

CSXT-9

BEFORE THE
SURFACE TRANSPORTATION BOARD

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CSX TRANSPORTATION, INC.
—ACQUISITION AND OPERATION—
RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C.

CSXT'S SUPPLEMENTAL INFORMATION

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Dated: November 21, 2023

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In Decision No. 1 in this proceeding (“Decision No. 1”), served on November 3, 2023, the Board¹ accepted for consideration CSXT’s Application, filed on October 6, 2023, seeking approval for CSXT to reacquire from MNBR the Assets comprising the Eastern Line and for CSXT to resume operating that line in place of MNBR. The Board also accepted for consideration two related filings. The Board directed CSXT to file certain supplemental information by November 21, 2023.² Pursuant to Decision No. 1, CSXT hereby submits additional information to supplement its Application.³

¹ The acronyms and defined terms used in this CSXT’s Supplemental Information are the same as those used in the Application in this proceeding.

² See Decision No. 2, FD 36727, slip op. at 3 (STB served Nov. 9, 2023).

³ Additionally, pursuant to the Board’s decision served on November 3, 2023 in FD 36732, CSXT is concurrently submitting additional information in AB 55 (Sub-No. 814X) that CSXT would like the Board to consider in determining whether the proposed CSXT Discontinuance meets the exemption standard of 49 U.S.C. § 10502(a). See *Canadian Pac. Kan. City Ltd.—Acquis. & Operation—Certain Rail Line of Meridian & Bigbee R.R. in Lauderdale Cnty., Miss., & Choctaw & Marengo Cntys., Ala.*, FD 36732, slip op. at 7 (STB served Nov. 3, 2023).

- 1. Distance of Burkeville⁴-Western Junction Segment.** *The Board notes that, for the Burkeville-Western Junction segment, the difference between the milepost numbers is 33 but the claimed distance of the segment is 30.22 miles. CSXT is directed to confirm that 30.22 miles is the correct distance of this segment or to provide a correction. CSXT shall submit this information by November [21], 2023 when it submits the supplemental information. Decision No. 1, slip op. at 3, n.3.*

CSXT confirms that the Eastern Line segment that extends from milepost XXB 189.00 near Burkeville, AL to milepost XXB 222.00 at Western Junction is a distance of about 30.22 miles. (See Appl. APP-8.)

In 2003, MNBR filed a notice of exemption to acquire and operate the Eastern Line. MNBR indicated that “some mileposts on this segment are not a full mile apart.” (MNBR Letter, Ex. C, FD 34423, Oct. 29, 2003.) The Board published notice of the exemption and recognized the difference between the milepost numbers and the claimed distance of the line segment. *See M & B R.R., L.L.C.—Acquisition & Operation Exemption—CSX Transp., Inc.*, FD 34423, slip op. at 1 (STB served Nov. 20, 2003) (“[MNBR] . . . has filed a verified notice of exemption . . . to acquire from [CSXT], and operate two segments of rail line. The first segment extends 30.22 miles from milepost XXB 189.00 (some mileposts on this segment are not a full mile apart) near Burkeville, AL . . . , to milepost XXB 222.00 at the Western Junction station in Dallas County, AL.”).

CSXT confirms that the distance between Burkeville and Western Junction has not changed since 2003 and is approximately 30.22 miles. Although the arithmetic difference between the mileposts represents a distance of 33.0 miles

⁴ Burkeville is also known as Burkville.

between Burkeville (milepost XXB 189.00) and Western Junction (milepost XXB 222.00), the actual mileage between those two points is about 30.22 miles.

- 2. Open Gateways.** *CSXT will be directed to more fully explain its position that no gateway “would be closed,” and describe in detail what it means when it says that all previously-used gateways will “remain fully open.”* Decision No. 1, slip op. at 10.

As the STB acknowledged in Decision No. 1, CSXT’s brief discussion of gateways was in response to an October 25, 2023 filing by Norfolk Southern Corporation and Norfolk Southern Railway Company (together, “Norfolk Southern”) asserting, among other things, that additional information might be needed by the STB to evaluate the CSXT Transaction. CSXT’s October 27, 2023 response (CSXT-3) explained that the focus of the STB’s review of the CSXT Transaction must be on its potential competitive effects. As CSXT explained, the development of an improved, more efficient east-west corridor is strongly pro-competitive. The competitive concerns that the STB has addressed in prior proceedings, like the potential closure of gateways, are not raised by the CSXT Transaction, which simply involves the creation of a new and improved interchange for traffic moving east-west.

In considering the question of gateways and gateway closure, it is important to recognize the limited nature of the CSXT Transaction. CSXT seeks only to re-acquire and operate, on termination of an existing lease, a short east-west stretch of rail line that CSXT leased to a short-line railroad 20 years ago. The vast majority of traffic on that line already moves to or from CSXT at Montgomery. CSXT will be simply extending its network a short distance west to Myrtlewood, where an interchange will now occur on east-west traffic instead of at Montgomery (or

Burkeville on the outskirts of Montgomery). Standing alone, that transaction has nothing to do with changing traffic routing or changing the way CSXT uses east-west gateways with other Class I railroads.

CSXT explained in the Application that the only gateway that could potentially be affected by the CSXT Transaction was Selma, where there is currently a direct interchange between MNBR and Norfolk Southern. To ensure that the existing interchange will continue, CSXT agreed to commit to keeping the Selma gateway open for access to Norfolk Southern on commercially reasonable terms, in line with recent practice at the Board in other rail transactions.

In its Application, CSXT also acknowledged that CSXT expects CPKC to buy the Western Line, which connects to the Eastern Line at Myrtlewood. If that transaction also occurs, CSXT's acquisition of the Eastern Line will create a new, direct and efficient interchange between the two Class I railroads at Myrtlewood. Today, overhead traffic between CPKC and CSXT must be handled by an intermediate carrier (MNBR), over a line (comprising both the Eastern Line and the Western Line) that has not been improved for many years, adding costs and delays to east-west traffic moving between CPKC and CSXT. If both transactions go forward, the creation of a more efficient interchange for the east-west traffic will enable CSXT to offer an enhanced competitive routing of east-west traffic. This is unquestionably pro-competitive. Shippers will have expanded shipping options, and CSXT and CPKC will be able to grow the traffic that moves between us.

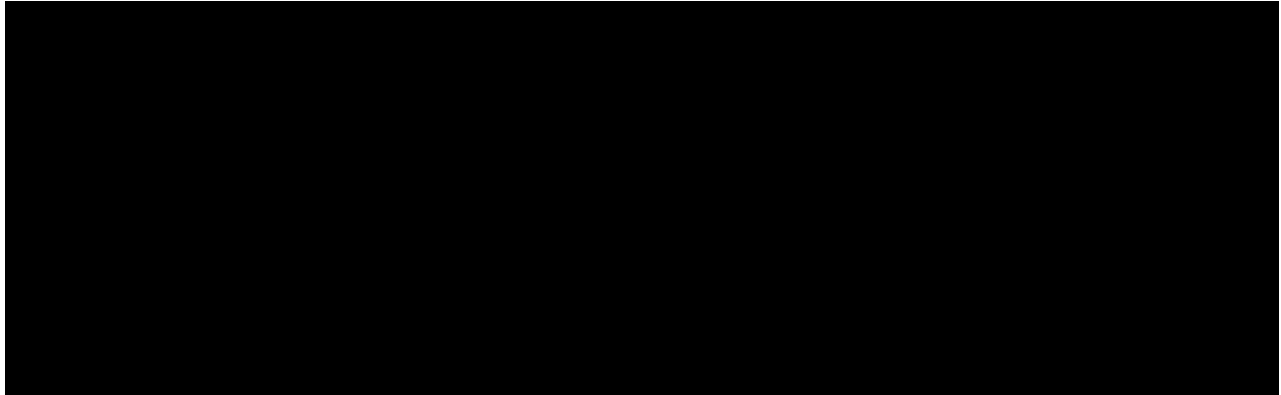
The improved efficiency of a Myrtlewood interchange does not raise any gateway concerns. Some traffic changes may occur as a result of the new efficiencies created by CSXT's acquisition of the Eastern Line and CPKC's acquisition of the Western Line. After all, CSXT expects to invest substantial amounts in improving existing infrastructure precisely to create a new, economically rational route for east-west traffic. But to the extent CSXT's re-acquisition of the Eastern Line changes the current routing of any traffic, those changes will be driven by the improved efficiency of having a direct connection between CPKC and CSXT on improved rail lines.

