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May 31, 2024

CSXT/PAR-63

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 Fourth 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

May 31, 2024

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Enclosures

cc: Louis E. Gitomer
All parties of record

CSXT/PAR-63

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 FOURTH BIENNIAL REPORT

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Dated: May 31, 2024

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 FOURTH 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. On March 1, 2024, CSX reported to the Board the protocols and implementation steps that B&E has put in place to prevent the improper sharing of competitive information. *See* CSXT/PAR-62, filed Mar. 1, 2024.

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 submitted its third biannual report on December 1, 2023. *See* CSXT/PAR-61, filed Dec. 1, 2023. CSX now submits its fourth and final biannual report. 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 November 16, 2023 to May 15, 2024,

over the Patriot Corridor (between milepost 467.4 at Mechanicville, 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, {{

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]}}

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 and third biannual reports, CSX used the same approach for this fourth 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), the six-month period following the filing of the second biannual report (June 1, 2023 to November 30, 2023), and the most recent six-month period following the filing of the third biannual report (December 1, 2023 to May 31, 2024).

As discussed in the first, second, and third 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, second, and third 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, second, and third 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, third, and fourth six-month periods after the transaction.

{{



}}

A few observations can be made based on the data in this table. First, in the first, second, and third biannual reports, CSX explained that traffic changes in {{[REDACTED]}}

² The carload figures in this column differ slightly from the carloads set out in the third biannual report for this six-month period because, as noted in footnote no. 3 to the third biannual report, the carload data for June 2023 to November 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-61 at 5 n.3.

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 December 1, 2023 to May 20, 2024, and projected carload volumes from May 21 to May 31, 2024. We used a similar method in the first, second, and third biannual reports.

⁴ As noted in footnote no. 4 to the third biannual report, {{[REDACTED]}}
{{[REDACTED]}} *See* CSXT/PAR-61 at 5 n.4. In the most recent six-month period, {{[REDACTED]}} shipments increased, as discussed further below.

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, third, and fourth biannual reports.

appeared to reflect significant truck-to-rail diversions. CSX previously explained that the

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

CSXT/PAR-58 at 6. In the second and third biannual reports, CSX explained that the increase in long-haul rail movements had continued to grow. CSXT/PAR-59 at 5; CSXT/PAR-61 at 5-6. As reflected in the table above, in the most recent six-month period, {{ [REDACTED] }}
[REDACTED] }}

Second, in the third biannual report, CSX stated that increases in long-haul movements of {{ [REDACTED] }} reflected the continued strength of rail competition for movement of this commodity, along with {{ [REDACTED] }}.

CSXT/PAR-61 at 6. As reflected in the table above, in the most recent six-month period, movements of {{ [REDACTED] }} have been stable as compared to the prior six-month period. However, movements of {{ [REDACTED] }} have increased significantly, {{ [REDACTED] }}

[REDACTED]
[REDACTED] }}

As to {{ [REDACTED] }} makes it difficult to draw conclusions from a comparison of back-to-back six-month periods. In the third biannual report, CSX stated that if the June to November 2022 period is compared to the June to November 2023 period, increases can be seen. CSXT explained that the increase can largely be attributed to {{ [REDACTED] }}

[REDACTED]

[REDACTED] } } *Id.* The table above shows that shipments of this commodity have continued to increase. In the most recent six-month period (December 2023 to May 2024), shipments increased { [REDACTED] } over the prior six-month period (June to November 2023) and increased { [REDACTED] } over the December 2022 to May 2023 period. The increase can largely be attributed to { [REDACTED] } [REDACTED] } }

The table above also shows changes in carload volumes of long-haul rail movements in { [REDACTED] } [REDACTED] } }. In the third biannual report, CSX explained that declines in long-haul movements of { [REDACTED] } [REDACTED] } [REDACTED] } [REDACTED] } CSX explained that the market trends described in the second biannual report continued and deepened in the June to November 2023 period. *See id.*

