

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)**

CPKC'S JULY 2024 TRAFFIC DIVERSION SUBMISSION

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CPKC’S JULY 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 second semiannual report on the traffic impacts of the CP/KCS transaction, covering the period from November 1, 2023 through April 30, 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 submitted its first biannual report on January 16, 2024. That report 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 second 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 reports those gains on a corridor-by-corridor basis, providing

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”).

additional specific examples of the ways the Transaction has attracted new traffic to the CPKC network. Finally, Section IV explains certain corrections CPKC is making to the previously-submitted Diversion Estimate File covering the period April 14, 2023 through October 31, 2023, to reflect a reclassification of one set of traffic gains as truck-to-rail rather than rail-to-rail diversions.

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_2024_07_202406201430.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: November 1, 2023 to April 30, 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).

As summarized in Table 1 below, CPKC estimates that the Transaction continues to stimulated 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 17.6 percent more incremental traffic to the CPKC network during the Reporting Period than it had during the first six months following common control (*i.e.*, 37,075 units as compared with 31,536 units), during a period when rail traffic levels were relatively flat across the industry.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 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	2,303	12,320	4,789	3,160	22,571
Northbound: KCS Network to CP Network	1,722	9,404	2,107	1,272	14,505
TOTALS	4,025	21,724	6,896	4,432	37,077

As noted in the January 2024 Traffic Diversion Submission, 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 14,000 carloads and 89,000 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. For example, the new services described in the January 2024 Submission – especially UP’s Falcon service and BNSF’s Quantum service – managed to shift to routings via the Eagle Pass gateway substantial volumes of intermodal traffic that KCS had previously handled (via the Laredo gateway) between points in Mexico and Laredo (for interchange with UP) or Robstown (for interchange with BNSF).

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:	1,836	8,401	3,320	2,123	15,680
Northbound:	832	7,700	1,819	343	10,694
TOTALS	2,668	16,101	5,139	2,466	26,374

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 the January 2024 Submission) involves soybeans traffic for multiple customers moving to Monterrey from CP-served origins in Wisconsin, Minnesota, South Dakota, and Saskatchewan.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

⁴ This traffic is reported as Commodity Code 07 (soybeans).

Coast, including the ports of Port Arthur and New Orleans, and points on the CP network in Canada and the Upper Midwest).

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:	1	378	431	65	875
Northbound:	3	429	36	171	639
TOTALS	4	807	467	236	1,514

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

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).

areas of Illinois and eastern Missouri), and points on the CP network in Canada and the Upper Midwest).

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:	90	2,347	70	315	2,822
Northbound:	5	411	19	431	866
TOTALS	95	2,758	89	746	3,688

As with other corridors, CPKC’s traffic gains in this corridor have been achieved through CPKC’s single-system service design improvements and improved network reach. CPKC’s new single-system routes connecting CP-served points in the Upper Midwest and Canada with St. Louis and other points in eastern Missouri and southern Illinois served by KCSR has unlocked significant new opportunities for customers, as reflected in the Diversion Estimate File. One example of the additional traffic flows attracted to the CPKC network during the Reporting Period (in addition to the examples provided in the January 2024 Submission) involves lumber traffic moving from Alberta to several receivers in the St. Louis area.⁶

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

⁶ This traffic is reported as Commodity Code 270 (lumber).

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:	179	764	685	258	1,886
Northbound:	4	255	0	6	265
TOTALS	182	1,019	685	264	2,151

The developments in this corridor highlighted in the January 2024 Submission have continued to bear fruit, including:

- Incremental growth in domestic intermodal volumes moving between Dallas (CPKC’s Wylie intermodal facility) and both Chicago and Eastern Canada via the MMX service;⁷
- Incremental growth in lumber traffic moving from Canadian origins to receivers in the Dallas area served via transload facilities.⁸

In addition, CPKC has attracted a variety of other manifest traffic to this corridor, including:

⁷ This traffic is reported as Commodity Code “Domestic Intermodal.”

⁸ This traffic is reported as Commodity Code 270 (lumber).

