STB FD 32760 (Sub 26) 10-16-98 D 191655V1 3/7

Slinkard/Watts at 6. Nor would the Consensus Plan, as UP claims, require a second interchange for customers that UP now serves directly from Englewood Yard. BNSF, for example, has successfully bypassed Houston yards by designating "PTRA only" trains between Temple, Texas and North Yard. UP similarly could move solid PTRA trains from Livonia, Pine Bluff, Dallas and San Antonio, thus eliminating the need for its interchanges at Englewood. R.V.S. Slinkard/Watts at 7.

UP argues that the Consensus Plan failed to take into account certain costs associated with the contemplated PTRA operations. UP/SP-356 at 173-76; UP/SP-358, V.S. Handley at 24-26. To the contrary, those matters were carefully considered and properly and fully set forth in the Plan, as Mr. Bill Slinkard and Mr. Watts explain. R.V.S. Slinkard/Watts at 9-13.

Regarding maintenance of way employees and signal maintainers, UP is quite correct that those costs have not been included in the PTRA Operating Plan with respect to the proposed neutral switching and dispatching district. R.V.S. Slinkard/Watts at 10-11. Those costs have not been included for the simple reason that under the Consensus Plan's trackage rights proposals, UP retains the ownership and use of its lines, and thus the obligation to maintain them, as does every landlord railroad over whose lines trackage rights are granted, to be compensated for by normal trackage rights and lease fees. There is no "taking," "confiscation," or any of the other pejorative terms that UP persists in trying to attach to this proposal. PTRA will not acquire the lines, will not own them, and will not have the power to exclude UP from them.

As for mechanical employees, locomotive repair on the PTRA is currently out-sourced, and no change is expected that would affect PTRA personnel. R.V.S. Slinkard/Watts at 11. The use of Electronic Data Interchange Billing will obviate the need for additional clerical employees. R.V.S. Slinkard/Watts at 11. The Consensus Plan fully recognizes the need to hire additional engineers and other operating personnel, including dispatchers Consensus Plan, Vol. 1 at 337-38. UP, however, sets up a false trade-off between "assum[ing] that [PTRA] can have all of UP's experienced" personnel, on the one hand, and "starting from scratch with new and untested employees" on the other. UP/SP-358, V.S. Handley at 25. PTRA already has successfully hired and trained replacements for experienced employees lost to UP and others, and continues to maintain a superb safety record in doing so. R.V.S. Slinkard/Watts at 11. Most recently, in fact, PTRA won the gold Harriman Award for safety in 1996 and 1997. PTRA's demonstrated track record should give the Board confidence that the hiring and training that will be required by PTRA under the Consensus Plan, and the operation of its neutral switching responsibilities under the Plan, will be accomplished with that same attention to excellence and safety.

b. Lifting the Northbound Restriction on Tex Mex's Trackage Rights

The Consensus Plan seeks the same trackage rights awarded to Tex Mex in Decision No. 44, but without restricting the traffic moved under those rights to traffic with a prior or subsequent movement on Tex Mex's Corpus Christi-Laredo line.

Tex Mex's experience under the Emergency Service Order shows that if this proposal were granted, Tex Mex would compete vigorously for, and capture a portion of, this traffic. Permitting Tex Mex access to Houston-north traffic would not increase congestion, as UP claims. First, UP and BNSF train operations would decrease, as Tex Mex captures a share of the Houston-north traffic. R.V.S. Slinkard/Watts at 15. Additionally, UP ignores another important item of the Consensus Plan: Tex Mex access to Booth Yard. Access to Booth Yard would greatly diminish, if not eliminate entirely, the now-necessary stops by long Tex Mex through trains at several yards along the very busy East Belt to interchange with PTRA, UP, and BNSF — thus reducing congestion along that corridor. R.V.S. Slinkard/Watts at 18.

c. Placedo-Algoa

UP offers no substantive operational objection to the Consensus Plan proposal for permanent Tex Mex trackage rights over the UP line between Placedo and Algoa, other than simply to assert that UP wishes to reinstate bidirectional operations over the line, and that "Tex Mex trains would cause unnecessary delay." UP/SP-358, V.S. Handley at 32. In response, it should be noted as well that the Consensus Plan would grant overhead trackage rights to UP and BNSF over the Victoria-Rosenberg line. *See* R.V.S. Slinkard/Watts at 19.

d. Rosenberg-Victoria Line (Wharton Branch)

With respect to the proposed acquisition and restoration by Tex Mex of the UP's Victoria-Rosenberg line, UP's witness Handley, apart from vague objections to a supposed Tex Mex "takeover" of unspecified "facilities" at Rosenberg, UP/SP-358, V.S.

Handley at 33-35, offers specific operational objection to Tex Mex's use of a mainline siding and "several short yard tracks." *Id.* at 33. But as Mr. Bill Slinkard and Mr. Watts explain, Tex Mex is not interested in obtaining those tracks. R.V.S. Slinkard/Watts at 19.

e. <u>Access to Booth Yard</u>

The Consensus Plan calls for UP to lease or sell a Houston yard to Tex Mex — preferably Booth Yard. Use of Booth Yard is needed to, among other things, permit Tex Mex through trains to pick up and set out cars at a single location, without having to stop numerous times while traversing the congested East Belt to interchange separately with BNSF at New South Yard, UP at Dallerup and Basin Yards, and PTRA at North Yard. R.V.S. Slinkard/Watts at 19-20. UP is wrong when it claims that access to Booth is necessary only if the Board lifts the current restriction on Tex Mex northbound traffic between Houston and Beaumont.

UP's suggestion that Tex Mex's yards in Corpus Christi and Laredo — both hundreds of miles from Houston — or KCS's Chaison Yard in Beaumont, some 90 miles away, could serve the yard functions that Tex Mex needs in Houston, is unrealistic. R.V.S. Slinkard/Watts at 20. Nor are the other "solutions" helpfully offered by UP feasible. R.V.S. Slinkard/Watts at 20-21.

The Consensus Plan's proposal for Booth yard is feasible, and would permit Tex Mex through trains to enter the yard and clear the main line while working there, which they often cannot do today at the several yards along the busy East Belt where Tex Mex now works. R.V.S. Slinkard/Watts at 20. The enhanced flexibility that will result from the planned reconnection of the trackage at the south end of Booth Yard, and the terminal trackage rights that the Consensus Plan proposes throughout the Houston terminal, will ease congestion in the busy area around Booth Yard. R.V.S. Slinkard/Watts at 20.

f. <u>Lafayette Subdivision Double-Tracking</u>

UP presents two main operational objections to the Consensus Plan proposal to double-track the UP's Lafayette Subdivision and exchange the new second line for UP's Beaumont Subdivision. UP argues that the proposal would not be a "fair trade" operationally, and that the plan would result in UP being "virtually trapped" in Settegast Yard. UP/SP-358, V.S. Handley at 43.

As to the first issue, as Allen W. Haley, Jr. shows in his Rebuttal Verified Statement ("R.V.S. Haley"), UP will gain substantial operational benefits from the Lafayette Subdivision double-track proposal. Indeed, the value gained from the double-track far exceeds the value of operating on the Beaumont and Lafayette subdivisions combined. R.V.S. Haley at 6.

Moreover, UP's concern about being "virtually trapped" in its yard, while colorfully overdramatized, is baseless. As Mr. Bill Slinkard and Mr. Watts point out, the north end of Settegast Yard is almost two miles south of Settegast Junction, the proposed dividing point between PTRA neutral dispatching and Tex Mex dispatching. Settegast Yard operations would not be dispatched or interfered with by Tex Mex dispatching. UP trains leaving Settegast Yard and turning southwest would be neutrally dispatched by PTRA, not Tex Mex. And with respect to trains traveling from Settegast Junction northeast to Beaumont, the Tex Mex dispatchers who would dispatch those trains would be headquartered locally in Houston, permitting close coordination with UP. R.V.S. Slinkard/Watts at 22.

2. Neutral Switching Is Beneficial

In the context of this Houston/Gulf Coast oversight docket, switching service can only be neutral if it is performed by a railroad other than UP, BNSF or KCS/Tex Mex. While the Consensus Plan suggests that the PTRA would be a logical neutral switching road that would serve the Houston area, another entity could be called on to play that critical role (if neutral). The key, in any event, is for the Board to assure true neutrality in Houston switching service. Only such a long-term pro-competitive structural change, which would establish neutrality for switching (and dispatching, see Item 4), will minimize the need for future Board involvement.

The significance of "neutral" switching lies in its difference from "reciprocal" switching. To be neutral — and therefore pro-competitive — terminal area switching must be conducted by a carrier that is not controlled by any single Class I linehaul railroads. Reciprocal switching, in contrast, is provided by a linehaul carrier, which retains physical rail access to an industrial facility and turns that shipper's traffic over to other Class I railroads. The two forms of switching are clearly not equivalent.

In no way can reciprocal switching, which is provided by the linehaul carrier that serves an industrial facility, be regarded as equivalent to neutral switching. This was clearly demonstrated during the term of the Board's Emergency Service Order No. 1518, when some UP-served shippers in the Gulf Coast region experienced difficulties obtaining competitive choices despite being allowed the opportunity to use alternative rail services (BNSF or KCS/Tex Mex) to avoid the severe congestion plaguing UP's system. Among the factors that contributed to such difficulties for shippers were delays in the reciprocal switching service provided by UP at closed points on its system. *See, e.g.*, DUPX-1 at 4-6. In contrast, shippe.. located on PTRA had the opportunity for more meaningful relief during the service crisis.

UP's evidence on neutral switching only reinforces the need to grant the Consensus Parties' proposal for neutral switching of the Greater Houston Terminal Area. UP's evidence clearly shows why a single coordinated, neutral switching service is needed in Houston. UP's witnesses repeatedly tell of the complexity of operating in the Houston terminal, while UP witness James Martin admits that operating a complicated terminal infrastructure is one of the two principal reasons for having a terminal railroad. UP/SP-358, V.S. Martin at 2. The other principal purpose — having a railroad to coordinate interchange among several carriers serving a town — is also needed in Houston (which presently is served by four railroads — UP, BNSF, Tex Mex and PTRA), as evidenced by UP's complaints about the difficulties of coordinating operations of BNSF and UP with PTRA. UP's evidence simply reinforces the Consensus Parties' presentations of the need for a neutral switching operator in Houston.

The complexity of the Houston terminal requires operation by a single, neutral entity. UP's witness James Martin, citing his years of experience with neutral terminal railroad operations in places other than Houston — namely Chicago, St. Louis and Mexico City — says "the purpose of terminal railroads . . . [is to be] the most efficient way to avoid the very complex operating problems that otherwise arise from large numbers of railroads' interchanging traffic and serving numerous industries within crowded terminal areas." UP/SP-358, V.S. Martin at 2. This is, in fact, a principal reason why the Consensus Parties propose that PTRA, a railroad which UP's witness Eddy Handley admits "over the years . . . has established a reputation for providing good service to its customers," UP/SP-358, V.S. Handley at 6, conduct neutral switching throughout the Greater Houston Terminal Area. *See* Consensus Plan, Vol 1, V.S. Ritter at 288 ("Neutral switching is a very effective operating method . . . The Consensus Plan's proposal to allow the Port Terminal Railroad Association ("PTRA") to function as the neutral switching carrier in Houston will . . . multiply . . . service options and terminal operating efficiency. . . . The solutions offered by the Consensus Plan are critical to restoring and maintaining the long term ability of the Houston terminal area to function smoothly.")

UP's testimony about the Houston terminal area reinforces the need for the tightly-coordinated switching operation that an experienced operator like PTRA would provide. UP's witness Handley lists the complexities of the Houston terminal, including its being the nation's largest petrochemical complex, the tightly intertwined tracks of UP and PTRA south of the Houston Ship Channel, a need for certain infrastructure improvements, and the complete lack of grade-separated rail crossings. UP/SP-358, V.S. Handley at 2-6. In Mr. Handley's words, "I am told that only the southwest side of Chicago comes close to matching the network of tracks and operational complexity of the Houston terminal." *Id.* at 4. In other words, Houston presents exactly "the very complex operating problems that . . . [arise from] serving numerous industries within crowded terminal areas" about which Mr. Martin testifies. *Id.*

UP's testimony about conflicts between UP and BNSF and the PTRA in coordinating train schedules is further evidence of the complexity of Houston terminal operations. Mr. Handley discusses at length the tight coordination that PTRA maintains with UP and BNSF, with a coordinating call each work shift to schedule arrival and departure of trains so that UP and BNSF remove their cars before or concurrently with delivering additional cars to PTRA.[75] Again, Mr. Handley's testimony shows the tight operating constraints of the Houston terminal.

UP's discussion of the extensive discrimination claims against UP presented by Tex Mex and BNSF in this and other related proceedings likewise indicate the extremely complex operating conditions of the Houston terminal. In disputing BNSF's claims regarding UP discriminatory treatment on the Clinton Branch, UP claims there is a switching problem on the Branch, but blames BNSF for that problem. UP/SP-356 at 121. If UP is correct that the switching problems are a result of BNSF's operating practices, that simply provides another example as to why neutral switching is necessary. A neutral

[75] Mr. Handley complains that PTRA does not always take trains on the agreed-upon schedules and that it sometimes blames UP's failure to remove its trains from PTRA's limited tracks as the cause of such delays. While Mr. Handley asserts that UP's records show "that UP has been ready, willing and able to pick up trains and cars from PTRA since April," UP/SP-358, V.S. Handley at 9, he stops short of saying the UP actually *did* remove its trains from PTRA lines in a timely fashion. In any event, because PTRA operates essentially stub-ended tracks that extend from connections with UP and BNSF to the ship channel, PTRA has little choice but to demand that UP and BNSF remove their equipment from PTRA lines before forcing more shipments into the tight confines of PTRA's lines.

switcher means that only one carrier is switching the Branch, rather than two, which is the current case. Because PTRA is owned by BNSF, UP, and Tex Mex, it has no incentive to favor one carrier over the other and has a financial incentive to run as efficient operations as possible.

Likewise, Tex Mex has lodged numerous complaints against UP's switching practices. UP's response, by witness Troy Slinkard and others, is that no one but UP's dispatchers know the complexity of the terminal's operating conditions, and thus the complaining parties cannot appreciate that what appears to be discrimination in reality is equitable treatment. UP/SP-358, V.S. Handley at 2. Troy Slinkard, like UP's other witnesses, repeatedly reiterates the complexity of operating the Houston terminal.

Although Mr. Martin states that terminal railroads are needed to coordinate operations of "large numbers" of linehaul carriers operating within the tight confines of a terminal area, UP/SP-358, V.S. Martin at 2, his latest project, the Terminal Ferroviaria del Valle de Mexico ("FTVM") in Mexico City, belies that assertion. As discussed in Mr. Ritter's July 8, 1998, verified statement in this matter, there are three linehaul carriers that connect with Mexico City, exactly the same number of linehaul carriers that serve Houston. *See* Consensus Plan, Vol. 1, V.S. Ritter at 297. Moreover, Mr. Martin states, "there was only one set of rail facilities in Mexico City and no way to divide them among the serving railroads that would provide each railroad adequate facilities for serving Mexico City customers." UP/SP-358, V.S. Martin at 5. Again, the same could be said of

Houston, where UP refuses to sell even one of its twenty-one existing yards to Tex Mex.[76] Thus, the conditions which Mr. Martin argues justify the creation of the FTVM are remarkably similar to the conditions in Houston.

A single, neutral switching operator such as the PTRA is essential to the smooth functioning of the Greater Houston Terminal Area. Presently, three separate railroads control track in the Greater Houston Terminal Area, inevitably resulting in the types of conflicts discussed in the immediately preceding paragraphs. Placing all of those lines under the control of a single neutral entity with all connecting linehaul carriers having trackage rights throughout the neutral switching area will provide for maximum coordination of activities on those lines, and will create the most options for routing trains to maximize terminal operating efficiency. A neutral operator will help eliminate the widespread claims of discrimination that have colored operations in Houston since at least the abolition of the HBT. Neutrality also will eliminate complaints like that lodged by DuPont against UP's reciprocal switching service which, "coincidentally," was so bad as to preclude effective operations by either BNSF or Tex Mex in competition with UP. *See* DUPX-1. That Mr. Martin's work as the project director designing FTVM led to the creation of a neutral operating entity serving all three connecting carriers speaks volumes

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[76] Though Mr. Martin also argues that none of the connecting linehaul carriers at Mexico City had a pre-existing ownership interest in the lines of FTVM, the same arguably could be said of Houston but for the UP/SP merger and UP and BNSF's dissolution of the HBT.

about the true importance of having a neutral terminal operator handling switching under crowded conditions like those in Houston.

Testimony by UP's witnesses Ongerth and DeMoss about the service problems of SP during 1978-1980 also highlights another benefit of a neutral terminal carrier — its ability to act in a crisis as a safety valve to prevent gridlock. Messrs. Ongerth and DeMoss each testify at length about their difficulties as SP operating officers in trying to remedy widespread SP service problems in the Houston area in 1978-1980. UP/SP-358, V.S. DeMoss and V.S. Ongerth. Mr. Ritter was an officer of the HBT during that same period. He recalls that despite SP's dominance of the Houston market, its service problems during 1978-1980 had nowhere near the nationwide effects of that of UP service crisis of 1997-1998. One likely reason for this, Mr. Ritter believes, is that PTRA and HBT — two neutral terminal railroads — prevented a significant portion of the traffic in Houston from being trapped by SP. These neutral terminal carriers provided essential routing choices and infrastructure that was free from the control of the dominant linehaul carrier, giving shippers an essential safety valve that kept the congestion on SP from slowing essentially all rail operations in Houston to a crawl, as did UP's service crisis. Although UP controls a much larger part of the Houston market than did SP in 1978-1980, which doubtless increased the effect of UP's service gridlock, Mr. Ritter believes that the function of the neutral terminal carriers in Houston also created a critical link that kept SP's 1978-80 service problems from snowballing as UP's service problems have in the past year. R.V.S. Ritter at 11.

As the Board itself said, UP's service crisis has been "unprecedented" in scope and effect. A neutral terminal carrier like that proposed by the Consensus Plan can help defuse crises such as UP's and prevent the nationwide repercussions which stemmed from UP's dominance of Houston.

3. Neutral Dispatching Is Necessary

UP claims that the Consensus Plan proposal to turn its lines over to the PTRA dispatchers would destroy one of the most significant improvements to Houston operations accomplished since the service crisis — the consolidation of Houston area dispatching. UP goes further by claiming that the Consensus Plan proposal would create a black hole in the middle of Houston by moving the Houston terminal complex dispatchers out of the Spring center to a facility in downtown Houston. The Consensus Plan proposal would supposedly destroy the ability of one dispatcher to talk directly to another. UP/SP-356 at 199.

The Consensus Parties emphatically disagree with these assertions. Instead of vesting control of dispatching in a biased and partial entity which continually abuses its authority, the neutral dispatching proposal of the Consensus Parties would vest control in a neutral body whose purpose would be "on equal terms and conditions, to provide impartial, efficient, unified and economical [switching and dispatching] service, by an independent and neutral organization, separate and distinct from the organizations of, but for the benefit of all the parties hereto."[77] The control and management of the affairs of

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[77] *See* Section II of the PTRA Agreement.

the neutral body would be vested in a Board of Control consisting of one representative of each of the railroads that it serves. As discussed above, the Board of Control would ensure that the management and conduct of operations was at all times without discrimination or preference.[78]

If the Spring Center were managed by a neutral body such as the PTRA, then Mr. Nichols, Tex Mex's neutral observer, would be able to follow a procedure similar to the following:

- As soon as Mr. Nichols observed discrimination by a PTRA dispatcher he could take up the matter with a neutral PTRA supervisor who would have every incentive to prevent the discrimination from occurring because his own neutrality would be constantly monitored;
- If Mr. Nichols were not able to obtain relief from the neutral supervisor, he could take up the matter with the neutral PTRA General Manager with similar incentives to prevent discrimination; and
- If Mr. Nichols were still not able to obtain relief from the General Manager (and it is highly unlikely that Mr. Nichols would have to do this) he could take up the matter with the PTRA Board of Control. The PTRA Agreement that PTRA enters into with all the railroads that it serves provides that "management and conduct of the operation shall be at all times without discrimination or preference, and the Board of Control shall, at the written request of any of the parties hereto, remove from its

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[78] *See* Section IV of the PTRA Agreement.

service any officer or employee who is shown to have failed or refused to observe this requirement."[79] In this manner, neutrality is assured by an independent and impartial body — an arrangement which is wholly distinguishable from UP's weak assurances that dispatching is neutral.

Contrary to what UP claims, the Consensus Parties' neutral dispatching proposal would not create a black hole in Houston. Although there would be benefits to a neutral site, the Consensus Parties maintain that neutral operations weigh more heavily with them than the actual location of the operations. To ensure full equality, UP, BNSF and Tex Mex would all have a say in deciding on the location of the neutral dispatching through their representation on the Board of Control. This proposal would therefore not destroy the consolidation of dispatching but would realize it to its full potential. It would help to eliminate the unpredictable and arbitrary nature of the present joint dispatching arrangement while retaining all the benefits of coordinated dispatching. In this manner, all rail carriers which operate in and through the neutral dispatching area defined as such in the Consensus Parties' Request will be able to compete with each other on an equal footing.

On February 25, 1998, the Board stated that it had not seen any evidence of preferential dispatching decisions adverse to carriers such as Tex Mex. However, the Board also stated that if the BNSF-UP/SP joint dispatching program proved to be unfair

[79] *See* Port Terminal Railroad Association Agreement of June 30, 1924 as supplemented by the Supplemental Agreement of June 6, 1925 (emphasis added).

to Tex Mex, or if Tex Mex concluded that it needed a more active role in dispatching than that permitted by the joint dispatching program, the Board would be prepared to consider "appropriate relief." ESO-2 at 3 n.4. KCS/Tex Mex have now furnished the Board with numerous incidents of preferential dispatching warranting "appropriate relief." These incidents show that the joint dispatching program is fundamentally unfair to Tex Mex and that Tex Mex and the PTRA need a more active role in dispatching than that currently permitted by the joint dispatching program. To avoid the abuses of the past, "appropriate relief" would necessarily include equal participation by Tex Mex and neutral dispatching operations. The Board's oversight jurisdiction is a perfect opportunity to award the "appropriate relief" that the Consensus Parties now seek.

E. The Plan Adds Needed Infrastructure

The Board has recognized the need for additional infrastructure in the Houston area. "The evidence shows that this emergency was caused in large measure by a transportation infrastructure in and around Houston that is not adequately equipped to deal with natural surges in a growing economy, or with temporary reductions in railroad capacity caused by derailments, weather, and so forth." ESO-1 at 6-7. Eight days later, the Board echoed this theme. In its February 25, 1998, order regarding the emergency service crisis, the Board found that "the emergency was caused in large measure by the inadequate infrastructure in the Houston area: the rail system in Houston has limited capacity, antiquated facilities, and an inefficient configuration unable to cope with surges in demand." ESO-2 at 4. The Consensus Plan adds that much needed infrastructure.

1. Victoria to Rosenberg

The Consensus Parties have requested, as Item 6 of the Consensus Plan, that the Board "require the sale of UP's rights to the SP's former line between Milepost 0.0 at Rosenberg and Milepost 87.8 at Victoria, Texas to the Tex Mex on reasonable terms and conditions. Tex Mex will then re-construct this line and when completed, the Tex Mex will grant UP and BNSF trackage rights between Rosenberg and Victoria to facilitate UP's directional traffic on the Brownsville Subdivision. The [Board] should order trackage rights to be granted to Tex Mex by UP over the two miles on the south end of this line between Milepost 87.8 and point of connection at UP's Port LaVaca branch at Victoria. UP would also retain rights to serve industries currently located along the portions of the line for which SP had not previously sought abandonment. Tex Mex also would cease operations on its current trackage rights on the UP's Glidden Subdivision between Tower 17, Rosenberg and Flatonia upon Tex Mex's commencement of operations on the former line between Rosenberg and Victoria." Consensus Plan, Vol. 1 at 8-9. Tex Mex would only resume operations over these trackage rights in the event of an emergency.

Tex Mex's purchase and rehabilitation of the Rosenberg to Victoria line is clearly in the public's interest for multiple reasons. First, it will add critically needed rail infrastructure to the Houston/Gulf Coast region.[80] In addition, as in the July 8, 1998

[80] In this regard it is noteworthy that even UP's witness, Michael Ongerth, states that the removal of the Wharton Branch from rail service was "the worst capacity error" made by SP. UP/SP-358, V.S. Ongerth at 12.

filing, the Rosenberg to Victoria line will reduce Tex Mex's track miles between Houston and Laredo by more than 16%. Consensus Plan, Vol. 1 at 66. Specifically, Tex Mex's route between Houston and Laredo will go from the current 422 track miles to 355 track miles.[81] This translates to reduced operating costs — less fuel costs, lower locomotive and car utilization expenses and savings in crew costs. This more efficient Tex Mex route between Laredo and Houston will help to fulfill the Board's stated purpose in Decision No. 44 of ensuring that Tex Mex is an effective competitor to UP at Laredo.

Another benefit of Tex Mex's purchase and rehabilitation of the Victoria to Rosenberg line is that it will remove Tex Mex's current operations (except in the case of an emergency) from 157 miles of UP track, including 83.7 miles of UP's congested "sunset route" which is used by UP, BNSF, Tex Mex and Amtrak. In fact, comments filed by the National Association of Railroad Passengers ("NARP") on September 18, 1998 with the Board state NARP's support for the Victoria to Rosenberg proposal because it reduces the traffic on Amtrak's route. In addition, NARP also supports the Victoria to Rosenberg line sale because of the cash benefit UP would gain from the sale that could be re-invested elsewhere, as well as the additional capacity UP would gain via the proposed UP trackage rights over the line.

UP correctly points out, as Tex Mex has pointed out before, that UP has publicly agreed to sell the Wharton Branch to Tex Mex and claims to support Tex Mex's proposal

[81] By comparison, UP's route miles from Houston to Laredo are 347.2 miles, according to UP System Timetable No. 2, effective October 29, 1995, and SP Southern Region Timetable No. 1, effective April 14, 1996.

to restore this line. Despite its professed willingness to sell this line to Tex Mex, UP nevertheless opposes the Consensus Parties' request for a Board order requiring that sale. UP argues, first, that the sale of the Wharton Branch is not competitively justified because Tex Mex is already an effective competitor to UP with its present trackage rights, and, second, that an order is not necessary because UP and Tex Mex are now negotiating the terms of the sale. UP/SP-356 at 213-14. Neither argument has merit. An order requiring the sale is absolutely essential if this line is to be restored to service.

As to the first argument, Tex Mex is not the effective competitor to UP for traffic through Laredo that the Board intended in Decision No. 44 with its present trackage rights. As discussed earlier, a number of circumstances have combined to prevent Tex Mex from fulfilling the competitive role the Board envisioned for it. These include the restriction on its trackage rights, the circuity of its route, the lack of yard facilities and BNSF's ability to route traffic directly to Eagle Pass. The fact that Tex Mex lost almost $2 million in 1997 is powerful evidence of that fact. Restoration of the Victoria-Rosenberg line, in which Tex Mex is willing to invest an estimated $65 million, together with the other items of the Consensus Plan, will help make Tex Mex the fully effective competitor to UP that the Board intended.

As to the second argument, while Tex Mex and UP are negotiating the specific terms of a sale and have agreed in principle on an arbitration process to determine the price, no agreement has been reached, and an order from the Board requiring the sale of the line is essential to ensure that it is sold and restored to service. Such an order need not and should not specify the terms of the sale, but the Board needs to retain oversight over the sale to ensure the reasonableness of the conditions and terms. Consistent with the Board's practice with respect to merger conditions, the parties should be directed to negotiate the terms and to come back to the Board if negotiations fail to produce an agreement. But without an order requiring the sale, there is no reason to believe that UP would ever come to an agreement. Since it is obviously not in UP's interest to make Tex Mex a more effective competitor, UP could, and undoubtedly would, always find some term or aspect of the agreement that was not acceptable to it while continuing to profess a willingness in principle to sell the line.

Indeed, UP's discussion of various supposed operational objections to what Tex Mex has so far proposed strongly indicates such an outcome if a sale is not ordered. As we discuss below, Tex Mex believes the stated objections are unfounded. More importantly, however, the details of a line sale agreement, and thus the merits of UP's objections, are not issues the Board needs to, or should, address at this time. The details of any agreement can and will be negotiated after the Board's order, although the Board needs to retain oversight to ensure the reasonableness of the terms and conditions. If the parties cannot reach an agreement, they should ask the Board to resolve their differences and consider the operational or other reasons supporting their respective positions.

In any event, UP's operational objections are unfounded. The main ones appear to be based on UP's misunderstanding of what Tex Mex proposed.[82] UP incorrectly

[82] In this regard, UP's discussion of what it claims are Tex Mex's proposals in negotiations is not in keeping with what Tex Mex understood to be the ground rules of the discussions, which were that any statements in those discussions were strictly

states that Tex Mex proposes to make "constant use" of track in Rosenberg. UP/SP-358, V.S. Handley at 33. But Tex Mex is not interested in obtaining the tracks that Mr. Handley refers to, including the mainline siding West of Tower 17 on the Sunset Route, nor the several short yard tracks adjacent to Tower 17, nestled in the southwest corner of the mainline crossing. R.V.S. Slinkard/Watts at 19.

Most of UP's other "operational problems" with the Consensus Plan's proposal for Tex Mex to purchase the Victoria to Rosenberg line concern the sale of the "stub ends" at Rosenberg and Victoria. UP claims that it is willing to provide service to Tex Mex over these portions, but UP does not want to unnecessarily complicate UP's operations — *i.e.* UP does not want to give up control of the stub ends because it wants to force Tex Mex to be an "island" of rail line surrounded by UP on both ends.

UP argues that if Tex Mex owned the stub ends of this line it would create inefficient and unnecessary additional dispatching interfaces. UP/SP-356 at 214. Regardless as to where the Tex Mex and UP dispatchers' territories start and stop, coordination will be required just as coordination is required for interchanging in Robstown today. It makes little sense, both in terms of safety and workload, for a busy UP Glidden Subdivision dispatcher to dispatch the 2.5 mile northern stub end at Rosenberg. As a result, the Consensus Parties fail to see how the dispatching of the stub

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confidential and not to be used or disclosed by either party for litigating purposes. Since UP has nevertheless discussed these matters, Tex Mex has no choice but to do so as well.

ends by Tex Mex would be any less efficient or would adversely impact the number of dispatching interfaces needed.

With respect to Victoria, the Consensus Plan did not propose for Tex Mex to purchase the portion of the line between 87.8 and 90.8. Consensus Plan, Vol. 1 at 61. Instead, the Consensus Parties have requested that Tex Mex be granted trackage rights over that portion. *Id.* Nevertheless, UP raises the issue of a proposed bypass around Victoria Yard as an operational problem to Tex Mex's operations over the Rosenberg to Victoria line. The short bypass around Victoria Yard was raised by Tex Mex in an attempt to address one of UP's concerns during the course of negotiations. On one hand, UP claims that the Board should not interfere with these negotiations, *see* UP/SP-358, V.S. Rebensdorf at 11, yet UP has chosen to air this issue, which took place in private negotiations **and** under a confidentially agreement, not only to the Board but to the public in its filing.

With respect to Rosenberg operational issues, UP claims Tex Mex's "operations could not be accommodated without disrupting UP's operations and adversely affecting UP's ability to serve shippers in and around Rosenberg." UP/SP-356 at 215. UP claims that Tex Mex's proposed operations of a local Rosenberg-Edna train is one reason why Tex Mex's operations will disrupt UP. However, this train will restore rail service back to shippers which were cut from rail service as a result of SP's discontinuance of service.

In sum, the sale of the Rosenberg to Victoria line to Tex Mex is manifestly in the public interest and is in furtherance of the Board's purpose to maintain Tex Mex as an effective competitor to UP for Laredo traffic.

2. Houston to Beaumont

Item 8 of the Consensus Plan states that: "The [Board] should require the UP to allow Tex Mex/KCS to construct a new rail line on UP's right-of-way adjacent to UP's Lafayette Subdivision between Dawes and Langham Road, Beaumont, TX. Upon completion of this new rail line, Tex Mex/KCS will deed it to UP in exchange for a deed to the UP's Beaumont Subdivision between Settegast Jct., Houston, and Langham Road, Beaumont. Tex Mex will dispatch this line from Houston and will grant BNSF and UP trackage rights over this line. Tex Mex will retain trackage rights over the Lafayette Subdivision between Houston and Beaumont." Consensus Plan, Vol. 1 at 9-10.

UP's reply to the Consensus Plan's proposal to double track the Lafayette Subdivision claims that the construction and swap is not needed because there is already sufficient capacity and the swap is allegedly inequitable, operationally unfeasible, and not competitively warranted. The Consensus Parties will address each of UP's allegations and shed light on the reality of the benefits the Houston to Beaumont proposal will bring to the Houston/Gulf Coast area.

First, UP claims that "this corridor has ample capacity." UP/SP-356 at 227. As a result, UP concludes that the swap would be inequitable because, in UP's view, it doesn't need this infrastructure now and because the proposal does not include the double tracking of two segments of bridges equal to approximately 12 miles.[83] Interestingly,

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[83] UP also tries to imply that it would lose all of its siding because the proposal allegedly would only lengthen and connect the current sidings. UP/SP-356 at 226. However, as Mr. Haley addresses in his Verified Statement, the construction would maintain the

when UP was desperately attempting to stop the hemorrhaging from their service crisis, UP was quick to blame the problems on inadequate infrastructure in the Houston/Gulf Coast area. For example, in *Union Pacific's Report on Service Recovery*, Ex Parte No. 573, Service Order No. 1518, filed December 1, 1997, at 91, UP stated:

> Beyond the question of immediate further action, UP/SP believes that the key lesson of this experience for all concerned — including the Board — should be that the railroad network, and indeed the highway and port infrastructure as well, confronts a gravely serious problem of capacity. After decades of decline and contraction, traffic volumes have continually grown during the era of deregulation, while infrastructure capacity has not kept pace . . . [T]he time seems to have come when efficiency gains can no longer be achieved by greater leanness, and where the opposite — extraordinary additional capital investment in roadway and equipment — is necessary.

In addition, UP's President and CEO stated that "[I]t is clear that, with continuing traffic growth and ever-increasing demands by shippers for quality service, the railroad system badly needs additional capacity." Dick Davidson's Remarks to the Board, December 3, 1997.

More specifically, as part of UP's justification for commencing directional operations between Houston and Beaumont, UP claimed that lines between Houston and Beaumont are the busiest rail lines in the area. Permitting KCS/Tex Mex, under the Consensus Plan, to add infrastructure, by double tracking the Lafayette Subdivision between Houston and Beaumont in exchange for the Beaumont Subdivision, will add

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existing center sidings at China, Devers, Ames, Dayton, Crosby, Hatchery and Fauna. R.V.S. Haley at 2. Additional center sidings could be built as the size of the right of way permitted.

significant capacity to the Houston/Gulf Coast area which is universally known to be in dire need of infrastructure.

Furthermore, the Board recently recognized[84] that the Lafayette Subdivision was the location of many of the problems that led to the emergency service crisis. *The Burlington Northern and Santa Fe Railway Co. and Union Pacific Railroad Co. — Acquisition Exemption — Lines between Dawes, TX, and Avondale, LA*, Finance Docket No. 33630 (STB served Sept. 29, 1998) at 3-4. As discussed below, KCS/Tex Mex's double tracking of the Lafayette Subdivision in exchange for Tex Mex's ownership of the Beaumont Subdivision with the grant back of trackage rights to UP and BNSF will provide more capacity to this corridor. Importantly, this proposal will not negatively affect the agreements between UP and BNSF nor will it negatively affect bi-directional flows implemented by UP.

In fact, the Consensus Plan proposal will actually aid in the bi-directional traffic. UP currently runs eight rock trains east and west out of Dayton against the flow of traffic and three Amtrak trains a week run against the flow of the bi-directional traffic implemented by UP. If there were true bi-directional movements the capacity would be

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[84] It is interesting to note that although KCS/Tex Mex had an outstanding discovery request for the documents surrounding the 50/50 swap of the Lafayette Subdivision, UP blatantly ignored the request and never provided a copy of the filings to Tex Mex or KCS. In fact, UP's July 1, 1998 response to the KCS/Tex Mex discovery request, which was served on the same day that the Joint Petition to the Board was filed, was that UP would place the materials in its document depository. Nevertheless, UP has not placed any materials responsive to the request in its depository to date and never served Tex Mex or KCS with a copy of its pleadings. This makes KCS and Tex Mex wonder what other materials UP might have failed to properly disclose.

better utilized. However, this is not the case because of the Amtrak and rock trains. As a result, the double track will accommodate these movements much better than the current system because trains can pass each other, usually without either stopping and regardless of the location of or the status of passing tracks (i.e. full or empty). R.V.S. Haley at 4.

As evidence of the beneficial impact that the double tracking of the Lafayette Subdivision will add to the Houston/Gulf Coast infrastructure, KCS on behalf of the Consensus Parties commissioned a capacity analysis study by Zeta-Tech Associates, included in this filing, to assess the capacity of the current Houston to Beaumont infrastructure versus the double tracked infrastructure of the Lafayette Subdivision.[85] The overall conclusion of this study is that the double tracking of the Lafayette Subdivision will provide the solution to the line capacity shortage faced in the corridor. Zeta Tech Study at 11.