In fact, the idea that CSXT might consider closing any gateways for traffic moving between CSXT and western rail carriers makes no sense. The primary gateways between CSXT and western carriers are identified in Table 1 below. As shown in the Table, most of the east-west traffic moving through those gateways involves carriers other than CPKC. The annual carload volume of traffic interchanged with CPKC in each of these gateways, shown in Table 1, is a modest fraction of the total traffic through that gateway. The high volume of interchanges between CSXT and other rail carriers has created traffic densities for gateway movements with those other carriers. As the STB is well aware, achieving traffic density is a key to reducing costs. Blocking and staging practices on CSXT can be efficiently organized around these high-volume interchanges. In other words, these interchanges occur because of economic, commercial, and operational reasons that

are totally unaffected by the CSXT Transaction. There is no conceivable reason for CSXT to consider closing these gateway options.

Table 1: 2022 Annual Carloads Interchanged Between CSXT and Class I Partners at Primary Gateways

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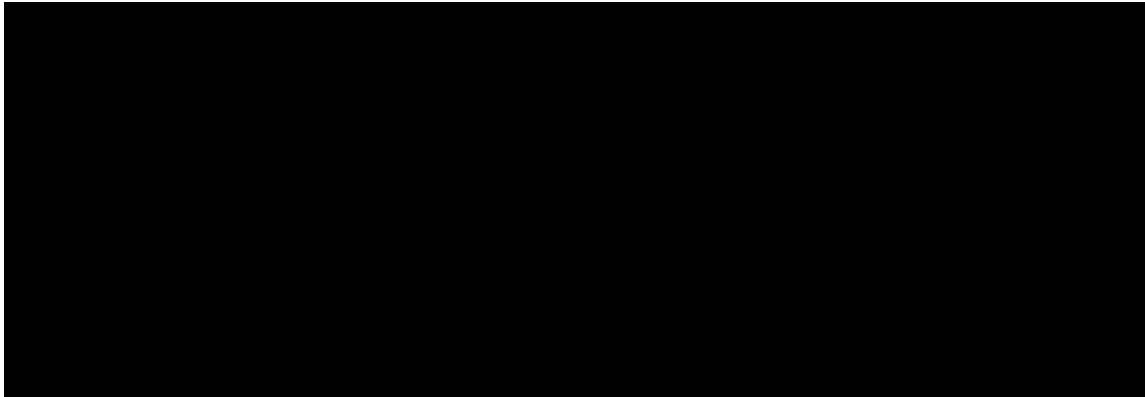
If any changes in the routing of east-west traffic through these gateways occur, it will be because the creation of a more efficient Myrtlewood gateway provides an attractive competitive option, not because CSXT has decided to discontinue using those other gateways for east-west traffic flows or sought to limit the use of those gateways.

The modest changes in traffic flows that could result from the creation of a more efficient Myrtlewood interchange are described in the Application. In Exhibit 4 to the Application, CSXT presented a projected estimate of the volume of traffic that might move through an improved Myrtlewood gateway to address the environmental thresholds in the STB's regulations. (See Appl. APP-184 at Tables 3 and 4.) These traffic estimates also shed light on the STB's question about the impact of the CSXT Transaction on gateways.

Table 2 below looks at the estimated diversion of traffic to Myrtlewood that is currently moving between CSXT and CPKC at the relevant gateways. The single largest expected traffic shift involves east-west traffic currently moving between CPKC and CSXT through New Orleans (“New Orleans” or “NOLA”). Due to the complexity of operations in NOLA and the fact that CSXT does not directly connect with CPKC in NOLA, CSXT expects that the availability of an alternative, efficient routing through Myrtlewood compared to a CPKC/CSXT NOLA interchange will shift some of that CPKC/CSXT interchange traffic to a Myrtlewood routing. But even with these improved efficiencies, the traffic shift is expected to involve only a minority {{ [REDACTED] }} of traffic currently moving between CPKC and CSXT through NOLA. And given the large volume of interchanges between CSXT and other railroads at NOLA, the expected traffic shift is a very small percentage of overall traffic interchanged at NOLA, about {{ [REDACTED] }}. Table 2 shows the same basic results with the diversion of traffic from Brookwood and East St. Louis. (The Brookwood and East St. Louis diversions are discussed in more detail below.)

Table 2: Estimated Diversions of CPKC-CSXT Traffic Interchanged at New Orleans, Brookwood, and East St. Louis

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In short, CSXT's re-acquisition of the Eastern Line, even if examined in connection with CPKC's proposed acquisition of the Western Line, is not about closing gateways or changing practices regarding interline movements with other carriers. To the extent there are any changes in the routing of east-west movements through existing gateways, they will be marginal and will only occur if based on improved efficiency of the Myrtlewood interchange. CSXT has no intention of closing or restricting any existing gateways.

- 3. Existing Interline Routing Arrangements.** *To help the Board evaluate the argument made by CPKC regarding certain CSXT gateways, CSXT should also address whether, and to what extent, the Proposed Transaction will give it the ability and incentive to avoid existing interline routing arrangements with carriers other than CPKC, and which may require interchange at New Orleans, Memphis, or East St. Louis (as well as Chicago or any other interchange location) for traffic from certain CSXT origin areas, so that it may move that traffic via a longer haul through the CPKC-CSXT interchange at Myrtlewood. See, e.g., https://www.up.com/customers/shortline/interline_agree/index.htm. Decision No. 1, slip op. at 10.*

The CSXT Transaction will not result in artificial or inefficient routing of traffic. As explained above, even when CSXT's proposed re-acquisition of the Eastern Line is viewed in connection with CPKC's proposed acquisition of the Western Line, the two transactions simply involve the creation of a more efficient interchange for certain traffic moving between CPKC and CSXT. Improvements in interchanges between existing rail carriers happen all the time outside of the STB's scrutiny because the particularities of the improvements are not subject to the Board's jurisdiction. Such improvements are generally pro-competitive and raise no concerns requiring STB attention. Here, if the two transactions go forward, a direct interchange between CPKC and CSXT will be created, an intermediate carrier in the line-haul will be removed and the two adjacent line segments will be upgraded. Traffic growth can be expected over the new interchange because the route will become more efficient, not because traffic is being routed artificially over a new interchange.

CSXT will have neither the ability nor the incentive to avoid existing interline arrangements with other carriers simply to seek to earn more revenue by rerouting traffic over the Myrtlewood route. Concerns about inefficient routing of traffic are often raised in merger proceedings. But the CSXT Transaction is not a merger or consolidation. The re-acquisition of the Eastern Line, unlike a merger, does not create new single line routes (other than for small volumes of traffic originating or terminating on the Eastern Line) or change the configuration of the rail network. It simply extends the existing CSXT network to the west to make a

direct connection between CSXT and CPKC that already exists through an intermediate short-line railroad. Nor are there any commercial agreements between CSXT and CPKC that would induce CSXT to seek a rerouting of traffic through Myrtlewood, as CSXT explained in the October 27, 2023 response. The creation of the new Myrtlewood gateway between CSXT and CPKC would simply create a new competitive two-carrier route for some traffic through Myrtlewood relative to other congested or less efficient locations, like NOLA.

The CSXT Transaction does not give CSXT any new market power to force shippers and interchange partners to accept routings that are more costly or less efficient than the current routing. The CSXT Transaction simply creates a new option for efficiently routing traffic through a direct connection with CPKC. If CSXT had the power to force traffic originating or terminating on CSXT's network to a longer and less efficient routing simply to gain additional revenue, it would have the same ability and incentive to do that today. Nothing about the CSXT Transaction empowers CSXT to direct traffic over inefficient routes. The CSXT Transaction simply gives CSXT and its shippers a new alternative routing that, if it is more efficient, creates new competitive options.

