportation are likely to result in shifts of traffic from trucks to rail. Mr. Wallace identified the following commodities as most susceptible to truck-to-rail conversions: {{ [REDACTED] }}.

In the first biannual report, CSX looked at changes in traffic volume of these commodities handled in “longer-haul” movements to identify possible truck-to-rail conversions. Mr. Wallace defined “longer-haul” shipments where rail could compete best with trucks as movements beyond locations within New England or between New England and New York, New Jersey, or Pennsylvania, where trucks have an inherent advantage. *See id.* at 11 n.39. Thus, CSX assumed that “longer-haul” shipments handled by PAR exclude all shipments on the PAR System within New England states (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont), and all shipments on the PAR System between those New England states and New York, New Jersey, Pennsylvania, Nova Scotia, New Brunswick, and Quebec.

The following table updates the table included in the first biannual report, presenting carload volume data that shows longer-haul carload movements of the specific commodities prior to the transaction compared to longer-haul movements of those same commodities in the first and second six-month periods after the transaction.

{{
[REDACTED]
}}

As in the first biannual report, traffic changes in {{ [REDACTED] }} are particularly noteworthy. As CSX explained, the {{ [REDACTED] }}
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] }} As reflected in the table above, this increase in long-haul rail movements has continued to grow in the most recent six-month period, with the {{ [REDACTED] }}
[REDACTED] }}.

² Because this report is being made one day after the close of the December 1 to May 31 period, we used actual carload volumes from December 1, 2022 to May 15, 2023, and projected carload volumes from May 16 to May 31, 2023. We calculated the projections for May 16 to 31 by multiplying the actual volumes from December 1 to May 15 by 6/5.5. We used a similar method in the first biannual report. *See* CSXT/PAR-58 at 4, n.2. The numbers in the June 2022 – November 2022 column here differ slightly from the corresponding column in the table from the first biannual report, because the numbers in this second report reflect actual carload figures from the full period, rather than including projections for the final half-month.

³ As explained in the first biannual report, {{ [REDACTED] }}
[REDACTED] }}. *See* CSXT/PAR-58 at 6 n.3.

⁴ The first biannual report excluded traffic volume figures related to {{ [REDACTED] }} because of the seasonality of {{ [REDACTED] }} movements. Now that we have full-year volume figures for that commodity, we have presented the figures here.

The table above also shows decreases in carload volumes of long-haul rail movements in certain of these commodity groups. However, these traffic changes reflect broader changes in economic conditions, rather than any particular rail-to-truck modal shifts. For example, the {{█}} commodity saw decreases in longer-haul rail movement car volumes because {{█}}
█
█. The decline in long-haul movements of {{█}}
█
█
█
█
█
█.}}

These actions by customers on the PAR System are consistent with a broader downturn in the {{█}} and {{█}} markets. Overall demand in the {{█}} sector has softened lately due to lower consumer spending on goods. U.S. {{█}} markets are undergoing a challenge with a surplus of supply amid exceptionally weak demand from {{█}}. The current environment has led to retailers destocking inventory and the market experiencing more economic downtime throughout the first half of the year due to the softer demand.

As expected given these broader trends, carload volumes of all shipments of {{█}}
█
█ on the PAR System – both longer-haul and shorter-haul – reflect similar proportional declines. Accordingly, the declines in the movement data of these commodities do not reflect the diversion of rail movements to truck movements.

In addition to the data analysis set out in the above table showing possible truck-to-rail conversions in certain commodities, we have also identified certain truck-to-rail conversions in

other commodities on the PAR System during the most recent six-month period. For example,

{{ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }} In another example, {{ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }}

As CSX has previously explained, CSX expects that the conversion of truck traffic to rail will increase as improvements are made to the PAR System and shippers see that they can rely on an upgraded and more efficient PAR rail network for their transportation needs. The key to this beneficial trend toward increased use of rail will be improvements to PAR physical infrastructure. And physical improvements on the PAR System have accelerated in the last six months and will continue over the next year. CSX has devoted substantial resources in the past six months to upgrading the PAR infrastructure.