Specifically, the study found that currently the theoretical maximum of trains that can operate for any 24 hour period over the single tracked Lafayette Subdivision is 47.[86] The current theoretical maximum of trains that can operate over the Beaumont Subdivision is 46 trains over a 24-hour period. This results in a theoretical maximum of

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[85] The study shows that even without trackage rights granted back over the Beaumont Subdivision, there is ample capacity for both UP and BNSF over the double tracked Lafayette Subdivision. Nevertheless, as the Consensus Plan has offered and as Tex Mex has agreed, trackage rights would be granted back to both UP and BNSF over the Beaumont Subdivision.

[86] The Zeta-Tech study determines the maximum capacity taking into account the location of sidings or double track for train meets and the speeds and speed restrictions prevailing on the line.

93 trains in a 24-hour period under current conditions. As the Zeta-Tech study points out, the "theoretical maximum" is an absolute maximum number of train paths. The maximum throughput of trains in normal operations is about half the number of the theoretical maximum.

The current number of trains operated on the two subdivisions combined is 47 trains daily, plus Amtrak's 6 trains per week. This shows that the current combined operations on the Lafayette and Beaumont Subdivisions is at or actually above the maximum throughput of trains for any 24-hour period. In other words, the current operations over both subdivisions is right at or even above the capacity available.

By double-tracking the Lafayette Subdivision, even without the double track of the two sections of bridges, the Zeta-Tech study shows that theoretical maximum of trains that can operate over a 24-hour period increases to 165. The study indicates that the analysis of the double-tracked Lafayette Subdivision is actually easier since it is only necessary to ensure that the trains do not meet at the two short stretches of single track rather than needing to ensure that trains only meet were there is a siding.[87] As a result, even without double track on the approximate 12 miles of bridges, the capacity of the double tracked Lafayette Subdivision is approximately 3½ times the single tracked Lafayette Sub on its own.

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[87] Additional operational benefits of the double tracked subdivision are addressed below and in the Verified Statement of Alan Haley.

The Consensus Plan also provides that KCS/Tex Mex will grant trackage rights back to UP and BNSF over the Beaumont Subdivision. This means the total theoretical maximum of trains that could move in any 24-hour period would increase from 93 under the current infrastructure to 211 under the Consensus Plan. As explained above, this would yield a maximum throughput on the two subdivision with the double track of approximately 105 trains in a 24 hour period. This combined capacity will not only provide ample capacity for the present UP, BNSF and Tex Mex operations over these lines, which are currently operating at capacity, but in addition the double track plan will also provide the necessary capacity for future traffic growth.

The two portions which will not be double tracked include one 4.0 mile segment between Sheldon and Crosby, Texas and a 7.5 mile segment between Dayton and Ames, Texas. R.V.S. Haley at 4-5. This total of 11.5 single track miles of the total 70.7 miles on the Lafayette Subdivision is less than 16% of the total distance. In addition, under the current track speeds these segments can be traversed in 5.0 and 11.25 minutes respectively. R.V.S. Haley at 5. Since there are only these two small non-contiguous sections of single track they will not significantly impact the capacity added by the proposal. R.V.S. Haley at 5.

The capacity study and Mr. Haley's verified statement support the proposition that the swap is equitable. The Consensus Parties stand by their previous submission that the investment in the double track of the Lafayette will be approximately $58 million[88] and that the depreciated value of the line, excluding real estate is approximately $56 million – both factors that UP does not rebut. Consensus Plan, Vol. 1 at 83. Nevertheless, UP claims that the swap is inequitable because of the "diminished operating utility of what [UP] would receive versus what [UP] would be giving up." UP/SP-358, V.S. Rebensdorf at 8.

Most importantly, the double tracking of the Lafayette Subdivision will add traffic flow improvements and operational benefits to UP. Trains would flow more smoothly as cars pass each other while moving on a highway. R.V.S. Haley at 2. If a faster train is coming upon a slower or delayed train or a train experiencing troubles, the dispatcher can route the faster train to the opposite track through a simple crossover switch. R.V.S. Haley at 3. This usually allows the faster train to pass the slower train without delay to either train. R.V.S. Haley at 3.

Multiple main track also "provides the train dispatcher with [the] invaluable tool" consisting of the ability to move slower trains out of the way of faster higher priority trains. R.V.S. Haley at 4. With the double track a slow and a fast train could "meet" at almost any point on the track without being constrained by the siding space and length. R.V.S. Haley at 4. The dispatcher can also easily route trains around maintenance crews or any other mechanical track problem. R.V.S. Haley at 4.

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[88] The difference between the misstated distance of "approximately 75 miles" and the actual distance of the Lafayette Subdivision of 70.6 miles does not change the investment figures.

UP also claims that Tex Mex's ownership of the Beaumont Subdivision will disrupt UP's operations in and around Settegast Yard. UP/SP-358, V.S. Handley at 43. This is not true. The Consensus Plan specifically provides that Tex Mex's ownership of the Beaumont Subdivision begins at Settegast Junction which is north of Settegast Yard and will not disrupt any of UP's operations into and out of Settegast Yard. R.V.S. Slinkard/Watts at 22.

The bottom line is that UP does not ever want to "share [its] track with three other carriers, including Tex Mex." UP/SP-356 at 229. However, that is not UP's decision to make. The Board has already determined that Tex Mex's service must be preserved. *See* Decision 44. UP's indignation over having to let any one else on its lines at any time and for any reason is further bolstered by UP's comment that Tex Mex might somehow need control of the Beaumont Subdivision in order to "counteract 'discrimination' by . . . UP." UP/SP-356 at 226, n. 86. Yet the Consensus Parties' July 8th filing clearly indicated that the Houston to Beaumont proposal would lower the number of trackage rights miles that Tex Mex has over the UP and that the double tracking would increase needed infrastructure and add needed capacity. The proposal is not an issue of wielding power over any other carrier.

In addition, UP blatantly misrepresents to the Board that the Houston to Beaumont proposal would result in UP being "require[d] to contact a KCS/Tex Mex dispatcher, who would be located far away and not able to be in close coordination with us, for every movement." UP/SP-358, V.S. Handley at 43. The Consensus Plan clearly states that "Tex Mex will dispatch this line from Houston." Consensus Plan, Vol. 1 at 9.

Tex Mex will dispatch the Beaumont Subdivision line, not a "KCS/Tex Mex dispatcher." Furthermore, UP is keenly aware that Tex Mex's dispatchers may be located within UP's Spring dispatching center. *See* R.V.S. Slinkard/Watts at 22.

Finally, UP claims that there is no competitive rationale for granting the Consensus Parties' proposal with respect to the Houston to Beaumont lines. Upon reading UP's "competitive rationale" for why the Board should not grant the Consensus Parties' Houston to Beaumont proposal, it is evident that UP's main concern is that it might be exposed to some possible revenue loss. UP/SP-357, V.S. Peterson at 27-29. The Consensus Parties are sensitive to UP's fears of revenue loss. However, UP expresses no concern for the Houston shippers who have been held at the mercy of UP and have suffered hundreds of millions of dollars in losses from UP's service problems.

Ironically, UP's own counsel stated during oral argument to the Board that it acknowledged the Board's "unrestricted power to impose additional conditions if appropriate" that would include the sale of parallel lines like the Beaumont Subdivision. UP/SP Merger, Finance Docket No. 32760, Oral Argument Transcript, July 1, 1996 at 59-60. The Consensus Parties believe the conditions are appropriate now. For example, at various points in the Board's decision granting the merger of UP and SP, the Board listed numerous reasons for denying the sale of parallel lines. The Board stated that without the parallel lines, UP would need to invest significant money double tracking lines; that the quality of services would be greatly degraded; and that UP would be limited in resolving problems of route congestion. *See* Decision No. 44.

These concerns have been diminished. First, the Consensus Plan provides that KCS/Tex Mex will pay for the double tracking of the Houston to Beaumont line. Second, the Houston/Gulf Coast shippers have already suffered from unprecedented service failure by UP. And third, the Consensus Parties believe that long term congestion problems will be solved by the Lafayette Subdivision double track in exchange for Tex Mex's ownership of the Beaumont Subdivision.

In the Verified Statement of Richard Peterson, UP claims that Tex Mex, after the swap, will gain access to 19 exclusively served shippers. UP/SP-357, V.S. Peterson at 27. However, in Volume 1 of UP's Opposition, UP claims that Tex Mex will gain access to 13 exclusively served shippers. UP/SP-356 at 227. In any event, it was not the intention of the Consensus Parties to turn this much needed infrastructure improvement into a plan to provide additional competition to these shippers. Unlike PTRA, HBT, or other Houston Terminal shippers which will be covered by the neutral switching plan and who did see a reduction of competition as a result of the merger, these Beaumont line shippers did not suffer a reduction in their competitive options as a result of the merger and did not receive BNSF access. Therefore, the Consensus Plan calls for granting both UP and BNSF trackage rights over the Beaumont line in order to maintain UP's directional flow operations and Tex Mex has no objection to continuing UP's right to be the exclusive carrier providing service to these shippers unless and until these shippers can demonstrate to the Board that they have suffered some form of merger related harm. Tex Mex, as owner of the line, will of course have the right to serve any new industries that locate along the line.

Lastly, UP attacks the Consensus Plan's proposal for Houston to Beaumont by claiming that if KCS/Tex Mex want to throw $58 million into the Houston/Gulf Coast area, there are allegedly better places to spend the proposed double track investment and then lists six projects. UP/SP-356 at 228; UP/SP-358, V.S. Handley at 44. Of course, KCS/Tex Mex cannot afford either the UP suggested projects or the double tracking of the Lafayette Subdivision unless the northbound restriction is lifted. If UP is willing to accept the lifting of the northbound restriction as a condition to its merger so as to provide needed revenues to Tex Mex and KCS, then Tex Mex and KCS are amenable to discussing alternative investment ideas.

Four of the six UP suggested projects are infrastructure improvements to lines that would improve UP's operations without any suggestion that Tex Mex or KCS would retain any property or interest in the projects. Nonetheless, if these four UP suggested projects are directed at improving operations in Houston, they actually stand as further evidence of the need to have the PTRA serve as a terminal railroad for all of Houston. If PTRA were switching the entire Houston terminal and these projects actually would improve the efficiencies of Houston operations, then there is no reason that the PTRA would not carry them out, and under that scenario, the cost would be shared by the owners of the PTRA.

As for the suggestion to double-track the Neches River Bridge, KCS is willing to allow UP to do so at UP's expense. As for the suggestion that KCS add capacity on its line between Beaumont and DeQuincy, UP continually attempts to blame its problems in and around Houston on KCS's operations west of Beaumont. For example, in UP's

Opposition filing UP mischaracterizes a series of letters and conversations regarding UP and KCS operations west of Beaumont. UP/SP-356 at 228. UP cites KCS's attempt to work with UP and improve operations between Beaumont and DeQuincy by characterizing that this means "KCS has agreed to operate its line . . . in a way that will not delay trains." *Id.* As mentioned above, KCS agreed to change operations on its own lines in an effort to accommodate UP.

A. W. Rees, KCS' Senior Vice President-Operations stated in his verified statement in the KCS/Tex Mex joint evidentiary filing that KCS is committed to making investments and capacity improvements in the Houston/Gulf Coast area. Joint Petition, TM-7/KCS-7 at 91. KCS and Tex Mex are always willing to review proposals regarding improving rail infrastructure and Tex Mex and KCS will take UP's suggestions under advisement. Nevertheless, the facts remain clear that the Houston to Beaumont corridor needs increased capacity and infrastructure. The Consensus Parties believe that their proposal for double tracking the Lafayette Subdivision in exchange for Tex Mex's ownership of the Beaumont Subdivision is the answer.

3. Booth Yard

Tex Mex expects to invest approximately $250,000 to upgrade Booth Yard, adding needed infrastructure in the heart of Houston. Booth Yard is a seventeen-track yard that is strategically situated on the southeast side of Houston, between PTRA's North and Manchester Yards. Despite Booth Yard's strategic location, however, in the past few years, track that connected 13 of the 17 yard tracks to the south yard lead track was removed. The removal of those connections severely limits the flexibility of the carrier operating the yard by forcing virtually all car movements between tracks to be made on the north end of the yard.

If Tex Mex is allowed to lease or purchase Booth Yard as called for in the Consensus Plan, it plans to increase the capacity of Booth Yard by reconnecting the thirteen disconnected yard tracks to the south yard lead track. This work, anticipated to cost approximately $150,000, would improve the usefulness of the yard by allowing cars to be moved between tracks via the south end of the yard. This would create a larger number of alternatives for assembling trains and would speed the switching process, increasing the overall capacity of the yard. Also, trains assembled on the currently disconnected tracks could, under appropriate operating conditions, be pulled out of the south end of the yard toward Harrisburg Junction and on westward toward the to-be-constructed Rosenberg-Victoria line. Tex Mex also plans to spend approximately $100,000 on a "ground air" air brake pressurizing system in Booth Yard, which will allow for more rapid preparation of trains for movement. Together, these changes will make Booth Yard more useful than at present, creating additional operating yard capacity in Houston.

F. <u>**The Plan Benefits Labor**</u>

Labor organizations filing comments in this proceeding included the Allied Rail Unions ("ARU"), the United Transportation Union ("UTU"), and the Brotherhood of Maintenance of Way Employees ("BMWE"). Of those commentors, the only party to raise labor issues specifically with respect to the Consensus Plan is BMWE.[89] Although BMWE says it "neither opposes nor supports" the Consensus Plan or any other proposal, it expresses the concern "that no harm befall maintenance of way forces currently working in the Houston/Gulf Coast region." *Comments of the Brotherhood of Maintenance of Way Employees*, Finance Docket No. 32760 (Sub-No. 26), filed September 18, 1998 ("BMWE-2") at 1.[90]

BMWE's concerns, at least with respect to the Consensus Plan, are unfounded. As the Consensus Plan itself notes, the Consensus Parties anticipate no adverse impact on applicant carriers' employees. Consensus Plan, Vol. 1 at 100. Indeed, with respect to maintenance of way employees, the Consensus Plan will result in a substantial <u>increase</u> in infrastructure in the Houston area, including a new second line along UP's Lafayette Subdivision and a new Rosenberg-Victoria line. Creation of that new infrastructure will <u>increase</u> the need for maintenance of way employees, R.V.S. Slinkard/Watts at 23, and the Consensus Plan itself reflects that. Consensus Plan, Vol. 1 at 356. BMWE also expresses concern about the proposed grant of trackage rights to the PTRA. BMWE-2 at

[89] The ARU unions "[t]ake no position either for or against the various applications" in this proceeding. Indeed, ARU does not comment at all on the Consensus Plan or proposals by any other party, but focuses rather on criticism of UP. *See Comments of the Allied Rail Unions*, Finance Docket No. 32760 (Sub-No. 26), filed September 18, 1998 ("ARU-2"). James Brunkenhoefer, National Legislative Director for the UTU, similarly does not address labor impacts, or any other aspect, of the Consensus Plan or any other proposal, but merely summarily opposes all requests for conditions because they would "badly hurt UP." As these commentators do not actually comment on the labor impact of the Consensus Plan, there is no need for us to respond further to them here.

[90] Mr. Watts separately responds to the charges by BMWE that Tex Mex is "trying to attrite" its maintenance of way forces. R.V.S. Slinkard/Watts at 23.

5. This proposal will not negatively impact maintenance of way employees. R.V.S. Slinkard/Watts at 23. Under the Consensus Plan, ownership of those lines will not change, and UP and BNSF will continue to be responsible for maintenance of the same tracks that they are now responsible for.

CONCLUSION

As the Board has recognized, it has the authority to impose additional remedial conditions to resolve competitive problems if the conditions that is has already imposed do not effectively address the competitive harms caused by the UP/SP merger. The Consensus Plan, which has overwhelming support from the majority of shippers with facilities in the Houston area or who ship their goods through the Houston terminal, comprehensively addresses these competitive problems by requesting the imposition of additional conditions to restore the service and competitive options that were lost due to the UP/SP merger.

Overall, the conditions that the Board imposed to preserve competition in the Houston/Gulf Coast area have proven ineffective. BNSF has not emerged as the "strong and effective competitor" for competition lost through the merger, partially due to the fact that BNSF is reliant on UP's system, including UP's discriminatory dispatching and switching practices. Likewise, Tex Mex has failed to become an effective alternative to UP at Laredo because it lacks access to a sufficient amount of traffic to generate revenue to allow it to compete with UP; it is subject to UP's dispatching control; it is prevented from operating over the most efficient routes through Houston; and it lacks necessary yard space in Houston.

The Consensus Plan remedies these competitive problems by eliminating the restriction on Tex Mex's trackage rights; requiring UP to sell and permitting Tex Mex to restore the out-of-service line between Victoria and Rosenberg; allowing KCS/Tex Mex to construct a new line on UP's right-of-way adjacent to UP's Lafayette Subdivision and deed it to UP in exchange for UP's Beaumont Subdivision; and requiring UP to sell or lease one of its yards in Houston to Tex Mex. In addition, restoring neutral dispatching and switching in the Houston terminal will remove UP's ability to unfavorably control the traffic movement of competitive carriers through the terminal. With the Consensus Plan Houston and NAFTA shippers will once again enjoy the service and competitive options that existed before the UP/SP merger.

Respectfully submitted and signed on each party's behalf with express permission,

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ATTORNEYS FOR THE SOCIETY OF PLASTICS INDUSTRY, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the "**REBUTTAL EVIDENCE AND ARGUMENT IN SUPPORT OF THE CONSENSUS PLAN**" was served this 16th day of October, 1998, by hand delivery to counsel for Union Pacific Railroad Company, counsel for Burlington Northern and Santa Fe Railway Company, the Port Terminal Railway Association, and the Houston Belt & Terminal Railway Company, by first class mail upon all other known parties of record in the Sub-No. 26 oversight proceedings.

William A. Mullins
Attorney for The Kansas City Southern
Railway Company

Index of Statements Supporting Principles of the Consensus Plan

Index of Statements Supporting Principles of the Consensus Plan

Congress of the United States
Washington, DC 20515

July 30, 1998

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423-0001

Dear Madam Chair:

On July 17, 1998, three shipper organizations filed a petition with the Surface Transportation Board (STB) requesting an extension of the Emergency Service Order. This order was originally put in place last Fall to address the Houston rail service crisis. The Service Order is now set to expire on August 2, 1998. We urge you to continue to closely monitor the rail situation until such time that the Board issues a decision in the pending Houston/Gulf Coast Oversight proceeding. Furthermore, we maintain that the Board must be prepared to intervene immediately if the rail service begins to deteriorate.

The quality of rail service in Texas and the Gulf Coast deteriorated rapidly after the merger of the Union Pacific and Southern Pacific railroads. The Emergency Service Order alleviated the severity of the rail service problems that ensued immediately after the merger. While there has been improved rail service, especially in Houston, the overall system is fragile. Substantial progress in correcting the rail service crisis has been made at this time. In order to ensure that the Houston and Gulf Coast industries are not adversely affected, further improvements in rail service still need occur.

We urge you to consider the request to continue the conditions of the Emergency Service Order until a final ruling is released. If the Emergency Service Order is allowed to expire, we urge the Surface Transportation Board to respond immediately should the rail service deteriorate.

Sincerely,

Nick Lampson
Member of Congress

Gene Green
Member of Congress

Max Sandlin
Member of Congress

PRINTED ON RECYCLED PAPER

Congress of the United States

Washington, D.C. 20515

July 30, 1998

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
Department Of Transportation
1201 Constitution Avenue, NW
Room 4121
Washington, D.C. 20423

Dear Madam Chair:

As you are aware, Southeast Texas continues to feel the effects of the on-going rail service crisis in the west. Hearings before both the House and the Senate authorizing subcommittees, as well as your own hearings, have made it clear that shippers are not receiving the service they need.

We applaud your decision to institute a proceeding, as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision, to examine requests made for additional remedial conditions as they pertain to rail service in the Houston, Texas/Gulf Coast region. This is the proper forum for such proposals to be considered and we support your decision to do so.

During this process, we hope that you will be attentive to the concerns voiced by shippers, local elected officials, the Greater Houston Partnership, the Port of Houston, the general public, and other interested parties as to the effect this situation has had on our area and will have in the future. We need viable and competitive rail service in the Houston area in order to maintain economic growth now and in the future.

Toward this end, we believe there is strong consensus behind efforts to:

1. Expand rail capacity and investment by all existing carriers;

2. Provide neutral and fair dispatch and switching of all the rail traffic through Houston;

3. Ensure adequate rail-to-rail competition for area shippers;

4. Protect the future competitiveness of the Port of Houston by ensuring that adequate competitive rail service alternatives exist there in the future as well.

These objectives are central to concerns we have heard from our constituents and from the shippers. We urge you to bear them in mind as your proceeding moves forward. Additionally, we urge you to give consideration to the consensus plan recently filed by several shipper groups, the Railroad Commission of Texas and two railroad companies to resolve service and competitive problems in the Houston/Gulf Coast area. This plan attempts to address many of these objectives and we hope you will give it careful consideration.

Only today, we met with some of the shippers from the Gulf Coast region of Texas. Knowing of the immediate nature of your pending decision concerning this matter underscores our request that you consider all available options that would allow our shippers the service options they need. We hope that your review of additional remedial conditions to the UP/SP merger in this proceeding will address these concerns.

Sincerely,

Kenneth E. Bentsen, Jr., M.C.

Nick Lampson, M.C.

SOLOMON P. ORTIZ
27th District, Texas

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Congress of the United States
House of Representatives
Washington, DC 20515-4327

Committees:
NATIONAL SECURITY
Subcommittees:
RANKING MINORITY, MILITARY READINESS
MILITARY INSTALLATIONS AND FACILITIES
MORALE, WELFARE AND RECREATION PANEL

RESOURCES
Subcommittees:
ENERGY AND MINERAL RESOURCES
FISHERIES, CONSERVATION, WILDLIFE, AND OCEANS

September 21, 1998

Ms. Linda J. Morgan
Chairman
S[illegible] Transportation Board
[illegible] eet, NW
[illegible] ngton, DC 20423-0001

Dear Chairman Morgan:

As you are aware, Texas is continu9ng to feel the widespread effects of the ongoing rail service crisis in the West. As proven in your hearings and hearings before both the House and Senate authorizing subcommittees, shippers are not receiving adequate rail service. In this regard, I appreciate your willingness, in your oversight capacity as imposed as a part of the merger, to hear the concerns of these shippers and to consider suggestions for remedial action.

As you evaluate the current rail situation in the area of Houston, Texas, and decide on a course of action to deal with this situation, I hope you will consider the concerns voiced by shippers, local elected officials, the Greater Houston Partnership, the Port of Houston, the public and other interested parties. As I understand, there is strong consensus behind efforts to:

1. Expand rail capacity and investments by all existing carriers,

2. Provide neutral and fair dispatch and switching of all rail traffic through Houston,

3. Ensure adequate rail-to-rail competition so that all area shippers have access in all directions to the three existing rail carriers serving Houston today, and

4. Protect the future competitiveness of the Port of Houston by ensuring that adequate competitive rail service alternatives exist there in the future as well.

These objectives are central to concerns I have heard from my constituents and shippers, and I urge you to carefully consider them as you proceed. Recently, several shipper groups, the Rail Commission of Texas and two of the railroads filed a "Consensus Plan" to resolve service and competitive problems in the Houston/Gulf Coast area. This plan will address many of these objectives.

My shippers and constituents want to see meaningful action from the Board that 3would allow them the service options they need. I hope your review of additional remedial conditions to the UP/SP merger in this proceeding will address this basic need.

Sincerely,

Solomon P. Ortiz

Solomon P. Ortiz
Member of Congress

SPO:mek

cc: Vice Chairman Gus A. Owen

KENNETH E. BENTSEN, JR.
25TH DISTRICT, TEXAS

128 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4325
(202) 225-7508
(202) 225-2947 FAX
email: [illegible]@[illegible].house.gov
http://www.house.gov/[illegible].html

COMMITTEES:
BANKING AND FINANCIAL SERVICES

SUBCOMMITTEE ON
FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT

SUBCOMMITTEE ON
CAPITAL MARKETS, SECURITIES AND
GOVERNMENT SPONSORED ENTERPRISES

BUDGET

Congress of the United States
House of Representatives
Washington, DC 20515-4325

[illegible] WEST LOOP SOUTH
SUITE 4[illegible]
BELLAIRE, TX 77401
(713) [illegible]
(713) [illegible] FAX

1001 E. SOUTHMORE
SUITE [illegible]
PASADENA, TX 77502
(713) [illegible]
(713) [illegible] FAX

1300 ROLLINGBROOK DRIVE
SUITE 517
BAYTOWN, TX 77521
(281) [illegible]

October 12, 1998

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
Department Of Transportation
1201 Constitution Avenue, NW, Room 4121
Washington, D.C. 20423

Dear Chairman Morgan:

I have been contacted by several constituents who are concerned that the continued lack of rail competition in Houston, Texas, is beginning to manifest itself in lost economic growth throughout the region.

Because my district includes one of the nation's largest concentration of petro-chemical producers and the Port of Houston, it is crucial that this area is served by the most efficient rail system possible. Any inefficiency, as recently demonstrated by the recent UP rail crisis, translates into the loss of hundreds of millions of dollars for the Houston economy. Even though I firmly believe that issues related to the Union Pacific/Southern Pacific (UP/SP) merger should be handled privately among interested parties, I am very concerned about the lack of competition resulting from the merger.

Since the Surface Transportation Board (STB) approved the UP/SP merger, I have monitored its evolution and now believe improvements must be made to ensure the economic growth and stability of the Houston economy. Specifically, I believe the STB should strongly consider the two following changes to the Houston area rail market:

1. Neutral switching needs to be implemented in the Houston area through the former Port Terminal Railroad Association (PTRA).

2. Additional lines should be opened to other Class I railroads.

These recommendations will provide competition to the large majority of shippers in my district that are currently served by only one Class I railroad.

The efficient transition that should have occurred immediately after the merger masked some of the serious deficiencies with respect to competition. It is now time for the Board to improve upon their original decision. The costs associated with implementing these recommendations should be distributed equally among all carriers seeking to service this area and any questions related to costs should be determined by a neutral third party chosen by the Board.

Thank you for your attention to this matter.

With kindest personal regards,

Sincerely,

Kenneth E. Bentsen, Jr.
Member of Congress

KEB:pw

OFFICE OF THE MAYOR
CITY OF HOUSTON
TEXAS

Lee P. Brown
Mayor

October 12, 1998

The Honorable Linda J. Morgan
Chairperson
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Dear Madam Chair:

My administration is greatly concerned about rail service in Texas and how it affects our economy in the Houston Gulf Coast region. We understand that inadequate rail infrastructure and lack of rail competition are issues across the continental United States. However, in the Houston Gulf Coast region, which is dominated by one major railroad, these issues are having a significantly pernicious effect on our local economy. Our focus is on the overall availability, quality, and efficiency of rail service in Texas, not the companies that provide the service.

The business of private enterprise is something local government should concern itself with as necessary to protect consumers and citizens. When one major railroad is conducting most of the business, rail consumers in the region are being denied a competitive price. Rail congestion is causing both roadway traffic and rail shipment delays. When shippers resort to truck transport, increased truck traffic increases wear and tear on the roadways and raises additional environmental and air quality concerns. Consumers and citizens ultimately will bear the costs for service and road maintenance. These significant rail issues confront us, and it is imperative that we seek relief through the appropriate regulatory authorities.

It is important that any company operating a railroad in Texas concentrate on improving infrastructure as well as service. To ensure that outcome we need local competition. By lifting current restrictions on additional competitor railroads in the Houston area, we can hope to see more competitive pricing and improved operations in general. Real rail competition will trigger greater capital investment in infrastructure improvements and stimulate expansion in traffic volume. Our faith is in the principles of free enterprise.

901 Bagby, 3rd Floor • Post Office Box 1562 • Houston, Texas 77251-1562 • 713/247-2345 • 713/247-1067 Fax

My administration has worked with the Greater Houston Partnership on this issue over the past nine months. The Partnership strongly supports the principles outlined in what is recognized as the Consensus Partners Plan. We concur and have also listened to shippers, the general public, local elected officials and the Port of Houston. Competitive rail is crucial to the Houston region's continued economic growth.

We understand the final date for rebuttals due to the Surface Transportation Board regarding remedial action to the Union Pacific/Standard Pacific merger is October 16. We are seeking immediate and permanent change in how rail business is conducted in the Houston region. We hope you will act to ensure that Texans do not have to continue to endure the present railroad structure and the type of losses they suffered this past year.

Sincerely,

Lee P. Brown

Lee P. Brown
Mayor

LPB:DE:ddw

cc: Congressional Delegation

Mailing Address
P.O. Box 78588
Shreveport, LA
71137-8588

AEROPRES
CORPORATION

Administrative Offices: • 200 Petroleum Square Two • 1324 N. Hearne • Shreveport, LA 71107 • 318-221-6282 — FAX: 318-429-6739

**COMPETITION SUPPORT LETTER FOR CONSENSUS PLAN
TO SURFACE TRANSPORTATION BOARD**

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Aeropres Corporation to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998 to alleviate the service crisis in the Houston area.

Aeropres ships tank cars of liquefied petroleum gas in and out of four facilities throughout the U.S., the largest in being in the state of Louisiana serviced by the Kansas City Southern Railway.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. Aeropres has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

Aeropres has had numerous problems during the service crisis, including delayed shipments, inconsistent service, broken promises, etc.

If Aeropres had the option of using an alternative rail carrier during UP's continuing service crisis, we would have thankfully turned to that other carrier. However, UP's dominance which they gained through merging with SP has forced us to remain with them despite their horrible service.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic through Houston;
3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,
4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

Hon. Vernon A. Williams
Surface Transportation Board
Re: Competition Support Letter for Consensus Plan
Page Two

We firmly endorse these principals of competition and cannot stress enough the importance of providing alternative rail carriers, neutral switching and neutral dispatching. All of these principals are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Plan and the fair and competitive proposals which are promoted by it.

I, Ferrell Person, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Aeropres Corporation, executed on July 28, 1998.

Sincerely,

AEROPRES CORPORATION

Ferrell Person

Ferrell Person
Manager-Logistics

FP/gba

cc: Bob Wilkie

AEROPRES
PROPANE GAS
A Division of Aeropres Corp

• DOMESTIC
• INDUSTRIAL
• AGRICULTURAL
• ENGINE FUEL

1324 N. Hearne Ave., Ste. 200 • Shreveport, LA 71107 • Phone: 318-221-6282 • Faxes: 318-429-6731/39

COMPETITION SUPPORT LETTER FOR CONSENSUS PLAN TO SURFACE TRANSPORTATION BOARD

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Aeropres Propane Gas to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998 to alleviate the service crisis in the Houston area.

The UPSP merger has created a severe service crisis thoughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Aeropres Propane Gas supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers have equal access to all of the carriers currently serving the area;
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in The future.

These principles are central to Aeropres Propane Gas concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

Hon. Vernon A. Williams
Surface Transportation Board
Re: Competition Support Letter for Consensus Plan
Page Two

I, Ron Horne, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Aeropres Propane Gas, executed on the 31st day of July 1998.

Sincerely,

AEROPRES PROPANE GAS

Ron Horne

Ron Horne
General Manager

RH/gba

AIR LIQUIDE

September 28, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Air Liquide America Corp. to inform you of our support for competition between carriers, in the rail industry.

The post-merger operating problems of the Union Pacific in the Houston area have been a real challenge to our ability to use rail for primary distribution. Air Liquide America has suffered from the Unions Pacific' post-merger operating problems.

In principle, we support the Plan proposed by the Consensus Parties on July 8, because the Plan appears to provide for more transportation options for Houston area rail shippers and to increase rail competition.

Sincerely,

Joseph Clepp

Joseph Clepp
Product Supply manager
Air Liquide America

AIR LIQUIDE AMERICA CORPORATION • 2700 Post Oak Blvd., Houston, TX 77056
Mailing Address: P.O. Box 460229, Houston, TX 77056-8229
Phone: 713/[illegible]

ALABAMA RIVER PULP COMPANY, INC.

P.O. Box 100
Claiborne Mill
Perdue Hill, Alabama 36470
Telephone: (334) 575-2000

A2307 ISO 9002

May 22, 1998

Letter GGW98-119

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20006

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

Dear Secretary Williams:

My name is Glenn G. Wiegel. I am Manager of Traffic and Sales Distribution for Alabama River Pulp Company, Inc., P. O. Box 100, Claiborne Mill, Perdue Hill, Alabama 36470. My duties include the management and planning of all transportation service for the Alabama River Companies which include Alabama River Pulp Company, Inc., Alabama Pine Pulp Company, Alabama River Newsprint Company and Alabama River Recycling Company, all located on the same complex at Claiborne, Alabama.

Total freight for all four companies is in excess of one million (1,000,000) gross tons of Bleached Kraft woodpulp, standard newsprint and waste paper. We are a user of rail service for transportation of our products between the United States and Mexico and to various destinations within the State of Texas including Houston.

I am writing to advise you of our support for neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Our companies have been and continue to be affected by the problems of the UP/SP. We need a long-term solution to the service problems in South Texas. We believe the implementation of neutral switching and neutral dispatching in Houston is essential to a long term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

I, Glenn G. Wiegel, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of the Alabama River Companies executed on May 22, 1998.

Sincerely yours,

ALABAMA RIVER PULP CO., INC.

Glenn G Wiegel

GLENN G. WIEGEL
MANAGER - TRAFFIC/DISTRIBUTION

GGW:jp

AmeriGas

America's Propane Company

110373

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Office of the Secretary

AUG 04 1998

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Public Record

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K St., NW
Washington, DC 20423-0001

Re: Finance Docket No. 32760 Sub.-No. 36

Dear Secretary Williams:

Amerigas Propane LP, as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

Amerigas Propane LP is the largest propane retail company in the USA. We have over 5,000 employees, 600 plus outlets and spend 18 to 20 million dollars a year for rail service throughout all states except Hawaii.

The UP/SP merger has created a severe service crisis throughout the country. This service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Amerigas supports the idea of:

1. Expanding rail capacity and investment by all existing carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers have equal access to all carriers currently serving all areas; and,
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to Amerigas' concerns. We urge you to bear them in mind as your proceeding goes forward.

I, Thomas W. Livingston, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Amerigas, executed on July 29, 1998.

Sincerely,

Thomas W. Livingston

13105 Northwest Freeway - Suite 500 - Houston, TX 77040 - (281) 552-4000

AMERIPOL SYNPOL CORPORATION

P.O. BOX [illegible]
[illegible] MAIN STREET
PORT NECHES, TEXAS 77[illegible]1

March 17, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, DC

RE: Finance docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al--Control & Merger - Southern Pacific Rail Corp., et a. Oversight Proceeding

Dear Secretary Williams:

I am writing on behalf of Ameripol Synpol Corporation to advise you of our support of Texas Mexican Railway Company's (Tex Mex) and Kansas City Southern Railway Company's proposed plan for the Houston area. Specifically, Ameripol Synpol supports neutral switching and neutral dispatching in Houston as well as additional measures aimed at obtaining efficiency and capacity enhancement in Houston.

Ameripol Synpol Corporation is a Delaware corporation with headquarters located in Port Neches, Texas. Along with its wholly owned subsidiaries, Engineered Carbons, Inc. and Mallard Creek Polymers, Ameripol Synpol Corporation is the world's largest manufacturer of SBR synthetic rubber and a major manufacturer of carbon black and SBR latex. Ameripol Synpol Corporation services a worldwide market with consolidated annual sales in the range of $550,000,000. Our customers include many of the world's largest tire, industrial product and consumer product companies. We have five plants in Texas and North Carolina and employ approximately 1,200 people. Our Port Neches, Texas plant has been producing synthetic rubber since 1943. As a privately held corporation, we do not publish financial statement.

Our production requirement includes 15-20 rail hopper cars of carbon black per month. Shipments originate Laredo, Texas with final destination, Port Neches, Texas routed Tex Mex Beaumont KCS. We use Tex Mex/KCS for moving this traffic out of Mexico and into and out of Houston. Currently, transit time is 14 days. The Tex Mex/KCS service is essential to our transportation needs. In addition, the trackage rights granted to Tex Mex in the UP/SP merger are vital to our operations.

However, the fact that there is no neutral dispatching or switching in Houston, and the fact that Tex Mex does not have yard space or sufficient infrastructure, makes it impossible for Tex Mex/KCS to provide the integral service and competitive alternatives we need. The trackage rights granted to Tex Mex need to be improved, changed and broadened and Tex Mex/KCS need to be permitted to increase their infrastructure in the Houston area so that Tex Mex/KCS can provide more efficient and competitive rail service for our traffic. Importantly, Tex Mex/KCS has a proven commitment of service for both big and small shippers into and out of the Mexican market. International trade routs such as Tex Mex/KCS's through south Texas be preserved and permitted to prosper.

The current rail service crisis in south Texas is monumental. The Surface Transportation Board (Board) has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our Company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in south Texas. Ameripol Synpol Corporation believes that the implementation of the Tex Mex/KCS proposed plan for south Texas which includes neutral switching and neutral dispatching in Houston, is essential to a long-term solution. In addition, we believe that Tex Mex and KCS must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Texas shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. The Tex Mex/KCS proposed plan will foster these goals.

I, Michael L. McClintock, state under penalty pf perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Ameripol Synpol Corporation, executed on March, 17, 1998.

