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December 1, 2023

CSXT/PAR-61

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 Third 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

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

Cynthia T. Brown
December 1, 2023
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Enclosures

cc: Louis E. Gitomer
All parties of record

CSXT/PAR-61

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 THIRD BIENNIAL REPORT

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Dated: December 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 THIRD 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, Applicants consummated the Merger Agreement described in the Revised Application. *See*

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.

CSXT/PAR-56, filed June 1, 2022. On September 1, 2023, B&E replaced Springfield Terminal as the operator of PAS, thereby completing the B&E transaction authorized by the Board. *See* CSXT/PAR-60, FD 36472 (Sub-No. 5), filed Sept. 1, 2023.

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 submitted its second biannual report on June 1, 2023. *See* CSXT/PAR-59, filed June 1, 2023. CSX now submits its third biannual report. CSX will continue to provide the regular oversight reports required by *Decision No. 9* and will fully comply with the remaining reporting requirements set out in *Decision No. 9*. The facts and data presented in this report are verified by Michael Clements, Director - Short Line Development at CSXT.

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 May 16, 2023 to November 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 as compared to the prior six-month period, notwithstanding challenging operational circumstances on the PAS System that included crew shortages and track outages resulting from severe weather events. 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.

Just as it did for the second biannual report, CSX used the same approach for this third 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), the six-month period following the filing of the first biannual

report (December 1, 2022 to May 31, 2023), and the most recent six-month period following the filing of the second biannual report (June 1, 2023 to November 30, 2023).

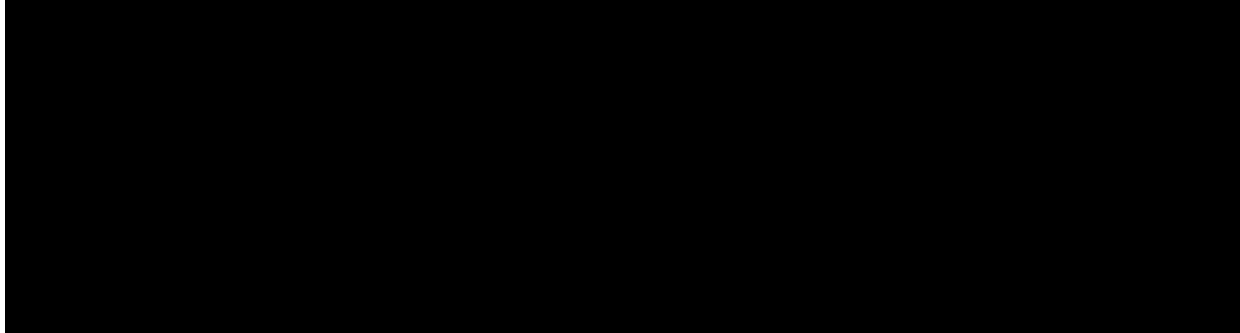
As discussed in the first and second biannual reports, the starting point for this methodology is the analysis of CSX's witness Mark Wallace submitted earlier in this proceeding, which identified commodities where potential truck-to-rail conversions were particularly likely. As Mr. Wallace explained, 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 and second biannual reports, 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 data in the first and second biannual reports to show carload volume on longer-haul movements of the specific commodities prior to the transaction

(December 2021 to May 2022) compared to longer-haul movements of those same commodities in the first, second, and third six-month periods after the transaction.

{{



}}

A few observations can be made based on the data in this table. First, as in the first and second biannual reports, traffic changes in {{ [REDACTED] }} appear to reflect significant truck-to-rail diversions. As CSX previously explained, the {{ [REDACTED] }}

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

² The carload figures in this column differ slightly from the carloads set out in the second biannual report for this six-month period due primarily to two factors. First, as noted in footnote no. 2 to the second biannual report, the carload data for Dec. 2022-May 2023 were based in part on projections for the last month of the period, whereas the data in the table above are actuals. *See* CSXT/PAR-59 at 5, n.2. Second, during this time period, carload and waybill data maintained previously by Springfield Terminal were converted to CSX databases, resulting in some changes in the way historical data are maintained. In addition, in preparing this report, we determined that the carload value for {{ [REDACTED] }} in the second biannual report for the December 2022 to May 2023 period was overstated as a result of a calculation error, and the correct actual figure is presented above.

³ As noted in footnote no. 2 above, these carload data are based in part on extrapolations. In particular, we used actual carload volumes from June 1, 2023 to November 19, 2023, and projected carload volumes from November 20 to November 30, 2023. We used a similar method in the first and second biannual reports.

⁴ As explained in the first and second biannual reports, {{ [REDACTED] }}. *See* CSXT/PAR-58 at 6 n.3; CSXT/PAR-59 at 5, n.3.

⁵ 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 in the second and third biannual reports.

[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 [REDACTED].