For example, on the Worcester main line, continuous welded rail (CWR) has been installed from Worcester, MA to Clinton, MA, and all crossings and turnouts have been replaced on this segment. This has improved the track classification on this segment from FRA Class I to Class II, allowing for an increase in speed from 10 mph to 25 mph. CWR will next be installed from Clinton, MA to Harvard, MA, improving the track classification to FRA Class IV and allowing for an increase in speed from 25 mph to 40 mph. CSX has also performed extensive work on other PAR System main lines in Maine and New Hampshire, and in yards such as Rigby Yard in South Portland, ME. This work will continue in the remainder of 2023, and CSX

anticipates that rebuilding the PAR System and increasing reliability will continue to encourage new customers to ship via rail rather than truck.

III. Update on the B&E Transaction

In *Decision No. 9*, the Board ordered that, “[w]ithin 90 days after the effective date of this decision, CSX shall provide a progress report on whether the B&E transaction has been completed. If the B&E transaction has not been completed, CSX should explain why and subsequently notify the Board when the transaction has been completed.” *Decision No. 9*, slip op. at 53. Pursuant to *Decision No. 9*, CSX submitted a progress report on the B&E transaction on August 12, 2022. *See CSXT/PAR-57*. CSX explained in the August 12 report that completion of the B&E transaction would take some time to complete after CSX acquired control of the PAR Railroads because of the time required for the mandatory negotiating process with Springfield Terminal’s labor unions set forth in the *New York Dock* conditions. CSX also noted in the August 12 report that, notwithstanding the diligence of the railroads and the labor unions, implementing agreements were still under negotiation and B&E had not yet replaced Springfield Terminal as PAS operator. *Id.* at 2.

Following the August 12 report, Springfield Terminal, B&E, and the labor unions have continued their negotiations. Springfield Terminal has fourteen crafts of employees represented by twelve unions. Springfield Terminal and B&E have to date successfully reached voluntary *New York Dock* implementing agreements concerning the PAS operator transition to B&E with the following unions: the International Association of Sheet Metal Air Rail and Transportation Workers - Transportation Division (SMART-TD) (representing the conductor craft), the Brotherhood of Locomotive Engineers and Trainmen (BLET), the American Train Dispatchers Association (ATDA), the Transportation Communications International Union (TCU), the International Brotherhood of Boilermakers (IBB), and the International Federation of

Professional and Technical Engineers (IFPTE).⁵ Springfield Terminal and B&E have also reached a tentative implementing agreement with the International Brotherhood of Electrical Workers (IBEW) and are hopeful its membership will soon ratify its terms. These agreements cover approximately 228 employees and represent more than 50% of the entire Springfield Terminal labor workforce.

Springfield Terminal and B&E remain actively engaged in negotiating implementing agreements with Springfield Terminal's remaining unions, which include the Brotherhood of Railway Carmen (BRC), the Brotherhood of Maintenance of Way Employees Division IBT (BMWED), the Brotherhood of Railroad Signalmen (BRS), the International Association of Machinists (IAM), the International Association of Sheet Metal Air Rail and Transportation Workers – Mechanical Division (SMART-MD) and SMART-TD representing the patrolmen and the laborers. Of these unions, only the BRC, the BMWED, the BRS, and the IAM require implementing agreements necessary for B&E to begin operating PAS. Springfield Terminal and B&E have filed arbitration notices and begun the mandatory *New York Dock* arbitration process with each of these four unions to ensure implementing agreements are reached in the event the parties cannot mutually agree on voluntary terms.

In the meantime, CSX, Springfield Terminal, NSR, and B&E have continued to diligently prepare for the transition of PAS operations from Springfield Terminal to B&E. This transition preparation work was described in further detail in the August 12 report. The parties are confident that the B&E transaction will be completed very soon after the *New York Dock* process has ended and the labor implementing agreements are in place.

⁵ On May 30, 2023, the Board placed in this docket a letter from a member of the IFPTE, dated January 9, 2023, expressing concerns regarding the status of the labor negotiations. This letter predates the voluntary implementing agreement with IFPTE that was reached on April 13, 2023. The implementing agreement provides for *New York Dock* protection for any employees who are affected by the transition of operations.