- Canola oil from Illinois to a receiver in north central Texas;⁹
 - Animal feed from Iowa to a receiver in north central Texas;¹⁰
 - Plastics shipments from a shipper in north central Texas to Eastern Canada;¹¹ and
 - Steel shipments from Iowa to a receiver in north central Texas.¹²
- 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 states reached by KCSR via interchange with shortlines or Eastern railroads) and points on the CP network in Canada and the Upper Midwest).

⁹ This traffic is reported as Commodity Code 632 (canola oil).

¹⁰ This traffic is reported as Commodity Code 620 (animal feed).

¹¹ This traffic is reported as Commodity Code 640 (plastics).

¹² This traffic is reported as Commodity Code 330 (steel).

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:	197	428	282	399	1,306
Northbound:	878	608	233	321	2,040
TOTALS	1,075	1,036	515	720	3,346

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 the January 2024 Submission, 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 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	1,993	8,480	3,324	720	14,517
Northbound	737	7,220	1,568	293	9,818
Subtotal	2,730	15,700	4,892	1,013	24,335
Western Canada					
Southbound	143	3,096	1,005	2,158	6,402
Northbound	372	780	286	897	2,335
Subtotal	515	3,876	1,291	3,055	8,737
Eastern Canada					
Southbound	167	744	459	282	1,652
Northbound	612	1,404	253	82	2,351
Subtotal	779	2,148	712	364	4,003
Entire CP Network ¹³					
Southbound	2,303	12,320	4,789	3,160	22,571
Northbound	1,722	9,404	2,107	1,272	14,505
TOTALS	4,025	21,724	6,896	4,432	37,077

IV. REVISIONS TO DIVERSION ESTIMATE FILE COVERING THE APRIL-OCTOBER 2023 PERIOD

Subsequent to its January 2024 Traffic Diversion Submission, CPKC determined that certain traffic shifts reported therein should have been classified as truck-to-rail diversions rather than rail-to-rail shifts. Specifically, this reclassification related to the Plate K automotive traffic

discussed at pages 29-30 of the January 2024 Submission. We are submitting a replacement Diversion Estimate File for the period April 14-October 31, 2023, reflecting this reclassification, named: "STB_FD_36500_6_DIVERSION_HC_2024_01_202406241426.csv."

This reclassification also affects three of the tables in the January 2024 Submission (Tables 2, 7, and 8). Appendix A hereto provides a set of replacement tables, highlighting the specific cells in which numbers have been revised.

Respectfully submitted,



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July 15, 2024

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing CPKC's July 2024 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

July 15, 2024

APPENDIX A
REPLACEMENT TABLES FOR JANUARY 2024 TRAFFIC DIVERSION SUBMISSION REFLECTING
RECLASSIFICATION OF CERTAIN TRAFFIC AS TRUCK-TO-RAIL DIVERSIONS

REVISED JANUARY 2024 TABLE 2
SUMMARY OF ESTIMATED TRANSACTION-RELATED TRAFFIC GROWTH

CORRIDOR	TRUCK-TO-RAIL TRAFFIC	RAIL-TO-RAIL		NEW “GROWTH” TRAFFIC	TOTALS
		EXTENDED HAUL TRAFFIC	NEW SINGLE LINE TRAFFIC		
Southbound: CP Network to KCS Network	1,513	10,276	4,992	2,171	18,952
Northbound: KCS Network to CP Network	2,161	6,159	1,676	2,588	12,584
TOTALS	3,674	16,435	6,668	4,759	31,536

REVISED JANUARY 2024 TABLE 7
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:	12	558	350	367	1,287
Northbound:	1,417	536	528	638	3,119
TOTALS	1,429	1,094	878	1,005	4,406

REVISED JANUARY 2024 TABLE 8
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	1,508	8,248	4,345	633	14,734
Northbound	652	3,355	1,281	1,107	6,395
Subtotal	2,160	11,603	5,626	1,740	21,129
Western Canada					
Southbound	0	1,674	513	1,308	3,495
Northbound	566	604	258	1,398	2,826
Subtotal	566	2,278	771	2,706	6,321
Eastern Canada					
Southbound	5	354	134	230	723
Northbound	943	2,200	137	83	3,363
Subtotal	948	2,554	271	313	4,086
Entire CP Network					
Southbound	1,513	10,276	4,992	2,171	18,952
Northbound	2,161	6,159	1,676	2,588	12,584
TOTALS	3,674	16,435	6,668	4,759	31,536