As they do today, competitive forces would prevent CSXT from trying to direct traffic over inefficient routes simply to earn long-haul revenue. Most traffic moving through the major east-west gateways is highly competitive. Truck competition, transloads and the proximity of other rail carriers in the east create strong competitive pressure that requires that CSXT and its interchange partners

establish efficient routes. The Union Pacific (“UP”) routing protocol referred to in Decision No. 1 is an example of how railroads try to establish efficient movement of traffic through important gateways. Any effort to artificially route traffic through less efficient gateways would result in lost traffic and lost revenues.

It would also be counterproductive to try to force traffic to move over inefficient routes. As reflected in Table 1 above, substantial volumes of east-west traffic move through the major gateways. Continued use of these gateways has created traffic densities that reduce cost, as discussed above. The substantial cost savings from use of established and high-density gateways would be lost if routing decisions were made in an attempt to maximize long-haul revenues. Moreover, substantial costs would be added by routing traffic over longer routes.

A review of some examples of CSXT’s east-west traffic flows shows that CSXT would not have the ability or incentive to change existing interline arrangements simply to try to maximize CSXT’s length of haul. First, take the example of a merchandise train moving from Lakeland, FL on CSXT’s network to a destination in Dallas, TX served by UP. *See* Table 3 below. The traffic would move today to UP through NOLA. *See* UP-CSXT Routing Agreement at 1 (May 2009), available at https://www.up.com/cs/groups/public/@uprr/@customers/documents/up_pdf_nativedocs/pdf_up_shortline_csx-routing.pdf. CSXT’s portion of that movement is 913 miles. When an efficient interchange with CPKC is established at Myrtlewood, the traffic could also move to Dallas on CPKC through Myrtlewood. But CSXT’s portion of a CPKC interline movement through Myrtlewood would be only 696 miles, less than

CSXT's portion of the current UP interline movement through NOLA. If that movement were to go through Myrtlewood instead of NOLA, it would not be because CSXT is seeking a longer haul – CSXT's length of haul through Myrtlewood is substantially *shorter* than through NOLA. As today, the routing of this traffic would be determined by market forces, not by any effort to force traffic onto a less efficient route simply to earn long-haul revenues.

Table 3: Lakeland, FL to Dallas, TX Route

Origin	Destination	Interchange Point	Interchange Partner	CSXT	Partner	Total	CSXT Route
Lakeland, FL	Dallas, TX	New Orleans	UP	913	502	1,415	Lakeland - Waycross - Manchester - New Orleans
		Myrtlewood	CPKC	696	583	1,279	Lakeland - Waycross - Manchester - Montgomery - Myrtlewood

Notes: Miles are from PCMiller.

Take another example of traffic moving between Columbus, OH and Dallas, TX. See Table 4 below. Assume that the traffic moving today goes through East St. Louis to UP. CSXT's portion of the movement would be 448.8 miles with a total mileage of 1209.6 miles. A route on CSXT through Myrtlewood to CPKC would increase CSXT's portion of the movement to about 960 miles. However, the total miles would increase from 1209.6 to 1542.7, an increase of 27.5%. The increased costs of a more circuitous route and the possible loss of efficiencies associated with using the East St. Louis interchange would make such a rerouting of the traffic highly unlikely.

Table 4: Columbus, OH to Dallas, TX Route

CSXT-UP Routing			
Station Name	Interchange Point	Railroad	Miles
Columbus, OH		CSXT	
East St. Louis, IL	ESTL	CSXT	448.8
Dallas, TX	DALAS	UP	760.8
Total			1,209.6
CSXT-KCS Routing			
Station Name	Interchange Point	Railroad	Miles
Columbus, OH		CSXT	
Avon, IN		CSXT	224.5
Myrtlewood, AL	MYRTL	MNBR	735.1
Meridian, MS	MERID	KCS	51.1
Dallas, TX	DALAS	KCS	532.0
Total			1,542.7

Notes: Miles are from PCMiller; assumes for purposes of illustration that MNBR operates over the Western Line.

A similar example involves traffic moving between Albany, NY and Dallas, TX. See Table 5 below. Under existing routing protocols, this traffic would move on CSXT through East St. Louis to UP, which produces the shortest total mileage. An additional route would exist through Myrtlewood to CPKC that would give CSXT a longer haul, but that route would add about 300 miles to the total route. The availability of other, more efficient and less costly routings for that traffic would make it commercially infeasible for CSXT to force the traffic through Myrtlewood simply to increase CSXT's length of haul.

Table 5: Albany, NY to Dallas, TX Route

Origin	Destination	Interchange Point	Interchange Partner	CSXT	Partner	Total	CSXT Route
Albany, NY	Dallas, TX	East St. Louis	UP	1,011	761	1,772	Albany (Selkirk) - Avon - East St. Louis
		Chicago	UP	827	1,013	1,840	Albany (Selkirk) - Chicago
		East St. Louis	CPKC	1,011	1,078	2,089	Albany (Selkirk) - Avon - East St. Louis
		Chicago	CPKC	827	1,265	2,092	Albany (Selkirk) - Chicago
		Myrtlewood	CPKC	1,489	583	2,072	Albany - Waycross - Dothan - Montgomery - Myrtlewood

Notes: Miles are from PCMiller.

4. Projected Diverted and New Traffic. *To further inform the Board’s analysis, CSXT shall provide a list of all origination/destination areas,⁵ including gateways, for the projected diverted and new traffic; identify any interchange partners participating in current movements of this traffic as well as projected diverted and new movements (if applicable);⁶ and provide the associated volumes by origination/destination areas for projected diverted and new traffic.* Decision No. 1, slip op. at 10-11.

As noted above, CSXT presented in the Application at Exhibit 4 an estimate of traffic growth that could be expected if the STB approves both the CSXT Transaction and the CPKC Transaction. That estimated traffic growth included traffic that would likely be diverted from existing routes to the improved Myrtlewood interchange and new traffic that could be expected to use the

⁵ The Board noted, “[o]rigin/destination areas may be as broad as a state or group of states. CSXT shall provide a justification for its definition of the state or region whatever grouping metric it uses for its analysis, and it shall specify the gateway(s) used by traffic for the origination or destination areas.” Decision No. 1, slip op. at 10, n.13.

⁶ The Board noted, “[i]nformation should include the total count of cars interchanged categorized by two-digit Standard Transportation Commodity Code [“STCC”] and broken out by interchange partner.” Decision No. 1, slip op. at 11, n.14.

Myrtlewood interchange after improvements are made to the Eastern Line and Western Line. Set out below is additional information on the assumptions underlying those traffic growth estimates.

The first category involves traffic diverted to the Myrtlewood interchange from existing routes. Most of the diverted traffic involves traffic currently moving between CSXT and CPKC at three gateways – NOLA, Brookwood and East St. Louis. The assumptions used to develop these estimates are described below.

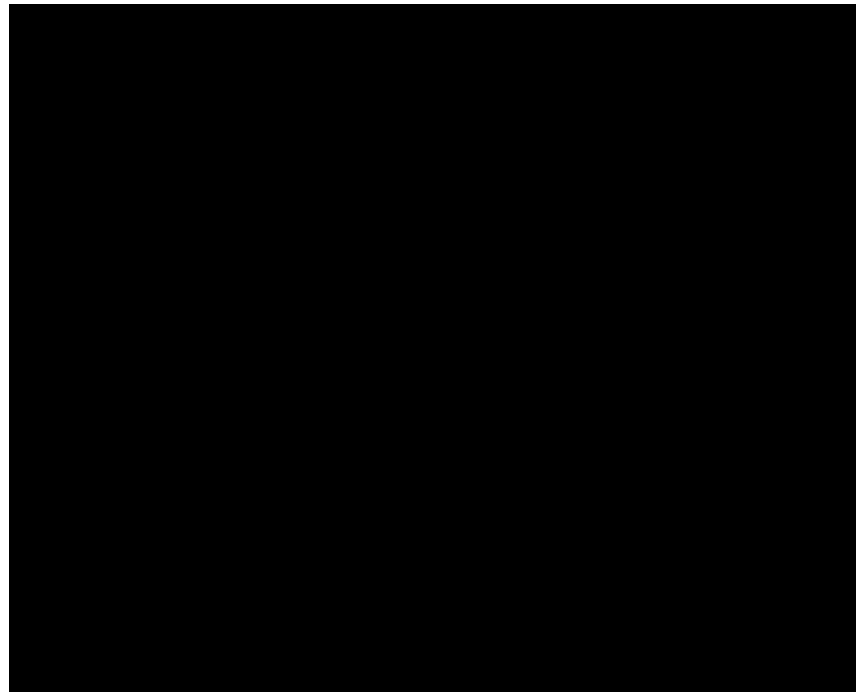
NOLA: CSXT assumed that traffic moving through NOLA to CSXT today to/from CPKC locations north, west, or directly south of Shreveport, LA could be diverted through Myrtlewood. Most of this traffic involves movements to/from Texas and Mexico that could avoid moving south from Shreveport through NOLA and instead could use the more direct and efficient route from Shreveport through Meridian and Myrtlewood. In identifying the potentially divertible traffic, CSXT assumed that traffic originating or terminating south of Shreveport would largely continue to be handled through New Orleans.

