

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

EXHIBIT 4-A

Letter from CSXC and CSXT to the Office of Environmental Analysis

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April 7, 2021

VIA ELECTRONIC MAIL

Danielle Gosselin
Acting Director, Office of Environmental Analysis
Surface Transportation Board
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. Gosselin:

I am writing to provide you with certain information regarding the Transaction that is the subject of a Notice filed by CSX and Pan Am Systems, Inc. on February 25, 2021 in Docket No. FD 36472.¹ Specifically, we are providing information regarding three issues:

- (1) segment-specific traffic information for the rail lines that are covered by the Transaction that is the subject of the February 25, 2021 Notice;
- (2) information relating to the rail line that runs along the Wachusett Reservoir between Worcester, MA, and Ayer, MA; and
- (3) information relating to the re-establishment of a connection between the rail lines of NSR and CSXT near Voorheesville, NY, that is related to requests by NSR for trackage rights authority on CSXT lines that were filed in sub-dockets to Docket No. FD 36472.

¹ Unless otherwise defined in this letter, the acronyms and defined terms used in this letter are the same as those used in the February 25, 2021 Notice and Applicants' Response to Initial comments, filed on March 18, 2021. The February 25, 2021 Notice was originally filed as an Application for a "minor" transaction. In a decision served on March 25, 2021, the STB treated the Application as a Notice for a "significant" transaction. Applicants intend to file an Application for approval of the transactions described in the Notice on April 26, 2021.

Segment-Specific Traffic Information

As explained in the Notice, the Transaction covers the rail lines currently owned by the PAR Railroads and the rail lines owned by Pan Am Southern LLC (“PAS”). Attached to this letter at Attachment 1 is a map showing the 2019 gross tons by segment on the lines of the PAR Railroad and PAS. As explained in the Notice, the Transaction is not expected to result in any change in traffic levels, train counts, traffic volumes or traffic routing on the lines of the PAR Railroads and PAS to the east of Ayer, MA. Accordingly, we have not made further calculations of traffic data on those lines to the east of Ayer.

The Notice also explained that in connection with CSX’s acquisition of a 50% interest in PAS, CSXT has entered into a Settlement Agreement with NSR, the other 50% owner of PAS. The NSR Settlement Agreement was included in the Notice as an attachment to the Verified Statement of CSXT’s Mr. Sean Pelkey. The NSR Settlement Agreement will have a small impact on traffic flows on two routes running generally west-to-east, each shown on the map in Attachment 2: (1) the “Northern Route” on PAS between Rotterdam Junction, NY and Ayer, MA, and (2) the “Southern Route” between Voorheesville, NY and Ayer, MA. Attachment 2 reflects the expected traffic changes for the Northern and Southern Routes, which are also set out in the chart contained in Attachment 3 to this letter. As explained below, those changes in traffic are well below the thresholds set out in the STB’s regulations for identifying transactions that require the preparation of an Environmental Assessment under 49 C.F.R. § 1105.6(b)(4).²

The traffic changes will result from two provisions of the NSR Settlement Agreement. First, section IX of the NSR Settlement Agreement provides that CSXT will interchange certain carload traffic moving to/from Ayer shippers at Rotterdam, NY to run over the Northern Route for a transitional period. This traffic currently moves on the Southern Route through Worcester, MA. CSXT expects that the carloads that are diverted from the Southern Route to the Northern Route will be handled in existing PAS trains, so the traffic diversions will not cause any increase in train counts on the Northern Route, but they will result in a decrease in carload traffic moving over the Southern Route, including over the line segment that traverses the Wachusett Reservoir. Those changes are reflected in Attachments 2 and 3.

Second, section IV of the NSR Settlement Agreement provides that NSR will obtain trackage rights for one intermodal/automotive train pair per day (one train in each direction) over the Southern Route between the Voorheesville, NY, area and Ayer. These trackage rights over the Southern Route will allow NSR to move double-stack intermodal trains into Ayer, which NSR cannot do today on the Northern Route. Use of the Southern Route by NSR instead of an interchange to PAS over the Northern Route will have the following impacts on traffic volumes:

1. There will be an increase of one intermodal/automotive train pair per day to and from Ayer over the Southern Route, and a decrease of one train pair per day, to and from Ayer on the Northern Route.

