STB FD 32760 (Sub 21) 7-1-97 D 180432 3/6

b. Tex Mex

Tex Mex began trackage rights operations in November, and has used its rights to operate a total of 150 freight trains through May. During the first five months of 1997, Tex Mex has averaged 22 trains per month. In the Houston area, Tex Mex has used both of the routes granted it by the Board -- the SP mainline route via Eureka and the HBT East Belt route. Charts #4, #5 and #6 depict, by month, Tex Mex's through trackage rights trains, and the numbers of cars and tons on those trains.

The stated purpose of the Board's partial grant of the trackage rights conditions sought by Tex Mex was to "address the possible loss of competition at the Laredo gateway into Mexico and to protect the essential services provided by Tex Mex to its shippers." Decision No. 62, p. 6. Whether or not the Tex Mex conditions were justified or necessary -- and Applicants have appealed the Board's decision imposing them -- there is no question that competition has remained strong at Laredo and Tex Mex has remained viable subsequent to the implementation of the merger. The volume of traffic handled by Tex Mex to and from Laredo has increased significantly since September 1996. As depicted in Chart #7, Tex Mex's Laredo traffic has increased every month since September. Tex Mex's southbound traffic over Laredo, which has traditionally made up virtually all of Tex Mex's Laredo

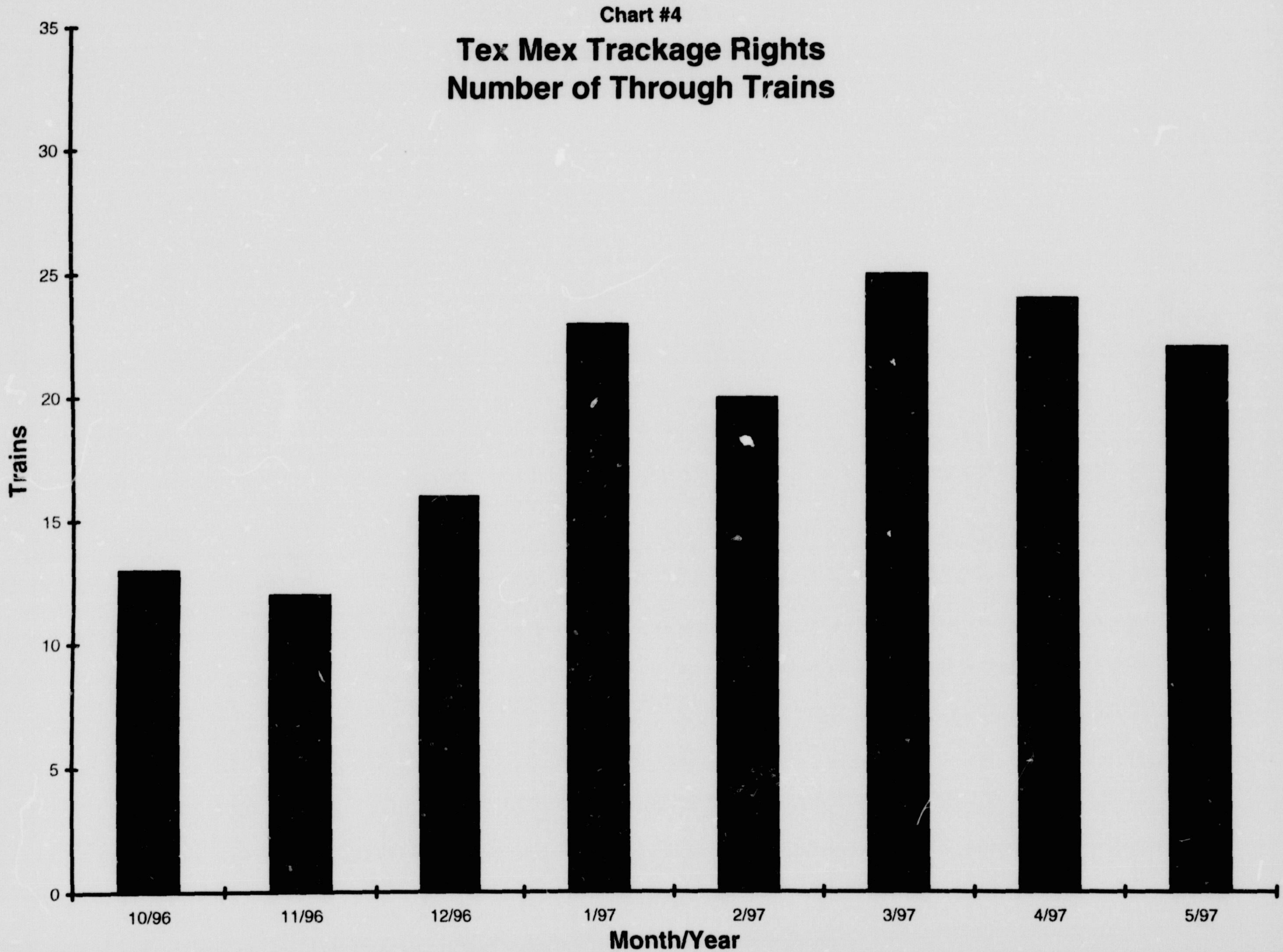


Chart #4
Tex Mex Trackage Rights
Number of Through Trains
Trains
35
30
25
20
15
10
5
0
10/96
11/96
12/96
1/97
2/97
3/97
4/97
5/97
Month/Year

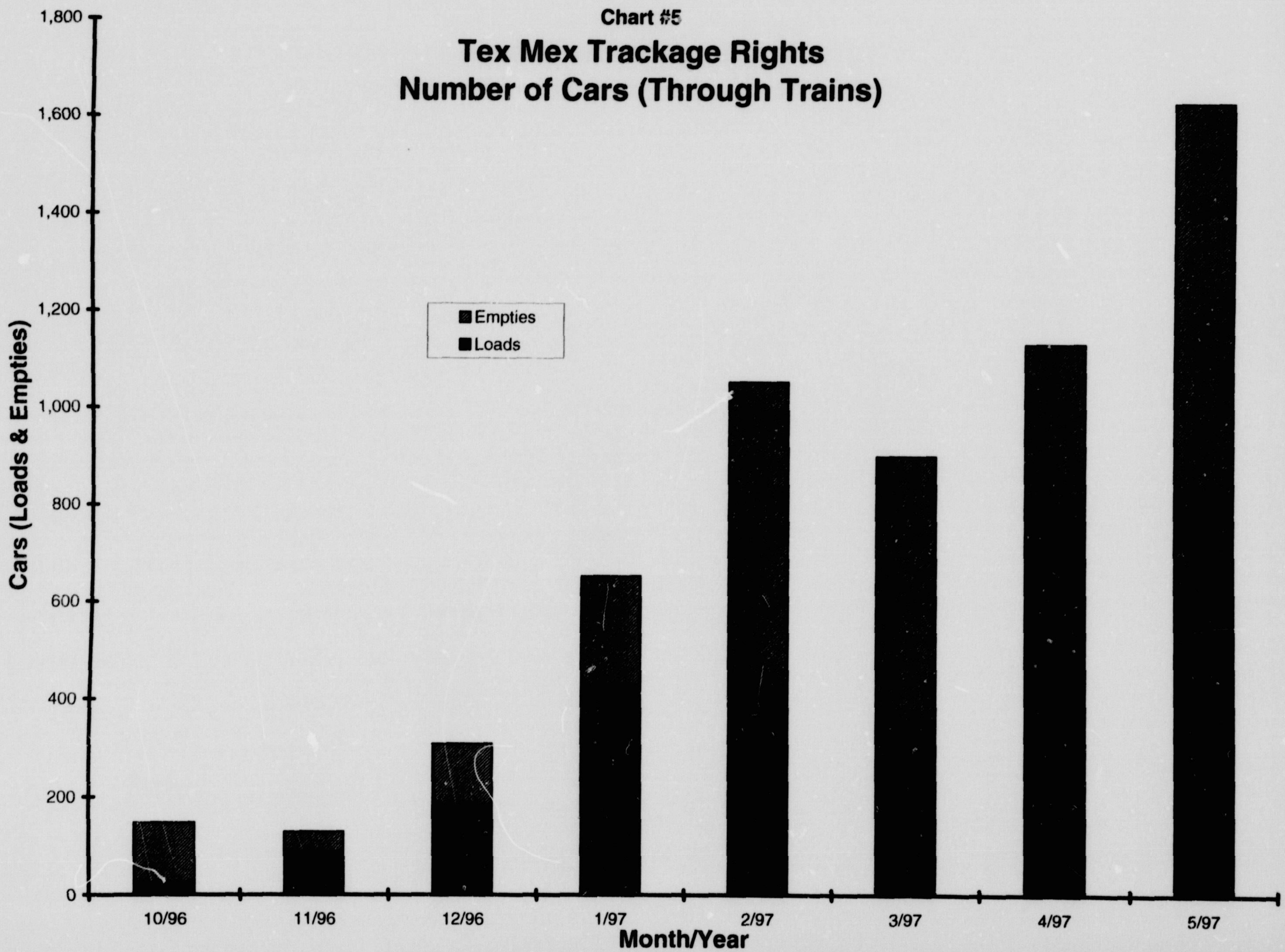


Chart #5
Tex Mex Trackage Rights
Number of Cars (Through Trains)
Empties
Loads
Cars (Loads & Empties)
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
10/96
11/96
12/96
1/97
2/97
3/97
4/97
5/97
Month/Year

Chart #6

Tex Mex Trackage Rights
Gross Tons (Through Trains)

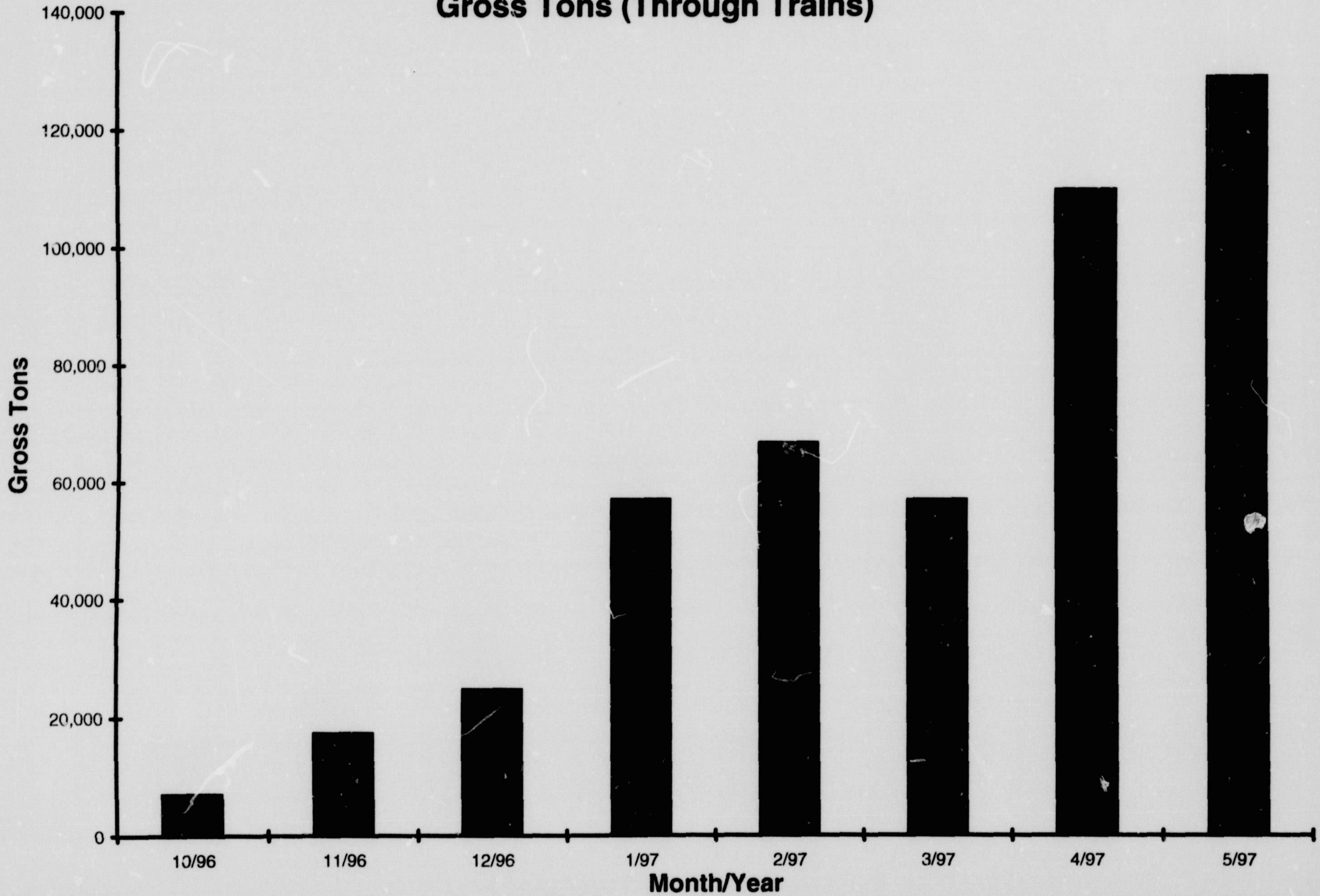
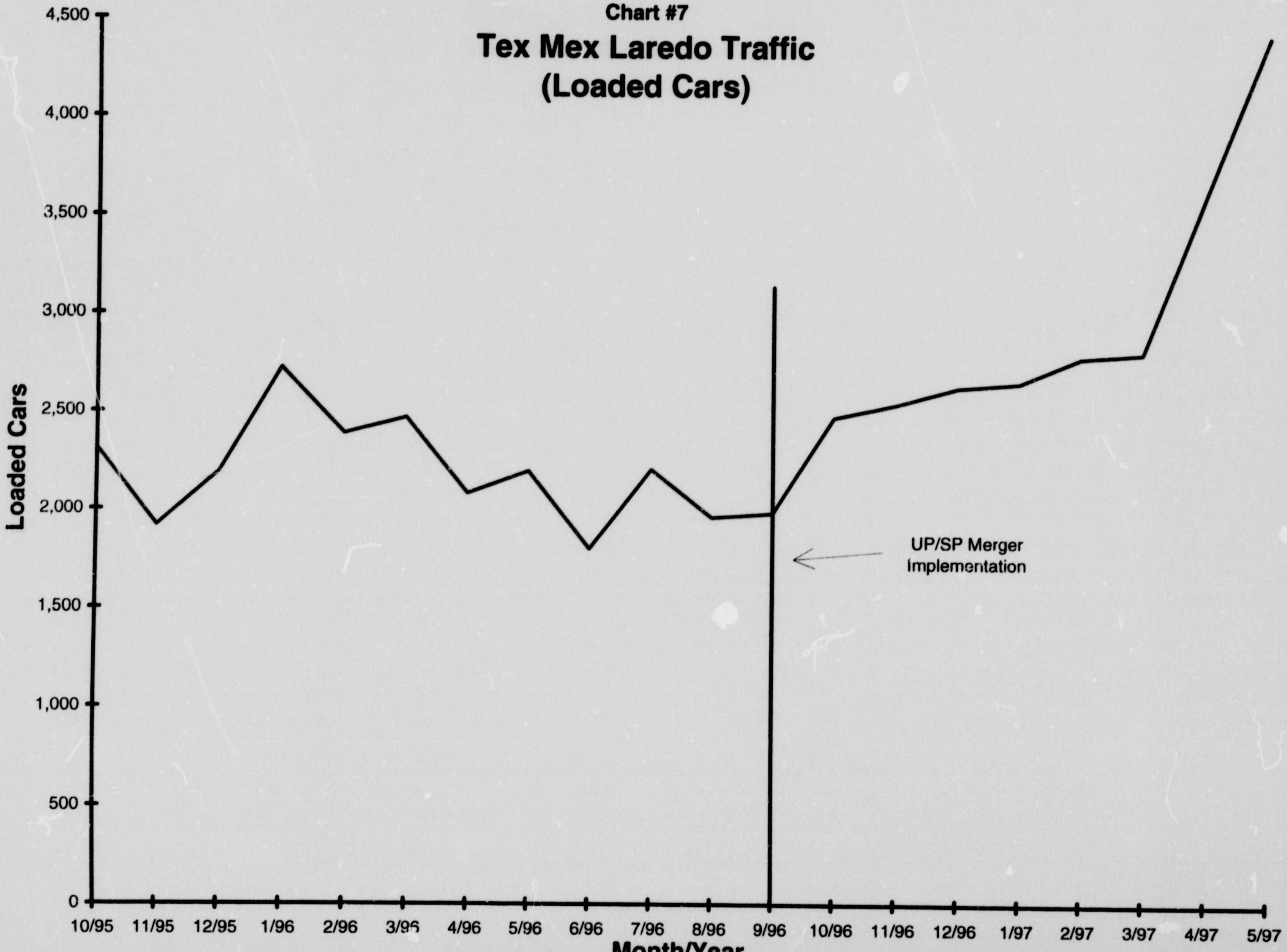


Chart #7

Tex Mex Laredo Traffic (Loaded Cars)



business, has increased by 37%, from 18,184 carloads for the period from October 1995 through May 1996 to 23,896 carloads for the period from October 1996 to May 1997. Tex Mex's much smaller northbound volumes have also increased.[24]

Tex Mex's share of the traffic moving over the Laredo gateway has also increased. In the October 1995-May 1996 period, Tex Mex's share of Laredo crossings was 27% southbound and 0.5% northbound. In the October 1996-May 1997 period, those shares were significantly higher -- 31% southbound and 1.0% northbound.

The straightforward explanation for this upward trend in Tex Mex's volumes and shares of Laredo traffic is that the growth in the volume of traffic that Tex Mex interchanges with BNSF at Corpus Christi/Robstown and handles itself using its new trackage rights between Beaumont and Corpus Christi/Robstown has greatly outstripped the decline in the volume of traffic that Tex Mex interchanged with SP and UP.

This trend is most readily observed by focusing on the southbound volumes. As shown on Chart #8, beginning in October 1996, BNSF has handled substantial and increasing volumes of traffic -- primarily unit grain trains -- using its trackage rights between Houston (Algoa) and Corpus

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24/ Those volumes have increased from 283 carloads in the October 1995-May 1996 period to 564 carloads in the October 1996-May 1997 period.

Christi/Robstown. BNSF's volumes grew from zero carloads in September 1996 to 1,964 carloads in May 1997. All of this traffic is delivered to Tex Mex, which serves as BNSF's agent at Corpus Christi, and most of it is interline traffic destined for Laredo.[25] This growth in BNSF volumes is all the more significant given that BNSF has repeatedly informed the Board that it has been hampered in developing interline traffic with Tex Mex as a result of "the lack of progress in the negotiations between BN/Santa Fe and Tex Mex on determining a neutral division arrangement for rates on traffic interchanged at Robstown between the two carriers."[26]

At the same time, Tex Mex's southbound trackage rights volumes have also grown steadily. Through May, Tex Mex had operated a total of 89 southbound freight trains, including both merchandise trains and unit grain trains. As shown in Chart #9, by May, Tex Mex's southbound monthly trackage rights volume had grown to 809 loaded cars. Chart #10 overlays the BNSF and Tex Mex trackage rights volumes with UP/SP's Tex Mex interchange traffic and graphically demonstrates why Tex Mex's Laredo gateway volumes have increased so significantly.

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[25] Some of BNSF's southbound traffic is destined for receivers or export at Corpus Christi.

[26] BNSF-PR-3, p. 8; <u>see also</u> BNSF-PR-2, pp. 3-4; BNSF Progress Report and Operating Plan, Oct. 1, 1996, p. 22.

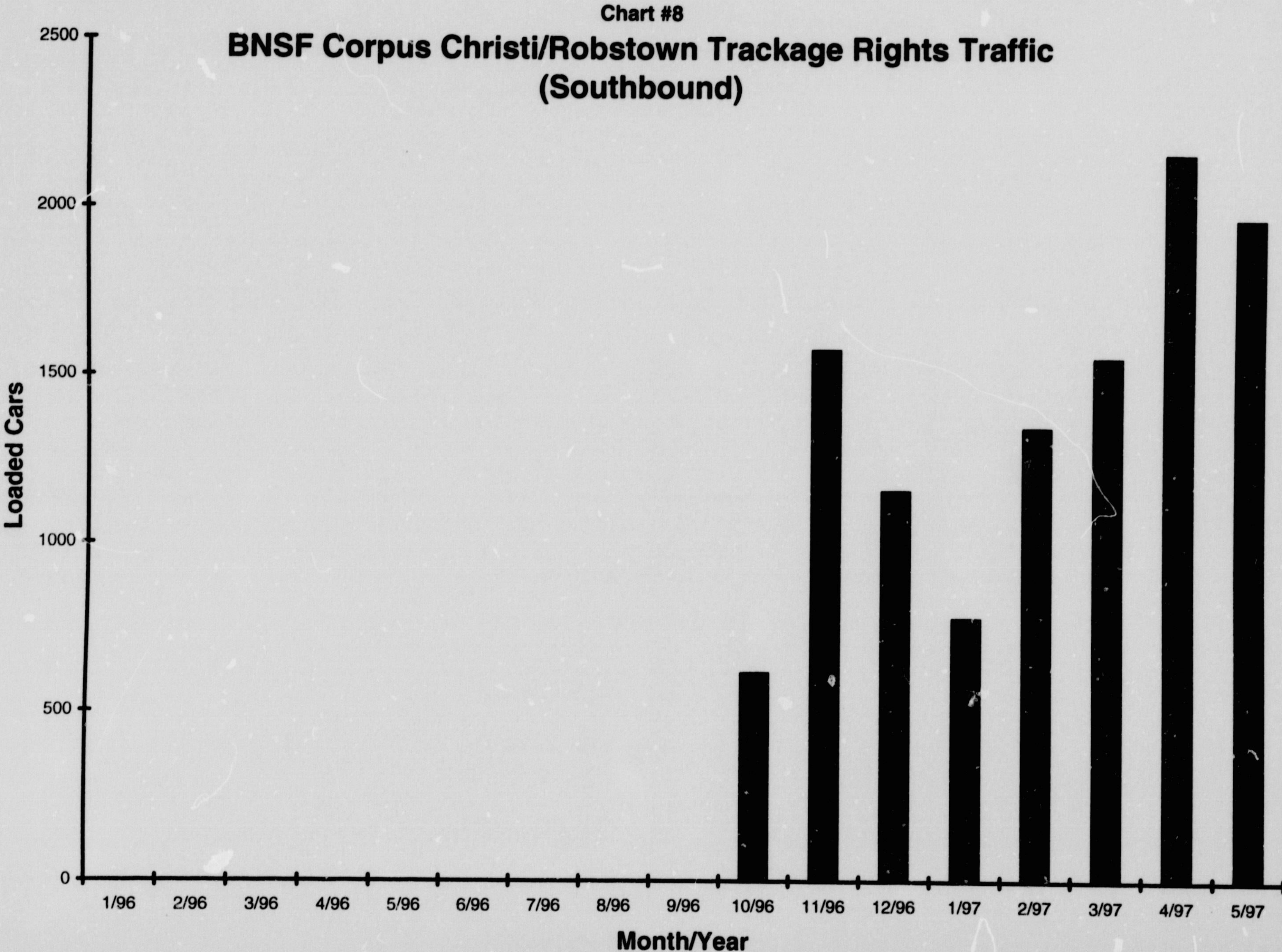


Chart #8
BNSF Corpus Christi/Robstown Trackage Rights Traffic
(Southbound)
Loaded Cars
2500
2000
1500
1000
500
0
1/96
2/96
3/96
4/96
5/96
6/96
7/96
8/96
9/96
10/96
11/96
12/96
1/97
2/97
3/97
4/97
5/97
Month/Year

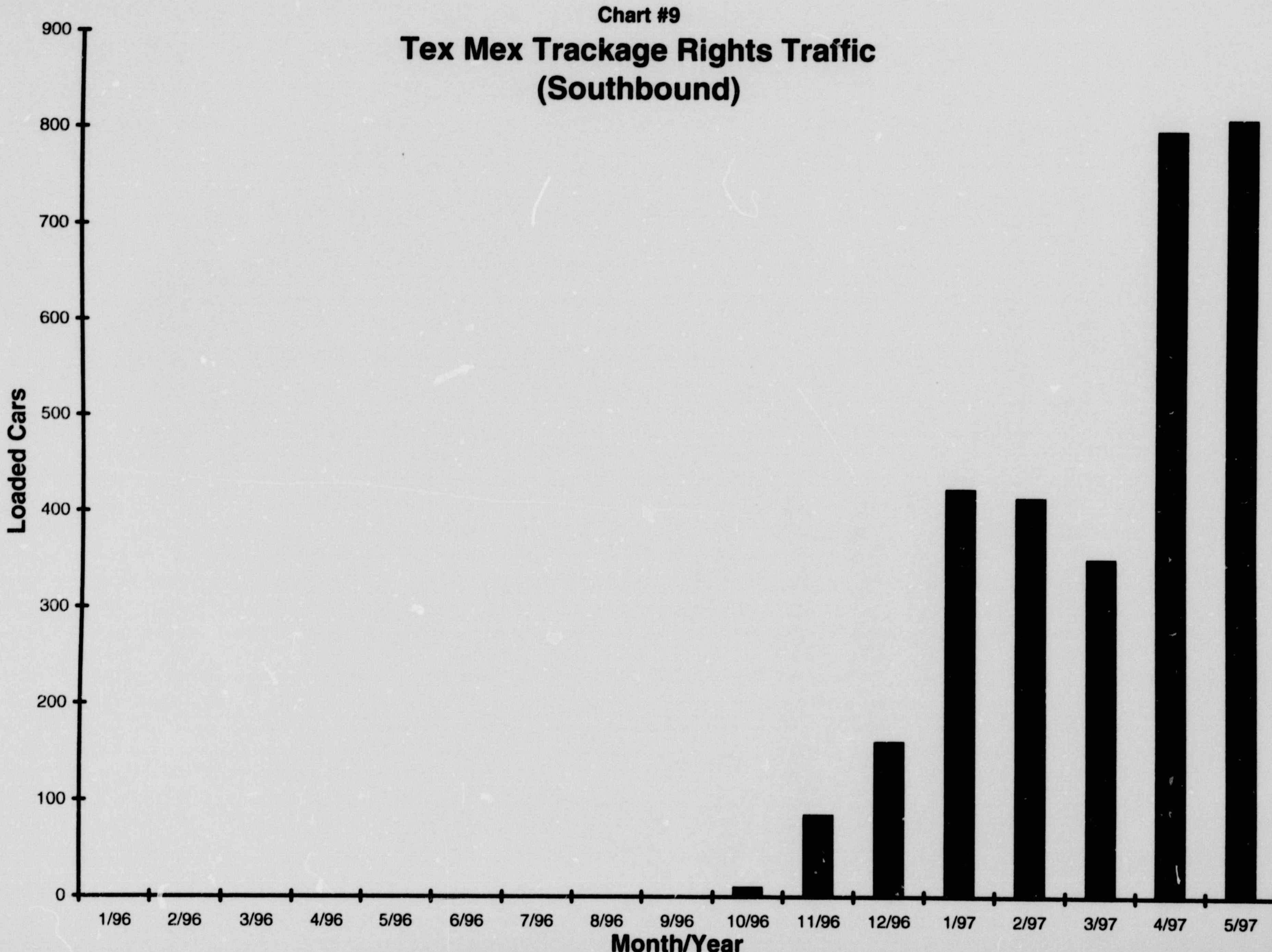
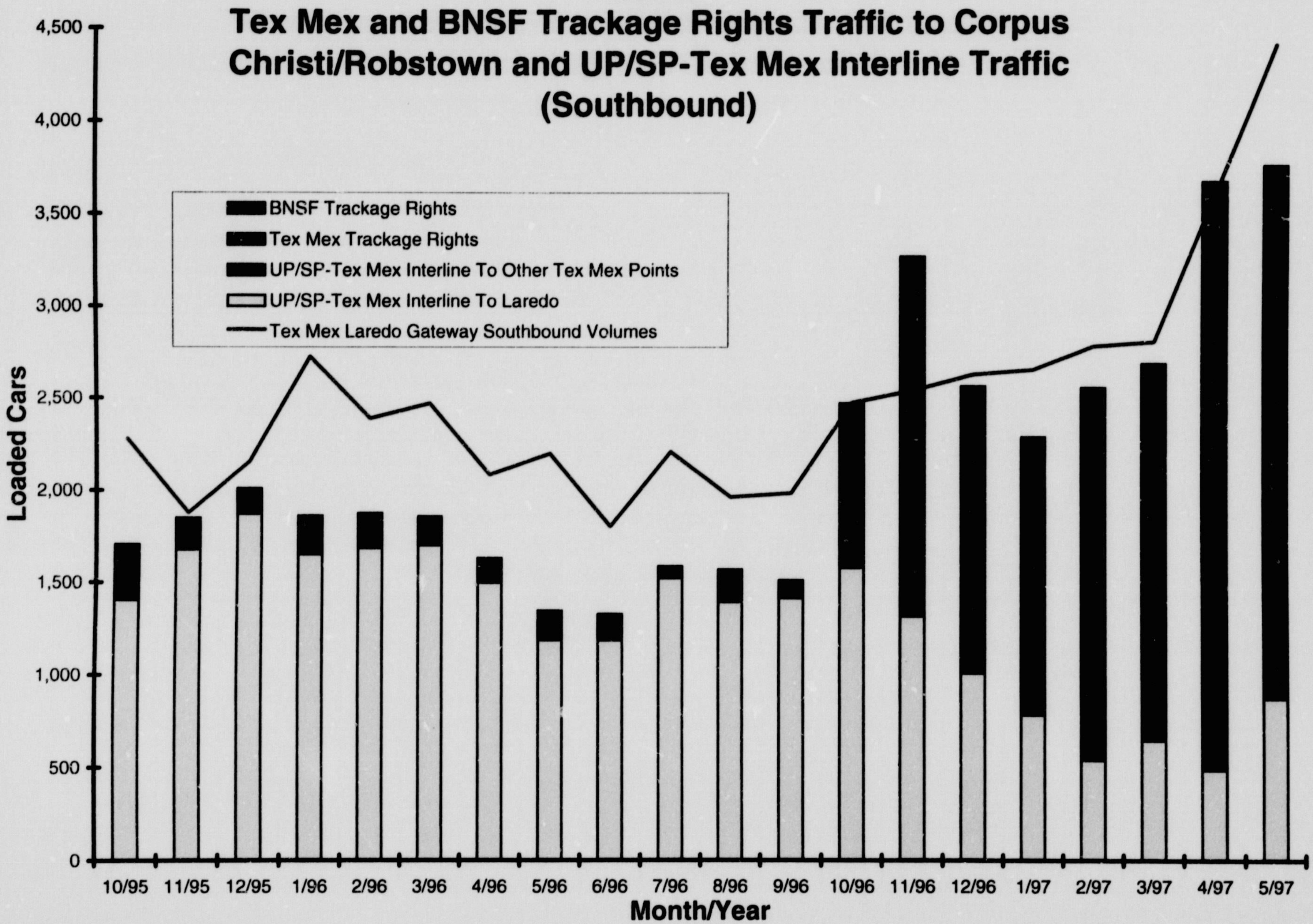


Chart #9
Tex Mex Trackage Rights Traffic
(Southbound)
Loaded Cars
900
800
700
600
500
400
300
200
100
0
1/96
2/96
3/96
4/96
5/96
6/96
7/96
8/96
9/96
10/96
11/96
12/96
1/97
2/97
3/97
4/97
5/97
Month/Year

Chart #10


Tex Mex and BNSF Trackage Rights Traffic to Corpus Christi/Robstown and UP/SP-Tex Mex Interline Traffic (Southbound)
BNSF Trackage Rights
Tex Mex Trackage Rights
UP/SP-Tex Mex Interline To Other Tex Mex Points
UP/SP-Tex Mex Interline To Laredo
Tex Mex Laredo Gateway Southbound Volumes
Loaded Cars
0
500
1,000
1,500
2,000
2,500
3,000
3,500
4,000
4,500
10/95
11/95
12/95
1/96
2/96
3/96
4/96
5/96
6/96
7/96
8/96
9/96
10/96
11/96
12/96
1/97
2/97
3/97
4/97
5/97
Month/Year

Other developments subsequent to the implementation of the UP/SP merger further confirm that there is no cause for concern about Tex Mex's ability to remain a strong competitive alternative at Laredo and serve the shippers on its Corpus Christi-Laredo line. With KCSI's acquisition of an interest in the northeastern railway concession in Mexico, and its purchase of the Gateway Western and Gateway Eastern Railways,[27/] Tex Mex is now an integral link in what KCSI calls "The NAFTA Line" between Mexico City and Chicago. See Exhibit D hereto, a map obtained from KCSI's Internet web site.

KCSI has emphasized the significant traffic growth it anticipates as a result of its acquisition of an interest in the northeastern Mexico rail concession. In a December 1996 presentation by KCSI and TMM concerning their acquisition of the concession (also posted on KCSI's web site), TMM's Chairman explained that "in line with TMM's corporate strategy to become a fully integrated transportation company," the northeastern railway concession will "increase volumes transported by Tex Mex." KCS traffic projections -- also presented in December, by KCS President Michael Haverty -- show Tex Mex handling approximately half of all U.S.-Mexico traffic crossing at Laredo. See Exhibit E hereto. BNSF has

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[27/] Tex Mex is owned 51% by TMM and 49% by KCSI. TMM and KCSI reportedly are each 49% partners in the northeastern Mexican rail concession.

also recently entered into a marketing agreement with the newly-formed I&M Rail Link ("IMRL") to move traffic from IMRL points in Iowa, Illinois, Missouri and Minnesota to Mexico via Tex Mex.

Finally, significant declines since the merger in the rates for Eastern Mexico traffic reflect the continued intense post-merger competition for this traffic. <u>See</u> Confidential Appendix E.

c. <u>Utah Railway</u>

Utah Railway's ability to exploit its trackage rights has been affected in the short run by serious production problems at the mines it serves. Nonetheless, as indicated in its verified statement, Utah Railway has operated 12 trains over the rights. All Utah Railway shippers have strong competitive options, and Utah Railway is in a position to exploit its new rights as traffic volumes increase at its mines.

Utah Railway indicates that it is "encouraged" by recent BNSF rate quotes for its traffic, both eastbound and westbound, and adds that "we are working with both UP and BNSF on contract rate offers to various customers for potential movement of coal from Willow Creek and/or [Savage Coal Terminal] to Grand Junction, CO for interchange with either UP or BNSF." Utah Railway states that, in its view, "things look promising for future movements."

C. <u>"3-to-2" Traffic and Source Competition</u>

Experience is demonstrating that the Board was clearly correct in determining that the merger would have no adverse competitive effect on "3-to-2" traffic, or on source competition for such commodities as Utah and Colorado coal, Gulf Coast chemicals, and grain. In fact, competition has been strengthened for all these categories of traffic.

1. <u>"3-to-2" Traffic</u>

Rates. Rates for "3-to-2" traffic have not increased since the merger. Far from it. UP/SP rates for "3-to-2" auto traffic are down in the post-merger period, and average UP/SP rates for "3-to-2" intermodal traffic are flat, even with rapidly-growing premium-priced volumes on new trains, as are rates for "3-to-2" general carload traffic. <u>See</u> Confidential Appendix E.

Autos. The competitive benefits of the merger and the BNSF settlement for "3-to-2" traffic are dramatically illustrated by the results of recent head-to-head bidding between UP/SP and BNSF for Western automotive traffic, a large portion of total "3-to-2" traffic. Each of the Big Three auto makers has already benefitted from competition between the new UP/SP and BNSF networks that is stronger than the three-railroad competition that preceded it.

Ford will save tens of millions of dollars on auto shipments from its Kansas City "Mixing Center" to destinations in the West and Southwest (including Denver, Salt Lake City, Oakland, Los Angeles, Las Vegas, Phoenix, Albuquerque, San Antonio, Dallas, Houston and Tulsa) as a result of a five-year contract with UP/SP entered into in late 1996 after several rounds of bidding against BNSF.

UP/SP's ability to offer Ford significant rate reductions and service improvements was driven by the efficiencies and service improvements anticipated as a result of the merger. Without the merger, neither UP nor SP would have been able to match BNSF's ability to serve the full range of Ford's destinations, and SP's poor service in fact took it out of contention for Ford's traffic altogether. Merger synergies gave UP/SP an expanded pool of autorack equipment to serve the Ford traffic as a result of new triangulation opportunities, shorter and faster routes for Ford's traffic to Oakland (via the UP line to Denver, UP's Overland Route to Ogden, and SP to Oakland) and Los Angeles (via SP's Tucumcari and Sunset lines), and operating improvements at Kansas City that allowed UP/SP to serve Ford's Kansas City mixing center more efficiently.

Head-to-head competition between UP/SP and BNSF has also resulted in significant rate reductions for General Motors and Chrysler. Further details of the savings by all three major auto manufacturers are found in Confidential Appendix K, and the verified statements of Ford, Chrysler and

Toyota provide still more information about the merger's benefits for the automotive shippers.

Intermodal Traffic. Intermodal traffic, the largest single category of "3-to-2" traffic, has also seen a dramatic intensification of competition as a result of the merger. We have previously described the many new intermodal services that have already been initiated by the merged system, bringing unprecedented competition to numerous intermodal lanes in the West. In addition, thanks to BNSF's new access to New Orleans, competition has been greatly strengthened for east-west international doublestack container traffic to and from the West Coast ports. With its new capability to provide comprehensive network services -- including in particular service in the Los Angeles-New Orleans corridor, which went from one single-line route to two as a result of the BNSF settlement -- BNSF won a $32 million contract with OOCL. This contract covers 55,000 annual container movements previously handled by SP, a third of them in the New Orleans corridor. UP/SP has also had to meet significant BNSF intermodal rate reductions, both in "2-to-1" corridors and for Western intermodal traffic generally. <u>See</u> Confidential Appendix C.

APL, UP/SP's largest intermodal customer, summarizes the pro-competitive effect of the merger on intermodal traffic in its verified statement:

> "Rail competition has grown stronger as a result of the merger. Both UP and BNSF are

> beginning to realize efficiencies from their respective mergers and, as a result, the two rail carriers are reducing rates on competitive routes. Moreover, the new trackage rights BNSF obtained as part of the merger have allowed them to work with our competitors to offer more attractive packages to shippers. There have been a number of recent instances in which UP has lowered rates for APL movements in response to competitive pressure from BNSF. These rate reductions have helped APL retain business from several important shippers who were considering other intermodal service that use BNSF routes. It is clear that merger-related efficiencies have made UP and BNSF stronger competitors than SP could have been standing alone."

Carload Traffic. Competition for "3-to-2" carload traffic is also stronger. For example, although the merger reduced the number of railroads able to originate lumber in the Pacific Northwest from three to two, competition for this traffic has clearly intensified, as poor SP service has radically improved and BNSF has been spurred to respond with its own rate and service improvements. As TreeSource, a major PNW lumber shipper, puts it: "The UP/SP merger has produced a stronger competitor, which in turn has a positive effect on BNSF's performance. The service that TreeSource receives from BNSF has improved during the past year."

2. Utah and Colorado Coal

Those who speculated that the merger would disadvantage Utah and Colorado coal have been resoundingly proven wrong. There has been no change in SP's aggressive rate philosophy. Indeed, average rates for coal originating at DRGW points decreased between the October 1995-March 1996 period and the October 1996-March 1997 period. See Confidential Appendix E. Moreover, UP/SP recently participated in a price reduction of 4-5% to keep Colorado and Utah export coal competitive in world markets.

Further, as we have already described, Colorado and Utah coal volumes are sharply up thanks to the merged system's prompt actions to address SP's power shortage. The large backlog of shipments from the producers has been eliminated. Turn times are dramatically improved. The KP line is being upgraded. UP is investing in terminal facilities and heavy-loading cars for Utah coal export. And further service improvements for both eastbound and westbound Utah and Colorado coal will soon be forthcoming.

The merged system is marketing Utah and Colorado coal aggressively. The average length of haul for Utah/Colorado coal is up more than 100 miles, year over year, since the merger, as the coal continues to increase its penetration of more distant markets. UP/SP is aggressively bidding on new movements and calling on potential consumers of Utah and Colorado coal. Contracts have been entered into since the merger covering, for example, a move of Colorado coal to Central Illinois Public Service at Lis, Illinois; a move of Utah coal to Calaveras Cement at Monolith, California; and a move from Wildcat, Utah, on the Utah Railway, to Southdown at Victorville, California, which was secured after strong competition with BNSF. The availability of UP river terminals has also facilitated the movement of Utah and Colorado coal to Southeastern destinations. Receivers such as TVA now have a better and more flexible choice of coals and the ability to blend at rail-to-water transfer facilities.

The verified statement of Kennecott Energy Company confirms the merger's pro-competitive effects for Utah/Colorado coal, and for Western coal generally:

> "As a result of the merger, Kennecott can now offer more customers improved access to a variety of coal sources. Kennecott now has new or improved single-line service from its Wyoming and Colorado mines to all UP and SP destinations, including multiple river transfer facilities, which gives Kennecott options that did not exist before the merger. This gives Kennecott better access to more customers, and gives each customer the ability to 'mix and match' coal from different sources, thereby allowing them to utilize the most efficient blend of coals. All this has been accomplished while maintaining the aggressive pricing instituted by SP for Kennecott's customers.
>
> Despite our initial concerns about the merger, UP has shown itself to be interested in the aggressive marketing of Colorado coal. With more efficient service to more destinations, Kennecott's Colorado coal will be more competitive in more markets, even though some competing mines in Utah will now have competitive rail service -- UP and BNSF (via the Utah Railway or transloads) -- as a result of the merger."