After identifying the total potentially divertible traffic in this category, CSXT assumed that 25% of the potentially divertible traffic would move from a NOLA interchange to a Myrtlewood route even without the CSXT Transaction and the CPKC Transaction. This assumption was based on the fact that some NOLA traffic interchanged with CPKC has already been diverted to the Myrtlewood route with MNBR as a bridge carrier, and it is likely that some additional traffic will shift to Myrtlewood even without the new direct interchange with CPKC. However, we

assumed that diversion of all the potentially divertible traffic would only occur if the CSXT Transaction and the CPKC Transaction are approved.

The total potentially divertible traffic in this category is set out in Table 6 below. As noted, about 25% of this traffic was assumed to divert whether or not the CSXT Transaction or the CPKC Transaction is approved, and the remaining 75% would divert if the CSXT Transaction and the CPKC Transaction are both approved. Attached as Exhibit A is the data categorized by two-digit STCC.⁷

Table 6: NOLA – Potentially Divertible CSXT/CPKC Traffic in Carloads
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⁷ For purposes of Tables 6 and 7, the following states were considered to be within a particular region as it relates to traffic handled between CSXT and CPKC in 2022: Mid-Atlantic includes Delaware, Maryland, and West Virginia; Midwest includes Iowa, Illinois, Indiana, Kansas, Michigan, Minnesota, Ohio, and Wisconsin; Northeast includes: Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, Pennsylvania, Rhode Island, and Vermont; Southeast includes: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia; and Southwest includes: Arkansas, Missouri, Oklahoma, and Texas.

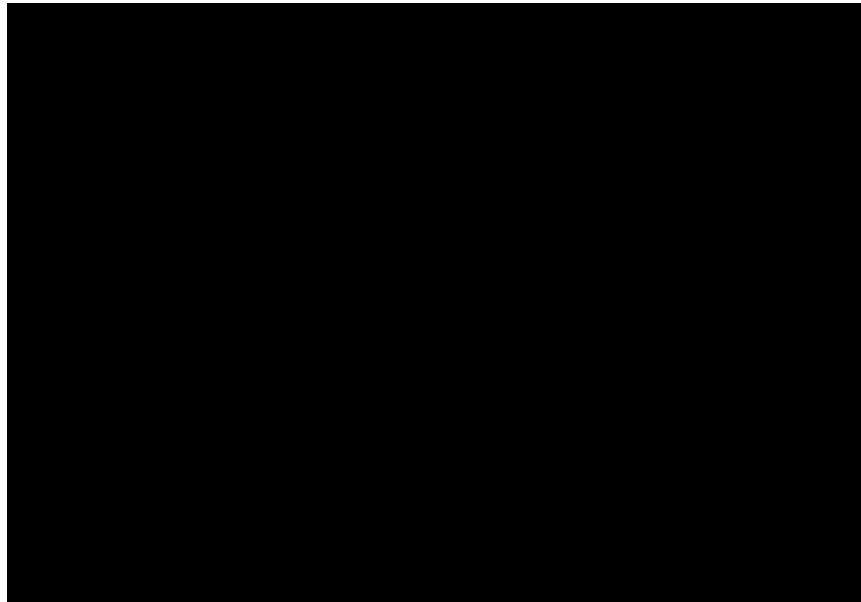
Brookwood: CSXT and CPKC, through CPKC's agent the Alabama Southern Railroad (ABS), currently interchange traffic at Brookwood, AL or at CSXT's nearby yard in Birmingham, AL, depending on operating necessities or convenience. The existence of a direct connection between CSXT and CPKC at Myrtlewood would allow CPKC to avoid use of the ABS to effectuate the interchange and therefore, for some traffic, a Myrtlewood routing would improve the efficiency of the interchange. CSXT assumed that existing traffic interchanged at Brookwood that moves to/from CPKC locations west of Mississippi could eventually be diverted to a Myrtlewood route. However, as noted in Table 2 above,

{{ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] }}

The traffic that CSXT estimates would shift from a Brookwood interchange to Myrtlewood is identified below in Table 7. Attached as Exhibit B is the data categorized by two-digit STCC.

Table 7: Brookwood – Potentially Divertible CSXT/CPKC Traffic in Carloads

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East St. Louis: CSXT estimated that {{

[REDACTED]

[REDACTED] }} would be

handled through Myrtlewood instead of East St. Louis, its route of movement today.

CSXT does not expect other traffic moving through East St. Louis with CPKC to divert to Myrtlewood.

NOLA Traffic Involving Other Carriers: The majority of traffic that CSXT expects to divert to a Myrtlewood interchange routing is traffic currently interchanged between CSXT and CPKC at the locations discussed above. CSXT also expects that {{

[REDACTED]

[REDACTED] }} CSXT

estimates that {{

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }}.

CSXT estimates that {[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }} In addition, CSXT expects {[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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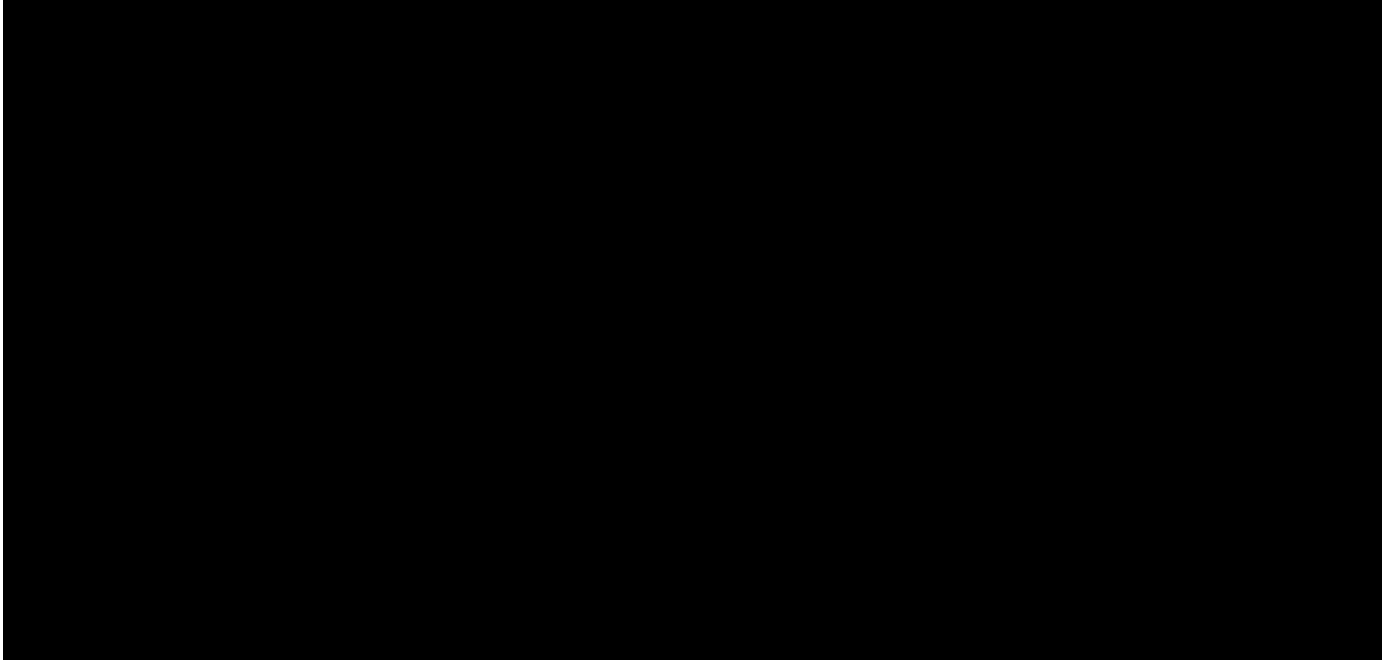
New Traffic: In addition to the diverted traffic discussed above, CSXT's traffic forecast in Exhibit 4 of the Application included expected new traffic that would utilize an improved and more efficient Myrtlewood interchange. The new traffic falls into three groups – automotive, intermodal and refrigerated traffic.

