

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36500 (SUB-NO. 6)

**CANADIAN PACIFIC RAILWAY LIMITED, ET AL. – CONTROL – KANSAS CITY SOUTHERN, ET AL.
(GENERAL OVERSIGHT)**

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CPKC'S JANUARY 2025 TRAFFIC DIVERSION SUBMISSION

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CPKC’S JANUARY 2024 TRAFFIC DIVERSION SUBMISSION

In accord with Oversight Decision No. 1 served on September 1, 2023, Canadian Pacific Kansas City Limited (“CPKC”), on behalf of itself and its U.S. rail carrier subsidiaries,¹ provides this third semiannual report on the traffic impacts of the CP/KCS transaction, covering the period from May 1, 2024 through October 31, 2024 (the “Reporting Period”).

I. INTRODUCTION

Decision No. 35 required CPKC to report, on a biannual basis, the following:

“With respect to the following, Applicants will be required to report information on a biannual basis (every six months), categorized by two-digit STCC and on a carload basis:

- Truck-to-rail diversions on the CP and KCS lines subject to this proceeding.
- Rail-to-rail diversions on the CP and KCS lines subject to this proceeding broken out in the following categories:
 - Joint-line movements converted to single-line service
 - Movements that CPKC has diverted from other railroads on to the merged system.”

Finance Docket No. 36500, Decision No. 35 at 82.

CPKC’s first biannual report, submitted on January 16, 2024, explained in detail the methodology CPKC used to analyze and report on post-Transaction traffic changes. *See* January 2024 Traffic Diversion Submission at 4-11. This third Traffic Diversion Submission follows the same methodology and reporting format. Section II summarizes the estimated traffic gains resulting from the Transaction in each of the categories required by Decision No. 35. Section III

¹ CPKC’s U.S. rail carrier subsidiaries include Soo Line Railroad Company; Central Maine & Quebec Railway US Inc.; Dakota, Minnesota & Eastern Railroad Corporation; Delaware & Hudson Railway Company, Inc. (collectively “CP” or “CP/Soo”); The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company (collectively, “KCSR”).

reports those gains on a corridor-by-corridor basis, providing additional specific examples of the ways the Transaction has attracted new traffic to the CPKC network.

II. OVERVIEW OF TRAFFIC GAINS ARISING FROM CP/KCS TRANSACTION DURING REPORTING PERIOD

CPKC’s best estimate of the magnitude of traffic (in terms of carloads and intermodal units) attracted to the CPKC network during the Reporting Period as a result of the Transaction and within the scope of this analysis is set forth in File “STB_FD_36500_6_DIVERSION_HC_2025_01_202501031138.csv” (the “Diversion Estimate File”). CPKC has designated that file as Highly Confidential in its entirety because it reflects detailed information about traffic flows on the CPKC network. Disclosure of such information to the public – and especially to competing railroads – would cause commercial and competitive harm to CPKC and undermine the competitive process. Table 1 and Section III below provide considerable detail regarding CPKC’s traffic diversion estimates, albeit in sufficiently aggregated form so as to mitigate the commercial and competitive concerns associated with disclosure of the underlying details.

The Diversion Estimate File contains, for each directional corridor (*e.g.*, Western Canada to Gulf States) and for each separate CPKC commodity code, the following fields:

- Reporting Period: May 1, 2024 to October 31, 2024;
- Corridor (*e.g.*, “CP Midwest to Mexico”);
- Commodity (*e.g.*, “022 – CORN”) and associated two-digit STCC codes;
- Truck-to-Rail Traffic gains (reflecting CPKC’s estimate of new traffic attracted from trucks);
- Rail-to-Rail Extended Haul Traffic gains (reflecting CPKC’s estimate of traffic previously handled by CP or KCS to an interchange point and now handled via a new CPKC single-system route);
- Rail-to-Rail New Single Line Traffic gains (reflecting CPKC’s estimate of traffic previously handled by another rail carrier and now handled via a new CPKC single-system route); and

- New “Growth” Traffic gains (reflecting CPKC’s estimate of traffic not previously transported by the shipper, but made possible by the improved transportation options provided by new CPKC single-system routes).