Similarly, the verified statement of Commonwealth Edison Company attests to both the merged system's "aggressive marketing" of Utah/Colorado coal, as well as other Western coals, and the "service improvements" the merged system has already achieved for that traffic.

UP/SP is projecting continued significant growth of Utah/Colorado coal volumes in coming years. The new long-term Geneva Steel contract is based on continued reliance, over its 15-year term, on backhauls of Utah and Colorado coal, in direct contradiction to assertions made by some parties during the merger proceedings that the merged system would no longer promote such backhauls or offer "backhaul pricing."

3. Gulf Coast Chemicals

Competition for Gulf Coast plastics and other chemicals traffic is also clearly stronger, notwithstanding some parties' concerns -- rejected by the Board -- that it would be reduced as a result of the merger. Rates for this traffic are down. UP/SP rates for other Texas/Louisiana chemicals (STCC 28) and petroleum products (STCC 29) are also down, as are systemwide UP/SP STCC 28 and STCC 29 rates. See Confidential Appendix E.

As shown in Confidential Appendices A through C, Gulf Coast chemical shippers are benefitting from new single-line service, shorter routes, and the new vigorous rate and service competition from BNSF. Just one notable example of these benefits is the situation of Eastman Chemical at Longview, Texas. Before the merger, Eastman was served by UP and BNSF. The BNSF route looped down to Houston and back north, making any movement to or from the Midwest or East extremely circuitous. The Houston-Memphis trackage rights created a new, second direct rail route to and from the Midwest and East for Eastman, and BNSF has been running regular trains in the Memphis corridor to and from Eastman's Longview facility. The verified statements of Bayer, Dow, Exxon and Occidental Chemical provide further illustrations of the benefits that the Gulf Coast chemical industry is already receiving from the merger.

As noted, UP/SP is devoting special attention to immediate measures to improve service for Gulf Coast chemical shippers, in advance of the labor agreements, TCS cutovers and investments that will allow directional running and extensive rationalization of Gulf Coast train and yard operations. These steps include pre-blocking for Southeastern carriers, modifications to yard functions to reduce congestion, and a special task force to improve the handling of empty cars. UP/SP has also worked with individual shippers on interim measures to improve service. For example, the traffic of DuPont at Gregory, Texas, is being handled over a combination of SP and UP lines to avoid SP terminal delays. Similarly, Interchem, a shipper at Eustace, Texas (near Dallas), was experiencing 30-day cycles on a unit train of sulfuric acid to Green Bay, Florida, routed over SP to the New Orleans gateway via Houston. By moving this train over a less congested route via SP to Texarkana and UP from Texarkana to the New Orleans gateway, UP/SP was able to cut the cycle time in half.

4. Grain

Concerns of USDA and others that source competition for grain would be reduced have also proven meritless. As noted, the merger has opened up new SP markets for UP grain producers. BNSF has used its trackage and haulage rights to move large volumes of grain, at significantly lower rates, to Mexico, Arkansas, California and Utah (Confidential Appendix B). UP/SP has had to respond to BNSF's initiatives with lower grain rates of its own, in both domestic and export markets (Confidential Appendix C). And UP/SP systemwide grain rates are down since the merger. See Confidential Appendix E. The verified statements of Albert City Elevator, West Bend Elevator Company and Zacky Farms underscore the merger's benefits for grain shippers.

* * *

The conclusion is straightforward. Thanks to the merger and the competitive conditions, competition is stronger. Rates are falling. The conditions are working. BNSF and UP/SP are closely matched competitors throughout the West, and are both positioned to achieve further improvements in competitiveness and service quality. Shippers no longer face a financially weak SP with continually deteriorating service. The merger is proving to be the success that the Board believed it would be. There is absolutely no basis for changing the merger decision or saddling the merged system with additional conditions, which would only undermine merger benefits.

Respectfully submitted,

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July 1, 1997

VERIFICATION

STATE OF NEBRASKA)
)   ss.
COUNTY OF DOUGLAS)

I, R. Bradley King, Vice President-Transportation of Union Pacific Railroad Company, state that the information in Part I of the Applicants' Report on Merger and Condition Implementation (UP/SP-303) in STB Finance Docket No. 32760 (Sub-No. 21) was compiled by me or individuals under my supervision, that I know its contents, and that to the best of my knowledge and belief those contents are true as stated.

R Bradley King

R. BRADLEY KING

SUBSCRIBED and sworn to before me by R. Bradley King this 27th day of June 1997.

Thomas M. Mulligan

Notary Public

THOMAS M. MULLIGAN
GENERAL
NOTARY
COMMISSION
EXPIRES
1/17/1998
STATE OF NEBRASKA

VERIFICATION

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

I, Richard B. Peterson, Senior Director-Interline Marketing of Union Pacific Railroad Company, state that the information in Part II and the Confidential Appendices of the Applicants' Report on Merger and Condition Implementation (UP/SP-303) in STB Finance Docket No. 32760 (Sub-No. 21) was compiled by me or individuals under my supervision, that I know its contents, and that to the best of my knowledge and belief those contents are true as stated.

Richard B. Peterson
RICHARD B. PETERSON

SUBSCRIBED and sworn to before me by Richard B. Peterson this 27th day of June 1997.

Elaine H Myers
Notary Public

GENERAL NOTARY-State of Nebraska
ELAINE H. MYERS
My Comm. Exp. May 31, 1998

CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 1st day of July, 1997, I caused a copy of the foregoing document to be served by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties of record in Finance Docket No. 32760 (Sub-No. 21), and on

Director of Operations Antitrust Division Suite 500 Department of Justice Washington, D.C. 20530	Premerger Notification Office Bureau of Competition Room 303 Federal Trade Commission Washington, D.C. 20580

Michael L. Rosenthal

Michael L. Rosenthal

EXHIBIT A

EXHIBIT A

ENVIRONMENTAL MITIGATION CONDITIONS

The following is a report on steps taken, and plans for future steps, in regard to the environmental mitigation conditions, which are addressed in the order they are listed in Appendix G to Decision No. 44:

A. Systemwide Mitigation

1. Track Inspection. This condition has been satisfied.

2. Tank Car Inspection. This condition has been satisfied.

3. Signal Crossing Devices. This condition has been satisfied.

4. Emergency Response Phone Number. This condition has been satisfied.

5. TRANSCAER Participation. This condition has been satisfied.

6. Hazardous Materials Supervision. This condition has been satisfied.

7. Training Program for Emergency Response Personnel. This condition has been satisfied.

8. UP Training and Operating Practices. This condition has been satisfied.

9. Closing Boxcar Doors. This condition has been satisfied.

10. Security Forces. As previously reported, UP/SP has extended to SP territory its policy of "zero-tolerance" of

vagrancy and trespassing on railroad property. UP/SP met with the Reno Police Department on this subject in late June.

11. Visible Smoke Reduction. This condition has been satisfied.

12. Use of Head-Hardened Rail on Mountain Curves. This condition has been satisfied.

13. Compliance with FRA Rules and Regulations. This condition has been satisfied.

B. Corridor Mitigation

14. EPA Emissions Standards. On January 21, 1997, EPA released proposed rules that would establish nationwide regulatory requirements for the control of emissions from locomotives. EPA's proposal includes standards for oxides of nitrogen, hydrocarbons, carbon monoxide, particulate matter and smoke. EPA received comments on the proposed rules at a public hearing in Detroit on May 15 and in written submissions due June 16. The final rules are scheduled for release in December.

15. Consultations With Air Quality Officials. Discussions have been held with environmental officials in Arizona, Colorado, Illinois, Wyoming and Washington, and UP/SP is engaged in ongoing discussions with California officials. Discussions will be scheduled with air quality officials in other states in the near future.

16. Noise Impacts. UP/SP continues to monitor implementation of merger-related transportation plans. As operational changes take place, UP/SP measures train volumes to determine when they may trigger environmental thresholds, so that noise issues can be discussed with affected counties.

17. Use of Two-Way End-to-Train Devices. This condition has been satisfied.

C. Rail Line Segment Mitigation

18. Priority List for Upgrading Grade Crossing Signals. UP/SP provides train density information to states every six months, which they use to re-prioritize their grade crossing programs. In addition to meeting with officials in California, Colorado, Kansas and Texas as previously reported, UP/SP held additional meetings with Colorado and Kansas officials in May. Meetings with other affected states are scheduled or will be scheduled in the near future.

19. East Bay Regional Park District MOU. The MOU is being implemented in accordance with its specifications.

20. Town of Truckee MOU. The MOU is being implemented in accordance with its specifications.

21. Placer County MOU. The MOU is being implemented in accordance with its specifications.

22. City of Reno. UP/SP is in compliance with the limit of 14.7 through freight trains per day through Reno.

UP/SP continues to provide all requested information to SEA and to cooperate with SEA's mitigation study.

23. City of Wichita/Sedgwick County. UP/SP is in compliance with the limit of 6.4 through freight trains per day on the former Rock Island line through Wichita. UP/SP continues to provide all requested information to SEA and to cooperate with SEA's mitigation study.

D. Rail Yards and Intermodal Facilities

24. Noise Abatement Plans for Rail Yards. Before UP/SP undertakes any rail yard construction at the specified locations, UP/SP will contact appropriate state and local officials and will report to SEA on the results of those consultations.

25. Intermodal Facilities. Before any changes are made at the specified intermodal facilities, UP/SP will contact appropriate state and local air quality officials in the states of California and Illinois and will report to SEA on the results of those consultations.

E. Abandonments

26-61. As abandonments are carried out, UP/SP will comply with all listed conditions.

62-108. As construction projects are carried out, UP/SP will comply will all listed conditions.

EXHIBIT B

[AMENDED AND RESTATED AS OF JUNE 30, 1997]

AGREEMENT

This Agreement ("Agreement") is entered into this 25th day of September, 1995, between Union Pacific Corporation, Union Pacific Railroad Company, Missouri Pacific Railroad Company (collectively referred to as "UP"), and Southern Pacific Rail Corporation, Southern Pacific Transportation Company, The Denver & Rio Grande Western Railroad Company, St. Louis Southwestern Railway Company and SPCSL Corp. (collectively referred to as "SP", with both UP and SP also hereinafter referred to collectively as "UP/SP"), on the one hand, and Burlington Northern Railroad Company ("BN") and The Atchison, Topeka and Santa Fe Railway Company ("Santa Fe"), hereinafter collectively referred to as "BNSF", on the other hand, concerning the proposed acquisition of Southern Pacific Rail Corporation by UP Acquisition Corporation, and the resulting common control of UP and SP pursuant to the application pending before the Interstate Commerce Commission ("ICC") in Finance Docket No. 32760, 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.

NOW, THEREFORE, in consideration of their mutual promises, UP/SP and BNSF agree as follows:

1. **Western Trackage Rights**

    a) UP/SP shall grant to BNSF trackage rights on the following lines:

    - SP's line between Denver, Colorado and Salt Lake City, Utah;
    - UP's line between Salt Lake City, Utah and Ogden, Utah;
    - SP's line between Ogden, Utah and Little Mountain Utah;
    - UP's line between Salt Lake City, Utah and Alazon, Nevada;
    - UP's and SP's lines between Alazon and Weso, Nevada;

- SP's line between Weso, Nevada and Oakland, California via SP's line between Sacramento and Oakland referred to as the "Cal-P" (subject to traffic restrictions as set forth in Section 1g);
- SP's line between Elvas (Elvas Interlocking) and Stockton (subject to traffic restrictions as set forth in Section 1g and also excluding any trains moving over the line between Bieber and Keddie, CA to be purchased by BNSF pursuant to Section 2a of this Agreement);
- UP's line between Weso, Nevada and Stockton, California; and
- SP's line between Oakland and San Jose, California.

b) The trackage rights granted under this section shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to (i) "2-to-1" shipper facilities at points listed on Exhibit A to this Agreement, (ii) any existing or future transloading facility at points listed on Exhibit A to this Agreement and at points other than those listed on Exhibit A on the lines (except the line between Elvas (Elvas Interlocking) and Stockton) listed in Section 1a, (iii) any new shipper facility located subsequent to UP's acquisition of control of SP at points listed on Exhibit A to this Agreement (including but not limited to situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose, with the contemplation of receiving rail service by both UP and SP), and (iv) any new shipper facility located subsequent to UP's acquisition of control of SP at points other than those listed on Exhibit A to this Agreement on the lines (except the line between Elvas (Elvas Interlocking) and Stockton) listed in Section 1a (including but not limited to situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose with the contemplation of reserving rail service by both UP and SP). BNSF shall also have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement. BNSF shall also receive the right to interchange with the Nevada Northern at Shafter, NV; with the Utah Railway Company at the Utah Railway Junction, UT, Grand Junction, CO and Provo, UT; with the Utah Central Railway Company at Ogden, UT; and with the Salt Lake, Garfield and Western at Salt Lake City, UT. BNSF shall also receive the right to utilize in common with UP/SP, for normal and customary charges, SP's soda ash transload facilities in Ogden and Salt Lake City. BNSF shall also have the right to access any shipper-owned soda ash transload facilities in Ogden and Salt Lake City and to establish its own soda ash transload facilities along the trackage rights granted under this section. For purposes of this Agreement, "2-to-1 shipper facilities" shall mean all industries that were open to both UP and SP, whether via direct service or via reciprocal switching, joint facility or other arrangements, and no other railroad when the Agreement was executed, regardless of how long ago a shipper may have shipped, or whether a shipper ever shipped, any traffic via either UP or SP. Also for purposes of this Agreement, "new shipper facility" does not include expansion of or addition to an existing facility but does include (1) transload facilities which, when the Agreement was signed, were being developed or land had been acquired for that purpose, (2) new transload facilities located after September 11, 1996, including those owned or operated by BNSF, and (3) existing facilities constructing trackage for accessing rail services for the first time. "Transload facilities" shall mean a rail transload facility as that term is used in the industry and shall include product transfers involving trucks, barges and intermodal containers and product transfers between rail cars as well as new transload technologies that may be developed in the future. Any such transload facility must have operating costs above and beyond the costs that would be incurred in providing direct rail service. By way of example, BNSF would not be able to construct a truck transload facility adjacent to an exclusively served coal mine and then truck the coal a short distance (say 100 feet) from the mine to the facility. Notwithstanding the requirement in Section 15 of this Agreement that unresolved disputes and controversies be submitted for binding arbitration, disputes as to the proper scope of BNSF's rights to serve new shipper facilities or to establish and/or serve transload facilities can be presented by the parties to the Surface Transportation Board for resolution.

c) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which (i) new shipper facilities and future transloading facilities shall be open to BNSF service at points listed on Exhibit A to this Agreement and (ii) BNSF shall have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement, shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP either directly or through reciprocal switch. Where switching districts have been established they shall be presumed to establish these geographic limitations.

d) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads. BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election.

e) For Reno area intermodal traffic, BNSF may use SP's intermodal ramp at Sparks with UP/SP providing intermodal terminal services to BNSF for normal and customary charges. If expansion of this facility is required to accommodate the combined needs of UP/SP and BNSF, then the parties shall share in the cost of such expansion on a pro rata basis allocated on the basis of the relative number of lifts for each party in the 12-month period preceding the date construction begins.

f) Except as hereinafter provided, the trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

g) On SP's line between Weso and Oakland via the "Cal-P," BNSF shall be entitled to move only (i) intermodal trains moving between (x) Weso and points east or Keddie and points north and (y) Oakland and (ii) one manifest train/day in each direction. Intermodal trains are comprised of over ninety percent (90%) multi-level automobile equipment and/or flat cars carrying trailers and containers in single or double stack configuration. Manifest trains shall be carload business and shall be equipped with adequate motive power to achieve the same horsepower per trailing ton as comparable UP/SP trains. Helpers shall not be used unless comparable UP/SP manifest trains use helpers in which case BNSF trains may be operated in the same fashion provided that BNSF furnishes the necessary helper service. BNSF may also utilize the "Cal-P" for one manifest train per day moving to or from Oakland via Keddie and Bieber; provided, however, that BNSF may only operate one manifest train/day in each direction via the "Cal-P" regardless of where the train originates or terminates. The requirement to use helpers does not apply to movement over the "Cal-P."

h) At BNSF's request, UP/SP shall provide train and engine crews and required support personnel and services in accordance with UP/SP's operating practices necessary to handle BNSF trains moving between Salt Lake City and Oakland. UP/SP shall be reimbursed for providing such employees on a cost plus reasonable additives basis and for any incremental cost associated with providing employees such as lodging or crew transportation expense. BNSF must also give UP/SP reasonable advance notice of its need for employees in order to allow UP/SP time to have adequate trained crews available. All UP/SP employees engaged in or connected with the operation of BNSF's trains shall, solely for purposes of standard joint facility liability, be deemed to be "sole employees" of BNSF. If UP/SP adds to its labor force to comply with a request or requests from BNSF to provide employees, then BNSF shall be responsible for any labor protection, guarantees or reserve board payments for such incremental employees resulting from any change in BNSF operations or traffic levels.

i) UP/SP agree that their affiliate Central California Traction Company shall be managed and operated so as to provide non-discriminatory access to industries on its line on the same and no less favorable basis as provided UP and SP.

j) If BNSF desires to operate domestic high cube double stacks over Donner Pass, then BNSF shall be responsible to pay for the cost of achieving required clearances. UP/SP shall pay BNSF one-half of the original cost of any such work funded by BNSF if UP/SP subsequently decides to begin moving domestic high cube double stacks over this route. If UP/SP initiates and funds the clearance program, then BNSF shall pay one half of the original cost at such time as BNSF begins to use the line for domestic high cube double stacks.

k) BNSF agrees to waive its right under Section 9 of the Agreement dated April 13, 1995, and agreements implementing that agreement to renegotiate certain compensation terms of such agreement in the event of a merger, consolidation or common control of SP by UP. BNSF also agrees to waive any restrictions on assignment in the 1990 BN-SP agreement covering trackage rights between Kansas City and Chicago.

2. **I-5 Corridor**

a) UP/SP shall sell to BNSF UP's line between Bieber and Keddie, California. UP/SP shall retain the right to use the portion of this line between MP 0 and MP 2 for the purpose of turning equipment. UP/SP shall pay BNSF a normal and customary trackage rights charge for this right.

b) BNSF shall grant UP/SP overhead trackage rights on BN's line between Chemult and Bend, Oregon for rail traffic of all kinds, carload and intermodal, for all commodities.

c) The parties will, under the procedures established in Section 9f of this Agreement, establish a proportional rate agreement incorporating the terms of the "Term Sheet for UP/SP-BNSF Proportional Rate Agreement Covering I-5 Corridor"attached hereto as Exhibit B.

3. **Southern California Access**

a) UP/SP shall grant access to BNSF to serve all "2-to-1" shipper facilities in Southern California at the points listed on Exhibit A to this Agreement.

b) UP/SP shall grant BNSF overhead trackage rights on UP's line between Riverside and Ontario, CA for the sole purpose of moving rail traffic of all kinds, carload and intermodal, for all commodities to "2-to-1" shipper facilities at Ontario.

c) UP/SP shall grant BNSF overhead trackage rights on UP's line from Basta, CA to Fullerton and LaHabra, CA for the sole purpose of moving rail traffic of all kinds, carload and intermodal, to "2-to-1" shipper facilities at Fullerton and LaHabra.

d) The trackage rights granted under this section shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to (i) "2-to-1" shipper facilities at points listed on Exhibit A to this Agreement, (ii) any existing or future transloading facility at points listed on Exhibit A to this Agreement, and (iii) any new shipper facility located subsequent to UP's acquisition of control of SP at points listed on Exhibit A to this Agreement (including but not limited to situations where, when the Agreement was signed, a shipper facility was being developed or land had been acquired for that purpose, with the contemplation of receiving rail service by both UP and SP). BNSF shall also have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement.

e) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which (i) new shipper facilities and future transloading facilities shall be open to BNSF service at points listed on Exhibit A to this Agreement and (ii) BNSF shall have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement, shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP either directly or through reciprocal switch. Where switching districts have been established, they shall be presumed to establish these geographic limitations.

f) BNSF shall grant UP/SP overhead trackage rights on Santa Fe's line between Barstow and Mojave, California for rail traffic of all kinds, carload and intermodal for all commodities.

g) UP/SP shall work with BNSF to facilitate access by BNSF to the Ports of Los Angeles and Long Beach. Other than as legally precluded, UP/SP shall (a) extend the term of the present agreement dated November 21, 1981, to continue until completion of Alameda Corridor, (b) amend that agreement to apply to all carload and intermodal traffic, and (c) grant BNSF the right to invoke such agreement to provide loop service utilizing UP's and Santa Fe's lines to the Ports at BNSF's option to allow for additional operating capacity. UP/SP's commitment is subject to available capacity. Any incremental capacity related projects necessary to accommodate BNSF traffic shall be the sole responsibility of BNSF.

h) Forty five (45) days before initiating service to a customer pursuant to Sections 3a and 3b, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads. BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election.

4. **South Texas Trackage Rights and Purchase**

a) UP/SP shall grant to BNSF trackage rights on the following lines:

- UP's line between Ajax and San Antonio;
- UP's line between Houston (Algoa) and Brownsville (with parity and equal access to the Mexican border crossing at Brownsville);
- UP's line between Odem and Corpus Christi;
- UP's line between Ajax and Sealy;
- SP's line between San Antonio and Eagle Pass (with parity and equal access to the Mexican border crossing at Eagle Pass);
- UP's line between Craig Junction and SP Junction (Tower 112) via Track No. 2 through Fratt, Texas;
- SP's line between SP Junction (Tower 112) and Elmendorf, Texas;
- SP's line in San Antonio between SP Tower 105 and SP Junction (Tower 112);
- SP's Port Lavaca Branch, between Placedo, TX, and Port Lavaca, TX, for the sole purpose of reaching a point of build-in/build-out to/from Union Carbide Corporation's ("UCC") facility at North Seadrift, TX. UP/SP shall permit BN/Santa Fe or UCC to construct and connect to the Port Lavaca Branch, at their expense, a build-in/build-out line. BN/Santa Fe or UCC shall have the right to purchase for net liquidation value all or any part of the Port Lavaca Branch that UP/SP may abandon;
- UP's line between Kerr (connection to Georgetown RR) and Taylor;
- UP's line between Temple and Waco;
- UP's line between Temple and Taylor;
- UP's line between Taylor and Smithville; and
- SP's line between El Paso and Sierra Blanca.

b) The trackage rights granted under this section shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to (i) "2-to-1" shipper facilities at points listed on Exhibit A to this Agreement and

City Public Service Board of San Antonio, Texas Elmendorf facilities listed on Exhibit A to this Agreement, (ii) any existing or future transloading facility at points listed on Exhibit A to this Agreement and at points other than those listed on Exhibit A on the lines listed in Section 4a, (iii) any new shipper facility located subsequent to UP's acquisition of control of SP at points listed on Exhibit A to this Agreement (including but not limited to situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose, with the contemplation of receiving rail service by both UP and SP), and (iv) any new shipper facility located subsequent to UP's acquisition of control of SP at points other than those listed on Exhibit A to this Agreement on the lines listed in Section 4a (including, but not limited to situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose with the contemplation of receiving rail service by both UP and SP). BNSF shall also have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement. BNSF shall also have the right to interchange with (w) the Tex-Mex Railway at Corpus Christi and Robstown, (x) the Georgetown Railroad at Kerr, (y) the FNM at Brownsville (Matamoros, Mexico) and Eagle Pass, and (z) at Elgin, the operator of SP's former line between Giddings and Llano should service be reinstituted on that line to Elgin. BNSF's access and interchange rights at Corpus Christi and Brownsville shall be at least as favorable as SP has currently. BNSF shall have direct access to the Port of Brownsville, the Brownsville and Rio Grande International Railroad, and the FNM. BNSF shall have the right to purchase for fair market value a yard at Brownsville to support trackage rights operations.

c) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which (i) new shipper facilities and future transloading facilities shall be open to BNSF service at points listed on Exhibit A to this Agreement and (ii) BNSF shall have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement, shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP either directly or through reciprocal switch. Where switching districts have been established they shall be presumed to establish these geographic limitations.

d) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads. BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election.

e) The trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

f) In lieu of BNSF's conducting actual trackage rights operations between Houston, Corpus Christi, Harlingen and Brownsville (including FNM interchange), UP/SP agrees, upon request by BNSF, to handle BNSF's business on a haulage basis for the fee called for by Section 8j of this Agreement. UP/SP shall accept, handle, switch and deliver traffic moving under haulage without any discrimination in promptness, quality of service, or efficiency in favor of comparable traffic moving in UP/SP's account.

g) UP/SP shall sell to BNSF UP's line between Dallas and Waxahachie with UP retaining trackage rights to exclusively serve local industries on the Dallas-Waxahachie line.

h) Upon the effectiveness of the trackage rights to Eagle Pass under this section, BNSF's right to obtain haulage services from UP/SP to and from Eagle Pass pursuant to the agreement between BNSF and SP dated April 13, 1995 and subsequent haulage agreement between those parties shall no longer apply, provided BNSF shall continue to have the right to use trackage at or near Eagle Pass as specified in that agreement for use in connection with trackage rights under this Agreement.

5. **Eastern Texas - Louisiana Trackage Rights and Purchase**

a) UP/SP shall grant to BNSF trackage rights on the following lines:

- SP's line between Houston, Texas and Iowa Junction in Louisiana;
- SP's line between Dayton, Texas and Baytown, Texas;
- SP's Channelview Spur which connects to the SP's line between Houston, TX and Iowa Junction, LA near Sheldon, TX for the sole purpose of reaching a

point of build-in/build-out to/from the facilities of Lyondell Petrochemical Company and Arco Chemical Company at Channelview, TX. UP/SP shall permit BN/Santa Fe or one or both shippers to construct and connect to SP's Channelview Spur, at their expense, a build-in/build-out line. BN/Santa Fe or the shippers shall have the right to purchase for net liquidation value all or any part of the Channelview Spur that UP/SP may abandon;

- SP's line near Avondale (SP MP 14.94 and West Bridge Junction (SP MP 9.97);
- UP's Main Line No. 1 from UP MP 14.29 to MP 14.11 including crossover to SP's main line and UP's MP 10.38 to MP 10.2; and
- UP's line between West Bridge Junction (UP MP 10.2) and UP's Westwego, Louisiana intermodal facility (approximately UP MP 9.2).

b) The trackage rights granted under this section shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to (i) "2-to-1" shipper facilities at points listed on Exhibit A to this Agreement, (ii) any existing or future transloading facility at points listed on Exhibit A to this Agreement and at points other than those listed on Exhibit A as the lines listed on Section 5a,, (iii) any new shipper facility located subsequent to UP's acquisition of control of SP at points listed on Exhibit A to this Agreement (including but not limited to situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose, with the contemplation of receiving rail service by both UP and SP), and (iv) any new shipper facility located subsequent to UP's acquisition of control of SP at points other than those listed on Exhibit A to this Agreement on the lines listed in Section 5a (including, but not limited to, situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose with the contemplation of receiving rail service by both UP and SP). BNSF shall also have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement. BNSF shall also have the right to handle traffic of shippers open to all of UP, SP and KCS at Lake Charles and West Lake, LA, and traffic of shippers open to SP and

KCS at West Lake Charles, LA. BNSF shall also have the right to interchange with and have access over the New Orleans Public Belt Railroad at West Bridge Junction.

c) Access to industries at points open to BNSF shall be direct or through reciprocal switch.

d) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switching, or (iii) with UP/SP's prior agreement, through use of a third party to perform switching for itself or both railroads. BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election.

e) UP/SP shall grant BNSF the right to use SP's Bridge 5A at Houston, Texas.

f) Trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

g) UP/SP shall sell to BNSF SP's line between Iowa Junction in Louisiana and near Avondale, Louisiana (SP MP 14.94). UP/SP shall retain full trackage rights including the right to serve all local industries on the line for the trackage rights charges set forth in Section 9a of this Agreement. UP/SP shall retain rights for the Louisiana and Delta Railroad (L&D) to serve as UP/SP's agent between Iowa Junction and points served by the L&D. BNSF agrees that the purchase of this line is subject to contracts between SP and the L&D. UP/SP shall cause L&D to pay BNSF compensation equal to that set forth in Table I in Section 9 of this Agreement for operations between Lafayette and Iowa Junction.

h) UP/SP shall sell to BNSF UP's Main Line No. 1 between MP 14.11 and 10.38, UP's Westwego, Louisiana intermodal terminal, SP's old Avondale Yard (together with the fueling and mechanical facilities located thereon) as shown on Exhibit C-1; and SP's Lafayette Yard.

6. **<u>Houston, TX-Valley Junction, IL Trackage Rights</u>**

a) UP/SP shall grant to BNSF overhead trackage rights on the following lines:

- SP's line between Houston, Texas and Fair Oaks, Arkansas via Cleveland and Pine Bluff (including the right to transport empty and loaded coal trains to and from a point of build-in/build-out to/from Entergy Services, Inc.'s plant at White Bluff, Arkansas if and when a build-in/build-out line is constructed by any entity other than UP/SP to connect such plant with SP's line between Houston and Fair Oaks);

- UP's line between Fair Oaks and Bridge Junction;
- SP's line between Brinkley and Briark, Arkansas;
- UP's line between Pine Bluff and North Little Rock, Arkansas;
- UP's line between Houston, TX and Valley Junction, IL, via Palestine, TX;
- SP's line between Fair Oaks, AR and Illmo, MO via Jonesboro, AR and Dexter Junction, MO; and
- UP's line between Fair Oaks and Bald Knob, AR.

b) In lieu of conducting actual operations between Pine Bluff and North Little Rock, Arkansas, UP/SP agrees, upon request by BNSF, to handle BNSF's business on a haulage basis for the fee called for by Section 8j of this Agreement.

c) The trackage rights granted under this section shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to (i) "2-to-1" shipper facilities at points listed on Exhibit A to this Agreement, (ii) any existing or future transloading facility at points listed on Exhibit A to this Agreement and at points other than those listed on Exhibit A on the lines listed in Section 6a,, (iii) any new shipper facility located subsequent to UP's acquisition of control of SP at points listed on Exhibit A to this Agreement (including but not limited to situations where, when the Agreement was signed, a shipper facility was being developed or land had been acquired for that purpose, with the contemplation of receiving rail service by both UP and SP), and (iv) any new shipper facility located subsequent to UP's acquisition of control of SP at points other than those listed on Exhibit A to this Agreement on the lines listed in Section 6a (including, but not limited to situations where, when the Agreement was signed, a new shipper facility was being developed or land had been acquired for that purpose with the contemplation of receiving rail service by both UP and SP). Except as provided in Section 91 of this Agreement, BNSF shall not have the right to enter or exit at intermediate points on UP's and SP's lines between Memphis and Valley Junction, IL. Traffic to be handled over the UP and SP lines between Memphis and Valley Junction, IL is limited to traffic that moves through, originates in, or terminates in Texas or Louisiana except that traffic originating or terminating at points listed on Exhibit A under the caption "Points Referred to in Section 6c" may also be handled over these lines. BNSF shall also have the right to handle traffic of shippers open to all of UP, SP and KCS at Texarkana, TX/AR, and Shreveport, LA, to and from the Memphis BEA (BEA 55), but not including proportional, combination or Rule 11 rates via Memphis or other points in the Memphis BEA. In the Houston-Memphis-St. Louis corridor, BNSF shall have the right to move some or all of its traffic via its trackage rights over either the UP line or the SP line, at its discretion, for operating convenience. BNSF shall also have the right to interchange with the Little Rock and Western Railway at Little Rock and the Little Rock Port Authority at Little Rock, with KCS at Shreveport, LA and Texarkana, TX/AR for movements of traffic that was originated by KCS at or that will be delivered by KCS to shippers at Lake Charles, West Lake, or West Lake Charles, LA, and the right to interchange with KCS (y) at Shreveport, LA for movements of loaded and empty coal trains moving to and from Texas Utilities Electric Company's Martin Lake generating station, and (z) at Texarkana, TX/AR for movements of empty coal trains returning from Texas Utilities Electric Company's Martin Lake generating station.

d) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which (i) new shipper facilities and future transloading facilities shall be open to BNSF service at points listed on Exhibit A to this Agreement and (ii) BNSF shall have the right to establish and exclusively serve intermodal and auto facilities at points listed on Exhibit A to this Agreement, shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP either directly or through reciprocal switch. Where switching districts have been established they shall be presumed to establish these geographic limitations.

e) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads. BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election.

f) The trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

g) BNSF shall grant to UP/SP overhead trackage rights on BN's line between West Memphis and Presley Junction. UP/SP shall be responsible for upgrading this line as necessary for its use. If BNSF uses this line for overhead purposes to connect its line to the trackage rights lines, BNSF shall share in one-half of the upgrading cost.

7. **St. Louis Area Coordinations**

a) UP/SP agree to cooperate with BNSF to facilitate efficient access by BNSF to other carriers at and through St. Louis via The Alton & Southern Railway Company (A&S). If BNSF requests, UP/SP agree to construct or cause to be constructed for the use of both BNSF and UP/SP a faster connection between the BN and UP lines at Grand Avenue and a third track from Grand Avenue to near Gratiot Street Tower at the sole cost and expense of BNSF. Upon completion of such construction, UP/SP shall grant to BNSF overhead trackage rights on UP's line between Grand Avenue and Gratiot Street.

b) UP wishes to secure dispatching authority for the MacArthur Bridge across the Mississippi River at St. Louis. Dispatching is currently controlled by the Terminal Railroad Association of St. Louis (TRRA). BNSF agrees that it will cause its interest on the TRRA Board or any shares it owns in the TRRA, to be voted in favor of transferring dispatching control of the MacArthur Bridge to UP if such matter is presented to the TRRA Board or its shareholders for action. Such dispatching shall be performed in a manner to ensure that all users are treated equally.

c) If BNSF desires to use the A&S Gateway Yard, upon transfer of MacArthur Bridge dispatching to UP, UP/SP shall assure that charges assessed by the A&S to BNSF for use of Gateway Yard are equivalent to those assessed other non-owners of A&S.

d) UP/SP and BNSF agree to provide each other reciprocal detour rights between Bridge Junction-West Memphis and St. Louis in the event of flooding, subject to the availability of sufficient capacity to accommodate the detour.

8. **Additional Rights**

a) UP/SP shall grant BNSF overhead trackage rights on SP's line between Richmond and Oakland, California for rail traffic of all kinds, carload and intermodal, for all commodities to enable BNSF to connect via SP's line with the Oakland Terminal Railroad ("OTR") and to access the Oakland Joint Intermodal Terminal ("JIT"), or similar public intermodal facility, at such time as the JIT is built. BNSF shall pay 50% of the cost (up to $2,000,000 maximum) for upgrading to mainline standards and reverse signaling of SP's No. 1 track between Emeryville (MP 8) and Stege (MP 13.1). Compensation for these trackage rights shall be at the rate of 3.48 mills per ton mile for business moving in the "I-5 Corridor" and 3.1 mills per ton mile on all other carload and intermodal business and 3.0 mills per ton mile for bulk business escalated in accordance with the provisions of Section 12 of this Agreement. UP/SP shall assess no additional charges against BNSF for access to the JIT and the OTR.

b) BNSF shall waive any payment by UP/SP of the Seattle Terminal 5 access charge.

c) BNSF shall grant to UP overhead trackage rights on BN's line between Saunders, Wisconsin and access to the MERC dock in Superior, Wisconsin.

d) BNSF shall grant UP the right to use the Pokegama connection at Saunders, Wisconsin (i.e., the southwest quadrant connection at Saunders including the track between BN MP 10.43 and MP 11.14).

e) BNSF shall waive SP's requirement to pay any portion of the Tehachapi tunnels clearance improvements pursuant to the 1993 Agreement between Santa Fe and SP.

f) BNSF shall allow UP to exercise its rights to use the Hyundai lead at Portland Terminal 6 without any contribution to the cost of constructing such lead.

g) BNSF shall allow UP/SP to enter or exit SP's Chicago-Kansas City-Hutchinson trackage rights at Buda, Earlville, and west of Edelstein, Illinois. UP/SP shall be responsible for the cost of any connections required.

h) BNSF will amend the agreement dated April 13, 1995, between BNSF and SP to allow UP/SP to enter and exit Santa Fe's line solely for the purposes of permitting UP/SP or its agent to pick up and set out interchange business, including reciprocal switch business at Newton, Kansas, and switching UP industry at that point.

i) It is the intent of the parties that this Agreement result in the preservation of service by two competing railroad companies for all customers listed on Exhibit A to this Agreement presently served by both UP and SP and no other railroad (2-to-1 customers).

The parties recognize that some 2-to-1 customers will not be able to avail themselves of BNSF service by virtue of the trackage rights and line sales contemplated by this Agreement. For example, 2-to-1 customers located at points between Niles Junction and the end of the joint track near Midway (including Livermore, CA, Pleasanton, CA, Radum, CA, and Trevarno, CA), Lyoth, CA, Lathrop, CA, Turlock, CA, South Gate, CA, Tyler, TX, Defense, TX, College Station, TX, Great Southwest, TX, Victoria, TX, Sugar Land, TX, points on the former Galveston, Houston & Henderson Railroad served only by UP and SP, Opelousas, LA, and Herington, KS, are not accessible under the trackage rights and line sales covered by this Agreement. Accordingly, UP/SP and BNSF agree to enter into arrangements under which, through trackage rights, haulage, ratemaking authority or other mutually acceptable means, BNSF will be able to provide competitive service to 2-to-1 customers at the foregoing points and to any 2-to-1 customers who are not located at points expressly referred to in this Agreement or Exhibit A to this Agreement.

BNSF shall have the right to interchange with any short-line railroad which, prior to the date of this Agreement could interchange with both UP and SP and no other railroad.

j) In addition to the right to serve build-in/build-out lines specified in Sections 4a, 5a and 6a, BNSF shall have the right to serve via a new build-in/build-out line constructed to reach a facility that was, prior to September 11, 1996, solely served by either UP or SP and would be open to two-railroad service upon construction of the build-in/build-out line (a) to a point on lines owned by SP on September 11, 1996, in the case of facilities solely served by UP, or (b) to a point on lines owned by UP on September 11, 1996, in the case of facilities solely served by SP. UP shall grant BNSF any trackage rights that may be necessary for BNSF to reach the point at which the build-in/build-out line connects with the line in question. Notwithstanding the requirement in Section 15 of this Agreement that unresolved disputes and controversies be submitted for binding arbitration, technical disputes with respect to the implementation of the right to serve build-in/build-out lines can be presented by the parties to the Surface Transportation Board for resolution.

k) Where this Agreement authorizes BNSF to utilize haulage to provide service the fee for such haulage shall be $.50 per car mile plus a handling charge to cover handling at the haulage junction with BNSF and to or from a connecting railroad or third party contract switcher. The handling charge shall be $50 per loaded or empty car for intermodal and carload and $25 per loaded or empty car for unit trains with unit train defined as 67 cars or more of one commodity in one car type moving to a single destination and consignee. UP/SP shall bill BNSF the $50 per car handling charge for all cars and, upon receipt of appropriate documentation from BNSF demonstrating that business assessed the $50 per car handling fee was a unit train, adjust prior billings by $25 per car for each car BNSF demonstrates to have been eligible for the $25 per car handling charge for unit trains. Where UP/SP is providing reciprocal switching services to BNSF at "2-to-1" facilities as provided for in Section 9h of this Agreement, the per car handling charge shall not be assessed at the point where such reciprocal switch charge is assessed. The haulage fee and handling charge shall be adjusted upwards or downwards in accordance with Section 12 of this Agreement.

l) In the event, for any reason, any of the trackage rights granted under this Agreement cannot be implemented because of the lack of sufficient legal authority to carry out such grant, then UP/SP shall be obligated to provide an alternative route or routes, or means of access of commercially equivalent utility at the same level of cost to BNSF as would have been provided by the originally contemplated rights.

9. <u>**Trackage Rights - General Provisions**</u>

a) The compensation for operations under this Agreement shall be set at the levels shown in the following table:

Table I
Trackage Rights Compensation
(mills per ton-mile)

	Keddie-Stockton/Richmond	All Other Lines
Intermodal and Carload	3.48	3.1
Bulk (67 cars or more of one commodity in one car type)	3.0	3.0

These rates shall apply to all equipment moving in a train consist including locomotives. The rates shall be escalated in accordance with the procedures described in Section 12 of this Agreement. The owning line shall be responsible for maintenance of its line in the ordinary course including rail relay and tie replacement. The compensation for such maintenance shall be included in the mills per ton mile rates received by such owning line under this Agreement.

b) BNSF and UP/SP will conduct a joint inspection to determine necessary connections and sidings or siding extensions associated with connections, necessary to implement the trackage rights granted under this Agreement. The cost of such facilities shall be borne by the party receiving the trackage rights which such facilities are required to implement. Either party shall have the right to cause the other party to construct such facilities. If the owning carrier decides to utilize such facilities constructed by it for the other party, it shall have the right to do so upon payment to the other party of one-half (½) the original cost of constructing such facilities.

c) Capital expenditures on the lines over which BNSF has been granted trackage rights pursuant to this Agreement (the trackage rights lines) will be handled as follows:

i) UP/SP shall bear the cost of all capacity improvements that are necessary to achieve the benefits of its merger as outlined in the application filed with the ICC for authority for UP to control SP. The operating plan filed by UP/SP in support of the application shall be given presumptive weight in determining what capacity improvements are necessary to achieve these benefits.

ii) Any capacity improvements other than those covered by subparagraph (i) above shall be shared by the parties based upon their respective usage of the line in question, except as otherwise provided in subparagraph (iii) below.