Sincerely,

Michael L. McClintock

M. L. McClintock
Corporate Traffic Manager

WBV:MLM:ldr (8011MLM.WPD)

AMERIPOL SYNPOL CORPORATION

P.O. BOX 667
1215 MAIN STREET
PORT NECHES, TEXAS 77651

August 10, 1998

Hon. Vernon A. Williams
Secretary - Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, D.C. 20423-0001

Dear Secretary Williams:

RE: Finance Docket No. 32760 (Sub-No. 30)

I am writing for Ameripol Synpol Corporation to inform you of our support for the Consensus Plan filed on July 8, 1998.

Ameripol Synpol Corporation with headquarters and plants in Port Neches, Texas, is the world's largest manufacturer of SBR synthetic rubber and serves a worldwide market. Our plant occupies 124 acres with 943,000 square feet of office, plant and warehouse under roof. Our rail shipments originate on the Kansas City Southern Railway. We have an average yearly volume of twelve hundred (1,200) sixty (60') foot rail boxcars moving to various synthetic rubber consumers in the United States and Canada.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. Ameripol Synpol Corporation has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board (Board) has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

During your oversight process we strongly recommend that you consider the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve rail service by:

- Expanding rail capacity and investment by all the existing carriers
- Providing neutral and fair dispatch of all rail traffic through Houston
- Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area
- Protecting the future competitiveness of the Houston ship channel by ensuring that adequate rail service alternatives exist there in the future.

These principles are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the broad base of parties that support it and the fair and competitive proposals that it promotes.

Thank you, again, for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

Sincerely,

M. L. McClintock

M. L. McClintock
Corporate Traffic Manager

MLM:ldr (8020.MLM)

I, M. L. McClintock, declare under penalty of perjury that the foregoing is true and correct. Further, that I am qualified and authorized to file this verified statement, executed this 10th day of August 1998.

190557

ENTERED
Office of the Secretary

AUG - 3 1998

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Public Record

AVENUE INTERMODAL

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JUL 31 1998
MAIL
MANAGEMENT
STB

July 27, 1998

Mr. Vernon A. Williams
Secretary, Surface Transportation Board
12th Street & Constitution Avenue, N.W.
Washington, D.C.

Dear Secretary Williams: FD32760-SUB 30

I am writing on behalf of Avenue Intermodal to inform you of our strong support for the plan filed by the consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

As President of Avenue Intermodal I operate a rail to truck transfer business that is dependent upon rail traffic out of Houston, Texas. Avenue I's planned greenfield site in Tuscaloosa, Alabama was to require a 10 million dollar investment and employ 54 people. Due to the rail crisis in Houston, Texas, Butler and Company, (Avenue I's) parent, had to divert 7 million in capital to locate 85 tractor trailers in Houston, Texas this drain on funds has delayed construction plans for Tuscaloosa and delayed the jobs of 54 people.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. Avenue Intermodal has suffered economic setbacks due to inconsistent and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The consensus Plan will improve service by:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic through Houston;
3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area and;
4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

These principles are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay the utmost attention to the Consensus Plan, the broad base of parties which support it, and the fair and competitive proposals which are promoted by it.

P.O. Box 3146 • Tuscaloosa, Alabama 35403 • 1-800-2GO-RAIL (246-7245)

Page two

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, George Newman, state under penalty of perjury that the foregoing is true and correct Further, I certify that I am qualified to file this statement on behalf of Avenue Intermodal, Executed on July, 27,1998.

Sincerely,

George Newman

George Newman,

Avi-Gran U.S.A., Inc.

1/8 MI. N. OF INTERNATIONAL BRIDGE, HIGHWAY 1015
P.O. BOX 820
PROGRESO, TEXAS 78579
(956) 565-0204 FAX: (956) 565-6382

FINANCE DOCKET NO. (Sub-No. 21)

UNION PACIFIC CORP., ET AL.—CONTROL 7 MANAGER
SOUTHERN PACIFIC RAIL CORP., ET AL OVERSIGHT PROCEEDING

VERIFIED STATEMENT

OF

ABEL GONZALEZ JR.

ON BEHALF OF
AVI-GRAN U.S.A., INC.

My name is Abel Gonzalez Jr. I am the General Manager, located at 1/8 mile Intl. Bridge Hwy 1015 South, Progreso, Texas 78579. I have been employed in my present capacity for the 2 years and I am directly responsible for the procurement and maintenance of efficient and reliable transportation service for Avi-Gran U.S.A., Inc. As a result of these duties and responsibilities, I am thoroughly familiar with my employer's distribution and transportation requirements and consider myself qualified to issue this statement on its behalf in that regard. In addition, I have been specifically authorized by *Avi-Gran U.S.A., Inc.* to prepare this statement in support of the Texas Mexican Railway Company's (Tex-Mex)and Kansas City Southern Railway Company's ("KCS") proposal filed in the UP/SP Oversight ProceedingFinance Docket No. 32760 (Sub-No. 21) at the Surface Transportation Board ("Board").

Avi-Gran U.S.A.,Inc. is principally engaged in exporting grains(corn, sorghum and soybeans) and feed ingredients to Mexico. We also supply the needs of our affiliated company in Salinas Victoria Nuevo Leon, Grupo Papes, a major poultry feed mill that manufactures feed for 9,000,000 chicken daily and it is heavily dependent on Mid Bridge Laredo rail cars year round.
Last year, Grupo Papes imported over 1,000 rail cars or the equivalent of 80,000 Metric Tons of grain and feed ingredients.
All of the cars originated from the Mid West and were purchased on a delivered Mid Bridge Laredo basis.
Of the 1,000 rail cars we shipped last year, approximately 50% were transported into or out of the Houston/South Texas area. In addition, 50% of those rail cars were moved in international trade between Mexico and the U.S. by Tex Mex/KCS. The Tex Mex/KCS service is essential to our transportation needs. In addition, the trackage rights granted to Tex Mex in UP/SP merger are vital to our operations, particularly our NAFTA traffic. For 1998 we predict that this NAFTA traffic will increase by 20%. In order for Avi-Gran U.S.A., Inc. to remain competitive in the NAFTA market, we must have access to competitive rail service in Houston and South Texas. In our experience, more rail competition produces lower freight rates. The current rail situation in Houston has put a strangle hold on rail shippers, including Avi-Gran U.S.A., Inc.

The rail service crisis in south Texas is monumental. The Board has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. Our business depends on stable commercial arrangements, both for transportation and for sales of goods were transportation cost significantly affect the competitiveness of our pricing. We need a long term solution to the service problems in South Texas. Avi-Gran U.S.A., Inc. believes that the implementation of the Tex Mex/KCS proposed plan for South Texas, which includes neutral switching and neutral dispatching in Houston, is essential to the long term solution. In addition, we believe that Tex Mex and KCS must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic. The fact that there is no neutral dispatching or switching in Houston, and the fact that Tex Mex does not have yard space or sufficient infrastructure, makes it impossible for Tex Mex/KCS to provide the integral service and competitive alternatives we need. The trackage rights granted to Tex-Mex need to be improved, changed and broadened so that Tex Mex/KCS can provide the most efficient and competitive rail service for our traffic.

Importantly, Tex Mex and KCS have a proven commitment of service for both big and small shippers into and out of the Mexican market and throughout their service area. As a grain shipper, we understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. We believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. The Tex Mex /KCS proposed plan will foster these goals. International trade routes such as Tex Mex/KCS's through south Texas must be preserved and permitted to prosper. Therefore, we urge the Board to adopt the proposed plan of Tex Mex/KCS and authorized that its implementation begin immediately.

I, Abel Gonzales Jr., 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 this 5 of June, 1998

Avi-Gran U.S.A., Inc.

Abel González, Jr.

ABEL GONZALEZ JR.

GENERAL MANAGER

SUSCRIBED AND SWORN TO ME THIS 5 OF JUNE, 1998.
STATE OF TEXAS, COUNTY OF HIDALGO.
MY COMMISSION EXPIRES FEBRUARY 7, 2000.

Michael Garcia

MICHAEL GARCIA,
NOTARY PUBLIC

MICHAEL GARCIA
MY COMMISSION EXPIRES
February 7, 2000

AXIS
INTERNATIONAL

March 10, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street N.W.
Washington, D.C. 20006

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

Dear Secretary Williams:

I am writing on behalf of Axis International to advise you of our support for neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Axis International is a Houston-based NVOCC with primary trade lanes in Southeast Asia, the Far East, and Australia. As such, much of the freight we handle is moved via rail out of Houston to the West Coast. However, the rail service crisis in South Texas has caused considerable disruption in the services Axis provides to its customers.

The Surface Transportation Board ("Board") has recognized UP's inability to solve its problems in the short term with its implementation of its *Emergency Service Orders*. However, UP cannot predict when it will resume normal operations, and our customers will continue to suffer until a long term solution is implemented.

Axis believes that the implementation of neutral switching and neutral dispatching in Houston is essential to a long term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service.

I, Peter Van Etten, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Axis International, executed this 10th day of March 1998.

Sincerely,

Peter Van Etten
President
Axis International

850 N. Sam Houston Pkwy East
Suite 520
Houston, Texas 77060

E-mail| axis@axisintl.com
Web| http://axisintl.com

Phone| 281.820.5200
Fax| 281.820.5252
Toll-Free|800.377-1346

Bareco Products

P.O. Box 10312
148 East Main Street
Rock Hill, SC 29730
(803) [illegible]
Fax (803) [illegible]

George A. Anderson

March 18, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, DC 20006

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

Dear Secretary Williams:

I am writing on behalf of Bareco Products to advise you of our support of Texas Mexican Railway Company's ("Tex Mex") and Kansas City Southern Railway Company's proposed plan for the Houston area. Specifically, Bareco Products supports neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Bareco Products, a Pennzoil / Baker Petrolite Partnership, is a marketer of paraffin, microcrystalline and synthetic waxes. Bareco has 28 employees and ships from Pennzoil's plant in Shreveport, LA. We also ship from plants in Reno / Rouseville, PA, and Barnsdall, OK. During the period 1997, Bareco had freight expenditures in excess of 2 million dollars and rail cars movements of more than 400. We use Tex Mex/KCS for moving shipments into and out of Mexico and into and out of Houston. The Tex Mex/KCS service is essential to our transportation needs. In addition, the trackage rights granted to Tex Mex in the UP / SP merger are vital to our operations.

However, the fact that there is no neutral dispatching or switching in Houston, and the fact that Tex Mex does not have yard space or sufficient infrastructure, makes it impossible for Tex Mex/KCS to provide the integral service and competitive alternatives we need. The trackage rights granted to Tex Mex need to be improved, changed and broadened and Tex Mex/KCS need to be permitted to increase their infrastructure in the Houston area so that Tex Mex/KCS can provide more efficient and competitive rail service for our traffic. Importantly, Tex Mex/KCS has proven commitment of service for both big and small shippers into and out of the Mexican market. International trade routes such as Tex Mex/KCS's through south Texas must be preserved and permitted to prosper.

Surface Transportation Board
March 16, 1998
Page Two

The current rail service crisis in south Texas in monumental. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of the Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas. Bareco believes that the implementation of the Tex Mex/KCS proposed plan for south Texas, which includes neutral switching and neutral dispatching in Houston, is essential to a long term solution. In addition, we believe that Tex Mex and KCS must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Louisiana petroleum product shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and competitive success of the United States in NAFTA trading. The Tex Mex/KCS proposed plan will foster these goals.

I, George A. Anderson, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Bareco Products, executed on March 16, 1998.

Sincerely yours,

George Anderson

George A. Anderson
Manager, Supply & Distribution

TELEPHONE 512 664-6792
FAX 512 664-1116

BARR IRON & METAL COMPANY
DEMPSEY BARR, OWNER
STRUCTURAL STEEL AND PIPE
1500 WEST FRONT
ALICE, TEXAS 78333

MAY 28, 1998

MR. VERNON A. WILLIAMS, SECRETARY
SURFACE TRANSPORTATION BOARD
SUITE 700
1925 K STREET, N.W.
WASHINGTON, D.C. 20006

RE: FINANCE DOCKET#32760 (SUB-NO. 21), UNION PACIFIC CORP., ET AL.-- CONTROL & MERGER -- SOUTHERN PACIFIC RAIL CORP., ET AL. OVERSIGHT PROCEEDING

DEAR SECRETARY WILLIAMS:

I AM WRITING TO ADVISE YOU OF OUR SUPPORT FOR NEUTRAL SWITCHING AND NEUTRAL DISPATCHING IN HOUSTON, AS WELL AS ADDITIONAL MEASURES AIMED AT OBTAINING EFFICIENCY AND CAPACITY ENHANCEMENTS IN HOUSTON.

WE ARE A SCRAP METAL RECYCLING BUSINESS. WE HAVE FIFTEEN EMPLOYEES. WE SHIP ALL OF OUR SCRAP IRON BY RAIL TO MEXICO AND OTHER PARTS OF TEXAS. WE DO NOT USE TRUCKS BECAUSE OF THE LARGE VOLUME AND THE DISTANCE TO THESE MILLS. WE SHIP APPROXIMATELY 120 to 140 CAR LOADS OF SCRAP AT APPROXIMATELY $75,000 to $87,500 PER YEAR. FOR ANNUAL FREIGHT EXPENDITURES.

THE RAIL SERVICE CRISIS IN SOUTH TEXAS IS MONUMENTAL. THE SURFACE TRANSPORTATION BOARD (BOARD") HAS RIGHTFULLY RECOGNIZED UP'S INABILITY TO SOLVE THE PROBLEM, AT LEAST IN THE SHORT TERM, THROUGH THE BOARD'S IMPLEMENTATION OF THEIR EMERGENCY SERVICE ORDERS. IN FACT, EVEN UP HAS RECENTLY ADMITTED PUBLICLY THAT ITS SERVICE IN SOUTH TEXAS IS NOT BACK TO NORMAL AND THAT UP WILL NO LONGER ATTEMPT TO PREDICT WHEN NORMAL SERVICE WILL RETURN.

OUR COMPANY HAS BEEN AND CONTINUES TO BE HURT BY UP'S PROBLEMS IN SOUTH TEXAS. WE AT BARR IRON & METAL BELIEVE THAT THE IMPLEMENTATION OF NEUTRAL SWITCHING AND NEUTRAL DISPATCHING IN HOUSTON IS ESSENTIAL TO A LONG TERM SOLUTION. IN ADDITION, COMPETING RAILROADS MUST BE PERMITTED TO INCREASE THEIR INFRASTRUCTURE IN THE HOUSTON AREA IN ORDER TO PROVIDE MORE EFFICIENT AND COMPETITIVE RAIL SERVICE FOR OUR TRAFFIC.

AS A TEXAS FREIGHT SHIPPER, WE ALSO UNDERSTAND THE IMPORTANCE OF ENSURING THE CONTINUED AND EXPANDING GROWTH IN TRADE THROUGHOUT THE NAFTA CORRIDOR. IMPORTANTLY, WE BELIEVE THAT ENSURING THE CONTINUATION OF AN EFFECTIVE COMPETITIVE ALTERNATIVE IN SOUTH TEXAS

IS KEY TO OUR SUCCESS AND THE COMPETITIVE SUCCESS OF THE UNITED STATES IN NAFTA TRADING. NEUTRAL SWITCHING, NEUTRAL DISPATCHING AND PERMITTING COMPETING RAILROADS TO INCREASE THEIR INFRASTRUCTURE WILL FOSTER THESE GOALS.

I, KENNETH RAY BARR, STATE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT. FURTHER, I CERTIFY THAT I AM QUALIFIED TO FILE THIS STATEMENT ON BEHALF OF BARR IRON & METAL CO., INC. EXECUTED ON MAY 28, 1998.

SINCERELY YOURS,

Kenneth Ray Barr

KENNETH RAY BARR
PRESIDENT

BASF Corporation

BASF

August 28, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street N.W., Room 711
Washington, DC 20423-0001

Dear Secretary Williams:

On behalf of BASF Corporation, I am writing to endorse the Surface Transportation Board's decision to implement new proceedings in the five-year oversight condition of the Union Pacific and Southern Pacific rail merger of 1997.

BASF Corporation is one of the ten largest global chemical companies, with 1997 annual sales of $6.9 billion. Approximately fifty percent of our of production from our manufacturing sites located in Freeport, Texas; Geismar, Louisiana; Wyandotte, Michigan; Joliet, Illinois; and Altamira, Mexico is shipped via rail. Our larger sites at depend on rail transportation to distribute our output.

This merger has adversely impacted our entire supply chain network and our service levels are not yet back to the levels prior to the merger. We are a captive shipper on the UP/SP at our Freeport, Texas and Santa Ana, California manufacturing sites. We believe additional capacity and adequate rail alternatives are necessary to alleviate service problems and remain competitive in a global market.

Item 6 of Finance Docket 32760 (Sub No. 30) outlining the proposal for Tex Mex to purchase the line between Rosenberg and Victoria and grant trackage rights to UP between Rosenberg and Flatonia would accomplish in part, an alternative competitive situation for us, the shipper, in the greater Houston market, particularly for traffic to and from Mexico.

Thank you for being responsive to our needs.

Sincerely,

Daniel J. Pigott
Director, Transportation

Cc: R.Singhania
F.J. Federico

3000 Continental Drive-North, Mount Olive, New Jersey 07828-1234 (973) 426-2600

Basic Equipment Co.

P.O. Box 9033 • Corpus Christi, Texas 78469

May 28, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K. Street, N.W.
Washington, D.C. 20006

RE: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al – Control & Merger – Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

I am writing on behalf of Basic Equipment Co., to advise you of our support for neutral switching and neutral dispatching in Houston, Texas as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

The rail service crisis in South Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized Union Pacific's ("UP") inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service to South Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in South Texas. We believe that the implementation of neutral switching and neutral dispatching in Houston is essential to a long-term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Texas shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in South Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

Sincerely,

K L B

Kenneth L. Berry

BAY Ltd. ®

A BERRY Company

P.O. Box 9908
1414 Corn Products Road
Corpus Christi, Texas
78469-9908

Bus: (512) 693-2100

May 28, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K. Street, N.W.
Washington, D C. 20006

RE: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al – Control & Merger – Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

I am writing on behalf of Bay, Ltd., to advise you of our support for neutral switching and neutral dispatching in Houston, Texas as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Our company, which employees approximately 3,000 persons transports aggregate materials from our facilities in South Texas with Texas Mexican Railway Company/Kansas City Railroad.

The rail service crisis in South Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized Union Pacific's ("UP") inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service to South Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in South Texas. We believe that the implementation of neutral switching and neutral dispatching in Houston is essential to a long-term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Texas aggregate shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in South Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

Sincerely,

K L Berry

Kenneth L. Berry
Vice President

KLB/[illegible]

Safety ■ Quality ■ Productivity

The Winning Combination

BERRY.
Contracting Inc.

P.O. Box 4858
1414 Corn Products Road
Corpus Christi, Texas
78469-4858

Bus: (512) 693-2100
Fax: (512) 693-2819

May 28, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20006

RE: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al – Control & Merger – Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

I am writing on behalf of Berry Contracting, Inc., to advise you of our support for neutral switching and neutral dispatching in Houston, Texas as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Our company, which employees approximately 3,000 persons transports aggregate materials from our facilities in South Texas with Texas Mexican Railway Company/Kansas City Railroad.

The rail service crisis in South Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized Union Pacific's ("UP") inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service to South Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in South Texas. We believe that the implementation of neutral switching and neutral dispatching in Houston is essential to a long-term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Texas aggregate shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in South Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

Sincerely,

K L Berry

Kenneth L. Berry
Director

KLB:[illegible]

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Berry Group Ltd.

May 28, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K. Street, N.W.
Washington, D.C. 20006

RE: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al – Control & Merger – Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

I am writing on behalf of Berry Group Ltd, to advise you of our support for neutral switching and neutral dispatching in Houston, Texas as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

The rail service crisis in South Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized Union Pacific's ("UP") inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service to South Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in South Texas. We believe that the implementation of neutral switching and neutral dispatching in Houston is essential to a long-term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

We also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in South Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

Sincerely,

K L Berry

Kenneth L. Berry

P.O. Box 4858
Corpus Christi, Texas 78469
1414 Corn Products Road 78409
Ph. (512) 693-2100
Fax (512) 693-2822

191422

BOC GASES

BOC Gases
575 Mountain Avenue
Murray Hill NJ 07974

Telephone 908 771 1694

Howard J. Ditkoff
Vice President, Distribution

September 28, 1998

RECEIVED
OCT. 1 1998
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Part of
Public Record

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (sub-no, 30)

Dear Secretary Williams:

I am writing on behalf of BOC Gases to inform you of our support for the Consensus Plan filed on July 8, 1998.

BOC Gases is the industrial gases business of The BOC Group, which operates in more than 60 countries, with sales last year of $6.4 billion. We have over 60 manufacturing facilities in the U.S. To supply Texas, we supplement our Baytown and Corpus Christi, Texas carbon dioxide plants with rail from Oklahoma and Mississippi into Houston and Dallas/Ft Worth. We also have merchant air separation plants in Jewett and Terrell, Texas.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. BOC Gases has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UPs inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8, 1998. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently servicing the area; and

4. Protecting the future competitiveness of the Houston region by ensuring that adequate rail service alternatives exist there in the future.

These principals are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the broad-base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you for considering our needs. Please do not hesitate to contact me if I can be of service in any way.

Sincerely,

Howard J. Ditkof

Howard J. Ditkof

HJD/mlc

CALABRIAN CORPORATION

August 24, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N. W.
Washington, DC 20423-0001

Re: Finance Docket N. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Calabrian Corporation to inform you of our support for the Consensus Plan filed on July 8, 1998.

Calabrian Corporation is a water treatment manufacturer with 70 employees, located in Pt. Neches, TX. We are absolutely dependent on the railroads to provide prompt reliable service both from our suppliers and for our customers. We have limited truck availability and no barge facilities at all; therefore, good, reliable, consistent railroad service is critical to our operations.

Calabrian is a medium sized company and our success depends on our customer service and reliability. As we are smaller than the major chemical companies in our area, we have to work even harder to achieve the customers that larger companies have, only because of their stature.

We receive raw materials from suppliers on the Texas/ Gulf Coast, Houston area, the Western U.S. and Canada. Our finished products are sold to customers located throughout the U.S., Mexico, and Canada.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. I personally have 32 years of transportation experience and I have witnessed many mergers since 1966. During my career I have never seen such a mess as the UP-SP merger.

1521 GREEN OAK PLACE SUITE 200 • KINGWOOD TEXAS 77339 • TELEPHONE 281-348-2303 • FAX 281-348-2310

Calabrian Corporation has suffered economic damages: We and our customers have had to "cut-back" production, or shut-down the plant because of the UP's service failures; experienced inconsistent service (viz., 14 days from Eagle Pass, TX to Beaumont, TX); experienced unaparalleled delays in service (12 days from the UP yard in Houston to Freeport, TX); circuitous routing from the midwestern states to Brownsville, TX and through Louisiana in order to get to the UP yard in Houston, TX.

The Surface Transportation Board has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis. A strong illness calls for some strong medicine.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8, 1998. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers; (This would benefit the shippers and customers tremendously).

2. Providing neutral and fair dispatch of all rail traffic through Houston; (This would ensure an unbiased attitude towards all traffic).

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; (By giving the shippers a choice you provide them with an alternative as well as maintaining competition which is healthy).

4. Protecting the future competitiveness of the Houston ship Channel by ensuring that adequate rail service alternatives exist there in the future. (It is only through competition that service to customers can be assured at a competitive price).

These principals are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly implore you to exercise your oversight powers and your agreement to the Consensus Plan, the broad-base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Ernie Kenjura, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Calabrian Corporation, executed on August 24, 1998.

Sincerely,

Ernie Kenjura

Ernie Kenjura
Traffic Manager

190830

Castrol North America Inc.

1500 Valley Road
Wayne NJ 07470

Telephone (973) 633 2200
Fax (973) 633 9867

RECEIVED
AUG 28 1998
MAIL MANAGEMENT
STB

August 24 1998

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Honorable Vernon A. Williams
Secretary, Surface Transportation Board
Room 711, 1925 K. Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No.30)

Dear Secretary Williams:

I am writing to you on behalf of Castrol North America Inc. (CNA), Automotive Division to inform you of our strong support for the Consensus Plan filed on July 8, 1998, to alleviate the service crisis in the Houston, Texas area.

CNA Automotive Division is a major motor oil manufacturer in North America, makers of the world famous GTX motor oil, with manufacturing plants in Toronto, Canada; Bayonne, NJ; Richmond, CA; Port Allen, LA; and Mexico City, Mexico with customers and suppliers located throughout the U.S.A., Canada and Mexico. Our annual freight budget is approximately $25MM.

I am the Manager of Traffic/Transportation Logistics for Castrol and have been in this position for over seven years. My responsibilities include policy and procurement of transportation and related equipment and services.

The service failures resulting from the UP/SP merger have impacted our company in many aspects, Castrol North America Inc. has suffered economic damages, experienced inconsistent services with unparalleled delays in service. The Surface Transportation Board has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crises as they continue to exist. This experience in service failure has made it clear that alternative rail service is necessary to alleviate service problems in the future. Therefore Castrol North America Inc. strongly supports the Consensus Plan of July 8th and respectfully urges the Board to adopt this plan in total or in part to help promote greater competition in the Houston area.

We thank the Surface Transportation Board for the opportunity to present our comments and respectfully request our recommendations be strongly considered.

I, Raymond Kuri, state under penalty of perjury that the foregoing is true and correct. Further I certify that I am qualified to file this statement on behalf of Castrol North America Inc, Automotive Division , executed on August 24, 1998.

Sincerely,

Raymond Kuri

Raymond Kuri
Manager, Traffic/Transportation Logistics

CERESTAR USA, INC. 1100 INDIANAPOLIS BOULEVARD HAMMOND, INDIANA

190540

Cerestar

August 19, 1998

AUG 19 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Suite 711
1925 K. Street, N.W.
Washington, D.C. 20423-0001

RECEIVED
AUG 19 1998
MAIL
MANAGEMENT
STB

Re: Finance Docket No. 32760 (Sub No. 30)

Dear Secretary Williams:

My name is Robert A. Sieffert, and I am Manager of Transportation/Distribution for Cerestar USA, Inc. My company is in the corn refining business, and we make syrups, starches, and feed products from corn. We have manufacturing plants in Alabama, Indiana, and Texas, and we ship or receive more than 20,000 rail cars per year. We also have numerous distribution facilities where product is brought in by rail and transloaded to trucks for local distribution. Our two largest facilities of this type are in Houston and Fort Worth, Texas, in the heart of the recent rail service meltdown. Since most of our products are shipped in bulk over long distances, Cerestar is heavily dependent upon rail transportation.

The rail service crisis brought about by the takeover of Southern Pacific by Union Pacific has been unprecedented and unconscionable. And, contrary to reports eminating from Union Pacific's Public Relations Department, service is not improving. The meltdown has simply been relocated from Texas to California. Cerestar is now leasing 100 additional tank cars at an annual cost of $600,000. These cars were acquired solely to accommodate the serious deterioration in rail service.

Rail carriers and their trade association, the Association of American Railroads, have insisted that the ongoing rail service problems are not a result of a lack of competition. This position is self-serving, and, frankly, ridiculous. Competition...rail-to-rail competition...results in improved service for everyone. The carriers have used the gift of antitrust immunity to absorb their competitors, and this is the real reason rail service has become erratic, unpredictable, and intolerable.

In response to the ongoing rail service crisis, The Chemical Manufacturers Association, The Society of The Plastics Industry, The Texas Chemical Council, The Railroad Commission of Texas, The Texas Mexican Railway Company, and The Kansas City Southern Railway Company (collectively, the "Consensus Parties") have joined together to develop a set of conditions to alleviate service and competitive problems related to the UP meltdown in the Texas Gulf Coast area. This plan was presented to the Surface Transportation Board by the Consensus Parties On July 8. Cerestar USA endorses this plan, and we believe it will improve rail service by:

1. Ensuring that all shippers in Houston have equal access to all carriers serving the area.

2. Providing neutral and fair dispatching of all rail traffic through Houston.

3. Expanding rail capacity and investment by all existing carriers.

4. Providing shippers with increased routing options.

The plan presented to the Board by the Consensus Parties addresses the service crisis in the Houston area by alleviating the virtual monopoly held by Union Pacific, and by providing shippers with alternative carriers.

The STB has correctly implemented its oversight powers to review issues of competition and access in the rail industry. I strongly urge the Board to accept the recommendations of the Consensus Parties to improve service in the Texas Gulf Coast area.

I, Robert A. Sieffert, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement of behalf on Cerestar USA, Inc., executed on August 19, 1998.

Sincerely,

Robert A. Sieffert

Robert A. Sieffert
Manager of Transportation/
Distribution

Vinyl Building Products Group

CertainTeed Corporation
P.O. Box 253
Sulphur, LA 70664
(318) 882-1441

CertainTeed

March 12, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20006

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

Dear Secretary Williams:

I am writing on behalf of CertainTeed, Corporation, Sulphur, LA, to advise you of our support for neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

CertainTeed produces 450 million pounds of poly vinyl chloride (PVC, plastics) per year, which is shipped to 6 different CertainTeed locations:

Grinnell, IA	Jackson, MI	McPherson, KS,	Waco, TX
Williamsport, MD	Social Circle, GA		

We ship about 250 cars a year to the Grinnell plant; 375 to the Jackson plant, 550 to the McPherson plant, 275 to the Waco plant, 350 to the Williamsport plant, and about 450 to the Social Circle, GA, plant. Grinnell, McPherson and Waco are serviced by Union Pacific. Due to the location of these plants, trucks are not a viable option for CertainTeed.

The plant employs about 75 people and has an annual freight expenditure of approximately five million dollars.

The rail service crisis in south Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and that the UP will no longer attempt to predict when normal service will return.

Page 2.
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
March 11, 1998

Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas. CertainTeed believes the implementation of neutral switching and neutral dispatching in Houston is essential to a long term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a shipper who has freight moving through Texas, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

I, Nancy C. Wease, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of CertainTeed Corporation, Vinyl Building Products, Sulphur, LA, executed on this day, Thursday, March 12, 1998.

Sincerely yours,

Nancy C. Wease

Nancy C. Wease
Traffic Manager
CertainTeed Corporation

Vinyl Building Products Group

CertainTeed Corporation
P.O. Box 253
Sulphur, LA 70664
(318) 882-1441

CertainTeed

July 24, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-00001

Re: *Finance Docket No. 32760 (Sub-No. 30)*

Dear Secretary Williams:

CertainTeed Corporation, as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific) merger decision to examine requests made for additional remedial conditions to the merger.

CertainTeed is a manufacture of poly vinyl chloride (PVC) which we ship about 2,500 carloads (450 million pounds) a year to our plants. We ship to Waco, TX, Social Circle, GA, McPherson, KS, Williamsport, MD, Social Circle, GA, Grinnell, IA, and Jackson, MI. We have about 100 people employed at the Lake Charles Polymer Plant. Our annual freight expenditures are approximately $4 million dollars a year. Trucking is not an option for us due to the extreme high cost. We are not open to barge facilities at this plant and neither is any of our plants which receive our PVC.

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recongnized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. CertainTeed supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers have equal access to all the carriers currently serving the area; and,
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to CertainTeed's concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Nancy C. Wease, Traffic Manager, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf CertainTeed Corporation, executed on July twenty-fourth, 1998.

Regards,

Nancy C Wease

Nancy C. Wease
Traffic Manager
CertainTeed Corporation

pc: Congressman Chris John
House of Representatives
Washington, DC 20510

Senator Mary Landrieu
Senate Office Building
Washington, DC 20510

Representative Dan Flavin
4320 Lake Street
Lake Charles, LA 70605

F

CITGO Petroleum Corporation
TRANSPORTATION DEPARTMENT

P.O. Box 40
Tulsa, Oklahoma 74102

March 18, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N. W.
Washington, D. C. 20006

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

Dear Mr. Williams:

I am writing on behalf of CITGO PETROLEUM Corporation, to advise you of our support for neutral switching and neutral dispatch in Houston, TX. As well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

As the Corporate Transportation Operations Manager for CITGO Petroleum Corporation, I am responsible for the coordination and arrangements for tank car shipments for CITGO. CITGO Petroleum Corporation is a domestic petroleum refining, marketing, and transportation company with 5,000 employees, 6 major manufacturing facilities, ownership in 52 product terminals and a supplier of motor fuels to more than 13,000 independent CITGO branded outlets. CITGO'S largest refinery is located near the Houston area in West Lake Charles, LA. Securing competitive rail service is essential to our ability to effectively service our customers as well as develop new market opportunities.

Our company has been and continues to be hurt by UP's service problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas. I strongly urge the STB to lift all service restrictions on the Tex Mex, giving it full local service access in the greater Houston area on a permanent basis. Full access would provide for a viable third rail competitor in Houston that could connect with other carriers in Beaumont, including the Union Pacific, BNSF, and The Kansas City Southern. Competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a rail shipper currently into Mexico, we understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral *switching*, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

I, Tony Benway, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of CITGO Petroleum corporation, executed on March 18, 1998.

Sincerely,

Tony Benway

Tony Benway
Corporate Transportation Operations Manager

190372

CITGO Petroleum Corporation
TRANSPORTATION DEPARTMENT

CITGO
P.O. Box 40
Tulsa, Oklahoma 74102

RECEIVED
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Office of the Secretary

AUG 04 1998

Part of
Public Record

July 31, 1998

Hon. Vernon A. Williams
Secretary
Surface transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of CITGO Petroleum Corporation to inform you of our strong support for the Plan filed by the Consensus parties on July 8, 1998, to alleviate the service crisis in the Houston area.

CITGO Petroleum Corporation is a domestic petroleum refining, marketing and transportation company with 5,000 employees, 6 major manufacturing facilities, (with 2 refineries in the Gulf coast region, Lake Charles, LA., and Corpus Christi, TX., and a down stream plant also in Lake Charles affected greatly by service deficiencies by the Union Pacific railroad) ownership in 52 product terminals, and a supplier of motor fuels, and lubricating oils, to more than 13,000 independent CITGO branded outlets.

CITGO ships in excess of 1,000 carloads per year of lube oils, waxes, petroleum coke from the above mentioned source points to destinations throughout the United States.

We are extremely concerned with the severe service meltdown created in the gulf coast region due to the UP/SP merger. This service meltdown has made it clear that the STB Board needs to strongly consider the Plan proposed by the Consensus parties on

July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf coast region. The Consensus plan will improve rail service by:

1. Expanding rail capacity and investments by all carriers.

2. provide neutral and fair dispatch of all rail traffic through Houston.

3. Ensure that all shippers in Houston have equal access to all of the carriers.

4. Protect the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

We firmly endorse these principles of competition and cannot stress the importance of providing alternative rail carriers, neutral switching and neutral dispatching enough. All of these principals are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the plan and the fair and competitive proposals which are promoted by it.

I, Tony Benway, state under penalty of perjury, that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of CITGO Petroleum Corporation, executed on this day, July 31, 1998.

Sincerely,

Tony Benway

Tony Benway
Transportation Operations Manager

Commercial Metals Company P.O. Box 1046 Dallas, Texas 75221-1046

May 28, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 700
Washington, DC 20006

RE: Finance Docket No. 32760 (Sub-No. 21), *Union Pacific Corp., et al. – Control & Merger – Southern Pacific Railroad Corp., et al. Oversight Proceeding*

Dear Secretary Williams:

I am writing on behalf of Commercial Metals Company, to advise you of our support of Texas Mexican Railway Company's ("Tex Mex") and Kansas City Southern Railway Company's proposed plan for the Houston area. Specifically, CMC supports neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Our company is currently a shipper on the Tex Mex and KCS lines. Commercial Metals Company and subsidiaries manufacture, recycle and market steel through a network of over 100 locations. The manufacturing and recycling group includes 4 steel mini-mills, 43 recycling operations and 45 other steel related businesses. The combined annual freight bill for these locations is approximately $100 million, and is comprised of over 10,000 carloads of product per year. The majority of our shipments are by rail because truck and barge are not a viable option due to customer requirements. We use Tex Mex/KCS for moving shipments into and out of Mexico and into and out of Houston. The Tex Mex/KCS service is essential to our transportation needs. In addition, the trackage rights granted to Tex Mex in the *UP/SP* merger are vital to our operations.

However, the fact that there is no neutral dispatching or switching in Houston, and the fact that Tex Mex does not have yard space or sufficient infrastructure, makes it impossible for Tex Mex/KCS to provide the integral service and competitive alternatives we need. The trackage rights granted to Tex Mex need to be improved, changed and broadened and Tex Mex/KCS need to be permitted to increase their infrastructure in the Houston area so that Tex Mex/KCS can provide more efficient and competitive rail service for our traffic. Importantly, Tex Mex/KCS has a proven commitment of service for both big and small shippers into and out of the Mexican market. International trade routes such as Tex Mex/KCS's through south Texas must be preserved and permitted to prosper.

The current rail service crisis in south Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders.

7800 Stemmons Fwy. Telephone: 214-689-4300 W.U. Telex: 73-2264 Fax: 214-689-5886

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
May 28, 1998
Page Two

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in south Texas. Commercial Metals Company believes that the implementation of the Tex Mex/KCS proposed plan for south Texas, which includes neutral switching and neutral dispatching in Houston is essential to a long-term solution. UP local switching and terminal services in Houston, Texas continue to deteriorate at the expense of moving traffic between major yards with their directional hauling concept. We believe that Tex Mex and KCS must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic, and that a neutral switching company be established to support all of the class one railroads in Houston.

