

STB FINANCE DOCKET NO. 32760 (SUB-NO. 26)<sup>1</sup>

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD  
COMPANY, AND MISSOURI PACIFIC RAILROAD COMPANY--  
CONTROL AND MERGER--SOUTHERN PACIFIC RAIL  
CORPORATION, SOUTHERN PACIFIC TRANSPORTATION  
COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY COMPANY,  
SPCSL CORP., AND THE DENVER AND RIO GRANDE WESTERN  
RAILROAD COMPANY

## HOUSTON/GULF COAST OVERSIGHT

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Decided August 3, 1998

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AGENCY: Surface Transportation Board

ACTION: Decision No. 6; Notice of Acceptance of Requests for Additional  
Conditions to the *UP/SP* merger for the Houston, Texas/Gulf  
Coast Area.

SUMMARY: The Board is accepting for consideration requests for additional  
conditions to the *UP/SP* merger for the Houston/Gulf Coast region, filed July 8,  
1998: (1) jointly by the Texas Mexican Railway Company (Tex Mex), Kansas

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<sup>1</sup> This decision embraces the following: (1) Finance Docket No. 32760 (Sub-No. 27), *Texas Mexican Railway Company & Kansas City Southern Railway--Construction Exemption--Rail Line Between Rosenberg and Victoria, TX*; (2) Finance Docket No. 32760 (Sub-No. 28), *Burlington Northern and Santa Fe Railway Company--Terminal Trackage Rights--Texas Mexican Railway Company*; (3) Finance Docket No. 32760 (Sub-No. 29), *Burlington Northern and Santa Fe Railway Company--Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area*; Finance Docket No. 32760 (Sub-No. 30), *Texas Mexican Railway Company, et al.--Request For Adoption of Consensus Plan*; Finance Docket No. 32760 (Sub-No. 31), *Houston & Gulf Coast Railroad--Application for Trackage Rights and Forced Line Sales*; Finance Docket No. 32760 (Sub-No. 32), *Capital Metropolitan Transportation Authority--Responsive Application--Interchange Rights*.

City Southern Railway Company (KCS), and certain shipper and governmental interests; (2) by the Burlington Northern and Santa Fe Railway Company (BNSF); and (3) by certain individual shippers. Certain requested conditions will be transferred for consideration to the Board's general oversight proceeding for the *UP/SP* merger that began July 1, 1998, in Finance Docket No. 32760 (Sub-No. 21).

**DATES:** Notices of intent to participate in the Houston/Gulf Coast oversight proceeding are due August 28, 1998. All comments, evidence, and argument opposing the requested new conditions are due September 18, 1998. Rebuttal in support of the requested conditions is due October 16, 1998.

**ADDRESSES:** An original plus 25 copies of all documents, referring both to STB Finance Docket No. 32760 (Sub-No. 26) and, if applicable, the sub-number additionally assigned to a particular request for conditions, must be sent to the Office of the Secretary, Case Control Unit, ATTN: STB Finance Docket No. 32760 (Sub-No. 26), Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001.

In addition, one copy of all documents in this proceeding must be sent to UP's representative, Arvid E. Roach II, Esq., Covington & Burling, 1201 Pennsylvania Avenue, N.W., P.O. Box 7566, Washington, D.C. 20044, and to Administrative Law Judge Stephen Grossman, Federal Energy Regulatory Commission, 888 First Street, N.E., Suite 11F, Washington, D.C. 20426.

*Electronic Submissions.* In addition to an original and 25 copies of all paper documents filed with the Board, the parties shall also submit, on 3.5 inch IBM-compatible diskettes or compact discs, copies all textual materials, electronic workpapers, data bases and spreadsheets used to develop quantitative evidence. Textual material must be in, or convertible by and into, WordPerfect 7.0. Electronic spreadsheets must be in, or convertible by and into, Lotus 1-2-3 97 Edition, Excel Version 7.0, or Quattro Pro Version 7.0.