That respective usage shall be determined by the 12 month period prior to the making of the improvement on a gross ton mile basis.

(iii) For 18 months following UP's acquisition of control of SP, BNSF shall not be required to share in the cost of any capital improvements under the provision of subparagraph (ii) above.

(iv) BNSF and UP/SP agree that a capital reserve fund of $25 million, funded out of the purchase price listed in Section 10 of this Agreement, shall be established. This capital reserve fund shall, with BNSF's prior consent which will not unreasonably be withheld, be drawn down to pay for capital projects on the trackage rights lines that are required to accommodate the operations of both UP/SP and BNSF on those lines, but in any event shall not be used for expenditures covered by subparagraph (i) above. Any disputes over whether a project is required to accommodate the operation of both parties shall be referred to binding arbitration under Section 15 of this Agreement.

(v) If both UP/SP and BNSF intend to serve new shipper facilities or future transloading facilities located subsequent to UP's acquisition of control of SP as authorized by Sections 1b, 4b, 5b, and 6c, they shall share equally in any capital investment necessary to provide rail service to such new shipper facility. If only one railroad initially provides such service, the other railroad may elect to provide service at a later date, but only after paying to the railroad initially providing such service 50% of any capital investment (including per annum interest thereon) made by the railroad initially providing rail service to the new shipper facility. Per annum interest shall be at a rate equal to the average paid on 90-day Treasury Bills of the United States Government as of the date of completion until the date of use by the other railroad commences. Per annum interest shall be adjusted annually on the first day of the twelfth (12th) month following the date of completion and every year thereafter on such date, based on the percentage increase or decrease, in the average yield of 30-year U.S. Treasury Notes for the prior year compared to their average yield in first year of completion of the access to such industry or industries. Each annual adjustment shall be subject, however, to a "cap" (up or down) of two percentage points more or less than the prior year's interest rate.

d) The management and operation of the trackage rights line shall be under the exclusive direction and control of the owning carrier. The owning carrier shall have the unrestricted power to change the management and operations on and over joint trackage as in its judgement may be necessary, expedient or proper for the operations thereof intended. Trains of the parties utilizing joint trackage shall be given equal dispatch without any discrimination in promptness, quality of service, or efficiency in favor of comparable traffic of the owning carrier.

Owner shall keep and maintain the trackage rights lines at no less than the track standard designated in the current timetable for the applicable lines subject to the separate trackage rights agreement. The parties agree to establish a joint service committee to regularly review operations over the trackage rights lines.

e) Each party shall be responsible for any and all costs relating to providing employee protection benefits, if any, to its employees prescribed by law, governmental authority or employee protective agreements where such costs and expenses are attributable to or arise by reason of that party's operation of trains over joint trackage. To the extent that it does not violate existing agreements, for a period of three years following acquisition of control of SP by UP, BNSF and UP/SP shall give preference to each other's employees when hiring employees needed to carry out trackage rights operations or operate lines being purchased. The parties shall provide each other with lists of available employees by craft or class to whom such preference shall be granted. Nothing in this Section 9.e) is intended to create an obligation to hire any specific employee.

f) The trackage rights grants described in this Agreement, and the purchase and sale of line segments shall be included in separate trackage rights and line sale agreement documents respectively of the kind and containing such provisions as are normally and customarily utilized by the parties, including exhibits depicting specific rail line segments, and other provisions dealing with maintenance, improvements, and liability, subject to more specific provisions described for each grant and sale contained in this Agreement and the general provisions described in this section. BNSF and

UP/SP shall elect which of their constituent railroads shall be a party to each such trackage rights agreement and line sale and shall have the right to assign the agreement among their constituent railroads. The parties shall use their best efforts to complete such agreements by June 1, 1996. If agreement is not reached by June 1, 1996 either party may request that any outstanding matters be resolved by binding arbitration with the arbitration proceeding to be completed within sixty (60) days of its institution. In the event such agreements are not completed by the date the grants of such trackage rights are to be effective, it is intended that operations under such grants shall be commenced and governed by this Agreement.

g) All locations referenced herein shall be deemed to include all areas within the present designated switching limits of the location, and access to such locations shall include the right to locate and serve new auto and intermodal facilities at such locations and to build yards or other facilities to support trackage rights operations.

h) If requested by BNSF, UP/SP will provide to BNSF reciprocal switching services at "2-to-1" shipper facilities covered in this Agreement at a rate of no more than $130 per car adjusted pursuant to Section 12 of this Agreement.

i) It is the intent of the parties that BNSF shall, where sufficient volume exists, be able to utilize its own terminal facilities to handle such local traffic. These locations include Salt Lake City, Ogden, Brownsville and San Antonio, and other locations where such volume develops. Facilities or portions thereof presently utilized by UP or SP at such locations shall be acquired from UP/SP by lease or purchase at normal and customary charges. Upon request of BNSF and subject to availability and capacity, UP/SP shall provide BNSF with terminal support services including fueling, running repairs and switching. UP/SP shall also provide intermodal terminal services at Salt Lake City, Reno, and San Antonio. UP/SP shall be reimbursed for such services at UP's normal and customary charges. Where terminal support services are not required, BNSF shall not be assessed additional charges for train movements through a terminal. BNSF shall also have equal access along with UP/SP, on economic terms no less favorable than the terms of UP/SP's access, to all SP Gulf Coast storage in transit ("SIT") facilities for storage in transit of traffic handled by BNSF under the terms of this Agreement. UP/SP agree to work with BNSF to locate additional SIT facilities on the trackage rights lines as necessary.

j) BNSF may, subject to UP/SP's consent, use agents for limited feeder service on the trackage rights lines.

k) BNSF shall have the right to inspect the UP and SP lines over which it obtains trackage rights under this agreement and require UP/SP to make such improvements under this section as BNSF deems necessary to facilitate its operations at BNSF's sole expense. Any such inspection must be completed and improvements identified to UP/SP within one year of the effectiveness of the trackage rights.

l) BNSF shall have the right to connect, for movement in all directions, with its present lines (including existing trackage rights) at points where its present lines (including existing trackage rights) intersect with lines it will purchase or be granted trackage rights over pursuant to this Agreement. UP/SP shall have the right to connect, for movement in any direction, with its present lines (including trackage rights) at points where its present lines (including trackage rights) intersect with lines it will be granted trackage rights over pursuant to this Agreement. BNSF shall also have the right, at City Public Service Board of San Antonio, TX' option, to connect for movement to and from Elmendorf, TX, where BNSF's trackage rights granted pursuant to this Agreement intersect at SP Junction (Tower 112) with the existing trackage rights SP has granted to City Public Service Board of San Antonio, TX.

10. **Compensation for Sale of Line Segments**

a) BNSF shall pay UP/SP the following amounts for the lines it is purchasing pursuant to this Agreement:

Line Segment	Purchase Price
Keddie-Bieber	$ 30 million
Dallas-Waxahachie	20 million
Iowa Jct.-Avondale MP 16.9 (includes UP's Westwego intermodal yard; SP's Avondale "New" yard; and SP's Lafayette yard)	100 million

b) The purchase shall be subject to the following terms:

(i) the condition of the lines at closing shall be at least as good as their current conditions as reflected in the current timetable and slow orders (slow orders to be measured by total mileage at each level of speed restrictions).

(ii) includes track and associated structures together with right-of-way and facilities needed for operations.

(iii) indemnity for environmental liabilities attributable to UP/SP's prior operations.

(iv) standard provisions for sales of this nature involving title, liens, encumbrances other than those specifically reserved or provided for by this Agreement.

(v) assignment of associated operating agreements (road crossings, crossings for wire and pipelines, etc.). Non-operating agreements shall not be assigned.

(vi) removal by Seller, from a conveyance, within 60 days of the closing of any sale, of any non-operating real property without any reduction in the agreed upon purchase price.

(vii) the purchase will be subject to easements or other agreements involving telecommunications, fibre optics or pipeline rights or operations in effect at the time of sale.

BNSF shall have the right to inspect the line segments and associated property to be sold and records associated therewith for a period of ninety days from the date of this Agreement to determine the condition and title of such property. At the end of such period, BNSF shall have the right to decline to purchase any specific line segment or segments. In such event UP/SP shall grant BNSF overhead trackage rights on any such segment with compensation to be paid, in the case of Avondale-Iowa Junction on the basis of the charges set forth in Section 9a of this Agreement, and in the case of Keddie-Bieber on a typical joint facility basis with maintenance and operating costs to be shared on a usage basis (gross ton miles used to allocate usage) and annual interest rental equal to the depreciated book value times the then current cost of capital as determined by the ICC times a usage basis (gross ton miles). In the case of Dallas-Waxahachie, operation would continue under the existing trackage rights agreement.

c) Prior to closing the sale of SP's Iowa Jct.-Avondale line (the "IJA Line"), representatives of UP/SP and BNSF shall conduct a joint inspection of the IJA Line to consider whether its condition at closing meets the standard established in Section 10b(i) of this Agreement. If the representatives of the parties are unable to agree that the condition of the IJA Line meets this standard, then BNSF shall place $10.5 million of the purchase price in escrow with a mutually agreed upon escrow agent, and closing shall take place. After closing the parties shall mutually select an independent third party experienced in railroad engineering matters (the "Arbitrator") who shall arbitrate the dispute between the parties as to whether the condition of the IJA Line is in compliance with Section 10b(i) of this Agreement. Arbitration shall be conducted pursuant to Section 15 subject to the foregoing qualification that the Arbitrator be experienced in railroad engineering matters. If the Arbitrator finds the IJA Line is below the standard, the Arbitrator shall determine the amount (which shall not exceed $10.5 million) required to bring it in compliance with the standard and authorize the payment of such amount out of the escrow fund to BNSF with the balance, if any, paid to UP/SP. Any amount so paid to BNSF out of the escrow fund to bring the IJA Line into compliance with the standard shall be used by BNSF exclusively to that end (or to reimburse BNSF for funds previously expended to that end) and UP/SP shall not, as a tenant on the IJA Line be billed for any work undertaken by BNSF pursuant to the provisions of this Section 10c.

11. **Term**

This Agreement shall be effective upon execution for a term of ninety-nine years, provided, however, that the grants of rights under Section 1 through 8 shall be effective only upon UP's acquisition of control of SP, and provided further that BNSF may terminate this Agreement by notice to UP/SP given before the close of business on September 26, 1995, in which case this Agreement shall have no further force or effect. This Agreement and all agreements entered into pursuant or in relation hereto shall terminate, and all rights conferred pursuant thereto shall be canceled and deemed void <u>ab initio</u>, if, in a Final Order, the application for authority for UP to control SP has been denied or has been approved on terms unacceptable to the applicants, provided, however, that if this Agreement becomes effective and is later terminated, any liabilities arising from the exercise of rights under Sections 1 through 8 during the period of its effectiveness shall survive such termination. For purposes of this Section 11, "Final Order" shall mean an order of the Interstate Commerce Commission, any successor agency, or a court with lawful jurisdiction over the matter which is no longer subject to any further direct judicial review (including a petition for writ of certiorari) and has not been stayed or enjoined.

12. **Adjustment of Charges**

All trackage rights charges under this Agreement shall be subject to adjustment upward or downward July 1 of each year by the difference in the two preceding years in UP/SP's system average URCS costs for the categories of maintenance and operating costs covered by the trackage rights fee. "URCS costs" shall mean costs developed using the Uniform Rail Costing System. The additional fee BNSF must pay UP/SP pursuant to Section 5b of this Agreement shall be subject to this same adjustment.

The rates for reciprocal switching services established in Section 9h and for haulage service established in Section 8j shall be adjusted upward or downward each July 1 of each year to reflect fifty percent (50%) of increases or decreases in Rail Cost Adjustment Factor, not adjusted for changes in productivity ("RCAF-U") published by the Surface Transportation Board or successor agency or other organizations. In the event the RCAF-U is no longer maintained, the parties shall select a substantially similar index and, failing to agree on such an index, the matter shall be referred to binding arbitration under Section 15 of this Agreement.

The parties will agree on appropriate adjustment factors if not covered herein for switching, haulage and other charges.

Upon every fifth anniversary of the effective date of this Agreement, either party may request on ninety (90) days notice that the parties jointly review the operations of the adjustment mechanism and renegotiate its application. If the parties do not agree on the need for or extent of adjustment to be made upon such renegotiation, either party may request binding arbitration under Section 15 of this Agreement. It is the intention of the parties that rates and charges for trackage rights and services under this Agreement reflect the same basic relationship to operating costs as upon execution of this Agreement.

13. **Assignability**

This Agreement and any rights granted hereunder may not be assigned in whole or in part without the prior consent of the other parties except as provided in this Section. No party may permit or admit any third party to the use of all or any of the trackage to which it has obtained rights under this Agreement, nor under the guise of doing its own business, contract or make any arrangement to handle as its own trains, locomotives, cabooses or cars of any such third party which in the normal course of business would not be considered the trains, locomotives, cabooses or cars of that party.

In the event of an authorized assignment, this Agreement and the operating rights hereunder shall be binding upon the successors and assigns of the parties. This Agreement may be assigned by either party without the consent of the other only as a result of a merger, corporate reorganization, consolidation, change of control or sale of substantially all of its assets.

14. **Government Approvals**

The parties agree to cooperate with each other and make whatever filings or applications, if any, are necessary to implement the provisions of this Agreement or of any separate agreements made pursuant to Section 9f and whatever filings or applications may be necessary to obtain any approval that may be required by applicable law for the provisions of such agreements. BNSF agrees not to oppose the primary application or any related applications in Finance Docket No. 32760 (collectively the "control case"), and not to seek any conditions in the control case, not to support any requests for conditions filed by others, and not to assist others in pursuing their requests. BNSF shall remain a party in the control case, but shall not participate further in the control case other than to support this Agreement, to protect the commercial value of the rights granted to BNSF by this Agreement, and to oppose requests for conditions by other parties which adversely affect BNSF; provided, however, that BNSF agrees to reasonably cooperate with UP/SP in providing testimony to the ICC necessary to demonstrate that this Agreement and the operations to be conducted thereunder shall provide effective competition at the locations covered by the Agreement. UP/SP agree to support this Agreement and its implementation and warrant that it has not entered into agreements with other parties granting rights to other parties granted to BNSF under this Agreement. UP/SP agree to ask the ICC to impose this Agreement as a condition to approval of the control case. During the pendency of the control case, UP and SP shall not, without BNSF's written consent, enter into agreements with other parties which would grant rights to other parties granted to BNSF or inconsistent with those granted to BNSF under this Agreement which would substantially impair the overall economic value of rights to BNSF under this Agreement.

15. **Arbitration**

Unresolved disputes and controversies concerning any of the terms and provisions of this Agreement or the application of charges hereunder shall be submitted for binding arbitration under

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Commercial Arbitration Rules of the American Arbitration Association which shall be the exclusive remedy of the parties.

16. **Further Assurances**

The parties agree to execute such other and further documents and to undertake such acts as shall be reasonable and necessary to carry out the intent and purposes of this Agreement.

17. **No Third Party Beneficiaries**

This Agreement is intended for the sole benefit of the signatories to this Agreement. Nothing in this Agreement is intended or may be construed to give any person, firm, corporation or other entity, other than the signatories hereto, their permitted successors and permitted assigns, and their affiliates any legal or equitable right, remedy or claim under this Agreement.

UNION PACIFIC RAILROAD COMPANY

By:______________________________
Title:_____________________________

SOUTHERN PACIFIC
TRANSPORTATION COMPANY

By:__________________________
Title:_________________________

THE BURLINGTON NORTHERN AND
SANTA FE RAILWAY COMPANY

By:__________________________
Title:_________________________

EXHIBIT A

Points Referred to in Section 1b

Provo UT
Salt Lake City UT
Ogden UT
Ironton UT
Gatex UT
Pioneer UT
Garfield/Smelter/Magna UT (access to Kennecott private railway)
Geneva UT
Clearfield UT
Woods Cross UT
Relico UT
Evona UT
Little Mountain UT
Weber Industrial Park UT
Points on paired track from Weso NV to Alazon NV
Reno NV (only intermodal, automotive, [BNSF must establish its own automobile facility], transloading, and new shipper facilities located on the SP line)
Herlong CA
Johnson Industrial Park at Sacramento CA
West Sacramento CA (Farmers Rice)
Port of Sacramento CA
Points between Oakland CA and San Jose CA (including Warm Springs CA, Fremont CA, Elmhurst CA, Shinn CA, Kohler CA, and Melrose CA)
San Jose CA

Points Referred to in Section 3a

Ontario CA
La Habra CA
Fullerton CA

Points Referred to in Section 4b

Brownsville TX
Port of Brownsville TX
Port of Corpus Christi
Harlingen TX
Corpus Christi TX
Sinton TX
San Antonio TX
Elmendorf TX
Halsted TX (LCRA plant)
Waco TX
Points on Sierra Blanca-El Paso line

Points Referred to in Section 5b

Baytown TX
Amelia TX
Orange TX
Mont Belvieu TX (Amoco, Exxon, Chevron plants)
Eldon TX (Bayer plant)
Harbor LA

Points Referred to in Section 6c

Camden AR
Pine Bluff AR
Fair Oaks AR
Baldwin AR
Little Rock AR
North Little Rock AR
East Little Rock AR
Forrest City AR
Paragould AR
Dexter MO

EXHIBIT B

TERM SHEET FOR UP/SP-BNSF PROPORTIONAL RATE AGREEMENT COVERING I-5 CORRIDOR

Concept

BNSF trackage rights in the "I-5" corridor will allow BNSF to handle traffic on a single line basis that currently moves via joint BN-SP routes. This Agreement will enable UPSP to compete with BNSF for that traffic and to make rates, using the proportional rates, to and from all points UP/SP serves in the covered territory described below.

Covered Territory

Traffic moving between the following areas north of Portland, Oregon and west of Billings and Havre, Montana:

- Canadian interchanges in Vancouver area
- Points north of Seattle and west of Cascades
- Points south of and including Seattle and west of Cascades
- Washington points east of Cascades and west of and including Spokane
- Points east of Spokane and west of Billings and Havre

and points in

- Arizona,
- California,
- Colorado,
- New Mexico,
- Nevada,
- Oregon,
- Utah,
- Texas west of Monahans and Sanderson, and
- connections to Mexico at El Paso and to the west.

Traffic Covered

Traffic covered will be all commodities (carload, intermodal and bulk) moving both southbound and northbound. All cars loaded or made empty on BNSF lines in the Covered Territory (including reloads) and cars received in interchange.

Proportional Rates

A third party, such as a major accounting firm or other established transportation consultant (the "consultant"), will be employed to compute the proportional rates. The mileage prorate shall be the ratio of (a) BNSF miles between areas north of Portland or interchange north of Portland and SP interchange at Portland to (b) BNSF single-line miles from BNSF origin or interchange to BNSF destination or interchange.

The consultant will develop a table of net ton mile rates (net of refunds, allowances, and rebates). This table will be in matrix form based on commodity, car type, and area north of Portland, Oregon. The rates shown in the matrix will be by commodity at the 3-digit STCC level and by car type for movement between each of the areas north of Portland, Oregon, and the Portland interchange. The net ton mile rates will be based on movements between each of the areas north of Portland and the group of states (including connections to Mexico) listed above. The initial rates will be derived based on the BN-SP portion of BN-SP interline rates (net of refunds, allowances, and rebates) in effect in the quarter preceding acquisition of SP by UP.

The net ton mile rate for each commodity/car type shall be a weighted average of the rates applicable to movements of each such commodity/car type between the points listed above. An example of this computation is attached.

New rates will be derived each subsequent quarter. In subsequent quarters, the rates will include a prorate of both SP-BNSF interline rates (net of refunds, allowances, and rebates) and BNSF single-line rates (net of refunds, allowances, and rebates). At such time as a rate can be developed for a particular commodity/car type on the basis of a BNSF single-line rate then future rate adjustments for such commodity/car type shall be based solely on BNSF single-line rates. All computations of net ton mile rates will be based on rates that actually moved traffic.

UP/SP agree that any rate it publishes will reflect the proportional rate from the latest quarterly study and BNSF's division shall be that amount. Movements using proportional rates shall be interline BNSF-UP/SP movements and will be billed accordingly. Proportional rates used by UP/SP in contracts will be escalated on the same basis as UP/SP's rates are escalated. BNSF and UP/SP will establish procedures to ensure that in settling interline accounts UP/SP's and BNSF's revenue south of Portland is not disclosed to the other.

Application

The net ton mile rates in each cell of the matrix will be applied to the BN mileage and the associated net tons from areas north of Portland to Portland interchange to develop the proportional rate to the Portland interchange.

Service

BNSF shall accept, handle, switch and deliver traffic moving under this Agreement without any discrimination in promptness, quality of service, or efficiency in favor of comparable traffic moving in BNSF's account. UP/SP has the right to provide equipment. BNSF will work with UP/SP to establish and provide trackage for strategically located car distribution points in BN territory. To the extent justified by business volumes, BNSF will continue operating Vancouver, BC-Portland (SP interchange) trains comparable to BN Nos. 111 and 112. BNSF will cooperate with UP/SP to establish necessary blocks to provide efficient and competitive service on traffic moving under the proportional rate.

Third Party Consultant

The third party consultant shall be jointly employed by UP/SP and BNSF. The parties will share equally in the expense of employing such third party consultant. Both UP/SP and BNSF shall have the right to audit the work of the third party consultant and agree to share in any irregularities found in this work and cooperate to work with the third party consultant to establish procedures to promptly correct those deficiencies. The third party consultant shall be required to remain impartial between UP/SP and BNSF. Any breach of the impartiality requirement shall result in the termination of such third party consultant and the selection of a new consultant by the parties.

Example of Revenue Per Ton Mile
Calculation by Origin-Destination Cell
Cell Includes Car Type and Commodity

	Assumption:	Move 1	Move 2
1.	BNSF Revenue Per Car From O/D Areas North of Portland to Destination States	$5000	$2000
2.	BNSF Miles From O/D Areas North of Portland to Destination States	1000	500
3.	BNSF Net Tons From O/D Areas North of Portland to Destination States	100	50
4.	BNSF Number of Carloads From O/D Areas North of Portland to Destination States	10	5
5.	BNSF Miles Between Actual Point of Origin to Interchange and Portland	300	200

A. Revenue/NTM Factor (Computed by Consultant for Each Call in Matrix)

$$\frac{\dfrac{\sum(1) \times (4)}{(2) \times (3)}}{\sum(4)} \text{ (for all moves)}$$

$$\frac{\dfrac{5000 \times 10}{1000 \times 100} + \dfrac{2000 \times 5}{500 \times 50}}{10 + 5} = \$0.06/\text{NTM}$$

B. Compute BNSF Division on a Specific Move

(A) x (5) x (3)
$0.06 x 300 x 100 = $1800
$0.06 x 200 x 50 = $ 600

342-2280

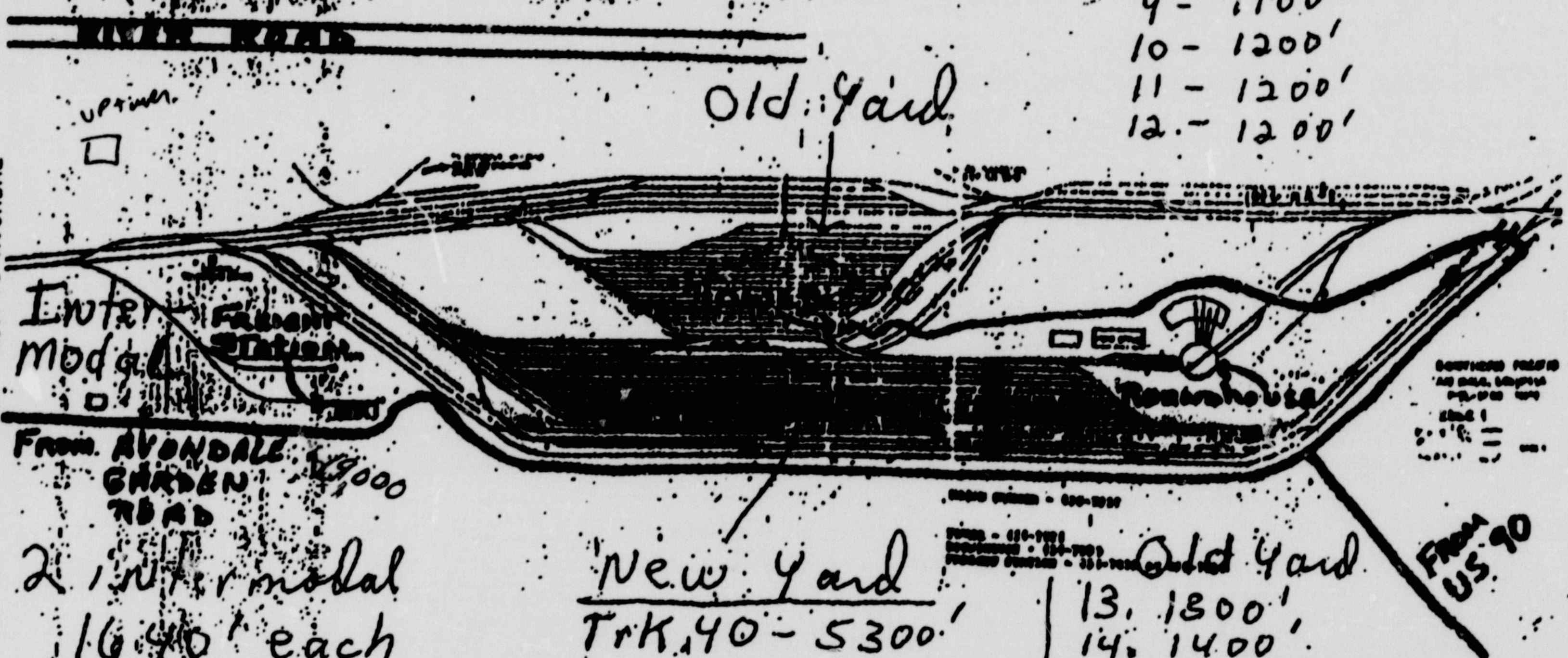
S.P. Avondale Yard

350 7150

needs Rehab

Old Yard Capacity

4 - 7900' (Thru X-overs)
5 - 7800' (" ")
6 - 1900'
7 - 2500'
8 - 2100'
9 - 1100'
10 - 1200'
11 - 1200'
12. - 1200'



21 intermodal
1640' each

New Yard

TrK. 40 - 5300'
37-39 - 4000'
30-36 - 2000'
29 - 1500'
28 - 1200'
27 - 1150'
26 - 1100'
25 - 900

Old Yard

13. 1800'
14. 1400'
15. 1800'
16. 1700'
17. 1600'
18. 1500
19. 1400'
20 1300'
21 1200'
22 1100

23.) 1000'
24.) 900+

Not to scale
not entirely accurate

EXHIBIT C

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** TOTAL PAGE.001 **

** TOTAL PAGE.001 **

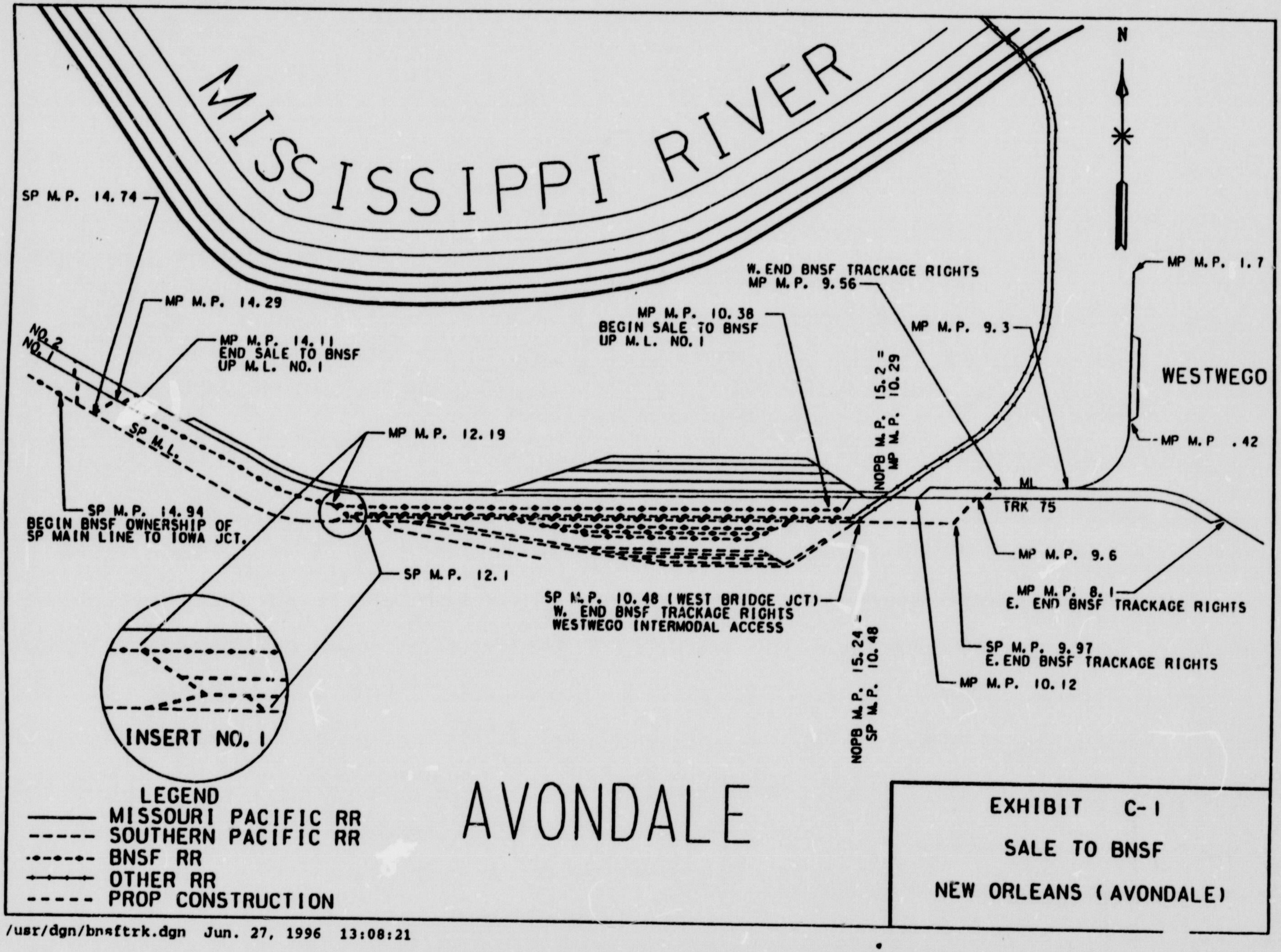

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EXHIBIT C

UP Counterpart

PROPORTIONAL RATE AGREEMENT

THIS AGREEMENT made as of this 22d day of May, 1997, between The Burlington Northern and Santa Fe Railway Company, a Delaware corporation and its railroad affiliates (The Burlington Northern and Santa Fe Railway Company and all of its railroad affiliates, and, where appropriate in the context, their predecessors, are hereinafter referred to collectively as "BNSF"), on the one hand, and Union Pacific Railroad Company, a Utah corporation ("UPRR"), and Southern Pacific Transportation Company, a Delaware corporation ("SP") and all of their railroad affiliates (UPRR, SP and all of their railroad affiliates, and, where appropriate in the context, their predecessors, are hereinafter referred to collectively as "UP"), on the other hand.

WITNESSETH:

WHEREAS, BNSF and UP are parties to an agreement dated September 25, 1995, as supplemented by agreements dated November 18, 1995 and June 27, 1996 (the "Settlement Agreement"), and

WHEREAS, pursuant to Section 2c of the Settlement Agreement, BNSF and UP agreed, using the procedures established in Section 9f of the Settlement Agreement, to establish a Proportional Rate Agreement incorporating the terms of the "Term Sheet for UP/SP-BNSF Proportional Rate Agreement Covering I-5 Corridor" attached as Exhibit B to the Settlement Agreement (the "Term Sheet"), and

WHEREAS, by Letter Agreement dated January 8, 1997 (the "Letter Agreement"), BNSF and UP settled certain disputes regarding the terms of the Proportional Rate Agreement.

NOW, THEREFORE, it is mutually agreed by and between the parties:

1. General.

This Agreement allows UP unilaterally to establish rates for all commodities in all car types moving between (a) BNSF-served facilities or interchanges in the Northern Region as shown on the attached Exhibit A and further defined below and (b) UP origins and destinations or interchanges in the Southern Region as shown on Exhibit A and further defined below. For purposes of this Agreement, (i) "BNSF-served facility" shall mean any facility at which rail traffic originates or terminates now or in the future (including, but not limited to, plants, storage facilities, transload facilities, automobile ramps, intermodal facilities, port facilities, and team tracks), served directly or through any switching arrangement (including, but not limited to, reciprocal switching, joint facility switching, and third party switching) by BNSF regardless of whether the facility is served by more than one railroad but excluding (A) those facilities also served by UP directly, through haulage, or through any switching arrangement as described above and (B) intermodal and transload facilities located now or in the future within 75 miles of a UP served intermodal or transload facility, (ii) "origins" and "destinations" shall mean any point (including, but not limited to, plants, storage facilities, transload facilities, automobile ramps, intermodal facilities, port facilities and team tracks) at which rail traffic originates or terminates, regardless of whether such origins and destinations are served by more than one railroad, and (iii) "interchanges" shall mean any point of interchange between railroad companies regardless of whether more than one railroad interchanges with the connecting railroad or railroads at the interchange in question. All movements under this Agreement shall be handled in interline BNSF-UP service and be interchanged at Portland, Oregon. Rates shall be available under this Agreement regardless of the route used by UP between Portland and the UP origins, destinations or interchanges in the Southern Region. UP may negotiate with the Canadian National Railway Company ("CN") for an agreement under which proportional rates established under this Agreement can be used directly in conjunction with BCRAIL, Ltd. ("BCOL"). BNSF shall provide reasonable assistance to UP in such negotiation. UP may not establish rates under this Agreement for use directly in conjunction with BCOL until UP has first reached such an agreement with CN.

<u>Northern Region</u> - "Northern Region" shall mean and include all (a) BNSF-served facilities for purposes of determining points to and from which UP can establish rates under this Agreement and all BNSF origins and destinations for purposes of identifying movements of traffic used to calculate rate factors under Section 2, whether served now or in the future in British Columbia, in the State of Washington, in the State of Oregon north of Portland (excluding BNSF-served facilities in Portland and including BNSF's Astoria Branch), in the State of Idaho north of an east-west line drawn through the state at the geographic latitude of Portland, Oregon, and in the State of Montana west of a line drawn through Billings and Havre, (b) existing or future interchanges between Canadian railroads and BNSF for traffic originating or terminating in the Provinces of British Columbia, Alberta or Saskatchewan including, but not limited to, interchanges at

Vancouver, North Vancouver, Brownsville, and New Westminster, British Columbia, at Huntingdon, British Columbia/Sumas, Washington and at Coutts, Alberta/Sweet Grass, Montana, (c) existing or future interchanges with railroads except UP that are line haul carriers participating in interline revenue settlements (such as Central Montana Rail, Inc.) in the State of Washington, in the State of Oregon north of Portland, in the State of Idaho north of an east-west line drawn through the state at the geographic latitude of Portland, Oregon, and in the State of Montana west of a line drawn through Billings and Havre, and (d) origins and destinations on connecting railroads that are not line haul carriers participating in revenue settlements (such as Montana Rail Link) in the State of Washington, in the State of Oregon north of Portland, in the State of Idaho north of an east-west line drawn through the state at the geographic latitude of Portland, Oregon, and in the State of Montana west of a line drawn through Billings and Havre.

Southern Region - "Southern Region" shall mean and include (a) all UP origins and destinations whether served now or in the future by UP in the States of Arizona, California, Colorado, New Mexico, Nevada, Oregon (excluding Portland as an origin or destination and excluding any portion of Oregon included in the Northern Region), Utah and Texas west of a line drawn between Monahans and Sanderson, and including, but not limited to, origins and destinations now or in the future served in common by UP and BNSF (and/or any other railroad) as well as origins and destinations now or in the future served exclusively by UP and (b) existing or future interchanges with (i) Mexican railroads and (ii) other railroads in the states listed above.

For purposes of excluding it from the geographic coverage of this Agreement, "Portland" shall be defined as all stations in Multnomah County, Oregon excluding stations designated by UP Freight Station Accounting Codes ("FSAC") 6248 through 6269.

2. Rate Factors.

a. Rate factors to determine BNSF's revenue for rates established under this Agreement shall be developed on a per net ton-mile basis. Except as provided in Section 2g(4)(a), the rate factors shall be listed in matrices developed and maintained by an independent third party consultant employed by the parties pursuant to Section.

The horizontal axis of each matrix shall list all commodities by three digit Standard Transportation Commodity Code ("STCC"). In the event STCC ceases to be used the parties shall agree on an appropriate substitute that most closely matches STCC. The vertical axis of each matrix shall contain listings for each car type shown on the attached Exhibit B which may be amended from time-to-time to reflect the addition or removal from service of car types at the level of commercial distinction reflected in the exhibit, used in the railroad industry. Separate matrices shall cover southbound movements from and northbound movements to (i) BNSF interchanges with Canadian railroads at or in the vicinity of Vancouver, North Vancouver, Brownsville, and New Westminster, British Columbia and Huntingdon, British Columbia/Sumas, Washington; (ii) BNSF-served origins, destinations, and interchanges north of Seattle, Washington and west of the Cascade Mountain Range; (iii) BNSF origins, destinations, and interchanges south of and including Seattle, Washington and west of the Cascade Mountain Range in the State of Washington and in the State of Oregon north of and excluding Portland;

(iv) BNSF origins, destinations, and interchanges in the State of Washington and in the Province of British Columbia east of the Cascade Mountain Range; and (v) BNSF origins, destinations, and interchanges in the State of Idaho and west of Billings and Havre, Montana, including Sweet Grass, Montana/Coutts, Alberta. For each of these ten geographic combinations, separate matrices shall be prepared for trainload and non-trainload traffic, and for "railroad-owned equipment" as defined in Section 2b(1)(f) below and for "private-owned equipment" as defined in Section 2b(1)(g). Trainload traffic shall mean movements of 67 cars or more of one commodity in one car type. The intersection of each STCC and car type in each matrix is referred to herein as a "cell" of the matrix. Rate factors shall be calculated for each cell as specified in this Section 2. An example of a matrix is attached as Exhibit C to this Agreement.

This Agreement applies to all present and future origins, destinations, and interchanges located within the areas described in subsections 2a(i)-(v). The origins, destinations and interchanges presently covered by this Agreement are listed, to the best of the parties' ability to do so, by four position Standard Point Location Code ("SPLC") and/or BNSF FSAC on the attached Exhibit D which may be amended from time to time as necessary to reflect the addition of origins, destinations and interchanges in the areas described in subsections 2a(i)-(v).

b. The following procedures shall govern the development and maintenance of rate factors:

(1) As used in this Agreement, the terms "equipment allowance," "refunds and rebates," "BNSF single-line traffic," "BNSF-UP interline traffic," "UP

proportional rate traffic," "railroad-owned equipment," and "private-owned equipment" shall have the following meanings:

(a) "Equipment allowance" is any consideration including, but not limited to, cash payments and credits, for use of private-owned equipment.

(b) "Refunds and Rebates" shall include (i) all reductions in revenue, except (A) reimbursements to shippers or other parties for the actual cost of services (e.g., weighing) which relieve BNSF of an obligation to perform such service in connection with providing line-haul rail services, (B) liquidated damages for service failures, (C) switching charges absorbed by BNSF, (D) charges by connecting railroads absorbed by BNSF, and (E) funds advanced to BNSF by a shipper for improvements to railroad facilities serving the shipper and repaid to the shipper in the form of an allowance and (ii) the cost to BNSF of providing any service other than line-haul rail services, including, but not limited to transloading, warehousing, waivers of track lease rent, barge charges and drayage charges. No items within the exceptions to clause (i) shall be treated as a refund or rebate pursuant to clause (ii).

(c) "BNSF single-line traffic" is traffic (excluding movements of company materials, movements of BNSF-UP interline traffic and movements of UP proportional rate traffic) that BNSF handles on a through basis between any BNSF origin, destination, or interchange in the Northern Region and any origin, destination, or interchange in the Southern Region including movements between any of BNSF's affiliated railroads regardless of how the movements between the affiliated railroads are billed. For purposes of this Agreement "BNSF's affiliated railroads" means any railroad controlled by or under common control with BNSF.

(d) "BNSF-UP interline traffic" is traffic (excluding movements of company materials) that moves between a BNSF origin, destination, or interchange in the Northern Region and a UP origin, destination, or interchange in the Southern Region. BNSF-UP interline traffic must move in interline BNSF-UP service and does not include UP proportional rate traffic.

(e) "UP proportional rate traffic" is traffic moving under rates established pursuant to this Agreement.

(f) "Railroad-owned equipment" is equipment owned or controlled by any railroad company including equipment owned by non-carrier third parties, such as TTX Company, which are typically paid for use of their equipment only by the railroad using the equipment.

(g) "Private-owned equipment" is any equipment that is not railroad-owned equipment, including but not limited to, equipment owned by customers and non-carrier third party lessors, where the railroad using the equipment may be obligated to pay equipment allowances for the use of such equipment.