In the most recent six-month period, movements of { [REDACTED] } continued to decrease. The decrease largely reflects { [REDACTED] } [REDACTED] } } However, movements of { [REDACTED] } [REDACTED] } increased over the most recent six-month period, which can be attributed to { [REDACTED] } [REDACTED] } } Additionally, movements of { [REDACTED] } increased { [REDACTED] } [REDACTED] } }

As to {{[REDACTED]}} the table above shows a dramatic increase in long-haul movements of this commodity. In the first, second, and third biannual reports, CSX explained that {{[REDACTED]}}

[REDACTED]

[REDACTED]}} CSXT/PAR-58 at 6 n.3; CSXT/PAR-59 at 5 n.3; CSXT/PAR-61 at 5 n.4. In the most recent six-month period, the increase in {{[REDACTED]}}

[REDACTED]

[REDACTED]}}

In addition to the data analysis set out in the above table showing possible truck-to-rail conversions in certain commodities, we have also identified certain truck-to-rail conversions in other commodities on the PAR System during the most recent six-month period. For example, {{[REDACTED]}}

[REDACTED]}} Additionally, {{[REDACTED]}}

[REDACTED]

[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, in the last year, CSX has upgraded a portion of the Worcester main line between milepost WOR 1 and milepost WOR 12, increasing the maximum speed limit to 40 mph. CSX has also upgraded the line between Mattawamkeag, ME (WAT 0.4) and Waterville, ME (WAT 113.0), increasing the maximum speed limit to 25 mph. Additionally, CSX has spent roughly \$20 million to date on safety and efficiency upgrades within Rigby Yard in South Portland, ME. The Rigby Yard upgrades have included rebuilding the ladder tracks at both ends of the yard, replacing switches and ties, realigning tracks, rehabilitating and modernizing the Yard Office and former Signal Tower, removing unneeded concrete and utility poles, and completing significant drainage work. These improvements have had an immediate impact, as derailments in Rigby Yard have been reduced from an average of 90 to 100 per year to nearly zero. CSX is also completing signal work on the line between Lincoln, ME (WAT 16.0) and Enfield, ME (WAT 28.0) and increasing the maximum speed limit to 40 mph.

CSX anticipates that it will complete various capital improvement projects on the PAR System by the end of 2024. For instance, the PAR System was awarded a CRISI grant for the Waterville Subdivision. CSX will upgrade the main line between Waterville, ME (WAT 113.0) and Royal Jct., ME (WAT 184.7), increasing the maximum speed limit to 40 mph. Additionally, CSX will upgrade the Hinkley Branch between Waterville, ME (WVL 0.0) and Shawmut, ME (WVL 9.0), increasing the maximum speed limit to 25 mph.

On the Portland Subdivision, CSX will upgrade the main line between Andover, MA (Lowell Jct.) (PLD 106.0) and Ayer, MA (Willows) (PLD 126.7), increasing the maximum speed limit to 40 mph. Within the Portland terminal district, CSX will upgrade the second track to a

maximum speed limit of 30 mph, with the aid of funds from NNEPRA. CSX will also upgrade the Portsmouth Branch between Rockingham Jct., NH (PMT 0.0) and Portsmouth, NH (PMT 13.0), increasing the maximum speed limit to 25 mph. At Wells, ME, CSX will extend the siding two miles, with the aid of a CRISI grant.

On the Nashua Subdivision, CSX will upgrade the line between North Chelmsford, MA and Nashua Yard, increasing the maximum speed limit to 25 mph.

Furthermore, beyond 2024, CSX anticipates that it will complete additional capital improvement projects. For example, the Pine Tree CRISI grant will result in upgrades to the line between Mattawamkeag, ME (WAT 0.4) and Waterville, ME (WAT 113.0), which will increase the maximum speed limit to 40 mph. CSX has already completed significant work on this line, including laying new continuous welded rail, installing ties, and resurfacing the entire line, which increased the maximum speed limit to 25 mph, as noted above. Additionally, the PAR System was awarded a federal grant for ties on the Downeaster route between Brunswick, ME and the New Hampshire and Massachusetts state line.