The data contained on the diskettes or compact discs submitted to the Board may be submitted under seal (to the extent that the corresponding paper copies are submitted under seal), and materials submitted under seal will be for the exclusive use of Board employees reviewing substantive and/or procedural matters in this proceeding. The flexibility provided by such computer data is necessary for efficient review of these materials by the Board and its staff. The electronic submission requirements set forth in this decision supersede, for the purposes of this proceeding, the otherwise applicable electronic submission requirements set forth in our regulations. See, 49 CFR 1104.3(a), as amended

in *Expedited Procedures for Processing Rail Rate*, 1 S.T.B. 754 (1996), published at 61 Fed. Reg. 52,710, 711 (1996), and 1 S.T.B. 859 (1996), published at 61 Fed. Reg. 58,490, 491 (1996).<sup>2</sup>

FOR FURTHER INFORMATION CONTACT: Joseph H. Dettmar, (202) 565-1600. [TDD for the hearing impaired: (202) 565-1695.]

SUPPLEMENTARY INFORMATION: In *Union Pacific/Southern Pacific Merger*, 1 S.T.B. 233 (1996), the Board approved the common control and merger of the rail carriers controlled by Union Pacific Corporation and those controlled by Southern Pacific Rail Corporation (collectively UP/SP), subject to various conditions.<sup>3</sup> Common control was consummated on September 11, 1996. We imposed a 5-year oversight condition to examine whether the conditions we imposed "effectively addressed the competitive issues they were intended to address," and we retained jurisdiction to impose additional remedial conditions if those already imposed proved insufficient. *UP/SP Merger*, 1 S.T.B. at 248. In our initial oversight proceeding, we determined that, while it was still too early to tell, there was no evidence at that time that the merger, with the conditions that the Board had imposed, had produced any adverse competitive consequences.<sup>4</sup> We indicated, however, that our oversight would be ongoing, and that we would continue vigilant monitoring.<sup>5</sup>

Last summer, UP/SP experienced serious service difficulties caused by, among other things, severely congested UP/SP lines in and around Houston that, in turn, affected rail service throughout the western United States, and the Board issued a series of decisions under its emergency service order authority under 49 U.S.C. 11123, effective until August 2, 1998, to address those difficulties.<sup>6</sup> In those decisions, we rejected proposals offered by certain shipper, carrier, and governmental interests that would have addressed the emergency by requiring UP/SP to permanently afford access to certain of its lines in and around Houston to other rail carriers, and to divest other lines. We determined that one of the primary reasons for the service crisis was the inadequate infrastructure in the region, and that proposals to transfer line ownership and/or broadly permit other rail carriers access to the merged UP/SP network would likely work not to end

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<sup>2</sup> A copy of each diskette or compact disc submitted to the Board should be provided to any other party upon request.

<sup>3</sup> *Union Pacific/Southern Pacific Merger*, 1 S.T.B. 233 (1996) (*UP/SP Merger*).

<sup>4</sup> *Union Pacific/Southern Pacific Merger*, 2 S.T.B. 703 (1997) (*UP/SP Oversight*).

<sup>5</sup> *Id.* at 2 S.T.B. 705.

<sup>6</sup> *Joint Petition for Service Order*, 2 S.T.B. 725 and 744 (1997), and 3 S.T.B. 28 and 44 (1998).

the immediate crisis, but exacerbate it. As a result, and mindful that our emergency service order authority under section 11123 is temporary (up to 270 days), we adopted only those measures designed to free up traffic in and around Houston without further aggravating congestion in the area or creating additional service disruptions.<sup>7</sup>

The Board provided, however, that interested persons could present longer-term restructuring proposals of the kind suggested above in the *UP/SP* merger oversight process.<sup>8</sup> Based on a joint request for such relief filed on February 12, 1998, by Tex Mex/KCS, and one filed March 6, 1998, by the Greater Houston Partnership, the Board, on March 31, 1998, instituted a discrete oversight proceeding to consider requests for additional conditions to the *UP/SP* merger for the Houston/Gulf Coast region.<sup>9</sup> We stated that we would examine whether there is any relationship between any market power gained by *UP/SP* through the merger and the failure of service that occurred in the region, and, if so, whether additional remedial conditions would be appropriate. We also provided that we would grant requested conditions that would substantially change *UP/SP*'s existing configuration and operations in the region only upon the type of evidence required for inconsistent applications in merger proceedings. *Houston/Gulf Coast Oversight, Decision No. 1*, at 6.