(2) The rate factor to be included in each cell of a matrix shall be an arithmetic average of the rates for all traffic in the following categories: (i) BNSF single-line traffic, (ii) BNSF interline traffic, and (iii) for only the first eight quarterly matrices developed pursuant to this Agreement, UP proportional rate traffic. The rate factors shall be calculated each calendar quarter of the year using the following methodology:

(a) For each movement of traffic in each of the categories listed in the preceding paragraph determine BNSF's revenue for the commodity, car type, and car ownership in question. Revenue shall be net of all refunds and rebates except in the case of revenue for BNSF single-line traffic reaching an exclusively served UP point in the Southern Region via transload and moving on a single bill of lading and for a single rail price which includes transload and drayage charges for delivery to the UP exclusively served point in the Southern Region. In those cases revenue shall include transloading and drayage charges (but no other charges) required for BNSF single-line traffic to reach such exclusively served UP point in the Southern Region. For traffic moving in railroad-owned equipment, car hire paid by BNSF for use of such equipment shall not be deducted from revenue. For traffic moving in private-owned equipment, equipment allowances paid by BNSF for use of such equipment shall be deducted from revenue. The amount of the equipment allowance deducted from BNSF revenue for traffic moving in private-owned equipment shall be the actual equipment allowance paid by BNSF. BNSF shall continue to pay reimbursements, allowances and charges described in Section 2b(1)(b)(A), (C), (D), and (E) (which, as provided in Section 2b(1)(b), are not to be deducted from revenue) on traffic moving under this Agreement on the same terms and conditions as it absorbs those charges for BNSF single-line and BNSF-UP interline traffic. The revenue data (net of all refunds and rebates) included in the computation shall be the most current available single-line and settled interline revenues on a per-car basis for movements in the calendar quarter immediately preceding the calendar month in which the computation is made.

(b) Determine for (i) BNSF single-line traffic, BNSF's official distance between each BNSF origin or interline junction and each BNSF destination or interline junction for the traffic in question as published in BNSF's Mileage Tariff BN 6003 Series or the then current mileage guide ("BNSF's Mileage Tariff"), (ii) BNSF-UP interline traffic, BNSF's official distance between each BNSF origin, destination, or interline junction and the BNSF-UP interline junction for the traffic in question as published in BNSF's Mileage Tariff; and (iii) UP proportional rate traffic, BNSF's official distance between each BNSF origin, destination, or interline junction and Portland, Oregon as published in BNSF's Mileage Tariff. When connecting railroad revenues are included in BNSF's revenue (i.e., BNSF has authority to quote rates for the connecting railroad and the connecting railroad is not a linehaul carrier participating in revenue settlements), the connecting railroad's mileage shall also be included in the BNSF route mileage.

(c) Identify net tons for each move using the lading weight used in calculating freight charges where weight is used for billing purposes or, in the case of traffic moving pursuant to a rate per car, a weight agreed upon by UP and BNSF. If the foregoing measure of lading weight is not available, the actual lading weight shall be used. If the actual lading weight is not available, estimated lading weight shall be used. When estimated lading weights are used they shall be the same estimates as used for other business purposes associated with the traffic in question, e.g., billing, revenue accounting, and operating systems. If none of the foregoing measures are available, net tons shall be measured by the weight capacity of the car or intermodal unit handling the move in question as identified in the Universal Machine Language Equipment Register ("UMLER").

In the event UMLER ceases to be published, the parties shall determine the most appropriate substitute that most closely matches UMLER.

(d) Using the data developed in steps (a) through (c) above calculate the per net ton-mile rate for each movement in each cell. The per net ton-mile rate shall be rounded to a hundredth of a cent. The rounding rule shall be that any fraction less than one half shall be dropped while any fraction equal to or greater than one-half shall be rounded up to the next higher value.

(e) Calculate an arithmetic average of the per net ton-mile rates resulting from step (d) above for each cell.

c. Rate matrices shall become effective two months after the end of the preceding calendar quarter. BNSF and UP agree to provide the third party consultant with the data needed to compute the rate factors in sufficient time to allow the consultant to issue updated rate matrices at least thirty days after the start of the calendar quarter in which such updated rate matrices are to become effective. Once a matrix is issued and until the matrix is updated, UP may use the rate factors in that matrix to establish rates for traffic moving on or after the effective date of the matrix.

d. UP may establish rates under this Agreement in any manner, including, but not limited to, tariffs, contracts, letter quotes, and exempt circulars, provided, however, that UP may not establish rates for handling by BNSF of traffic in the account of a railroad other than UP, and provided further that such tariffs, contracts, letter quotes and exempt circulars shall not, without BNSF's prior consent, impose any obligation on BNSF beyond those established by this Agreement. UP shall have the right to establish rates for movement in private equipment which may or may not include a mileage allowance, provided that if a rate does include a mileage allowance, UP shall fully defray any mileage payment while the car is on BNSF lines in the Northern Region. The amount paid to BNSF shall be derived (i) for rates established pursuant to contract, from the rate factor in place as of the effective date of the contract and (ii) for rates established pursuant to tariff, letter quote, exempt circular or other mechanism establishing a rate, from the rate factor in place as of the date traffic is tendered (i.e., waybill date) by a customer for movement. The rate factor from which the payment to BNSF is derived for rates established pursuant to contract shall be adjusted in accordance with any adjustment provision included in the contract.

e. If no movements of traffic have taken place for any given cell, the cell shall remain empty until a BNSF single-line or a BNSF-UP interline movement takes place for the commodity and car type creating the cell. However, once a cell has been filled with a rate factor, it shall remain filled. When a rate factor in a cell has not been changed by virtue of a new movement or movements taking place in the preceding quarter, the rate factor in such cell shall be adjusted, using (a) the average rate of change between the preceding and second preceding quarter in the values in the same column of the matrix (i.e., for the same 3-digit STCC code) for which there are new data, or, if this procedure is not applicable because there are no cells in the column with new data, (b) the average rate of change between the preceding and second preceding quarter in the value of all cells in the row of the matrix (i.e., for the same car type) for which there is new data.

f. Should BNSF on its own or at the request of UP establish rates in the future based on factors other than weight, distance, car type or commodity (including but not limited to, the charges for handling by BNSF of traffic in the account of another railroad (i.e., "haulage")), such rates shall be included in the calculation of separate matrices to be used by UP pursuant to this Agreement.

g. (1) Except as provided in Section 2b(2)(c) where estimated weights may be used, this Agreement contemplates that the data used to compute rate factors pursuant to Section 2b(2) shall be actual data. The parties agree that during the Interim Period, as defined below, estimates of rates, equipment allowances, refunds and rebates, mileage, and weights may be used in lieu of actual data. BNSF agrees that the estimates it uses shall be the best estimates available to BNSF and the same estimates that are used for other business purposes at BNSF.

(2) "Interim Period" shall mean the period between (i) the date UP and BNSF close the Keddie-Bieber sale, implement the Chemult-Bend trackage rights, and implement this Agreement as called for in Section 2 of the Settlement Agreement, and (ii) the date BNSF is able to compute rate factors pursuant to Section 2b(2) using actual data.

(3) BNSF agrees to move forward diligently to continue refining the accuracy of its estimating systems used to produce the rate matrix and within 24 months, unless waived by UP, to develop systems necessary to produce a rate matrix derived from actual, rather than estimated data.

(4) During the Interim Period, BNSF shall develop estimated data as described above for the production of rate matrices pursuant to Section 2b(2) and with the following modifications to the procedures in Section 2b(2).

(a) The initial matrix shall be the attached Exhibit E. Updated matrices may be issued by BNSF until the third party consultant is able to begin developing and maintaining the matrices. BNSF and UP agree to provide the third party consultant with the data needed to compute the rate factors for subsequent matrices during the Interim Period in sufficient time to allow the third party consultant to issue updated rate matrices at least 30 days after the start of the calendar quarter in which such updated matrices are to become effective.

(b) New rate matrices shall be developed every quarter during the Interim Period and shall become effective on the later of (i) two months after the end of the preceding calendar quarter or (ii) 15 days (or less, at BNSF's option) after UP substitutes a rate factor or provides additional data as specified in Section 2g(4)(c). The rate matrices shall be derived from data for the calendar quarter immediately preceding the calendar quarter in which the matrix becomes effective. For example, the first updated matrix shall be provided to UP on August 1, 1997 and shall be effective on September 1, 1997. That matrix shall be derived from data for the preceding April, May and June, 1997.

(c) During the first 24 months of the Interim Period, UP shall have the right to substitute a rate factor from the original matrix for a rate factor in the same cell of any subsequent matrix. Any rate factor substituted by UP under the provisions of this Section 2g(4)(c) shall be adjusted in the manner provided in Section 2e.

UP shall also have the right to provide additional rate data which shall be used to recompute the rate factor in any cell of an updated rate matrix based upon UP's additional data and the data used by BNSF. Any substitution of a rate factor or the provision of additional data must be completed no later than 15 days after the rate matrix is issued.

3. Service Standards.

BNSF shall supply and distribute equipment and shall accept, handle, switch and deliver traffic moving under this Agreement without any discrimination whatsoever, including, but not limited to, in promptness, quality of service or efficiency, for both loaded and empty equipment, in favor of comparable traffic moving in BNSF's account. BNSF shall adopt no policies, including but not limited to demurrage and absorption of switching fees or shortline connection fees, that discriminate in any way against traffic moving under this Agreement, provided, however, that BNSF may grant its customers relief from the application of a particular policy on a case-by-case basis if granting such relief is consistent with business practice in the railroad industry and is not used to defeat the requirements of this Agreement not to discriminate against traffic moving under this Agreement. BNSF and UP shall cooperate to establish necessary blocks to provide efficient and competitive service on traffic moving under proportional rates pursuant to this Agreement. To the extent justified by business volumes, BNSF shall continue operating Vancouver, British Columbia-Portland (SPT interchange) trains comparable to BN Nos. 111 and 112 as of September 25, 1995.

4. <u>Equipment Supply</u>.

a. BNSF shall have the same obligation to supply equipment (including, but not limited to, as regards quantity, quality and type) for traffic moving under this Agreement as it has for traffic that does not move under this Agreement.

b. Requests for cars for loading shall be received by BNSF personnel from customers and handled pursuant to the procedures specified in AAR Car Service Rule 15. In the event AAR Car Service Rule 15 ceases to be used the parties shall agree on an appropriate substitute that most closely matches AAR Car Service Rule 15. BNSF shall not require customers to indicate when ordering equipment whether a car shall be used to handle traffic moving under rates established pursuant to this Agreement but may require specific destinations and routing information in accordance with BNSF's customary car ordering procedures. Customers whose traffic moves under this Agreement shall also be permitted to contact UP to order cars. UP shall promptly advise BNSF of the car order and whether it wishes BNSF to fill the car order or whether UP shall provide equipment for such order under the provisions of Section 4c.

c. UP shall have the right, but not the obligation, to provide equipment for any traffic which can move under rates established pursuant to this Agreement. When UP provides equipment, UP shall provide BNSF with information that meets BNSF's car ordering requirements necessary to handle the traffic in question and BNSF agrees to accept the equipment supplied by UP at any interchange between UP and BNSF in response to such orders, provided that the mileage between the interchange in question and the BNSF origin in the Northern Region is no greater than the BNSF mileage between

Portland, Oregon and the origin in question. BNSF shall provide trackage at strategically located car distribution points in the Northern Region to stage UP supplied equipment ordered by customers. Such trackage shall be provided by BNSF at no charge provided, however, that BNSF shall have no obligation to store UP equipment without charge unless such equipment is applied to specific orders for UP supplied equipment.

d. Subject to applicable AAR Car Service Rules, Car Service Directives, and bilateral agreements governing the payment of car hire, the parties shall be responsible for all car hire charges while such cars are on their respective lines.

e. All empty equipment shall be returned by UP or BNSF pursuant to this Agreement, as the case may be, in accordance with applicable AAR Car Service Rules, Car Service Directives and bilateral agreements between UP and BNSF governing the handling of equipment.

f. The parties agree to develop and refine procedures for receiving car orders as necessary to address any inefficiencies that may occur such as duplicate car orders.

5. Billing and Payment.

The parties agree to develop and refine procedures to ensure the efficient processing and exchange of information needed to administer this Agreement. The initial accounting and billing procedures are described on the attached Exhibit F which may be amended from time to time to reflect new and refined procedures developed by the parties as provided in the preceding sentence.

In order to preserve the confidentiality of UP's rates, UP may elect to utilize an agent to handle billing and payment. The agent shall, among other things, issue and receive bills of lading, apply any transportation service contract escalation provisions, issue freight bills to customers, and collect freight payments from customers.

The amount to be paid to BNSF for a particular movement subject to this Agreement shall be derived by multiplying (i) the applicable rate factor by (ii) the net tons shipped by (iii) BNSF's official distance as published in BNSF's Mileage Tariff between the BNSF interline junction, origin or destination on the one hand and Portland, Oregon, on the other hand. Lading weights used to calculate net tons for billing purposes shall be derived in the same manner as specified in Section 2b(2)(c).

Payments to BNSF shall be made by UP or its agent within 15 days after the end of the preceding month. Payment shall cover movements during the preceding month for which UP has received waybills.

6. <u>Third Party Consultant</u>.

The parties may use a third party consultant or consultants to develop and maintain the rate matrices pursuant to this Agreement. The third party consultant shall be jointly employed by BNSF and UP and be required to remain impartial between BNSF and UP. Each party may request the third party to prepare reports using data derived from the rate matrices, provided that (1) such report shall not disclose to UP or BNSF information about the volume of the other's business, (2) the party requesting such report shall be solely responsible for the cost of preparing such report, and (3) such report shall be shared with the other party upon payment by the other party to the party requesting the report of one half the cost of such report. Within two weeks after being requested by one party to prepare a report, the third party shall give the other party written notice of the request to prepare a report. The third party consultant shall be terminated for any breach of the impartiality requirement of this Section 6 and may also be terminated by mutual agreement of the parties.

7. Right to Audit.

Each party shall have the right to audit, at all reasonable times, so much of the books, accounts and records of the other party as are related to the data required to be supplied by them under the terms of this Agreement. Except as provided below, the expense of any such audit shall be borne by the party undertaking the audit unless errors or information are discovered that have a material adverse effect on the party conducting the audit in which case the party in whose records the errors or information were discovered shall bear the entire expense of the audit.

The right to audit includes the right by either party to require a complete or partial (one or more cells) audit of the rate matrices. The expense of any audit of the rate matrices shall be split evenly between UP and BNSF. When rate factors in a cell or cells of a matrix are found to be in error, the rate factors shall be corrected to reflect accurate data as determined by the audit and the corrected rate factors shall remain in place and unchanged until BNSF or UP, as the case may be, can demonstrate that it has more accurate data to update the rate factor or factors found to be inaccurate. If upon audit, (a) a rate factor derived from BNSF data is found to exceed the rate factor computed using data developed in the audit by 20% or more, or (b) a rate factor derived from UP data is found to be 20% or more below the rate factor computed using data developed in the audit, then the party whose rate data was inaccurate agrees to reopen to competitive bidding any contracts entered into by such party for the pertinent traffic on the basis of competitive bidding between UP and BNSF while the inaccurate rate factor was in effect, and UP and BNSF may bid on such contract with UP using the corrected rate factor.

BNSF shall have the right to cause an audit by a disinterested third party as provided below, at all reasonable times, of the books, accounts and records of the agent retained by UP to handle billing and payment pursuant to Section 5. BNSF shall bear the expense of any such audit unless material errors are discovered upon audit in which case UP shall bear the entire expense of the audit.

Any audit of the books and records of the third party consultant employed by the parties pursuant to Section 6 of the Agreement shall be a joint audit and the cost of the audit shall be split equally between UP and BNSF.

To the extent any audit requires access to confidential information, the parties agree to enter into an appropriate confidentiality agreement and, if necessary to preserve confidentiality, to use a disinterested third party such as a national accounting firm to conduct such audit. Each party and their agents shall retain, for at least five years, the books, accounts and records used to develop information necessary for the operation of this Agreement.

8. Settlement Agreement.

The terms of the Settlement Agreement, as amended and supplemented from time to time, and to the extent that such terms are not contradictory or inconsistent with the Letter Agreement or this Agreement, shall survive the parties' entry into this Agreement.

9. Arbitration.

All disputes under this Agreement shall be referred to binding arbitration under Section 15 of the Settlement Agreement.

10. Term.

This Agreement shall become effective upon the first day of the Interim Period and shall continue for a term of 99 years and thereafter, subject to renegotiation after 99 years as described below, for so long as BNSF or any other party operates a route between the general vicinity of Bieber and the general vicinity of Stockton wholly within the State of California. After 99 years, the Agreement shall, at the request of either UP or BNSF, be renegotiated to determine terms for continuation of the Agreement in accordance with the purposes of the Agreement and conditions and circumstances at the time of renegotiation, including any then revised conditions of BNSF's operations between Bieber and Stockton. Any disputes over the renegotiation of the terms for continuation of the Agreement shall be submitted to arbitration. This Agreement shall terminate if BNSF shall no longer be able to enter into through rates, haulage or any other transportation arrangement between BNSF points in the Northern Territory and BNSF points in the Southern Territory over a route crossing the Oregon-California border, via either its own lines or those of a railroad other than UP. This Agreement also may be terminated at any time by (i) mutual consent of the parties or (ii) UP's election to terminate this Agreement by giving one year written revocable notice.

11. Successors and Assignability.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, lessees and assigns. This Agreement is not assignable without written consent of either party, except that either party may assign the Agreement in the event of a sale, assignment, mortgage, or lease of its entire railroad. In the event BNSF sells or leases part or all of its lines in the Northern Territory, BNSF agrees that any such sale or lease shall be subject to this Agreement to the extent BNSF retains the exclusive authority to quote rates for traffic moving subject to this Agreement to and from points on such lines. If BNSF does not retain exclusive authority to quote rates for traffic moving subject to this Agreement to and from points on such lines, BNSF agrees that any such sale or lease shall not be structured in a manner, and that BNSF shall not take any action, that would in any way inhibit or prevent the purchaser or lessee from working with UP to handle in any manner, including on an interline, haulage, proportional rate or any other manner traffic subject to this Agreement originating or terminating on the lines sold.

UP's rights under this Agreement with respect to traffic moving subject to this Agreement to and from points on such a sold or leased line shall be satisfied if (i) proportional rates under this Agreement apply to points on such lines or (ii) UP has direct access or access via interchange (with interchange handled by BNSF for a fee equal to the handling charges called for in haulage agreements entered into between UP and BNSF in connection with implementation of the Settlement Agreement) to the shortline for traffic covered under this Agreement or (iii) proportional rates under this Agreement apply to the junction with the shortline, and in the case of (ii) or (iii), BNSF has not inhibited or prevented the shortline from working with UP to handle traffic subject to this Agreement in any manner.

12. Miscellaneous.

a. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

b. When the context requires, singular nouns include the plural and conversely, when plural nouns are used they shall include the singular.

IN WITNESS WHEREOF, the parties have caused this Proportional Rate Agreement to be fully executed as of the date first above written.

UNION PACIFIC RAILROAD COMPANY

By:____________________
Title: Executive Vice President - Marketing & Sales

THE BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY

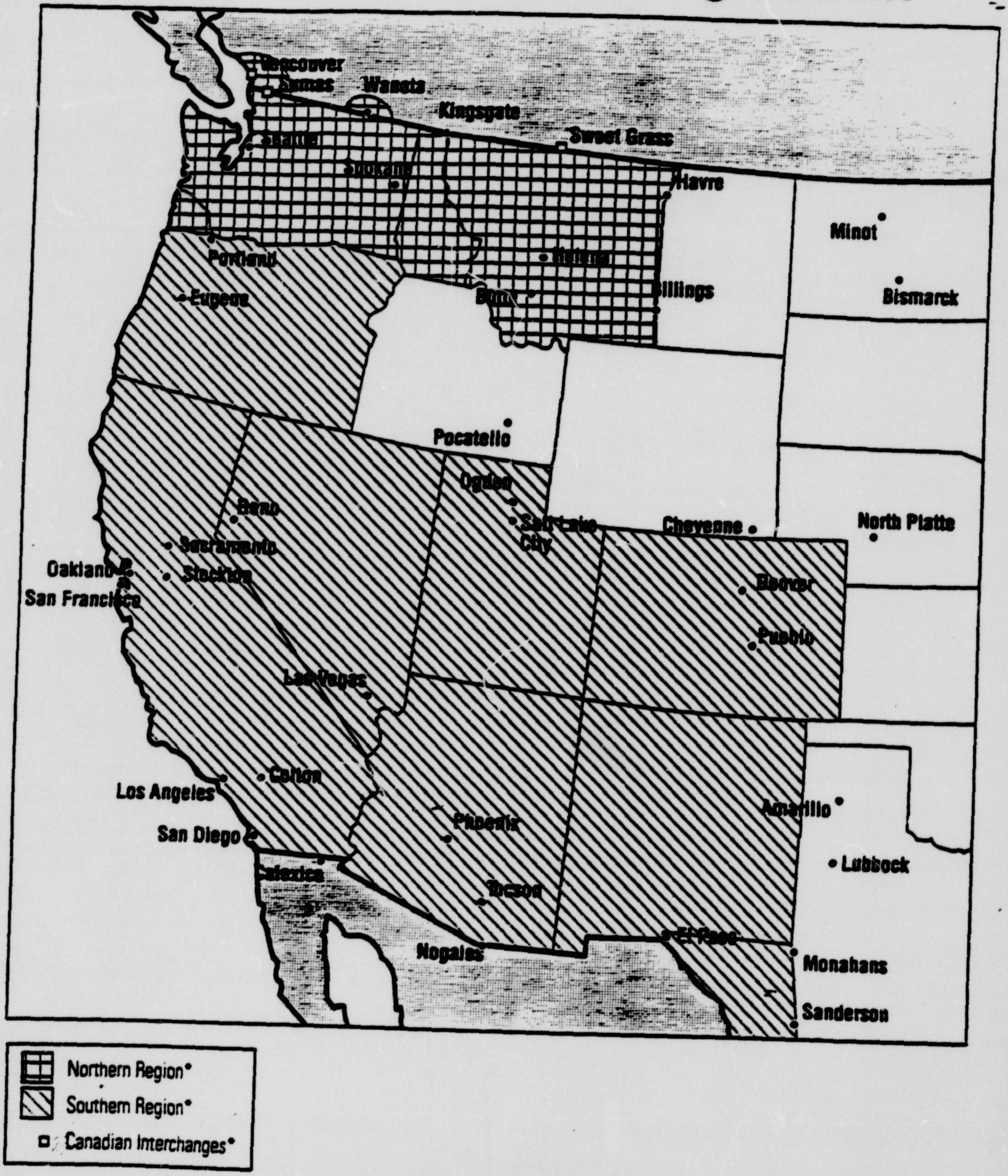
By:____________________
Title: Sr Vice-President

SOUTHERN PACIFIC TRANSPORTATION COMPANY

By:____________________
Title: Executive Vice President - Marketing & Sales

Exhibit A

UP/SP I-5 Proportional Rate Agreement



* Points and interchanges are for geographic reference only and do not define origins, destinations and interchanges coverd by this Agreement

Exhibit B

Car Type Designation for I-5 Proportional Rate**

A
B
C (Other than C1, C2, C3)
C1
C2
C3
D
E
F
G
H
J
K
L
M
P
Q
RB (RX0X, RX1X)
RM (RX5X, RX6X, RX7X, RX8X, RX9X)
S
T
U (Other than U2, U5, U7)
U2*
U5*
U7*
V
Z (Other than Z2, Z5, Z7, Z9)
Z2*
Z5*
Z7*
Z9*

* Need separate cell for well cars vs. conventional flat.

** Car type designations will be changed from time-to-time to reflect the addition or removal from service of car types, at the level of commercial distinction reflected in this exhibit, used in the railroad industry. These car type designations are taken from UMLER. If UMLER ceases to be published the parties will agree on a means of designating car types that most closely matches the designations drawn from UMLER.

[Exhibit C Not Provided]

Exhibit D

Origins, Destinations and Interchanges Included
<u>in the Areas Described in Subparagraphs 2a(i)-(v)</u>

Subparagraph 2a	Points by SPLC and/or FSAC
(i)	BN FSAC: 15091-15150; 66504; 66565; 66089; 66095 All interchanges at these FSACS
(ii)	SPLC 8441, 8443, 8446, 8447 and 845112, 845114, and 845115
(iii)	SPLC 8467, 8463, 8460, 8461, 8462, 8450, 8451 (except 845112, 845114 and 845115), 8452, 8453, 8491, 8494, 8496, 8499, 8531, 8532, and 853413
(iv)	1356-1394; 11011, 11021, 32561-32590; 30854, 30836, 32557 BN FSAC: 62126-62185; 62235-62247; 99460, 61239 SPLC: 8401, 8403, 8411, 840522, 840523, 840555, 840573, 840518, 840516, 840514, 840513 8301, 8303, 8307 71, 7031, 7033, 7035, 7036, 7037, 7067, 7061, 7064, 7057, 7092, 7091, 7096, 7094
(v)	SPLC: All remaining SPLC's in Washington and Idaho

This Exhibit will be modified from time-to-time as necessary to reflect the addition of origins, destinations and interchanges in the areas described in subsections 2a(i)-(v).

[Exhibit E Not Provided]

May 22, 1997

EXHIBIT F
ACCOUNTING AND BILLING PROCEDURES

BNSF Proportional Rate Alternatives Selected for Implementation

I ORIGINATING ON BNSF OR TERMINATING ON BNSF IN NORTHERN TERRITORY

A. Procedures for BNSF Proportional Rate Traffic when BNSF, or a BNSF handling carrier, Originates the Shipment in the Northern Territory

Details for Southbound Moves:

1. No BNSF PNW stations need to be adopted by the UP. UP (and connections other than BNSF, if any) establishes through rate by contract, confidential letter quote or tariff via a BNSF-Portland-UP-Destination or Interchange route which stipulates that UP will arrange for service over the BNSF portion of the route; the rate matrix is the BNSF Rule 11 contract rate with UP.
2. Car Orders - to BNSF (subject to Section 4. Equipment Supply in the Agreement)
3. Car Releases - to BNSF
4. Bill of Lading - to BNSF showing I-5 indicator (i.e., reference to UP I-5 rate authority).

   As per AAR Accounting Rule 11 B. (3), BNSF will generate a Rule 11 '417' waybill showing UP as the patron responsible for payment of BNSF's freight charges and the consignee or consignor (as the case may be) as the patron responsible for payment of the through freight charges.

   If customer does not provide the I-5 Indicator, BNSF will generate a revenue waybill for the shipment as an Interline Settlement Movement subject to correction as per AAR Accounting Rule 61. In the event a movement which should have moved under a through rate created under this Agreement is settled between BNSF and UP through interline settlement, BNSF and UP shall settle any discrepancies, including but not limited to duplicate payments, through overcharge claim channels within six months of the waybill date.
5. BNSF creates '417' transportation waybill with the I-5 indicator, a movement route of BNSF to Portland with BNSF flagged as a Rule 11 carrier, and BNSF sends a '417' waybill to other roads in the route.
6. BNSF creates a "parent" Rule 11 '426' waybill and sends it to Central ISS.
7. UP concurs to the "parent" Rule 11 entry in ISS.
8. If UP or a UP "handling" carrier is the destination carrier, UP creates a revenue '426' waybill without BNSF in the revenue route, from Portland to destination showing a prior or true origin as the origin location for the shipment. If another interline carrier terminates the shipment, that

destination carrier creates a revenue '426' "child" waybill with a Rule 11 entry in ISS for the route north of Portland.

9. If the shipment is prepaid, UP creates freight bill and bills the customer the through rate. If the shipment is collect, the destination interline carrier creates freight bill and bills the customer the through rate.
10. BNSF does not bill customer for its Rule 11 portion and does not create a Rule 11 "child" waybill in ISS.
11. UP pays BNSF its proportional rate for its Rule 11 move to Portland. As soon as practicable, payment shall be electronically.
12. If other interline railroads are involved, (e.g., SP/UP) settling carrier pays other roads their divisions or factors as agreed between UP and the connections.
13. BNSF pays car hire for its segment of the move.
14. Freight claims will be handled in accordance with AAR Accounting Rule 116. Any unallocated claims shall be allocated in accordance with the AAR Freight Claim Rules.

B. Procedures for BNSF Proportional Rate Traffic when BNSF, or a BNSF handling carrier, Terminates the Shipment in the Northern Territory and when UP/SP, or a UP/SP handling carrier, Originates the Shipment in the Southern Territory

<u>Details for Northbound Moves</u>:

1. No BNSF PNW stations need to be adopted by the UP. UP establishes through rate by contract, confidential letter quote or tariff via a Origin-UP-Portland-BNSF-Destination route which stipulates that UP will arrange for service over the BNSF portion of the route; the rate matrix is the BNSF Rule 11 contract rate with UP.
2. Car Orders - to UP
3. Car Releases - to UP
4. Bill of Lading - to UP showing I-5 indicator (i.e., UP I-5 rate authority).

   As per AAR Accounting Rule 11 B. (3), UP will generate a Rule 11 '417' waybill showing UP as the patron responsible for payment of BNSF's freight charges and the consignee or consignor (as the case may be) as the patron responsible for payment of the through freight charges.

   If customer does not provide the I-5 Indicator, and UP does not initially generate a Rule 11 waybill, UP may issue a corrected waybill in accordance with AAR Accounting Rule 61. In the event a movement which should have moved under a through rate created under this Agreement is settled between BNSF and UP through interline settlement, BNSF and UP shall settle any discrepancies, including but not limited to duplicate payments, through overcharge claim channels within six months of the waybill date.

5. UP creates a '417' transportation waybill with the I-5 indicator, a route of UP-Portland-BNSF with BNSF flagged as a Rule 11 carrier, and sends to other roads in the route.
6. UP creates a "parent" Rule 11 '426' waybill and sends it to Central ISS.
7. BNSF concurs to the "parent" Rule 11 entry in ISS.
8. UP creates revenue waybill without BNSF in the revenue route, from the origin to Portland with an ultimate or true destination as the destination location for the shipment; but if UP and SP are both in the route, then UP will create the necessary "child" waybills.
9. UP creates freight bill and bills the customer the through rate.
10. BNSF does not bill the customer for its Rule 11 portion.
11. UP pays BNSF its proportional rate for its Rule 11 move from Portland. As soon as practicable, payment shall be electronically.
12. BNSF pays car hire for its segment of the move.
13. Freight claims will be handled in accordance with AAR Accounting Rule 116. Any unallocated claims shall be allocated in accordance with the AAR Freight Claim Rules.

C. Procedures for BNSF Proportional Rate Traffic when BNSF, or a BNSF handling carrier, Terminates the Shipment in the Northern Territory and when an Interline Carrier Originates the Shipment in the Southern Territory

Details for Northbound Moves:

1. No BNSF PNW stations need to be adopted by the UP. UP and its connections establish through rates by contract, confidential letter quote or tariff via a Origin-Connection-Interchange-UP-Portland-BNSF route which stipulates that UP will arrange for service over the BNSF portion of the route; the rate matrix is the BNSF contract Rule 11 rate with UP.
2. Car Orders - to Origin Interline Carrier
3. Car Releases - to Origin Interline Carrier
4. Bill of Lading - to Origin Interline Carrier showing I-5 indicator (i.e., UP I-5 rate authority)

   As per AAR Accounting Rule 11 B. (3), Origin Interline Carrier will generate a Rule 11 '417' waybill showing UP as the patron responsible for payment of BNSF's freight charges and the consignee or consignor (as the case may be) as the patron responsible for payment of the through freight charges.

   If customer does not provide the I-5 Indicator, Origin Interline Carrier will generate a revenue waybill for the shipment as an Interline Settlement Movement subject to correction as per AAR Accounting Rule 61. In the event a movement which should have moved under a through rate created under this Agreement is settled between BNSF and UP through interline settlement, BNSF and UP shall settle any discrepancies, including but not limited to duplicate payments, through overcharge claim channels within six months of the waybill date.

5. Interline Origin Carrier creates '417' transportation waybill with the I-5 indicator, and a route of Origin-Interline Origin Carrier-Interchange-UP-Portland-BNSF with BNSF flagged as a Rule 11 carrier, and sends to other roads in the route.
6. Origin Interline Carrier creates a "parent" Rule 11 waybill and sends to Central ISS.
7. BNSF concurs to the "parent" Rule 11 entry in ISS.
8. Origin Interline Carrier creates revenue waybill without BNSF in the revenue route from the origin to Portland with an ultimate or true destination as the destination location for the shipment.
9. If prepaid, the Origin Interline Carrier creates freight bill and bills the customer the through rate. If collect, UP creates the freight bill and bills the customer the through rate.
10. BNSF does not bill the customer for its Rule 11 portion.
11. UP pays BNSF its proportional rate for its Rule 11 move from Portland. As soon as practicable, payment shall be electronically. UP and Origin Interline Carrier settle through interline settlement procedures.
12. BNSF pays car hire for its segment of the move.
13. Freight claims will be handled in accordance with AAR Accounting Rule 116. Any unallocated claims shall be allocated in accordance with the AAR Freight Claim Rules.

II TRAFFIC MOVING OVERHEAD ON BNSF IN NORTHERN TERRITORY

Procedures for BNSF Proportional Rate Traffic if BNSF, or a BNSF handling carrier, bridges traffic through the Northern Territory via Portland

A. Details for Southbound Moves:

1. UP adopts the BNSF interchange stations with the Northern Territory Interchange Carriers (e.g., CN, CM, CP, etc.) Origin Carrier or UP establishes a through rate in contract, letter quote or tariff with a route showing UP as serving the adopted interchange location.
2. Car Order - to Origin Carrier
3. Car Release - to Origin Carrier
4. Bill of Lading - to Origin Carrier showing I-5 indicator (UP I-5 rate authority or adopted junction).

   If customer does not provide the I-5 indicator, any waybills are subject to correction as provided by AAR Accounting Rule 61. In the event a movement which should have moved under a through rate created under this Agreement is settled between BNSF and UP through interline settlement, BNSF and UP shall settle any discrepancies, including but not limited to duplicate payments, through overcharge claim channels within six months of the waybill date.

5. Origin Carrier creates '417' transportation waybill with the I-5 indicator, an operating route of Origin Carrier-Adopted Interchange-BNSF-Portland-UP with BNSF flagged with an IMA=HM "handling" segment and the R2 BNSF segment flagged as "H", and sends to other roads in the route.
6. Settling carrier (origin if prepaid and destination if collect) creates a revenue waybill without BNSF in the route, UP replaces BNSF in the revenue route.
7. Settling carrier (origin if prepaid and destination if collect) creates a freight bill and bills the customer the through rate.
8. BNSF systems will not expect nor look for a revenue waybill reporting in ISS.
9. UP pays BNSF a proportional rate for its "handling" service in the Northern Territory. As soon as practicable, payment shall be electronically.
10. For the other interline carriers in the route in the '426' waybill, the settling carrier pays the interline carriers their proportion through the normal ISS settlement process.
11. BNSF pays car hire for its segment of the move.
12. Freight claims will be handled in accordance with AAR Accounting Rule 116. Any unallocated claims shall be allocated in accordance with the AAR Freight Claim Rules.

B. <u>Details for Northbound Moves</u>:

1. UP adopts the BNSF interchange stations with the Northern Territory Interchange Carriers (e.g., CN,CM,CP, etc.). Destination Carrier or UP publishes a through rate in contract, letter quote or tariff with UP serving the adopted interchange location.
2. Car Order - to Origin Carrier
3. Car Release - to Origin Carrier
4. Bill of Lading - to Origin Carrier showing I-5 indicator, UP I-5 rate authority or adopted junction.

   If customer does not provide the I-5 indicator, any waybills are subject to correction as provided by AAR Accounting Rule [71]. In the event a movement which should have moved under a through rate created under this Agreement is settled between BNSF and UP through interline settlement, BNSF and UP shall settle any discrepancies, including but not limited to duplicate payments, through overcharge claim channels within six months of the waybill date.
5. Origin Carrier creates '417' transportation waybill with the I-5 indicator, a route of Origin-UP-Portland-BNSF-Adopted Interchange-Destination carrier with BNSF flagged with an IMA=HM segment and the R2 BNSF segment flagged as "H", and sends it to other roads in the route.

6. Settling carrier (origin if prepaid and destination if collect) creates a revenue waybill without BNSF in the route. UP or SP replaces BNSF in the revenue route.
7. Settling carrier (origin if prepaid and destination if collect) creates a freight bill and bills the customer the through rate.
8. BNSF systems will not expect nor look for a revenue waybill reporting in ISS.
9. UP pays BNSF a proportional rate for its "handling" service in the PNW. As soon as practicable, payment shall be electronically.
10. If other interline carriers are in the route, settling carrier pays other roads their proportion through the normal ISS settlement process.
11. BNSF pays car hire for its segment of the move.
12. Freight claims will be handled in accordance with AAR Accounting Rule 116. Any unallocated claims shall be allocated in accordance with the AAR Freight Claim Rules.

In the event AAR Accounting Rules or AAR Freight Claim Rules cease to be used or are modified, the parties shall agree on an appropriate substitute that most closely matches the AAR Accounting Rules, AAR Freight Claim Rules, or particular Rule, as the case may be.