As a Texas rail freight shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. The Tex Mex/KCS proposed plan would foster these goals.

I, Ronald W. Bird, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Commercial Metals Company on May 28th, 1998.

Sincerely yours,

COMMERCIAL METALS COMPANY

Ronald W. Bird

Ronald W. Bird
Transportation Manager

RWB:jhm

CONDEA Vista Company
900 Threadneedle
Houston, Texas 77079-2990
(281) 588-3000

CONDEA VISTA

March 27, 1998

Mr. Vernon W. Williams, Secretary
SurfaceTransportation Board
Suite 700
1925 K Street, NW
Washington, DC 20006

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

Dear Secretary Williams:

I am writing on behalf of CONDEA Vista Company to advise you of our support of Texas Mexican Railway Company's ("Tex Mex") and Kansas City Southern Railway Company's proposed plan for the Houston area. Specifically, we support neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

CONDEA Vista Company is a petrochemical company, with sales of approximately $1 Billion, headquartered in Houston. We operate, among others, production sites in Louisiana, Mississippi, and Oklahoma. Houston, Texas serves as the primary focus of our export/import operations. Approximately 80% of our products are moved by rail. We use Tex Mex/KCS for moving shipments into and out of Mexico and into and out of Houston. The Tex Mex/KCS service is essential to our transportation needs. In addition, the trackage rights granted to Tex Mex in the UP/SP merger are vital to our operations.

However, the fact that there is no neutral dispatching or switching in Houston, and the fact that Tex Mex does not have yard space or sufficient infrastructure, makes it impossible for Tex Mex/KCS to provide the integral service and competitive alternatives we need. The trackage rights granted to Tex Mex need to be improved, changed, and broadened and Tex Mex/KCS needs to be permitted to increase their infrastructure in the Houston area so that Tex Mex/KCS can provide more efficient and competitive rail service for our traffic. Importantly, Tex Mex/KCS has a proven commitment of service for both big and small shippers into and out of the Mexican market. International trade routes such as Tex Mex/KCS's through South Texas
must be preserved and permitted to prosper.

The current rail service crisis in South Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in South Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in South Texas. CONDEA Vista Company believes that the implementation of the Tex Mex/KCS proposed plan for SouthTexas which includes neutral switching and neutral dispatching in Houston, is essential to a long term solution. In addition, we believe that Tex Mex and KCS must be permitted to increased their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in South Texas is key to our success and the competitive success of the United States in NAFTA trading. The Tex Mex/KCS proposed plan will foster these goals.

I, James J. Hall, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of CONDEA Vista Company, executed on this the 27th day of March, 1998.

Sincerely,

James J. Hall
Manager
Distribution

/cep

CONOCO

Sharon D. Simpson
Director Commercial Transportation
Transportation Services
Materials & Services

Conoco Inc.
P.O. Box 2197
Houston, TX 77252
(281) 293-2091

August 26, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

Conoco Inc., as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

Conoco Inc. is a fully integrated oil company engaged in global exploration, production, refining and marketing of petroleum products. Included in our operation are a refinery complex and two lube oil manufacturing plants in the Lake Charles, LA area from and to which petroleum products are shipped by rail. My responsibilities include management of the domestic surface transportation procurement and related service function.

As you already know, most shippers today are both aware of and concerned with service and competitive issues involving the Union Pacific/Southern Pacific merger. Conoco supports the idea of expanding rail capacity and investment by all the existing carriers and protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future. We urge you to bear these in mind as your proceeding goes forward.

We appreciate the Board initiating this proceeding in response to the shipper's raised concerns and will follow closely as it unfolds in the weeks ahead.

I, Sharon D. Simpson, state that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Conoco Inc. , executed on August 26, 1998.

Sincerely,

Sharon D. Simpson

Mailing Address
P.O. Box 78588
Shreveport, LA
71137-8588

AEROPRES
CORPORATION

Administrative Offices: • 200 Petroleum Square Two • 1324 N. Hearne • Shreveport, LA 71107 • 318-221-6282 — FAX: 318-429-6739

**COMPETITION SUPPORT LETTER FOR CONSENSUS PLAN
TO SURFACE TRANSPORTATION BOARD**

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Aeropres Corporation, dba Daniel Butane, to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998 to alleviate the service crisis in the Houston area.

The UPSP merger has created a severe service crisis thoughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Aeropres Corporation, dba Daniel Butane, supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to Aeropres Corporation, dba Daniel Butane, concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

Hon. Vernon A. Williams
Surface Transportation Board
Re: Competition Support Letter for Consensus Plan
Page Two

I, Robert R. Wilkie, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Aeropres Corporation, dba Daniel Butane, executed on the 31st day of July 1998.

Sincerely,

AEROPRES CORPORATION

Robert R. Wilkie
Executive Vice President

RRW/gba

Phones:
(956) 723-1111
(956) 723-8221
404 Chihuahua St.
P.O. Drawer 1499

DESPACHOS DEL NORTE, INC.

FORWARDING AGENCY
LAREDO, TEXAS 78042-1499

Fax:
(956) 727-7792
(956) 727-7725
(956) 791-4049
(956) 723-0441
(956) 729-8783

MAY 27, 1998

MR. VERNON A. WILLIAMS, SECRETARY
SURFACE TRANSPORTATION BOARD
SUITE 700
1925 K STREET, N.W.
WASHINGTON, D.C. 20006

RE: FINANCE DOCKET NO.32760(SUB-NO.21),UNION PACIFIC CORP., ET AL.- CONTROL & MERGER - SOUTHERN PACIFIC CORP.,ET AL. OVERSIGHT PROCEEDING.

DEAR MR. WILLIAMS:

I AM WRITING ON BEHALF OF DESPACHOS DEL NORTE,INC. FREIGHT FORWARDER, TO ADVISE YOU OF OUR SUPPORT FOR NEUTRAL SWITCHING AND NEUTRAL DISPATCHING IN HOUSTON, TX.,AS WELL AS ADDITIONAL MEASURES AIMED AT OBTAINING EFFICIENCY AND CAPACITY ENHANCEMENTS IN HOUSTON.

THE RAIL SERVICE CRISIS IN SOUTH TEXAS IS TREMENDOUS. THE SURFACE TRANSPOR_ TATION BOARD (BOARD) HAS RIGHTFULLY RECOGNIZED UP'S INABILITY TO SOLVE THE PROBLEM, AT LEAST IN THE SHORT TERM, THROUGH THE BOARD'S IMPLEMENTATION OF THEIR EMERGENCY SERVICE ORDERS. IN FACT, EVEN U.P.HAS RECENTLY ADMITTED PUBLICLY THAT ITS SERVICE IN SOUTH TEXAS IS NOT BACK TO NORMAL AND THE U.P. WILL NO LONGER ATTEMPT TO PREDICT WHEN NORMAL SERVICE WILL RETURN.

OUR COMPANY HAS BEEN AND CONTINUES TO BE HURT BY U.P.'S PROBLEMS. WE NEED MORE THAN A SHORT TERM FIX. WE NEED A LONG TERM SOLUTION TO THE SERVICE PROBLEMS IN SOUTH TEXAS. DESPACHOS DEL NORTE,INC. BELIEVES THAT THE IMPLEMENTATION OF NEUTRAL SWITCHING AND NEUTRAL DISPATCHING IN HOUSTON,TX. IS ESSENTIAL TO A LONG TERM SOLUTION. IN ADDITION, COMPETING RAILROADS MUST BE PERMITTED TO INCREASE THEIR INFRASTRUCTURE IN THE HOUSTON AREA IN ORDER TO PROVIDE MORE EFFICIENT AND COMPETITIVE RAIL SERVICE.

AS A TEXAS FREIGHT FORWARDER, DESPACHOS DEL NORTE, INC. ALSO UNDERSTANDS THE IMPORTANCE OF ENSURING THE CONTINUED AND EXPANDING GROWTH IN TRADE THROUGHOUT THE NAFTA CORRIDOR. IMPORTANTLY, WE BELIEVE THAT ENSURING THE CONTINUATION OF AN EFFECTIVE COMPETITIVE ALTERNATIVE IN SOUTH TEXAS IS THE KEY TO SUCCESS AND THE COMPETITIVE SUCCESS OF THE U.S. IN NAFTA TRADING. NEUTRAL SWITCHING, NEUTRAL DISPATCHING AND PERMITTING COMPETING RAILROADS TO INCREASE THEIR INFRASTRUCTURE WILL FOSTER THESE GOALS.

I, ROSENDA MARTINEZ, STATE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT. FURTHER, I CERTIFY THAT I AM QUALIFIED TO FILE THIS STATEMENT ON BEHALF OF DESPACHOS DEL NORTE,INC. EXECUTED ON MAY 27, 1998.

SINCERELY YOURS,

R. Martinez

ROSENDA MARTINEZ

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Office of the Secretary

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DUNLOP
TIRE CORPORATION

August 7, 1998

Handle it!

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RECEIVED
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MANAGEMENT
STB

RE: Finance Docket No. 32760(sub-no. 30)

Dear Secretary Williams:

I am writing on behalf of Dunlop Tire Corporation to inform you of our support for the Consensus Plan filed on July 8, 1998.

Dunlop Tire Corporation has tire manufacturing facilities in Huntsville, AL and Tonawanda, NY as well as distribution centers in Ontario, CA, Shelby, OH and Pottstown, PA. Our annual freight expenditures are in excess of $35 million and our rail movements are in excess of 1,000 cars per year.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. Dunlop Tire has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8, 1998. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and

Executive Offices, Box 1109, Buffalo, NY 14240-1109, 716 • 639-5200

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

These principals are central to our control and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the broad-base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you again for your responsive action initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

Sincerely,

DUNLOP TIRE CORPORATION

James Bangle

James M. Bangle
Transportation Manager

DUPX-1

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760 (SUB-NO. 26)

UNION PACIFIC CORPORATION, ET AL. – CONTROL AND MERGER – SOUTHERN PACIFIC RAIL CORPORATION, ET AL)

[HOUSTON/GULF COAST OVERSIGHT]

REQUEST FOR NEW REMEDIAL CONDITIONS
by
E. I. DUPONT DE NEMOURS AND COMPANY

William A. McCurdy, Jr.
Logistics & Commerce Counsel
DuPont Legal
D-8098-1
1007 Market Street
Wilmington, DE 19898

Frederic L. Wood
Donelan, Cleary, Wood & Maser, P.C.
1100 New York Avenue, NW
Suite 750
Washington, DC 20005-3934
Tel.: (202) 371-9500
E-Mail: r.wood@dcwm.com

Due Date and Dated: July 8, 1998

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760 (SUB-NO. 26)

UNION PACIFIC CORPORATION, ET AL – CONTROL AND MERGER – SOUTHERN PACIFIC RAIL CORPORATION, ET AL)

[HOUSTON/GULF COAST OVERSIGHT]

REQUEST FOR NEW REMEDIAL CONDITIONS
by
E. I. DUPONT DE NEMOURS AND COMPANY

JULY 8, 1998

DuPont is a $45 billion diversified chemical and energy corporation with over 200 manufacturing sites and almost 100,000 employees worldwide. Rail transportation is critical to DuPont's domestic and export business, and is for many of our chemical products the only safe and practical mode of transportation. Each year, DuPont ships in excess of 50,000 shipments representing over $200 million in railroad freight revenue. A significant fraction of these rail shipments involve transportation-regulated materials. Moreover, these shipments represent the fundamental basis of DuPont's diverse global supply chains.

At DuPont, we believe that *safe, reliable, and efficient transportation at a competitive cost is essential to our business success.* Indeed, DuPont's principal core value is safety. Our corporate policy states that DuPont will only manufacture, distribute and transport materials and product which can be safely handled, transported, stored and used by its employees, distributors, and customers.

DuPont further believes that the best way to ensure this safe, reliable, and efficient transportation is through a fully *competitive, privately-owned and operated, market-based, and financially sound* transportation industry. Effective competition is a key driver to improved service and quality, as has been proven in countless other industries. A free marketplace gives customers choices, and the customer may choose with quality, service and safety having equal weight with cost. History has also shown that competition results in a more profitable and stable marketplace to the benefit of those both providing and receiving the goods and/or service.

However, *where failure of the system occurs, some level of government involvement may be required* to restore the competitive balance. The railroad service crisis in the Houston/Gulf Coast area over the past year - which still continues - is such a situation for DuPont.

As the Surface Transportation Board appropriately recognized in issuing, and subsequently extending twice, Service Order No. 1518, the Western U. S. railroad service crisis was caused by severe congestion on Union Pacific/Southern Pacific (UP/SP) lines in the Houston/Gulf Coast region following the UP/SP merger, and was beyond UP's capacity to handle. In acting to relieve this congestion, the Board made substantial temporary changes in how service was provided around Houston, including authorizing the Texas Mexican Railway (Tex Mex) to accept traffic from shippers switched by both the Port Terminal Railroad Association (PTRA) and the successors to the Houston Belt Terminal Railroad (HBT).

DuPont appreciates the Board's acknowledgment that the service emergency remains ongoing, and welcomes the opportunity to request additional remedial conditions under the Board's new Oversight Proceeding.

DuPont's has a major manufacturing facility at LaPorte, Texas, which produces Butanediol and Tetrahydrofuran intermediates for Lycra ™ spandex fibers, Elvanol ™ polyvinyl alcohol resins, sulfuric acid, hydrofluoric acid, and agricultural products. The facility ships over 3,000 rail cars each year, most of which are hazardous materials that have no other alternative means of transportation. This facility is located on the south side of the Houston Ship Channel. Exhibit 8.

HOW DUPONT LAPORTE IS SERVED

DuPont's LaPorte plant is located at the former Southern Pacific (SP) rail station of Strang, Texas. Historically, the plant was listed in Item 5090-Series, Section 12, Industries Open To Reciprocal Switching, Freight Tariff SP-9500-D. This Section listed industries for which SP provided reciprocal switching as well as identified the specific Switching Station (Inter-change). Exhibit 1. Item 5090-Series further identifies Strang as a part of the Houston switching station and open to reciprocal switching for *interstate traffic only*. Reciprocal Switching is defined by Item 6000-Series as "...that switching service between interchange track and loading or unloading track immediately preceding or following a linehaul movement over a connecting railroad." Exhibit 2.

Effective May 1, 1998 Freight Tariff SP 9500-D was canceled. Exhibit 3. Applicable switching provisions were renumbered and rearranged in Freight Tariff UP 8005-D. Exhibit 4. Item 1511.01-Series of Freight Tariff UP 8005-D now includes DuPont (Interstate Traffic Only) in its list of industries at Houston, designated Group S. Exhibit 5. Curiously, the application of reciprocal switching for Group S industries at Houston now only applies for the account of connections with the BNSF. Item 3360.20-B, Supplement 267, in Exhibit 6. This exclusion of connections with the Tex Mex is inexplicable and anti-competitive and we presume was done inadvertently when the provisions of Freight Tariff SP 9500-D were incorporated into Freight Tariff UP 8005-D. Both Tex Mex and DuPont have requested that the UP further amend Item 3360.20-Series to restore the unrestricted interstate traffic reciprocal switch option for DuPont.

Switching to and from the plant has been provided exclusively by the SP under terms of an October 31, 1961 multiple carrier operating agreement called the South Side Joint Track Agreement. Exhibit 7. The South Side Joint Track Agreement was subsequently approved by the Interstate Commerce Commission (ICC) in Finance Docket Numbers 21883, *Harris County Houston Ship Channel Navigation District and Southern Pacific Co.—Trackage Rights—Harris County, Texas* and 22049, *Harris County Houston Ship Channel Navigation District—Et Al. Operating Agreement—Houston, Texas*, (Decided June 28, 1962). Exhibit 8. This ICC order provided that rail service to DuPont and two other plants would continue to be provided exclusively by the Texas and New Orleans Railroad Company (an SP predecessor company). As a result of this decision, all of the other shippers in the area would be served by a neutral switching carrier, the Port Terminal Railroad Association, and its member line-haul carriers. Even though the PTRA operates over the line that passes by the DuPont LaPorte plant, PTRA and its member carriers are excluded from directly serving the DuPont LaPorte plant. The only access that other carriers have to serve the plant has been through reciprocal switching provided formerly by SP and now by UP.

SERVICE PROBLEMS DURING CRISIS

As a result of the serious service difficulties since the UP/SP merger, UP and DuPont have worked diligently for many months to direct key resources to rebuild service levels. As previously reported to the Board, UP and DuPont have conducted extended weekly conference calls on service issues. Dedicated carrier personnel were assigned to address service issues including car supply and transit time. These personnel spent significant time at DuPont Wilmington (DE) headquarters as well as DuPont Texas chemical facilities. Numerous special switches have been arranged to alleviate problems arising from UP/SP system congestion. Internal UP reroutes and new interline routings have also been developed to reduce delays to DuPont business.

Notwithstanding these efforts, DuPont found it necessary to take the extraordinary step of exercising competitive routing alternatives in order to maintain the integrity of our supply chain and serve internal and external customer requirements. A prolonged downward UP service spiral left DuPont with limited rail shipping options.

For select DuPont LaPorte shipments the decision was made to exercise our reciprocal switching alternatives. Alternative linehaul routing available via both BNSF and the Tex Mex were exercised.

During a test period of June 1-July 21, 1997, sixty-one carloads were shipped from DuPont LaPorte to the Memphis and New Orleans gateways via BNSF. While BNSF linehaul performance met expectations, the reciprocal switching performance of the UP within Houston resulted in an unsatisfactory offering. UP Houston interchange performance was inconsistent and excessive. BNSF was unable to establish reciprocal switching performance protocols or standards with the UP. Furthermore, weighing requirements as well as local operations coordination was not handled satisfactorily. With no sustainable local service improvement possible, our BNSF reciprocal switching test proved to be unsuccessful.

The Board subsequently issued Service Order No. 1518 to respond to the continuing service emergency in the Houston/Gulf Coast region. As a result of this order and the interstate reciprocal switching option at Strang, DuPont obtained access to new and expanded Tex Mex routing options. This order provided DuPont with a second opportunity to try to effectively exercise our interstate reciprocal switching option at Strang. From March through June of 1998, DuPont tendered 177 carloads to the Tex Mex. UP Houston reciprocal switching performance ranged from two to twelve days. On average, the UP required 5.19 days to move these loads from the plant to the Tex Mex interchange at Houston; *a distance of only ten miles*. Again, a DuPont reciprocal switching option failed to fully meet our expectations because of UP service shortcomings. Both Tex Mex and DuPont tried repeatedly, but unsuccessfully, to obtain switching performance improvement commitments from the UP. Although the Tex Mex line-haul performance was not significantly different than the BNSF alternative, its total offering proved to be especially valuable to DuPont during this time because of its local operations management and responsiveness to the needs of DuPont during this service crisis.

Excessive and inconsistent service performance by the UP, regardless of the ultimate linehaul carrier, presents a significant impediment for effective use of the DuPont LaPorte reciprocal switching option at Strang. UP has been unable or unwilling to permit the effective use of competitive alternatives obtained through reciprocal switching at the LaPorte plant. Direct access to the LaPorte plant is necessary to enable DuPont to obtain effective competitive alternatives.

CONCLUSIONS

DuPont's LaPorte plant needs to have an efficient and effective neutral switching carrier (such as PTRA) available at Strang to meet its safety and service requirements. This will permit DuPont to effectively exercise its reciprocal switching options. The recent rail service crisis has demonstrated that the incumbent switching railroad, Union Pacific, cannot meet DuPont expectations when switching to other carriers. Furthermore, the Union Pacific limitation on reciprocal switching application for intrastate movements appears to be a tariff anachronism that pre-dates railroad regulatory reform and intrastate preemption. Finally, the DuPont experience confirms the Board's assessment in Service Order No. 1518 that unrestricted injection of the Tex Mex into the Houston area enhances rather than interferes with Union Pacific efforts to reduce congestion in Houston.

REQUEST FOR RELIEF

Accordingly, DuPont respectfully petitions the Board for the following remedies:

1. Remove the restriction prohibiting PTRA from serving the DuPont LaPorte Plant that was approved by the ICC in 1962 under Finance Docket Nos. 21883 and 22049;
2. Order Union Pacific and PTRA to work out a mutually acceptable service plan for the facility;
3. Order Union Pacific, if not done voluntarily, to restore DuPont's unrestricted reciprocal switching options;
4. Remove both the obsolete restriction which prohibits reciprocal switching for intrastate transportation; and
5. Authorize the Tex Mex to permanently retain the right to access Houston customers served by HBT's successor, PTRA, and industries open to reciprocal switching on the UP.

Should the Board, in its wisdom, choose not to order the foregoing remedies to address DuPont's safety and service issues, DuPont then requests the Board alternatively order Union Pacific to meet with BNSF, PTRA, and Tex Mex to develop and implement a plan to efficiently, effectively and directly interchange inbound and outbound rail cars for DuPont's LaPorte Plant where a carrier other than UP has the linehaul. This should be accomplished at appropriate terminal facilities (such as Pasadena Yard) and not require flowing cars through UP's Strang and Englewood or Settegast yards. DuPont's expectation is that such interchange with another railroad or delivery to LaPorte should occur within 24 hours of receipt by Union Pacific. The Board should also direct UP, if necessary, to restore unrestricted interstate reciprocal switching for DuPont. Such a ruling would at least allow DuPont to exercise its privilege of reciprocal switching options on interstate traffic.

Respectfully submitted,

William A. McCurdy, Jr.
Logistics & Commerce Counsel
DuPont Legal
D-8098-1
1007 Market Street
Wilmington, DE 19898

Frederic L. Wood
Donelan, Cleary, Wood & Maser, P.C.
1100 New York Avenue, NW
Suite 750
Washington, DC 20005-3934
Tel.: (202) 371-9500
E-Mail: r.wood@dcwm.com

Due Date and Dated: July 8, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this 8th day of July, 1998, served a copy of the foregoing request for relief on all known parties of record by first-class mail, in accordance with the Rules of Practice.

Frederic L. Wood

EXHIBIT 1

SOUTHERN PACIFIC TRANSPORTATION COMPANY

3rd Revised Page..............135
Cancels 2nd Revised Page.....135

ICC SP 9500-B

SECTION 12 - INDUSTRIES OPEN TO RECIPROCAL SWITCHING		ITEM
TEXAS (I - Z)		
SWITCHING STATIONS	INDUSTRIES OPEN TO RECIPROCAL SWITCHING (ADJACENT STATIONS)	
HOUSTON (38000)	(PASADENA - 35745) Lemon & Sessions (Interstate Traffic Only) (9316)	5090 (Concluded)
	(PIERCE JCT - 36266) Cook Composition & Polymers (7742)	
	(SINCO - 35735) Exxon Corporation 8701 Park Place (8940) Goodyear Tire & Rubber 2000 Goodyear Drive (8930) Mobil Chemical (Interstate Traffic Only) (8916) Texas Petrochemical (8930)	
	(STRANG - 35800) E. I. Dupont DE Nemours (Interstate Traffic Only) (9285) (D)(A) Quantum Chemical (USI) 1515 Miller Cutoff Road (9248)	
ORANGE (37490)	(FRANCIS - 37233) Wilson Warehouse Company of Texas (2526)	5100

(Continued)

For Explanation of (other) abbreviations and reference marks, see Item 55000.

Issued: September 13, 1996 Effective: October 3, 1996

Issued by: Manager - Publications
Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105

Correction 226

EXHIBIT 2

SOUTHERN PACIFIC TRANSPORTATION COMPANY

Original Page..............142 ICC SP [illegible]

SECTION 13 - SWITCHING - RECIPROCAL	ITEM
RECIPROCAL SWITCHING DEFINITIONS Reciprocal switching is defined as that switching service between interchange track and loading or unloading track immediately preceding or following a linehaul movement over a connecting railroad. (Notes 1, 2, & 3). NOTE 1: Non-Application of Reciprocal Switching Charges. - Except as otherwise specifically provided, reciprocal switch service, charges, rules and regulations published herein will not apply on the following: A. Traffic handled between SP public team tracks and interchange tracks with connecting carriers within the same switching limits. B. Traffic handled between industry tracks, public team tracks or yard tracks within switching limits of SP at Brownsville, TX, Calexico, CA, Eagle Pass, TX, El Paso, TX, or Nogales, AZ on one hand and the International Boundary at those locations on the other. C. Traffic to or from industries located on SP lines, not identified as open to reciprocal switching in Items [illegible]-[illegible]. NOTE 2: Reciprocal switch charges will be assumed by SP only to the connecting linehaul carrier. SP will not assume responsibility for assessing such charges to other parties in instances where the linehaul carrier does not absorb switching charges in whole or in part under terms of the linehaul rate. NOTE 3: Reciprocal switch service by SP lines involving multiple car shipments of 3 or more cars will be performed only when SP-served customer facility at origin or destination has sufficient track capacity to accommodate cars in a single switch.	6000
RECIPROCAL SWITCH CHARGES - GENERAL APPLICATION Charges for reciprocal switching service provided by SP lines, as defined in Item 6000 shall be $[illegible] per car. (NOTES 1 & 2) NOTE 1: Reciprocal switching charges published herein will not apply where charges are specifically provided in Items [illegible]-[illegible]. NOTE 2: Applies on railroad passenger equipment and dead locomotives on their own wheels when forwarded or received in linehaul service. Passenger equipment shall be defined as baggage, express, mail, parlor, sleeper, hotel, dining, private passenger coaches and cabooses.	6010

For Explanation of (other) abbreviations and reference marks, see Item [illegible].

Issued: November 16, 1995 Effective: January 1, 1996

Issued by: Manager - Publications
Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105

EXHIBIT 3

1ST REVISED TITLE PAGE
Cancels Original Title Page

SP [illegible]-D

SOUTHERN PACIFIC TRANSPORTATION COMPANY
DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY
ST. LOUIS SOUTHWESTERN RAILWAY COMPANY
SPCSL CORP.

FREIGHT TARIFF SP 9[illegible]-D

CONTAINING

RULES AND PROVISIONS ON

DEMURRAGE, SWITCHING AND OTHER ACCESSORIAL SERVICES
APPLYING

AT POINTS ON

SOUTHERN PACIFIC TRANSPORTATION COMPANY
DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY
ST. LOUIS SOUTHWESTERN RAILWAY COMPANY
SPCSL CORP.

↓↑△ CANCELLATION OF TARIFF

This tariff is hereby cancelled; for applicable switching provisions see Union Pacific Railroad Company Switching and Terminal Tariff UP [illegible]. For other provisions see applicable UP publications. ([illegible])

↓ - Reduction.

↑ - Increase.

△ - Denotes change in wording which results in neither increase nor reduction in charges.

ISSUED APRIL 7, [illegible] — EFFECTIVE MAY 1, [illegible]

ISSUED BY
[illegible]
[illegible]
UNION PACIFIC RAILROAD
[illegible] Dodge Street
Omaha, Nebraska [illegible]

(Published by Railroad Publication Services, Atlanta, GA [illegible])

EXHIBIT 4

SUPPLEMENT [illegible] TO TARIFF UP [illegible]

LIST OF OLD AND NEW ITEM NUMBERS
([illegible] for information only)
ITEM NUMBERS FORMERLY SHOWN IN TARIFF UP [illegible] HAVE BEEN RENUMBERED AND REARRANGED
IN THIS TARIFF AS FOLLOWS

OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXHIBIT [illegible]

SUPPLEMENT [illegible] TO TARIFF UP [illegible]

SECTION 3—SWITCHING SERVICES AND CHARGES—IN DOLLARS PER CAR—EXCEPT AS NOTED				
ITEM	STATION	APPLICATION	SWITCHING PER ITEM [illegible]	[illegible]
			CHARGE	
[illegible]	HOUSTON .....TX ([illegible])	Between Groups [illegible] and [illegible] industries at Houston, TX and connections with [illegible].	[illegible]	[illegible]
		Between Houston Public Grain Elevator #[illegible] and interchange with the TN.	[illegible]	—
		All Freight, [illegible]	[illegible]	
[illegible]-[illegible]	NEW ORLEANS ....LA ([illegible])	NEW ORLEANS, LA AND SUB-PORTS BETWEEN (Except as Noted): Avondale ....LA; [illegible] ....LA; Gretna ....LA; Harvey ....LA; Marrero ....LA; New Orleans ....LA; Westwego ....LA AND (Except as Noted): Avondale ....LA; [illegible] ....LA; Gretna ....LA; Harvey ....LA; Marrero ....LA; New Orleans ....LA; Westwego ....LA		
		Between Group [illegible] industries at New Orleans, LA and interchange with: [illegible] .... CGST, [illegible]	[illegible] ([illegible])	[illegible]
		NOTE - Applies on [illegible] ... and only in connection with CGST, [illegible].	[illegible] (See Note)	
		Between Group [illegible] industries at New Orleans, LA and interchange with [illegible], CGST, [illegible]	[illegible]	[illegible]
		INTRA-TERMINAL MOVES BETWEEN THE FOLLOWING POINTS ON UP BETWEEN (Except as Noted): Avondale ....LA; [illegible] ....LA; Gretna ....LA; Harvey ....LA; Marrero ....LA; New Orleans ....LA; Westwego ....LA AND (Except as Noted): Avondale ....LA; [illegible] ....LA; Gretna ....LA; Harvey ....LA; Marrero ....LA; New Orleans ....LA; Westwego ....LA	[illegible]	
		[illegible] ... at Avondale, LA ... at Avondale, LA.		
[illegible]	[illegible] ......[illegible] [illegible]	[illegible]		

SOUTH SIDE JOINT TRACK

OPERATING AGREEMENT

THIS AGREEMENT made and entered into by and between HARRIS COUNTY HOUSTON SHIP CHANNEL NAVIGATION DISTRICT (hereinafter called "District"); TEXAS AND NEW ORLEANS RAILROAD COMPANY (hereinafter called "T&NO"), acting both as an individual railroad and as a member line of PORT TERMINAL RAILROAD ASSOCIATION (hereinafter called "PTRA"); and CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, FORT WORTH AND DENVER RAILWAY COMPANY, MISSOURI PACIFIC RAILROAD COMPANY, HOUSTON BELT & TERMINAL RAILWAY COMPANY, MISSOURI-KANSAS-TEXAS RAILROAD COMPANY, and GULF, COLORADO AND SANTA FE RAILWAY COMPANY, all of said six named railroads being and acting herein as member lines of PTRA;

W I T N E S S E T H

WHEREAS, an Agreement (hereinafter called "South Side Joint Track Agreement") has been entered into between District and T&NO whereby, subject to approval of Interstate Commerce Commission (hereinafter called "ICC"), certain rights and privileges of joint track operation have been granted by T&NO and District, each to the other and to PTRA;

WHEREAS, said South Side Joint Track Agreement provides that rail service to plants (as distinguished from property) of Houston Lighting & Power Company, U. S. Industrial Chemicals Company, and E. I. du Pont de Nemours & Company now provided by T&NO is to continue to be provided exclusively by T&NO; and

WHEREAS, member lines of PTRA other than T&NO wish to join with District and T&NO in making this Agreement;

NOW, THEREFORE, for and ...

and agreements herein contained, it is contracted and agreed by and between all of the parties hereto as follows:

ARTICLE I.

(1). Subject to approval of ICC, District, PTRA, and TAMO (both individually and as a member railroad line of PTRA) shall have all of the rights and privileges provided for in South Side Joint Track Agreement (copy of which, marked Exhibit A, is attached hereto and made a part hereof) with respect to use of and joint operations over trackage of TAMO and District, built or to be built, as stipulated in Articles I and II of said South Side Joint Track Agreement.

(2). The parties agree that rail service to plants (as distinguished from property) of Houston Lighting & Power Company, U. S. Industrial Chemicals Company, and E. I. du Pont de Nemours & Company, as said plants are now located or might in the future be expanded in said locations, by trackage connected to TAMO tracks over which operating rights have been granted shall continue to be exclusive to TAMO, as an individual railroad, and that no rights to serve such plants by use of said jointly operated tracks have in any wise been granted to District, PTRA, and/or any other railroad member line of PTRA.

(3). District, PTRA, and each railroad member line of PTRA other than TAMO, agree that they will make no effort, directly or indirectly, to serve any of the plants referred to in Section (2) of this Article I [illegible] the tracks involved herein or [illegible] any track built or acquired by anyone unless they are ordered to do so by ICC under Section 1 (9) of the Interstate Commerce Act.

(4). The parties agree that joint use and operation of any trackage provided by District or TAMO ...

Joint Track Agreement shall be subject to the limitations expressed in Sections (2) and (3) of this Article X and the further limitations that:

(a). Nothing herein contained shall authorize District to construct, nor PERA to use, any sidings, public freight tracks, industry tracks, or lead tracks south of State Highway 225 (La Porte Road) or south of TNO track over which operating rights are granted by TNO in Section (1) (d) of Article X of South Side Joint Track Agreement and east of TNO's Engineer Station 23+01.5, other than to serve tracts of land presently owned by District adjacent to said jointly operated track or at Morgan's Point; and

(b). Any rail service that may hereafter be provided to Spilman Island and Spilman Island Fill by trackage connected to TNO track over which operating rights are granted by TNO in Section (1) (d) of Article X of South Side Joint Track Agreement shall be for exclusive use of PERA.

ARTICLE XI.

(1). The parties agree that valuations of existing facilities of TNO, and of such facilities as may hereafter be provided by TNO or District, that will be used as bases for purpose of calculating rental payments due to TNO or District because of exercise of rights and privileges of joint operations granted by TNO and District in said South Side Joint Track Agreement shall be in accordance with the following:

(a). Valuations of existing facilities of TNO, including underlying land, will be ledger values of such facilities and in the future by TANO, including underlying land, will be actual cost of such facilities and land;

(c). Valuations of facilities of TANO as herein established will be subject to increase by any amounts chargeable to investment accounts under ICC accounting rules for any necessary future betterments of said facilities or for assessments for public improvements made against said facilities and will be subject to decrease by any amounts representing ledger values of subsequent property retirements; and

(d). Valuations of such facilities that may be provided in the future by District will be determined as provided for in Article VI of Port Terminal Railroad Association Agreement of June 30, 1924, (hereinafter referred to as "PTRA Agreement"), as heretofore and hereafter amended.

(2). It is agreed that total rental payments due to TANO or District because of exercise of rights and privileges of joint operation granted by TANO and District in South Side Joint Track Agreement will be borne and prorated as follows:

(a). With respect to TANO's existing facilities used jointly by District or PTRA and TANO, rental payments in amount equal to two and one-half per cent (2½%) per annum on valuations of lands and facilities as established in Section (1) (a) of this Article XI, payable monthly at rate of one-twelfth (1/12) of two and one-half per cent (2½%), will be borne and paid by PTRA;

(b). With respect to any additional facilities TANO may provide in the future (or any betterments of existing facilities that TANO finds to be necessary in the future) for use

5

and paid by PTRA as provided in Section (2) (a) of this Article XI will be increased by two and one-half per cent (2½%) per annum on actual costs of said additions (and betterments), including any underlying land required therefor; and

(c). With respect to any additional facilities District may provide in the future for use jointly by T&NO and PTRA or District, rental payments in amount equal to five per cent (5%) per annum on actual costs of said additions (including any underlying land therefor), payable monthly at rate of one-twelfth (1/12) of five per cent (5%), will be borne and paid for one-half (½) by PTRA on the one hand and one-half (½) by T&NO, as an individual railroad, on the other hand.

(d). Rental provided above shall be reduced proportionately as a result of any property retirements as provided in Section (1)(c) of this Article XI.

(e). All future increases or decreases in rental provided for in Section (2) of this Article XI shall be effective on the first day of the month immediately following completion of additional facilities, betterments to existing facilities, or property retirements, as the case may be.

(3). It is agreed that all taxes imposed by duly constituted authorities (other than assessments for public improvements) upon facilities of T&NO over which rights of joint use and occupancy have been granted will be borne and prorated equally between T&NO, as an individual railroad, and PTRA.

(4). Any rentals which may become due to District because of be paid to District by PTRA in the first instance, concurrent with and in manner similar to method prevailing for payment to District of interest rental provided for in Article VI of PTRA Agreement, as amended, and PTRA and T&NO (as an individual railroad) thereafter will adjust their accounts between and among themselves in accordance with provisions of this Agreement and of PTRA Agreement, as amended.

ARTICLE XXI.

(1). Maintenance of facilities of T&NO and District over which rights and privileges of joint use and operations have been granted by T&NO and District in said South Side Joint Track Agreement will be performed as follows:

(a). PTRA will maintain facilities of District; and

(b). T&NO will maintain facilities of T&NO.

(2). Separate records and accounts will be kept by the parties so as to show total maintenance expenses incurred and such records and accounts shall be open and available to all parties at all reasonable times.

(3). Maintenance expenses incurred by T&NO and PTRA under provisions of Section (1) of this Article XXI will be borne by and prorated between T&NO (as an individual railroad) and PTRA on basis of proportions that number of cars handled by T&NO, as an individual railroad, and number of cars handled by PTRA bear to total number of cars handled over said facilities.

(4). The phrase "number of cars" as used in Section (3) of this Article XXI shall be interpreted to include both loaded and empty cars handled by any of the parties hereto, except that only fifty per cent

(5). Count of cars will be on basis that each loaded and empty car will be counted once when entering upon any of said trackage over which rights and privileges of joint operations have been granted by T&NO and District and counted once when leaving such trackage used jointly; provided, however, that intermediate moves shall not be counted and cars in work service shall not be counted.