All interested persons were directed to file their requests for additional conditions, along with all supporting evidence, by June 8, 1998. Pursuant to a joint motion by KCS/Tex Mex and others, we extended that date until July 8, 1998.<sup>10</sup>

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<sup>7</sup> *Id.*, 3 S.T.B. at 32-34; 3 S.T.B. at 48-49. We also ordered *UP/SP* to submit detailed infrastructure plans for the region, and, on May 1, 1998, the carrier outlined its plan to invest \$1.4 billion in rail infrastructure in the Houston/Gulf Coast area over the next five years, including more than \$600 million in new rail capacity. See Union Pacific's Report on Houston and Gulf Coast Infrastructure, at 1-2, filed May 1, 1998, in Ex Parte No. 573, *Rail Service in the Western United States*, STB Service Order No. 1518, *Joint Petition for Service Order*.

<sup>8</sup> *Id.*, 3 S.T.B. at 35; see also, 3 S.T.B. at 47.

<sup>9</sup> The Board instituted this proceeding in Finance Docket No. 32760 (Sub-No. 21), Decision No. 12, published at 63 Fed Reg. 16,628 (1998). By decision served May 19, 1998, the Board corrected the March 31 decision by designating the docket number as Finance Docket No. 32760 (Sub-No. 26) (*Houston/Gulf Coast Oversight*), rather than (Sub-No. 21), and designating Decision No. 12 in Sub-No. 21 as Decision No. 1 in Sub-No. 26. The annual "general" oversight proceeding conducted in the Sub-No. 21 proceeding, which began July 1, 1998, upon the filing by *UP/SP* and BNSF of their quarterly merger progress reports, will continue as planned. See, *UP/SP Oversight*, 2 S.T.B. at 723.

<sup>10</sup> Finance Docket No. 32760 (Sub-No. 26), Decision No. 5 (STB served June 1, 1998).

## SUMMARY OF REQUESTS

As indicated in *Decision No. 1*, we are confining our consideration in this proceeding to requests for new conditions that would reconfigure the existing UP/SP network in the Houston/Gulf Coast region. Requests for conditions that would affect the UP/SP network outside of this region, or requests for other kinds of conditions more broadly applicable to the merger as a whole, will be considered instead in the "general" oversight proceeding, Finance Docket No. 32760 (Sub-No. 21), that began on July 1, 1998.<sup>11</sup> The requests that we will consider in this proceeding are summarized below.

*THE "CONSENSUS PLAN"* (Finance Docket No. 32760 (Sub-No. 30))

The "consensus plan" has been offered by Tex Mex/KCS, the Chemical Manufacturers Association, the Railroad Commission of Texas, the Society of the Plastics Industry, Inc., and the Texas Chemical Council. These parties ask us to:

- (1) Impose permanently provisions of Service Order No. 1518 that:
  - (a) lifted the restriction on trackage rights that Tex Mex received in the UP/SP merger over UP/SP's Corpus Christi/Robstown--Beaumont, TX line,<sup>12</sup> and
  - (b) afforded trackage rights to Tex Mex over the UP's "Algoa route" between Placedo and Algoa, TX and over the BNSF between Algoa and T&NO Jct.;
- (2) Restore "neutral switching" in Houston, said to be lost when UP/SP and BNSF dissolved the HBT, that would encompass all of the industries and trackage that were formerly served by the HBT, and all industries and trackage of the PTRA, and, if PTRA is designated as the neutral switching provider, grant it trackage rights over former HBT trackage and the use of appropriate yards.

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<sup>11</sup> Thus, we will consider in the Sub-No. 21 proceeding, not this proceeding, the request by the Western Coal Traffic League for an accounting condition that would require UP to separately account for all costs and charges arising as a consequence of the inefficiencies caused by the UP/SP merger.