EXHIBIT D

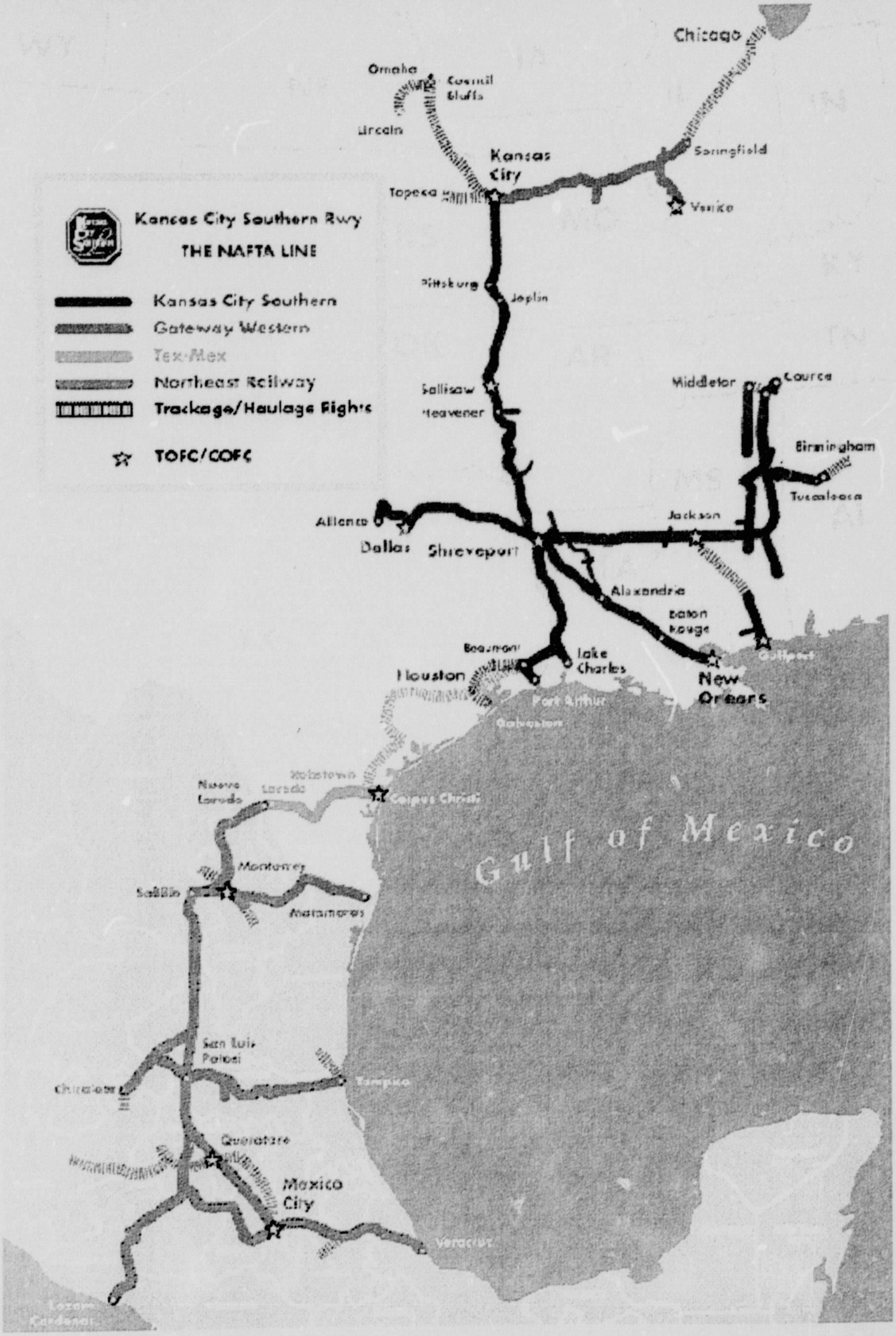

Kansas City Southern Rwy
THE NAFTA LINE
Kansas City Southern
Gateway Western
Tex-Mex
Northeast Railway
Trackage/Haulage Rights
TOFC/COFC
Chicago
Omaha
Council Bluffs
Lincoln
Kansas City
Springfield
Topeka
Venice
Pittsburg
Joplin
Sallisaw
Heavener
Middleton
Birmingham
Tuscaloosa
Jackson
Alliance
Dallas
Shreveport
Alexandria
Baton Rouge
Beaumont
Lake Charles
Houston
New Orleans
Port Arthur
Nuevo Laredo
Laredo
Corpus Christi
Gulf of Mexico
Monterrey
Saltillo
Matamoros
San Luis Potosi
Tampico
Queretaro
Mexico City
Veracruz

EXHIBIT E

The NAFTA Railroad

list of speakers:

Landon Rowland
President & CEO, KCSI

Jose Serrano
Chairman, TMM

Mario Mohar
CEO, TFM

Michael Haverty
President & CEO, KCSR

NEXT SLIDE

(Please wait until Slides finish loading - about 30 seconds with a 28.8 modem)

In line with TMM's corporate strategy to become a fully integrated transportation company, the Northeast Railway:

Strengthens TMM's multimodal capabilities

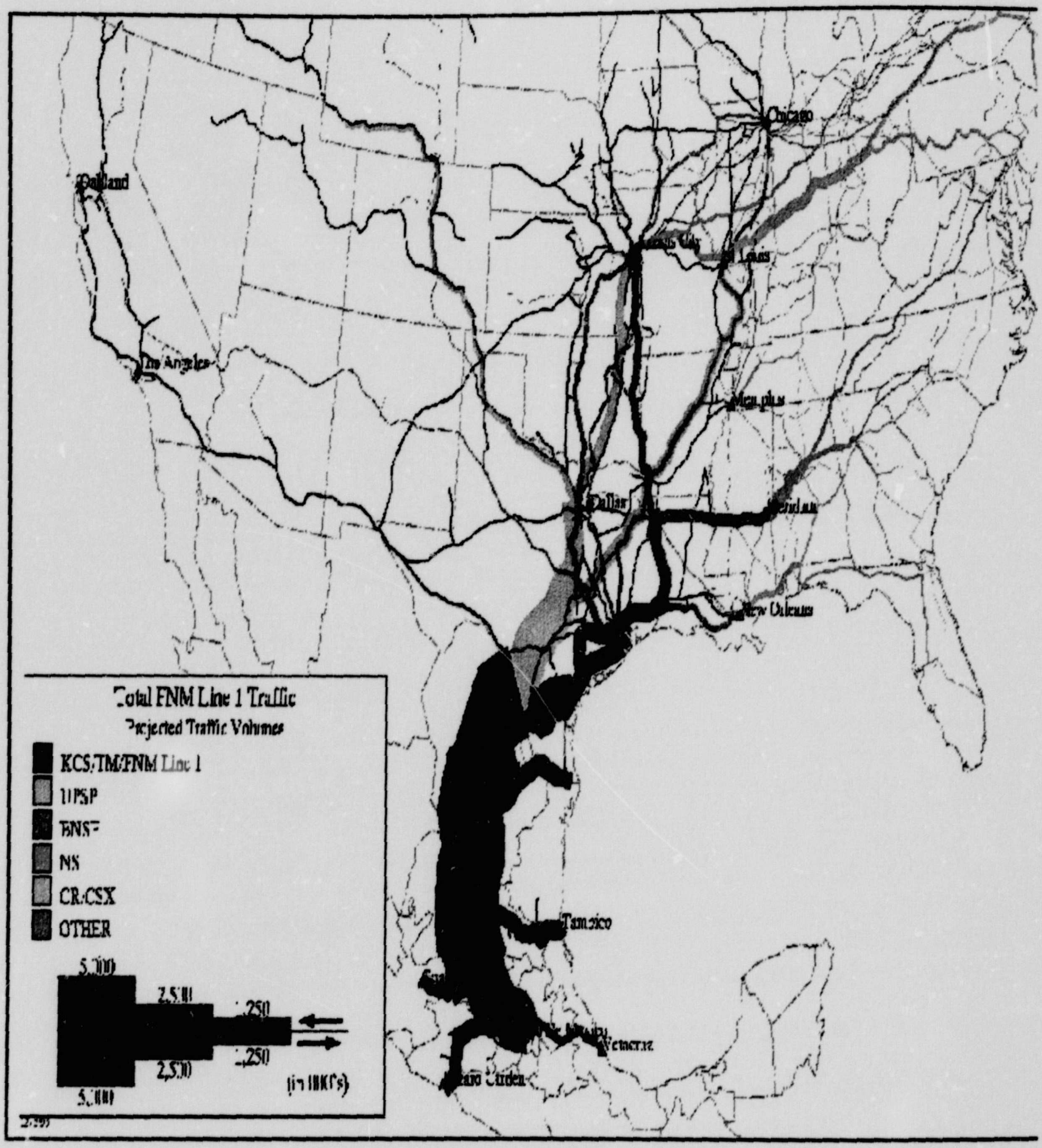
Facilitates & enhances door-to-door service

Further enables TMM to capitalize on cross-border trade

Continues to diversify revenue base

Increases volumes transported by Tex-Mex

NEXT


Oakland
Los Angeles
Chicago
Dallas
New Orleans
Tampico
Total FNM Line 1 Traffic
Projected Traffic Volumes
KCS/TM/FNM Line 1
UPSP
BNSF
NS
CR/CSX
OTHER
5,000
2,500
1,250

NEXT

SUPPORTING
VERIFIED STATEMENTS

SHIPPERS

P.O. BOX 5346 / SALEM, OREGON 97304 / PHONE (503) 363-9255 / ESL 62933671 / FAX (503) 371-5666

AGRIPAC®

June 17, 1997

VERIFIED STATEMENT
OF
Howard D. McLaughlin
on behalf of
AGRIPAC, INC.

My name is Howard D. McLaughlin, Director of Logistics for Agripac, Inc., P.O. Box 5346, Salem, Oregon 97304.

Agripac, Inc. is a 250-member grower cooperative in Oregon. Agripac markets frozen and canned vegetables throughout the United States and the Pacific Rim. Sales exceed 150 million dollars annually. Rail transportation and service are an important part of Agripac's marketing program.

A substantial amount of Agripac's frozen vegetable shipments move from the Americold facility in Woodburn, Oregon, through the major Midwest gateways to distribution centers in the East. These shipments are very time-sensitive, and they require a dependable supply of high quality refrigerated cars. Our customers insist on having dependable delivery times for frozen vegetables.

The Woodburn facility formerly had rail service only from the Southern Pacific (via a short line, the Willamette Valley Railroad). Due to the SP's limited resources, we could not obtain dependable rail service for our frozen vegetable shipments. Often SP cars would be placed on bad order after a shipment had left our plant, and our goods would be delayed for long periods of time without our knowledge. Because SP's transit times were so long and inconsistent, we turned to trucks to carry most of our frozen vegetables. However, moving goods by truck means paying higher rates, and this caused Agripac to be noncompetitive with other producers, particularly frozen vegetable producers located in the Midwest.

As a result of the Union Pacific/Southern Pacific merger, there has been a significant improvement in both service and equipment for our Woodburn facility. We can now count on having our goods delivered on schedule on a consistent basis. In addition, both the quality and quantity of the available rail car supply have improved greatly. Now if a car is placed on bad order, UP either repairs the car immediately or transfers the goods to another car, so that the shipment is delivered promptly. We are pleased that UP is now involved with our shipments, because UP service is so much more dependable than SP service was.

Transit times from Woodburn have also improved since the merger due to the availability of new single-line service. Previously SP had to move our goods South and then over a circuitous route to the Midwest. Our shipments now move North on the old SP line to East Portland, then on UP's lines to Chicago or East St. Louis, where they connect to Conrail or CSX.

As a result of the Improvement in rail service following the merger, Agripac has begun to shift some of its business back to rail. Thus far in 1997, we have more than tripled the number of carloads shipped by rail from the Woodburn facility, compared with this point in 1996. This amounts to approximately 400 carloads. If UP continues to work with us on service, equipment, and price, we expect to shift additional business to rail as time goes on.

Agripac is pleased with the results of the UP/SP merger to date, and has already benefited significantly from the merger. We understand that more merger-related improvements will be made in the future. We do not want to see any changes to the merger approval that might interfere with either existing or future merger benefits.

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.
Executed on June 17, 1997.

Howard D. McLaughlin
Director Logistics

Alceco
Albert City Elevator, A Cooperative • P.O. Box 38, Albert City, Iowa 50510

June 24, 1997

**VERIFIED STATEMENT
OF
FRANCIS MARRON
on behalf of
ALBERT CITY ELEVATOR, A COOPERATIVE**

My name is Francis Marron, Vice President of Grain for the Albert City Elevator, A Cooperative, P.O. Box 38, Albert City, Iowa 50510. My primary job functions are the transportation, procurement for, and marketing of, twenty million bushels of corn and soybeans for our producer members. I have held this position for thirteen of the twenty years that I have been with the company.

Alceco is a full service cooperative with eleven hundred farmer members. In addition to providing grain marketing, storage and conditioning services to its members, Alceco supplies agronomy inputs, feed, and petroleum products and services. We have six locations in Northwest Iowa, including terminal grain facilities at the Albert City and Hartley, Iowa locations. Our branch locations at Varina and Rembrandt, Iowa are truck locations that feed the Albert City terminal. The Everly and Harris, Iowa truck facilities feed the Hartley, Iowa terminal elevator. Albert City is served by the Union Pacific and Hartley is served by the Soo Line and the Union Pacific.

Alceco sells approximately 6,000 cars of bulk corn and soybeans into the domestic and export markets across the United States each year. Domestic movements include shipments to Arkansas Poultry feeders, Georgia, Illinois and Indiana corn and soybean processing plants, and corn and soybean processors in Des Moines, Cedar Rapids and Clinton, Iowa. Export grain movements include Texas and Louisiana gulf ports, Raleigh, North Carolina, the Pacific Northwest, as well as some limited movement to Canada and Mexico.

Alceco supported the UP/SP merger in the fall of 1995, based on our expectation that we would benefit from new single-line service to Arizona, California and Mexico and that a merged UP/SP would be able to improve equipment utilization for Iowa grain shippers. We also anticipated that UP/SP would be strong enough to provide effective competition for BNSF in major markets.

Alceco has been pleased with the results of the UP/SP merger thus far. As we expected, the new single-line service to SP destinations has given us more efficient access to customers in Arizona, Southern California, Arkansas, and Mexico. This has allowed us to gain access to markets in which we found it difficult to compete prior to the merger. The expansion of our markets puts us in a better position to provide competitive bids to our producers and purchase as much grain as possible.

Equipment utilization has also been improving, and shortages of equipment to move grain to export markets have been less of a problem since the merger.

Alceco has also benefited from lower UP/SP grain rates, particularly lower rates for our movements of grain to Mexico. BNSF's aggressive pricing via Brownsville and Corpus Christi-Tex Mex has led UP/SP to reduce rates for Mexican grain movements by $250-$400 per car. In addition, competitive pressure from BNSF has caused UP to waive penalties for a failure to ship grain to Mexico when UP had issued a permit for such movements.

It is very important to Alceco to have competitive transportation rates so that we can compete effectively with the other elevators available to our producers. The reduction in UP/SP rates since the merger has allowed us to be a low cost provider and to retain our competitiveness, as well as to generate the maximum return for our members.

Alceco has been pleased with the implementation of the UP/SP merger to date. We expect to gain further benefits from more efficient service as UP and SP are able to integrate their operations further and to proceed with their capital expenditure program. We oppose the imposition of any additional conditions on the merger.

I, Francis Marron, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 24th day of June, 1997.

Fran Marron

Fran Marron
Vice President of Grain

word/fran/verified

VERIFIED STATEMENT
OF
Timothy J. Rhein
on behalf of
APL LIMITED

My name is Timothy J. Rhein. I am the President and Chief Executive Officer of APL Limited ("APL"), which is headquartered at 1111 Broadway, Oakland, CA 94607. I have worked for APL for nearly 30 years, and have held a variety of international and domestic management positions during that time. Before becoming President and CEO, I was Chief Operating Officer of APL. Prior to that, I was President of APL Land Transport Services, Inc., the domestic subsidiary of APL. As President and CEO, I am responsible for the management of all of APL's transportation, consolidation, and logistical service businesses.

APL is one of the world's leading ocean and intermodal container firms, providing international and domestic containerized transportation service. APL owns and operates a fleet of 20 container ships and also uses the services of over 40 other vessels owned and operated by Orient Overseas Container Line and Mitsui OSK Lines under a vessel-sharing agreement. APL maintains three major ocean terminals in Seattle, Oakland, and Los Angeles, and maintains container depots at over 100 locations in the United States. APL provides service to hundreds of points in the United States, Canada, and Mexico using a combination of water, rail and motor carrier services.

With regard to rail service, APL owns and operates a fleet of 374 double-stack cars and contracts with U.S., Canadian, and Mexican rail carriers for the use of 58,000 double-stack cars annually. APL has over 126,000 containers, of which 14,000 are used exclusively in North America. APL transported approximately 650,000 shipments by rail in North America in 1995, resulting in more than $650 million in freight payments in 1995 and in 1996. APL is UP's largest customer and is a heavy user of rail transportation. Thus, APL has a great interest in the implementation of the merger of UP and SP.

APL has supported the merger of UP and SP from the outset. The reasons for APL's support were set out in a letter submitted to the Surface Transportation Board in the fall of 1995. APL saw the merger as a pro-competitive development in the rail industry. We viewed the merger as an important step to ensure that UP and SP would be viable competitors to the newly formed BNSF. We concluded that the agreement reached between UP and BNSF would ensure that vigorous competition would exist after the merger of UP and SP, as there would be two efficient, evenly matched rail systems offering competing service along all key lanes in the western United States.

APL also stated that the merger of UP and SP would improve the service on both railroads by providing more direct, single-line routes and added intermodal terminal capacity. Specifically, we anticipated that rail service along the I-5 Corridor and between California and Texas and the Mexican border would be improved following the merger. We also expected that the merger would improve our ability to track our shipments and simplify our billing and payment process through the unification of the two rail systems. More generally, we anticipated that the efficiencies of the merged system would help UP operate more cost effectively, which would in turn allow APL to maintain a competitive posture in the market place.

We are very impressed with the steps that UP has taken thus far to implement the merger of UP and SP. Service along several important routes has improved as a result of the merger. For example, UP has established more reliable service along the I-5 Corridor and has increased the available locomotive power on that route. As the merger implementation proceeds, UP will introduce improved rail service between Northern California and Memphis/Dallas using SP routes that should result in faster transit times and more reliable service. APL expects that these steps and other merger-related efficiencies will provide us with improved service and make us more competitive as the merger of UP and SP is further implemented.

The merger has also enabled APL to gain efficient access to the Inland Empire area in Southern California, a source of substantial intermodal business. Prior to the merger, APL was able to ship only into UP's ramp in East Los Angeles and SP's ICTF facility located near the Ports of Long Beach and Los Angeles. Because of the cost of the long dray to the Inland Empire region from those facilities, APL could not offer competitive transportation to and from that area. Since the merger, however, UP has begun to integrate SP's City of Industry ramp into its operations, giving APL new rail access to a facility that is much nearer to the Inland Empire area. This will allow APL to begin competing for traffic to and from the region. Moreover, APL's access to the Inland Empire will expand greatly once UP has completed its planned Inland Empire intermodal facility, providing APL with direct rail access to this growing market. This new access is important to APL's ability to compete effectively with companies that use BNSF's facility in San Bernardino, CA.

Rail competition has grown stronger as a result of the merger. Both UP and BNSF are beginning to realize efficiencies from their respective mergers and, as a result, the two rail carriers are reducing rates on competitive routes. Moreover, the new trackage rights BNSF obtained as part of the merger have allowed them to work with our competitors to offer more attractive packages to shippers. There have been a number of recent instances in which UP has lowered rates for APL movements in response to competitive pressure from BNSF. These rate reductions helped APL retain business from several important shippers who were considering other intermodal service that use BNSF routes. It is clear that merger-related efficiencies have made UP and BNSF stronger competitors than SP could have been standing alone.

APL is very pleased with the steps that UP has taken to implement the merger with SP. UP has acted swiftly to take advantage of the opportunities provided by the merger to improve service along important corridors and to share the benefit of the efficiency gains with APL in competing for business. We expect these benefits to continue and for new benefits to emerge as the merger goes forward. There is no need to impose new conditions on the merger.

I, Timothy J. Rhein, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on June 25, 1997.

Timothy J. Rhein
President and Chief Executive Officer
APL Limited

AH970624APLLTDleg-ai-UP

Bayer

Bayer Corporation
100 Bayer Road
Pittsburgh, PA 15205-9741
Phone: 412 777-2000

VERIFIED STATEMENT OF Thomas R. Phalin on behalf of BAYER CORPORATION

My name is Thomas R. Phalin, and I am the Director of Logistics Procurement for Bayer Corporation. My company's address is 100 Bayer Road, Pittsburgh, PA 15205-9741. I have been involved in the area of transportation and logistics for the past 17 years. In my current position, I have responsibility for Logistics Procurement for Bayer.

Bayer Corporation is an international research-based company with major businesses in chemicals, healthcare and imaging technologies and is headquartered in Pittsburgh, PA.

Bayer uses rail transportation to ship chemical products (Isocyante, Polyol, Muriatic Acid, Nitric Acid, Plastics, Toluene Diisocyanate and Synthetic Rubber) from its major plants These are located in Baytown, Houston and Orange, Texas as well as New Martinsville, West Virginia and Hebron, Ohio. From these plants, we service major markets throughout the United States.

Bayer supported the merger of the Union Pacific and Southern Pacific Railroads, because we expected to see benefits in service and facilities and increased competition, particularly as a result of the rights granted to BN/Santa Fe. We have already begun to see some of those benefits, particularly at our Baytown facility.

Prior to the merger, our Baytown facility, located 30 miles east of Houston at Eldon, Texas, was served only by the SP. Due to its financial weakness, SP was not able to provide us with favorable rates. Bayer now enjoys the benefit of competition between two strong railroads for our shipments from this facility. Because the Bayer plant at Eldon, Texas, was designated as a "2-to-1" point (due to existence of a potential build-in by UP), this plant is now served by both UP and BN/Santa Fe. These two railroads have provided increased competition, resulting in lower rates for the Baytown traffic. Prior to the merger, Bayer negotiated contract rates that reflected the effect of the impending UP build-in. Recently, we were able to negotiate favorable rates under the UP/Bayer Master Contract Agreement, in exchange for a commitment to move 75 percent of our Baytown traffic on UP. For some of the Baytown traffic, BN/Santa Fe offered more attractive rates and/or service, and we shifted that traffic to them.

The new competition between UP and BN/Santa Fe at Eagle Pass, Texas, resulting from trackage rights BN/Santa Fe received as a condition of the merger, also allowed us to obtain a more favorable rate than we had before the merger. BN/Santa Fe competed for shipments of propylene glycol moving from Eagle Pass to our facility in West Virginia. UP responded by offering a lower rate.

Bayer welcomes the increased competition and the more competitive rates we have enjoyed as a result of the merger. We look forward to further benefits as the merger implementation proceeds. We are currently working with UP to address the service problems we experienced with SP at our Baytown facility. In addition, we expect to gain new single-line capabilities for some of our traffic as the merger implementation progresses. We also expect that capital improvements and rerouting of traffic will begin to result in decreased congestion at major terminal points for Bayer, including St. Louis, Kansas City, Chicago, West Colton and Roseville. We oppose any revision of the merger approval terms that would interfere with the further improvements planned by UP.

I, Thomas R. Phalin, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on 6-5-97

Thomas R Phalin

Thomas R. Phalin
Director of Logistics Procurement

Trp6024w

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BIRMINGHAM STEEL CORPORATION

My name Is Don Wilson, Director of Transportation/Logistics for Birmingham Steel Corporation, Post Office Box 1208, Birmingham, Alabama 35201. I have been in this position for, approximately fifteen years.

Birmingham Steel operates mini-mills, in six states with revenues of $900 million, shipping in excess of 4 million tons annually of scrap iron, semi-finished and finished products. Our annual transportation revenues exceed $50 million, and are expected to double by 1998 with 40% of these dollars to rail carriers. We distribute more than 100,000 tons annually of steel products manufactured at our Seattle, Washington steel mill into the northern California, southern California, and Arizona markets directly and through various depot locations. Our Seattle mill and our primary receiving locations on the 1-5 Corridor are open to both UP and BN/Santa Fe.

Birmingham Steel provided a statement of support for the Union Pacific/Southern Pacific merger in the fall 1995. At that time, we stated that we anticipated better routings, service and equipment and more competitive pricing as a result of the merger. We were pleased that, as a result of the settlement agreement, both UP and BN/Santa Fe would be able to provide single-line service from Seattle to California and Arizona, giving us two direct rail options for the 1-5 traffic from our Seattle steel mill that did not exist before the merger.

Birmingham Steel has been very pleased-with the results of the UP/SP merger thus far. Because there has been stronger competition between UP and BN/Santa Fe, we have obtained rates, giving us the opportunity to be competitive in a large number of markets.

We have obtained particular benefits for movements of traffic on the 1-5 Corridor. For example, each year we move approximately 2,000 carloads of rebar from Seattle to northern and southern California. Originally this traffic moved BN/Santa Fe and SP via Portland. Recently both UP and BN/Santa Fe submitted bids based on single-line service on the 1-5 Corridor. We gave the bulk of the business to BN/Santa Fe, with the remainder to UP. The competing bids we received allowed us to negotiate a rate discount of close to 30 percent, an amount that is very significant for Birmingham Steel. This reduction has been very important in allowing us to stay in the market and compete with steel producers located in California, Arizona, and Mexico.

The rate reductions we have negotiated have allowed us to keep production levels up at our Seattle mill. As a result of the merger, we have also been able to stay in a number of other markets. For example, increased competition between UP and BN/Santa Fe allowed us to negotiate lower rates for movements of traffic to Denver from our plant in Kankakee, Illinois, allowing us to stay in that market.

We are looking forward to other significant benefits from the merger. The new single-line service on the I-5 Corridor will allow us to pick up four days on Seattle-California traffic that BN/Santa Fe is now moving via Denver. Improved transit times on this and other traffic should result in improved car supply. UP's investments and improvements in SP's yards at Roseville, California, and West Colton, California should be particularly helpful for our shipments on the I-5 Corridor.

While there is certainly more to be accomplished in the merger, Birmingham Steel has already obtained very significant rate benefits from the increased competition between UP and BN/Santa Fe following the merger. We look forward to seeing additional merger benefits in the future. We urge the Board not to make changes to its original approval of the merger.

I, Don Wilson, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this __1 TH__ day of June, 1997.

Don Wilson

Don Wilson
Director of Transportation/Logistics

CHRYSLER CORPORATION

Edward J Krajca
Director
Logistics Procurement and Supply

June 20, 1997

VERIFIED STATEMENT OF EDWARD J. KRAJCA

on behalf of

CHRYSLER CORPORATION

My name is Edward J. Krajca. I am the Director of Logistics for Chrysler Corporation and am based at company headquarters in Auburn Hills, Michigan In my capacity as Director of Logistics, I am responsible for the movement of all inbound parts and other material to our plants and the outbound shipment of finished vehicles to our dealers. In addition, I am responsible for the purchase of all transportation services for Chrysler Corporation.

Chrysler Corporation is engaged in the manufacture of new passenger automobiles, light trucks, and other vehicles and vehicle components. Chrysler is the third largest manufacturer of finished motor vehicles in North America, producing approximately 2.9 million units annually. Chrysler operates 15 plants in the United States, Canada, and Mexico. Three of our assembly plants and a number of our other facilities are located in Mexico.

Access to low-cost, reliable and efficient rail service is critical to Chrysler's business. Each year we ship thousands of carloads of vehicles by rail to dealers throughout the United States. In the Western United States, we use both Union Pacific (UP)/Southern Pacific (SP) and Burlington Northern Santa Fe (BNSF) to transport our vehicles.

The UP/SP merger has already produced several significant benefits for Chrysler. By using a combination of UP and SP lines, UP/SP now provides a shorter route for our traffic moving from Mexico to the Pacific Northwest. The merger has resulted in improved transit times and equipment utilization for many of our shipments.

Chrysler Corporation CIMS 483-00-20
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STB FD 32760 (Sub 21) 7-1-97 D 180432 5/6

We are particularly looking forward to a new route for vehicles moving to California from our plants located in Mexico. This traffic currently moves over UP's Central Corridor route. It will soon be shifted to the SP's Southern Corridor route, which will save two days of transit time.

In addition, Chrysler is benefiting from aggressive competition between UP/SP and BNSF. BNSF currently serves seven of our Western ramps. In 1996, we negotiated a three year extension of the contract for most of these ramps. UP/SP submitted an attractive bid for this traffic. In response to UP/SP's bid, BNSF provided us with improved equipment supply and competitive rates. UP/SP is currently bidding on other BNSF business for which the contract expires in 1997.

We expect that UP/SP and BNSF will continue to be aggressive competitors for Chrysler's business and that we will enjoy the benefits from their competition as other contracts expire. UP/SP and BNSF provide stronger competition than the competition that existed when SP was a separate company. SP had financial and service problems that led us to avoid using it for our shipments. Now we can choose between two strong, service-oriented railroads, each with a more extensive geographical network and increased efficiency.

Thus far, Chrysler has seen some benefits from the UP/SP merger. As UP and SP operations are further integrated, we expect that there will be further service improvements. For example, once UP/SP begins directional movement of traffic in the corridor between Mexico and Chicago, we expect to benefit from significant reductions in transit times for traffic moving north from our Mexican plants. We do not see a need for the Board to revise the terms of its merger approval.

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on June 20, 1997.

Edward J. Krajca

Edward J. Krajca

Susan A. Steel

SUSAN A. STEEL
Notary Public, Macomb County, Michigan
My Commission Expires January 26, 2000

Commonwealth Edison Company
1411 Opus Place
Downers Grove, IL 60515-5701

ComEd

VERIFIED STATEMENT

of

James A. Small

on behalf of

COMMONWEALTH EDISON COMPANY

My name is James A. Small and I am a Vice President of Commonwealth Edison Company (ComEd), Executive Tower West II, 1411 Opus Place, Suite 200, Downers Grove, IL 60515-5701. I have been accountable for ComEd's fossil fuel program since July 1993. Prior to that time, I was General Manager of Georgia Power Company's fuel department. As such, I have been responsible for the rail delivery of coal to utility plants.

ComEd is a regulated subsidiary of Unicom engaged principally in the production, purchase, transmission, distribution and sale of electricity to both wholesale and retail customers. The geographical area for which ComEd provides retail service extends across one-fifth of the State of Illinois and includes the City of Chicago. ComEd serves more than 3.3 million customers, representing 8.2 million people or approximately 70 percent of the state's population. During 1996 ComEd received 16.8 million tons of coal at nine generating stations primarily from mines located in the western United States.

We are pleased with the progress UP and SP have made in implementing the merger and the improved dependability of western coal deliveries to ComEd. We have also experienced a greater availability of equipment as a result of the merger. Prior to the merger, SP often had shortages or railcars and locomotives, which affected our service.

As a result of these service improvements and aggressive marketing by Union Pacific, our coal deliveries have increased significantly since the merger was consummated. We receive coal from Utah, the Hanna Basin and the Southern Powder River Basin of Wyoming via Union Pacific. We also receive coal from Montana and Wyoming via BNSF and some Illinois coal via truck. ComEd's total coal deliveries from Union Pacific have increased by approximately 3.4 million tons (51 percent) in the eight months after the merger when compared to the eight months prior to the merger.

Although some problems occurred in connection with the recent computer system cutover, UP is addressing those problems. Overall, the merger of UP and SP has proceeded successfully.

The merged UP/SP has demonstrated continuing service improvements for ComEd. We see no basis for adding new conditions to the merger approval. We oppose any steps that would jeopardize the service improvements that have been achieved and other benefits that will come as the merger implementation proceeds.

I, James A. Small, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualifed and authorized to file this verified statement.

Executed on June 20, 1997.

J A Small

J. A. Small
Vice President
Commonwealth Edison Company

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VERIFIED STATEMENT
OF
WILLIAM L. GEBO
on behalf of
THE DOW CHEMICAL COMPANY

My name is William L. Gebo and I am Manager, North American Rail Services Procurement for The Dow Chemical Company. My business address is 2020 Dow Center, Midland, Michigan 48674. I have been employed by Dow in various capacities since 1968.

In my current position with Dow, I am responsible for railroad and rail car related services for Dow North America. These services include the negotiation of rail freight contracts; leasing, purchasing and selling rail cars; contracting with rail car maintenance shops; and arranging fleet administration support service contracts. I have held this position since July, 1993. I joined Dow as an engineer in 1968 after completing my MBA at the University of Michigan. From 1970 to July, 1993, I held a series of positions involving marine transportation of Dow's products. In late 1990, my responsibilities broadened to include Distribution Services Purchasing (which involved trucking, rail, and terminal requirements) for Dow Europe.

The Dow Chemical Company is headquartered in Midland, Michigan. Dow is engaged in the manufacture and sale of chemicals, plastic materials, hydrocarbons, and a variety of consumer specialties. Dow's wide range of chemical products are used primarily as raw materials in the manufacture of customer products, or as aids or raw materials in the processing of customers' products and services. Dow ranks among the world leaders in the production of plastics, offering the broadest range of thermoplastic and thermoset materials of any manufacturer. In addition, Dow is a world leader in the production of olefins, styrene and aromatics. Finally, Dow's specialties segment is today comprised primarily of agricultural products and consumer products.

Dow operates five major production facilities in North America. By far, the two largest are located on the Gulf Coast near Freeport, Texas and Plaquemine, Louisiana. Dow also operates smaller facilities at Midland, Michigan; Sarnia, Ontario; and Fort Saskatchewan, Alberta. Additionally, Dow operates a number of substantially smaller facilities located across North America.

As a participant in the merger case, Dow originally opposed the UP/SP merger primarily due to concerns about the competitive situation at our Freeport facility. We argued that the SP had planned to build in to the Freeport facility (which is solely served by UP) and that we would lose this source of competitive pressure if the UP and SP merged. The Board granted relief to Dow, requiring UP/SP to grant trackage rights to a carrier of Dow's choosing over UP's line from Texas City to Houston and over UP's or SP's line from Houston to connections with KCS and BNSF at Beaumont, with the right to connect to the build-out line in the vicinity of Texas City in order to serve Dow at Freeport and any other shippers on the build-out line.

Dow is pleased that the Board granted trackage rights that preserve the competitive influence of the build-in option. We believe that this build-in protection helps to maintain at least the competitive balance that existed prior to the merger. Dow is generally satisfied that, so far, the merger has had no discernible negative impact on our company. In fact, Dow has benefited from merger conditioned competition between UP/SP and BNSF. BNSF bid on our movement of approximately 350 carloads per year of calcium chloride from Ludington, MI to Opelousas, LA (Opelousas is a "2-to-1" point to which BNSF gained access as a condition of the merger.) UP/SP responded by agreeing to a significant rate reduction in order to retain the business for three years.

In the period since the merger, Dow has received specific support from UP/SP on a number of issues. Among other things, UP/SP has improved local rail operations at our facilities at Freeport and Plaquemine. Switching service at both locations has improved significantly in the past year. We have also seen an improvement in the consistency of UP/SP's over-the-road service in this period. These service improvements have been beneficial to Dow. Because UP/SP exceeded Dow's service objectives by a significant percentage, we awarded UP/SP a total of $825,000 in service incentives for 1996 under a new service agreement.

In addition, UP/SP improved its safety performance with respect to Dow shipments in 1996. UP/SP's safety performance improvement led Dow to award it an incentive payment totaling $225,000 under a similar new safety agreement.

Overall, Dow's relationship with UP/SP has improved significantly over the past year. We have been pleased with UP/SP's responsiveness and believe that we are developing a balanced business relationship. Dow expects to benefit from future service improvements as the merger implementation proceeds.

From Dow's perspective, we have been generally satisfied with the progress of the merger and with UP/SP's performance in the post-merger period. That, however, is a Dow viewpoint at this time without benefit of being able to see the effects of the merger on a broader basis. Dow is a member of the Chemical Manufacturers Association's Rail Task Group. One of the initiatives of this group is to attempt to understand and to comment on the broad impacts of the merger implementation through the STB oversight process. Dow expects the CMA to file responsive comments to the STB related to the quarterly submissions to be filed by UP/SP and BNSF in July. Dow supports the positions that CMA will take. At this point, and from its perspective, Dow does not see the need for any additional conditions to be placed on the merger unless future oversight points out competitive inequities or Federal Court rulings overturn merger conditions previously imposed.

I, William L. Gebo, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 26th day of June, 1997.

W L Gebo

William L. Gebo

EXXON CHEMICAL COMPANY

EXXON CHEMICAL

Materials and Services
B. Kenneth Townsend, Jr.
MANAGER

VERIFIED STATEMENT
of
B. KENNETH TOWNSEND, JR.
on behalf of
EXXON CHEMICAL AMERICAS

My name is B. Kenneth Townsend, Jr. I am the Materials and Services Manager for Exxon Chemical Company (ECC), a division of Exxon Corporation, located at 13501 Katy Freeway, Houston, Texas 77079-1398.

For Exxon Chemical Americas (ECA), a division of ECC, my department purchases and manages U.S. truck and rail transportation services and U.S. and international marine transportation services and manages ECA's leased and owned rail equipment. The department serves all of the many business units within ECA. My department also purchases U.S. rail transportation services for Exxon Company, U.S.A. (EUSA), a division of Exxon Corporation. Members of my department and I interact routinely with the railroads and other carriers who provide these services.

Prior to holding my current position, I held sales, marketing, and business management positions in several ECC business areas. I have been employed with ECC for over 30 years, having graduated from Georgia Tech with a B.S. in Mechanical Engineering, and from the Wharton Graduate School of Pennsylvania, with an MBA.

ECA and EUSA (referred to below as Exxon) have seven plants located in Texas, Louisiana, Wyoming, and California that are served by either the UP or the former SP. Exxon is a major rail shipper of chemical and petroleum products with over 80% of our 54,000 railcar shipments per year handled by the merged UP/SP. This includes 100% of ECA's plastics traffic in Texas.

Following extensive study and discussions with UP, SP, and BN/Santa Fe, Exxon supported the UP/SP merger. We concluded that UP's acquisition of SP would result in improved levels of service and operations on the SP routes. The BN/Santa Fe access agreement alleviated our concerns about the competitive impact of the merger on our facilities.

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Exxon has been satisfied with the manner in which UP has been implementing the merger. UP has been very responsive in working with Exxon to improve operations at our Mont Belvieu and Baytown facilities in Texas. Among other things, we are working with UP to improve its ability to meet our storage-in-transit needs and to better manage the flow of tank cars and covered hopper cars into and out of our facilities. In addition, Exxon has benefited from consolidation of the UP and SP customer service operations. We now deal with just one point of contact at UP's National Customer Service Center.

Overall, UP has been very responsive to Exxon's service needs in the post-merger period. In January 1997, ECA presented UP with one of its inaugural Supplier Excellence Awards. Only five companies received these awards, and UP was the only transportation supplier in this group. ECA's press release included the following comments:

> *"Union Pacific Railroad, as one of Exxon Chemical's transportation providers, was given the award based on its willingness to structure its services to Exxon in a manner that supports Exxon Chemical's business plans, for its own innovative approaches to business, and for its competitive service. Union Pacific was the first of Exxon Chemical's rail carriers to adopt certain operating and business practices that reduced costs and improved service to the company's manufacturing sites."*

UP has also provided us with competitive terms following the merger. Prior to the merger, UP had planned a build-in to our Mont Belvieu facility. This facility and our Baytown facility were classified as "2-to-1" points in connection with the merger, and BN/Santa Fe therefore has access to them through trackage rights now.

Although we have been pleased with UP's performance, Exxon plans to give substantial business to BN/Santa Fe to ensure that railroad remains a competitive factor for our Gulf Coast shipments. We have already awarded BN/Santa Fe a movement of 500 cars of asphalt from our East Billings, MT facility (served by Montana Rail Link) to the Salt Lake City area (Woods Cross, UT, a "2-to-1" point).

We plan to use BN/Santa Fe to move approximately 11 cars per day from our Mont Belvieu, Baytown, Baton Rouge, and Anchorage, LA chemical complexes, as well as from the East Billings facility. This will include between six and eight cars per day of business local to BN/Santa Fe, and three to five cars per day of business open to both UP and BN/Santa Fe. We are close to reaching an agreement with BN/Santa Fe covering these movements.

Exxon recognizes that UP's implementation of its merger is not yet complete. We have enjoyed the benefit of various merger-related improvements to date, and we look forward to seeing other benefits as the merger progresses.

I declare under penalty of perjury the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this the 23rd day of June, 1997.

B. Kenneth Townsend, Jr. BJA

B. Kenneth Townsend, Jr. 6/23/97

STATE OF TEXAS

COUNTY OF HARRIS

I, JENNIFER M. AUSTIN, a Notary Public in and for said state and county, do hereby certify that B. KENNETH TOWNSEND, JR personally appeared before me this day and acknowledged his due execution of the foregoing Verified Statement.

Witness my hand and official seal this 23RD day of JUNE, 1997

Jennifer M. Austin
Notary Public

My commission expires: 11-20-99

(NOTARY SEAL)

NOTARY PUBLIC STATE OF TEXAS
JENNIFER M. AUSTIN
NOTARY PUBLIC
State of Texas
Comm. Exp. 11-20-99

Ford Motor Company

West Park Center
P.O. Box 6094
Dearborn, Michigan 48121

VERIFIED STATEMENT

OF

TOM KOLAKOWSKI

on behalf of

FORD MOTOR COMPANY

My name is Tom Kolakowski. I am Manager, North American Vehicle Logistics for Ford Motor Company. In that capacity, I am responsible for the day-to-day management of Ford's needs with respect to finished vehicle logistics -- network design an[illegible]ing specifications, carrier selection and rate negotiation as well as operations control. I am submitting this statement to describe Ford's experience during the first nine months following implementation of the UP/SP merger.

Ford is a major shipper of finished vehicles and automotive parts throughout the United States, Canada and Mexico making extensive use of all transportation modes, including most of the major railroads in North America. Based on Ford's experience, implementation of the UP/SP merger is proceeding well and has already yielded significant benefits. Competition between UP/SP and BNSF, both of which now possess comprehensive and efficient Western networks, is already much stronger than the three-railroad competition previously provided by UP, SP and BNSF. As a result of this intensified competition, Ford has already obtained commitments of lower rates and improved service. The Surface Transportation Board should not impose additional conditions on the merger that might interfere with the ability of UP/SP and their shippers to realize the full benefits of that merger.

Thus far, the most significant benefits to Ford as a result of the UP/SP merger involve rail shipments of finished vehicles from Ford's new Kansas City "mixing center". Ford awarded this high-volume business to UP/SP at the end of 1996 after aggressive competition between UP/SP and BNSF during several rounds of bidding. Synergies made possible by the UP/SP merger led directly to UP/SP being able to provide Ford with reduced rates, better service, improved equipment utilization and new and improved unloading facilities for these shipments.

The Kansas City mixing center is one of several that Ford is developing in an effort to reduce the total logistics costs associated with shipments of finished vehicles. When it opens in January 1998, the Kansas City mixing center will consolidate vehicles from Ford's various assembly plants for rail shipment to a wide array of destinations in the West and Southwest, including Northern California (Benicia), Southern California (Mira Loma), Denver, Salt Lake City, Las Vegas, Phoenix, Albuquerque (Santa Rosa, NM), Amarillo, Reisor (near Shreveport), San Antonio, Dallas, Houston and Tulsa.

Ford sought bids for the Kansas City mixing center traffic during 1996, and several rounds of aggressive bidding between UP/SP and BNSF ensued. Although most of the negotiations took place prior to the implementation of the UP/SP merger, UP bid on the assumption that it would be able to implement the merger. Without the merger, UP/SP could not have competed effectively with BNSF for this traffic. UP's network did not serve many of the destinations Ford needed to reach, such as Albuquerque, Amarillo and Phoenix. Ford's experiences with deteriorating SP service would have taken SP out of running for the business had it remained an independent railroad. Moreover, SP lacked unloading facilities serving many of the markets Ford needed to reach, and the facilities SP did have were in many cases inadequate to handle the level of traffic Ford anticipated. Given SP's weakened financial state, SP was not in a position to build new or expanded facilities to meet Ford's needs.

In addition to allowing UP/SP to compete with BNSF for this traffic, the UP/SP merger allowed UP/SP to offer contractual commitments that provide Ford with significant tangible benefits. First, the intense price competition between UP/SP and BNSF and the efficiencies achieved by the UP/SP merger resulted in UP/SP rates that are significantly lower than the separate UP, SP and BNSF rates currently applicable to Ford's shipments in the same corridors. Ford's cost for rail shipping will be reduced significantly over the multi-year term of the UP/SP contract.

Second, because combining the UP and SP systems will yield shorter and faster routes -- such as between Kansas City and Northern California (compared to former-SP route) and Southern California (compared to the former UP route) -- UP/SP was able to commit to transit time improvements averaging more than one full day on all of Ford's Kansas City mixing center traffic. These improvements will let Ford get vehicles to market faster, thereby allowing us to better serve our customers and significantly reduce inventory costs.

Third combining UP and SP's equipment fleets and making more effective use of the combined fleet will reduce the need for UP and SP to acquire new equipment to serve Ford's traffic, while at the same time improving the availability of cars for loading by Ford. These benefits will provide direct financial benefits to Ford. I describe below one specific way in which Ford will reap the benefit of improved equipment cycle times.