² Neither the Northern Route nor the Southern Route runs through a class I or nonattainment area under the Clean Air Act.

2. The gross ton-miles per year on the Northern Route will be reduced by the diversion of the pair of NSR intermodal/automotive trains to the Southern Route. However, that reduction will be offset to some extent by an increase in gross ton miles per year on the Northern Route resulting from CSXT's diversion of traffic from the Southern Route to the Northern Route, as discussed above. The result is a net decrease in gross ton-miles per year on the portion of the Northern Route through Mechanicville (the point of interchange with NSR). Attachments 2 and 3 show the reduction in gross ton-miles by segment on the Northern Route. Annual gross ton-miles on the remaining segment of the Northern Route between Mechanicville and Rotterdam will increase by 24% as a result of CSXT's diversion of traffic from the Southern Route to the Northern Route, as discussed above.
3. The diversion of the NSR intermodal/automotive train pair to the Southern Route will increase trains on that line by one train pair per day, or one train in each direction. The addition of a single train pair is well below the STB's threshold set out in 49 C.F.R. § 1105.7(e)(5).
4. The gross ton-miles per year on the Southern Route will be increased by the diversion of the NSR intermodal/automotive train pair from the Northern Route. However, that increase in gross ton-miles will be offset to some extent by the reduction of gross ton-miles per year from the CSXT traffic that will be diverted from the Southern Route to the Northern Route, as discussed above. The net effect will be an increase in gross ton-miles per year on the Southern Route as shown in Attachments 2 and 3. The net increases are well below the STB's thresholds in 49 C.F.R. § 1105.7(e)(5).
5. On the Southern Route line segment between Worcester, MA and Ayer, there will be an increase of one train pair per day, as the pair of NSR intermodal/automotive trains will now traverse this line segment. However, this increase of a pair of trains is well below the STB's thresholds in 49 C.F.R. § 1105.7(e)(5).
6. The gross ton-miles per year will change on the Worcester-to-Ayer segment of the Southern Route as a result of the addition of the pair of NSR intermodal/automotive trains and the reduction of carloads that CSXT moves today on that line segment that will be moved post-transaction on the Northern Route. The net increase in gross ton-miles of 67% on the Worcester-to-Ayer segment is well below the thresholds set out in 49 C.F.R. § 1105.7(e)(5).

Wachusett Reservoir Line

As noted above, the line between Worcester and Ayer runs for short segments along or over the Wachusett Reservoir. Years prior to the announcement of the Transaction, the Massachusetts Department of Transportation (“MassDOT”), the Massachusetts Water Resources Authority (“MWRA”), and representatives of local communities in the area and state and local governments expressed concern over that rail line and have had discussions with representatives of the PAR Railroads over the years regarding ways to strengthen or improve the line. CSXT understands that changes to the rail infrastructure have yet to be made due to a lack of funding from the PAR Railroads or from public sources.

We appreciate that there are longstanding concerns about rail infrastructure and operations over the Reservoir. However, the Transaction will have only a de minimis impact on rail movements on the line, as seen in several ways: (1) only one intermodal/automotive train pair per day will be added to the line, well below the level of train traffic that triggers the need for environmental reporting; (2) the line currently handles only a single train, each direction, so the addition of one pair of intermodal/automotive trains per day can easily and safely be accommodated on the line; (3) the train pair to be added is an intermodal/automotive train, and such trains are substantially less prone to rail accidents than carload trains; (4) intermodal containers pose less risk to the Reservoir than carload traffic, and the carload traffic that is currently moving on the line will actually be reduced; (5) while the gross ton-miles per year on the line segment will increase, as described above, the percentage change is well below the STB’s threshold set out in 49 C.F.R. § 1105.7(e)(5).