<sup>12</sup> As a condition to our approval of the UP/SP merger, we granted Tex Mex access to Houston area shippers switched by the Port Terminal Railroad Association (PTRA) and the Houston Belt & Terminal Railway Company (HBT) via trackage rights over UP/SP's Corpus Christi/Robstown--Beaumont line, subject to the restriction that all Tex Mex traffic using these trackage rights must have a prior or subsequent movement over Tex Mex' Laredo-Corpus Christi line. *UP/SP Merger*, 1 S.T.B. at 424-25. In Service Order No. 1518, we suspended that restriction and directed UP to release these shippers from their contracts so that those desiring to do so could route traffic over Tex Mex and BNSF, in lieu of UP/SP.

(3) Expand the neutral switching area to include:

(a) all shippers currently located on the former SP Galveston Subdivision between Harrisburg Jct. and Galveston, including those at Sinco, Pasadena, Deer Park, Strang, LaPorte, the Clinton Branch, the Bayport Loop and the Bayport area, including Barbours Cut and the Navigation Lead; and

(b) all shippers at Galveston located on both the former SP and the former UP routes between Houston and Galveston, and require that the neutral switching company be granted trackage rights between Houston and Galveston over both routes, with rights to serve all industries located along the two lines and access to the former SP and UP yards at Strang and Galveston.

(4) Establish neutral dispatching within the neutral switching area, to be located, managed and administered by the PTRAs, and require that all railroads serving Houston be granted terminal trackage rights by the owning carrier over all tracks within the neutral switching and dispatching area, so that the neutral dispatcher could route trains over the most efficient route.

(5) Require UP/SP and BNSF to acknowledge Tex Mex's full voting membership on the PTRAs board and to restore the Port of Houston Authority as a full voting member of the PTRAs board;

(6) Require UP/SP to sell to Tex Mex its line between Milepost 0.0 at Rosenberg and Milepost 87.8 at Victoria, TX. Tex Mex would re-construct this line and, when completed, grant UP/SP and BNSF trackage rights between Rosenberg and Victoria to facilitate UP's directional traffic on the Brownsville Subdivision.<sup>13</sup> Grant Tex Mex related trackage rights over the two miles on the south end of this line between Milepost 87.8 and the point of connection at UP/SP's Port LaVaca branch at Victoria;

(7) Require UP to sell or lease an existing yard in Houston (preferably the Booth Yard) to the Tex Mex. Tex Mex would sub-lease to UP a portion of the yard to hold up to 300 empty storage cars until Tex Mex can complete construction of the line between Rosenberg and Victoria and build a storage yard between Rosenberg and El Campo. Upon completion of the new storage yard, Tex Mex would cancel its sub-lease with UP and offer to lease to UP track

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<sup>13</sup> We note that, in its initial proposal, filed March 30, 1998 (Sub-No. 27), Tex Mex requested an exemption from 49 U.S.C. 10901 to reconstruct the Rosenberg-Victoria line. In the Consensus Plan, the parties now believe that construction authority under section 10901, or an exemption from having to obtain our authorization, is not required, based on UP's representations that it never exercised its abandonment authority over any part of the line. Therefore, as a line still within the Board's jurisdiction, Tex Mex asserts that it requires only a Board order requiring UP to sell it the line.

space at the new storage yard for the same number of empty storage cars and to upgrade Booth Yard by reconstructing the south end of the yard; and

(8) Require UP to allow Tex Mex/KCS to construct a new rail line on UP's right-of-way adjacent to UP's Lafayette Subdivision between Dawes and Langham Road, Beaumont, TX. Upon completion of this new rail line, Tex Mex/KCS would deed it to UP in exchange for a deed to the UP's Beaumont Subdivision between Settegast Jct., Houston, and Langham Road, Beaumont. Tex Mex would dispatch this line from Houston and grant BNSF and UP trackage rights over this line, and would retain trackage rights over the Lafayette Subdivision between Houston and Beaumont.<sup>14</sup>

*BNSF* (Finance Docket No. 32760 (Sub-No. 29))

In this proposal, the Board is asked to:

(1) Grant BNSF permanent bidirectional overhead trackage rights on UP's Caldwell-Flatonía-San Antonio and Caldwell-Flatonía-Placedo lines to give BNSF long-term operational flexibility to avoid congested UP lines between Temple and San Antonio, TX and between Algoa and Corpus Christi, TX;

(2) Grant BNSF trackage rights over both the UP line and the SP line between Harlingen and Brownsville, TX (until UP constructs a connection between the UP and SP lines at Brownsville to complete a rail bypass project) and allow the Brownsville & Rio Grande International Railroad (BRGI) to act as BNSF's agent for such service, so that BNSF may begin effective and competitive trackage rights service to both Brownsville and the Transportacion Ferroviaria Mexicana (TFM) connection at Matamoros, and to alleviate problems in the Brownsville area resulting from the incomplete rail bypass project;

(3) Grant BNSF overhead trackage rights on the UP Taylor-Milano line, so that BNSF may avoid congestion on the UP lines between Temple and Taylor, and Taylor and Sealy, and to provide a less circuitous routing;

(4) Order neutral switching supervision on the former SP Baytown and Cedar Bayou Branches and on the former SP Sabine and Chaison Branches serving the Beaumont-Port Arthur, TX area, to correct UP's inadequate local switch service via haulage and reciprocal switch between BNSF and its customers. The neutral switching supervisor would be selected by the parties unless they were unable to agree, in which case the switching supervisor would be selected by an arbitrator;

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<sup>14</sup> Shell Oil Company endorses most of the recommendations of the consensus group. However, it does not support compelling UP to sell to Tex Mex the Rosenberg-Victoria line or the Booth Yard, nor forcing the carrier to allow Tex Mex/KCS to construct a new rail line adjacent to the UP Lafayette Subdivision in Beaumont. Instead, Shell asks us to facilitate these changes by asking the parties to agree to them, with arbitration in the event no agreement can be reached.

(5) Order PTRAs operation of the UP Clinton Branch in Houston, in order to eliminate delays caused by UP to BNSF's trains providing service to the Houston Public Elevator;

(6) Grant BNSF overhead trackage rights giving it the option to join the directional operations over any UP line, or lines in corridors where BNSF has trackage rights over one, but not both, lines involved in the UP directional flows, specifically including the Fort Worth--Dallas line (via Arlington), so that BNSF could provide more efficient competitive operations;

(7) Grant BNSF trackage rights on additional UP lines for BNSF to operate over any available clear routes through the terminal, as determined and managed by the Spring Consolidated Dispatching Center (SCDC), including the SP route between West Junction and Tower 26 via Chaney Junction, so that BNSF can avoid congestion in the Houston terminal area;

(8) Order the coordinated dispatching of operations over the UP and SP routes between Houston and Longview, TX, and Houston and Shreveport, LA, by the SCDC, to alleviate congestion in the corridor and to improve coordination of BNSF and UP trains arriving and departing the Houston area on UP lines north of Houston; and

(9) Grant overhead trackage rights on UP's San Antonio-Laredo line to avoid the adverse impact of (a) unnecessary routing of traffic through Houston, UP's south Texas congestion and service problems, and UP's alleged favoritism of its own business, and (b) the unforeseen changes in market structuring, including the influence of KCS on Tex Mex's ability to work with BNSF at Laredo, and the unexpected lack of direct competition in the privatized Mexican rail system.

*BNSF* (Finance Docket No. 32760 (Sub-No. 28))

In a related proposal, BNSF has filed an application asking the Board to grant it terminal trackage rights that would permit it:

(a) to use a segment of Tex Mex track between MP 0.00 at the International Bridge at Laredo, TX and the vicinity of MP 0.50, including over the International Bridge at Laredo; and

(b) equal access to use the International Bridge for interchange purposes through establishment of defined operational windows for BNSF's use.

The Board will accept and consider the Consensus Plan and BNSF proposals.