In addition to the benefits already realized on Ford's Kansas City mixing center traffic, the ongoing implementation of the UP/SP merger will soon provide Ford with other significant benefits. Ford ships large volumes of finished vehicles to Northern California via UP/SP under a contract entered with SP before the merger. These shipments are handled by a train known as "AKSOA", which has operated on the former SP/DRGW route between Kansas City and SP's unloading ramp at Benicia, California, near Oakland. UP/SP expects shortly to be able to reroute this train via UP's "Overland Route" between Kansas City and Ogden, where it will rejoin the SP route to Oakland. (UP/SP had originally planned for this change to have taken effect by now, but it has been delayed until August to allow for the resolution of labor implementing agreement issues.) UP/SP's service plan calls for this change to reduce the train's transit time by 21 hours. The direct result of this time savings will be an effective increase in the number of scarce bilevel auto racks available for loading by Ford, which will help to alleviate major backlogs of light trucks that Ford has been forced to store at our assembly plants simply because bilevels have been unavailable to ship them to destination.

Finally, in order to serve the Kansas City mixing center traffic, UP/SP will construct three entirely new unloading ramps -- on the SP at Santa Rosa, New Mexico; at Amarillo, which SP reaches via BNSF trackage rights; and at San Antonio -- and expand six others -- at Denver, Las Vegas, Phoenix, Tulsa, Houston and Dallas/Fort Worth. These major investments would not have been possible with an independent SP.

* * *

Ford believes that the UP/SP merger is achieving the benefits that the applicants anticipated and has strongly strengthened, not weakened, the level of rail competition in the West. UP/SP's further implementation of the merger in coming months and years promises to reinforce and expand upon these benefits. The Board should allow the merger implementation process to proceed without interruption or interference resulting from the imposition of new conditions.

VERIFICATION

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 24 th day of June, 1997.

Tom Kolakowski

Tom Kolakowski

p:\tpo\V&RLog\verstmt.doc

GENEVA STEEL
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TELEPHONE: (801) 227-9000
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FD 32760 GS-10
FD 32760 (Sub-No. 21) GS-2

June 30, 1997

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 and Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al. - - Control & Merger - - Southern Pacific Rail Corp., et al.

Dear Secretary Williams:

Geneva Steel originally had serious concerns about the proposed UP/SP merger. Our mill had been served by both the UP and the SP, and we had benefited from the head-to-head competition between the two carriers. Geneva had enjoyed various innovative, low-cost service arrangements, such as back-haul arrangements of coal for our inbound shipment of both iron ore pellets and coal. We believed that these arrangements were developed because UP and SP were competing head-to-head for Geneva's business. We feared that our transportation cost would increase once we lost the competition between UP and SP.

Our concerns about the merger were somewhat allayed when UP, in March 1996, agreed to provide BNSF with a new route on the Central Corridor and access to our facility. At that time, we entered into a long term contract with the UP, which was to take effect as our existing contracts with the UP and SP expired. We signed this contract in order to protect our interests by obtaining a surrogate for the competition we felt we were losing.

We had a provision in the long term contract which allowed us to cancel it within the first year. This provision along with the ruling by the Surface Transportation Board on opening 50% of the volume of UP contracts with "2-to-1" customers, prompted us to encourage the BNSF to make an offer for our traffic. In response to the BNSF bid, UP offered us a new contract for all of our inbound and outbound commodities. Several rounds of bidding followed. Both UP and BNSF offered us lower rates and better commitments regarding equipment and service than we had obtained under the long term contract we negotiated with the UP prior to the merger.

Both UP/SP and BNSF could compete on an origin-destination basis for many of the movements covered by the contract, and each also had advantages in terms of being able to serve certain origins or destinations on a single-line basis that the other competitor could not. In this regard, UP/SP and BNSF each could offer a wider array of single-line service than UP and SP alone prior to the merger. Though BNSF's rate bids were lower overall, UP/SP had some key advantages in terms of single-line access to certain origins and destinations, which were important in our final decision. Consequently we awarded the contract to the UP. Nevertheless, under the contract, BNSF has access to shipments of steel to local BNSF points not served by the UP, a significant amount of taconite shipped from BNSF served origins, and any traffic for which UP does not meet its service and equipment commitments under the contract. Under these exclusions, more than 13,000 carloads of our business are potentially available to BNSF.

The new contract with UP has rates that are significantly lower than the rates under the contract we negotiated with UP prior to the merger. In addition, UP will be adding over 300 gondolas to our equipment pool and will be providing us with certain logistical support for our transportation needs. Both UP and BNSF have been willing and able to offer us lower rates and greater service commitments than we had before the merger and have been willing to commit to significant new equipment investments to handle our business.

Our experience with the bidding for this new contract has shown us that the competition between the UP and the BNSF is stronger than we had anticipated. We plan to offer to the BNSF as much competitive traffic as is available under the provisions of our contract with the UP. We are committed to helping to keep the BNSF a viable competitor in the Central Corridor.

The UP/SP merger has provided both UP and BNSF with a broader network and more direct routes. We expect to see further benefits from shorter routes, more single-line service, and other improvements as the merger is implemented. We will continue of course, to monitor closely our rail transportation service and reserve the right, as a party of record in the oversight proceeding in Finance Docket No. 32760 (Sub-No. 21), to help ensure that the merger does not adversely effect our critical need for the highest quality transportation at the lowest possible price.

Sincerely,

Ralph D. Rupp

Ralph D. Rupp
Manager Traffic
Geneva Steel

The Knowledge-Driven
Logistics Company

Hub Group, Inc.

377 East Butterfield Road
Suite 700
Lombard, Illinois 60148

Telephone 708-271-3600
Fax 708-964-6475

VERIFIED STATEMENT
of
PHILLIP C. YEAGER
on behalf of
HUB GROUP, INC.

My name is Phillip C. Yeager. I am the Chairman of the Board of Hub Group, Inc., which is headquartered at 377 E. Butterfield Road, Lombard, Illinois 60148. I am the founder of Hub Group and have been in the transportation industry for over 40 years.

Hub Group is the nation's largest intermodal marketing company, with 29 operating locations around the country. We handle over 700,000 loads annually, which is the equivalent of over $700 million in transportation costs. We ship throughout the United States, Canada and Mexico. We use all major railroads and are the largest intermodal marketing company on each of those railroads. In addition to our intermodal operations, we operate a truck brokerage, a logistical division, a joint International operations with Norton Lilly (HLX), and a distribution service.

We supported the UP/SP merger for a number of reasons, which we set forth in a verified statement in the merger proceeding in the Fall of 1995. We expressed our belief that the merger would result in faster and more reliable rail service for Hub Group's intermodal operations, by creating shorter routes and improved traffic management. In particular, we anticipated improvements in service between California and Chicago, between California and Dallas/Memphis, and along the I-5 Corridor in the Pacific Northwest. We also expected that the introduction of single-line service between all UP and SP points would eliminate the costs and delays associated with interchange. We stated that all rail competition would be even more intense after the merger, because the merger would create a combined UP/SP that would have the route structure and operating efficiencies necessary to complete with BNSF.

Many of the benefits we anticipated are already having a positive impact on Hub Group's operations. UP has made impact with its service improvements along the I-5 Corridor. SP service on that route was too unpredictable for intermodal transportation prior to the merger, but the additional locomotive power and greater reliability of UP service has already begun to attract our intermodal shipments. In the near future, we expect UP to introduce new service between California and Dallas/Memphis which will be faster than the service available from either UP or SP prior to the merger. This new service will provide improved access to the eastern United States from California.

Recently, we have seen an improvement in equipment supply on UP, particularly in support of UP's EMP program. This appears to be a direct result of the merger, which has given Hub access to more equipment and has allowed UP to reposition the equipment more efficiently.

The merger has increased competition between UP and BNSF in a number of areas. For example, BNSF has begun offering competing service along the I-5 Corridor for the first time, using trackage rights that it obtained as a result of the merger. As discussed above, UP's new third-morning service between Oakland and Chicago, which is far better than the service offered by either UP or SP prior to the merger, provides direct competition with BNSF along this important intermodal route. As UP implements new service on other key routes, we expect to see even more competition between the two railroads. Both UP and BNSF have become more effective in head-to-head competition for our business because of the expanded networks they gained from their mergers.

As pleased as we are with the service improvements and increased competition that have resulted from the merger, we are even more appreciative of the way UP is implementing the merger. UP has moved quickly to institute changes, such as the introduction of the new Oakland-Chicago train and the service improvements on the I-5 Corridor. Just as importantly, UP has been very forthcoming with Hub Group about its plans for merger implementation and continues to communicate with us about the progress of the implementation.

We see no need for further conditions on the merger. UP has been aggressive in implementing the merger to generate benefits for its customers. Competition with BNSF is strong and can be expected to grow. Hub Group urges the Board to allow the implementation to continue without the unnecessary interference of new conditions.

I, Phillip C. Yeager, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on June 25, 1997.

Phillip C. Yeager

Phillip C. Yeager
Chairman of the Board
Hub Group, Inc.

Kennecott Energy Company
505 South Gillette Avenue
Caller Box 3009
Gillette, Wyoming 82717-3009
(307) 687-6044 Fax: (307) 687-6009

Gary L. McFarlen
Director, Transportation

Kennecott Energy

VERIFIED STATEMENT
of
GARY L. MCFARLEN
on behalf of
KENNECOTT ENERGY COMPANY

My name is Gary L. McFarlen. I am the Director, Transportation of Kennecott Energy Company, a Delaware corporation, with offices at 505 S. Gillette Ave., Gillette, WY 82716 ("Kennecott"). I have served in this capacity since Kennecott was formed in 1993.

In my position as the Director, Transportation, I have the ultimate responsibility for the management and control of all aspects of transportation and distribution of coal produced by Kennecott coal mines. This includes responsibility for the negotiation of all rail, terminal, barge, and railcar contracts involving coal produced by the mines, management of railroad scheduling for the mines so as to maximize efficiency of operation and enhancement of revenues, coordination with operations and sales of Kennecott to identify and develop the best possible transportation options, and to ensure customer satisfaction with coal delivery and management of the utilization and maintenance of Kennecott's own rail car fleet. A key part of my effort is to maintain contact with railroad management to communicate issues involving customers including issues surrounding disrupted or delayed railroad service. In that context, I regularly call on utility customers to keep abreast of the economic and transportation issues impacting them.

I also am responsible for representing Kennecott with all third party transportation organizations, and state and federal governmental agencies. I monitor trends and issues affecting transportation of coal on an industry-wide basis. As part of that endeavor, I represent Kennecott on the Transportation and Steering Committees of the National Mining Association. I am a past President of the Western Coal Transportation Association and remain actively involved with both organizations.

I obtained a BSBA in July 1963 from the University of North Dakota where I studied on a four-year scholarship provided by the Great Northern Railway. Immediately prior to commencing my current position with Kennecott, I was the Director of Transportation and Distribution for Sun Coal Company's five coal operations. I also was responsible for Sun Coal Company coal steam export sales. From December 1978 until July 1992, I held various positions which involved increasing responsibility for the transportation of coal for Sun Coal Company and its affiliates. From August 1963, until joining Sunoco Energy Development Company, a Sun Coal Company affiliate, I worked for the Burlington Northern Railroad ("BN") and its predecessor, the Great Northern Railway Company of St. Paul, MN. I held various positions in my tenure with the BN, culminating in my position of Manager, Coal Projects, from February 1976 through December 1978. In that position, I coordinated planning of coal transportation from the Powder River Basin with the key transactional parties-coal suppliers, utility customers, coal car manufacturers, and connecting railroads. In my various job positions, I was in an excellent position to understand the dependence of the coal industry on rail transportation.

Kennecott provides management, marketing, transportation, engineering, land and other services to the wholly-owned coal mining subsidiaries of Kennecott Energy and Coal Company ("KECC") which operate coal mines in Colorado, Montana, and Wyoming (the "Mines"). The Mines include the Spring Creek Mine near Decker, Montana, the Cordero Mine near Gillette, Wyoming, the Antelope Mine near Douglas, Wyoming, and the Colowyo Mine near Meeker, Colorado.

Kennecott and KECC are affiliated with and ultimately owned by RTZ America, Inc. Kennecott was formed in 1993 when RTZ acquired (a) the Spring Creek and Antelope Mines through the acquisition of NERCO, Inc. and (b) the Cordero Mine by purchase from Sun Company. The Colowyo Mine was acquired from W.R. Grace Company in December 1994. Colowyo Coal Company L.P. is a partnership in which KECC's subsidiary, Kennecott Colorado Coal Company, is the General Partner and Manager. An affiliate of Kennecott holds a 50% interest in the Decker Mine, located near the Spring Creek Mine. Another of Kennecott's affiliates, Northern Coal Transportation Company, owns and operates rail cars for use in connection with coal deliveries to small industrial users. KECC holds a 50% interest in Venture Fuels, which provides coal and transportation services to utility and industrial companies with access to the Great Lakes. Venture Fuels acquires coal from the Mines and from nonaffiliated coal suppliers.

Kennecott owns coal mines that were served by UP before the merger, as well as a coal mine that was formerly served by SP. We have seen improvements in rail service at all of these locations. Our SP-served mine frequently experienced locomotive and rail car shortages prior to the merger of UP and SP. Since the merger, there have been more locomotive power as well as greater rail car availability.

As a result of the merger, Kennecott can now offer more customers improved access to a greater variety of coal sources. Kennecott now has new or improved single-line service from its Wyoming and Colorado mines to all UP and SP destinations, including multiple river transfer facilities, which gives Kennecott options that did not exist before the merger. This gives Kennecott better access to more customers, and gives each customer the ability to "mix and match" coal from different sources, thereby allowing them to utilize the most efficient blend of coals. All this has been accomplished while maintaining the aggressive pricing instituted by SP for Kennecott's customers.

Despite our initial concerns about the merger, UP has shown itself to be interested in the aggressive marketing of Colorado coal. With more efficient service to more destinations, Kennecott's Colorado coal will be competitive in more markets, even though some competing mines in Utah now have competitive rail service — UP and BNSF (via the Utah Railway or transloads) — as a result of the merger.

Overall, the implementation of the merger has been a success from Kennecott's standpoint. We have already benefited from a number of service improvements even though less than a year has passed since the merger was approved. We expect that additional service improvements will result from the merger as it is further implemented, and urge the Surface Transportation Board to allow the merger to continue without imposing additional conditions.

I, Gary L. McFarlen, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 25th, 1997.

Gary L. McFarlen

Gary L. McFarlen
Director, Transportation
Kennecott Energy Company

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Martrac 650 Winters Avenue, Paramus, NJ 07652
Tel: (201) 265-6700 • Fax: (201) 828-6496

Verified Statement
of
Ozzie O'Keefe - Operation Manager
on behalf of
MARTRAC

My name is Ozzie O'Keefe and I am the Operations Manager for Martrac, 650 Winters Avenue, Paramus, NJ 07652.

Martrac, a division of United Parcel Service, Inc. (UPS), is a refrigerated motor carrier that transports fresh fruit and vegetables. This traffic is time-sensitive and requires reliable expedited service. The majority of our traffic flows eastbound by rail from California to New York and New Jersey. We also use rail transportation to reposition private equipment westbound to California. Our business requires consistent, expedited rail transportation to remain competitive with over the road competition.

Martrac has been a heavy user of BNSF in the past for movements between Northern California and Chicago, but recently began using UP on this route because of its new service between Chicago and Northern California. This service, which was made possible by the merger of UP and SP, is four to five hours faster than service offered by BNSF and has proven to be extremely reliable. We are pleased to have a second alternative for this expedited traffic.

Martrac has been a direct beneficiary of the merger of UP and SP. The merger has created new competitive options in the western rail market allowing us to shift some of our traffic from BNSF. We hope and expect that continued service improvements resulting from this merger will mean better service and greater competition for our business.

I, Ozzie O'Keefe, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualify and authorized to file this verified statement. Executed on June 27, 1997.

Ozzie O'Keefe

Ozzie O'Keefe
Operations Manager

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 CORPORATION AND
THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY

Verified Statement
of
Antonio G. Orbegoso
Vice President - Purchasing, Transportation and Energy
Occidental Chemical Corporation

On Behalf of
Occidental Chemical Corporation

VERIFIED STATEMENT
OF
ANTONIO G. ORBEGOSO
on behalf of
OCCIDENTAL CHEMICAL CORPORATION

I am Antonio G. Orbegoso, Vice President, Purchasing, Transportation and Energy, for Occidental Chemical Corporation (OxyChem) with a business address of P.O. Box 809050, Dallas, Texas 75380. My responsibilities include the safe and successful movement of over 90,000 rail carload shipments annually.

OxyChem is the sixth largest chemical corporation in the United States manufacturing petrochemicals, chlor-alki products, and plastic resins from twenty-nine manufacturing plants located on each of the major Class I railroads. From these plants, OxyChem operates a fleet of 9,000 rail cars. Most of our plants are located in Texas and Louisiana. We also have facilities at Chicago, IL and Tacoma, WA competitive to both the Union Pacific Railroad (UP) and the Burlington Northern and Santa Fe Railway Company (BNSF) as well as plants east of the Mississippi River not competitively served by the UP and BNSF.

Based on our study of rail movements to and from our plants and our discussions with UP, OxyChem supported the UP/SP merger. We anticipated that the merger would result in improved service and operations and that the grant of trackage rights to BN/Santa Fe would preserve competitive rail service at points that would otherwise go from two serving railroads to one.

OxyChem has already enjoyed some significant benefits from the merger. The merged UP/SP has been significantly more responsive to our needs, as compared with the situation prior to the merger. For example, UP's response time in providing us with rate quotations has improved over pre-merger performance in this area. We have been particularly impressed with the improvements in the supply of locomotive power for our traffic. Prior to the merger, we had numerous shipments delayed due to SP's lack of locomotives. UP has largely eliminated this problem. In addition, consistent with its pre-merger commitments, UP has lowered the SP switching charges in the Houston area and has granted BNSF access to Sinton Junction, TX.

OxyChem has also benefited from this new competition between UP/SP and BN/Santa Fe. The BNSF, which gained access to various new routes and locations through trackage rights after the merger, has been a vigorous competitor for our business. In our experience, the competition between UP and BNSF has been far stronger than the pre-merger competition between UP and SP. In one case we awarded BNSF a contract for movement of over 100 carloads of polyvinyl chloride resins from Houston, TX to High Springs, FL via New Orleans. BNSF captured this business by offering a rate that was significantly lower than either the prior SP contract rate or the rate UP offered after the merger.

We also awarded BNSF a movement of liquid sodium silicates from Dallas, TX to S. Plainfield, NJ. This traffic originally was routed UP-Salem-Conrail. BNSF offered a much lower rate than UP, which resulted in a substantial savings for us on this movement. In carrying this traffic, BNSF uses new trackage rights to Memphis that is obtained in the merger.

In addition, OxyChem recently received competing bids from UP and BNSF for a movement of caustic soda from Houston, TX, to Jacksonville, FL. We have not yet chosen the carrier for this traffic but we have the competing bids which were made possible by BNSF's purchase of a line to New Orleans in connection with the merger.

Finally, BNSF recently won a five-year extension of a contract to carry our polyvinyl chloride resin shipments from Pasadena, TX, to various points throughout the United States. This contract involves several thousand carloads per year. The trackage rights BNSF was awarded as part of the merger played an important role in making this contract extension attractive to us.

As the merger proceeded, OxyChem experienced numerous problems with UP's operations and service and we expect it will take some additional time for both carries (UP/SP and BNSF) to formulate action plans and to perform the task of expanding their franchises where they can handle plant switching and storage of cars without the delays we are experiencing today. On a few occasions, we have had to curtail plant production due to failure of the UP/SP to deliver cars timely and this has put our company at risk of losing customers in some areas, particularly from the Houston shipping area. These carriers must establish employee levels to handle the special case situations until they get their computer systems functioning adequately and provide rail yards large enough to handle the increased traffic plans.

This is very critical to our ongoing business plans. From the BNSF perspective, they have responded to competitive situations but have been slow in forwarding new written contracts apparently due to unanticipated workload. We are aware that much remains to be done before the merger is fully implemented, and we believe we will soon begin to see some of the operational and service improvements we originally expected from the merger. As noted above, OxyChem has already obtained significant merger benefits, and we expect to enjoy greater benefits in the future. We oppose any changes in the merger approval terms that would interfere with these benefits.

I, Antonio G. Orbegoso, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 17th day of June, 1997.

Antonio G. Orbegoso

Antonio G. Orbegoso

RISS INTERMODAL

Thom is R. Brown
Presider

4 Orinda Way, Suite 100-A
Orinda, California 94563

510.253.3801
510.253.3880 Fax

VERIFIED STATEMENT

of

THOMAS R. BROWN

President and Chief Operating Officer, The RISS Companies

As President of one of the fastest growing Intermodal Marketing Companies in the United States, I have been keenly interested in railroad consolidations over the last decade. I provided a statement supporting the UP/SP merger because I believed that the merger would help supply the rail line capacity and investment in facilities that are essential for the intermodal business to prosper. Later in the proceeding, RISS intervened on its own so that we could explain more clearly our independent reasons for endorsing the merger and the associated BNSF settlement agreement. Filing independently also enabled us to address the merger's implications for the future of intermodal transportation.

With our recent acquisition of Richmond Transportation International, and with our entry into Logistics outsourcing (as RISS Logistics), the RISS Companies are now responsible for approximately $160 million annually in intermodal, truckload, and carload revenues. Our product offerings have grown beyond domestic intermodal transportation to include third party international intermodal services as well as full North American inland logistics services for deep-sea ocean companies.

While our domestic account focus continues to be on high-value service for "Fortune 500" accounts, with an emphasis on companies in food processing and related businesses, retail merchandise and non-hazardous chemical products, our account list has now expanded to include deep-sea ocean carriers, NVOCC's, international freight forwarders and international customs brokers. Accordingly, while our revenues have grown and our account base has broadened, our company's long term future depends heavily on a rail industry committed to growing intermodal capacity and dedicated to continuously improving intermodal service.

Over the last nine months, my colleagues and I at RISS have monitored the initial steps toward integration of the UP and SP systems, just as we have continued to watch Burlington Northern and Santa Fe work to unify their railroad. We have conducted in-depth business reviews with UP/SP personnel and studied how UP/SP is going about the process of combining these two companies, especially in connection with intermodal service. We have evaluated UP/SP's service offerings and plans, and of course we have our own direct experience with the service UP/SP provides. These early readings cause us to conclude that our initial support for this merger was the right judgment.

UP/SP is in the early stages of merging the two railroads. We understand that it takes time to negotiate agreements with railroad unions, and that there are limits on offering new and improved service before those agreements are in place. Only in the last few months have we begun to see improvements in intermodal service. But what has impressed us at this early stage is that UP/SP seems to be going about the process of integration in the right way. There is no headlong rush try to force all the pieces to fall into place at once. Instead, UP/SP's managers seem to appreciate the magnitude of the task they have taken on and to be approaching it in a methodical way.

One of UP's strengths is the ability of its middle managers to focus a number of disciplines on a complex project and to develop organized, workable plans to carry it to fruition. This is a capability that SP generally lacked, resulting in ever-changing plans that were rarely implemented fully or well. UP/SP appears to be approaching the merger using a highly organized, inter-departmental approach, drawing on the knowledge base and experience of both companies. The marketing functions were consolidated first, so that customers would experience as little confusion as possible. Essential information services and management structures are being developed in advance of changes in train service and in coordination with work on labor agreements.

On SP lines, UP/SP appears to be returning to the basic blocking and tackling of rail service that SP often failed to execute. We have been watching UP/SP restructure SP's intermodal offerings across the Southern Corridor, where SP service was disappointing and unreliable because the trains were required to do so much work en route. UP/SP reorganized the entire operation so that trains can operate from origin to destination with fewer set outs and pick ups, which should lead to more dependable, faster service. I was disappointed to learn that improved SP intermodal service between the Midwest and California has been delayed due to labor problems and an appeal from an arbitration decision.

UP/SP made a major impact in the intermodal business with its new Oakland-Chicago premium service, which is setting a very high standard for reliability and speed. In transit time, UP/SP is outperforming BNSF's fastest trains in the Chicago-Bay Area corridor, providing the first premium-service competition in a lane that BNSF essentially owned for many years. BNSF still offers greater frequency, and the UP/SP trains with their morning departures from Chicago are scheduled more for the benefit of LTL trucking companies than for IMCs, but the service is attractive to us for shipments that we move overnight by road from points further east. We look forward to seeing UP/SP continue to expand its service in this lane. At the same time, we know that BNSF is keenly aware of UP's new service offerings and plans aggressive responses to them. In short, we are seeing the initial manifestations of the interplay of new, direct competition in the west, which this merger anticipated.

We were also very pleased to see UP/SP start Los Angeles-Seattle intermodal trains earlier this month. The Seattle-California lane is dominated by trucks because railroads never offered quality intermodal service. Some trailers carried by SP between Portland and

California were trucked to and from Seattle, but this was a marginal service used mostly for overflow business that truckers could not handle. Through intermodal rail service to and from Seattle will take a large number of trucks off Interstate 5. RISS is working with shippers to take advantage of this service, including shippers who can use steamship containers in Southern California that the liner companies now transport empty to Seattle. We will load those containers with shipments that have been moving by truck and put them on UP/SP trains. While BNSF has yet to enter this market with an intermodal service, we anticipate that ultimately, given their base of international accounts, that they will enter this corridor in order to maintain their competitive posture for ocean carriers vests UP.

RISS expects to make use of the Memphis-Los Angeles-Lathrop intermodal trains that UP/SP is about to launch. We are especially interested in using this new service between Dallas and the San Joaquin Valley, which will cut three days off SP's current transit time and compete with BNSF service. At the same time, we have aggressively utilized BNSF's new service to and from New Orleans, which is both rate and transit time competitive with Union Pacific products.

Of special importance to RISS are indications that the UP/SP merger will, as we anticipated, ensure continuing investment in physical plant for intermodal service. UP/SP is spending almost $70 million on a major new terminal near Memphis, and we understand that active planning is underway for the Inland Empire facility in Southern California and for a new intermodal terminal near Reno, Nevada. We also understand that UP/SP is adding facilities and capacity at intermodal terminals in Dallas, Seattle and Chicago.

Many people feared that a two-railroad West would no longer be a competitive transportation environment. In my verified statement, I forecast the opposite: that UP/SP and BNSF would provide stronger competition than was provided by a weak and declining SP. The early signs point in the direction of my forecast. During recent months, we have not seen significant rate increases in any intermodal lane. To the contrary, in fact, we have seen new and very aggressive rate competition in the major transcontinental lanes served by UP/SP and BNSF. Nothing we have seen on the competitive landscape suggests that the government ought to become involved to protect competition in the intermodal business.

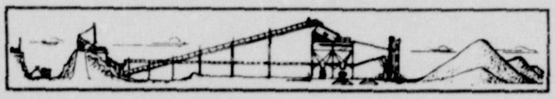
The next year will be an important one for this merger. By the end of next year, information services should be integrated and labor agreements should be complete. UP/SP should by then have been able to combine operations across its system, adding new services and improving others. UP/SP's capital investment program should be well underway. RISS will be monitoring this process closely, and we will look forward to reporting to the Board on our experiences in this context over the coming twelve months. It is clear to us that the UP/SP combination is off to a competitively healthy and economically productive start.

VERIFICATION

I, Thomas R. Brown, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on June 30th 1997.

Thomas R Br

CTS Co



TEXAS CRUSHED STONE COMPANY

P.O. BOX 1000 • GEORGETOWN, TEXAS 78627-1000 • PHONE 512/863-5511, AUSTIN: 255-4405 • FAX 512/244-6055

VERIFIED STATEMENT

Of

WILLIAM B. SNEAD

on behalf of

TEXAS CRUSHED STONE COMPANY

My name is William B. Snead and I am President of Texas Crushed Stone Company, P. O. Box 1000, Georgetown, Texas 78627-1000.

Texas Crushed Stone Company ships crushed limestone, which is used for roads, subdivisions, concrete aggregate, hot mix aggregate and industrial applications, to many destinations served by Union Pacific Railroad Company and the former Southern Pacific Transportation Company.

Texas Crushed Stone Company originally supported the UP/SP merger on the condition that the settlement agreement UP and SP entered into with BN/ATSF would be included when the merger was approved. Under that agreemment, which the Board adopted, the BN/ATSF obtains trackage rights to serve the Georgetown Railroad Company and Texas Crushed Stone Company with a connection at Kerr, Texas. This arrangement protects our two-carrier status.

Texas Crushed Stone Company has already obtained benefits from the merger, including from the BN/ATSF trackage rights granted as a part of the merger. The merger provided UP with new and better routings for our movements of crushed stone in the Houston - East Texas area. The trackage rights also give BN/ATSF good routes from Feld, Texas to Houston and other Texas points, providing a competitive option for our crushed stone movements. In addition, Texas Crushed Stone Company previously leased an unloading site at UP's Eureka Yard site in Houston, but BN/ATSF successfully bid to provide an alternate site at an inactive BN/ATSF yard property. This has made BN/ATSF an attractive option for our shipments to the Houston area.

BN/ATSF has proven to be a strong competitor for our business. On several recent occasions we received competing bids from UP and BN/ATSF for movements of crushed stone to points in Texas. Early in 1997, we contracted with BN/ATSF for the movement of approximately 1,200 carloads per year to Houston after BN/ATSF provided a competitive bid for this traffic. More recently, we contracted with BN/ATSF for shipment of approximately 5,000 carloads per year to various BN/ATSF points in Texas. Because we can now move these shipments directly from the Georgetown Railroad Company to BN/ATSF, without switching to the UP for part of the journey, these movements are more efficient and have resulted in competitive prices for us. In some cases, the ability to use BN/ATSF has opened new markets for us by making it more economical to ship to the BN/ATSF destinations.

Texas Crushed Stone Company looks forward to receiving further benefits from the new competition between UP and BN/ATSF. We oppose any modification in the terms of approval of the merger.

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 5th day of June, 1997.

W.B. Snead

William B. Snead

3M Transportation Department
3M Center, Building 225-5N-07
PO Box 33225
St. Paul, MN 55133-3225

VERIFIED STATEMENT
OF PATRICK GONDA
ON BEHALF OF 3M

3M

My name is Patrick Gonda. I am employed by 3M as a Rail Specialist. My business address is 3M Center, Building 225-5N-07, St. Paul, MN 55144-1000.

3M is a highly diversified manufacturer of over fifty different product lines and more than 60,000 individual product items. In 1996, 3M had worldwide sales of over $14 billion and employed over 48,000 employees in 38 U.S. states.

One of the principal products that we ship by rail is roofing granules. We also ship roofing granule by-products, such as stone dust. In shipping roofing granules, we require quality equipment to ensure that our product maintains consistency in quality and color. This product also requires consistent shipment times, with reliable plant service at both origin and destination. Our largest roofing granule plant – and the largest roofing granule plant in the world – is located in Little Rock, AR. We also have roofing granule plants in Corona, CA; Wausau, WI; Belle Mead, NJ; and Havelock, Ontario.

3M supported the merger between Union Pacific and Southern Pacific because we anticipated more efficient utilization of equipment, plant and personnel, which would result in improved availability of service and broader service for users. Prior to the merger, we had some difficulty obtaining competitive rail service at our Little Rock plant.

Since the UP/SP merger, we have benefited from better UP/SP service and from strong competition from BNSF at our Little Rock plant. Prior to the merger, the Little Rock plant was served by UP and was open to the SP under a reciprocal switching arrangement. The Little Rock plant is now open to BNSF under the "2-to-1" provision of the merger approval. The competition between UP and BNSF has been much stronger than the prior competition between UP and SP at our Little Rock plant. As a result of this strong competition between UP and BNSF we have obtained favorable, competitive terms for a number of our rail service contracts.

For example, we have obtained quality service and competitive rates from UP/SP on 1,200 carloads per year of roofing granules moving from Little Rock, AR to Tuscaloosa, AL. We have also obtained favorable contract terms from UP/SP on 1,100 carloads per year of roofing granules from Little Rock, AR to Oxford, NC. In each case, both UP and BNSF bid for the service, and both UP and BNSF could carry this traffic to Memphis for interchange with the Norfolk Southern. However, UP retained the traffic by offering us a limited rate escalation over a long term.

The receivers of our products have also received competitive bids from both UP/SP and BNSF for 850 carloads per year of natural stone dust moving from Little Rock, AR to Monterrey, Mexico. After the merger, the receiver on this route considered a BNSF-Corpus Christi-Tex Mex-Laredo route, which prompted UP to offer more competitive rates. The receiver ultimately remained with UP. Both UP/SP and BNSF have competed for shipment of 300 carloads per year of roofing granules moving from Little Rock, AR to Ensley, AL; and our receiver will potentially receive bids for shipment of 200 carloads per year of roofing granules from our plant in Corona, CA to Portland, OR.

As a result of trackage rights it received as part of the merger, BNSF is now able to provide a single-line route from Little Rock, AR to Ardmore, OK. The receiver recently awarded BNSF a contract for shipments of 125 carloads per year of roofing granules on this route, based on competitive rates BNSF offered after our contract with

UP expired. BNSF's regular daily train service on the Houston, TX to Memphis, TN line also allows BNSF to be competitive. UP's performance on the haulage between Little Rock, AR and the connection with BNSF at Pine Bluff, AR has been somewhat inadequate and needs improvement to meet customer transit time expectations.

In addition to receiving more favorable rates since the merger, we have seen improvements in other areas as a result of competition between UP and BNSF. 3M requires the highest quality C-3 (small cube) covered hopper cars to ensure the continued purity and quality of our roofing granules. Since the merger, UP has steadily improved the quality of car that is available to us. There has been a big focus on equipment, and more cars are available to us now.

We also anticipate being able to reach new markets in a more efficient manner due to the better geographic coverage of UP/SP. As UP and SP continue to integrate their operations, there will be fewer interchanges, which will certainly help prevent delay. For example, eliminating the interchange in Ennis, TX can trim three to four days off of our transit times.

Overall, we are pleased with the UP/SP merger, and look forward to continued benefits as time goes on. We urge the Board not to impose additional conditions that would have the effect of curtailing these benefits.

I, Patrick Gonda, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on June 13, 1997.

Patrick Gonda

Patrick Gonda

TOYOTA

Toyota Logistics Services, Inc.
19001 South Western Avenue
P.O. Box 2991
Torrance, CA 90509-2991
(310) 618-4000
(310) 618-7800 Fax

VERIFIED STATEMENT
OF
JAMES FINKEL
on behalf of
TOYOTA LOGISTICS SERVICES, INC.

My name is James E. Finkel. I am currently the National Manager for Logistics Business Operations, with Toyota Logistics Services, Inc. ("TLS"), headquartered at 19001 South Western Avenue, P.O. Box 2991, Torrance, CA 90509-2991.

Since 1992, I have been responsible for the purchase of transportation services for Toyota vehicles assembled by the New United Motor Manufacturing, Inc. (NUMMI) production venture involving Toyota and General Motors, as well as the inbound movement of North American produced parts for that venture. This includes making decisions on both price and operations. My responsibilities have recently broadened to include transportation of Toyota vehicles for sale throughout the United States and Canada. I first joined Toyota in 1982.

TLS ships large volumes of imported automobiles by rail from West Coast ports to points throughout the United States, as well as vehicles produced at Toyota's North American plants. TLS also uses rail for transportation of most domestic production parts to Fremont, California where the NUMMI plant is located. A substantial portion of this parts traffic moves from TLS's parts consolidation center at Chicago. Other traffic moves to Fremont from consolidation centers at Memphis and El Paso. TLS also handles movements of finished vehicles out of Fremont to points across the United States, amounting to over 15,000 carloads annually.

Since the merger of the Union Pacific and Southern Pacific, TLS has seen aggressive competition between the new UP/SP and the Burlington Northern/Santa Fe. Both carriers have substantial route systems in the west, including good routes between Chicago and Fremont. This gives TLS two strong competitive options for its traffic in the western United States. We have been able to obtain better prices and service as a result of the increased competition between UP and BN/Santa Fe. For example, the NUMMI location at Fremont was previously served by UP and SP. Under the Board's approval of the merger, BN/Santa Fe gained access to this "2-to-1" point. BN/Santa Fe is making an effort to obtain 50 percent of our traffic out of Fremont, under the guidelines established by the Board's decision. This fact has allowed us to impress upon the UP the need to raise its service levels and to be price competitive. UP has improved its transit time commitments significantly in response to the BN/Santa Fe offer. In particular, UP has added new service out of Fremont to one of our major destinations.

In addition, we are in the process of obtaining bids on the parts traffic that moves from Chicago to Fremont. Although our current contract with UP for the Chicago-Fremont traffic extends to November 1998, we are seeking bids now for movement of this traffic after that date. Because of the need to relocate our facility in Chicago, we want to choose a carrier prior to the contract termination date. Both UP and BN/Santa Fe have offered strong price and service packages and have discussed potential new sites with us. The favorable new rates obtained from the UP are a result of aggressive competition between BN/Santa Fe and the UP.

UP and BN/Santa Fe have also provided competing bids for our traffic moving from Portland to Chicago. This traffic, approximately 2,500 carloads per year, currently moves via BN/Santa Fe Autostack service. We expect that, as their respective mergers are implemented further, we will continue to see stronger competition from UP and BN/Santa Fe for other movements of Toyota traffic.

In addition, we have benefited from new routing opportunities and improved service following the merger. UP is now able to offer new single-line service for our movements of multi-level traffic from California to Texas. We originally moved this traffic via SP's single-line route, but we had switched to an interline movement involving UP and BNSF due to SP's serious service problems. Our shipments between Los Angeles and Houston currently move UP-ELA-BNSF-Ft. Worth-UP. The merged UP/SP system recently began to offer a new train that runs from Los Angeles to Houston, using a former Southern Pacific line to provide single-line service. This new train should provide improved service and consistency, with better on-time performance. This will allow us to consistently meet our current standard of six days for movements between Fremont and Houston.

The UP/SP merger has already resulted in significant benefits for TLS. We have been especially pleased with the new competition BN/Santa Fe has provided as a result of its new access to Fremont, and we have seen improvement in UP's performance and rates as a result. We expect to continue to see benefits from the strong competition between these two major carriers throughout the west and from improved service due to consolidation of UP and SP operations.

In view of our recent experiences up to present, TLS sees no reason to make any changes to the terms of the Board's approval of the UP/SP merger.

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement

Executed this 27th day of June, 1997.

James Finkel

TreeSource Inc

P. O. Box 6316
Portland, Oregon 97228-6316
Lincoln Tower – Suite 900
10260 S.W. Greenburg Road
(503) 246-8600

VERIFIED STATEMENT
OF
JOHN STEMBRIDGE
on behalf of
TREESOURCE, INC.

My name is John Stembridge. I am the Vice-President and General Manager of TreeSource, Inc., 10260 SW Greenburg Road, Portland, Oregon 97228-6316. TreeSource manufactures softwood stud and dimension timber and hardwood lumber, which it sells in the United States, Canada, and other foreign markets. TreeSource is one of the largest producers of wood chips in the Pacific Northwest. Our products go out by rail to points across the country including California, New England, and the Midwest.

As Vice-President and General Manger, I am responsible for all aspects of TreeSource's operations, including transportation. I have been with TreeSource for eight years.

We have been extremely please with the progress of the merger of UP and SP, which is going more smoothly than other mergers that we have experienced in the past. Although the merger is only in its early stages, TreeSource has already benefited from a number of the changes associated with the merger.

The merger of UP and SP has result in a vast improvement in service for TreeSource over our pre-merger rail service. Prior to the merger, TreeSource was served almost exclusively by the SP. Since the merger, TreeSource primarily uses UP, but also has been using BNSF to ship our lumber and lumber products.

With the combination of UP and SP, there has been a tremendous increase in equipment availability and in available locomotive power on all our major routes. In addition to being more reliable, the service with UP is also faster, especially to California and Chicago. These improvements have been felt not only on the I-5 Corridor route to California, but also in our shipment to Chicago and Kansas City.

The UP/SP merger has produced a stronger competitor, which inturn has a positive effect on BNSF's performance. The service that TreeSource receives from BNSF has improved during the past year.

From our perspective, there is no need to impose further conditions on the merger of UP and SP. TreeSource has experienced considerable benefits from the merger, and we expect continued service improvements. We would oppose the imposition of new condition that would jeopardize the continued success of UP's and SP's efforts to implement this merger.

I, John Stembridge, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.
Executed on June , 1997.

John Stembridge
Vice-President and General Manager
TreeSource, Inc.

UNIVERSAL FOREST PRODUCTS, INC.

VERIFIED STATEMENT
OF
MARGE VOLK
on behalf of
UNIVERSAL FOREST PRODUCTS, INC.

My name is Marge Volk, and I am the Corporate Transportation Manager for Universal Forest Products, Inc., which is headquartered at 2801 East Beltline, N.E., Grand Rapids, Michigan 49505. As Corporate Transportation Manager, I am responsible for negotiating all transportation contracts on behalf of Universal Forest Products. I have been with Universal for five years. Before coming to Universal, I worked in the transportation area for Steelcase, Inc. for ten years.

Universal Forest Products is a manufacturer, wholesaler, and distributor of lumber and lumber products for the construction industry, do-it-yourself market and the manufactured housing industry, and is one of the nation's largest producers of pressure-treated lumber. Universal Forest Products has eight facilities in the Western United States that are served by Union Pacific where we receive inbound shipments of lumber. Four of these facilities were previously served by Southern Pacific and, therefore, Universal is well positioned to comment on the progress of the merger implementation.

Universal Forest Products supported UP two years ago in its bid to merge with SP and submitted a verified statement that explained the reasons for that support. In that letter we stated that, because of SP's poor service and uncompetitive rates, Universal had largely ceased to purchase lumber from SP-served mills on the West Coast and avoided SP by trucking or using transload services and other rail carriers. We expressed our hope that the merged system would be able to offer improved service on the I-5 Corridor and would allow BNSF to establish competing service on this route. Additionally, we expected that the merger would result in more direct routes between Canada and the Pacific Northwest and our facilities in California, and would minimize the need for costly, time-consuming transloading from rail to truck. We are pleased to report that the merger is well on its way to meeting these expectations.