New Traffic – Automotive: CSXT expects that the expansion of existing automobile production and construction of new automotive production in the Southeastern United States and Mexico will result in new traffic moving between CSXT and CPKC through Myrtlewood. While the volumes and timing of such new traffic are difficult to estimate, CSXT included rough estimates in the forecasts provided to the STB in the Application. CSXT expects that the primary flows of this new traffic would be Mexico to the Southeast (primarily terminating in Florida, Georgia, and South Carolina) and the Southeastern United States to the Southwest

(primarily Dallas) and Mexico. CSXT's estimates of the opportunities for new automotive traffic through Myrtlewood are set out below in Table 8.

Table 8: Estimated Volumes of New Automotive Traffic

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New Traffic – Intermodal: CSXT also estimated that {{ [REDACTED] }} of new intermodal traffic would move through Myrtlewood. CSXT assumes {{ [REDACTED] }}

[REDACTED]

[REDACTED]

[REDACTED] }}

New Traffic – Refrigerated Traffic: CSXT assumes {{ [REDACTED] }}

[REDACTED]

[REDACTED] }}

5. Potential Impacts on Other Rail Operations. *To assist the Board in evaluating the Proposed Transaction, in conjunction with CPKC's proposed acquisition of the Western Line, CSXT will be directed to provide additional operational information. As NSR notes, the Application does not include an analysis of the potential operational impacts to shippers or Amtrak passengers on rail segments outside the Eastern Line and Western Line. (NSR Reply 12-13.) Accordingly, the Board directs CSXT to detail any impacts anticipated on other rail operations, including (1) potential impacts on any passenger rail operations that involve crossing the Eastern Line, and (2) delays that may be occasioned because a line is scheduled to handle increased traffic due to route consolidations or traffic diversions. Decision No. 1, slip op. at 11.*

CSXT does not anticipate that the CSXT Transaction will cause any “operational impacts to shippers or Amtrak passengers on rail segments outside the Eastern Line and Western Line.” *Id.* CSXT addresses the Board's specific requests below.

(1) As CSXT stated in the Application, there are no commuter or other passenger services operated over the Eastern Line or the Burkeville-Montgomery segment. (Appl. APP-199.) No passenger rail operations “involve crossing the Eastern Line.” Decision No. 1, slip op. at 11. Therefore, CSXT does not anticipate any “potential impacts on any passenger rail operations that involve crossing the Eastern Line.” *Id.* Additionally, CSXT does not anticipate that the CSXT Transaction will cause any impacts on the potential for future passenger rail operations on the Eastern Line or the Burkeville-Montgomery segment.

(2) Furthermore, CSXT does not anticipate any “delays that may be occasioned because a line is scheduled to handle increased traffic due to route consolidations or traffic diversions.” *Id.* First, CSXT does not anticipate any “route consolidations” as a result of the CSXT Transaction. Second, CSXT does not

anticipate that the “traffic diversions” that CSXT described in its Application will cause any delays “because a line is scheduled to handle increased traffic.” *Id.* As CSXT explained in its Application:

CSXT has determined that the CSXT Transaction and CSXT Related Transactions, standing alone, or considered with the CPKC Transaction and CPKC Related Transactions, will not result in any substantial impacts to downstream moves on the CSXT network east of Montgomery. The projected interchange diversions discussed below are already largely routed through Montgomery and will continue to be routed through Montgomery in the post-transaction scenarios. The new traffic that CSXT projects to occur as a result of the CSXT and CPKC Transactions would move further east from Montgomery onto different high-density CSXT routes in existing train service and would not significantly impact GTMs or yard activity further east in the CSXT network.

(Appl. APP-181.) Therefore, because the “traffic diversions” projected to result from the transactions already move onto the CSXT network from Montgomery, and because the “new traffic” projected to result from the transactions will move onto the CSXT network using high-density CSXT routes in existing train service, CSXT does not anticipate that the transactions will cause any delays on any portion of the CSXT network.

- 6. Deferred Maintenance.** *CSXT shall provide a description of the effect of any deferred maintenance or delayed capital improvements on the subject lines and associated equipment. This should include the schedule for eliminating such deferrals, details of general system rehabilitation (including rehabilitation relating to the transaction, such as proposed yard and terminal modifications), and how these activities will lead to service improvements or operating economies anticipated from the transaction.* Decision No. 1, slip op. at 11.

Based on an initial review of the Eastern Line that is the subject of this proceeding, CSXT has identified certain “deferred maintenance or delayed capital

improvements.” *Id.* As discussed in its Application, CSXT intends to address such deferrals and perform general system rehabilitation within the next few years, and the CSXT Transaction will result in improved infrastructure and operations on the Eastern Line and connecting lines. CSXT provides further details on these topics here in response to the Board’s request.

The Eastern Line extends approximately 93.68 miles between Myrtlewood, AL and Burkeville, AL. Currently, the maximum authorized speed on the Eastern Line is 10 mph for approximately 40 miles of the line and 25 mph for approximately 54 miles of the line, with certain permanent speed restrictions lowering the speeds on certain portions of the line. The majority of the Eastern Line consists of 100 pounds-per-yard rail (jointed/welded), and approximately 28 miles of the rail is 90 pounds-per-yard. Photographs of representative portions of the Eastern Line are attached as Exhibit C.

These standards may have been sufficient for MNBR’s operations, but significant portions of the Eastern Line require improvements to bring them up to CSXT’s operating standards. These required improvements could be described as “deferred maintenance or delayed capital improvements,” as the Board indicated in Decision No. 1. As a result of such issues, the current state of the rail infrastructure on the Eastern Line would inhibit the ability for CSXT, once it reacquires the Eastern Line and begins operating it again, to grow rail traffic and fully realize the potential for expanding access for CSXT’s shippers to western markets and for shippers in the west to reach CSXT’s eastern locations.

The CSXT Transaction will bring improved infrastructure to the Eastern Line. As explained in the Verified Statement of Arthur Adams, Jr., CSXT expects to enter into an agreement with MNBR that, prior to consummation of CSXT's acquisition of the Assets comprising the line, MNBR will conduct maintenance work and make certain improvements to the Eastern Line, including work that MNBR would do for the benefit of its own operations in the absence of the CSXT Transaction and adding automated equipment identification (AEI) readers and defect detectors. The MNBR work will help to upgrade the Eastern Line to CSXT's operating and safety standards. The work will remove several speed restrictions on the line, enable more efficient operations for MNBR, and also enable CSXT to begin operating the line soon after the Board grants CSXT's Application. Mr. Adams also explained that, after the CSXT Transaction is consummated, CSXT plans to make significant additional investments in the track, roadbed, bridges, warning devices, and wayside detectors on the Eastern Line. These investments will result in increasing safety, reliability, and speeds. (*See* Appl. APP-220 to APP-221.)