The Transaction continues to stimulate substantial procompetitive traffic growth on the combined CPKC network. In the aggregate, CPKC estimates that as a result of the Transaction it was able to attract 29.5 percent more incremental traffic to the CPKC network during the Reporting Period than it had during the prior six month Reporting Period (November 2023 through April 2024) – *i.e.*, 48,030 units as compared with 37,077 units.²

² The Diversion Estimate File and the corridor data reported in Tables 1-7 below reflect that in a few instances the magnitude of estimated diversions in a particular category (commodity, corridor, type of diversion) was lower in the current Reporting Period than in the previous one. This is to be expected as a result of seasonal differences in traffic mix between the May-October and November-April reporting periods. In addition, variations in incremental traffic growth likely reflect fluctuations in traffic volumes for a host of reasons, including general levels of economic activity, shipper decisions to shift production or sourcing from one place to another, competitive responses to CPKC initiatives, and many more. As the data demonstrate, however, in the aggregate CPKC continues to attract greater volumes of traffic to its network as a result of the Transaction.

TABLE 1
SUMMARY OF ESTIMATED TRANSACTION-RELATED TRAFFIC GROWTH

CORRIDOR	TRUCK-TO-RAIL TRAFFIC ³	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound: CP Network to KCS Network	2,238	14,963	5,029	3,716	25,946
Northbound: KCS Network to CP Network	2,350	13,859	4,531	1,344	22,084
TOTALS	4,588	28,822	9,560	5,060	48,030

As noted in previous Traffic Diversion Submissions, the scope of this Submission covers only one category of evidence of the pro-competitive impacts of the CP/KCS Transaction: the direct impact on CPKC traffic levels of Transaction-related improvements in CP-KCS cross-network lanes. There are at least two additional ways that the CP/KCS Transaction continues to provide shippers with improved, more competitive rail transportation options.

First, the data presented in the Diversion Estimate File and the specific gains summarized in Section III below cover only the corridors most directly affected by the Transaction. CPKC has found that the expanded network reach resulting from the combination continues to lead customers to view CPKC as a more attractive transportation service provider for an array of shipments that include those *occurring entirely within* the boundaries of either the pre-Transaction CP or KCS network. In the aggregate, CPKC estimates that gains such as these that

³ The total estimated gains from trucks reported in this column represent CPKC intermodal units, each of which is approximately equivalent to one over-the-road truck removed from the highway.

are *indirectly* attributable to the Transaction have driven significant additional growth for CPKC – approximately 26,000 carloads and 134,000 intermodal units during the Reporting Period.

Second, CPKC has continued to experience invigorated competition from larger Class 1 railroads, particularly with respect to traffic moving between Mexico and the United States. CPKC has observed substantial volumes of intermodal traffic handled by intermodal intermediaries working with UP and BNSF shifting to the Eagle Pass gateway (and movement via Ferromex within Mexico) by virtue of the improved new services that these railroads developed in response to the CP/KCS combination.

III. CORRIDOR-BY-CORRIDOR REVIEW OF TRAFFIC IMPACTS

As set forth in the Diversion Estimate File, the CP/KCS Transaction continues to contribute to the improved competitiveness of the CPKC network, as reflected in CPKC's ability to attract new rail traffic across all of the corridors affected by the Transaction.

A. Corridor 1: Between KCSM-Served Regions of Mexico and CP-Served Regions of Canada and the Upper Midwest

Table 2 below summarizes CPKC's best estimate of the magnitude of traffic (in terms of carloads and intermodal units) attracted to the CPKC network as a result of the Transaction in Corridor 1 (*i.e.*, traffic moving on the CPKC network between Mexico and points on the CP network in Canada and the Upper Midwest).