Universal Forest Products has begun using rail service again on routes formerly served by SP. While we have not completed negotiations with UP on all these routes, we expect to do so shortly and are shifting as much of our transportation from truck to rail as we can. We are encouraged that BNSF is offering new single-line service along the I-5 Corridor, giving shippers two single-line options on this route where none existed prior to the merger.

Corporate Headquarters

2801 East Beltline, NE Grand Rapids, MI 49505-9736 Tel: (616) 364-6161 Fax: (616) 361-7534

The merger of UP and SP has created new single-line service between the Pacific Northwest and Colorado. Universal Forest Products formerly used a two-line haul on this route. This new single-line service has greatly reduced transit times for our products and has reduced our freight costs significantly.

Some minor problems have arisen during the merger implementation. Because Universal Forest Products and other shippers that had stopped using SP have begun using rail service again, the are some strains on equipment availability. Some difficulties have also arisen from the computer system cutover. However, we anticipated that some problems would occur in the complicated process of merging two rail systems and are confident that UP will resolve these issues.

Universal Forest Products sees no need for additional conditions on the merger. The benefits that UP had promised would result form the merger are in fact coming true, and it is happening more quickly than we had expected. UP has been much more aggressive than BNSF was in implementing its merger and realizing merger benefits. Universal Forest Products is extremely pleased with the merger process and expects further benefits from the merger as the implementation continues.

I, Marge Volk, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 6, 1997

Marge Volk

Marge Volk
Corporate Transportation Manager
Universal Forest Products, Inc.

Quality & Service 1st

WBEC

WEST BEND ELEVATOR COMPANY PO Box 49 West Bend, Iowa 50597 (515) 887-7211

Algona Ayrshire Dickens Hobarton Mallard West Bend Whittemore

June 18, 1997

VERIFIED STATEMENT
OF
DAVE SCHNEIDER
on behalf of
WEST BEND ELEVATOR COMPANY

I am Dave Schneider, General Manager of West Bend Elevator Company, 1st & Division Street, P.O.Box 49, West Bend, Iowa 50597. I have worked in the grain elevator business for over 24 years. I have overall responsibility for transportation matters at West Bend.

West Bend is a farmer-owned cooperative with grain storage and handling facilities in northwest Iowa. Our company currently operates seven grain elevators that purchase between 20 and 30 million bushels of corn, soybeans, and oats per year. We also receive approximately 20,000 tons of fertilizer products each year.

Our major facilities serviced by the Union Pacific Railroad include West Bend, Mallard, and Algona, Iowa. We load 100-car trains at Mallard and West Bend. We load 75-car trains at Algona. Our facilities also have track scales at Mallard and West Bend, which we use for official weights when shipping direct to Mexico and markets needing this service. Our markets include domestic processors, feeder markets, and export markets.

In a statement submitted in the fall of 1995, West Bend supported the UP/SP merger application. We hoped at that time that the merger would create a stronger rail system that would allow West Bend to reach new markets. We expected that UP/SP would be an effective competitor for BNSF and also would provide a competitive alternative to barge transportation, putting pressure on barge rates.

West Bend has already received a number of the benefits we expected from the UP/SP merger. Shorter routes and more single-line service resulting from the merger have allowed us to move our grain more efficiently to new markets, including to Mexico and the Gulf ports for export. This has helped us meet our strong need for new markets for our grain. The increase in available markets allows us to purchase as much grain as possible when our members are ready to sell it.

West Bend has also benefited from lower rates for the movement of our grain on UP/SP. Particularly for movements into Mexico, BNSF has put strong pressure on UP/SP, as a result of the service BNSF now offers through Brownsville and a connection with the Tex Mex Railway at Corpus Christi. The savings from this rate reduction have totaled between $250 and $400 per car. In addition, pressure from BNSF caused UP/SP to waive certain penalties previously imposed when shippers failed to move grain for which they had received a license for shipment into Mexico. The lower rail rates have allowed West Bend itself to remain competitive with larger grain cooperatives in northwest Iowa. Competitive rates allow us to bid successfully for our member's grain.

Overall, the merger has met West Bend's expectations. We anticipate further service benefits as UP and SP continue to combine their operations. We believe there should be no changes in the terms of the merger approval.

I, Dave Schneider, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 18, 1997

Dave Schneider

Dave Schneider
General Manager

Zacky Farms

California Prime Poultry

315 N. H Street
Fresno, CA 93701
(209) 486-2310

VERIFIED STATEMENT OF DOUG DICKSON ON BEHALF OF ZACKY FARMS

As General Manager of the grain and commodities division for Zacky farms, I am responsible for purchasing and scheduling for all feed grains and feed grain products used in manufacturing of feed for our poultry.

Zacky Farms is a privately owned poultry producer headquartered in South El Monte, CA.. Zacky is the twenty eighth largest poultry producer in the United States, and second largest in the Western states. We have feed manufacturing facilities located in Traver, CA served by the former Southern Pacific Railroad. We also have a feed processing facility in Hanford, CA served by the Burlington Northern Santa Fe. We originate corn and soymeal in the Midwestern states of Iowa, Nebraska and Kansas for transportation to our feed mills. Zacky Farms processes 1.2 million birds a week for the fresh market in California.

Zacky Farms filed a statement of support for the UP/SP merger in the fall of 1995. At that time we participated in the development of the first domestic 75-car shuttle train to California. This new shuttle program which required the participation of a shipper in Nebraska/Iowa, the UP, and Zacky Farms would prove to increase equipment utilization and productivity by increasing turn times by 200 percent. We also believed that there would be benefit from having competitive single line access to UP and CNW grain origins in Nebraska and Iowa.

Zacky Farms is pleased with the progress of the merger thus far. As we anticipated, the new single line service has made the shuttle program successful, allowing us to qualify for lower UP rates.

The Merger has also improved the competitive situation for grain movements into California. The BNSF, also having single line service to California, has lowered rates to attract some of the UPSP's market share. Because of the competitive nature of West Coast grain movement including Pacific Northwest export, and abundant car supply, we have seen our rates drop as much as $440.00 per car to California.

Zacky Farms has already benefited from the UP/SP merger, and we expect to continue to benefit as the merger is implemented further. We oppose any change to the terms of approval of the merger.

I, Doug Dickson, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on JUNE 18, 1997

J. Douglas Dickson
Doug Dickson

PUBLIC BODIES

STATE OF CALIFORNIA—BUSINESS, TRANSPORTATION AND HOUSING AGENCY PETE WILSON, Governor

DEPARTMENT OF TRANSPORTATION
RAIL PROGRAM
1120 N STREET, Room 3400
P. O. BOX 942873, M.S. 74
SACRAMENTO, CA 94273-0001
PHONE (916) 654-2944
FAX (916) 653-4572

June 18, 1997

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Mercury Building, Suite 700
1725 K Street, N. W.
Washington, D.C. 20423-0001

Dear Mr. Williams:

The purpose of this letter is to inform you that the merger of Union Pacific (UP) and Southern Pacific (SP) railroads has been beneficial to the California Department of Transportation (Caltrans).

Caltrans administers state-supported intercity passenger rail service and a supporting dedicated feeder bus system on three routes: the San Joaquins, San Diegans, and Capitols. During fiscal year 1996/97, the state will provide $46.5 million in operating funds for the state-supported routes. The state has also purchased 66 passenger rail cars (cab, trailer, food service, and coach/baggage) and 11 locomotives for use by Amtrak on state-suported intercity rail routes.

A portion of all three routes travel over UP tracks. The San Joaquins operate on the UP from Oakland to Martinez, the San Diegans from Moorpark to San Luis Obispo, and the Capitols operate entirely on the UP from San Jose to Roseville (an extension to Colfax will commence in 1998). Caltrans and UP are participating in a joint capital project between Emeryville and Sacramento to improve capacity, reduce running times, and to increase reliability. The state is contributing about $56 million, and UP is contributing just over $13 million to this project. Discussions between Caltrans and UP are underway on future projects to improve intercity passenger rail service.

Since the merger, we have found UP management to be far more responsive to Caltrans concerns than SP management. For example, on the project between Emeryville and Sacramento, when the Capitols suffered major delays (an hour or more) Caltrans attempted to resolve the problem. UP responded by assigning an officer of the railroad to resolve the problem and subsequently the major delays were virtually eliminated. In comparison, when the track was owned by SP and there were major delays resulting from the project, SP was not able to resolve the delays.

An additional example of UP responsiveness to Caltrans concerns is a capital project on the San Diegan route. Prior to the merger, SP would not move ahead with major track and signal improvements on the San Diegan route between Moorpark and Goleta. Subsequent to the merger, UP signed a contract to begin work on this $34 million project.

In summary, thus far Caltrans believes that the merger has benefited intercity passenger rail in California.

Sincerely,

Original signed by

WARREN WEBER
Program Manager

bc: DOR file
Ahendrix
Kbosanko
Larry Smith, UP
WWeber
MPaul
PMerrill
SZimrick
CBomar / TMH /UPSPmrgr2VWllms

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION

4201 East Arkansas Avenue
Denver, Colorado 80222
(303) 757-9011

June 16, 1997

UP009

Mr. Vernon L. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket NO. 32760, Union Pacific/Southern Pacific Merger

Dear Secretary Williams:

As the manager of the Intermodal Branch (which includes the rail program) for the Colorado Department of Transportation, I am very familiar with Union Pacific's cooperative and important participation in our efforts to explore the potential for commuter rail transportation in Colorado. The UP/SP merger broadened these efforts by bringing under Union Pacific's umbrella key Southern Pacific track segments, such as the line from Denver south toward Colorado Springs and Pueblo and connections to the west slope communities. Prior to the merger, the Colorado Department of Transportation had to deal directly with Southern Pacific which did not have the same view of commuter rail and its role in solving some of Colorado's mobility problems that Union Pacific does.

Union Pacific was an active and supportive participant in the Department's activities before the merger, while Southern Pacific initially was not able to participate and only played a modest role at best. Union Pacific not only participated in, but also helped to fund a portion of the cost of Colorado's first major statewide passenger rail feasibility study. This study investigated the feasibility for commuter/intercity passenger rail service in 18 corridors totaling over 1,200 miles. In addition, Union Pacific has been very cooperative in helping the Department put together a rail technology demonstration project which is scheduled for this fall. The purpose of this demonstration is to expose Colorado residence to alternative rail technologies so that they have a better picture of what might be possible, should rail be identified as a possible alternative. I expect this demonstration will generate more interest in commuter/intercity passenger rail service.

The Department understands the corporate philosophy that led to the decision to not include these lines in the new Union Pacific rail system, but these lines may still be viable from a regional perspective. The State of Colorado is taking steps to see if it is possible to save the North Avondale to Towner and Tennessee Pass lines from being taken out of rail service.

Colorado has almost 3,000 miles of rail lines. Most of this trackage is owned either by Union Pacific or Burlington Northern Santa Fe. There appears to be a very good working relationship between UP and BNSF. With the merger of UP and SP, Colorado is now able to set down with both railroads in a very cooperative and supportive manner to work through problems and issues. Colorado is delighted that Southern Pacific is now a part of the Union Pacific family.

Very truly yours,

Dave Ruble

Dave L. Ruble Jr., Manager
Intermodal Branch

Metra
Metropolitan Rail 547 W. Jackson Blvd. Chicago, Illinois 60606 Telephone: 312-322-6900

June 23, 1997

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Room 711
Mercury Building
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No.7) Oversight Proceeding

Dear Secretary Williams:

Metra is responsible for operating, or contracting for operation of, rail commuter service on most of the railroad lines emanating from Chicago, the largest commuter operation in the United States. Our most extensive Purchase of Service arrangement is with Union Pacific, which operates commuter trains for Metra on three former Chicago and North Western routes: the North Line from the Chicago to Kenosha, Wisconsin; the Northwest Line from Chicago to Harvard and Crystal Lake to McHenry, Illinois; and the West Line from Chicago to Geneva, Illinois. On each of these routes, Metra runs 60 or more trains on weekdays and fewer trains on weekends and holidays.

Metra was dissatisfied with Union Pacific's service shortly after the UP/C&NW merger, particularly on the West Line, where on-time performance deteriorated below the pre-merger level. Because of that experience, Metra became concerned about the UP/SP merger, particularly when we learned that the merged company planned to increase the number of freight trains operating over the West Line.

I can report that Union Pacific had done a great deal to alleviate our concerns, and Metra has been extremely satisfied with UP's performance since the SP merger. UP acted quickly to deal with the service deficiencies that arose after its C&NW merger. UP returned experienced operating officials to the Chicago area who had been relocated to other parts of the UP system. It improved the quality of dispatching on the lines we use. Both Metra and UP have continued to invest in capital program capacity improvements for the West Line.

In 1997, UP's performance for Metra has been exceptional. UP has consistently achieved on-time performance on all three lines in the high 90-percent range, which meets Metra goals. On the West Line, UP set all-time monthly performance records earlier this year. UP also has been working constructively with Metra concerning the possibility of extending Metra service west beyond Geneva to Elburn, Illinois.

We understand from Union Pacific that it has not yet implemented most of the changes in freight service that will bring new trains to the West Line, although two new high-priority intermodal trains to and from California are running over that line. But Metra is optimistic, based on Union Pacific's recent performance and its responsiveness to Metra's needs, that Union Pacific's service for us will continue to be first-rate. Union Pacific assures us that our trains have the highest priority on its Chicago-area lines, and our recent experience confirms that.

Sincerely,

Philip A. Pagano
Executive Director

North Front Range
Transportation & Air Quality
Planning Council

June 12, 1997

Mr. Vernon L. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, DC 20423-0001

Re: Finance Docket No. 32760, Union Pacific/Southern Pacific Merger

Dear Secretary Williams:

As Executive Director for the North Front Range Transportation & Air Quality Planning Council and Director of Transportation Services for the City of Fort Collins, I am very familiar with Union Pacific's cooperation and important participation in our efforts to explore the potential for commuter rail transportation in Colorado. The UP/SP merger broadened those efforts by bringing under Union Pacific's umbrella key Southern Pacific track segments creating important connections.

Union Pacific was an active and supportive participant in our activities before the merger, while Southern Pacific initially was not able to participate and later played only a modest role. Union Pacific has run passenger exploration trips which have generated much support for pursuing the path to develop commuter rail. Today, Union Pacific is participating in a major investment study which will look at transportation improvements, including commuter rail, in the North Front Range of Colorado.

We are pleased to have an effective working relationship with Union Pacific and delighted that Southern Pacific is now part of the Union Pacific family.

Sincerely,

Rondall V. Phillips

Rondall V. Phillips
Executive Director

210 East Olive Street
Fort Collins, CO 80524
970-221-6608

RAILROADS

VERIFIED STATEMENT OF DAVID L. PARKINSON
ON BEHALF OF CALIFORNIA NORTHERN RAILROAD CO.

My name is David L. Parkinson, Chairman and Chief Executive Officer of California Northern Railroad Co., with offices located at 7525 SE 24th Street, Suite 350, Mercer Island, Washington 98040. I am President and Director of the California Short Line Railroad Association, which represents 20 California short line railroads with offices in Sacramento, California.

California Northern Railroad Co. was founded by me in 1993. It is comprised of several rail segments, which were formerly part of the SP Lines, including the line between Lombard and Suisun/Fairfield, SP's former Napa and Vallejo branch lines, the former West Valley line between Davis and Tehama and the West Side lines between Tracy and Los Banos. California Northern also operates over SP on trackage rights between Suisun and Davis, a distance of 30 miles.

California Northern is the largest California short line measured by the number of cars handled and annual freight revenues. In 1996, California Northern handled approximately 37,000 cars, an increase of almost 10 percent above the previous year. Principal commodities that originate on our lines include tomato paste in bulk from producers such as Hunt Wesson, short grain rice from rice mills located in the Sacramento Valley, beer from the Anheuser Busch brewery at Fairfield, California, flour from the General Mills plant in Vallejo, frozen foods, finished pipe and municipal waste. Inbound products include some lumber from the California North Coast region, feed grains sourced from points in the Midwest, chlorine from the Gulf Coast and Canada, long grain rice from Arkansas and steel plate from Oregon Steel Company's plant at Portland, OR.

California Northern filed a statement of support for the UP/SP merger in the fall of 1995. I also personally appeared on two separate occasions before the California Public Utilities Commission to rule the Commission to support the merger and oppose the divestiture proposal of the Montana Rail Link. At that time, California Northern expected that combining UP and SP routes through the Central Corridor between Northern California and the Midwest would provide better, more reliable service through the Central Corridor and would allow us to access new markets as a result of the expanded UP/SP route structure and new single line service capabilities of the merged railroad. We looked forward to better car supply and better service.

Following the approval and consummation of the merger last fall, California Northern has begun to realize some of the benefits of the merger in the form of better car supply, fewer trains held for power, benefits of expanded single line service and better transit times through the Central Corridor. In general, UP's car fleet was of better quality and better maintained so that combining the UP and SP fleets have resulted in significantly better car supply. Our customers in the Sacramento Valley who had experienced spot shortages of rice hopper cars before the merger have seen an improvement in recent months. We are seeing more UP equipment assigned to our customers now that UP has begun to integrate the freight car fleet. We have also benefited from a better supply of lumber cars and the availability of more centerbeam cars. Additionally, UP has assigned additional locomotives to the SP lines that has reduced the number of trains delayed for power.

California Northern has also benefited from the expanded route structure and single line service capabilities of the combined UP/SP system. This has enabled us to access geographic areas that SP did not previously serve such as grain producing points in Idaho, Montana and Midwest. For example, Idaho grain moving inbound to the General Mills flour mill at Vallejo can now be handled in single line rail service. The Anheuser brewery in Fairfield has benefited with the elimination of a switch between UP and SP at its distribution center in Portland. We look forward to further efficiency and more service improvements in the future once UP/SP completes the overhaul of Roseville Yard. That project, which began this week, is expected to continue for the next 18 to 24 months and will result in a state of the art classification center for Northern California.

Although physical integration of the UP and SP will not be completed for the West lines until next year, we have found that the new UP/SP management team in Omaha has been very responsive to our needs and is supportive of its short line partners. We have better communications with UP/SP than we had with SP prior to the merger and we are finding that when problems do arise, they get resolved more quickly than in the past. This has in turn helped California Northern be more responsive to its customers needs and has encouraged us to expand our traffic and customer base.

California Northern has already benefited from the UP/SP merger in significant ways and we expect to continue to benefit as the merger is implemented further. We oppose any change to the terms of approval of the merger.

I, DAVID L. PARKINSON, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed this 18th day of June, 1997.

David L Parkinson

David L. Parkinson

COPPER BASIN RAILWAY, INC.

June 20, 1997

To whom it may concern:

My name is L. S. "Jake" Jacobson. I am Vice-president of Copper Basin Railway and Chief Operating Officer of Missouri Central Railroad.

Our traffic includes copper concentrates, ore and finished copper, along with sulfuric acid, lumber, coal, military trains and gypsum rock.

We and the UP/SP are moving forward in the true spirit of partnership. I want to convey my permission to quote my letter of May 29, 1997 to Mr. Bertram, in its entirety.

I, L.S. "Jake" Jacobosn, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this verified statement.

Executed on this 20th day of June, 1997.

Patti A. Goodridge
Notary Public

L. S. "Jake" Jacobson

"OFFICIAL SEAL"
Patti A. Goodridge
Notary Public-Arizona
Pinal County
My Commission Expires 8/12/99

P.O. DRAWER I HAYDEN, ARIZONA 85235 (520) 356-7730

CBR COPPER BASIN RAILWAY INC.

May 29, 1997

Mr. Jim Bertram
Union Pacific Railroad
Interline Marketing
1416 Dodge Street
Omaha, Ne. 68179

Dear Jim:

Just a note to let you know how deeply we appreciate the new spirit of partnership with Union Pacific.

As you are aware, we had a number of problems with the old Southern Pacific interchange. A number of these problems have been solved and the fine folks of Union Pacific have addressed the remaining problems.

We have been blessed with the opportunity to meet with many of UP's management team and address such issues as availability of equipment, interchange trackage, car utilization, train coordination and the millions of dollars of truck business that could be going by rail.

Union Pacific's willingness to do joint run-through unit trains has impressed our major shippers and opened the door for more rail revenues.

In addition to the improvements in the Southwest, I am also involved with the group that's going through the acquisition process of the old Rock Island line from Kansas City to St. Louis.

We have once again found the Union Pacific spirit of partnership in the Midwest, with their willingness to deal in good faith with the State of Missouri, the S.T.R.I.C.T. committee, and General Railway, Inc. I look forward to the birth of the new Missouri Central Railway, providing service to customers across the Midwest, who have been without rail service since the demise of the Rock Island.

P.O. Drawer I, Hayden, Arizona 85235 (520) 356-7730
Fax: (520) 356-6304

A few months back, part of our train was derailed in a remote tunnel. I called U.P. President, Jerry Davis in Omaha, a short while later we had yellow Union Pacific locomotives on our line helping rerail our train. Today my grinding shoes are on loan to Union Pacific and are presently truing locomotive wheels in Tucson. "Big or small that's called RAILROADING".

I am confident that our merged railroad is in good hands with Dick Davidson and Jerry Davis at the helm. It is very refreshing to have the likes of Dick Peterson, Warren Wilson, John Gray, George Hix and Ed Weiss out here on the property solving problems.

No, the merged Union Pacific is not where it should be yet.

Yes, they have the right spirit and team up to bat to get it there.

I wish Union Pacific the very best in continued growth and mergers. I am envious of your great big rolling railroad and your Dash 8 AC locomotive power. However, no matter how big you get, I am confident the fine folks of the Union Pacific will always have the class to respect the proud printing on the sides of our locomotive power that says,
"Our real POWER is in the PRIDE of our PEOPLE!!

Jake Jacobson

L.S. "Jake" Jacobson

DALLAS, GARLAND & NORTHEASTERN

Dallas, Garland & NorthEastern Railroad, Inc.
425 N. 5th St. • Garland, Texas 75040
(972) 487-8180 • Fax (972) 487-7980

VERFIED STATEMENT
OF LISA PATTISON
ON BEHALF OF
DALLAS, GARLAND & NORTHEASTERN RAILROAD

My name is Lisa Pattison. I am the General Manager of the Dallas, Garland & Northeastern Railroad, with offices at 425 North 5th Street, Garland, TX 75040.

The Dallas, Garland & Northeastern Railroad ("DGNO") is a short line railroad that operates 92 miles of track in Northeast Texas. The DGNO connects with UP/SP and BNSF.

Since the UP/SP merger, DGNO and our shippers have benefited from the availability of shorter routes and new single-line service. For example, our customers now have a single route using the former UP line between Dallas and El Paso and the former SP line between El Paso and California. DGNO is now able to receive cars directly from the former SP connection without having to go through an interchange. This decreases terminal transit time by two to three days and allows us to provide improved service to our customers.

As a result of the UP/SP merger and the increased competition between UP/SP and BNSF, DGNO is in the process of attempting to locate a new industry to our line. The industry is evaluating whether to locate on the DGNO or the BNSF. In an effort to bolster the DGNO's traffic volume, UP/SP granted a waiver from our lease agreement to allow the DGNO to participate in traffic to and from the new industry without penalty.

DGNO supports the UP/SP merger, and we expect to receive additional benefits as the merger progresses. Therefore, we urge the Board not to change any of the terms of the merger.

I, Lisa Pattison, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 25, 1997.

Lisa Pattison

Lisa Pattison

GEORGETOWN RAILROAD COMPANY
5300 S. IH-35
POST OFFICE BOX 529
GEORGETOWN, TEXAS 78627-0529
512-863-2538
FAX 512-869-2649

VERIFIED STATEMENT
OF
CHARLES R. TURNER
on behalf of
GEORGETOWN RAILROAD COMPANY

My name if Charles R. Turner, and I am President of Georgetown Railroad Company, P. O. Box 529, Georgetown, Texas, 78627-0529.

Georgetown Railroad Company originates shipments of crushed Limestone, which is used for roads, subdivisions, concrete aggregate, hot mix aggregate and industrial applications, for transport to many destinations served by Union Pacific Railroad Company and the former Southern Pacific Transportation Company.

Georgetown Railroad Company originally supported the UP/SP merger on the condition that the settlement agreement UP and SP entered into with BN/ATSF would be included when the merger was approved. Under that agreement, which the Board adopted, the BN/ATSF obtained trackage rights to serve Georgetown Railroad Company and our major customer, Texas Crushed Stone Company, with a connection at Kerr, Texas. This agreement protected our two-carrier status.

Georgetown Railroad Company has obtained benefits from the merger, which includes benefits from the BN/ATSF trackage rights granted as a part of the merger. The merger has provided UP with new and better routes for the movement of crushed limestone from our connection at Kerr, Texas into the Houston -East Texas area. The trackage rights also gave BN/ATSF good routes from our connection at Kerr, Texas to Houston and other Texas points, providing a competitive option for our customer to move crushed limestone to those areas. Texas Crushed Stone Company previously moved a large volume of crushed limestone to a facility located on the UP at Eureka Yard, Houston, Texas, however, because of the competitive pricing BN/ATSF has provided our customer now has an alternate site located on an inactive BN/ATSF yard for handling crushed limestone to the Houston market.

Verified Statement of
Charles R. Turner
Georgetown Railroad Company
Page 2 of 2 pages

BN/ATSF has proven to be a strong competitor against UP/SP for Georgetown Railroad Company business. We have rates and routes established to move crushed limestone to any market served by BN/ATSF, and have established volume regular train and unit train movements to many BN/ATSF destinations. BN/ATSF has established a Marketing and Unit Train Department in Ft. Worth, Texas for the specific purpose of expediting new service provided through the UP/SP merger, and this has proven to be beneficial in the handling of our freight traffic. Georgetown Railroad Company can now move traffic direct to BN/ATSF providing a more efficient service resulting in competitive pricing for our joint rail service. New markets have been created because of the economics associated with movements over the BN/ATSF system brought about by the UP/SP merger.

Georgetown Railroad Company believes there will be further benefits derived from the competition between UP/SP and BN/ATSF. We would oppose any modification in the terms of the approval of the merger.

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 24th day of June, 1997.

Charles R. Turner

Charles R. Turner, President

LRWN LITTLE ROCK & WESTERN RAILWAY, L.P.
P.O. BOX 146 • PERRY, ARKANSAS 72125 • TELEPHONE: 501-662-4878

VERIFIED STATEMENT
OF
ALAN WAGONER
on behalf of
LITTLE ROCK AND WESTERN RAILWAY

My name is Alan Wagoner. I am General Manager of the Little Rock and Western Railway, P.O. Box 146, Perry, AR 72125. Little Rock and Western Railway ("LRWN") is a short-line railroad with approximately 80 miles of track running westward from North Little Rock, Arkansas, to Danville, Arkansas. Prior to the merger, LRWN connected with both UP and SP at North Little Rock. Since the merger we have been served by UP/SP and also, through trackage rights, by BNSF.

LRWN moves approximately 6,500 cars per year. Our traffic includes wood and paper products, grain, salt, liquefied petroleum gas, and chemicals.

LRWN has been pleased with the results of the UP/SP merger to date. UP/SP service has been at a high level since the merger, and I believe it will improve even more as UP/SP proceeds through additional phases of the merger. UP has been especially effective in integrating the SP's SSW line. The SSW service never matched UP's service prior to the merger. Now that the SSW line has become part of UP, our customers can move their shipments in a more timely manner.

In addition, UP's marketing personnel have been responsive on rate matters. They have made a good effort to hold our rates down. In some instances, UP has even lowered our rates.

UP has also been very responsive to our need for boxcars. LRWN owns some of its equipment, but from time to time we need to order cars. UP's equipment managers have provided us with good service in this regard.

LRWN has also enjoyed the opportunity of being served by BNSF. Service by both BNSF and UP/SP provides our customers with two strong competitive alternatives. Both railroads have a broader set of routes and offer more single-line service than either UP or SP alone did prior to the merger. I believe the competition between these two railroads that our customers now enjoy is stronger than the competition that existed between UP and SP prior to the merger. BNSF has been a vigorous competitor, and I believe this competitive pressure has been a factor in UP/SP's decision to reduce some of our rates and to avoid rate increases.

The merger has already brought substantial benefits to LRWN, and we expect the benefits to continue as the merger continues to be implemented. We oppose any imposition of further conditions on the merger.

I, Alan Wagoner, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on this 25 day of June, 1997.

Alan Wagoner

Alan Wagoner

VERIFIED STATEMENT
OF FORREST BECHT
ON BEHALF OF
LOUISIANA & DELTA RAILROAD, INC.

My name is Forrest Becht. I have been the General Manager of Louisiana & Delta Railroad, Inc. (LDRR) since 1987, and assumed the additional duties of President in 1993. My business address is 402 West Washington Street; New Iberia, LA 70560.

I have been in the rail transportation industry for over thirty years. Prior to my current positions, I held managerial and supervisory positions in the Mechanical and Operating Departments of the New York Central, Santa Fe, and Ann Arbor Railroads. Additionally, from 1983 to 1986, I was under contract with the U.S. Department of Transportation as an advisor to the Saudi Railways Organization in Dammam, Saudi Arabia. I was also a Regional Manager for Relco Locomotives, a locomotive leasing company.

The Louisiana and Delta Railroad currently handles approximately 14,000 carloads of business annually, which are interchanged on the former Southern Pacific line (now owned by BNSF) at Lafayette, New Iberia, and Schriever, Louisiana. LDRR customers include 3 carbon black plants, 2 rice mills, 4 sugar mills, 1 paper mill, 4 salt mines, 3 small ports, 1 pipe coating company, 3 steel fabricators, 1 LPG company, a box manufacturer, and a variety of smaller customers.

The LDRR supported the UP/SP merger in 1995. We anticipated increased service benefits to our customers, including single line service and efficient use of available routes. We have begun to realize those benefits.

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Since the merger, our customers have benefited from access to new markets. Our customers who have destinations served by the former UP now have single line service to those destinations. Prior to the merger, some of those customers either trucked to a UP loading site or did not ship by rail at all. Under the settlement agreement between UP/SP and BNSF, BNSF purchased the former SP line between Iowa Junction and Avondale, and UP/SP retained trackage rights over the line. Thus, our customers can now choose between two strong railroads. The acquisition of the SP line by BNSF has allowed our customers to reach new markets. Furthermore, our customers are beginning to profit from the strong competition between BNSF and UP/SP.

LDRR has also seen improvements in customer service from the merged UP/SP. UP/SP has implemented a process to improve operations and to provide LDRR with TCS computer support and information. We have seen greater customer involvement and input in meetings between UP/SP and short line railroads relating to service improvements. In general, customers feel that a definite improvement is taking place as a result of the merger.

LDRR continues to support the UP/SP merger, and we expect to see additional benefits as the merger progresses. We oppose any change to the terms of approval of the merger.

I, Forrest Becht, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 26, 1997.

F. L. Becht

Forrest Becht

Northeast Texas Rural Rail Transportation District

PO Box 363

Commerce, Texas 75429-0306

Telephone (903) 886-2131 Telecopier (903) 886-4813

VERIFIED STATEMENT OF WINFORD DYER ON BEHALF OF NORTHEAST TEXAS RURAL RAIL TRANSPORTATION DISTRICT

My name is Winford Dyer. I am the President of the Northeast Texas Rural Rail Transportation District. My business address is 1504 Washington St., Commerce, TX 75428.

The Northeast Texas Rural Rail Transportation District (NETEX) is a railroad authority formed by a group of Texas Counties. NETEX owns rail lines between Sulphur Springs and Greenville, TX, and has contracted with the East Texas Central Railroad to provide rail operations.

NETEX supports the UP/SP merger, and believes that implementation of the merger is proceeding satisfactorily in this early stage. Already, our shippers are experiencing merger-related benefits, such as lower rates. For example, our customers have received lower rates on the UP/SP routes to Sulphur Springs and Greenville, TX. As a result of these lower rates, we have seen an increase of about 25 carloads per month on cottonseed meal moving from Little Rock, AR to Sulphur Springs, TX. This traffic had moved by truck prior to the merger.

Since the UP/SP merger, NETEX has enjoyed a better relationship with UP/SP. The lines of communication with UP/SP have improved, and we are working more closely with UP/SP. Together, we are making serious efforts to grow our business, and already we have seen significant steps in the right direction.

NETEX is pleased with the UP/SP merger so far. NETEX sees no basis for altering the terms of the merger approval, which could jeopardize the significant benefits still to come.

I, Winford Dyer, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 23, 1997.

Winford Dyer

Winford Dyer

IHR

Ironhorse Resources, Inc.

Ironhorse Resources, Inc. acting as agent for Texas Railroad Switching, Inc., Railroad Switching Service of Missouri, Inc.
Southern Switching Co. & Rio Valley Switching Co.

103 N. OAK • P.O. BOX 99 • O'FALLON, ILLINOIS 62269 • 618/632-4400
FAX 618/632-4562

VERIFIED STATEMENT OF BARRY S. McCLURE ON BEHALF OF RIO VALLEY SWITCHING COMPANY AND SOUTHERN SWITCHING COMPANY

My name is Barry S. McClure. I am the Controller for Ironhorse Resources, Inc., which acts as agents for the Rio Valley Switching Company and Southern Switching Company. My business address is P.O. Box 99, O'Fallon, IL 62269.

The Rio Valley Switching Company (RVSC) leases and operates 60 miles of track in Cameron and Hidalgo County, Texas, and handles roughly 5,000 cars annually. Our mainline runs west from Harlingen, where we interchange with the UP, to McAllen, ending in the Free Trade Zone. We handle a wide variety of commodities, with building materials, grain, frozen fruits and vegetables, and steel heading the list.

The Southern Switching Company (SSC) owns and operates 9 miles of track in Abilene, Texas, where we interchange with the UP. The primary commodities handled are asphalt, scrap, and beer. SSC handles approximately 1,000 cars annually.

As agents and administrators for these two railroads, Ironhorse Resources, Inc. strongly believes that the UP/SP merger will help small business. The boom in the number of shortlines in recent years has proven that shortlines cater to the needs of the companies on their lines. The companies served tend to be small to mid-size firms. However, these small customers comprise a much larger percentage of the shortline's business than if they were served by a Class I carrier. Consequently, the customer receives more personalize service. Since the UP/SP merger, we have received better service from the UP/SP, and are able to pass these new services benefits on to our customers.

For example, one of our customers moves asphalt rock from San Antonio, TX (SP) to Hidalgo, TX (UP). The receiver was buying local product transported by truck, and competing with import stone moving via Mexico through the Port of Brownsville. Prior to the merger, an SP route via Flatonia would have been too circuitous. Since the merger, UP/SP is able to offer a shorter, single-line route, and has lowered the rate per car by a significant amount to move the traffic.

We are very pleased with the benefits we receive from the UP/SP merger. We urge the Board not to change any of the terms of the merger.

I, Barry S. McClure, declare under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 24th day June, 1997

Barry S McC

Barry S. McClure

f:\wpwin\barry\up\upspmerg

SALT LAKE, GARFIELD & WESTERN RAILWAY CO.

TELEPHONE 32-3429 • 1200 WEST NORTH TEMPLE

POST OFFICE BOX 16047 SALT LAKE CITY, UTAH 84116

The **Saltair** Route

June 27, 1997

Gentleman:

I am the President of the Salt Lake Garfield & Western Rwy. Co. (SLGW), 1200 West North Temple, P.O. Box 16047, Salt Lake City, Utah 84116. SLGW is a short line railroad with 10 miles of track running between Salt Lake City, Utah and Garfield, Utah. Prior to the UP/SP merger, SLGW connected with both the UP and the SP at Salt Lake City. Since the merger, SLGW has been served by both the merged UP/SP and also BNSF, via trackage rights obtained as part of the merger.

The primary traffic shipped by SLGW includes plastics, food, forest products, furniture and general commodities. We carry close to 500 cars per year.

SLGW has seen significant improvements as a result of the merger. The serviceoffered by UP/SP is far better than the service we recieved from the SP prior tothe merger. For example, prior to the merger SP often delayed the interchange of cars to the SLGW. Since the merger UP/SP has provided SLGW and its customers as much as a 4-day improvement in operations. As another example, SP was not paying us on a prompt basis. UP"s interline Accounting Department is now providing SLGW with timely monthly statements. Overall, UP is communicating better, providing us with advance information on cars being delivered to us.

We are also pleased to have new BNSF service. BNSF has a much broader route structure than SP and offers our customers efficient single-line service to numerous points. BNSF competes actively for our customers business and has given our ccustomers a second strong competitive option, providing more attractive service to our customers than SP did. The new competition between UP/SP and BNSF is much stronger than the competition between Up and SP prior to the merger.

SLGW and its customers have been significantly benefited from the UP/SP merger thus far. Of course, there is further implementation to come, and we look forward to additional benefits in the future. We oppose any alteration to the terms of approval of the merger.

I declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 27th day of June 1997.

Donald M. Hogle

Donald M. Hogle
President

KYLE SAN JOAQUIN VALLEY RAILROAD COMPANY
A Subsidiary of KYLE RAILWAYS, INC.

VERIFIED STATEMENT
OF FRED L. KREBS
ON BEHALF OF
SAN JOAQUIN VALLEY RAILROAD COMPANY

My name is Fred L. Krebs. I am the General Manager of the San Joaquin Valley Railroad, with its principal office located at 221 N. F Street, Exeter, CA 93221. I have nineteen years of experience in the railroad industry with the Milwaukee Road, Southern Pacific, the Eastern Alabama Railway, and the San Joaquin Valley Railroad. I am very familiar with the transportation needs of the shippers located on our railroad.

The San Joaquin Valley Railroad is a regional railroad consisting of approximately 342 miles of mainline, serving the southern San Joaquin Valley area in California. The principal commodities handled are inbound grain from the Midwest and outbound perishables, petroleum and lumber destined for points throughout the United States.

Shortline railroads need efficient and reliable service by their trunk line carrier in order to provide quality service. Since the UP/SP merger, we have received service that is becoming more efficient and reliable as each day passes. We are pleased with the level of coordination and cooperation provided by UP/SP in the areas of marketing and car management. We enjoy improved relations with UP/SP's marketing groups, especially refrigerated products, and work with the new and improved "shortline group" to expand the San Joaquin Valley Railroad system.

The UP/SP merger has helped to optimize routings, eliminate congestion, and extend single-line service, which in turn has improved transit times. Improved transit times are especially noticeable on inbound unit grain train shipments from Nebraska going to Foster Commodities in Burrell, California.

As a result of the improved service and transit times due to the merger, equipment turnaround and placement has improved. Coupled with the combination of the UP and SP fleets, this has improved car supply for customer loadings, especially as regards refrigerated equipment.

Overall, the merged UP/SP is devoting more attention to shortline relations than SP did prior to the merger. As a result, UP/SP and SJVR are developing a "partnership" approach, which is beginning to benefit our shippers.

P.O. Box 937 • 221 North F Street • Exeter, California 93221 • Phone: (209) 592-1857 • FAX: (209) 592-1859

Although the merger is still in an early stage, our general expectations of the merger are on the course we expected. There is certainly more to be done, but we believe UP/SP has the right spirit to make it happen. We urge the Board not to change the original terms of the merger.

I, Fred L. Krebs, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on June 24, 1997.

Fred L. Krebs

Fred L. Krebs

VERIFIED STATEMENT
OF
KIRK HAWLEY
ON BEHALF OF
SOUTH EAST KANSAS RAILROAD
SOUTH KANSAS & OKLAHOMA RAILROAD

My name is Kirk Hawley. I am the Director of Marketing and Sales for the South Kansas & Oklahoma Railroad ("SKOL") and the South East Kansas Railroad ("SEKR"). I am submitting this verified statement to describe our successful experience following the merger of the Union Pacific Railroad and the Southern Pacific Railroad.

SKOL is a regional railroad operating over approximately 287 miles of trackage and serving approximately 40 customers in southern and central Kansas and south to Tulsa, Oklahoma. The principal commodities transported by SKOL are agricultural products, crushed stone and refinery products. SKOL connects with UP and Southeast Kansas Railroad at Coffeyville, Kansas; with UP, ORR and BN/SF at Tulsa, Oklahoma; with UP. BN/SF at Winfield, Kansas and with BN/SF at Fredonia, Kansas.

SEKR is a regional railroad serving approximately 20 customers in the southeast part of Kansas and western Missouri from Coffeyville, Kansas to Nevada, Missouri over approximately 104 miles of track. SEKR connects up with UP and SKOL at Coffeyville, Kansas, BN/SF at Cherokee, Kansas and Kansas City Southern Railway Company at Pittsburg, Kansas. The principal commodities transported by SEKR are grains and flour, plastic products and paper.

316-231-2230 315 W. 3rd • Pittsburg, KS 66762 FAX 316-231-2568

Since the UP/SP merger, we have seen significant improvement in several areas. We have been able to obtain competitive rates from UP/SP for our customers on moves that originate or terminate on our shortline systems an move to or from the former SP. For example, we have obtained lower rates from UP/SP on shipments of liquid fertilizer from Owasso, OK to former SP direct points such as Yuma, AZ; El Centro, CA; and Brawley CA via our Winfield, KS interchange. We have also secured competitive rates from UP/SP for the following: sulfuric acid from Separ, NM to Bartlesville, OK and copper rod from El Paso, TX to Coffeyville, KS. both via our Winfield, KS interchange; sulfur from Coffeyville, KS to Chaison and Galveston, TX; and chemical waste from Azusa, CA to Chanute, KS.