Based on an initial review of the facilities, CSXT plans to make the following improvements to upgrade the Eastern Line to allow for 25 mph speeds (FRA Class II track standards) across a substantial portion of the Eastern Line:

- Track
 - Upgrade 28 miles of 90 pound-per-yard rail
 - Replace 135,000 ties
 - Ballast & surfacing
 - Brush cutting
 - Ditching
 - Roadbed stabilization

- Bridges
 - 40+ bridge upgrades
- Signals
 - Railroad crossing signals
 - Highway warning devices
 - Defect detectors
 - Communications
 - Automated equipment identifiers

Additionally, CSXT intends to improve interchange tracks at Myrtlewood Yard to accommodate efficient interchange. In general, CSXT expects that these improvements will be completed within five years after consummation of the transaction.

These planned upgrades on the Eastern Line “will lead to service improvements or operating economies.” Decision No. 1, slip op. at 11. The facility upgrades will harden the existing infrastructure and improve the rail facilities, strengthening the line and reducing the risk of derailments. The improvements will result in increasing safety, reliability, and speeds. More reliable and faster transit times will allow rail users on the Eastern Line to grow their business as the economy expands. CSXT also anticipates that the planned improvements will help to remove truck traffic from congested highways, which will benefit the environment.

Respectfully submitted,

/s/ Peter W. Denton

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Attorneys for CSX Transportation, Inc.

Dated: November 21, 2023

BEFORE THE
SURFACE TRANSPORTATION BOARD

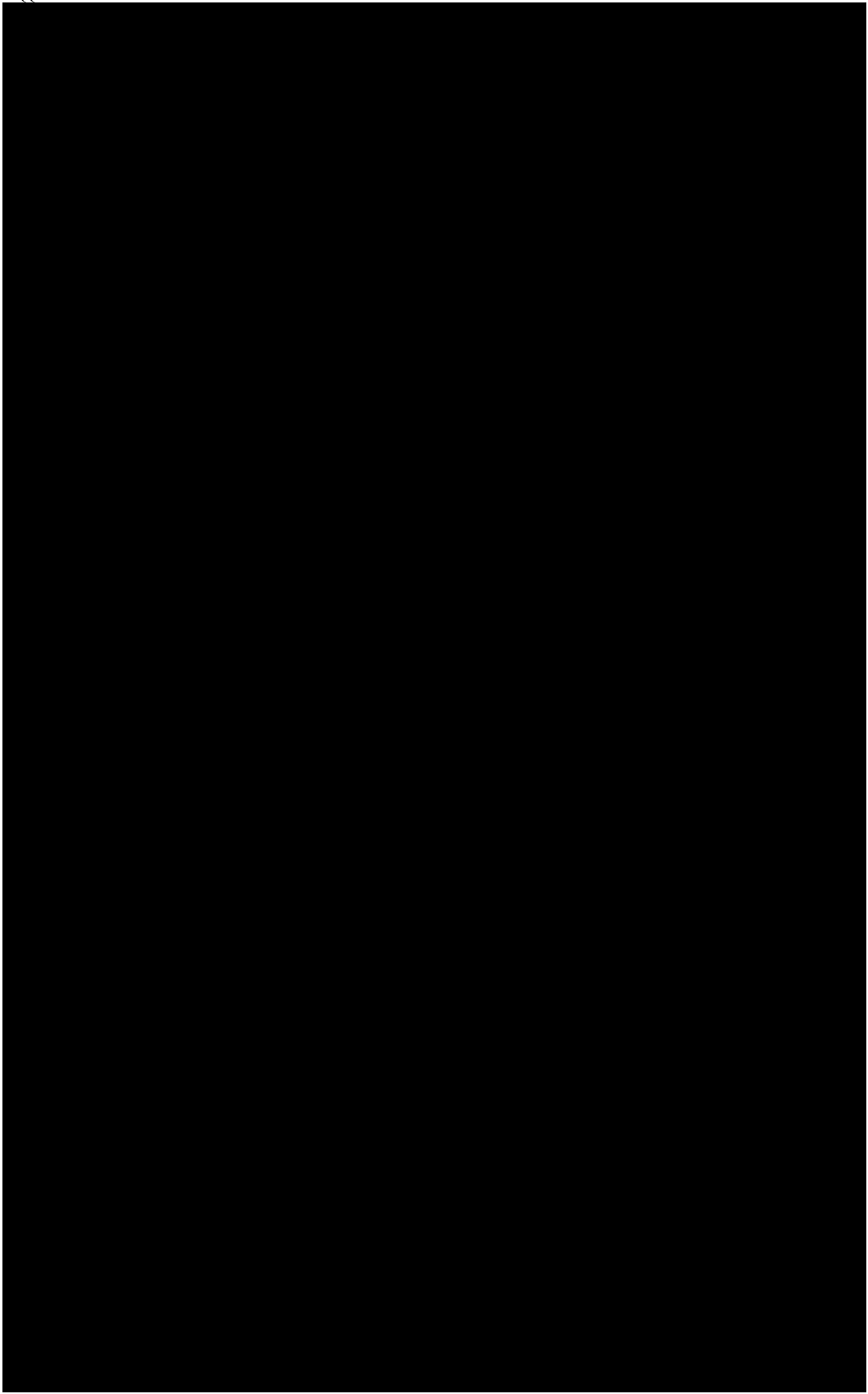
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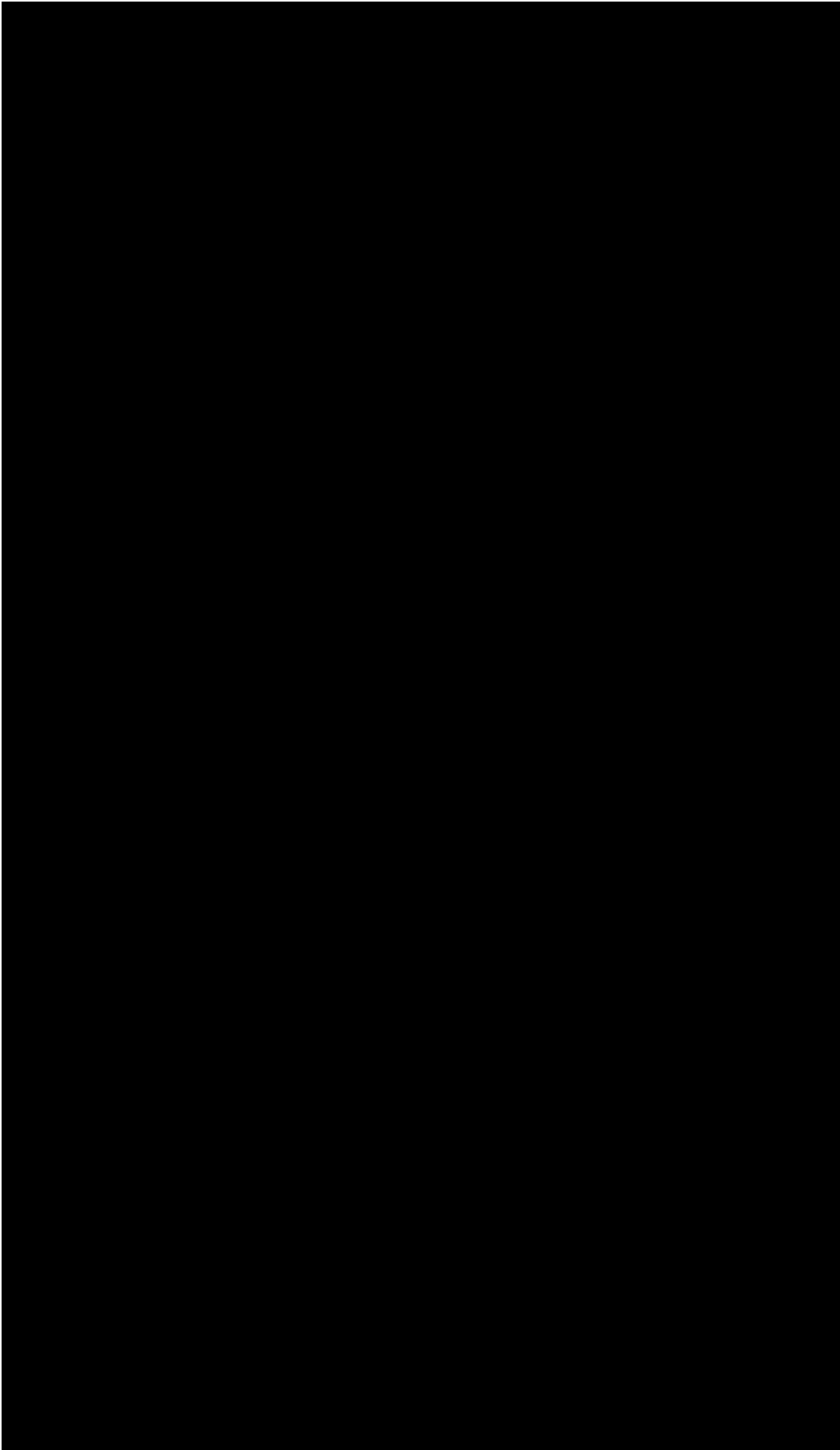
CSX TRANSPORTATION, INC.
—ACQUISITION AND OPERATION—
RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C.