Second, while increases in [REDACTED] movements are less dramatic, the increases in long-haul movements of these commodities reflects the continued strength of rail competition for movement of this commodity, along with [REDACTED] [REDACTED]. As to [REDACTED] makes it difficult to draw conclusions from a comparison of back-to-back six-month periods. However, even if the June-November 2022 period is compared to the June-November 2023 period, increases can be seen. The increase can largely be attributed to [REDACTED] [REDACTED] [REDACTED]

The table above also shows decreases in carload volumes of long-haul rail movements in certain of these commodity groups, particularly [REDACTED] [REDACTED]. However, these traffic changes reflect broader changes in economic conditions, rather than any particular rail-to-truck modal shifts. For example, the decline in long-haul movements of [REDACTED] [REDACTED] [REDACTED] [REDACTED] The market trends described in the second biannual report have continued and deepened in the most recent six-month period.

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, and signs of additional conversions moving forward. For example, in late October 2023, {{ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }} As

CSX reported in the second biannual report, {{ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] }} Additionally, in {{ [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, since the consummation of the Merger Transaction, the 45-mile line from Old Town, ME to Mattawamkeag, ME has been out of service. CSX has spent significant resources on upgrading the line and plans to reopen the line soon. Specifically, the line has been updated to FRA Class II track standards, and a portion of the line, approximately 15 miles, has been updated to FRA Class III standards. This will allow CSX to increase speeds on the line to 25-40 mph, where previously 10 mph slow orders were in place across much of the line. With increased speeds and improved track, CSX will now be able to interchange with New Brunswick Southern Railway at Mattawamkeag, which will save approximately two to three days in transit time between Mattawamkeag and New Brunswick, Canada.

Additionally, by the end of 2023, CSX anticipates completing significant projects at PAS Ayer Yard that will allow for increased fluidity and capacity for the critical link between the CSX system and the PAR System, in addition to improving the PAS System. CSX anticipates that the increased reliability resulting from these projects will continue to encourage new customers to ship via rail rather than truck.

Respectfully submitted,

/s/ Anthony J. LaRocca

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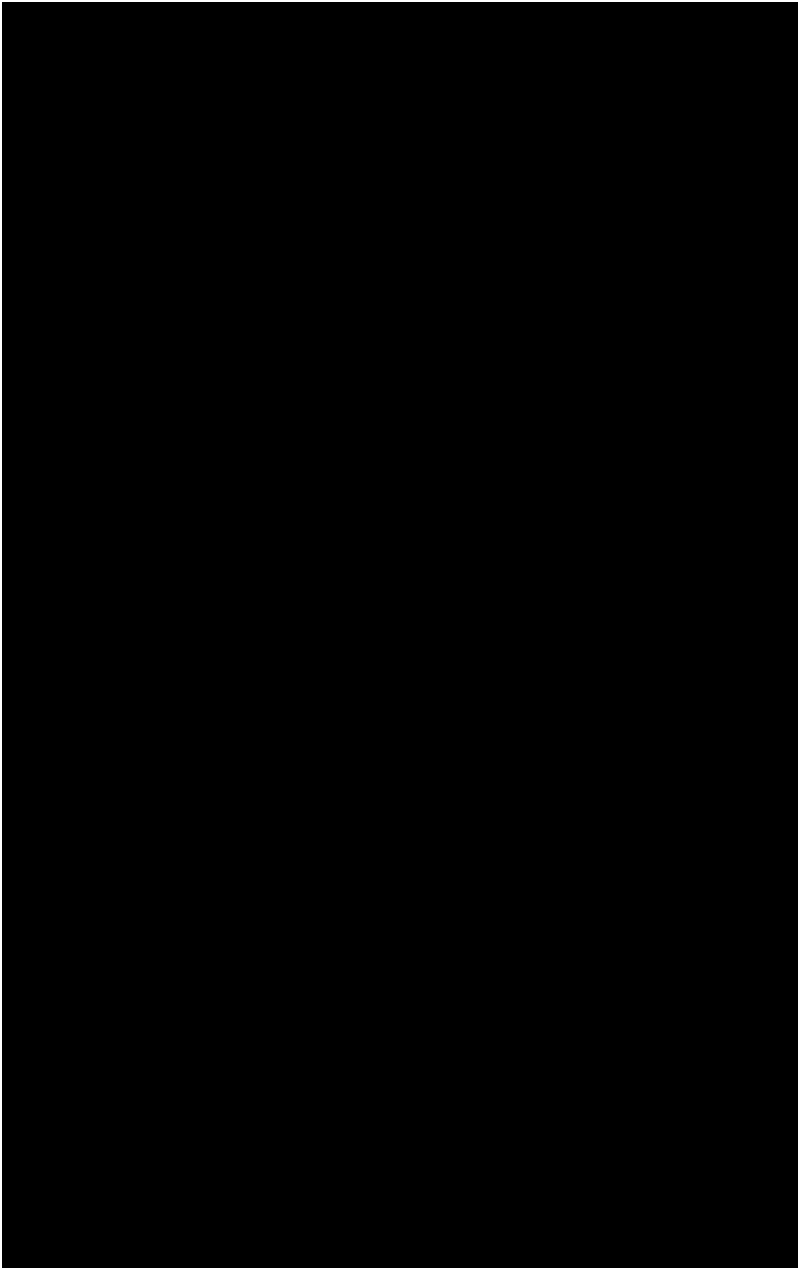
Attorneys for CSX Corporation and CSX Transportation, Inc.

Dated: December 1, 2023

REDACTED - TO BE PLACED ON PUBLIC FILE

ATTACHMENT A

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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 December 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.*

December 1, 2023