We have had a very good relationship with the marketing and operations personnel of the new UP/SP. They have gone out of their way to put the customer first in every instance. It is apparent that much thought was put into these selections. We believe the UP/SP has done an excellent job in the area of customer service.

Transit times for our movements have improved since the merger. In particular, transit times have improved on both UP and SP haulage trains, and on copper wire shipments from El Paso, TX to Coffeyville, KS for a new SKOL customer. Now that UP's Harriman Center is coordinating train operations, we are experiencing improved coordination with our joint train operations between the UP and the SKOL/SEKR.

As work is moved into the National Customer Service Center, we are also beginning to see improvements from the use of UP's Electronic Data Interchange system. This system allows customers to conduct automated business with us by computer, particularly in the areas of train reporting and car movement billing.

Overall, we are very pleased that the merger has produced significant benefits for our railroads and for our customers.

I, Kirk Hawley, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on May 30, 1997.

Kirk Hawley

Kirk Hawley

**VERIFIED STATEMENT
OF
JOHN E. WEST, III**

My name is John E. West, and I am Executive Vice President of Utah Railway Company ("UTAH"). I previously submitted verified statements in this proceeding. We will file a more comprehensive description and analysis of the impact of the merger and its associated conditions as they relate to our company on or before the August 1, 1997, deadline for comments under Finance Docket No. 32760 (Sub-No. 21). The following comments reflect UTAH's overview of implementation of merger related conditions.

From our perspective, the conditions agreed to and imposed on the UP/SP merger have provided a mechanism to minimize negative impact of combining the two railroads.

Utah's Settlement Agreement with UP provides for interchange with both UP and BNSF at Grand Junction, CO and Provo, UT and includes access to the Savage Coal Terminal (SCT) on the CV Spur near Wellington, UT as well as exclusive access to the Cyprus Amax Willow Creek Mine near Castle Gate, UT. UTAH has exercised its trackage rights between Utah Railway Junction and Grand Junction only as far as the SCT located on the CV Spur in Utah and only on westbound traffic. We have moved twelve (12) trains westbound routed UTAH-Provo, UT-UP from the SCT. Although we have not moved any

trains to Grand Junction, we are working with both UP and BNSF on contract rate offers to various customers for potential movement of coal from Willow Creek and/or SCT to Grand Junction, CO for interchange with either UP or BNSF. Our view is that things look promising for future movements.

Our Settlement Agreement with UP preserved access to two competing long-haul rail systems and although we have not interchanged any coal to BNSF as of this date, we have been encouraged by BNSF's recent rate quoting activity to certain destinations, both eastbound and westbound.

Under BNSF's Settlement Agreement with UP, BNSF was provided the option to select a third party switching carrier to serve the 2:1 customers it gained access to in Utah. Utah Railway Company was chosen by BNSF, and concurred in by UP. This service commenced on April 1, 1997, whereby UTAH directly serves customers on BNSF's behalf between Provo, UT and Ogden/Little Mountain, UT. The switching service has provided us with an opportunity to diversify from handling coal only to handling many commodities to several customers and is going well.

Overall, we think the merger decision was fundamentally correct.

VERIFICATION

State of Utah)
)
County of Carbon)

John E. West, III, being duly sworn, deposes and says that he has read the foregoing statement, and that the contents thereof are true and correct to the best of his knowledge and belief.

JEWest
John E. West, III

Subscribed and sworn to before me on this the 26th **day of June, 1997.**

Luella H. Davis
Notary Public

My commission expires Oct. 31, 2000.

LUELLA H. DAVIS
NOTARY PUBLIC • STATE of UTAH
2395 SOUTH 310 EAST
PRICE, UTAH 84501
COMM. EXP. 10-31-2000

R. I. Melbo, President & General Manager
M. A. Barron, Personnel-Office Manager/Asst. to Pres.-GM
B. L. Enfield, Operations Manager
T. G. Creswell, Manager of Customer Service
C. R. Gilbert, Office Engineer
M. A. Cyrus, Bridge Supervisor
A. B. Carswell, Manager of Motive Power & Equipment
D. L. Sullivan, Maintenance of Way Manager
K. E. Nichols, Road Foreman of Engines
D. G. Bousquet, Chief Train Dispatcher
J. J. Rolufs, Signal Supervisor
R. J. Kane, Accounting Manager

VERIFIED STATEMENT
OF ROBERT I. MELBO
ON BEHALF OF
WILLAMETTE & PACIFIC RAILROAD, INC.

My name is Robert I. Melbo. I am president and general manager of Willamette & Pacific Railroad, Inc., a shortline railroad with offices at 110 W. Tenth Avenue, Albany, OR 97321

Willamette & Pacific Railroad ("W&P") is located in the northwestern corner of Oregon. It serves the western side of the Willamette Valley, with an east-west line over the Coast Range to the community of Toledo, near the coast. W&P connects and interchanges with former SP lines at Eugene and Brooklyn (Portland), Oregon. It operates 185 route miles of former SP branches, and enjoys trackage rights over 40 miles of the former SP's main line between Albany and Eugene. W&P regularly serves over 60 customers.

W&P began operating in February, 1993, and currently handles over 35,000 carloads per year. W&P customers ship a variety of commodities, including newsprint, linerboard, scrap paper, wood chips, rebar, scrap iron and steel, grain,

Willamette & Pacific Railroad, Inc. 110 West 10th Avenue, Albany, Oregon 97321 (541) 924-6565 FAX (541) 924-6580

fertilizers, lumber, plywood, logs, grass seed, cotton seed and anthracite coal. Major traffic moves are between the Pacific Northwest and California and Arizona.

W&P provided a statement of support for the UP/SP merger in 1995. At that time, we anticipated positive results for our customers and ourselves in several areas. We certainly have not been disappointed.

Since the UP/SP merger, our car supply and equipment utilization have improved. W&P had been dependent upon the former SP for the provision of freight cars that our customers require for interstate shipment. The merged UP/SP has a bigger inventory of equipment to meet these requirements. For example, W&P has realized an improvement in the availability of certain types of railroad equipment used for loading. Additionally, routing efficiencies under the UP/SP allow better utilization of equipment.

The UP/SP system provides single-line rail service for our customers in geographic areas that had not been served by the former SP. W&P anticipates improvements in service and the potential for our customers to reach new markets once UP/SP labor implementing agreements are in place.

We are impressed with favorable prices we receive from UP/SP. UP/SP's Marketing Department has been very determined and creative in insuring competitiveness through aggressive pricing actions.

Willamette & Pacific Railroad Inc. 110 West 10th Avenue, Albany, Oregon 97321 (541) 924-6565 FAX (541) 924-6580

W&P, and the customers we serve, were very much impressed during the December 1996 and January 1997 floods, which devastated the former SP line. With primary routes closed, UP/SP did an outstanding job in detouring trains and making necessary repairs to the line that had been destroyed by the flooding. Without UP/SP's quick action and resources, service interruptions could have had an extremely negative effect on our customers. Such a response by the former SP alone would not have been possible.

W&P continues to strongly support the UP/SP merger. We have already seen impressive improvements in service, and expect to continue to benefit as the merger fully matures. W&P urges the Board not to change its original approval of the merger.

I, Robert I. Melbo, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 25, 1997.

Robert I. Melbo

Robert I. Melbo

WILLAMETTE VALLEY RAILWAY COMPANY

P.O. Box 917
McMinnville, OR 97128
800-495-2300

VERIFIED STATEMENT
OF MICHAEL R. ROOT
ON BEHALF OF
WILLAMETTE VALLEY RAILWAY COMPANY

My name is Michael R. Root. I am the President of the Willamette Valley Railway Company. My business address is P. O. Box 917, McMinnville, OR 97128.

The Willamette Valley Railway Company is a Class III railroad that operates 85 miles of main track, consisting of the former Southern Pacific's West Stayton and Mill City Branches in Oregon. We acquired the lines in February 1993. The principal commodities moved over the lines are wood products, frozen fruits and vegetables, fertilizer, corn syrup, and silica sand.

The Willamette Valley Railway Company and our customers have already begun to benefit from the UP/SP merger. The Marketing and Sales functions of UP and SP were combined and enlarged. Our joint customer calls with the UP/SP Marketing and Sales staff have resulted in 150 cars of new business so far this year.

The UP/SP merger has created improved routings. For example, improved routings from Portland, OR to Chicago, Il have resulted in improved transit times. As a result, we have captured new frozen vegetable traffic. Already, we have transported approximately 200 new carloads of frozen vegetables for one customer. Prior to the merger they moved by truck because SP's transit times were so long and unreliable.

180432
End

Additionally, the expanded route structure provided by the UP/SP merger has made new markets available to our customers. Our customers can now reach new destinations faster and at less cost than before. For example, wood products can now be shipped to Arizona, California, Nevada, Texas, and the Midwest. UP/SP offers better transit times for shipments of frozen vegetables to and from the Midwest and Northeast. Also, our customers are now able to bring fertilizer in from Idaho, Wyoming and Canada easier.

We feel that we have only touched the tip of the iceberg. Next year, for example, we expect to see new business of over 700 cars annually as a result of the merger. We are pleased with the results of the UP/SP merger so far and urge the Board not to change its original approval of the merger.

I, Michael R. Root, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on June 22, 1997.

Michael R Root

Michael R. Root

STB FD 32760 (Sub 21) 5-27-97 D 179904

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HCCG-1

BEFORE THE
SURFACE TRANSPORTATION BOARD

RECEIVED MAY 27 1997 MAIL MANAGEMENT STB

Finance Docket No. 32760 (Sub-No. 21)

UNION PACIFIC CORPORATION, et al.

-- CONTROL AND MERGER --

SOUTHERN PACIFIC RAIL CORPORATION, et al.

179904

Notice of Intent to Participate

Hoechst Celanese Chemical Group, Ltd. hereby gives notice that it intends to participate as a party of record (POR) in the oversight proceeding instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. et al. v Southern Pacific Rail Corp. et.al., (decision served May 7, 1997). Enclosed is the original of this document and 25 copies.

Respectfully submitted,

Wrennie Love

Wrennie Love
Manager, Rail Commercial
Hoechst Celanese Chemical Group, Ltd.
1601 W. LBJ Freeway
Dallas, TX 75234
972-443-4832

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

STB FD 32760 (Sub 21) 5-27-97 D 179905

LAW OFFICES

KELLER AND HECKMAN LLP

1001 G STREET, N.W.
SUITE 500 WEST
WASHINGTON, D.C. 20001
TELEPHONE (202) 434-4100
FACSIMILE (202) 434-4646

BOULEVARD LOUIS SCHMIDT 87
B-1040 BRUSSELS
TELEPHONE 32(2) 732 52 80
FACSIMILE 32(2) 732 53 92

WWW.KHLAW.COM

WRITER'S DIRECT ACCESS
(202) 434-4179
jonest@khlaw.com

May 27, 1997

D

VIA HAND DELIVERY

Office of the Secretary
Case Control Unit
ATTENTION: STB Finance Docket No. 32760 (Sub. No. 21)
Surface Transportation Board
1925 K Street N. W.
Washington, D. C. 20423-0001

Re: Finance Docket No. 32760 (Sub. No. 21), Union Pacific Corporation, et. al. - Control and Merger - Southern Pacific Rail Corporation, et. al.

179905

Dear Mr. Secretary:

In response to Decision No. 1 of the Surface Transportation Board served May 7, 1997 in the above-captioned proceeding, this is to advise that North American Logistic Services, a Division of Mars, Incorporated, intends to participate in this proceeding.

An additional 25 copies of this letter are enclosed, together with a 3.5 inch diskette which is formatted for WordPerfect 7.0.

Yours very truly,

Terrence D. Jones

Attorney for North American Logistic Services, a Division of Mars, Incorporated

STB FD 32760 (Sub 21) 5-27-97 D 179906

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UR-1

RECEIVED MAY 27 1997 MAIL MANAGEMENT STB

BEFORE THE

SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760 (Sub No. 21)

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY

-- CONTROL AND MERGER --

179906

SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC
TRANSPORTATION COMPANY, et al.

Notice of Intent to Participate

Utah Railway Company hereby gives notice that it intends to participate actively as a party of record (POR) in the oversight proceeding instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. v. Southern Pacific Rail Corp., (decision served May 7, 1997). An original and 25 copies of this Notice is being sent to the Office of the Secretary.

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

Respectfully submitted,

Charles H. White, Jr.

Charles H. White, Jr.
GALLAND, KHARASCH & GARFINKLE, P.C.
1054 Thirty-First Street, N.W.
Washington, D.C. 20007
Tel: (202) 342-5200

Counsel for Utah Railway Company

Date: May 22, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this 22nd day of May 1997 caused to be mailed upon all parties a copy of the foregoing Notice of Intent to Participate by first-class mail, postage prepaid.

Charles H. White, Jr.

STB FD 32760 (Sub 21) 5-27-97 D 179907

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ECC-1

BEFORE THE

SURFACE TRANSPORTATION BOARD

RECEIVED MAY 27 1997 MAIL MANAGEMENT STB

FINANCE DOCKET NO. 32760 (Sub No. 21)

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY

--CONTROL AND MERGER—

179907

SOUTHERN PACIFIC RAIL CORPORATION, SOUTHER PACIFIC
TRANSPORTATION COMPANY, et al.

Notice of Intent to Participate

Eastman Chemical Company hereby gives notice that it intends to participate actively as a party of record (POR) in the oversight providing instituted in Docket No. 32760 (Sub No. 21), Union Pacific Corp. v. Southern Pacific Rail Corp., (decision served May 7, 1997). An original and 25 copies of this Notice is being sent to the Office of the Secretary, together with a 3.5 inch diskette formatted so that it can be converted into WordPerfect 7.0.

Respectfully submitted,

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

J L Belcher

James L. Belcher
Senior Logistics Representative
Eastman Chemical Company
200 South Wilcox Drive
P. O. Box 431
Kingsport, TN 37662
(423) 229-4337

Date: May 20, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this 20th day of May 1997 caused to be mailed upon all parties a copy of the foregoing Notice of Intent to Participate by first-class mail, postage prepaid.

J L Belcher

James L. Belcher

STB FD 32760 (Sub 21) 5-27-97 D 179908

BRACEWELL & PATTERSON, L.L.P.
A REGISTERED LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW

2000 K STREET NW STE 500
WASHINGTON DC 20006-1872
202 828 5800
FAX 202 223 1225

SOUTH TOWER PENNZOIL PLACE
711 LOUISIANA ST STE 2900
HOUSTON TX 77002-2781
713 223 2900

100 CONGRESS AVE STE 1900
AUSTIN TX 78701-4052
512 472 7800

LINCOLN PLAZA
500 N AKARD ST STE 4000
DALLAS TX 75201-3387
214 740 4000

43 BROOK ST
LONDON W1Y 2BL ENGLAND
44 71 355 3330

D

May 27, 1997

RECEIVED MAY 27 1997 MAIL MANAGEMENT STB

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Case Control Unit
1925 K Street, N.W.
Washington, D.C. 20423-0001

Via Hand Delivery

179968

Re: Finance Docket 32760 (Sub.-No. 21), *Union Pacific Corp., et al.-- Control and Merger -- Southern Pacific Rail Corp., et al.*

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are an original and twenty-five copies of the Capital Metropolitan Transportation Authority's Notice of Intent to Participate (CMTA-1). Also enclosed is a 3.5 inch disk that contains the text of this pleading in Wordperfect 6.0 format.

I would appreciate your date-stamping the enclosed receipt copy of the filing and returning it with the messenger for our records.

Very truly yours,

Bracewell & Patterson, L.L.P.

Monica J. Palko

Monica J. Palko

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

ORIGINAL

CMTA - 15

179908

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

RECEIVED
MAY 27 1997
MAIL MANAGEMENT
STB

UNION PACIFIC CORP., UNION PACIFIC RAILROAD CO. AND MISSOURI PACIFIC RAILROAD CO. -- CONTROL AND MERGER -- SOUTHERN PACIFIC RAIL CORP., SOUTHERN PACIFIC TRANSPORTATION CO., ST. LOUIS SOUTHWESTERN RAILWAY CO., SPCSL CORP. AND THE DENVER AND RIO GRANDE WESTERN RAILROAD CO.	)	FINANCE DOCKET NO. 32760 (Sub-No. 21)

NOTICE OF INTENT TO PARTICIPATE

The Capital Metropolitan Transportation Authority hereby gives notice that it intends to participate as a Party of Record in the above-captioned oversight proceeding. Pursuant to 49 C.F.R. § 1180.4(a)(2), the Capital Metropolitan Transportation Authority selects the abbreviation "CMTA" for identifying its pleadings.

Respectfully submitted,

Monica J. Palko

Albert B. Krachman, Esq.
Monica J. Palko, Esq.
Bracewell & Patterson, L.L.P.
2000 K Street, N.W., Suite 500
Washington, D.C. 20006
(202) 828-5800

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

May 27, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have caused a copy of the foregoing Notice of Intent to Participate to be served by first class mail, postage prepaid, on all Parties of Record in Finance Docket No. 32760, this 27th day of May, 1997.

Monica J. Palko

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STB FD 32760 (Sub 21) 5-27-97 D 179909

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Office of the Secretary,
Case Control Unit
ATTN: STB Finance Docket No. 32760 (Sub-No. 21)
Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423-0001

May 22, 1997

REF: Notice of Intent to Participate in STB Finance Docket No. 32760 (Sub-No. 21)

179909

Dear Sir(s):

The Brownsville Navigation District Lessee Association (BNDLA) is hereby giving notice of its intent to actively participate in the oversight proceedings as a party of record with regard to STB Finance Docket No. 32760 (Sub-No. 21).

Copies of all STB Finance Docket No. 32760 (Sub-No. 21) filings should be sent to the attention of Davison de Araujo, Chairman, Brownsville Navigation District Lessee Association; PO Box 5808; Brownsville, Texas 78523.

Respectfully,

Craig Elkins, Secretary

STB FD 32760 (Sub 21) 5-27-97 D 179903

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BEFORE THE

SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760 (Sub No. 21)

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY AND MISSOURI PACIFIC RAILROAD COMPANY

--CONTROL AND MERGER--

179903

SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC TRANSPORTATION COMPANY, et al.

Notice of Intent to Participate

Chevron Chemical Company hereby gives notice that it intends to participate actively as a party of record (POR) in the oversight providing instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. v. Southern Pacific Rail Corp., (decision served May 7, 1997). An original and 25 copies of this Notice is being sent to the Office of the Secretary, together with a 3.5 inch diskette formatted so that it can be converted into WordPerfect 7.0.

Respectfully submitted,

Eric Tibbetts

Eric W. Tibbetts
Manager, Rail Center
Chevron Chemical Company
1301 McKinney, Suite 1306
Houston, Texas 77010
(713) 754-4199

Date: May 20, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this 20th day of May 1997 caused to be mailed upon all parties a copy of the foregoing Notice of Intent to Participate by first-class mail, postage prepaid.

Eric Tibbetts

Eric W. Tibbetts

STB FD 32760 (Sub 21) 5-23-97 D 179895

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

179895

May 22, 1997

RECEIVED
MAY 23 1997
MAIL MANAGEMENT STB

Mr. Vernon A. Williams
Office of the Secretary, Case Control Unit
Surface Transportation Board
1925 K Street, NW.
Washington, D.C. 20423-0001

Dear Mr. Williams:

This letter is to serve notice that the Department of Agriculture (USDA) intends to participate as a party of record in the oversight proceeding instituted in *Finance Docket No. 32760 (Sub-No. 21), 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 Corporation, and The Denver and Rio Grande Western Railroad Company [OVERSIGHT].*

USDA was an active participant in this railroad consolidation proceeding. The Union Pacific Southern Pacific Railroad (UPSP) hauls vast amounts of agricultural traffic for both domestic and foreign markets. The Secretary of Agriculture submitted comments on several occasions because of his concern that a UPSP merger would have anticompetitive impacts in the transportation marketplace.

On behalf of USDA, please add the following name to the service list in this proceeding as a party of record: Eileen S. Stommes, Director, Transportation and Marketing Division, Agricultural Marketing Service, U.S. Department of Agriculture, P.O. Box 96456, Room 4006-South Building, Washington, D.C. 20090-6456.

Sincerely,

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

Michael V. Dunn
Michael V. Dunn
Assistant Secretary
Marketing and Regulatory Programs

STB FD 32760 (Sub 21) 5-23-97 D 179894

ORIGINAL

U.S. Department of Transportation
Office of the Secretary of Transportation

GENERAL COUNSEL

400 Seventh St., S.W.
Washington, D.C. 20590

May 22, 1997

D

RECEIVED MAY 23 1997 MAIL MANAGEMENT STB

Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Union Pacific Corporation, Union Pacific Railroad Company, and Missouri Pacific Railroad Company -- Control andMerger -- Southern Pacific Rail Corporation, Southern Pacific Transportaion Company, St. Louis Southwestern Railway Company, SPSCL Corp., and The Denver and Rio Grande Western Railroad Company [OVERSIGHT]
Finance Docket No., 32760 (Sub-No. 21)

179894

Dear Secretary Williams:

Pursuant to Decision No. 1 of the Surface Transportation Board in the above-referenced proceeding, the United States Department of Transportation ("DOT") hereby gives notice of its intent to participate as a party of record ("POR") in this matter. Enclosed herewith are 25 copies of this notice.

I request that all pleadings and orders served on DOT be sent to the persons at the addresses below.

Paul Samuel Smith
U.S. Department of Transportation
Room 4102 C-30
400 7th Street, S.W.
Washington, D.C. 20590

Joseph Pomponio
Federal Railroad Administration
RCC-20
400 Seventh St., S.W.
Washington, D.C. 20590

Respectfully submitted,

Paul Samuel Smith

Paul Samuel Smith
Senior Trial Attorney

Enclosures

STB FD 32760 (Sub 21) 5-23-97 D 179893

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XYZ-1

BEFORE THE
SURFACE TRANSPORTATION BOARD

RECEIVED
MAY 23 1997
MAIL MANAGEMENT
STB

Finance Docket No.32760 (Sub-No. 21)

UNION PACIFIC CORPORATION, et al.

CONTROL AND MERGER

SOUTHERN PACIFIC RAIL CORPORATION, et al. (oversight)

179893

Notice of Intent to Participate

Rohm and Haas Company hereby gives notice that it intends to participate as a party of record (POR) in the oversight providing instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. et al. v. Southern Pacific Rail Corp., et al., (decision served May 7, 1997). Enclosed with the original are 25 copies of this Notice.

Respectfully submitted,

Burunda Prince-Jones

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

Burunda Prince-Jones
Manager
Bulk Logistics
Rohm and Haas Company
Independence Mall West
Philadelphia, PA 19106-2399
(215) 592-6702

STB FD 32760 (Sub 21) 5-23-97 D 179892

D

SOUTHWEST GRAIN CO., INC.

5303 N. McCOLL ROAD
P. O. BOX 2825
McALLEN, TEXAS 78502-2825
PHONE (210) 682-5533 FAX (210) 682-9413

PETE RETZLAFF
PRESIDENT

TOMMY JOE CRUTCHER
GENERAL MANAGER

RECEIVED
MAY 23 1997
MAIL MANAGEMENT
STB

Office of the Secretary,
Case Control Unit
ATTN: STB Finance Docket No. 32760 (Sub-No. 21)
Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423-0001

May 22, 1997

179892

REF: Notice of Intent to Participate in STB Finance Docket No. 32760 (Sub-No. 21)

Dear Sir(s):

Southwest Grain Co., Inc. is giving notice of its intent to actively participate in the UP/SP oversight proceedings as a party of record with regard to STB Finance Docket No. 32760 (Sub-No. 21).

Copies of all STB Finance Docket No. 32760 (Sub-No. 21) filings should be sent to the attention of Tommy Joe Crutcher, General Manager, Southwest Grain Co., Inc.; PO Box 2825; McAllen, Texas 78501.

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

Respectfully,

Craig Elkins, Secretary

STB FD 32760 (Sub 21) 5-23-97 D 179891

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ECA - 1

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No.21)

UNION PACIFIC CORPORATION; et al.

-- CONTROL AND MERGER --

SOUTHERN PACIFIC RAIL CORPORATION, et al. [oversight]

179891

Notice of Intent to Participate

Exxon Chemical Americas hereby gives notice that it intends to participate as a party of record (POR) in the oversight providing instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. et al. v Southern Pacific Rail Corp. et.al. (decision served May 7, 1997). Enclosed with the original and 25 copies of this Notice is a 3.5 inch diskette formatted so that it can be converted into Word Perfect 7.0.

Respectfully submitted,

Thomas B. Campbell, Jr.
Exxon Chemical Americas
P. O. Box 3272
Houston, TX 77253-3272
(281) 870-6083

Date: May 22, 1997

STB FD 32760 (Sub 21) 5-23-97 D 179890

D

MAYER, BROWN & PLATT

2000 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20006-1882

MAIN TELEPHONE
202-463-2000
MAIN FAX
202-861-0473

ERIKA Z. JONES
202-778-0642

May 23, 1997

MAY 23 1997

VIA HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Suite 700
Washington, DC 20006

179890

Re: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al.-- Control and Merger -- Southern Pacific Rail Corp., et al.

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are the original and twenty-five (25) copies of the Notice of Intent to Participate of The Burlington Northern and Santa Fe Railway Company (BNSF-80). Also enclosed is a 3.5-inch disk containing the text of this pleading in Wordperfect 6.1 format.

I would appreciate it if you would date-stamp the enclosed extra copy of this filing and return it to the messenger for our files.

Sincerely,

Erika Z. Jones

Erika Z. Jones

Enclosures

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No. 21)

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

179890

**NOTICE OF INTENT TO PARTICIPATE OF
THE BURLINGTON NORTHERN AND
SANTA FE RAILWAY COMPANY**

The Burlington Northern and Santa Fe Railway Company hereby notifies the Surface Transportation Board of its intent to participate in the above-captioned oversight proceeding as a party of record.

Respectfully submitted,

Erika Z. Jones

Jeffrey R. Moreland
Richard E. Weicher
Janice G. Barber
Michael E. Roper
Sidney L. Strickland, Jr.

Burlington Northern Santa Fe
Corporation
3800 Continental Plaza
777 Main Street
Ft. Worth, Texas 76102-5384
(817) 333-7954

and

Burlington Northern Santa Fe
Corporation
1700 East Golf Road
Schaumburg, Illinois 60173
(847) 995-6000

Erika Z. Jones
Adrian L. Steel, Jr.
Roy T. Englert, Jr.
Kathryn A. Kusske

Mayer, Brown & Platt
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 463-2000

Attorneys for The Burlington Northern and Santa Fe Railway Company

May 23, 1997

CERTIFICATE OF SERVICE

I hereby certify that copies of the Notice of Intent to Participate of The Burlington Northern and Santa Fe Railway Company (BNSF-80) have been served this 23rd day of May, 1997, by first-class mail, postage prepaid on all Parties of Record in Finance Docket No. 32760.

STB FD 32760 (Sub 21) 5-23-97 D 179887

D

179887

SLOVER & LOFTUS

ATTORNEYS AT LAW
1224 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
DONALD G. AVERY
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III

May 23, 1997

202 347-7170

MAY 23 1997

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Case Control Unit
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 21)
Union Pacific Corporation, et al. --
Control and Merger -- Southern Pacific
Rail Corporation, et al.

Dear Mr. Secretary:

Enclosed for filing in the above-referenced proceeding are an original and 25 copies of the Notice of Intent to Participate of Sasol Alpha Olefins North America, Inc. Also enclosed is a diskette in WordPerfect 5.1 format containing the text of this pleading.

An extra copy of this pleading is also enclosed. Kindly confirm receipt by date-stamping and returning the extra copy to the bearer of this letter.

ENTERED
Office of the Secretary
MAY 27 1997
3 Part of Public Record

Sincerely,

Kelvin J. Dowd
An Attorney for Sasol Alpha Olefins
North America, Inc.

Enclosures

cc: Parties of Record

SNA-01

RECEIVED
MAY 23 1997
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STB

BEFORE THE
SURFACE TRANSPORTATION BOARD

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	Finance Docket No. 32760 (Sub-No. 21)

NOTICE OF INTENT TO PARTICIPATE OF
SASOL ALPHA OLEFINS NORTH AMERICA, INC.

Sasol Alpha Olefins North America, Inc. ("SNA") hereby notifies the Board that it intends to participate in the captioned oversight proceeding.

Respectfully submitted,

SASOL ALPHA OLEFINS
NORTH AMERICA, INC.
9800 Center Parkway
Suite 870
Houston, Texas 77036

By: Kelvin J. Dowd
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Attorney and Practitioner

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated May 23, 1997

CERTIFICATE OF SERVICE

I hereby certify that on this 23th day of May, 1997, I served copies of the foregoing Notice of Intent to Participate of Sasol Alpha Olefins North America, Inc. by first-class mail, postage prepaid on all parties of record in Finance Docket No. 32760.

Kelvin J. Dowd

STB FD 32760 (Sub 21) 5-23-97 D 179932

D

SLOVER & LOFTUS

ATTORNEYS AT LAW

1224 SEVENTEENTH STREET, N. W.

WASHINGTON, D. C. 20036

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
DONALD G. AVERY
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III

May 23, 1997

202 347-7170

179932

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Case Control Unit
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 21)
Union Pacific Corporation, et al. --
Control and Merger -- Southern Pacific
Rail Corporation, et al.

Dear Mr. Secretary:

Enclosed for filing are the original and 25 copies of Public Service Company of Colorado's Notice of Intent to Participate in the above-referenced oversight proceeding. Also enclosed is a diskette in WordPerfect 5.1 format containing the text of this pleading.

An extra copy of this pleading is also enclosed. Kindly confirm receipt by date-stamping and returning the extra copy to the bearer of this letter.

ENTERED
Office of the Secretary
MAY 28 1997
Part of
Record

Respectfully submitted,

Christopher A. Mills

Christopher A. Mills
An Attorney for Public Service
Company of Colorado

RECEIVED
MAY 23 1997
MAIL
MANAGEMENT
I.C.C.

CAM/mfw
Enclosures

cc: Parties of Record

179932

PSC-7

BEFORE THE
SURFACE TRANSPORTATION BOARD

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	Finance Docket No. 32760 (Sub-No. 21)

NOTICE OF INTENT TO PARTICIPATE OF
PUBLIC SERVICE COMPANY OF COLORADO

Public Service Company of Colorado ("PSCo") hereby notifies the Board that it intends to participate in the above-referenced oversight proceeding as a party of record. PSCo requests that copies of all pleadings and decisions related to this proceeding, including Applicants' and BNSF's July 1, 1997 progress reports, be served on its undersigned counsel and on the following additional individual:

Barry Johnson
Senior Engineer
Southwestern Public Service Company/
Public Service Company of Colorado
P.O. Box 1261
Amarillo, TX 79170

Respectfully submitted,

PUBLIC SERVICE COMPANY OF
COLORADO
OF SAN ANTONIO

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: May 23, 1997

By: Donald G. Avery
Christopher A. Mills
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Attorneys for Public Service
Company of Colorado

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of May, 1997, I served copies of the foregoing Notice of Intent to Participate of Public Service Company of Colorado by first-class mail, postage prepaid on all parties of record in Finance Docket No. 32760.

Christopher A. Mills

Christopher A. Mills

STB FD 32760 (Sub 21) 5-22-97 D 179871

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EXX - 1

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No.21)

UNION PACIFIC CORPORATION; et al.

-- CONTROL AND MERGER --

179871

SOUTHERN PACIFIC RAIL CORPORATION, et al. [oversight]

Notice of Intent to Participate

Exxon Company, U.S.A. hereby gives notice that it intends to participate as a party of record (POR) in the oversight providing instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. et al. v Southern Pacific Rail Corp. et.al. (decision served May 7, 1997). Enclosed with the original and 25 copies of this Notice is a 3.5 inch diskette formatted so that it can be converted into Word Perfect 7.0.

Respectfully submitted,

Steve M. Coulter
Exxon Company, U.S.A
P.O. Box 4692
Houston, Texas 77210-4692
(713)656-5254

Date: May 22, 1997

STB FD 32760 (Sub 21) 5-22-97 D 179870

D

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No. 21)

(oversight)

179870

UNION PACIFIC CORPORATION, et al.

-- CONTROL AND MERGER –

SOUTHERN PACIFIC CORPORATION, et al.

Notice of Intent to Participate

The Dow Chemical Company hereby gives notice of its intent to participate as a Party of Record (POR) in the oversight proceeding instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. et al. v. Southern Pacific Rail Corp., et al. Enclosed with the original, are 25 copies of this Notice.

Respectfully submitted,

James S. Hanson
Counsel for
The Dow Chemical Company
2020 Dow Center
Midland, Michigan 48674
(517) 636-5993

STB FD 32760 (Sub 21) 5-22-97 D 179883

ORIGINAL

D

179883

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub. No. 21)

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY, and MISSOURI PACIFIC RAILROAD COMPANY - CONTROL AND MERGER

SOUTHERN PACIFIC RAIL CORPORAATION, SOUTHERN PACIFIC TRANSPORTATION COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY COMPANY, SPCSL CORP. And THE DENVER and RIO GRANDE WESTERN RAILROAD COMPANY.

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THE PORT OF CORPUS CHRISTI
NOTICE OF INTENT TO PARTICIPATE

The Port of Corpus Christi hereby provides notice of its intent to participate actively as a party of record in this proceeding. Please include the following individuals in the Official Service List for the proceeding so that copies of all comments, pleadings and decisions are served on them.

John P. LaRue
Executive Director
The Port of Corpus Christi
222 Power Street, P.O. Box 1541
Corpus Christi, Texas 78403
Phone: 512-882-5633
Fax: 512-882-7110

Neal M. Mayer
Paul D. Coleman
Hoppel, Mayer & Coleman
1000 Connecticut Avenue, NW, S. 400
Washington, DC 20036
Phone: (202) 296-5460
Fax: (202) 296-5463

Included with this Notice is a 3.5" diskette containing this filing in Word Perfect 7.0 format.

Respectfully submitted,

Paul D. Coleman

Neal M. Mayer
Paul D. Coleman
Hoppel, Mayer & Coleman
1000 Connecticut Avenue, NW
Washington, DC 20036

Attorneys for:
PORT OF CORPUS CHRISTI

May 22, 1997

STB FD 32760 (Sub 21) 5-22-07 D 179869

LaRoe, Winn, Moerman & Donovan
ATTORNEYS AT LAW
3506 IDAHO AVENUE, N. W.
WASHINGTON, D. C. 20016
TELEPHONE (202) 362-3010
FAX (202) 362-3050

May 22, 1997

D

179869

VIA HAND DELIVERY
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W., Seventh Floor
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al. -- Control and Merger -- Southern Pacific Rail Corp., et al.

Dear Secretary Williams:

Enclosed are the original and 25 copies of the Notice of Intent to Participate in the above-captioned proceeding on behalf of The Geon Company. Also enclosed is a 3.5" diskette containing the filing in Wordperfect format. Please date stamp and return the enclosed two additional copies via our messenger.

Very truly yours,

Paul M. Donovan

Paul M. Donovan

Attorney for The Geon Company

STB FD 32760 (Sub 21) 5-22-97 D 179868

FINA-1

FINA

179868

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No.21)

UNION PACIFIC CORPORATION, et al.

– CONTROL AND MERGER –

SOUTHERN PACIFIC RAIL CORPORATION, et al. (oversight)

Notice of Intent to Participate

Fina Oil and Chemical Company hereby gives notice that it intends to participate as a party of record (POR) in the oversight providing instituted in Docket No. 32760 (Sub. No. 21), Union Pacific Corp. et al. V. Southern Pacific Rail Corp., et al., (decision served May 7, 1997). Enclosed with the original and 25 copies of this Notice is a 3.5 inch diskette formatted so that it can be converted into WordPerfect 7.0.

ENTERED
Office of the Secretary
MAY 23 1997
3 Part of Public Record

Respectfully submitted,

Mike Spahis
Manager of Logistics and Distribution
Fina Oil and Chemical Company
8350 North Central Expressway
Dallas, Texas 75206
(214) 750-2898

STB FD 32760 (Sub 21) 5-22-97 D 179867

STATE OF CALIFORNIA PETE WILSON, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

May 21, 1997

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Office of The Secretary
Case Control Unit
STB Finance Docket No. 32760
(Sub-No 21)
Surface Transportation Board
1925 K Street. N.W.
Washington, D.C. 20423-0001

Re: UPSP Merger Oversight Proceeding
Finance Docket No. 32760 (Sub-No. 21)

179867

Dear Mr. Secretary:

Enclosed for filing please find an original and 26 copies of a document titled "Notice of Intent to Participate."

Please file-stamp the extra enclosed copy and return it to the undersigned in the enclosed stamped, self-addressed envelope. Thank you for your cooperation in this matter.

Very truly yours,

James T. Quinn

James T. Quinn
Commission Attorney

ENTERED
Office of the Secretary
MAY 23 1997
3 Part of Public Record

JTQ:nas

Enclosures (27)

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No. 21)

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 CRP. AND THE
DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY

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MAY 22 1997
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179867

NOTICE OF INTENT TO PARTICIPATE

The Public Utilities Commission of the State of California hereby notifies the Board of its intent to participate in the above-captioned oversight proceeding.

Respectfully submitted,

PETER ARTH, JR.
EDWARD W. O'NEILL
JAMES T. QUINN

By: James T. Quinn
James T. Quinn

505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-1697

Attorneys for the Public Utilities Commission of the State of California

ENTERED
Office of the Secretary
MAY 23 1997
3 Part of Public Record

May 21, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served by first-class mail, postage prepaid, on all parties of record in Finance Docket No. 32760.

Dated this 21st day of May, 1997, at San Francisco, California.

James T. Quinn

James T. Quinn

CHARLES L. LITTLE
International President

BYRON A. BOYD, JR.
Assistant President

ROGER D. GRIFFETH
General Secretary and Treasurer

united transportation union

UTU

14600 DETROIT AVENUE
CLEVELAND, OHIO 44107-4250
PHONE: 216-228-9400
FAX: 216-228-0937

LEGAL DEPARTMENT

CLINTON J. MILLER, III
General Counsel

KEVIN C. BRODAR
Associate General Counsel

ROBERT L. McCARTY
Associate General Counsel

DANIEL R. ELLIOTT, III
Assistant General Counsel

D

May 21, 1997

UPS NEXT DAY AIR

ENTERED
Office of the Secretary

MAY 22 1997

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MAY 22 1997
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MANAGEMENT
STB 7

179850

Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 21)
Union Pacific Corp. -- Control and Merger -- Southern Pacific Rail Corporation (Notice of Intent to Participate)

Dear Mr. Williams:

Please find enclosed the original and 25 copies of United Transportation Union's Notice of Intent to Participate in subject matter.

Very truly yours,

Daniel R. Elliott

Daniel R. Elliott, III
Assistant General Counsel

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

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MAY 22 1997
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Finance Docket No. 32760 (Sub-No. 21)

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

179850

NOTICE OF INTENT TO PARTICIPATE

The United Transportation Union hereby notifies the Board of its intent to participate in the above-captioned oversight proceeding.

Respectfully submitted,

Daniel R. Elliott, III
Assistant General Counsel
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio 44107
(216) 228-9400
FAX (216) 228-0937

Attorney for
United Transportation Union

CERTIFICATE OF SERVICE

I, Daniel R. Elliott, III, certify that, on this 21st day of May, 1997, I caused a copy of United Transportation Union's Notice of Intent to Participate to be served by first-class mail, postage prepaid, on the following:

Arvid E. Roach, II
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044
(402) 271-2111

Daniel R. Elliott, III

STB FD 32760 (Sub 21) 5-21-97 D 179873

AMERICAN TRUCKING ASSOCIATIONS

2200 Mill Road • Alexandria, VA 22314-4677

Kenneth E. Siegel
Deputy General Counsel

Tel. (703) 838-1857
Fax (703) 683-3226

D

May 19, 1997

Office of the Secretary
Case Control Unit
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

179873

Attn: STB Finance Docket Nol. 32760 (Sub-No. 21)

Dear Secretary,

I am enclosing for filing an original and twenty-five copies of the attached letter of the intent to participate in the oversight proceedings. Please date stamp and return the file copy with the courier.

Thank you.

Sincerely,

Kenneth E. Siegel

AMERICAN TRUCKING ASSOCIATIONS

2200 Mill Road • Alexandria, VA 22314-4677

Kenneth E. Siegel
Deputy General Counsel

Tel. (703) 838-1857
Fax (703) 683-3226

RECEIVED
MAY 21 1997
MAIL MANAGEMENT
STB

May 19, 1997

Office of the Secretary
Case Control Unit
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

179873

Attn: STB Finance Docket No. 32760 (Sub-No. 21)

Dear Secretary:

The purpose of this letter is to state the intent of American Trucking Associations, Inc. ("ATA") to participate in the oversight proceedings in STB Finance Docket No. 32760 (Sub-No.21), published in the *Federal Register* May 7, 1997 (62 FR 25014).

The ATA is the national trade association of the trucking industry. We are a federation of over 36,000 member companies and represent an industry that employs over nine million people, providing one of every ten civilian jobs. ATA's membership includes nearly 4,200 carriers, affiliated associations in every state, and 13 specialized national associations. Together, ATA represents every type and class of motor carrier in the country.

The motor carrier industry constitutes one of the largest users of rail intermodal services. The competitive effect of these rail mergers on the availability and responsiveness of intermodal transportation is of great importance to ATA and its member carriers.

Respectfully submitted,

Kenneth E. Siegel

ENTERED
Office of the Secretary

MAY 23 1997

Part of
Public Record