EXHIBIT A

NOLA – POTENTIALLY DIVERTIBLE CSXT/CPKC TRAFFIC
CATEGORIZED BY TWO-DIGIT STCC

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BEFORE THE
SURFACE TRANSPORTATION BOARD

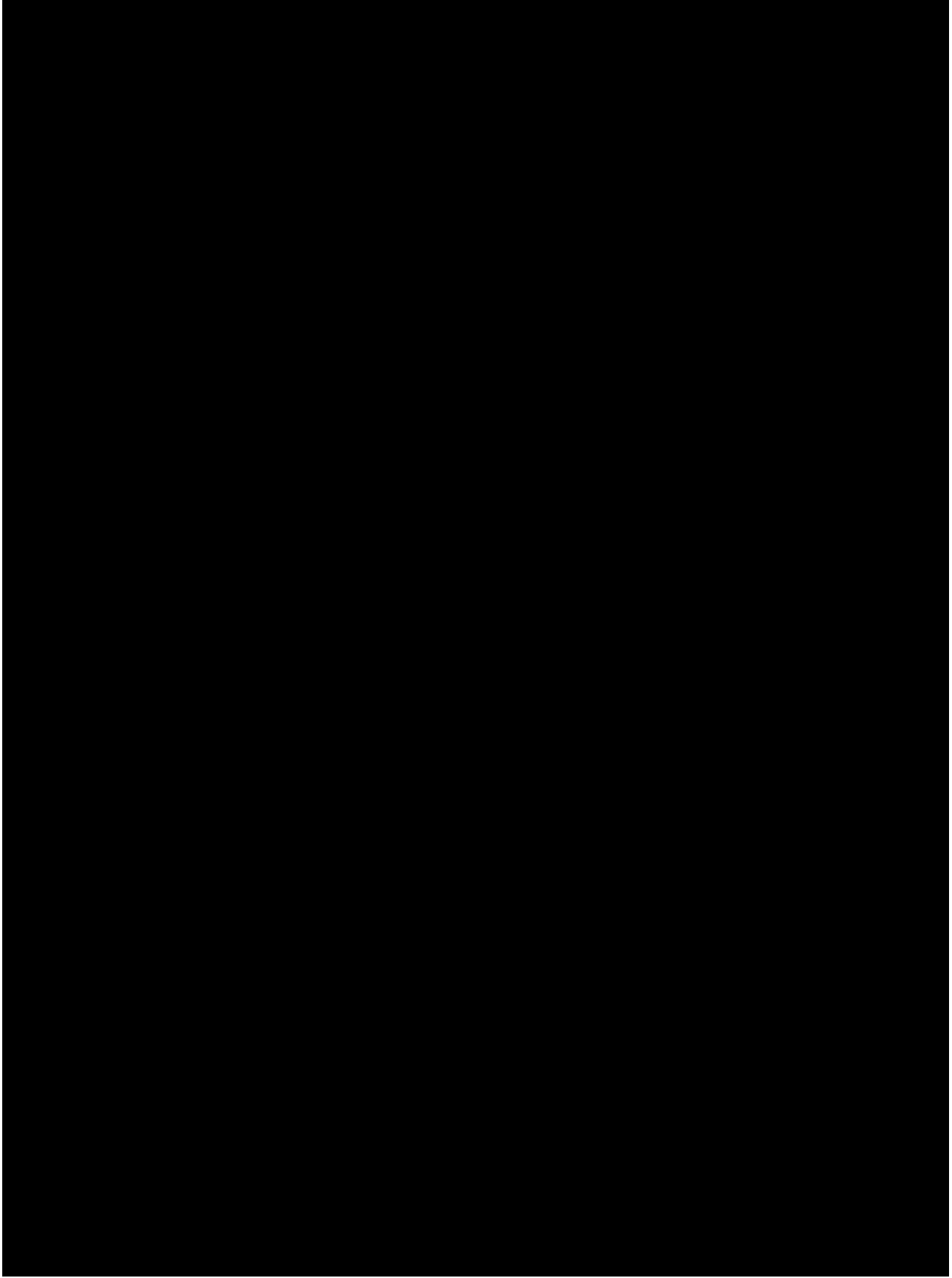
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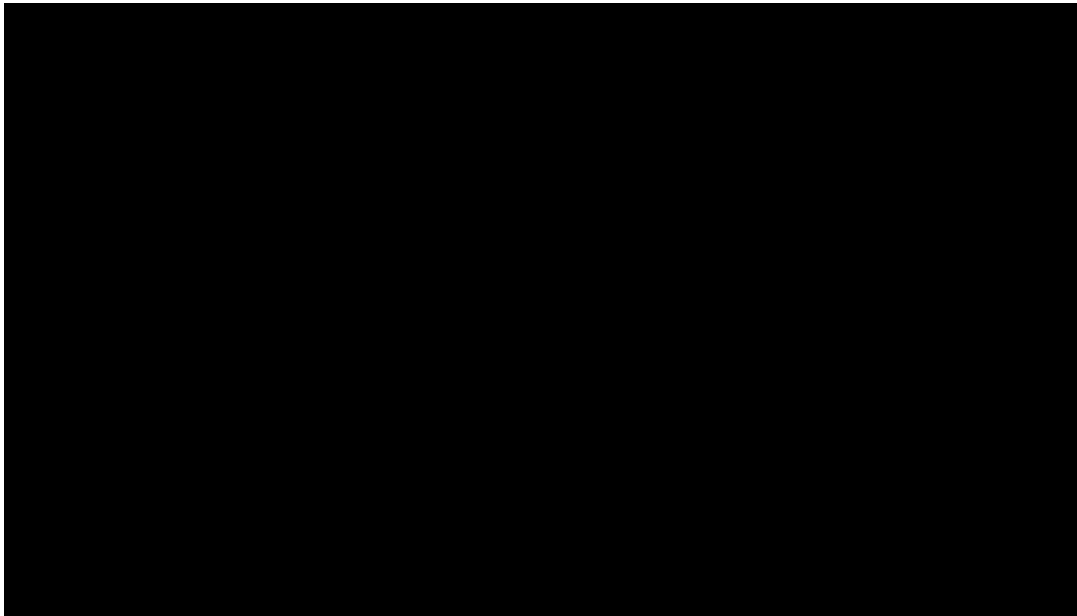
CSX TRANSPORTATION, INC.
—ACQUISITION AND OPERATION—
RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C.

EXHIBIT B

BROOKWOOD/BIRMINGHAM – POTENTIALLY DIVERTIBLE CSXT/CPKC
TRAFFIC CATEGORIZED BY TWO-DIGIT STCC

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BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36727

CSX TRANSPORTATION, INC.
—ACQUISITION AND OPERATION—
RAIL LINE OF MERIDIAN & BIGBEE RAILROAD, L.L.C.