**SHIPPER-REQUESTED CONDITIONS**

Various Houston area and other Texas shippers have filed requests, with supporting evidence, for new conditions to the merger that would have discrete application to them. Shippers making these requests are E.I. DuPont de Nemours



and Company,<sup>15</sup> Dow Chemical Company,<sup>16</sup> Formosa Plastics Corporation, U.S.A.,<sup>17</sup> and Central Power & Light Company.<sup>18</sup> The Greater Houston Partnership (GHP) also adopted a resolution with recommendations to promote competitive rail service in Houston similar to many of the requested conditions made by BNSF and the Consensus Plan, particularly that for neutral switching.<sup>19</sup>

The Board will accept and consider all of these proposals. We also note that the National Industrial Transportation League (NITL), while not making any specific requests, argues that there is a clear need for additional conditions to the merger in the Houston/Gulf Coast region, and asks that the Board particularly consider proposals that would establish neutral switching in Houston, make permanent the emergency service order authority granted to Tex Mex, provide increased overhead trackage rights in the region, and encourage increased infrastructure.

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<sup>15</sup> DuPont asks that we impose conditions that would remove the prohibition against PTRAs serving DuPont's LaPorte, TX, plant; require UP and PTRAs to work out a service plan for the LaPorte plant; and require UP to restore DuPont's unrestricted reciprocal switching options. DuPont more generally requests that we remove the restriction against reciprocal switching for intrastate transportation, and authorize Tex Mex to serve Houston customers served by HBT's successors, PTRAs, and all other industries open to reciprocal switching on the UP.

<sup>16</sup> Dow requests a condition that would grant permanent haulage rights to BNSF on the Freeport Industrial Spur between the UP mainline at Angleton, TX, and Dow's chemicals and plastics production complex at Freeport, TX, with (a) the right for Dow and/or BNSF to construct a storage and gathering yard to interconnect with the UP line near Angleton, or another point to be determined later, and (b) the requirement that UP efficiently interchange Dow's traffic with BNSF at that interconnection, at haulage rates and terms to be established pursuant to the UP/BNSF Settlement Agreement under the UP/SP Merger. Dow also requests a condition granting BNSF authority to build out from Freeport to an interconnection with the UP mainline between Chocolate Bayou and Angleton, TX, at an undetermined point.

<sup>17</sup> Formosa requests a condition that would permit BNSF, which has trackage rights on UP's line between Algoa and Corpus Christi, TX, to switch with Formosa and serve the shipper's Point Comfort plant.

<sup>18</sup> Central Power & Light requests a condition that would permit BNSF to use 16 miles of UP track beginning in Victoria, TX, to deliver unit coal trains to its power plant at Coleto Creek, TX.

<sup>19</sup> GHP specifically asks the Board to: (1) consider making permanent the temporary trackage rights already granted railroads serving the Houston-Gulf Coast region; (2) make the Port of Houston and all long haul railroads serving Houston full and equal voting members of the PTRAs board; (3) provide a mechanism for all railroads serving Houston to buy trackage rights over trackage owned by the Port of Houston and operated by PTRAs, trackage formerly owned by the HBT prior to its dissolution, and additional trackage; (4) order the reconstitution of PTRAs as a neutral dispatching, switching and car movement operator, to encompass all of the trackage described in (3); (5) encourage UP/SP to agree with other carriers to sell or lease abandoned and underutilized rights of way and switching yards, and mediate negotiations for sales and leases; and (6) order PTRAs to develop a regional master plan of added facilities and operations needed to provide system capacity in excess of demand for the foreseeable future.

*CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY* (Finance Docket No. 32760 (Sub-No. 32))

Capital Metro, a regional transit authority that owns a 162-mile line that traverses Austin, TX between Giddings and Llano, TX, requests, with supporting evidence, a condition granting BNSF trackage rights over 4.4 miles of UP/SP tracks between Round Rock and McNeil, TX, and interchange rights at McNeil with Capital Metro's operator, the Central of Tennessee Railway & Navigation Company, Inc. d/b/a the Longhorn Railway Company (Longhorn). The Board will accept and consider this request. In the UP/SP merger, the Board determined that Capital Metro could interchange freight traffic with BNSF at Giddings, at the east end of the line, or Elgin, toward the center of the line, but it denied Capital Metro's requested condition that BNSF be permitted to interchange with Longhorn at McNeil, the line's westernmost interchange point. *UP/SP Merger*, 1 S.T.B. at 465-66. Capital Metro is seeking the "McNeil" condition anew, because BNSF no longer runs through trains through Elgin, the interchange point Capital Metro selected, due to UP/SP congestion south of Elgin, and Giddings is only a theoretical interchange.