(6). Expenses of train and switching operations incurred by T&NO (as an individual railroad) and PTRA will be borne as follows:

(a). PTRA will assume entire expense of its operations; and

(b). T&NO will assume entire expense of its operations when acting as an individual railroad.

(7). Expenses of maintenance and operations to be borne by PTRA in accordance with Sections (3) and (6) of this Article III shall be apportioned among railroad member lines of PTRA in accordance with provisions of Article X of PTRA Agreement, as amended, except that it is understood and agreed that cars handled by T&NO, while acting as an individual railroad, over trackage used jointly with PTRA shall not be counted in apportioning maintenance and operating expenses among railroad member lines of PTRA.

ARTICLE IV.

(1). Regardless of any provision herein to the contrary, PTRA may notify T&NO in writing, with copy to District, of an election not to use any track or tracks owned by T&NO and which PTRA has the right to use jointly with T&NO under provisions of said South Side Joint Track Agreement and, likewise, T&NO may notify PTRA in writing, with copy to District, of an election not to use any track or tracks owned [illegible]

(2). As of the first day of the month immediately following the expiration of one hundred eighty (180) days after such notice has been given, the party giving same shall be relieved of obligation of paying any rental on, or any maintenance expenses of, trackage involved in said notice. After an election has been made, as aforesaid, not to use trackage, the party making such election may thereafter withdraw same by notice in writing to the other party, with copy to District, and on the first day of the month immediately following the expiration of one hundred eighty (180) days after such notice has been given, said party shall again have the privilege of operating over the tracks involved in said notice and shall become liable to pay rental and maintenance expenses thereon.

ARTICLE V.

(1). As between TANO (in its individual capacity, but not as a member of PTRA) and District, this Agreement shall inure to the benefit of and be binding upon TANO and District, and their successors in title, forever.

(2). As between District and PTRA, and each of the railroad or railway companies hereinabove collectively designated as "PTRA" (but exclusive of TANO in its individual capacity), the rights, powers, privileges, and remedies of PTRA as herein provided shall exist solely for duration of PTRA Agreement, as amended. The rights, powers, privileges, and remedies of District as herein provided shall be perpetual, same to be exercised, however, by PTRA and its railroad member lines so long as said PTRA exists. All rights herein provided to be exclusive to PTRA shall, as hereinbefore provided, likewise be and become those

(3). Except to extent herein expressly provided to the contrary, or expressly provided to the contrary in South Side Joint Track Agreement herein referred to, all liability and obligation for and in respect of payment and apportionment of interest rental, maintenance and operating expense, and liability for injury to or death of persons or damage to or destruction of property shall be as provided in PTRA Agreement, as amended.

ARTICLE VI.

Subject to approval of ICC, this Agreement shall become effective upon the same date that said South Side Joint Track Agreement becomes effective.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 31st day of October, 19[illegible].

HARRIS COUNTY HOUSTON SHIP CHANNEL
NAVIGATION DISTRICT

By: /s/ J. P. Turner
General Manager

ATTEST: TEXAS AND NEW ORLEANS RAILROAD COMPANY

/s/ M. D. Gray
Secretary

By: /s/ B. S. Sines
Executive Vice President
(Acting both as an individual railroad and as a member of Port Terminal Railroad Association)

ATTEST:	CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY
(Seal)	
/s/ M. E. Greenley Secretary	By: /s/ O. W. Limestall Vice President - Operations
ATTEST:	FORT WORTH AND DENVER RAILWAY COMPANY
(Seal) /s/ A. D. McLane Ass't Secretary	By: /s/ F. L. Hartheimer Vice President
ATTEST:	GULF, COLORADO AND SANTA FE RAILWAY COMPANY
(Seal)	
/s/ J. A. Manning Secretary	By: /s/ E. G. Rucks Vice President
ATTEST:	MISSOURI-KANSAS-TEXAS RAILROAD COMPANY
(Seal) /s/ K. O. Janssen Ass't Secretary	By: /s/ Charles T. Williams President
ATTEST:	MISSOURI PACIFIC RAILROAD COMPANY
(Seal) /s/ C. A. Rockwell Secretary	By: /s/ L. A. Gregory Vice President - Operation
ATTEST:	HOUSTON BELT AND TERMINAL RAILWAY COMPANY
(Seal) /s/ A. B. Higgins Secretary	By: /s/ J. T. Alexander President and General Manager

EXHIBIT 5

ORDER

At a Session of the INTERSTATE COMMERCE COMMISSION, [illegible] held at its office in Washington, D. C., on the 25th day of June, A. D. 19[illegible]

Finance Docket No. 21883

HARRIS COUNTY HOUSTON SHIP CHANNEL NAVIGATION DISTRICT AND SOUTHERN PACIFIC CO.--TRACKAGE RIGHTS--HARRIS COUNTY, TEXAS

Finance Docket No. 22040

HARRIS COUNTY HOUSTON SHIP CHANNEL NAVIGATION DISTRICT--ET AL. OPERATING AGREEMENT--HOUSTON, TEXAS

Upon consideration of the application filed December 13, 1961, in Finance Docket No. 21883, under section 5(2) of the Interstate Commerce Act in which the Harris County Houston Ship Channel Navigation District (Navigation District) and the Southern Pacific Company (Southern Pacific) seek authority pursuant to an agreement executed [illegible] for Navigation District to acquire trackage rights over portions of the line of Southern Pacific designated the HLP Lead and the Old Bay Shore Line, extending from a connection of the Navigation District's existing line with the HLP Lead to the end of the Old Bay Shore Line east of Strang, approximately [illegible] miles in Harris County, Texas, and the application filed April 16, 1962, in Finance Docket No. 22040, under section 5(2) of the act in which the Navigation District, the Chicago, Rock Island and Pacific Railroad Company, the Fort Worth & Denver Railway Company, the Gulf, Colorado and Santa Fe Railway Company, the Houston Belt and Terminal Railway Company, the Missouri-Kansas-Texas Railroad Company, the Missouri Pacific Railroad Company, and the Southern Pacific, all as members of the Port Terminal Railroad Association (PTRA), request approval of the agreement by which the PTRA, as the tenant of the Navigation District, will operate the trackage rights acquired from the Southern Pacific by said Navigation District; and

It appearing, That operation under trackage rights will permit the PTRA to serve properties owned by the Navigation District without the construction of facilities duplicating those owned by Southern Pacific; and

It further appearing, and the Board so finds, That a hearing is not necessary in the public interest, and the interests of railway employees will be protected by the imposition of appropriate protective conditions; that the annual rental of 2½ percent of the valuation of the jointly used facilities (reported by the parties to be $215,406.32) and other terms contained in the agreements are found to be just and reasonable; that the transactions are within the scope of section 5(2) of the act; that any resulting increase in total fixed charges will not be contrary to the public interest; that the transactions will not result in the guaranty or assumption of the payment of fixed charges or dividends; that no other railroad has requested to be included in the transaction; that transportation service to the public will not be adversely [illegible]

F. D. Nos. 21883 and 22049

It is ordered, That, subject to the same conditions for the protection of employees as set forth in Oklahoma Ry. Co. Trackage Rights, 257 I.C.C. 177, the acquisition by the Harris County Houston Ship Channel Navigation District of trackage rights over the lines of railroad of the Southern Pacific Company in Harris County, Texas, as hereinbefore described, and the operation of said trackage rights by the Harris County Houston Ship Channel Navigation District, the Chicago, Rock Island and Pacific Railroad Company, the Fort Worth & Denver Railway Company, the Gulf, Colorado and Santa Fe Railway Company, the Houston Belt and Terminal Railway Company, the Missouri-Kansas-Texas Railroad Company, the Missouri Pacific Railroad Company, and the Southern Pacific Company, as members of the Port Terminal Railroad Association, upon the terms and conditions described herein, be, and they are hereby, approved and authorized; and

It is further ordered, That no changes or modifications in the terms and conditions of the trackage rights herein authorized or the further extension of Navigation District's line of railroad shall be effected without prior approval of this Commission; that this order shall become effective on the date served; and that unless the transactions herein authorized are consummated within one year from the date of service hereof, this order shall be of no further force or effect.

By the Commission, Finance Board No. 3.

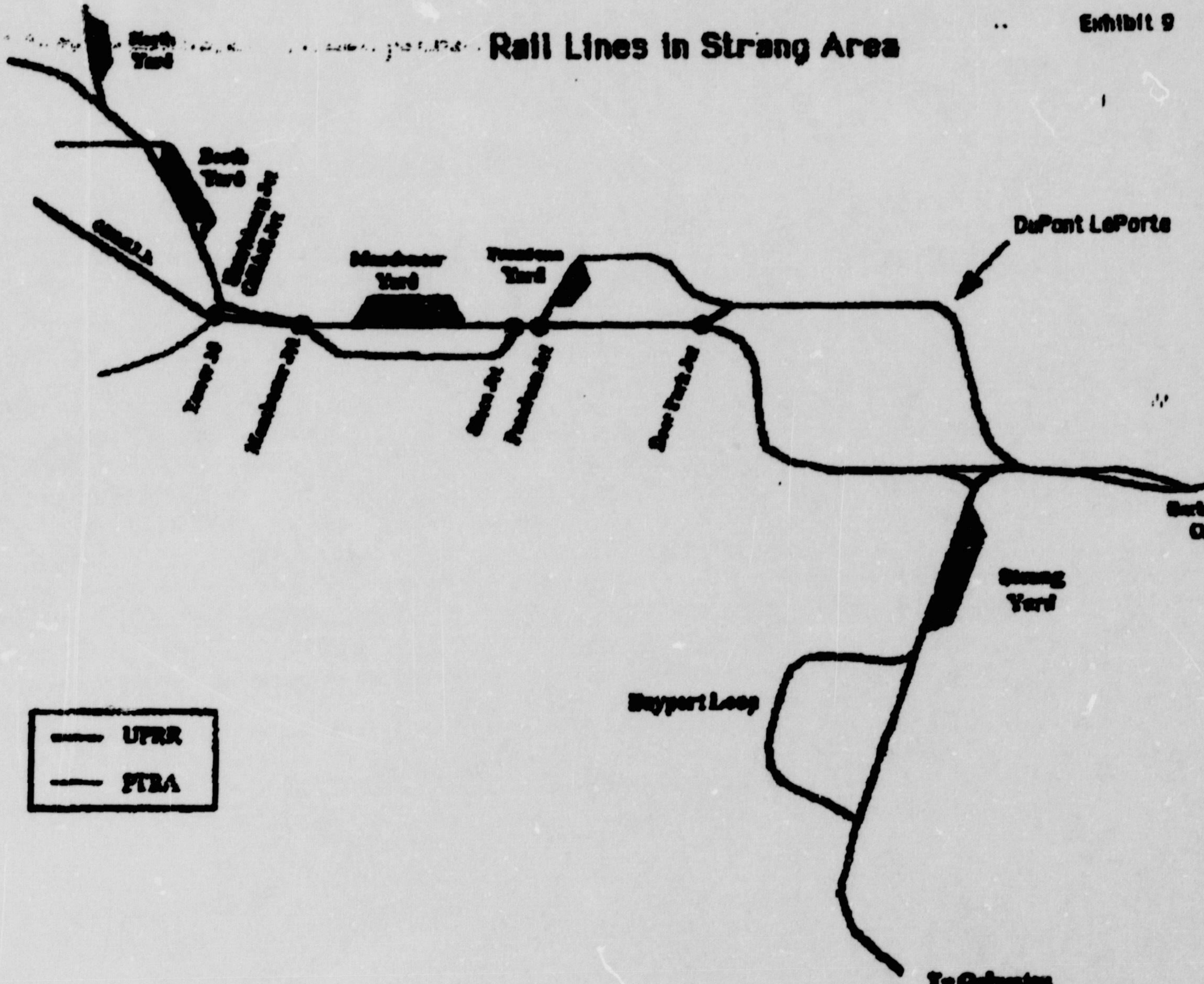
HAROLD D. McCOY,

Secretary.

(SEAL)

Exhibit 9

Rail Lines in Strang Area



STB FD 32760 (Sub 26) 10-16-98 D 191655V1 5/7

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P.O. Box 2189
Richmond, VA 23218-2189

Ethyl Petroleum Additives Company

August 31, 1998

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The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Room 77
Washington, DC 20423

FD32760- SUB 26

Dear Secretary Williams,

I am the Supervisor for Rail Logistics for Ethyl Corporation and I oversee all rail operations in North America.

Ethyl Corporation manufactures and distributes Petroleum Additives, Lubricants, and Fuel Additives worldwide. We have a rail car fleet in North America in number around 1200.

The UP/SP merger has disrupted service which has greatly affected our business. It has been necessary to use alternative rail service, especially in the Houston area, the location of our largest Manufacturing site, and export point.

It is because of this that we support equal access to all the carriers serving the Gulf Coast, along with the expansion of rail capacity and investment by all the existing carriers. This is to protect the future competitiveness ensuring that adequate rail alternatives exist.

Ethyl and other Manufacturers need these alternatives to remain competitive in a global market.

Please consider this as you proceed with your rulings.

Sincerely,

Wylie DuBose

Wylie DuBose
Supervisor, Logistics

EPAI

191012

FMC Corporation

1735 Market Street
Philadelphia Pennsylvania 19103
215 299 6000

FMC

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September 2, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No.30)

Dear Secretary Williams:

I am writing on behalf of FMC to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

As one of the world's leading producers of chemicals and machinery for industry and agriculture, FMC participates on a worldwide basis in three broad markets: Machinery and Equipment, Industrial Chemicals and Performance Chemicals. FMC operates 104 manufacturing facilities and mines in 26 countries.

The service meltdown resulting from the Union Pacific/ Southern Pacific merger is unprecedented in all aspects. During the crisis FMC Corporation experienced inconsistent and prolonged transit to and from all gateways. In the Houston area, it was not uncommon to incur transit times 3 or 4 times what we had experienced prior to the merger. FMC often had to use other, more costly modes of transportation and product sourcing to meet customer needs.

If FMC had the option of using an alternative rail carrier at the Bayport, Texas plant during Union Pacific's continuing service crisis, we would have probably turned to that carrier. However, FMC is captive to the Union Pacific.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. The Consensus Plan is expected to improve rail service by increasing competition through providing alternative rail carriers, neutral switching and neutral dispatching.

We firmly endorse these principals of competition and urge you to give serious consideration to the plan.

Sincerely,

Eric B. Robinson (MT)

Eric B. Robinson
Director
Industrial Chemicals Distribution

191464

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ALLIANCE ALIANZA

Greater Corpus Christi Business Alliance

Chamber of Commerce • Conventions & Visitors • Economic Development • Small Business Development

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FD 32760- SUB 27

Resolution in Support of the Consensus Plan as filed by the Texas Railroad Commission, the Texas Chemical Council et. al. and Endorsed by the Port Industries of Corpus Christi in an Effort to Gain Relief from the On-going Rail Crisis

WHEREAS, the mission of the Greater Corpus Christi Business Alliance is to serve as a catalyst for diverse business opportunities and community well being;

WHEREAS, a competitive rail system is essential to providing efficient, low cost delivery of products to the consumer and for U.S. companies, including those operating out of the Port of Corpus Christi, to effectively compete in a global market;

WHEREAS, the merger of the Union Pacific and Southern Pacific Rail Roads has restricted competition resulting in lost sales, reduced output and higher shipping costs to the detriment of local industry;

WHEREAS, the Consensus Plan filed with the Surface Transportation Board identifies several specific actions which, if implemented, would alleviate the negative effects of the current rail system, by

1. Giving TexMex additional authority to serve the Houston area,
2. Providing for "neutral switching" and "neutral dispatching" throughout the Houston area,
3. Requiring UP to sell to TexMex its line between Rosenberg & Victoria,
4. Requiring UP to sell or lease an existing yard in Houston to TexMex,
5. Requiring UP to allow TexMex/KCS to construct a new rail line on UP's right-of way to give TexMex permanent access to Beaumont;

NOW THEREFORE BE IT RESOLVED that the Governmental Affairs Directors Council of the Greater Corpus Christi Business Alliance urges the Surface Transportation Board to accept the proposed Consensus Plan in the interest of competitive rail service and industry.

ADOPTED BY THE GOVERNMENTAL AFFAIRS DIRECTORS COUNCIL OF THE GREATER CORPUS CHRISTI BUSINESS ALLIANCE
THIS 15TH DAY OF SEPTEMBER, 1998.

Gary Bushell
President & CEO

Jacob Munoz
Chairman, Directors Council

GREATER HOUSTON PARTNERSHIP
Chamber of Commerce · Economic Development · World Trade

OMU

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July 2, 1998

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VIA FEDERAL EXPRESS

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 711
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 32760 (Sub - No. 26)

Dear Secretary Williams:

By action of its Board of Directors, the Greater Houston Partnership submits the attached document in the referenced docket number suggesting remedial conditions to the Union Pacific/Southern Pacific merger regarding the Houston/Gulf Coast area.

Regards,

Jim C. Kollaer

attachments

1200 Smith · Suite 700 · Houston, Texas 77002-4309 · 713-844-3600 · Fax 713-844-0200 · http://www.houston.org

Distribution List:

Mayor Lee Brown, City of Houston
Judge Robert Eckels, Harris County
City of Houston Councilmembers
Harris County Commisioners
Senator Phil Gramm
Senator Kay Bailey Hutchison
Harris County Congressional Delegation
Harris County - Area Texas Legislative Delegation

Greater Houston Partnership

June 2, 1998

Resolution of the Board of Directors
Competition in Houston Freight Rail Service

Statement of Position

The freight rail service issues affecting the local economy, Houston area commercial interests and the Port of Houston continue to be of great concern to the Greater Houston Partnership. This crisis has exposed a weakness in the manner with which the United States addresses rail service and may lead to a fundamental restructuring of rail service statutes and regulations. Until those changes can be adequately addressed. Houston must seek incremental changes in rail service to help secure a competitive Port and industrial sector.

Principles

1. The recommendations which follow are predicated on the following principles:
2. Houston's rail system performance must be "in the top tier of United States cities." To be in the top tier of cities. service and rates must also be truly competitive in order for the Port and local industry to compete domestically and internationally. and
3. It is preferable that the private sector rectify noncompetitive situations through equitable compensation. but we realize that federal statutes and regulations constitute a fundamental roadblock in some cases and should be modified.

Recommendations

1. The Surface Transportation Board (STB) should immediately investigate the effect of the emergency service trackage rights on improving the performance and competitiveness

of the freight rail system in the Houston-Gulf Coast. If the data indicate that long term improvements in service have been achieved or can reasonably be expected to be achieved with the removal of remaining obstacles to the effective use of such trackage rights. the STB should provide a mechanism for the railroad(s) having temporary rights to buy permanent rights at an equitable price from the owning railroad.

2. The Port of Houston, owner of the Port Terminal Railroad Association (PTRA). and all long haul railroads serving Houston should be full and equal voting members of the PTRA Board.

3. The Surface Transportation Board should provide a mechanism for all railroads serving Houston to buy trackage rights and access rights at an equitable price to the following areas to provide greater competition for Houston area shippers:

a) The trackage currently owned by the Port of Houston and operated by the PTRA:

b) The trackage historically owned by the Houston Belt and Terminal prior to its dissolution: and

c) Additional trackage as determined by the governing body of the neutral switch and shippers as allowed by financial considerations.

4. Operation of a neutral dispatching, switching, and car movement system should be undertaken by a single third party. The operator should be the reconstituted PTRA as previously described serving as the governing authority over the trackage accumulated as recommended in item 3.

5. The Union Pacific should be encouraged to reach an agreement with other long haul carriers to arrange the sale or lease of abandoned trackage and underutilized rights of way

and switching yards which might allow shippers and the Port of Houston additional rail system competitiveness, capacity, flexibility and geographic access. The STB should mediate the negotiations of the parties involved.

6. The STB should order the reconstituted PTRA to develop a regional master plan of added facilities and operations needed to provide system capacity in excess of demand for the foreseeable future.

Background

Since the Partnership Board's March resolution on freight rail service, evidence has been mixed as to whether or not freight rail service has measurably improved. Data show key indicators of rail service are improving but remain well outside accepted standards.[1] Disturbingly, we note the unacceptable delays in rail shipment of aggregate which are causing severe hardships for a major portion of the region's economy. Beyond the immediate Houston area, the Union Pacific system still operates beyond its own "benchmarks" for service for trains held for power, crews and congestion and blocked sidings[2].

These issues confirm the Partnership's March statement that "service disruptions may not be satisfactorily resolved among the participants in the best long term interests of the Houston area unless the Surface Transportation Board (STB) indicates an interest in acting swiftly and forcefully." Despite issuing several new proceedings under their merger oversight responsibility, the STB has not taken any actions beyond the extension of an emergency service order granting Texas Mexican Railroad temporary trackage rights. Without much success, several attempts have been made by the Union Pacific and shipper groups to jointly identify appropriate actions each could take to ease the immediate crisis. Additionally, Union Pacific by order of the STB, has released a plan for infrastructure improvements in the Houston-Gulf Coast.

Many Houston shippers are now expressing a concern which seems related to the current service difficulties of the merged Union Pacific and Southern Pacific and the growing difficulty of shippers to obtain competitive service and rates. That concern is for the level of rail service needed for a competitive Gulf Coast economy and the degree of rail industry competition needed to achieve that goal. Railroad consolidation in Houston follows a national trend encouraged with antitrust immunity granted by the Staggers Act. The consolidation in Houston from six to two Class 1 railroads over the last several years has resulted in an 80 percent market dominance by one railroad. Additionally, deregulation and consolidation have left too many shippers captive to a single railroad. This combination of factors does not bode well for the competitiveness of individual shippers, the Port of Houston and the economy as a whole.

The movements of rail cars and trains in Houston from numerous railroads were facilitated at one time by a neutral dispatching and switching system. One system, the Houston Belt and Terminal, was dissolved in November, 1997. The other, the Port Terminal Railroad Association, with its routes and track owned by the Port of Houston, continues serving the Port and industries north and south of the Ship Channel.

We believe these issues are adversely affecting local shippers and the Houston economy. Unless some corrective action is taken at the federal level, in the long term the cost of operating in a large portion of the Houston area may well become competitively disadvantageous.

Ansel L. Condray, Chairman

Jim C. Kollaer, President & CEO

Ned S. Holmes, Secretary

' Union Pacific "Weekly Service Recovery Reports" and Accompanying Letters to the STB
" ibid.

140987

Gulf Compress

P.O. Box 1378
Corpus Christi, Texas 78403

Plant #1 located at 201 N. 19th Street, Corpus Christi, Texas (Main Office)
Plant #2 located at Bear Lane and Heinsohn Road, Corpus Christi, Texas

August 25, 1998

Verified Statement of Robert Weatherford, Gulf Compress

To: The Honorable Vernon A. Williams
Secretary of Surface Transportation Board
Washington, D.C. 20423-0001

From: Robert Weatherford
General Manager
Gulf Compress

FD32760-SUB30

Gulf Compress is an agricultural cooperative cotton warehouse located in Corpus Christi, Texas. On behalf of the 32 South Texas cotton gins that we serve, we warehouse and ship bales of raw cotton to destinations all over the world. On a normal year we expect to handle approximately 375,000 bales. This would equate to about 1,875 boxcars if it all shipped by rail. About ½ goes to domestic destinations and ½ is exported. In the past few years Mexico has become our largest export destination. Rail transportation volumes are dictated by market factors, which may fluctuate from year to year, but rail service is a critical factor in the service we provide our customers – especially in the Mexican market.

We rely entirely on the Tex Mex Railway for our rail service since it is the only carrier that accesses our two locations in Corpus Christi. The service provided by the Tex Mex is very important to our business today, and as the Canadian and Mexican markets grow, it will become ever more important. A new service we are offering to our customers, which involves moving and storing cotton from other areas of the United States, which is bound for Mexico, depends entirely on the service provided by the Tex Mex. Any loss of service by the Tex Mex would cause severe consequences in our ability to provide needed services to our customers at a reasonable cost. There are many of our services and markets, which would cease to be available to us without the railroad.

We feel it is extremely important in the ongoing oversight proceedings currently being conducted by the Surface Transportation Board with respect to the Houston and Gulf Coast region, that the Board not take any action that might impair Tex Mex's ability to continue to provide us with the rail service we rely on. Specifically, we are opposed to the BNSF request for San Antonio – Laredo trackage rights.

I, Robert Weatherford, declare under penalties 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 August 25, 1998

Robert Weatherford

Robert Weatherford
General Manager

140728

HERCULES

Hercules Incorporated
Hercules Plaza
1313 North Market Street
Wilmington, DE 19894-0001
(302) 594-5000

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August 19, 1998

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

Hercules Incorporated, as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

Hercules Incorporated manufactures chemical specialty products for a variety of markets world wide. Its businesses include Paper Technology, Resins, Fibers, Food Gums and Aqualon water-soluble polymers. The corporation concentrates on value-added, high-performance products where it has a market or technology advantage. Hercules operates 45 manufacturing plants worldwide including 14 domestic plants in the United States.

We have 14 facilities in the United States located at Chicopee, MA; Parlin, NJ; West Elizabeth, PA; Hopewell, VA; Franklin, VA; Savannah, GA; Brunswick GA; Covington, GA; Milwaukee, WI; Kalamazoo, MI; Louisiana, MO; Hattiesburg, MS; Portland, OR; Kenedy, TX. These facilities are presently served by the ST; CR; NS; CSX; CPRS; BNSF; IC; UP.

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The US/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Hercules Incorporated supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to Hercules Incorporated concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

We thank the STB for the opportunity to present our comments and respectfully request our recommendations be strongly considered.

I, John E. Thomas, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Hercules Incorporated, executed on August 19, 1998.

Sincerely,

J. E. Thomas
Manager, Bulk Transportation
Purchasing & Transportation

JET:sms
WILLIAMS.JET

VERIFICATION

I, John E. Thomas, 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 August 19, 1998.

(Name)

SUBSCRIBED AND SWORN TO BEFORE ME THIS

19TH DAY OF AUGUST 1998.

NOTARY PUBLIC

Ellen L. Burk

My Commission expires May 8, 2000

HUNTSMAN

March 20, 1998

Mr. Vernon A. Williams
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20006

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

Dear Secretary Williams:

I am writing on behalf of Huntsman Corporation, to advise you of our support for neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Huntsman is the nation's largest privately-held chemical company with annual sales exceeding $5 billion. We currently ship in excess of three billion pounds per year via rail, with 20% of that volume originating on Union Pacific lines. Our annual rail freight budget (including approximately 50 cars/mo. to Mexico) exceeds $60 million. Many of our customers are equipped only to receive shipments via rail where trucks and barges are not an option.

The rail service crisis in south Texas in monumental. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of its Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Huntsman has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas. Huntsman believes that the implementation of neutral switching and neutral dispatching in Houston is essential to a long term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Texas shipper of chemicals and plastics, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

I, David Parkin, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Huntsman, executed on March 20, 1998.

Sincerely yours,

David Parkin (M)

David Parkin
Director-Transportation & Logistics

DP/rtj

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HUNTSMAN

July 29, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Huntsman Corporation to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the rail service crisis in the Houston area.

Our operating companies, with locations worldwide, manufacture basic products for the chemical, plastics, detergent, personal care, rubber and packaging industries. We employ over 3000 people in Texas and over 7500 throughout our company. Of the approximately 300 million pounds of product Huntsman ships by rail each year, more than half originates in the Southern Gulf Coast Region. Four of our Texas facilities are captive on UP lines. These locations make up over 20% of our total production shipped via rail. Although we are not captive at other Huntsman locations, the combined UP/SP participates in many of our routes in the Midwest and West

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service crisis has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Huntsman Corporation supports:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,

HUNTSMAN CORPORATION
3040 Post Oak Boulevard • Houston, Texas 77056 • 713-235-6000 • Fax 713-235-6416

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to Huntsman Corporation's concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding. We will watch closely as it unfolds in the weeks ahead.

I, David Parkin, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Huntsman Corporation, executed on July 29, 1998.

Sincerely,

David Parkin /RTJ

David Parkin
Director-Transportation & Logistics

RTJ/wd

121004

ICC INDUSTRIES INC.
460 PARK AVENUE
NEW YORK, N.Y. 10022

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August 31, 1998

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Room 77
Washington, DC 20423

Dear Secretary Williams: FD 32760 - SUB 26

I am Logistics Manager for ICC Chemical Corporation and have been in this position for six months.

ICC Chemical Corporation is an affiliate of ICC Industries Inc., a $1 billion privately held global manufacturing and trading company specializing in chemicals, plastics, pharmaceuticals and natural gas. ICC Chemical's sites include two liquid tank locations in Houston and Deer Park, Texas. The UP/SP merger has caused great delays in shipping chemicals via rail from these facilities. Alternative rail service is necessary to alleviate service problems.

ICC Chemical supports any action that grants shippers equal access to all of the carriers servicing the Gulf Coast.

Thank you for being responsive to our needs.

Sincerely,

Kevin J. Scott
Logistics Manager

212-521-1700 • TELEX 234194 ICCUR TELEFAX 212-521-1794

Inland Paperboard and Packaging, Inc.
4030 Vincennes Road
Indianapolis, Indiana 46268-0937
Phone 317.879.4546 Fax 317.824.4710
e-mail dwelch@iccnet.com

Donald A. Welch
General Manager - Logistics

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September 11, 1998

INLAND
A Temple-Inland Company

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

Reference: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

My name is Donald A. Welch. I am General Manager-Logistics for Inland Paperboard and Packaging, Inc. I have been employed with Inland Paperboard and Packaging, Inc. for eleven years. My transportation experience totals over twenty two years.

My business address is at Inland Paperboard and Packaging, Inc., 4030 Vincennes Road, Indianapolis, Indiana 46268.

Inland Paperboard and Packaging, Inc. is a vertically integrated paper products company with seven mills, forty corrugated container plants and twenty two warehouses throughout the United States. We produce kraft linerboard and medium at our mills, and various corrugated packaging containers and trays at our plants. Our net sales for 1997 exceeded 2.5 billion dollars and our total transportation costs were over 180 million dollars. Our products are marketed throughout the United States, Canada, Mexico, Europe and Asia, and rail shipments account for 30% of our total freight movements. We have a mill in Orange, Texas, near Houston.

We support the Plan filed by the Consensus Parties on July 8, 1998, to help alleviate the service crisis in the Houston area.

Inland has suffered severe rail service problems in the Houston area since the Union Pacific/Southern Pacific merger. While the KCS/TexMex has trackage rights over the UP, we have experienced delays on our traffic due to congestion over the line. The Union Pacific wishes to monopolize the Houston area and prevent competition from enhancing shipping for the United States. This should not be allowed. The Union Pacific should not be allowed to dominate any significant market where competition would be of benefit to all shippers and receivers.

During your oversight process, we strongly urge you to give total consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and ensure competition will benefit all Americans. The Plan will expand rail capacity and investment by all rail carriers. It will provide neutral and fair dispatch of all rail traffic through Houston. It will ensure that all shippers in Houston have equal access to rail carriers.

I, Donald A. Welch, state that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Inland Paperboard and Packaging, Inc., executed on September 11, 1998.

Respectfully submitted,

Donald A. Welch

Donald A. Welch
General Manager-Logistics
Inland Paperboard and Packaging, Inc.

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STB

VERIFICATION

County of Marion)
) ss
State of Indiana)

Donald A. Welch, being duly sworn, deposes and says he read the foregoing statement, knows the contents thereof, and that the same are true as stated.

Donald A. Welch
Donald A. Welch

Subscribed and sworn to before me this 11th day of Sept., 1998.

Elaine E. Gray
Notary Public

My Commission expires ELAINE E GRAY
NOTARY PUBLIC STATE OF INDIANA
HENDRICKS COUNTY
MY COMMISSION EXP. AUG. 4,2001

INTERNATIONAL PAPER

August 27, 1998

INTERNATIONAL PLACE I
6400 POPLAR AVENUE
MEMPHIS TN 38197
PHONE 901 763 6000

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

The International Paper Company, as a large rail shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger. In particular, we wish to draw your close attention to the plan filed by the Consensus Parties on July 8, 1998 to alleviate the severe service crisis in the Houston area, and it is our earnest hope that you will take all reasonable and practical steps necessary to prevent the potential recurrence of any such crisis here in the Houston area or elsewhere in the U.S. rail system.

The International Paper Company is the world's largest paper company, conducting operations throughout the United States from over 650 paper and lumber mills, converting plants, warehouses, distribution centers, retail stores and related sales service support offices. Its manufacturing facilities in the United States produce paper and paper products, including wood pulp, pulpboard, wrapping and printing papers, converted products, including corrugated boxes, folding cartons, and milk cartons, and wood products, including lumber, plywood, decorative panels and other special products to serve the building trades, as well as chemical products.

International Paper moves these products throughout the United States and North America utilizing the services of a number of transportation vendors. In particular, and as relevant here, International Paper is heavily dependent upon the nation's diminishing number of railroads to satisfy both its inbound and outbound long haul transportation needs. Accordingly, International Paper has been directly affected by the post -1980 trends that have resulted in both a heavy concentration in the rail industry, as well as the ever-diminishing nature of intramodal rail competition, and the concomitant deterioration in rail service quality.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. The International Paper Company has suffered economic damages, experienced inconsistent service and unparalleled delays in transit. The Surface Transportation Board ("Board") has rightfully recognized Union Pacific's (UP) inability to promptly and effectively solve the problem and the Board has been wise to implement their oversight powers to review and remediate the service crisis.

Hon. Vernon A. Williams
August 27, 1998
Page Two

The International Paper Company is served by the UP at all six of its primary paper mills in the southwestern United States, (Camden and Pine Bluff, AR; Bastrop, Mansfield and Pineville, LA; and Texarkana, TX). Immediately after the merger in September 1996, contrary to all UP media and public relations announcements, our UP/SP service levels dropped steadily through the Holidays and slowly recovered during the Spring of 1997. In June 1997, we encountered severe transit service problems to the west coast via UP, purportedly generated by systems integration and consolidation "glitches". In July, overall transit performance started to deteriorate again and by August we were experiencing boxcar supply shortfalls at our southwestern mills, which continues to this day, affecting various mills ability to conduct business and serve their customers. On time transit performance via the UP has been a roller coaster ever since. Please see attached "Rail On Time Transit Performance for 1996 to 1998 YTD". This graph represents 130,000 carload shipments of outbound finished paper products from our mills to customers for the 30 month period noted. Union Pacific' sales, customer service and operating personnel worked feverishly during this period to correct problems and alleviate conditions with which we were suffering, with only limited success. Their management repeatedly made public pronouncements, gave assurances, and made promises, they could not and sadly did not meet. Plants were forced to curtail production or close for periods of time. Truck transportation for long haul moves was substituted at great expense, alternative rail routes were used in the few instances where that still was available; however, in the vast majority of cases we had little choice but to continue to use Union Pacific' service and endure their innumerable, ineffective efforts to bring their operating problems to heel in any reasonable time frame. No shipper should be compelled by reason of regulatory acceptance of what have turned out to be groundless commitments of railroad management or otherwise to face the possibility of any repeat of this "misadventure" in the future.

I note in UP's July 1, 1998 Second Annual Report on Merger and Condition Implementation, that UP's attorney incorrectly states on Page 78, footnote 10, that International Paper "strongly opposed the BNSF (trackage) rights during the proceeding (and) now concedes that BNSF is replacing the competition that SP had provided in this (Houston-Memphis) corridor." For the record, International Paper did not so much oppose BNSF trackage rights as much as argue for track ownership by a replacement carrier. While the BNSF is making substantive efforts to increase its presence on the line, it must, of course, be recognized that BNSF has to contend with UP operations and dispatch control over the line, something with which the SP did not have to contend and which will limit the BNSF's ability to be the complete replacement for the SP that was envisioned and promised. Because of this very situation, we have not yet been able to come to the conclusion that the BNSF has in fact replaced the SP competition in this corridor.