While the Transaction does not give rise to environmental reporting requirements, CSXT acknowledges that local communities have previously raised concerns about rail traffic in the vicinity of the Reservoir. Those concerns should be and will be addressed once CSXT acquires the PAR Railroads. One of CSXT’s core tenets is to operate safely, in order to protect its employees, its customers’ freight, and the communities in which CSXT operates. Accordingly, CSXT takes very seriously any stakeholder concerns about the potential impacts of rail operations. And unlike the PAR Railroads, CSXT has the financial wherewithal to reasonably address these stakeholder concerns.

CSXT has already reached out to representatives of MassDOT and MWRA to explore ways to strengthen the rail infrastructure in the area and to address their concerns over rail transportation on the line between Worcester and Ayer. CSXT has looked at prior proposals for infrastructure improvements and has identified concrete steps that can be taken, at CSXT’s expense, to upgrade that line segment. CSXT has invited reactions to these ideas from MassDOT and MWRA and is confident that steps can be taken to address the concerns they have long held about the existence of the line.

Voorheesville Connection to CSXT

You also asked for information about construction of a connection between the lines of NSR and CSXT in the area of Voorheesville, NY, that will allow NSR to enter CSXT's line and take advantage of the Southern Route trackage rights described above. As noted previously, the NSR Settlement Agreement provides that NSR will obtain trackage rights over the Southern Route to run one pair of intermodal/automotive trains per day between Voorheesville and Ayer. NSR requested the required trackage rights authority in a Related Transaction that has been filed as a sub-docket to Finance Docket No. 36472. NSR included a copy of the draft trackage rights agreement with its request. Article 4.C of that agreement states that the connection with CSXT's tracks will be made in the vicinity of Voorheesville, NY. The draft agreement states:

Prior to commencing operations over the Trackage Rights, NSR shall (i) prepare in good faith consultation with CSXT and provide to CSXT for approval, which shall not be unreasonably withheld, plans pursuant to the specifications in Attachment A to this Agreement, including the costs to construct a connection between the NSR track that runs between Delanson, NY and Schenectady, NY and the CSXT track that runs between Rotterdam Jct., NY and Voorheesville, NY, which shall be able to handle the Subject Traffic at speeds reasonably acceptable to CSXT (the "Improvements");

As noted in the excerpt above, the two lines at issue are the NSR line between Delanson, NY, and Schenectady, NY, and the CSXT line between Rotterdam Jct., NY, and Voorheesville, NY. Those two lines already exist, and they are shown on the map attached as Attachment 4 to this letter. As seen in the map, the two lines meet at Voorheesville, although today there is not an active connection. In addition, a connection between the two lines previously existed and the tracks used to make the connection remain in place, although the connecting track needs to be rehabilitated to support train movements. Authority to abandon the connecting track was not previously sought or granted by the STB or its predecessor. To reconnect the two lines and re-establish the connection, NSR will simply need to upgrade the existing NSR-owned track leading to the CSXT track in Voorheesville and rehabilitate the existing connecting tracks. CSXT will need to install a new turnout at the point of the connection.

This rehabilitation and upgrade project will not require construction authority from the STB, because there will be no extensions of or additions to a rail line that require prior STB approval under 49 U.S.C. § 10901. The project would not enable NSR to penetrate or invade any new markets using the Southern Route that are not now accessible to NSR via the Northern Route. *See Canadian National—Control—EJ&E West Co.*, FD 35087, Decision No. 9, slip op. at 2-3 (STB served Apr. 23, 2008). Moreover, the proposed construction involves the rehabilitation and upgrade of existing track and the re-establishment of a previous connection. No new or extended rail line is required.

We hope that this information is helpful. Please let us know if you have further questions.

Ms. Danielle Gosselin
April 7, 2021
Page 6

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Respectfully submitted,

/s/ Peter W. Denton

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CSX Transportation, Inc.*

Enclosures

cc: Louis E. Gitomer