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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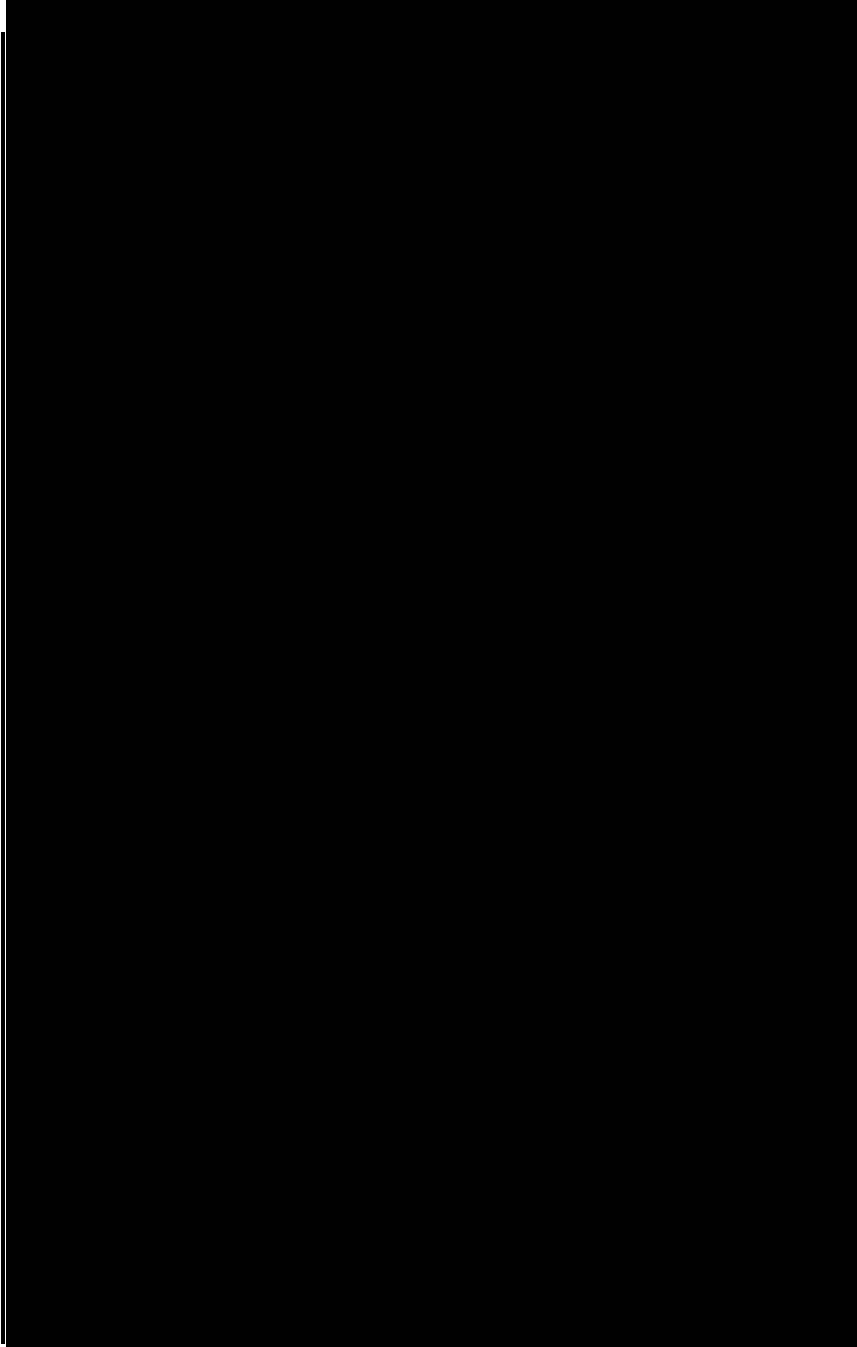
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Attorneys for CSX Corporation and CSX Transportation, Inc.

Dated: May 31, 2024

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 May 31, 2024.

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.*

May 31, 2024