Where International Paper had the option of using an alternative rail carrier during this crisis, we thankfully turned to that carrier, who served us at three of our six mills in the southwest, the KCS. They worked diligently to meet our daily needs, made up for many UP service shortfalls and closely coordinated their efforts with us to keep our mills operating. Their actions represent to us the very promise of U. S. railroading and a standard of performance the Union Pacific has yet to emulate. Because the KCS espouses as a core value, service to their customer, we acknowledge and recognize their capabilities to bring competitive service value to this rail marketplace, numbed from a year of continuous, crippling service disfunction not seen before

Hon. Vernon A. Williams
August 27, 1998
Page Three

on such a grand scale. Where rail alternatives were not available, we were compelled to continue to use UP service. Their overwhelming dominance was gained through their merger with the SP and it has forced us to remain with them despite their intractable service problems and protracted inability to effectively deal with those issues in a timely and responsive manner.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur, and that it is incumbent on the Board to take all appropriate and practical actions to preclude its recurrence in the future, here or elsewhere in the U. S. rail network. Therefore, the International Paper Company supports:

1. Expanding rail capacity and investment by all the existing rail carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the rail carriers currently serving the area; and,

4. Protecting future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to our concerns, have been conscientiously advocated and consistently supported by the International Paper Company in proceedings before this Board and its predecessor agency. The importance of alternative rail carriers, neutral switching and neutral dispatching cannot be overstated in today's rail markets. We urge you to bear them carefully in mind as this proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

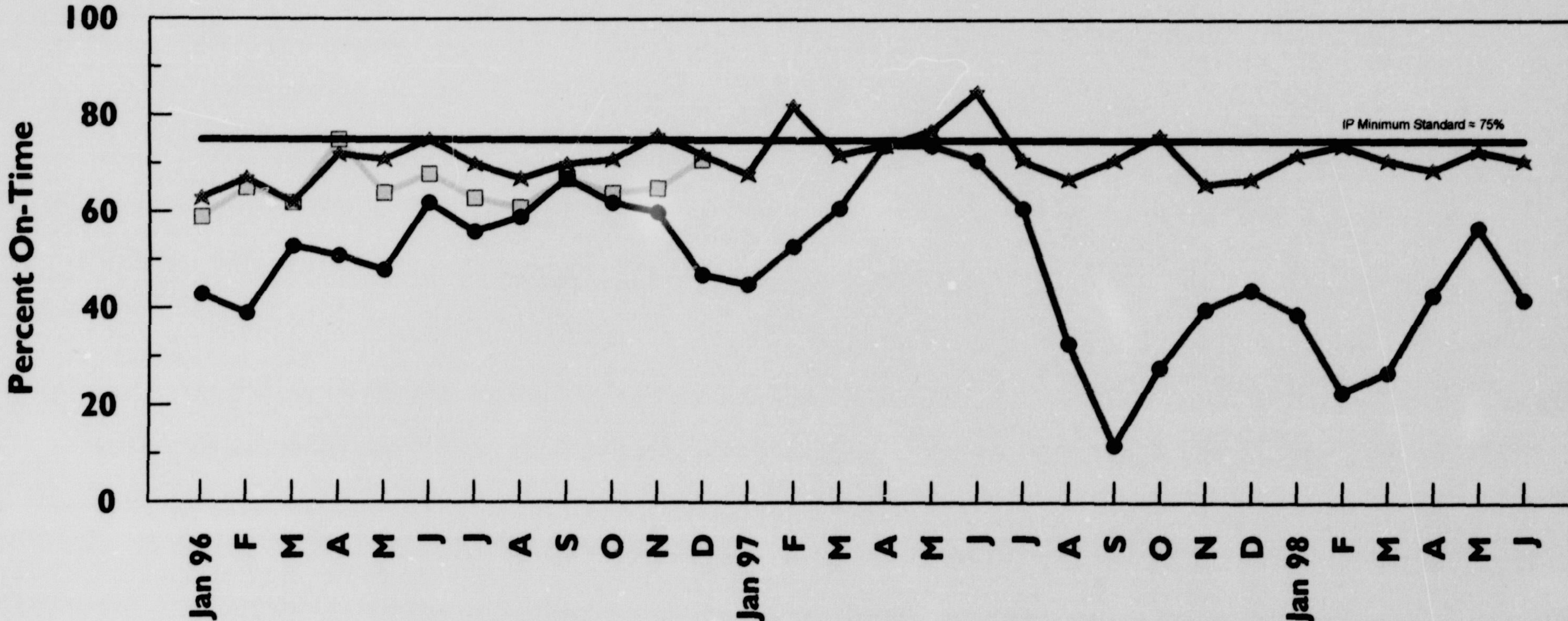
I, Charles E. McHugh, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of the International Paper Company, executed on August 27, 1998.

Charles E McHugh

Charles E. McHugh
Manager, U .S. Distribution Operations

Rail On-Time Transit Performance *

1996- 1998



	Jan 96	F	M	A	M	J	J	A	S	O	N	D	Jan 97	F	M	A	M	J	J	A	S	O	N	D	Jan 98	F	M	A	M	J
□ SP 96	59	65	62	75	64	68	63	61	67	64	65	71																		
● UP 96	43	39	53	51	48	62	56	59	67	62	60	47	45																	
● UP/SP 97													45	53	61	74	74	71	61	33	12	28	40	44	39	23	27	43	57	42
☆ US RR (-UP)	63	67	62	72	71	75	70	67	70	71	76	72	68	82	72	74	77	85	71	67	71	76	66	67	72	74	71	69	73	71

*Data supplied by railroads

Intl Paper 8/98

Jefferson Smurfit Corporation

Telephone (618) 463-6000

401 Alton Street
P.O. Box 2276
Alton, IL 62002-2276

April 22, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20006

RE: **FINANCE DOCKET NO 32760 (SUB-NO 21), UNION PACIFIC CORP, et. al. – CONTROL & MERGER – SOUTHERN PACIFIC RAIL CORP., et. al., OVERSIGHT PROCEEDING**

Dear Secretary Williams:

I am writing on behalf of Jefferson Smurfit Corporation, U.S., to advise you of our support of neutral switching and neutral dispatching in Houston, Texas, as well as additional measures to improve efficiency and capacity in Houston, Texas.

Jefferson Smurfit Corporation is a paper packaging corporation operating over 150 manufacturing facilities in the United States. We have over 20,000 employees and spent over 278 million dollars in 1997 for freight. We ship over 125 thousand tons of waste paper into Mexico via rail car and have not found a viable alternative to rail car. We also ship several hundred carloads of paperboard both into and out of Mexico each year.

The rail service problems in south Texas is extremely serious causing us to ship via truck at levels much higher than railcar. The Surface Transportation Board (Board) has recognized the Union Pacific's failure to resolve their problems resulting in the Board implementing Emergency Service Orders.

Our company has been and continues to be harmed by the Union Pacific's problems. We need a permanent resolution of these service problems in South Texas. Jefferson Smurfit believes that the implementation of neutral switching and neutral dispatching in Houston is essential to a long term solution. Competing railroads must be permitted to increase their infrastructure in Houston in order to provide competitive rail service for our business.

We have four operating facilities in Texas and as a Texas shipper we understand the importance of ensuring the continued growth and expansion of Trade throughout the NAFTA corridor. We believe that neutral switching and neutral dispatching allowing competing railroads to increase their infrastructure will ensure continuing competitive success of the United States in NAFTA trading.

I, James P. Scott, Director of Traffic for Jefferson Smurfit Corporation, U.S., state that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Jefferson Smurfit Corporation, executed on April 22, 1998.

Sincerely,

James P. Scott

James P. Scott
Director of Traffic

171296

Jupiter
CHEMICALS, INC.

P.O. Box 11589
Phoenix, Arizona 85061

Telephone (602) 528-0600
Facsimile (602) 528-0683

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

J

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Jupiter Chemicals to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

Jupiter Chemicals is a manufacturer of sodium hydrosulfide, headquartered in Phoenix, AZ with plants at Westlake, La; Billings, MT; and Ponca City, OK.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. Jupiter Chemical has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

If Jupiter Chemicals had the option of using an alternative rail carrier during UP's continuing service crisis, we would have thankfully turned to that other carrier. However, UP's dominance which they gained through merging with SP has forced us to remain with them despite their horrible service.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

We firmly endorse these principals of competition and cannot stress the importance of providing alternative rail carriers, neutral switching and neutral dispatching enough. All of these principals are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Plan and the fair and competitive proposals which are promoted by it.

I, Jan Bennett, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Jupiter Chemicals, executed on September 16, 1998.

Sincerely,

Jan Bennett

Jan Bennett

LaRoche Industries Inc.

1100 Johnson Ferry Road N.E.
Atlanta, GA 30342-1708
(404) 851-0300

March 16, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D. C. 20006

Re: Finance Docket No. 3260 (Sub-No. 21), Union Pacific Corp., et al. – Control & Merger – Southern Pacific Rail Corp., et al. Oversight Proceeding

Dear Secretary Williams:

I am writing, on behalf of LaRoche Industries Inc., to advise you of our support of Texas Mexican Railway Company's ("Tex Mex") and Kansas City Southern Railway Company's proposed plan for the Houston area. Specifically, LaRoche Industries Inc. supports neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Our company is a shipper of freight traffic into Houston and Mexico from various geographic regions. We have major plants located in Louisiana, Missouri, Alabama, Utah and Illinois, and have shipped as many as 35 cars, per month into Mexico. We ship over 11,000 car loads, per year and use all the major rail carriers. We currently do not have the option to use Tex Mex/KCS on some of our shipments into Houston or Mexico. However, if the Tex Mex/KCS plan is adopted by the STB, we would use their service more. We have some shipments moving from Louisiana to Mexico moving via KCS-Bmont - Tex Mex through Laredo and service has been very good.

The current rail service crisis in south Texas is monumental. The Board has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and the UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas. LaRoche Industries Inc. believes that the implementation of the Tex Mex/KCS proposed plan for south Texas, which includes neutral switching and neutral dispatching in

Houston, is essential to a long term solution. In addition, we believe that competing railroads, such as Tex Mex and KCS, must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. The Tex-Mex/KCS proposed plan will foster these goals.

I, Dean W. DeVore, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of LaRoche Industries Inc., executed on March 16, 1998.

Sincerely,

Dean W. DeVore
Manager Transportation

DWD/sk

190831

LaRoche Industries Inc.

1100 Johnson Ferry Road N.E.
Atlanta, GA 30342-1708
(404) 851-0300

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August 24, 1998

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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street NW
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (Sub No. 30)

Dear Secretary Williams:

LaRoche Industries Inc. as a shipper, applauds your decision to institute a new proceeding as part of the five year oversight conditions imposed in the UP-SP merger decision.

LaRoche Industries is a world wide shipper of agricultural and industrial chemicals with annual freight expenditures of over twenty-five million dollars. We have some commodities such as chlorine, where the only viable way to ship is via rail.

The UP-SP service melt down has made it clear that alternative rail service is necessary to alleviate service problems when they occur. While service has improved in some areas (such as Houston), during the past few months it has been at the expense of reduced service in other areas (such as California).

LaRoche Industries supports the idea of:

1. Expanding rail capacity and investment by <u>all</u> the existing rail carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the carriers currently serving the area;

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are very important to LaRoche Industries. We urge you to bear them in mind as your proceedings continue.

Thank you again for your responsive action, keep it up. We will watch closely during the next weeks and months.

I, Dean W. DeVore, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of LaRoche Industries, executed on August 24, 1998.

Sincerely,

Dean W. DeVore
Manager Transportation

DWD/sk

1 40407

LONGVIEW FIBRE COMPANY

MAIN OFFICE AND MILLS • LONGVIEW, WASHINGTON 98632
1-360-425-1550

Longfibre

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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (Sub No. 30)

Dear Secretary Williams:

Longview Fibre Company is concerned about the ongoing rail congestion and therefore suggests that consideration be given to issues raised in the Consensus Plan filed on July 8, 1998.

Longview Fibre has converting plants located in eleven states in addition to the main mill located in Longview, Washington. The large, heavy rolls of paper used for the converting process are well suited for rail transportation.

Problems in the Texas areas have obviously strained the rail resources in other parts of the country and particularly in the Pacific Northwest.

We believe the Union Pacific is working in good faith to try to overcome the bottleneck obstacles. However, it appears the problems are more far reaching than most could have surmised and the on-going level of business will make it difficult to adequately address all issues.

The Southern Pacific was a very large railroad with unique operating conditions that have not readily blended into a single unified transportation system that was envisioned in the early aspirations of melding it into one operating property.

We are an industry strongly dependent on the rail industry. Relief in providing dependable and consistent service to our customers is contingent on an appraisal of what can be done to reverse the continuous adverse situations developing in rail service that is not satisfactorily providing service needed by our customers.

This nation cannot continue the status quo of substandard service from a large segment of the rail industry. For that reason it is time for the Surface Transportation Board to accept a responsible role and provide alternatives that will bring relief to western rail shippers.

I, Ivan A. Olson, state under penalty of perjury that the foregoing is true and correct. Further, that I am qualified to file this statement on behalf of Longview Fibre Company.

Sincerely,

Ivan A. Olson

Ivan A. Olson
Vice President-Transportation

/dm

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FD32760 SUB 30

Mr. Olson's title was inadvertently omitted from the original letter that was mailed out on 7/29/98. Please replace the original mailing with this corrected version.

My apologies for any inconvenience.

Debbie Martin
Secretary to Ivan A. Olson
Longview Fibre Company

191023

LONE STAR STEEL COMPANY

September 2, 1998

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Dear Secretary Williams: FD 32760 - SUB 26

I am writing on behalf of **Lone Star Steel** to inform you of our support for the Consensus Plan filed on July 8, 1998.

We are an East Texas based steel pipe producer that employs over 1,000 people in our operations. Our Transportation expenditures exceed 30 million annually. We ship from satellite production in Houston and East Texas to the majority of states, as well as imports and exports.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic through Houston;
3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,
4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

These principals are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the broad-base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, **David Green**, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of **Lone Star Steel**, executed on 26 August, 1998.

Sincerely,

David L. Green

David L. Green
Manager, Transportation Services

Highway 259 South • P.O. Box 1000 • Lone Star, Texas 75668-1000

MEMBER

PO Box 4484
Houston, Texas 77210-4484
Telephone (713) 321-4111
Fax (713) 321-5460

Lyondell
LUBRICANTS

March 20, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, DC 20006

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

Dear Secretary Williams:

I am writing on behalf of Lyondell-Citgo Refining Company, Ltd. (LCR), to advise you of our support of Texas Mexican Railway Company's ("Tex Mex") and Kansas City Southern Railway Company's proposed plan for the Houston area. Specifically, LCR supports neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Our company is currently a shipper on the Tex Mex and KCS lines. We ship 24,000 and 27,000 gallon railcars containing petroleum lubricating products all over the United States and Mexico. We currently use Tex Mex/KCS for moving shipments in and out of Houston. The Tex Mex/KCS service is essential to our transportation needs. In addition, the trackage rights granted to Tex Mex in the UP/SP merger are vital to our operations.

However, the fact that there is no neutral dispatching or switching in Houston, and the fact that Tex Mex does not have yard space or sufficient infrastructure, makes it impossible for Tex Mex/KCS to provide the integral service and competitive alternatives we need. The trackage rights granted to Tex Mex need to be improved, changed and broadened; and Tex Mex/KCS need to be permitted to increase their infrastructure in the Houston area so that Tex Mex/KCS can provide more efficient and competitive rail service for our traffic. Importantly, Tex Mex/KCS has a proven commitment of service for both big and small shippers into and out of the Mexican market. International trade routes such as Tex Mex/KCS's through south Texas must be preserved and permitted to prosper.

The current rail service crisis in Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service in south Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas. LCR believes that the implementation of the Tex Mex/KCS proposed plan for south Texas, which includes neutral switching and neutral dispatching in Houston is essential to a long term solution. In addition, we believe that Tex Mex/KCS must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

As a Texas petroleum lubricating oil shipper, we also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in south Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

Sincerely yours,

Charles P. Halvorson
Manager, Transportation & Base Oil Purchases

MEMBER

P.O. Box 4454
Houston, Texas 77210-4454
Telephone 713 321 4111
Fax 713 321 5461

Lyondell LUBRICANTS

July 24, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of ***Lyondell-Citgo Refining Company Ltd.*** to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

Lyondell-Citgo's Houston Refinery is currently the ninth largest refinery in the nation with a rated crude oil capacity of 265,000 barrels per day. Products from the refinery include gasoline, jet fuel, heating oil, aromatics and a variety of lubricants.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. ***Lyondell-Citgo*** has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

If ***Lyondell-Citgo*** had the option of using an alternative rail carrier during UP's continuing service crisis, we would have thankfully turned to that other carrier. However, UP's dominance which they gained through merging with SP has forced us to remain with them despite their poor service.

During your oversight process, we encourage you to give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We support their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist in the future.

We firmly endorse these principals of competition and cannot stress the importance of providing alternative rail carriers, neutral switching and neutral dispatching enough. All of these principals are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Plan and the fair and competitive proposals which are promoted by it.

Sincerely,

Charles P. Halvorson
Manager, Operations & Supply

190482

Matson Intermodal System

534 McDaniel Drive, West Chester PA 19380
Telephone (800) 522-2939 FAX (610) 431-4336

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MARIE HASKINS
Vice President Sales - Northeastern

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Matson Intermodal System to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

Matson Intermodal is an Intermodal Marketing Company with over $100 million dollars in annual revenues. We have over eight offices located throughout the United States and conduct business on a nationwide basis. We are severely affected by service problems in any area of the country's rail network, as we rely heavily on our rail carriers to perform up to standard in order to provide service to our customers.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. Matson Intermodal has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

The situation in Houston has caused us several problems with both inbound and outbound service. We have lost a customer's inbound loads into Texas due to the inconsistent service and the inability of the UP to give an accurate estimate of transit time. The service problems have also caused delays and extra cost on outbound shipments. We moved international loads from Houston to Savannah for a major steamship line. Trying to cope with the service delays we informed the line that we would need 10 days in this lane. Despite this increase in lead time several shipments were delayed so badly at origin that we had to incur the extra cost of trucking the loads to Savannah, GA.

If Matson Intermodal had the option of using an alternative rail carrier during UP's continuing service crisis, we would have thankfully turned to that other carrier. However, UP's dominance which they gained through merging with SP has forced us to remain with them despite their horrible service.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

We [illegible] endorse these principals of competition and cannot stress the importance of providing alternative rail carriers, neutral switching and neutral dispatching enough. All of these principals are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Plan and the fair and competitive proposals which are promoted by it.

I, Jennifer D. Stueve, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Matson Intermodal System, executed on August 4, 1998.

Sincerely,

Jennifer D. Stueve

Jennifer D. Stueve

191436

MFA INCORPORATED

201 Ray Young Drive
Columbia, MO 65201-3599
Phone: (573) 874-5111

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RECEIVED OCT 2 1998 MAIL MANAGEMENT STB

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Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

My name is Bruce R. Hanson. I am currently employed by MFA Incorporated (MFA), 201 Ray Young Drive, Columbia, MO as Vice President of Transportation and Distribution. I have been employed in transportation for 17 years. My transportation career included 11 years with a class one rail carrier with responsibilities in both the sales and marketing groups. During the last 6 years, I have been in charge of all transportation and distribution functions with my present employer, MFA Incorporated.

MFA is a farmer owned cooperative association and agricultural services company engaged in marketing, manufacturing and distribution of agri-business related commodities and transportation services. MFA represents the economic interests of over 50,000 farmer owner members in several midwestern states including Iowa, Missouri, Texas, Oklahoma, Kansas and Arkansas. MFA has enjoyed a history of successful operations since 1914. MFA ships and receives several thousand rail cars annually in our performance as a major agriculture business entity in the midwestern United States. In terms of rail freight expense, our annual revenue contribution to the railroad industry will exceed 10 million dollars this year. MFA's annual freight expense for all modes (rail, truck and barge) exceeds $30 million. Our shipments consist mostly of grain, grain products and fertilizer.

MFA Incorporated supports the Kansas City Southern (KCS) and the Consensus Plan to improve service and increase competitive options in the Houston area, Texas Gulf and operations to/from Mexico.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. MFA Incorporated has suffered economic damages, experienced inconsistent and even non-existent service and unparalleled delays in service. The Surface Transportation Board ("Board") recognized this and implemented their oversight powers to attempt to alleviate the service crisis. Recently the UP was able to convince the Board that emergency conditions were no longer necessary as UP's service recovery plan was working. Mr. Secretary, as a shipper who must rely on UP service throughout the midwest, I can attest that the UP is far, far removed from "recovery". If recovery means customers must settle for whatever service level UP chooses to provide or accept a "lower bar" of service, than maybe UP is recovering. By almost any other measurement, UP has a long way to go.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. MFA Incorporated supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all the of the carriers currently serving the area; and,

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

UP's problems are of their own creation.

Denying shippers competitive alternatives and/or requiring shippers to pay for UP's self inflicted service problems is unconscionable. MFA Incorporated firmly endorse these principals of competition and cannot stress the importance of providing alternative carriers and neutral switching enough. My only other request would be to expand the scope of the Consensus Plan throughout the midwest.

I, Bruce R. Hanson, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of MFA Incorporated, executed on September 24, 1998.

Sincerely,

Bruce R. Hanson

VICE PRESIDENT
Transportation & Distribution

Subscribed and sworn to before me this 24th day of Sept. 1998

Ann Simpson
Notary Public

ANN SIMPSON
NOTARY PUBLIC STATE OF MISSOURI
BOONE COUNTY
MY COMMISSION EXP. MAR. 15,2002

My Commission Expires March 15, 2002

MESSER
MG Industries

August 5, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

MG Industries (MG), as a shipper applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

MG is a producer of liquid carbon dioxide in the Houston area and delivers approximately 300 tons per day by truck in the Tri-State area. Every time we looked to expand our market share, rail service was a deterrent due to service infrequency and cost. We invested approximately $200,000.00 in constructing a rail siding back in 1993 and have not used it for those reasons. Competitive rail service, in our situation, could only help with predictable service and competitive pricing.

The UP/SP merger has created a severe service crisis throughout the region. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. MG supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;

MG Industries
Corporate Office
3 Great Valley Parkway
P.O. Box [illegible]
Malvern, PA [illegible]
Tel (610) [illegible]
Fax (610) [illegible]
www.mgindustries.com

[illegible]

2. Providing neutral and fair dispatch of all rail traffic;
3. Insuring that all shippers have equal access to all of the carriers currently serving the area; and,
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to MG's concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Matt Brown, state under penalty of perjury that the foregoing is true and correct. Further I certify that I am qualified to file this statement on behalf of MG, executed on August 5, 1998.

Sincerely,

Matt Brown
Corporate Distribution Manager

TOTAL P.02

CUSTOMS BROKERS
INTERNATIONAL FREIGHT FORWARDERS

170435

M.G.MAHER
& COMPANY, INC.

NEW ORLEANS, LA
ONE CANAL PLACE
SUITE 2100
NEW ORLEANS, LA 70130
) 581-3320
.X (504) 529-2611

HOUSTON, TX
811 DALLAS ST.
SUITE #600
HOUSTON, TX 77002
(713) 759-9500
FAX (713) 759-9541

PORT ARTHUR, TX
REGIONAL SQUARE II
SUITE 135
PORT ARTHUR, TX
77642
(409) 727-5554

CORPUS CHRISTI, TX
1220 AIRLINE, SUITE 130-E
CORPUS CHRISTI, TX 78412
(512) 887-8999

MOBILE, AL
80 ST. MICHAEL ST.
MOBILE, AL 36602
(334) 433-8474
FAX (334) 438-3103

SHREVEPORT, LA
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EVEPORT, LA 71109
) 631-3956
FAX (318) 631-4102

MEMPHIS, TN
3003 AIRWAYS BLVD.
SUITE 707
MEMPHIS, TN 38131
(901) 345-2878
FAX (901) 345-2980

JACKSON, MS
JACKSON INTERNATIONAL
AIRPORT, SUITE 328
JACKSON, MS 39208
P.O. BOX 98131
JACKSON, MS 39298
(601) 932-7435
FAX (601) 932-7436

www.mgmaher.com

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New Orleans,La.
August 28, 1998

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No.30)

Dear Secretary Williams:

M. G. Maher & Company,Inc., as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

M. G. Maher & Company,Inc., is an International Freight Forwarder and Customs Broker, representing over 2000 importers and exporters. In this capacity we handle approximately 45,000 import containers, varying in size from 20' containers to 45' containers and export containers in excess of 70,000, covering tank containers, 20' containers, 40' containers and 52' containers.

A large portion of this is destined to the Pacific Rim countries and requires the rail service for moving these containers to the West Coast of the United States. Frankly, there is no alternative to its movement. We are heavily dependent on rail and the service that the rail/steamship lines in connection with the ocean carriers provide.

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. M. G. Maher & Company,Inc. supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

New Orleans,La.
PAGE -2-
August 28, 1998

Hon. Vernon A. Williams
Washington, D.C.

These principals are central to M. G. Maher & Company's concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Paul F. Wegener, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of M. G. Maher & Company,Inc., executed on August 28, 1998.

Sincerely

M. G. MAHER & COMPANY,INC.

P. F. Wegener
Vice President

PFW:bor

19101

Mobil Oil Corporation

3225 GALLOWS ROAD
FAIRFAX, VIRGINIA 22037-0001

August 31, 1998

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Office of the Secretary

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SEP 4 1998
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STB

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

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Mobil Oil Corporation to inform you of our support for the Consensus Plan filed on July 8, 1998, as well as any conditions requested by the BNSF (Finance Docket No. 32760 Sub-No. 29) that may be endorsed by the Consensus parties.

Mobil Oil Corporation operates plants throughout the country, including Houston, Texas; Beaumont, Texas; and Hull, Texas; all of which have been seriously impacted by the UP service crisis. We handle approximately 30,000 rail car movements annually, including about 10,000 Gulf Coast inbound and outbound shipments.

In STB Finance Docket No. 32760 (Sub-No. 21), the Board stated that "... a key factor in bringing about the service emergency was the inadequate rail facilities and infrastructure in the region..." In addition, it was noted "...the Board believes that, given the gravity of the service situation, it should thoroughly explore anew the legitimacy and viability of longer-term proposals for new conditions to the merger as they pertain to service and competition in that region."

We believe that the Consensus Plan effectively addresses these issues and provides long-term solutions for service and competition in the Houston, Texas/Gulf Coast region by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that shippers in Houston have equal access to all of the carriers currently serving the area; and

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

Mobil

While UP service in the Gulf Coast area has improved recently, it is still far from the levels experienced prior to the merger, and even further from the efficiencies promised as a result of the merger with SP. We believe the UP service crisis has shown that shippers like Mobil, who rely heavily on rail transportation, require competitive rail alternatives to ensure uninterrupted service for our plants and customers.

We strongly encourage the STB to carefully consider each of the points of the Consensus Plan, the broad base of parties that support it, and the fair and competitive proposals that it promotes. We commend the Board for their action to initiate this proceeding, and will look forward to an outcome that in the long run will benefit both shippers and carriers alike, and establish confidence in rail as an effective means of transportation.

I, Garret Smith, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Mobil Oil Corporation. Executed on August 31, 1998.

Sincerely,

Doug Matthews

for Garret G. Smith
Manager, Rail Transportation
Mobil Oil Corporation

DJK/

Montoi

Hon. Vernon A. Williams
Secretary

Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 2043-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Hon. Vernon A. Williams:

I am writing on behalf of *Montoi, S.A. de C.V. to inform* you of our strong support for the Plan filed by the Consensus Parties on July 8th, 1998 to alleviate the service crisis in Houston area.

Montoi is a company owned by Mattel Inc. in Monterrey, Mexico. It employs a total of 2000 workers in peak season, and exports besides the United States of America and Canada to 24 countries worldwide. Last Year 4,900 trailers and containers were shipped with only finished goods. Our location is 370,000 square feet. And a second plant is being built in the metropolitan area and should be operational by the end of this year.

The service meltdown resulting from the UP/SP merger is unprecedent in all aspects. Montoi have suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

Our main problem has been not to receive our raw material on time in order to meet our production schedule and being forced to use full truck trailers in order to not stop manufacturing, increasing our costs, icluding forwarding agent fees. We need to cross four trailers to be equivalent to one hopper.

If Montoi had the option of using an alternative rail carrier during UP's continuing service crisis, we would have thankfully turned to other carrier. However, UP's dominance which they gained through merging with SP has forced us to remain with them despite their horrible service.

Montoi, S.A. de C.V. AVE. MANUEL [illegible] APDO. POSTAL / P.O. BOX [illegible]
[illegible] MEXICO
MONTERREY, N.L. [illegible] MEXICO
TELEX 383271
TEL 399 35 00
FAX: 399-35 70

montoi

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8th. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

Expanding rail capacity and investment by all the existing carriers;

Providing neutral and fair dispatch of all rail traffic through Houston;

Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,

Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

We firmly endorse these principals of competition and cannot stress the importance of providing alternative rail carriers, neutral switching and neutral dispatching enough. All of these principals are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Plan and the fair and competitive proposals which are promoted by it.

I, Rafael Venegas state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Montoi, S.A. de C.V. executed on August 12, 1998.

Sincerely,

...OS S.A. DE C.V. AVE. MANUEL [illegible] APDO. POSTAL / P.O. BOX [illegible] [illegible] MEXICO [illegible] MEXICO TELEX 382971 TEL. 309 36 00 FAX. 309 35 70

MOORE & MUNGER, INC.

Since 1888

July 24, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: FINANCE DOCKET NO. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of MOORE & MUNGER, INC. to inform you of our support for the Consensus Plan filed on July 8, 1998.

We presently have bulk storage in the Houston area which is only serviced by the UNION PACIFIC. As a small company of sixty employees we must rely on prompt rail service, which we are not presently receiving. Tankcars are being delayed (two weeks to go 100 miles), and tankcars are getting misrouted or given bad billing. We ship to the Midwest and Southwest, distances that only rail economics can service. We are in need of alternate service to avoid a potential loss of customers due to delays with our delivery.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. MOORE & MUNGER, INC. has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crises.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8th. We endorse their plan to alleviate the service crises in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic through Houston;
3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,
4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

TWO CORPORATE DRIVE • SUITE 434 • SHELTON, CT 06484-6248
TELEPHONE (203) 925-4300 • TELEFAX (203) 926-9844

MOORE & MUNGER, Inc.

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
FINANCE DOCKET NO. 32760 (Sub-No. 30)
July 24, 1996
Page 2

These principals are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the board-base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

Very truly yours,

L. A. O'Toole

Lawrence A. O'Toole
Director of Operations

LAO/pml

191233

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760
(Sub-No. 26)

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

HOUSTON/GULF COAST OVERSIGHT PROCEEDING

COMMENTS OF THE NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Ross B. Capon, Executive Director
National Association of Railroad Passengers
900 Second St., NE, Suite 308
Washington, DC 20002-3557
Tel: (202) 408-8362
Fax: (202) 408-8287

September 18, 1998

The National Association of Railroad Passengers' primary concern in this proceeding is seeing that Union Pacific can begin to reasonably fulfill its contractual and statutory obligations to provide reliable handling of Amtrak trains. We also want to see the rail freight business run well and prosper, both as sound public policy and because a financially-weak freight railroad is unlikely to do a good job of running passenger trains.

In the Houston/Gulf Coast area it is important to note that Amtrak has experienced worsened reliability even though the number of Amtrak movements, and thus the demands Amtrak is making on the infrastructure, declined in 1993 and declined further in 1995.

- On November 4, 1993, the frequency of the *Texas Eagle* dropped from daily to tri-weekly. The train then ran from Chicago to Dallas where it split into sections going to San Antonio via Ft. Worth and Austin and, most relevant here, to Houston via Corsicana, College Station, Navasota and Cypress (Hearne Subdivision).
- On September 10, 1995, the *Eagle's* Dallas-Houston service was completely discontinued, leaving the tri-weekly *Sunset Limited* as the only Amtrak service in or near Houston, and indeed the only Amtrak service between New Orleans and San Antonio.

Service continues to leave much to be desired, as reflected in up-to-date information available at Amtrak's website. The most recent eastbound *Sunset Limited* departed Los Angeles on Tuesday, September 15. The train arrived San Antonio one hour 55 minutes late, but arrived Houston three hours 7 minutes late and arrived New Orleans 3 hours 35 minutes late. Therefore, the public's perception is that the train lost one hour 40 minutes from time of arrival at San Antonio to time of arrival at New Orleans. However, this understates the amount of delay because there is about one hour 14 minutes of recovery time in the schedule from Schriever, Louisiana, to New Orleans, (that is, the eastbound train is given two hours 34 minutes to travel that 56-mile segment, whereas the westbound train gets one hour 20 minutes). Therefore, it would be more accurate to say that the train lost two hours 54 minutes (i.e., almost three hours).

The trip which departed Los Angeles on Sunday, September 13, departed San Antonio 1:17 late and arrived New Orleans 2:20 late. The Friday, September 11, trip departed San Antonio 3:25 minutes late and arrived New Orleans five hours late. The Wednesday, September 9 trip departed San Antonio 3:25 late and arrived New Orleans 5:10 late. The Sunday, August 23 trip departed San Antonio 50 minutes late and arrived New Orleans 3:40 late.

Nor is this a particularly tight schedule. The table below compares Amtrak's current schedules on the 573-mile San Antonio-New Orleans run with previous schedules.

	Westward time (avg. speed)	Eastward time (avg. speed)
Current timetable (5/17/98)	14:40 (39.1mph)	14:40 (39.1 mph)
April 5, 1992 timetable	12:50 (44.6 mph)	13:15 (43.2 mph)
June 11, 1972 timetable	13:15 (43.2 mph)	13:00 (44.1 mph)
Initial Amtrak tt (5/1/71)	13:20 (43.0 mph) [Note 1]	12:25 (46.1 mph)
Final SP tt (Nov. 1970)	13:19 (43.0 mph) [Note 1]	12:20 (46.5 mph)

Note 1: The timetable shows only a departure time at San Antonio. Time and speed shown here assume a 15-minute San Antonio dwell-time, the same as shown in Amtrak's 1972 timetable.

It is good to report that the most recent westbound train, which departed New Orleans on Wednesday, September 16, arrived both Houston and San Antonio on time (although it was expected to arrive today in Los Angeles over three hours late). This shows that trains can run on time. Unfortunately, for this route, on-time operation is the exception, not the rule.

However, we gain but little reassurance from a single trip operating over one portion of Union Pacific on time. BNSF, in its July 8 "Application for Additional Remedial Conditions" (pages 7 and 3 of Introduction) said: "BNSF, other carriers and Houston area shippers are now experiencing alternating cycles of several days of sporadic improvement in UP service followed by a number of days when service returns to near crisis levels....Current traffic and congestion patterns are masking the potential risks at Houston, because summer rail traffic volumes are routinely lower than autumn and winter traffic volumes." Indeed, through the summer of 1998 and for well over a year, the *Sunset Limited* seldom made its already-slow schedule between San Antonio and New Orleans. The length of delays significantly worsened after the UP/SP merger.

Actions are needed to insure that on-time performance becomes the rule, not the exception, and that extraordinary delays are virtually eliminated.

Union Pacific's own "Report on Houston & Gulf Coast Infrastructure" (hereinafter, "Report") identifies a number of infrastructure projects that have the potential to improve reliability of operations on the Sunset and *Eagle* routes. Examples include:

- Extend tracks 4 and 5 of Corbyn yard on the Austin subdivision ($1.8 million).
- Mainline capacity on Lafayette Subdivision (four projects totalling $29.4 million)
- Relocate Neches River bridge operator (KCS dispatching position) to Spring ($0.5 million) to eliminate problem that trains "must communicate with three or four controllers to pass through Beaumont."
- Relocate mainline in Lake Charles ($13.4 million) because "mainline operations conflict with yard operations."
- Connect the Eagle Lake and Ramsey sidings ($6.2 million) "creating a five-mile stretch of double track with crossovers in the center."
- Extend and upgrade Buda siding ($3.5 million) between San Marcos and Austin "to permit trains to meet there while also allowing trains to work a shipper facility without interfering with mainline operations."

Amtrak operations may benefit from some investments which are not physically on Amtrak-used lines but whose results include reducing freight train congestion on Amtrak-used lines.

The Report also states (Part I., Section C): "Forced divestiture or expanded access for other railroads would...undermine UP's ability to fund these projects by altering the pattern of service that UP provides today. Should the Board order divestiture or require UP to open its traffic base to other carriers, UP would have to reevaluate this investment program."

It follows logically that, if the Board does not grant the rights requested by others, the Board should hold UP to its investment commitments. UP states, of course, that "the precise timing and specifics of some of the projects are likely to change." That is inevitable, given the magnitude of the overall program. Therefore, the Board should require UP's bi-weekly reports to continue and to include significant changes to—and the status of—UP's investment plans as outlined in the Report. This should give the Board and the interested public assurances that UP will not back out of significant investments whose execution may have been the basis for the Board's unwillingness to grant relief to shippers and other railroads. More precisely, it would give the Board timely warning about any changes in UP's investment plans that might justify further action by the Board.

Certain investments may be so basic that they should in fact be mandated. If circumstances change in surprising ways, UP would have the opportunity to persuade the Board that mandates should be withdrawn.

Meanwhile, certain requests made of the Board by other parties may be justified in any event. For example, Tex Mex seeks to acquire and reactivate a now-abandoned UP line (Rosenberg-Victoria), an action that would take some traffic off a short piece of the "Sunset" route. Premature line abandonments—that is, abandonments subsequently seen as bad business decisions—have been all too common in much of the U.S. Here, what is arguably a premature abandonment could be reversed, without UP itself making the investment. Indeed, UP would benefit both from the cash it would realize from selling the line, and from whatever track capacity it gains after the sold line is reactivated.

We also noted with interest BNSF's request that the Board "grant BNSF overhead trackage rights to enable BNSF, should it determine to do so, to join the directional operations over any UP line or lines where UP commences directional operations and where BNSF has trackage rights over one, but not both, lines involved in the UP directional flows, including, specifically, over the Fort Worth to Dallas, TX line (via Arlington)" (Introduction, page 18).

Directional operation on single track lines obviously creates problems for trains operating against the normal flow, whether these are freight trains of a carrier that lacks access to the line operating in the other direction or Amtrak trains needing to make intermediate stops on the directional line. Directional operation also may force circuitous handling of local freight shipments whose ultimate destinations are opposite from the "normal" direction of traffic, and cause railroads to lose some freight business completely.

We urge the Board to review UP's directional operations both as to impacts on Amtrak operations and on the value of the trackage rights the Board gave to BNSF, and take such remedial actions as the Board deems appropriate.

Respectfully submitted,

NATIONAL ASSOCIATION OF
RAILROAD PASSENGERS

Ross B. Capon, Executive Director
900 Second St., NE, Suite 308
Washington, DC 20002-3557

Date: September 18, 1998

CERTIFICATE OF SERVICE

I hereby certify that copies of this document were served this 18th day of September, 1998, by first class mail upon all parties of record.