Respectfully submitted,

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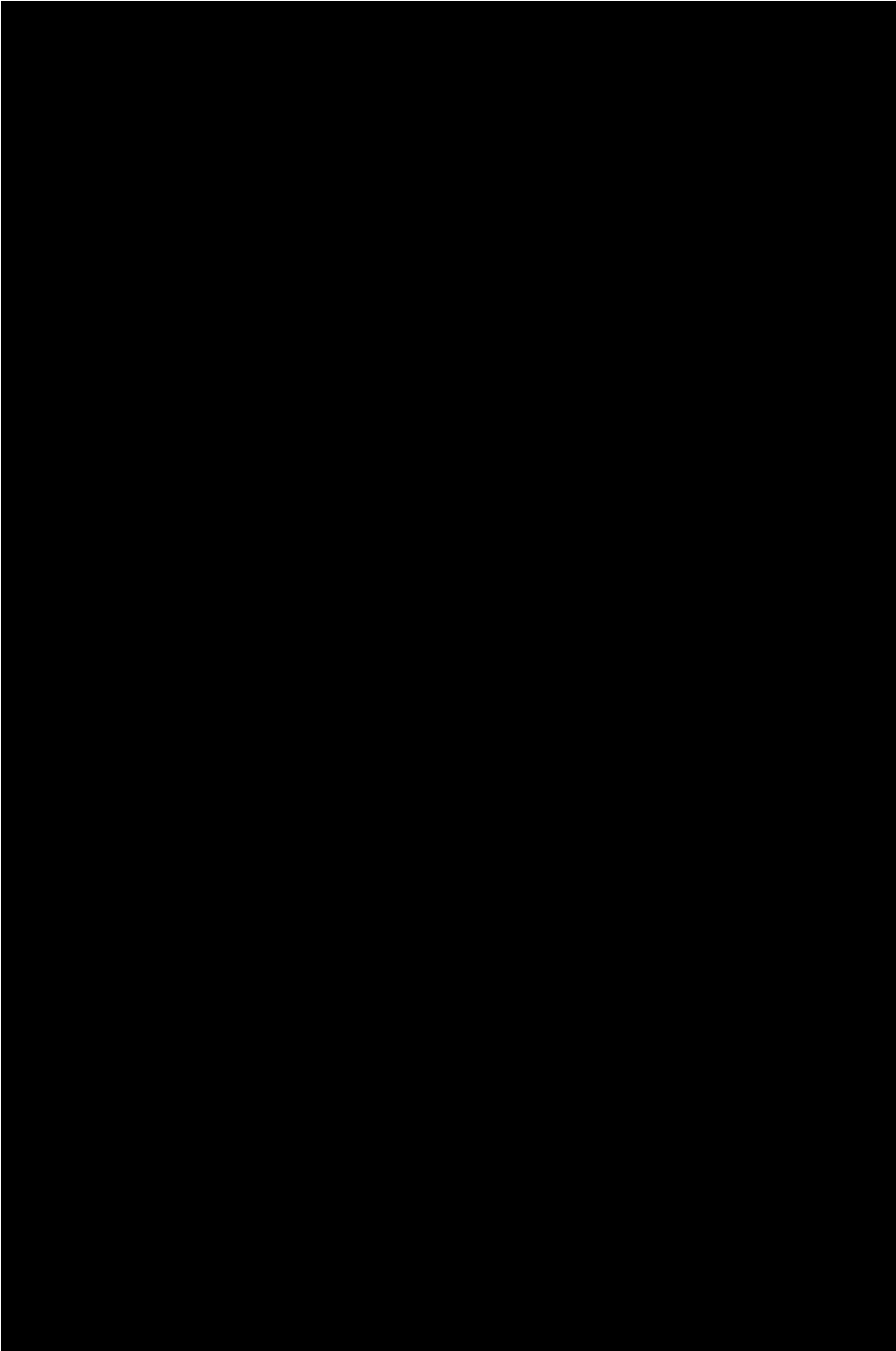
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Attorneys for CSX Corporation and CSX Transportation, Inc.

Dated: June 1, 2023

REDACTED - TO BE PLACED ON PUBLIC FILE
ATTACHMENT A



VERIFICATION

I, Michael Clements, Director - Short Line Development of CSX Transportation, Inc., declare under penalty of perjury that the forgoing is true and correct. Further, I certify that I am qualified and authorized to file this Verification.

/s/ Michael Clements

Michael Clements

Executed on June 1, 2023.

CERTIFICATE OF SERVICE

I hereby certify that I have caused this Report 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 pre-paid, on all parties of record in this proceeding.

/s/ Sally Mordi

Sally Mordi
*Attorney for CSX Corporation and
CSX Transportation, Inc.*

June 1, 2023