TABLE 2
CORRIDOR 1 TRAFFIC GAINS

CORRIDOR BETWEEN CP NETWORK AND MEXICO	TRUCK-TO- RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound:	1,797	10,677	2,275	2,365	17,114
Northbound:	1,022	12,379	4,234	434	18,069
TOTALS	2,819	23,056	6,509	2,799	35,183

CPKC’s ability to attract new traffic in this corridor has benefitted from CPKC’s single-system service design initiatives, including CPKC’s MMX service, deeper run-through blocking, and disciplined attention to service reliability in this corridor (including within Mexico), coupled with the broader market reach enabled by the Transaction. One example of the additional traffic flows attracted to the CPKC network during the Reporting Period (in addition to the examples provided in previous Submissions) involves the movement of finished automobiles for multiple OEMs from Mexico to distribution facilities in the United States and Canada.⁴

B. Corridor 2: Between KCSR-Served Regions of the U.S. Gulf Coast and CP-Served Regions of Canada and the Upper Midwest

Table 3 below summarizes CPKC’s best estimate of the magnitude of traffic (in terms of carloads and intermodal units) attracted to the CPKC network as a result of the Transaction in Corridor 2 (*i.e.*, traffic moving on the CPKC network between the KCS-served areas of the Gulf Coast, including the ports of Port Arthur and New Orleans, and points on the CP network in Canada and the Upper Midwest).

⁴ This traffic is reported as Commodity Code 390 (automobiles).

TABLE 3
CORRIDOR 2 TRAFFIC GAINS

CORRIDOR BETWEEN U.S. GULF COAST AND CP NETWORK	TRUCK-TO- RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound:	0	226	41	60	327
Northbound:	0	355	41	246	642
TOTALS	0	581	82	306	969

In addition, as the Board is aware, CPKC has continued to attract interest on the part of multiple grain customers in opportunities to use CPKC single-system routes to move grain from CP-served origins in the Upper Midwest to the Port of Houston (reached via rights granted KCSR as a condition of UP’s acquisition of M-K-T in 1988).⁵ CPKC and its prospective customers eagerly await confirmation that KCSR continues to have the right to move that traffic between Beaumont and Houston/Galveston.

C. Corridor 3: Between St. Louis and CP-Served Regions of Canada and the Upper Midwest

Table 4 below summarizes CPKC’s best estimate of the magnitude of traffic (in terms of carloads and intermodal units) attracted to the CPKC network as a result of the Transaction in Corridor 3 (*i.e.*, traffic moving on the CPKC network between St. Louis (and nearby KCS-served areas of Illinois and eastern Missouri), and points on the CP network in Canada and the Upper Midwest).

⁵ See *Union Pacific Corp., Union Pacific R.R. & Missouri Pacific R.R. – Control – Missouri-Kansas-Texas R.R., et al.*, Finance Docket No. 30800, KCSR Petition to Enforce Conditions (filed Aug. 1, 2023); *id.*, KCSR Letter to Board (filed Mar. 20, 2024).

TABLE 4
CORRIDOR 3 TRAFFIC GAINS

CORRIDOR BETWEEN ST. LOUIS AREA AND CP NETWORK	TRUCK-TO- RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound:	85	1,637	806	441	2,969
Northbound:	4	40	0	125	169
TOTALS	89	1,677	806	566	3,138

D. Corridor 4: Between Dallas and CP-Served Regions of Canada and the Upper Midwest

Table 5 below summarizes CPKC’s best estimate of the magnitude of traffic (in terms of carloads and intermodal units) attracted to the CPKC network as a result of the Transaction in Corridor 4 (*i.e.*, traffic moving on the CPKC network between Dallas/Fort Worth (and nearby KCSR-served areas of eastern Texas), and points on the CP network in Canada and the Upper Midwest).