Ross B. Capon

Ross B. Capon

189298

PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74004 918 661-6600

TRANSPORTATION SERVICES

RECEIVED
JUL 7 1998
MAIL MANAGEMENT STB

FD 32760-26 July 1, 1998

ENTERED
Office of the Secretary

JUL 08 1998

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Attn: Hon. Vernon A. Williams
Secretary, Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, D.C. 20423-0001

RE: Overnight Proceedings To Consider New Remedial Conditions to UP/SP Merger for the Houston, TX/Gulf Coast Region.

Dear Secretary Williams:

Phillips Petroleum Company has major facilities located in the Texas Gulf Coast region. Specifically, Phillips ships in excess of 10,000 rail cars of plastic resins from its plant located in Pasadena, TX near Houston. Reliable, cost effective rail service must be available in order for this plant to remain economically viable in the face of both foreign and domestic competition.

For the past year, rail service for our shipments leaving Houston has been totally unacceptable. Contract service commitments by the Union Pacific (UP) have failed to be met month after month. The Burlington Northern Santa Fe's (BNSF) service has likewise, been below historically expected performance levels. Both carriers are working to remedy the problems, but the fact remains that in the Houston area transit times are unpredictable and storage of loaded cars (S.I.T.) is in disorder. Although, many factors go into a decision to build a major new facility, certainly the out of control rail service on the Gulf Coast played a part in Phillips' recent announcement to build additional plastics resin capacity in Canada, not the U.S.

Some ideas for addressing the Gulf Coast service problems have surfaced in the past few weeks that are interesting and sincere. But, when considering the various ideas, Phillips believes only actions that address true service issues should be entertained by the STB in this proceeding. For this reason, Phillips would offer the following suggestions for remedial action:

1. Lift the restrictions placed on the Tex Mex in STB decision No. 44. This action would allow the Tex Mex/KCS rail infrastructure to become a factor in helping solve the Gulf Coast rail service issues. The present temporary authority (ESO No. 1518) does very little for plastics shippers like Phillips since large amounts of rail storage is needed to handle hopper car inventories. Shippers cannot risk having hundreds of cars stranded at a temporary storage location. Likewise, the Tex Mex/KCS cannot afford to invest capital in major storage facilities when their authority is only temporary. As Mr. Krebs (BNSF) stated in a March news release (#980), "...the problems are caused by insufficient rail capacity that can only be remedied by continued substantial investment in infrastructure." Railway Age (June '98) has quoted the Union Pacific as stating "its whole laundry list of projects would take five years." "Deliveries of rail, which might have required only 30 days a year ago, have stretched to six months or more." Permanent authority will bring the badly needed and already available rail infrastructure of the Tex Mex/KCS to bear on the Gulf Coast rail crisis in a reasonable time frame.

2. The BNSF restrictions on the use of the Dayton, TX storage facility should be lifted. S.I.T. storage in the Houston area is in worse shape than it's been all year. Carriers are arbitrarily storing loaded cars in Louisiana, Arkansas, Oklahoma and Texas, which is causing further service problems for shippers. The restrictions on the use of the Dayton facility by the BNSF does nothing to address the known infrastructure problems on the Gulf Coast.

3. The Port Terminal Railroad (PTRA) in Houston has done a reasonably good job under the circumstances. An expanded Houston neutral switching zone in the Houston area has been proposed by some. Phillips does <u>not</u> support this idea since we see it more closely aligned with pricing issues than service issues. We would encourage the STB to take a conservative stand on this matter so as to not create havoc with the PRTA's current service and to not commingle pricing and service issues.

4. Lastly, we do see merit in having the Tex Mex as a full voting member on the PTRA board as well as restoring the Port of Houston to the board. The economic importance of the PTRA is without question and a balanced board of directors is the right thing to do.

It is clear the status quo is no longer acceptable if the rail service problems are to be corrected soon. All industries are affected and future economic decisions are now factoring in the rail system crisis. A strong commitment by the STB to take the necessary remedial actions is crucial.

Sincerely,

Larry R. Frazier

Larry R. Frazier
Manager, Corporate Transportation

LRF:ts

STB FD 32760 (Sub 26) 10-16-98 D 191655V1 6/7

190484

PPG

PPG Industries, Inc.   One PPG Place   Pittsburgh, Pennsylvania 15272   (412) 434-3628

Michael E. Petruccelli
Director
Distribution and Transportation
Chemicals Group

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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K. Street N. W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No.30)

Dear Secretary Williams:

PPG is writing to request that the Surface Board give their full attention to resolving the service issues surrounding the Union Pacific merger with the Southern Pacific. Although the Union Pacific's service has improved somewhat their are still critical areas that need to be corrected.

PPG is a multi-business, multi-plant corporation with manufacturing plants and other interests throughout much of the free world. In 1996, worldwide sales were in excess of $7 billion, of which approximately $4.7 billion was generated in the United States. In 1996, PPG had approximately 31,000 employees worldwide and approximately 20,000 in the United States. PPG owns and leases approximately 2,500 rail cars to transport various commodities including rail dependent commodities such as chlorine, vinyl chloride and 73% caustic soda.

PPG as well as other shippers and receivers has experienced and encountered countless service delays. The service failures have resulted in additional costs and penalties. These costs are well into the millions of dollars. The Board is well aware of these service failures as a result of the oversight proceedings and the service reports issued by the Union Pacific.

Service must be returned to realistic and dependable schedules. PPG would encourage the Board to implement any steps necessary to create a dependable, reliable and competitive rail system in the Western Region of the Country. The Consensus Parties have proposed a plan on July 8, 1998 to alleviate some of the problems in the Houston Region. PPG would request that the Board give serious consideration to this plan or any other suggested plans that would create a competitive rail system capable of providing the required service levels and eliminating congestion and lengthy delays to service performance. Each carrier should be given the opportunity to compete in a fully competitive environment and the Board should implement changes to reach those goals.

I, Michael E. Petruccelli, declare under penalty of perjury that the foregoing statement is true and correct. Further, I certify that I am qualified and authorized to file this statement on behalf of PPG, executed on July 31, 1998.

Sincerely Yours

M Petruccelli

Michael E. Petruccelli
Director Distribution and Transportation
Chemicals

191008

PRIOR CHEMICAL CORPORATION

460 PARK AVENUE

NEW YORK, N.Y. 10022

TELEPHONE: 212-521-1800
FAX: 212-521-1944 OR
212-521-1871

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The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Room 77
Washington, DC 20423

Dear Secretary Williams: FD32760-26

I am Logistics Manager for Prior Chemical Corporation and have been in this position for three years.

Prior Chemical Corporation is a marketer of sodium sulfate in the United States. Two of our supplier manufacturing sites are located in LeMoyne, AL and Baton Rouge, LA. The UP/SP merger has created rail disruptions which caused great delays in rail service from these facilities to our customers in the Southwest. Alternative rail service is necessary to alleviate service problems.

Prior Chemical supports any action that grants shippers equal access to all of the carriers servicing the Gulf Coast.

Thank you for being responsive to our needs.

Sincerely,

Kevin J. Scott
Logistics Manager

Reagent Chemical & Research, Inc.
1300 POST OAK BLVD. • SUITE 680 • HOUSTON, TEXAS 77056
OFFICE: (713) 626-1643 • FAX (713) 963-0651

March 18, 1998

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20006

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

Dear Secretary Williams:

I am writing on behalf of Reagent Chemical to advise you of our support of a proposal that calls for neutral switching and neutral dispatching in Houston, as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

Reagent Chemical is the largest marketer of Hydrochloric Acid (HCL) in the United States. We operate the largest private fleet of rubber lined tank cars and tank trailers. The predominance of our production is in the Gulf Coast and 60% of our customers are located in the Western United States. We ship approximately 5,000 carloads and 8,000 truckloads of HCL annually in all areas of the country.

The rail service crisis in the Gulf Coast is monumental. The Surface Transportation Board (STB) has rightfully recognized the Union Pacific's (UP) inability to solve the service problem, at least in the short term, and implemented their Emergency Service orders. In fact, the UP even recently admitted publicly that its service in the Gulf Coast is not back to normal and they will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in the Gulf Coast. Reagent Chemical believes that the implementation of neutral switching and neutral dispatching in Houston is essential to a long-term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

Mr. Vernon A. Williams
March 18, 1998
Page Two

Reagent Chemical has always been a staunch supporter of increased rail competition in all areas of the United States, but particularly along the Gulf Coast. Competition is the one factor that forces entities to perform at their highest level of competence. Less or no competition allows companies to provide whatever service they want at whatever they want to charge their customers, with little or no recourse by those customers.

I, Edwin E. Vigneaux, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Reagent Chemical, executed on March 11, 1998.

Sincerely,

Edwin E. Vigneaux

Edwin E. Vigneaux
Traffic Manager

Redfish Bay Terminal, Inc.

May 28, 1998

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20006

RE: Finance Docket No. 32760 (Sub-No. 21), Union Pacific Corp., et al – Control & Merger – Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

I am writing on behalf of Redfish Bay Terminal, Inc., to advise you of our support for neutral switching and neutral dispatching in Houston, Texas as well as additional measures aimed at obtaining efficiency and capacity enhancements in Houston.

The rail service crisis in South Texas is monumental. The Surface Transportation Board ("Board") has rightfully recognized Union Pacific's ("UP") inability to solve the problem, at least in the short term, through the Board's implementation of their Emergency Service Orders. In fact, even UP has recently admitted publicly that its service to South Texas is not back to normal and that UP will no longer attempt to predict when normal service will return.

Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in South Texas. We believe that the implementation of neutral switching and neutral dispatching in Houston is essential to a long-term solution. In addition, competing railroads must be permitted to increase their infrastructure in the Houston area in order to provide more efficient and competitive rail service for our traffic.

We also understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Importantly, we believe that ensuring the continuation of an effective competitive alternative in South Texas is key to our success and the competitive success of the United States in NAFTA trading. Neutral switching, neutral dispatching and permitting competing railroads to increase their infrastructure will foster these goals.

Sincerely,

K L B

Kenneth L. Berry
Director

Box 1235 Aransas Pass, Texas 78336 • 512/758-3201

19146

Rhodia

Logistics

Thomas M. Koontz
Manager, Transportation Procurement

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Rhodia, Inc. to inform you of our support of the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

Rhodia, Inc. is a large shipper of both phosphoric acid and sulphuric acid. In addition to the two plants that we operate in the Houston area, we are experiencing growth in rail shipments to Mexico. Consistent, reliable rail service in the Houston area is of vital importance to Rhodia.

We support the efforts of the KCS/Tex Mex to acquire ownership of track sufficient to provide direct service through Texas to Laredo. The significant and costly delays experienced by our Mexico traffic have convinced us of the need for improved service in this critical area. We are not confident in the long term ability of the Union Pacific to provide this service.

We urge you to carefully weigh our continuing and justified concerns regarding service in the Houston area as you consider the Consensus Plan.

I, Thomas Koontz, state under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Rhodia, Inc. executed on September 30, 1998.

Sincerely,

Thomas Koontz

Thomas Koontz

Rhodia Inc. 259 Prospect Plains Road Cranbury, NJ 08512 Telephone: (609) 860-4221 Fax: (609) 860-0265

100 INDEPENDENCE MALL WEST PHILADELPHIA, PA 19106-2399 U.S.A
TELEPHONE (215) 592-3000 CABLE ADDRESS ROHMHAAS CENTRAL FAX (215) 592-3377

ROHM AND HAAS COMPANY

August 7, 1998

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Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of the Rohm and Haas Company to inform you of our support for the Plan filed by the Consensus Parties on July 8, 1998 to alleviate the service crisis in the Houston area.

Rohm and Haas is a Specialty Chemical company based in Philadelphia, PA with worldwide operations involving approximately 11,500 people, and sales of $4 billion. The backbone of Rohm and Haas manufacturing, and Rohm and Haas' largest Plant, is located in Houston, TX. The efficient, continuous operation of this Houston facility is extremely critical to Rohm and Haas.

The service problems resulting from the UP/SP merger are unprecedented. Rohm and Haas has experienced inconsistent and severe delays in service, and has suffered significant economic damages. The Surface Transportation Board has recognized UP's inability to solve the problem and the Board has correctly implemented oversight powers to alleviate the service crisis.

During your oversight process, we encourage the Board to give serious consideration to the Plan proposed by the Consensus Parties on the Texas/Gulf Coast region. It is Rohm and Haas' belief that the Consensus Plan will improve rail service in the Houston area.

Rohm and Haas is in support of any plan which will foster rail competition. We endorse the Consensus Plan for its principals of competition and stress the importance of providing alternative rail carriers, neutral switching and neutral dispatching in the Houston/Gulf Coast region. We strongly encourage you to pay utmost attention to the Plan and the fair and competitive proposals which are promoted by it.

Sincerely,

Thomas R. Doberstein

Thomas R. Doberstein
Rail Specialist,
Rohm and Haas Company

R.R. DONNELLEY LOGISTICS SERVICES

3075 Highland Parkway
Downers Grove, IL 6051
Phone (630) 963-9494
Fax (630) 322-6746

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub – No. 30)

Dear Secretary Williams:

I am writing on behalf of R.R. Donnelley & Sons/Donnelley Logistics Services to inform you of our support for the Consensus Plan filed on July 8, 1998.

Donnelley Logistics Services is a business unit of R.R. Donnelley & Sons Company, Chicago, IL. R.R. Donnelley & Sons is the largest commercial printer in North America, with 1997 gross revenues of $4.8 billion. Donnelley has 24 printing plants in the United States, and all but one are directly rail served. R.R. Donnelley consumes approximately 2.8 million tons of paper per year in the United States, and receives approximately 70 per cent of this tonnage by rail. This makes Donnelley the largest consumer of printing paper in North America. Donnelley plants also ship a substantial amount of scrap paper via rail. On the outbound side, while virtually all of Donnelley's product moves in trailers, more than 10 per cent of these trailerloads are shipped via intermodal. R.R. Donnelley ships finished product to every state in the United States, as well as to all Canadian provinces. Barge transportation is not presently an option for any of R.R. Donnelley's inbound or outbound transportation.

The service meltdown resulting for the UP/SP merger is unprecedented in all aspects. Donnelly Logistics Services has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

These principals are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the broad base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Jim Giblin, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of RR Donnelley Logistics Services, executed on August 13, 1998.

Sincerely,

Jim Gibl.

Jim Giblin
Intermodal Marketing Manager

BEFORE THE

SURFACE TRANSPORTATION BOARD

WASHINGTON, D.C.

FINANCE DOCKET NO. 32760 (SUB NO. 21)
UNION PACIFIC CORP. , ET AL
-- CONTROL & MERGER -- SOUTHERN PACIFIC RAIL CORP., ET AL
OVERSIGHT PROCEEDING

TESTIMONY OF SHELL OIL COMPANY AND
SHELL CHEMICAL COMPANY

Shell Oil Company and/or Shell Chemical Company "for itself and as agent for Shell Oil Company" (hereinafter jointly referred to as "Shell") hereby file joint comments in support of the plan proposed by the Texas-Mexican Railway Company (Tex-Mex) and the Kansas City Southern Railway Company (KCS) to address rail service in the Houston area. Shell is utilizing the Tex-Mex under the current STB Emergency Order in an attempt to mitigate some of the adverse effects of the current UP service performance on our business units.

The recent rail service problems in the western U.S. and particularly in the Houston area have severely impacted Shell's ability to meet the needs of our customers. Significant shipment delays and the shortage of available tank and hopper cars for loading have resulted in numerous late deliveries and have required substitution of substantially higher cost alternative transportation, primarily motor carriage. Production schedules have also been adversely impacted, resulting in supply problems and increased costs. Previous Shell filings have detailed these matters.

Specifically, Shell supports the following actions by the STB to facilitate the implementation of the plan put forth by the Tex-Mex/KCS, much of which is consistent with our previous filings related to this matter:

1. The granting of permanent rights to the Tex-Mex to serve Houston shippers for both north and southbound movements. This will provide the certainty necessary to justify infrastructure investment by the Tex-Mex to more effectively service the Houston market. It will also provide shippers a viable alternative carrier on a long term basis, enhancing the competitive environment. It is generally recognized that increased competition induces improved service and tempers rate escalation, which are important and desirable components to transportation service for shippers in a market as important as Houston. These are also consistent with the goals of our national Rail Transportation Policy, as set forth in section 10101 of the ICC Termination Act of 1995.

2. Granting Tex-Mex access to the UP's Booth Yard, which is essential to facilitating the operation of the Tex-Mex to efficiently interchange traffic with the PTRA. If this cannot be accomplished through a private sector agreement, a divestiture order should be considered.

3. Mandating the establishment of neutral dispatching in the greater Houston area, including the participation of the PTRA and Tex-Mex, to ensure the fair and efficient use of all shared rail lines by all carriers. This would include very close scrutiny of the recent UP-BNSF joint line ownership agreement for the former Southern Pacific Houston to Beaumont line. If these private sector solutions do not prove workable, ordering the divestiture of the former Missouri Pacific line from Houston to Beaumont to the Tex-Mex should be strongly considered.

4. Ordering the involved carriers to implement a neutral switching operation that will service as much of the greater Houston area as is practical, providing alternative rail service to many shippers currently without any choice of carrier.

5. Facilitating the transfer to the Tex-Mex of the abandoned former Southern Pacific rail line from Rosenburg to Victoria, along with its connections at both ends, to provided increased capacity and improved efficiency for Tex-Mex movements between Houston and Corpus Christi/Robstown, TX.

Again, if a private sector agreement cannot be reached, a divestiture order should be considered.

Please note that Shell, consistent with its desire to allow the development of private sector solutions to these problems, advocates consideration of divestiture of privately owned assests only if the involved parties are unable to reach agreement. We believe that the STB must play a significant role in getting the parties together to discuss such solutions.

Shell has taken an unusually strong public position on these matters. It is vital to Shell's ability to meet the needs of our customers that we have a strong, competitive and efficiently operated rail transportation network for the movement of our products. This has not been the case for the past eight months in the western United States. Shell has major production facilities in Houston, and a significant number of rail shipments from our Louisiana plants must move through Houston to their final destinations. We believe that establishment of the Tex-Mex as a permanent presence in the Houston market will be an important contribution to the efforts to address the long term needs of Houston shippers.

Respectfully submitted,

SHELL CHEMICAL COMPANY
For itself and as agent for Shell Oil Company

Dated: March 19, 1998

Brian P. Felker
One Shell Plaza
Post Office Box 2463
Houston, Texas 77252

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of March , 1998, copies of the Joint Comments of Shell Oil Company and Shell Chemical Company were served by first class mail, postage prepaid, in accordance with the rules of the Surface Transportation Board on the U.S. Secretary of Transportation, and all other parties of record.

George H. Jelly

George H. Jelly
Sr. Transportation Representative
of Products Traffic
Shell Chemical Company
One Shell Plaza
Post Office Box 2463
Houston, Texas 77252

Commonwealth
Consulting
Associates

September 17, 1998

Office of the Secretary
Case Control Unit
ATTN: STB Finance Docket No. 32760 (Sub-No.26)
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: STB Finance Docket No. 32760 (Sub-No. 26)
Union Pacific Corp., et al. – Control & Merger – Southern Pacific Corp., et al.

(Sub-No. 26) Houston/Gulf Coast Oversight Proceeding

(Sub-No. 28) Burlington Northern and Santa Fe Railway Company—
Terminal Trackage Rights—Texas Mexican Railway Company

(Sub-No. 29) Burlington Northern and Santa Fe Railway Company—
Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area

(Sub-No. 30) Texas Mexican Railway Company, et al.—
Request For Adoption of Consensus Plan

Dear Secretary Williams:

Enclosed for filing in the above-referenced docket are an original and twenty-five copies of the Joint Comments of Shell Oil Company and Shell Chemical Company. Also enclosed is a 3.5 inch diskette, containing the Request in a format which may be converted to Word Perfect 7.0.

Copies of these Joint Comments are also concurrently served on all other parties of record.

Respectfully submitted,

David L. Hall

13103 FM 1960 West · Suite 204 · Houston, Texas 77065-4069 · Tel (281) 970-6700 · Fax (281) 970-6800

BEFORE THE

SURFACE TRANSPORTATION BOARD

WASHINGTON, D. C.

FINANCE DOCKET NO. 32760
UNION PACIFIC CORP., ET AL. -- CONTROL & MERGER –
SOUTHERN PACIFIC RAIL CORP., ET AL.
HOUSTON/GULF COAST OVERSIGHT PROCEEDING

(Sub-No. 26) Houston/Gulf Coast Oversight Proceeding

(Sub-No. 28) Burlington Northern and Santa Fe Railway Company—
Terminal Trackage Rights—Texas Mexican Railway Company

(Sub-No. 29) Burlington Northern and Santa Fe Railway Company—
Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area

(Sub-No. 30) Texas Mexican Railway Company, et al.—
Request For Adoption of Consensus Plan

JOINT COMMENTS OF

SHELL OIL COMPANY AND SHELL CHEMICAL COMPANY

Brian P. Felker
Manager of Products Traffic
Shell Chemical Company
One Shell Plaza
Post Office Box 2463
Houston, Texas 77252

Due Date: September 18, 1998

BEFORE THE

SURFACE TRANSPORTATION BOARD

WASHINGTON, D. C.

FINANCE DOCKET NO. 32760
UNION PACIFIC CORP., ET AL. -- CONTROL & MERGER –
SOUTHERN PACIFIC RAIL CORP., ET AL.
HOUSTON/GULF COAST OVERSIGHT PROCEEDING

(Sub-No. 26) Houston/Gulf Coast Oversight Proceeding

(Sub-No. 28) Burlington Northern and Santa Fe Railway Company—
Terminal Trackage Rights—Texas Mexican Railway Company

(Sub-No. 29) Burlington Northern and Santa Fe Railway Company—
Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area

(Sub-No. 30) Texas Mexican Railway Company, et al.—
Request For Adoption of Consensus Plan

JOINT COMMENTS OF

SHELL OIL COMPANY AND SHELL CHEMICAL COMPANY

Shell Oil Company and/or Shell Chemical Company "for itself and as agent for Shell Oil Company" (hereinafter jointly referred to as "Shell"), in response to the opportunity afforded by the Surface Transportation Board (Board or STB) by its Decision served August 4, 1998 in Finance Docket No. 32760 (Sub-No. 26), Union Pacific Corp., et al. -- Control & Merger -- Southern Pacific Rail Corp., et al., Houston/Gulf Coast Oversight Proceeding, hereby file joint comments regarding the requests for new conditions which have been accepted for consideration by the Board. Both companies are corporations, the address of which is One Shell Plaza, Post Office Box 2463, Houston, Texas 77252.

I - SHELL INTEREST

Shell owns and operates a petrochemical plant at Deer Park, Texas which generates approximately 12,500 annual rail carloads, inbound and outbound. In addition, Shell ships to and receives from other Houston/Gulf Coast region facilities approximately 8,000 annual rail carloads. Because of the global nature of our business, Shell operations worldwide have been significantly impacted by the UP service meltdown in the western United States and particularly in the Houston/Gulf Coast region. The inability of the UP to provide timely and efficient rail service has delayed deliveries to customers. Shell plants have also experienced delays in the inbound shipment of raw materials. This has resulted in disrupted production processes and, in one case, a Shell plant shutdown.

It is our belief that these degraded service levels are a direct consequence of the diminution of rail competition in the Houston/Gulf Coast region. It is in Shell's interest, and indeed in the interest of the U.S. economy, to restore rail competition to this vitally important industrial region. By instituting this proceeding the Board has positioned itself to implement policies which will facilitate the restoration of Houston/Gulf Coast region rail competition. With this thought in mind we would like to offer our comments concerning the requests for new conditions that have been filed and accepted by the Board proposing permanent rail realignment of the existing UP/SP network in the Houston/Gulf Coast region.

II - INTRODUCTION

The Shell Companies filed a Joint Request for New Remedial Conditions in this proceeding on July 8, 1998. That filing supported the objectives and operational strategies of the Consensus Plan, filed on the same date. The sole exception to Shell support for the Consensus Plan was to the possibility that the implementation of any of the items in the plan would involve the taking of property. We reiterate that position in this filing. Shell does not condone the taking of property nor support the forced sale of assets.

These Joint Comments also reiterate our support for the objectives of the Consensus Plan. In addition we have analyzed the plans submitted by The Burlington Northern & Santa Fe Railway Company (BNSF), E. I. DuPont de Nemours and Co., Dow Chemical Co., Formosa Plastics Corp., Central Lighting & Power Co., Greater Houston Partnership, Capital Metropolitan Transportation Authority and Houston & Gulf Coast Railroad.

These Joint Comments provide the Shell Companies position and recommendations regarding the Consensus Plans and certain elements of the BNSF plan. Shell reserves comment on the balance.

Support for the Shell recommendations which follow is found in the Verified Statement of David L. Hall, attached hereto.

III - SHELL RECOMMENDATIONS REGARDING REQUESTS FOR NEW CONDITIONS

CONSENSUS PLAN

Shell recommends adoption and implementation, with modifications as noted below, of the Consensus Plan proposed by representatives of the Chemical Manufacturers Association (CMA), Society of Plastics Industries (SPI), Texas Chemical Council (TCC), Texas Railroad Commission (TRC), Texas Mexican Railway Company (Tex Mex), and the Kansas City Southern Railway Company (KCS). The STB should:

- Permanently adopt the following provisions of Emergency Service Order No. 1518 dated October 31, 1997, as extended by Supplement 1 issued December 4, 1997 and Supplement 2 issued February 25, 1998, collectively referred to as ESO 1518 herein;
  - ◊ Issue permanent authority to the Tex Mex to receive and transport any traffic to or from shippers served by The Port Terminal Railway Company (PTRA) or the former Houston Belt & Terminal Railway Company (HBT), as granted temporarily under ESO 1518. This would remove the requirement imposed in Decision No. 44 of the UP/SP merger which denied Tex Mex access to such traffic unless it had prior or subsequent movement on the Tex Mex between Corpus Christi and Laredo.
  - ◊ Establish permanent Tex Mex trackage rights over the UP between Placedo and Algoa, Texas and over the BNSF between Algoa and

TN&O Junction with a trackage rights fee equivalent to that established for BNSF over UP track in UP/SP Merger Decision No. 44.

- Restore neutral switching lost in Houston with the dissolution of HBT by UP and BNSF and open the Houston/Gulf Coast region to competition. With PTRA as the neutral switch carrier, the neutral switching area should include;
  - ◊ All industries and trackage served by the former HBT.
  - ◊ All industries and trackage served by the PTRA.
  - ◊ All shippers located on the former SP Galveston Subdivision between Harrisburg Junction and Galveston.
  - ◊ Galveston over both the UP and former SP routes between Houston and Galveston, and including all industries located along these lines.
- Grant PTRA access to the former SP and UP yards at Strang and Galveston to facilitate service to local industries, as well as the switching and classification of rail cars for those railroads which interchange with PTRA.
- Require neutral dispatching, located, managed and administered by the PTRA within the neutral switching area.
- Grant all railroads serving Houston terminal trackage rights over all tracks within the neutral switching area to enable PTRA to route trains in the most efficient manner.
- Require UP and BNSF to restore the Port of Houston Authority as a full voting member of the PTRA Board and add the Tex Mex to the PTRA Board.

- Facilitate the sale by UP to Tex Mex of the former SP line between Milepost 0.0 at Rosenberg and Milepost 87.8 at Victoria, Texas. While the Consensus Plan advocates requiring UP to sell this track, Shell would prefer the parties agree to the transfer of this asset at a mutually acceptable price. If no such agreement can be reached the matter should be submitted to arbitration.
- Require reconstruction of the Rosenberg to Victoria line by Tex Mex and grant UP and BNSF trackage rights over that line when completed.
- Grant Tex Mex trackage rights over the UP line between Milepost 87.8 and the UP Port Lavaca Branch at Victoria with a trackage rights fee equivalent to that established for BNSF over UP track in UP/SP Merger Decision No. 44.
- Require Tex Mex to relinquish current trackage rights on the UP Glidden Subdivision between Tower 17, Rosenberg and Flatonia upon commencement of Tex Mex operations over the Rosenburg-Victoria line as set forth above.
- Facilitate the sale by UP to Tex Mex of Booth Yard in Houston. While the Consensus Plan advocates requiring UP to sell this Yard, Shell would prefer the parties agree to the transfer of this asset at a mutually acceptable price, under mutually acceptable conditions. If no such agreement can be reached the matter should be submitted to arbitration.
- Facilitate Tex Mex/KCS construction of a new rail line along the right of way adjacent to the UP Lafayette Subdivision between Dawes and Langham Road in Beaumont and the subsequent exchange of this line for the UP Beaumont Subdivision between Settegast Junction, Houston and Langham Road,

Beaumont, with BNSF and UP trackage rights over Settegast Junction to Langham Road and Tex Mex trackage rights between Dawes and Langham Road. While the Consensus Plan advocates requiring UP to participate in this transaction, Shell would prefer the parties agree to the transaction under mutually acceptable conditions. If no such agreement can be reached the matter should be submitted to arbitration.

BNSF PLAN

Shell recommends adoption and implementation, with modifications as noted below, of the BNSF plan. The STB should:

- Grant BNSF overhead trackage rights over any UP line(s) necessary to eliminate a disadvantage imposed by UP dictation of directional operations on lines where BNSF has existing trackage rights. For example;
    - ◊ Grant permanent bi-directional trackage rights on Caldwell-Flatonia-San Antonio Line.
    - ◊ Grant permanent bi-directional trackage rights on Caldwell-Flatonia-Placedo Line.
- Establish neutral switching supervision of the Baytown/Cedar Bayou Branch.
- Establish neutral switching supervision of the Sabine/Chaison Branch.
- As part of a Houston Terminal area neutral switching district, assign PTRA operation on the UP Clinton Branch in Houston (Houston Elevator).

IV - CONCLUSIONS

Shell supports the railroad realignment proposal for Houston and the Gulf Coast Area that has been submitted by the Consensus Group. Shell has always advocated the need for rail competition to provide a level of service that meets the shipping public's need, consistent with a reasonable level of rates that adequately compensates the railroads performing the service. We feel there is a definite need for the Tex Mex to have access to Houston Terminal shippers. And by access, we mean equal access and not being treated like a "step child". To insure everyone has an equal opportunity, the Board needs to assign the PTRA to perform neutral switching and dispatching in the Houston Terminal. However, we do not advocate the seizure of property to accommodate this railroad realignment.

Shell also supports the BNSF's general principle of being granted directional trackage rights when and where the UP unilaterally imposes "directional operations". The BNSF must be permitted to "go with the flow" and opposed to "swimming upstream".

Finally, Shell believes that the principles of competition can best be advanced through access to a third railroad, neutral switching and neutral dispatching, and not through solutions crafted solely for individual industry shippers.

Respectfully submitted.

SHELL CHEMICAL COMPANY
For itself and as Agent for Shell Oil Company
By its Manager of Products Traffic

Brian Felker

Brian P. Felker
One Shell Plaza
Houston, Texas 77252

Dated: September 17, 1998

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of September, 1998, copies of the Joint Comments of Shell Oil Company and Shell Chemical Company were served by first class mail, postage prepaid, in accordance with the rules of the Surface Transportation Board on Arvid E. Roach II, Esq., Covington & Burling, Administrative Law Judge Stephen Grossman, Federal Energy Regulatory Commission and all other parties of record.

Brian Felker

Brian P. Felker
Manager of Products Traffic
Shell Chemical Company
One Shell Plaza
Post Office Box 2463
Houston, Texas 77252

BEFORE THE

SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760
UNION PACIFIC CORP., ET AL. – CONTROL & MERGER –
SOUTHERN PACIFIC RAIL CORP., ET AL.
HOUSTON/GULF COAST OVERSIGHT PROCEEDING

(Sub-No. 26) Houston/Gulf Coast Oversight Proceeding

(Sub-No. 28) Burlington Northern and Santa Fe Railway Company—
Terminal Trackage Rights—Texas Mexican Railway Company

(Sub-No. 29) Burlington Northern and Santa Fe Railway Company—
Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area

(Sub-No. 30) Texas Mexican Railway Company, et al.—
Request For Adoption of Consensus Plan

VERIFIED STATEMENT

OF

DAVID L. HALL

I - IDENTIFICATION AND QUALIFICATIONS OF AFFIANT

My name is David L. Hall. I am President of COMMONWEALTH CONSULTING ASSOCIATES, with offices at 13103 F.M. 1960 West, Suite 204, Houston, Texas, 77065. COMMONWEALTH CONSULTING ASSOCIATES provides management consulting services, including practice areas in logistics and information systems. A detailed statement of my qualifications may be found in Appendix A hereto.

II - INTRODUCTION

This Verified Statement is submitted in support of the positions of Shell Oil Company and/or Shell Chemical Company "for itself and as agent for Shell Oil Company" (hereinafter jointly referred to as "Shell"), as set forth above by Brian P. Felker. The Joint Comments are in response to the requests for new conditions filed by certain parties of record[1] on July 8, 1998 which were accepted for consideration by the Surface Transportation Board (Board or STB) in its decision served August 4, 1998 in Finance Docket No. 32760 (Sub-No. 26), Union Pacific Corp., et al. -- Control & Merger -- Southern Pacific Rail Corp., et al., Houston/Gulf Coast Oversight Proceeding.

[1] Commonwealth received requests for new conditions filed by The Consensus Group (The Chemical Manufacturers Assoc., The Railroad Commission of Texas, The Texas Mexican Railway Company, The Society of the Plastics Industry, Inc., The Texas Chemical Council, and The Kansas City Southern Railway Company), The Burlington Northern & Santa Fe Railway Company, E. I. DuPont de Nemours and Co., Dow Chemical Co., Formosa Plastics Corp., Central Lighting & Power Co., Greater Houston Partnership, Capital Metropolitan Transportation Authority and Houston & Gulf Coast Railroad.

III - SCOPE OF JOINT SHELL COMMENTS

The comments of the Shell Companies address the requests for new conditions which were submitted by (1) the Texas Mexican Railway Company (Tex Mex), Kansas City Southern Railway Company (KCS), certain shipper and governmental interests (jointly referred to herein as "Consensus Group"); (2) the Burlington Northern and Santa Fe Railway Company (BNSF); and (3) certain individual shippers.

The Board assigned Sub Numbers in the instant Docket to the requests for new conditions which it accepted for consideration. The Docket Sub Numbers are addressed in the Sections of this Statement as follows:

> IV - CONSENSUS PLAN; *(Sub-No. 30) Texas Mexican Railway Company, et al.—Request For Adoption of Consensus Plan*
>
> V - THE BURLINGTON NORTHERN SANTA FE RAILROAD APPLICATIONS; *(Sub-No. 28) Burlington Northern and Santa Fe Railway Company—Terminal Trackage Rights—Texas Mexican Railway Company* and *(Sub-No. 29) Burlington Northern and Santa Fe Railway Company—Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area*

The Tex Mex and KCS plan to rehabilitate the line between Rosenberg and Victoria, Texas was assigned Sub-No. 27, Texas Mexican Railway Company and Kansas City Southern Railway—Construction Exemption—Rail Line Between Rosenberg and Victoria, TX by the Board. This plan for submitted by the Consensus Group under Sub-No. 30 and my comments regarding that plan are found in Section IV below.

The Houston and Gulf Coast Railroad submitted a proposal for trackage rights and forced line sales which the Board accepted for consideration as (Sub-No. 31) Houston &

Gulf Coast Railroad—Application for Trackage Rights and Forced Line Sales. Shell reserves comment on this proposal at the present time.

The Capital Metropolitan Transportation Authority submitted a request for limited remedial conditions which the Board accepted for consideration as (Sub-No. 32) Capital Metropolitan Transportation Authority—Responsive Application—Interchange Rights. Shell reserves comment on this proposal at the present time.

Several shippers submitted individual plans to enhance access to competition at specific plant sites. Shell reserves comment on the specifics of these plans at this time. It is Shell's position that all shippers will benefit if true rail to rail competition is re-introduced to the Houston Gulf Coast Region by providing access to a third linehaul railroad, reinstituting neutral switching and introducing neutral dispatching.

IV - CONSENSUS PLAN;

(Sub-No. 30) Texas Mexican Railway Company, et al.— Request For Adoption of Consensus Plan

The request for adoption of new conditions submitted by the Consensus Group, styled, and referred to hereinafter, as Consensus Plan, was assigned Sub Number 30 of the instant Docket by the Board. The Consensus Plan is evaluated by the individual item numbers as submitted by the Consensus Group.

ITEM 1(a) - Remove the restriction which prohibits Tex Mex from moving traffic between Corpus Christi/Robstown and Beaumont, Texas other than that traffic which has a prior or subsequent movement on the Tex Mex between Corpus Christi/Robstown and Laredo.

When the Board approved the UP/SP merger, a condition of that approval granted the Tex Mex trackage rights which permitted them to serve Houston area shippers and/or consignees. However, a restriction was added to the trackage rights granted the Tex Mex which limited the Houston area traffic it could handle to that which had a prior or subsequent movement over the Tex Mex Corpus Christi-Laredo line.

With the advent of the UP/SP service problems after the merger, eventually resulting in issuance of STB Emergency Service Order (ESO) 1518, this restriction was removed and Tex Mex was permitted to serve any shipper and/or consignee in the Houston Terminal that was switched by either the PTRA and/or the HBT.