*KENNETH B. COTTON* (Finance Docket No. 32760 (Sub-No. 31))

On August 3, 1998, Kenneth B. Cotton, a small businessman on behalf of the Houston and Gulf Coast Railroad (H&GC), asks the Board to accept a late-filed application for new conditions. Mr. Cotton requests the following:

(1) Grant H&GC trackage rights on UP between Wharton, TX and Rosenberg, TX, and allow interchange with BNSF at Rosenberg;

(2) If the Wharton-Rosenberg and Wharton-Victoria segments of UP's Rosenberg-Victoria line are sold to Tex Mex, grant H&GC trackage rights from Victoria-Rosenberg over Tex Mex, with switching rights between Victoria and Rosenberg, and with interchange rights at Victoria with Tex Mex, BNSF, and UP;

(3) Grant H&GC trackage rights on UP between Rosenberg and Houston via West Junction, with access to PTRA, New South, Englewood, and Settegast Yards;

(4) Grant H&GC trackage rights on UP between Bay City, TX, and Algoa, TX, with interchange rights with BNSF at Algoa;

(5) Require UP to sell H&GC track from Congress Yard in Houston to M.P. 233.0 in Galveston, TX, including rights over the lift bridge at Galveston, and to interchange with H&GC all Galveston-bound grain trains at Congress Yard or Rosenberg. H&GC also requests access to the Texas City Terminal Railway at Texas City, TX; and

(6) Require UP to sell the former SP Galveston Subdivision line between M.P. 38.8 to M.P. 55.6, with trackage rights over the lift bridge at Galveston.

Although Mr. Cotton filed no evidence in support of H&GC's requests, he has asserted that a grant of the conditions he has requested would benefit freight shippers and competition in the Houston area. We will accept and consider his late-filed application.<sup>20</sup>

Finally, we note that several persons have filed letters supporting one or more of the requested conditions summarized above; others have submitted letters, without supporting evidence, that request other conditions. These letters will be placed in the docket, but any requested conditions made in them different than those outlined above will not be considered.

As set forth previously in Decision Nos. 1 and 5, notices of intent to participate are due August 28, 1998. All comments, evidence, and argument opposing the requests for new conditions to the merger for the Houston/Gulf Coast region are due September 18, 1998, along with comments by the U.S. Department of Justice and the U.S. Department of Transportation. Rebuttal evidence and argument in support of requests for new conditions are due October 16, 1998.

All discovery matters in this proceeding have been assigned to Administrative Law Judge Stephen Grossman, Federal Energy Regulatory Commission, 888 First Street, N.E., Suite 11F, Washington, DC 20426 [202-219-2538, FAX (202) 219-3289].<sup>21</sup>

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

By the Board, Chairman Morgan and Vice Chairman Owen.

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<sup>20</sup> In contrast, we will not accept or consider requested conditions by the Texas Electric Rail Lines, which does not appear to offer freight service, for the forced sale, or forced rehabilitation and reactivation, of several vaguely and inadequately described UP/SP lines in Texas.

<sup>21</sup> *Houston/Gulf Coast Oversight*, Finance Docket No. 32760 (Sub-No. 26), Decision No. 2 (STB served May 19, 1998).

PROCEDURAL SCHEDULE

- August 28, 1998 Notice of intent to participate in proceeding due.
- September 18, 1998 All comments, evidence, and argument opposing requests for new remedial conditions to the merger due. Comments by U.S. Department of Justice and U.S. Department of Transportation due.
- October 16, 1998 Rebuttal evidence and argument in support of requests for new conditions due.

The necessity of briefing, oral argument, and voting conference will be determined after the Board's review of the pleadings.