TABLE 5
CORRIDOR 4 TRAFFIC GAINS

CORRIDOR BETWEEN DALLAS AREA AND CP NETWORK	TRUCK-TO- RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound:	113	1,553	1,536	513	3,715
Northbound:	0	394	12	62	468
TOTALS	113	1,947	1,548	575	4,183

The developments in this corridor highlighted in previous Submissions have continued to bear fruit, including domestic intermodal volumes moving between Dallas (CPKC’s Wylie intermodal facility) and both Chicago and Eastern Canada via the MMX service,⁶ and incremental growth in lumber traffic moving from Canadian origins to receivers in the Dallas area served via transload facilities.⁷ CPKC has also attracted a variety of other manifest traffic to this corridor, including finished automobiles moving between Canada and Texas (via CPKC’s new automotive compound at Wylie, TX).⁸

E. Corridor 5: Between KCSR-Served Regions in the South Central States and CP-Served Regions of Canada and the Upper Midwest

Table 6 below summarizes CPKC’s best estimate of the magnitude of traffic attracted to the CPKC network as a result of the Transaction in Corridor 5 (*i.e.*, traffic moving on the CPKC network between KCSR-served areas of the South Central States (and points in Southeastern

⁶ This traffic is reported as Commodity Code “Domestic Intermodal.”

⁷ This traffic is reported as Commodity Code 270 (lumber).

⁸ This traffic is reported as Commodity Code 390 (automobiles).

states reached by KCSR via interchange with shortlines or Eastern railroads) and points on the CP network in Canada and the Upper Midwest).

TABLE 6
CORRIDOR 5 TRAFFIC GAINS

CORRIDOR BETWEEN SOUTH CENTRAL STATES AND CP NETWORK	TRUCK-TO- RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound:	243	870	371	337	1,821
Northbound:	1,324	691	244	477	2,736
TOTALS	1,567	1,561	615	814	4,557

CPKC has attracted a variety of incremental manifest traffic in this corridor, including liquified propane gas moving from multiple origins in Canada to Southeastern states,⁹ grain products moving from multiple Canadian origins to Louisiana,¹⁰ woodpulp moving from multiple origins in British Columbia to Florida,¹¹ and plastics shipments for multiple customers moving from Louisiana and Mississippi to points in the Upper Midwest and Canada.¹²

F. The Estimated Traffic Gains Involve All Portions of the Pre-Transaction CP Network

As shown in the Diversion Estimate File and in the discussion above of illustrative traffic gains in this report and previous Submissions, the new traffic that CPKC has attracted to the CPKC network spans all parts of the pre-Transaction CP network. Table 7 below breaks down

⁹ This traffic is reported as Commodity Code 460 (L.P.G.).

¹⁰ This traffic is reported as Commodity Code 632 (canola oil).

¹¹ This traffic is reported as Commodity Code 520 (woodpulp).

¹² This traffic is reported as Commodity Code 640 (plastics).

the traffic gains summarized in Table 1 above into the three geographic regions reported in detail in the Diversion Estimate File. As Table 7 shows, by far the greatest portion of the traffic gains involve traffic moving to/from the U.S. Upper Midwest.

TABLE 7
PORTIONS OF CP NETWORK WHERE ESTIMATED
TRAFFIC GAINS ORIGINATE/TERMINATE

CORRIDOR BETWEEN KCS NETWORK AND CP NETWORK	TRUCK-TO- RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
U.S. Midwest					
Southbound	2,037	10,346	3,134	584	16,101
Northbound	989	10,591	2,966	514	15,060
Subtotal	3,026	20,937	6,100	1,098	31,161
Western Canada					
Southbound	115	3,524	591	2,929	7,159
Northbound	620	766	482	600	2,468
Subtotal	735	4,290	1,073	3,529	9,627
Eastern Canada					
Southbound	86	1,093	1,304	203	2,686
Northbound	741	2,502	1,083	230	4,556
Subtotal	827	3,595	2,387	433	7,242
Entire CP Network ¹³					
Southbound	2,238	14,963	5,029	3,716	25,946
Northbound	2,350	13,859	4,531	1,344	22,084
TOTALS	4,588	28,822	9,560	5,060	48,030

¹³ These figures match those summarized in Table 1 above.

Respectfully submitted,



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January 15, 2025

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing CPKC's January 2025 Traffic Diversion Submission to be served electronically or by first class mail, postage pre-paid, on all parties of record in this proceeding.

/s/ David L. Meyer
David L. Meyer

January 15, 2025