Permanent removal of this restriction is crucial if we are to restore true rail to rail competition in the Houston/Gulf Coast area. At the present a duopoly exists in the Houston Gulf Coast Region, as in much of the western United States, with nearly all of the rail traffic divided up between UP and BNSF. In actuality the Houston Gulf Coast is closer to a true monopoly with UP controlling 9 of the 11 mainlines serving Houston.

The addition of the Tex Mex to the Houston market without restrictions on the class of customer served will promote rail to rail competition in the Houston Gulf Coast Region. This increased competition will benefit shippers and railroads alike, including the UP/SP and the BNSF.

ITEM 1(b) - Maintain the trackage rights granted to Tex Mex over the UP Algoa Route and over the BNSF between Algoa and TN&O Junction.

The Tex Mex trackage rights from Corpus Christi/Robstown to Beaumont require it to traverse a circuitous route. The trackage rights granted Tex Mex by the Board from Robstown to Houston (an east-northeast movement) require the Tex Mex to operate over the old Southern Pacific (SP) Sunset Line. To reach that line Tex Mex must head north-northwest out of Placedo through Victoria to Flatonia before heading east to Houston over the Sunset Line.

In addition to the handicap faced by Tex Mex trying to handle Laredo to Beaumont traffic over a circuitous route, there is significant congestion on the Sunset Route. Being forced to travel one of the UP's most heavily congested traffic lanes into and out of Houston is a further handicap to the Tex Mex providing efficient and cost effective service from Laredo to Beaumont.

In November 1997 the UP initiated directional routing to facilitate movement over its Brownsville Subdivision. In so doing UP severely impaired both the Tex Mex and BNSF operations to the Laredo gateway. Both railroads were experiencing delays of as much as 24 hours waiting for permission from the UP to move their trains against the now uni-directional flow of the UP.

Implementation of directional running could have been a positive step for all shippers, consignees and railroads in the Houston Gulf Coast Region by helping to relieve congestion. However, the UP refusal to grant the Tex Mex and the BNSF directional trackage rights to accommodate their revised operations contributed to the congestion in the region. Rather than act in a reasonable fashion, even in an emergency situation where Houston was almost in gridlock, UP abused its monopoly power by implementing directional operations to the detriment of BNSF, Tex Mex and the shippers and consignees in the Houston area. It took ESO 1518 to give both the BNSF and the Tex Mex trackage rights over the Algoa route and subsequently facilitate the UP's directional running south and west of Houston.

To help relieve the congestion in the Houston Gulf Coast Region caused by the UP service meltdown, the Tex Mex was granted temporary trackage rights, under the provisions of ESO 1518, between Placedo and Algoa (UP Algoa Route). To accommodate the directional running implemented by UP, Tex Mex was later given trackage rights, under the same service order, between Algoa and T&NO Junction on the BNSF.

The Consensus Group is requesting the Tex Mex be granted permanent trackage rights between Placedo and Algoa (UP) and Algoa and T&NO Junction (BNSF).

Shell concurs with the Consensus Group that the Tex Mex should be granted permanent trackage rights over the Algoa Route, and then Algoa to TN&O Junction, to insure efficient operation for all carriers. The trackage rights granted as a condition of the UP/SP merger are based on a circuitous routing which is counterproductive in terms of transit time, use of fuel, labor and other resources.

In addition, directional running cannot be implemented effectively where one or more carriers are forced to go against the directional flow of the UP. Because of the UP arrogance engendered by its monopoly position, it took ESO 1518 to give both the BNSF and the Tex Mex trackage rights over the Algoa route and subsequently facilitate the UP's directional running south and west of Houston. Permanent trackage rights, such as those requested by the Consensus Group would add to the efficiency of rail operations in the Houston Gulf Coast Area and reduce the ability of UP to abuse its monoply position in the region.

ITEM 2 - Restore neutral switching in Houston by granting PTRA trackage rights over the old HBT Lines and use of appropriate yards.

For over 90 years Houston shippers and consignees were able to avail themselves of neutral switching in the Houston area. However, the duopoly of UP/SP and BNSF unilaterally stopped neutral switching with the dissolution of the HBT.

Since the dissolution of the HBT, UP mismanagement of the switching in the Houston area has exacerbated congestion and foreclosed competitors from efficient movement of cars through the Houston terminal area.

For example, the Tex Mex must currently interchange their PTRA traffic to the UP at Congress Yard, which is located on the old West Belt in the downtown Houston area, rather than to interchange the traffic directly to the PTRA at Basin Yard. The subsequent UP movement of the Tex Mex traffic from Congress Yard to Basin Yard for interchange to the PTRA is an extremely low priority.

As a shipper who is served by the PTRA and ships via the Tex Mex, Shell has experienced the delays associated with UP neglect of this crosstown switch. UP is concerned first and foremost with attempting to move their own traffic and so understandably does not place priority on delivering the traffic of other railroads. UP does not allow Tex Mex to deliver traffic directly to the PTRA on the East Belt at Basin Yard because of the congestion in that area.

In a Verified Statement submitted by Harlan Ritter of KCS, in support of the Consensus Plan, Mr Ritter highlights, at page 6, other problems that the Tex Mex has experienced with switching service provided by UP;

- Lost and misrouted cars.
- Loaded cars that the Tex Mex interchanged to the UP and which UP subsequently returned to the Tex Mex in interchange as an empty, when in fact the car was never delivered to consignee to unload;
- UP unwillingness to locate Tex Mex cars in the terminal area and to switch them to a customer, forcing Tex Mex to locate a car from outside the terminal area and interchange it to UP for delivery to the Tex Mex's shipper; and
- Empty cars that were interchanged to the UP by the TexMex for delivery to a Tex Mex customer's plant for loading, were appropriated by the UP and given to its customer for loading and shipment over the UP, leaving the Tex Mex customer waiting for delivery of an empty car.

BNSF traffic is also affected negatively by both the congestion which has resulted from the inability of the UP to switch the Houston Terminal area and the precedence UP has given its own traffic following the dissolution of the HBT. BNSF problems are aggravated by the refusal of UP to allow the use of alternate routes, even when they are available, in order to avoid congestion.

For example, in the Verified Statement submitted by Mr. Ernest L. Hord in the BNSF Application for Remedial Conditions, Mr. Hord states, at page 20 "UP will not permit BNSF to use alternate routes, even though they are available unless prior trackage rights agreements are in place with respect to those routes." While this would seem to be a reasonable request, the arrogance engendered by the monopoly position UP enjoys in the Houston area results in decisions which penalize railroad customers as well as competitors.

This attitude is counterproductive for shippers, consignees and railroads in the Houston /Gulf Coast area as well as contributing to the continuation of the grid lock that has gripped the west since the UP/SP merger. Neutral switching would eliminate the favoritism which is now shown UP traffic, to the detriment of its competitors.

Neutral switching has worked in major railroad terminals such as Chicago and St. Louis for many years. In addition, in the acquisition of Conrail, CSXT and NS are implementing neutral switching through the creation of Conrail Shared Asset Areas. Neutral switching is a key ingredient to restoring competition to the Houston Gulf Coast Area.

ITEM 3 - Expand the neutral switching area by granting PTRA trackage rights between Harrisburg Junction and Galveston and the use of rail yards at Strang and Galveston.

Shell has a plant located in Deer Park which is already served by the PTRA. Shell supports this item of the Consensus Plan because rail to rail competition would be facilitated by expanding the neutral switching area to serve shippers on the Houston Ship

Channel. Enhanced competition would benefit all shippers in the area through improved service.

The use of Strang Yard is a key for the efficient handling of traffic to and from the Ship Channel. Trains can be made up and shipped directly from Strang and empties can be returned directly to Strang thereby eliminating and bypassing the major yards in Houston, which have been a cause of the bottleneck and gridlock in the Houston Terminal.

ITEM 4 - Require neutral dispatching in the Houston neutral switching area, to be located, managed and administered by the PTRA.

Neutral dispatching and neutral switching go hand-in-hand. A neutral switching area without neutral dispatching is an invitation for preferential treatment of the dispatcher's traffic. Discrimination in dispatching is inevitable where neutral dispatching is not established. The Consensus Plan and BNSF filings are replete with allegations of UP discrimination.

Neutral dispatching is essential to fair and unfettered rail to rail competition. Fair and unfettered competition will maximize service efficiencies and eliminate instances of gridlock such as have occurred under UP monopoly of Houston Terminal switching and dispatching.

ITEM 5 - Expand the PTRA Board to four (4) members, including the Tex Mex and the Port of Houston as full members of the PTRA Board.

The proposed Board would guarantee that the operations of the PTRA with respect to neutral switching and dispatching would be fair to all three of the linehaul railroads serving the Houston area. Inclusion of the Houston Port Authority would involve the organization representing a segment of the business community which helps plan for and facilitates the booming international trade segment of the Houston economy.

ITEM 6 - Require the UP to sell the old SP out-of-service line between Rosenberg, TX and Victoria, TX and grant two miles trackage rights over the UP, to the UP's Port Lavaca Branch.

It is the contention of the Consensus Group that the abandonment of this line, granted the SP by the Interstate Commerce Commission, was never consummated. The Consensus Group contends that the Board therefore has jurisdiction over the line and should require that it be sold to Tex Mex under reasonable terms and conditions.

Tex Mex proposes to upgrade this line and use it in lieu of the trackage rights granted in the UP/SP merger from Victoria to Flatonia and then on to Houston over the Sunset Route. This new route would add additional capacity to the Houston Gulf Coast Area railroad infrastructure. In addition, Tex Mex would reduce the circuity of its route from Laredo to Houston and avoid the heavily traveled Sunset Route. The rehabilitation of this line would eliminate circuitous routing miles by 16 % between Houston and Laredo. This line would also be of benefit for directional routing that is being implemented by the UP.

UP has indicated a willingness to sell the line and has negotiated with Tex Mex concerning the purchase price. The UP offer to sell, however, is significantly higher than the Tex Mex offer to buy.

Shell concurs that upgrading the track between Rosenberg and Victoria will enhance Houston Gulf Coast railroad operations and increase competition. Since the UP has offered to sell the line, Board involvement would not require forced divestiture, only facilitation of negotiation on sale price. As a last resort the parties could submit the matter of the sale price to binding arbitration.

ITEM 7 - Require UP to sell or lease an existing rail yard in Houston to Tex Mex.

At the present time there are thirty-three railroad yards in the Houston area. Of those thirty-three rail yards, UP operates twenty-one, PTRA operates eight and BNSF operates four. Tex Mex does not have access to a rail yard in Houston.

In order to function effectively a railroad must be able to classify and block cars to make up trains. In order to accomplish these tasks a railroad must have a yard of sufficient size to accommodate the activities involved.

At the present time the closest yard to Houston to which Tex Mex has access is located in Beaumont, TX. As such the Tex Mex is forced to take any traffic that they pick up in Houston to KCS yard in Beaumont where the freight is switched, classified and blocked for linehaul movement. Southbound traffic originating in Houston and moved for classification and placement in a train must then return through Houston. This is grossly inefficient and needlessly adds traffic to an already congested area.

The Consensus Plan requests that Booth Yard be made available to Tex Mex. We concur that Tex Mex needs access to a switch yard in Houston. However, as stated by Mr. Felker above, Shell does not advocate the taking of property to accomplish this objective.

The fact that Tex Mex does not have a yard in which to classify rail cars in the Houston area represents an oversight by the Board in the UP/SP merger decision. The Board should have imposed conditions in the UP/SP merger which provided Tex Mex with a rail yard to handle the Houston business which resulted from the trackage rights granted in the merger.

As previously mentioned a railroad is hard pressed to compete effectively without a switch yard. The granting of permanent trackage rights in the merger indicated the desire of the Board that Tex Mex become a viable competitor in Houston. It is now time to rectify the Board's oversight by making a switch yard available to the Tex Mex. This would be accomplished if the Board facilitated as sale or lease of Booth Yard to Tex Mex. If no agreement can be reached between Tex Mex and UP, the matter should be submitted to arbitration.

ITEM 8 - Permit the KCS/Tex Mex to build a new line on right of way of the UP Lafayette Subdivision from Beaumont to Houston, subject to certain conditions.

The Consensus Group proposes a plan whereby Tex Mex and KCS would build a new line adjacent to the existing UP Lafayette Subdivision line (on UP right-of-way) from Dawes, outside of Houston, to Langham Road near Beaumont. Upon completion of the new line the Tex Mex will deed the new line to the UP in exchange for the UP Beaumont Subdivision line from Settegast Junction outside of Houston to Beaumont. Tex Mex would retain trackage rights over Lafayette Subdivision between Houston and Beaumont while providing trackage rights to UP and BNSF over the Beaumont Subdivision line from Settegast Junction to Beaumont.

This item of the Consensus Plan would increase capacity between Houston and Beaumont and should increase competition as well. Both of these factors should lead to improved service and more efficient pricing.

IV - The Burlington Northern Santa Fe Railroad Applications

(Sub-No. 28) Burlington Northern and Santa Fe Railway Company—
Terminal Trackage Rights—Texas Mexican Railway Company

(Sub-No. 29) Burlington Northern and Santa Fe Railway Company—
Application for Additional Remedial Conditions Regarding Houston/Gulf Coast Area

As a result of the UP/SP merger, the BNSF was granted certain trackage rights over various UP routes with the objective of maintaining the same level of rail competition as existed prior to the merger. Shell supports BNSF efforts to retain its competitive position in the Houston Gulf Coast area.

In order to maintain that competitive position, the BNSF must be afforded the flexibility of modifying its trackage rights to facilitate the UP plan of directional operations. The BNSF must not be expected to rigidly adhere to their assigned trackage rights when the UP unilaterally imposes directional operations on tracks over which BNSF has been awarded trackage rights. To require BNSF to go against the UP directional flow runs counter to the objectives of directional operations.

The BNSF has requested permanent trackage rights on Caldwell-San Antonio and Caldwell-Flatonia-Placedo Lines. This request is justifiable based on the fact that the UP has initiated directional operations on these lines. If the Board does not concur with this request, the BNSF will be forced to go against the normal flow of traffic on the highly congested UP Temple-Smithville-San Antonio route and would have to route its southbound traffic back through Houston and then south over the Algoa route.

As a shipper who has a plant located in the Houston area, Shell would certainly not want BNSF be forced to route their southbound traffic through the Houston Terminal. Such a requirement would be detrimental to efforts to relieve congestion in Houston.

Further magnifying the negative impact of routing its traffic through Houston, BNSF would also be forced to go against the directional northbound flow that the UP has instituted on the Algoa route. Failure to grant the BNSF permanent authority over these two routes would waste an opportunity to alleviate a potential source of increased rail congestion in the Houston Gulf Coast region.

The BNSF has also requested that neutral switching supervision be established on the former SP Baytown Branch and Cedar Bayou Branch Lines. The BNSF was granted trackage rights to serve and switch shippers on these two branch lines directly. However, the plants and shippers located on these two lines want only one carrier to switch their facilities. As a result the BNSF interchanges its traffic consigned to customers located on these branch lines to UP at Dayton, TX. UP then provides local switch service. UP switching service has been unacceptable.

UP has also initiated directional operations on the Baytown and Cedar Bayou Branch Lines, which effectively destroys the BNSF's ability to deliver traffic under the trackage rights granted them. So, in effect, the BNSF and their customers on these branch lines are at the mercy of the UP. The inferior level of service provided by the UP on behalf of the BNSF has a direct effect on Shell's ability to move traffic into and out of Mt. Belvieu, TX.

The BNSF has a similar situation on the former SP Sabine Branch and Chaison Branch Lines. Even though the BNSF does not currently handle traffic on these two branch lines, they have indicated that they will start actively soliciting business on the lines. Like the Baytown and Cedar Bayou Branches, most customers on the Sabine and Chaison lines only want one carrier to switch their plant. Shell has a customer at

Chaison, TX and is certainly interested in having the BNSF providing rail competition to Chaison. But to have to rely on the UP to deliver BNSF shipments is tantamount to not having railroad competition on this branch line.

Shell, therefore, supports the BNSF request that the Board appoint a neutral switching supervisor that would oversee the operation of these branch lines. This will ensure that customers who desire to avail themselves of the BNSF service are able to do so without being penalized by UP's inefficient handling of the BNSF traffic.

The BNSF has also requested that the PTRA be allowed to perform neutral switching over the Clinton Branch in Houston. The BNSF is unable to provide the Houston Elevator, which is located on the Clinton Branch, with a timely, reliable and competitive service because they must rely on UP to deliver their grain trains to the elevator for them. The result is delayed deliveries, cars backing up and ultimately every shipper in the Houston Terminal being damaged by the resulting congestion.

This request can be accommodated under the Consensus Plan request for neutral switching and dispatching in the Houston Terminal.

VERIFICATION

COUNTY OF HARRIS)
) ss:
STATE OF TEXAS)

DAVID L. HALL, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and the same are true as stated.

Signed: ______________________
David L. Hall

Subscribed and sworn to before me this 17th day of September, 1998

____
Notary Public

My Commission expires:
10/24/2000

(SEAL)

ROSIE GREENBAUM
NOTARY PUBLIC
STATE OF TEXAS
My Comm. Exp. 10-24-2000

BACKGROUND AND QUALIFICATIONS

OF

DAVID L. HALL

My name is David L. Hall. I am President of COMMONWEALTH CONSULTING ASSOCIATES (COMMONWEALTH), with offices at 13103 FM 1960 West, Suite 204, Houston, Texas, 77065. COMMONWEALTH provides management consulting services, including practice areas in logistics and information systems.

With COMMONWEALTH I have conducted and supervised numerous transportation cost and operational analyses for clients in various industries to aid in the determination of reasonable rate levels. We assist shippers in obtaining reasonable rail transportation rates by determining target rate levels based on movement specific cost analyses, identifying significant differences between those targets and the rates in effect, and providing negotiating tools and strategies which assist the client in achieving target rates.

I have performed benchmark analyses and process redesign studies for clients to assist them in employing best practices and streamlining operations. In these studies we work with distribution service providers to squeeze excess costs from the system to the benefit of both carrier and shipper.

I also developed the Commonwealth Rail Costing System© (CRCS©) a copyrighted rail rate and cost analysis software package which runs under Microsoft Windows and includes three cost development models, a Data Manager, and a Report

Generator. CRCS allows the user to evaluate current rates, generate target rates, project annual rail transportation savings and establish company-wide metrics.

Before establishing COMMONWEALTH CONSULTING ASSOCIATES, I was a Transportation Consultant with A. T. Kearney, Inc., Management Consultants, where I assisted in the implementation of the Kearney transportation costing system, as well as participated in transportation cost and operational analyses for various Kearney clients. Those studies included the movement of coal to public utilities, movements of phosphate rock in the Bone Valley of Florida, the movement of lime and soda ash from Missouri and Wyoming to a midwestern utility and the movement of building materials from Texas to midwestern and western plant locations. I also developed rail and inter-modal costs for Ohio River Basin export coal and nitrogenous fertilizers distributed from the Gulf of Mexico to farm belt states.

Prior to joining Kearney, I was employed by the Illinois Commerce Commission as a Transportation Financial Analyst. While employed by the Commission I served as case manager in investigations and proceedings pertaining to the regulation of railroads, motor carriers of passengers and motor carriers of freight. I analyzed cost and financial data submitted by proponents and protestants in Commission proceedings, and prepared cost studies to aid the Commission in the determination of transportation costs and proper rate levels. I also appeared as an expert cost and financial witness and participated in cross-examination of witnesses in various Commission hearings.

Prior to my association with the Illinois Commerce Commission, I was employed by M. L. Hall & Associates, Transportation Consultants, as a Cost Analyst. Some of my assignments while at M. L. Hall & Associates included; participation in an operational analysis of a subsidized railroad for the State of Michigan; development of data for use in Rail Form A, Rail Terminal Form F and Highway Form B costing applications; use of unit costs derived from the above mention cost formulae in development of movement costs for various railroads and shippers; participation in the 1978 operations study of the Port of Houston switching terminal and assistance in the development of costs using data derived from the Houston study; assistance in development of a cost system for the Association of American Railroads which was first used in a 1977 railroad general rate increase to develop revenues, costs and revenue/cost ratios for over 37,000,000 carloads of traffic; assistance in development of a cost model for the Illinois Commerce Commission to develop costs for single-car, multiple-car and trainload/unit-trains of coal.

I also held the position of Statistical Assistant with the firm of G. W. Fauth & Associates, Transportation Consultants. My duties included gathering data from various government agencies, trade associations, railroads and shippers for use in developing transportation costs for various modes.

In addition to preparation of the above studies and supporting documents which were submitted to various regulatory agencies, I also submitted testimony and exhibits in Docket No. 38336S, Niagara Mohawk Power Corporation, v. Consolidated Rail Corporation and Pittsburg & Shawmut Railroad, Ex Parte No. 347 (Sub-No. 2), Rate Guidelines—Non-Coal Proceedings, Dockets No. 41242, Central Power & Light Company v. Southern Pacific Transportation, No. 41295, Pennsylvania Power & Light Company v. Consolidated Rail Corporation, and No. 41626, MidAmerican Energy Company v. Union Pacific Railroad Company and Chicago and North Western Railway Company, collectively termed the "Bottleneck Case", Finance Docket No. 33388 CSX Corporation and CSX

Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company --Control and Operating Leases/Agreements-- Conrail Inc. and Consolidated Rail Corporation, Ex Parte No. 575, Review Of Rail Access And Competition Issues, Ex Parte No. 627, Market Dominance Determination—Product and Geographic Competition and Ex Parte No. 628, Expedited Relief for Service Inadequacies.

I graduated magna cum laude from the University of Richmond with a Bachelor of Science Degree in Business Administration and a double major in finance and economics. I earned a Master of Business Administration Degree from the University of Houston and have completed courses toward a Doctorate in Marketing Information Systems at the same institution.

March 20, 1998

Mr. Vernon A. Williams
Secretary
Surface Transportation Boa
Suite 700
1925 K Street N.W.
Washington, DC 20006

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

Dear Secretary Williams:

I am writing on behalf of Solvay Polymers, Inc. to advise the STB of our support for neutral switching and dispatching in the Houston area, as well as additional long term measures aimed at improving the flow of rail traffic in and around Houston. The Tex Mex and Kansas City Southern Railway Companies' recently proposed plan offers this opportunity and should be implemented in some form.

Solvay Polymers is a wholly-owned subsidiary of Solvay America, Inc. and a member of the worldwide Solvay group of companies. Our company manufacturers 2.4 billion pounds of high density polyethylene (HDPE) and polypropylene (PP) plastic resin annually at our Deer Park, TX manufacturing facility. Our principal means of product distribution is by railcar. We operate a fleet of more than 2700 privately owned covered hopper railcars. Since 100% of our plant's production is loaded into railcars, we are wholly dependent upon rail service to sustain our manufacturing operations and to meet our customer's supply needs. We make more than 13,000 rail shipments annually to more than 900 plastics processors located in every state, Canada and Mexico. Our success, and our customers' continued operation, depends upon reliable rail service.

We have patiently worked with each of the railroads, as well as through our trade associations and with the STB, and have allowed more than ample time to resolve these problems which stem from the UP-SP rail merger. Now it is time for the STB to exercise its merger oversight authority by taking action which will allow more competition, neutral switching for all carriers and stimulate the needed investment in rail infrastructure in the Houston area. We strongly believe that these three are essential elements of any long term solution.

Solvay Polymers continues to experience additional costs in excess of $100,000 per month as a direct result of the current rail service problems. In spite of all efforts taken to date, rail service continues to deteriorate. We need actions leading to long term solutions, not more band-aids, or empty promises of recovery.

As a Texas plastics shipper we understand the importance of ensuring the continued and expanding growth in trade throughout the NAFTA corridor. Having effective and competitive alternatives in south Texas is key to our competitiveness in NAFTA trade.

I, Mike Scherm, state that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Solvay Polymers, Inc., executed on March 20, 1998.

Sincerely yours,

Mike Scherm
Director of Logistics and Customer Service

191056

Southwest Industrial Terminals, Inc.

Packaging • Storage • Distribution

RECEIVED
SEP 8 1998
MAIL MANAGEMENT
STB

August 28, 1998

ENTERED
Office of the Secretary

SEP 10 1998

Part of
Public Record

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing to inform you of our company's strong support for the Plan filed by the Consensus Parties on July 8, 1998, to alleviate the service crisis in the Houston area.

Southwest Industrial Terminals, Inc. (SWIT) is a contract packaging and storage facility employing approximately 20 full time persons in Port Arthur, Texas. We have been a dependable rail customer for the past 18 years. Our company's core business is in the packaging of lube oil additives into 55 gallon drums for shipping destinations worldwide. Approximately 85% of the material received for packaging is delivered to SWIT by tank car, at a rate of approximately 250-300 tank cars annually. These materials are sourced from various locations throughout the United States and Canada. We are extremely dependent upon reliable and efficient rail service to support our core business activities.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. SWIT has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

SWIT has lost business as a result of UP's congestion in the Houston market area. We have not been able to reliably obtain materials sourced from the Houston market and subsequently have had many canceled orders due to lack of product supply. It is unknown whether these customers will ever return to us for their future supply needs.

If SWIT had the option of using an alternative rail carrier during UP's continuing service crisis, we would have thankfully turned to that other carrier. However, UP's dominance which they gained through merging with SP has forced us to remain with them despite their horrible service.

P.O. Box 396 • 645 Houston Ave. • Port Arthur, TX 77640 • (409) 982-6431 • Fax (409) 982-1961

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We fully endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region.

I, Brent Rozell, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Southwest Industrial Terminals, Inc., executed on August 28, 1998.

Sincerely,

Brent Rozell

Brent Rozell
Vice President, Operations

STAR SHIPPING, INC.

1100 B DAUPHIN STREET, MOBILE, AL 36604 • TEL. (334) 433-3800 • FAX (334) 434-6252 • TELEX 882822

Head Office: Bergen, Norway

Offices in: Saint John, NB; Atlanta, Georgia; Savannah, Georgia; Panama City, Florida; Long Beach, California; San Francisco, California; Portland, Oregon; Vancouver, B.C; Tokyo, Japan; Sydney, NSW; Singapore; Livorno, Italy; Antwerp; Rotterdam; Rio de Janiero

August 3, 1998

Hon. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, DC 20423-0001

Re: <u>Finance Docket No. 32760 (Sub-No. 30)</u>

Dear Secretary Williams:

Star Shipping applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

Star Shipping is an ocean carrier, operating approximately 80 vessels worldwide. Our company was formed in Norway in 1961, and we are one of the leading forest products carriers in the world. Our trade routes include major ports of the U.S. East Coast, Gulf Coast, and West Coast to and from Europe, the Mediterranean, Brazil and Pacific Rim countries. In 1996, our freight revenues totaled $710,000,000 for cargoes carried totaling 17.0 million metric tons. Fast and efficient rail service is absolutely vital to our customers, who are the shippers and receivers of the cargoes carried in our vessels.

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Star Shipping supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to Star Shipping's concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Raymond W. Zielke, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Star Shipping, executed on August 3, 1998.

Sincerely,

STAR SHIPPING, INC.

Raymond W Zielke

Raymond W. Zielke
District Manager

Mailing Address
P.O. Box 78588
Shreveport, LA
71137-8588

AEROPRES
CORPORATION

Administrative Offices: • 200 Petroleum Square Two • 1324 N. Hearne • Shreveport, LA 71107 • 318-221-6282 — FAX: 318-429-6739

**COMPETITION SUPPORT LETTER FOR CONSENSUS PLAN
TO SURFACE TRANSPORTATION BOARD**

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

I am writing on behalf of Aeropres Corporation, dba Stephens Butane to inform you of our strong support for the Plan filed by the Consensus Parties on July 8, 1998 to alleviate the service crisis in the Houston area.

The UPSP merger has created a severe service crisis thoughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Aeropres Corporation, dba Stephens Butane supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers have equal access to all of the carriers currently serving the area;
4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in The future.

These principles are central to Aeropres Corporation, dba Stephens Butane concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

Hon. Vernon A. Williams
Surface Transportation Board
Re: Competition Support Letter for Consensus Plan
Page Two

I, Mickey R. Walker, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Aeropres Corporation, dba Stephens Butane, executed on the 31st day of July 1998.

Sincerely,

AEROPRES CORPORATION
DBA STEPHENS BUTANE

Mickey R. Walker

Mickey R. Walker
Vice President-Finance

MRW/gba

Tessenderlo
KERLEY

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

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

Tessenderlo Kerley, as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

Tessenderlo Kerley, a fertilizer manufacturer, ships from numerous plants in the United States, and ships railcars over the West Coast to terminals and customers.

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Tessenderlo Kerley supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

Tessenderlo Kerley, Inc • P. O. Box 11589, Phoenix, Arizona 85061-1589
2801 West Osborn Road, Phoenix, Arizona 85017-5024
Tel. (602) 528-0600 • Fax (602) 528-0683

These principles are central to Tessenderlo Kerley's concerns. We urge you to bear them in mind as your proceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Stan Polwort, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Tessenderlo Kerley, executed on August 19, 1998.

Sincerely,

Thermoplastic Services, Inc.

TSI

DeQuincy, Louisiana

P.O. Box 1024
Hwy. 12 West
DeQuincy, LA 70633

HDPE, PP, PS, LLDPE
Telephone: (318)786-7022
Fax: (318)786-3280

09/29/98

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-001

Re Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams,

My company, Thermoplastic Services, Inc. has suffered a great deal of economic hardship due to the UP-SP merger. This letter is a plea to the Surface Transportation Board to strongly consider the Plan filed by the consensus parties.

We are a plastics manufacturing company selling over 5 million pounds of product per month. A great deal of this material is moved by rail. Being comparatively small, we can not afford the economic burdens as a result of this merger. The plastics market is in the worst shape in 25 years and the following examples show ways that poor rail service could put our company out of business:

> We purchased a car of Linear Low Density Polyethylene in car ECUX 847109. This car was shipped from Dallas, Texas on 7/2/98. It did not reach C&D Warehouse until 8/6/98! The price for this product dropped daily while we waited for the car to travel this short distance. Because of this terrible delay we lost our order for the product. We still have not been able to replace our customer. This has resulted in demurrage on the car, interest on the money borrowed to purchase the car, and the sales expense of two of our salesmen trying to re-sell the product.
>
> The following cars were purchased from Montell Bayport, TX in August for one of our accounts and shipped across town to Packwell Warehouse:

Car	Ship	Receipt
HPIX 50777	8/5/98	8/17/98
MLLX 97667	8/5/98	8/17/98
MLLX 98405	8/19/98	8/28/98

MLLX 97814	8/31/98	9/10/98
MLLX 97531	8/31/98	9/10/98
MLLX 98307	8/31/98	9/10/98
MLLX 10600	8/31/98	9/17/98

This is an exceptionally long period of time to go approx. 20 miles. We are invoiced on 45-day terms from our supplier from the date that the car is shipped. Our customers have 45 days from the receipt of the product. We sometimes pay for cars moving on the UP/SP line before they even reach the customer. This is devastating to a small company like ours especially with the plastics industry in its current state.

Since there is currently a monopoly in the Houston area, we have no recourse, or alternate rail carriers. We have had to go to more expensive (and less safe) box vans and bulk trucks where we possible, but some customers require material in railcars. We are trapped.

We strongly need the competition that is set forth in the Consensus Plan. Without it our company and many others like it will be crippled. I hope that you will give your support to this fair and competitive proposal.

Sincerely,

Ashley Wade

Ashley Wade
Vice President, Operations

I Ashley Wade, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Thermoplastic Services, Inc., executed on Tuesday, September 29, 1998.

TRANSPORTATION
CONSULTANTS
INC.

DRAFT
SUPPORT LETTER FOR CONSENSUS PLAN
TO SURFACE TRANSPORTATION BOARD

TCI Trucking and Warehousing
Container Transloading
Management Service

Hon. Vernon a. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, DC 20423-0001

<u>Re: Finance Docket No. 32760 (Sub-No. 80)</u>

Dear Secretary Williams:

I am writing on behalf of Transportation Consultants, Inc., for the Consensus Plan filed on July 8, 1998.

We are a freight transportation broker handling shipments from the Port of New Orleans. We ship baler twine, lumber and steel products. We ship to farmer's coop stores in the Kansas, Nebraska, Missouri, Minnesota, Virginia, Kentucky, and some Canadian cities. We ship approximately 900 loads a year with approximately 150 going via the railroad. Our importers spend approximately $250,000.00 per year, plus another $800,000 per year with trucking and barging services.

The service meltdown resulting from the UP/SP merger is unprecedented in all aspects. TCI has suffered economic damages, experienced inconsistent service and unparalleled delays in service. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers to alleviate the service crisis.

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8. We endorse their plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic through Houston;

3. Ensuring that all shippers in Houston have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness of the Houston Ship Channel by ensuring that adequate rail service alternatives exist there in the future.

[illegible] Avenue, [illegible], LA [illegible] Fax [illegible]

TRANSPORTATION CONSULTANTS INC.

TCI Trucking and Warehousing
Integrated Transportation
Management Service

These principals are central to our concerns and are thoroughly addressed by the Consensus Plan. We strongly encourage you to pay utmost attention to the Consensus Plan, the broad-base of parties which support it, and the fair and competitive proposals which are promoted by it.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Jack C. Jensen, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Transportation Consultants, Inc. executed on October 1, 1998.

Sincerely,

Jack C. Jensen

[illegible] Avenue, Harahan, LA 70123 (504) 734 [illegible] Fax (504) 734 [illegible]

ULTRAMAR DIAMOND SHAMROCK
CORPORATION

August 6, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Room 711
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 32760 (Sub-No. 30)

Dear Secretary Williams:

Ultramar Diamond Shamrock, as a shipper, applauds your decision to institute a new proceeding as part of the five-year oversight condition imposed in the Union Pacific/Southern Pacific merger decision to examine requests made for additional remedial conditions to the merger.

Ultramar Diamond Shamrock is a producer and marketer of petrochemicals with headquarters in San Antonio, Texas. We employ approximately 24,000 people throughout our system and have annual sales in the neighborhood of ten billion dollars. Annual freight expenditures exceed fifty million dollars.

We have manufacturing facilities in Quebec, Michigan, Colorado, California, Oklahoma and Texas. The Texas, Colorado and Oklahoma facilities have all been affected by the UP service meltdown. Our Mont Belvieu, Texas plant just east of Houston has been severely impacted by congestion in the Houston terminal area, through which more than 600 rail cars of propylene from multiple suppliers must pass each month. This traffic will increase to nearly 700 cars following the completion of our expansion project at the end of this September. Fluid, uninterrupted train operations throughout the Houston area is vital to the successful operation of our Mont Belvieu facility. We cannot receive products by barge and the volume of the product deliveries and distance involved make trucking impractical and too costly.

The UP/SP merger has created a severe service crisis throughout the country. The Surface Transportation Board ("Board") has rightfully recognized UP's inability to solve the problem and the Board has been wise to implement their oversight powers.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur. Ultramar Diamond Shamrock supports the idea of:

1. Expanding rail capacity and investment by all the existing carriers;

2. Providing neutral and fair dispatch of all rail traffic;

3. Ensuring that all shippers have equal access to all of the carriers currently serving the area; and,

4. Protecting the future competitiveness by ensuring that adequate rail service alternatives exist in the future.

These principles are central to Ultramar Diamond Shamrock's concerns. We urge you to bear them in mind as your preceeding goes forward.

Thank you again for your responsive action in initiating this proceeding and we will watch closely as it unfolds in the weeks ahead.

I, Steve Geneva, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Ultramar Diamond Shamrock, executed on August 6, 1998.

Sincerely,

Steve Geneva

Steve Geneva
General Manager Transportation

191057

ENTERED
Office of the Secretary

SEP 10 1998

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Union Camp

Philip G. Sido
Director of
Transportation

1600 VALLEY ROAD, WAYNE, N.J. 07470 TELEPHONE 973-628-2321 FAX 973-628-2314

September 3, 1998

RECEIVED SEP 8 1998 MAIL MANAGEMENT STB

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

RE: Finance Docket No. 32760 (Sub-No.30)

Dear Secretary Williams:

I am the Director of Transportation and Logistics for Union Camp Corporation and am writing on its behalf to endorse the Surface Transportation Board's decision to implement a new proceeding as part of the five year oversight condition imposed in the Union Pacific/Southern Pacific merger decision. Additional corrective conditions to the merger are needed to enhance competition and access.

Union Camp and its subsidiary companies have operations in more than forty countries, employ about 19,000 people world wide, own and manage 1.6 million acres of woodlands in the US and had revenues of 4.5 billion dollars in 1997. Union Camp utilizes boxcars, tank cars, center beam lumber cars, gondolas and chip hoppers to transport inbound raw materials and finished products throughout the US, Mexico and Canada. The UP/SP merger has resulted in service disruptions on our shipments of forest products and related chemical products through the UP/SP territories but it has also adversely affected our rail traffic east of the Mississippi River. We have experienced a short fall in equipment due to cars being tied up on the UP system and our working capital has been adversely impacted due to slow and inconsistent transit to our customers throughout the UP system.

Union Camp supports the Consensus Plan filed by the Consensus Parties on July 8, 1998 to alleviate the service crisis in the Houston area which should also streamline traffic coming in to, and out of, this entire Texas region. Union Camp also firmly believes that it, and all shippers, should have service choice and routing options by increasing the opportunities for short line rail carriers to participate in not only UP's rail traffic but all Class I carriers traffic. The Class I railroad mergers have often resulted in "paper barriers" being written in to line sales agreements and pricing policies of the merged railroads. These paper barriers and pricing policies have

E-Mail: phil_sido@ucamp.com