EXHIBIT C

PHOTOGRAPHS OF THE EASTERN LINE



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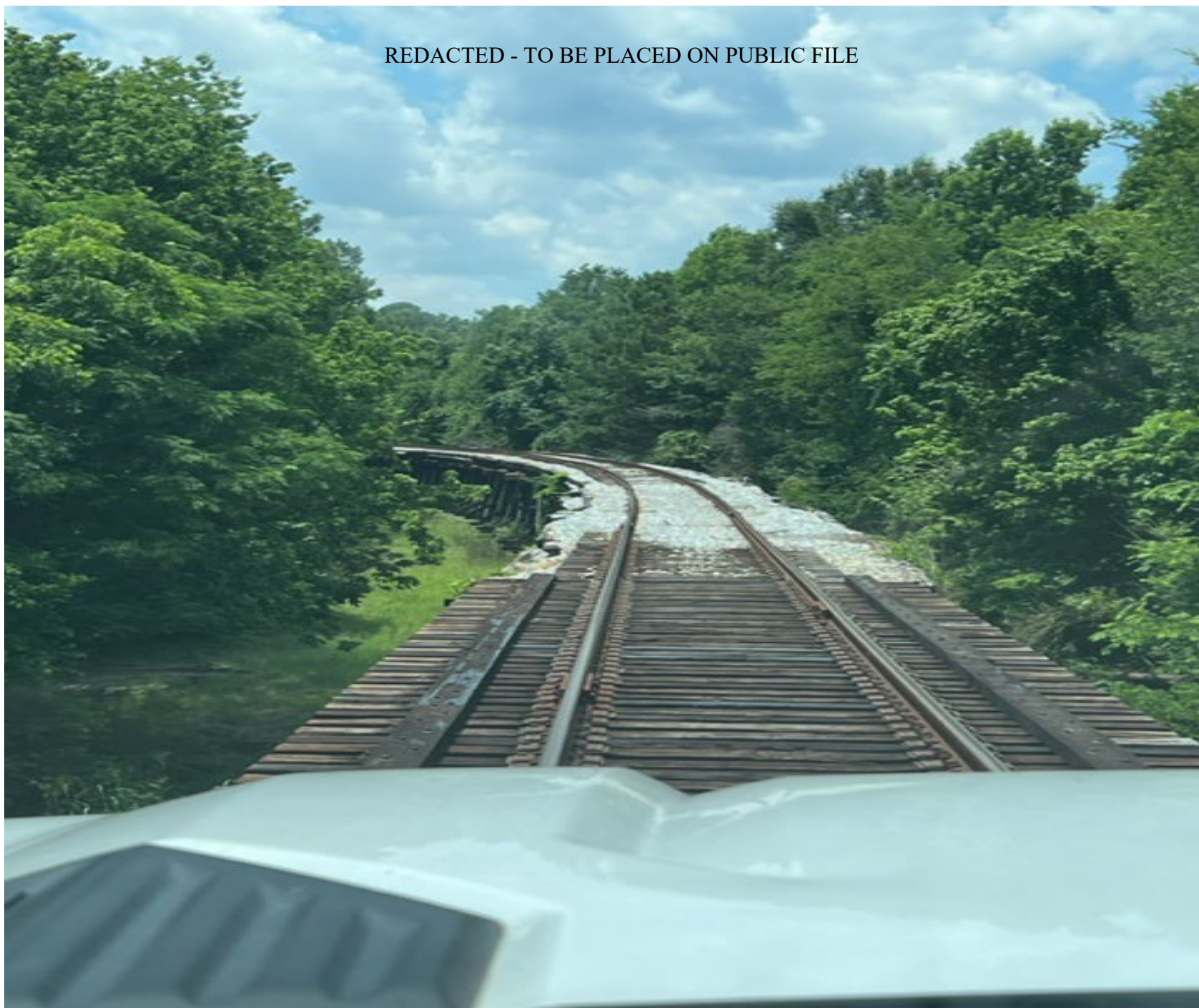
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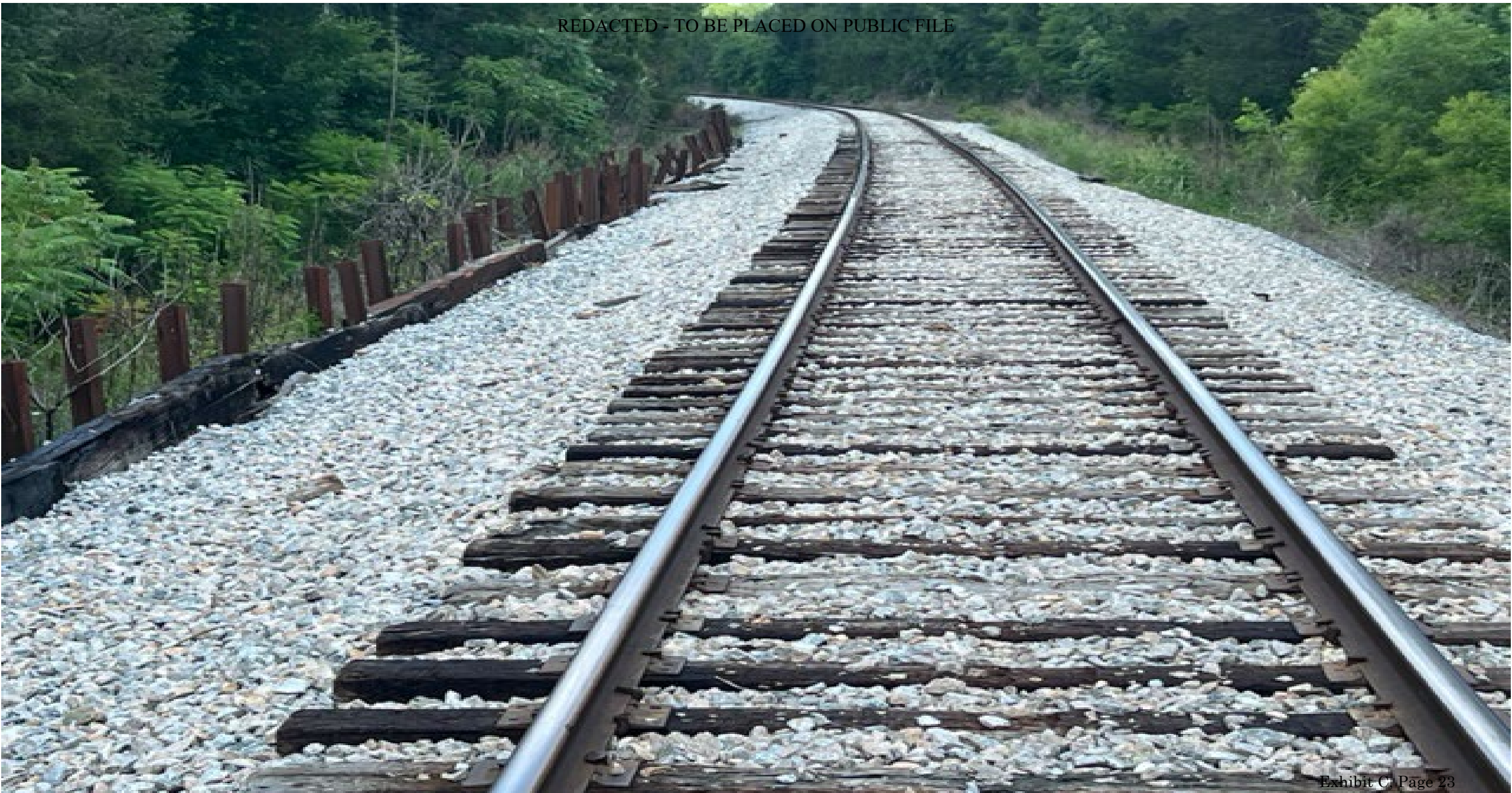
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VERIFICATION

I, Thomas J. Tisa, declare under penalty of perjury that the facts set out in this filing are true and correct. Further, I certify that I am qualified and authorized to file this Verification. Executed on November 21, 2023.

/s/ Thomas J. Tisa

Thomas J. Tisa
CSX Transportation, Inc.
Head of Network Development Strategies

CERTIFICATE OF SERVICE

I hereby certify that I have caused this CSXT's Supplemental Information in Docket No. FD 36727 to be served electronically or by first class mail, postage pre-paid, on the Secretary of Transportation, the Attorney General of the United States, and all parties of record in this proceeding.

/s/ Sally Mordi

Sally Mordi
Attorney for CSX Transportation, Inc.

November 21, 2023