severely restricted the ability of short lines to offer competitive, efficient routing and cost competitive service. Short line carriers that are limited in their ability to route traffic or use connections that may be more efficient and cost competitive by the imposition of these paper barriers result in inefficiencies that do not serve the shipping community or the public at large.

We support the Consensus Plan because it assures shippers of having equal access to carriers, expands rail capacity investment by all existing carriers and would move towards the reduction on paper barriers which limit the access and competitive alternatives short lines should offer.

Thank you for your responsive action in initiating this proceeding as we believe it will increase the competitive options that are available to shippers using the UP/SP rail system. Increased competition and access to more railroads should lead to higher quality and efficient rail service.

I, Philip Sido, 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 Union Camp Corporation executed on September 3, 1998.

Respectfully submitted

Philip G. Sido

19 1001

UNION CARBIDE

UNION CARBIDE CORPORATION

39 OLD RIDGEBURY ROAD, DANBURY, CT 06817-0001

August 27, 1998

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

Dear Secretary Williams:

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

I am writing on behalf of Union Carbide 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 the Houston area.

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. We need more than a short term fix. We need a long term solution to the service problems in south Texas. Union Carbide 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.

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, Robert H. Baxter, 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 Union Carbide Corporation, executed on August 27, 1998.

Very truly yours,

UNION CARBIDE CORPORATION

Robert H. Baxter
Manager - Overland/Air Transportation
Equipment and Services Purchasing

RHB:peo

19133

Willamette Industries, Inc.
Executive Offices

1300 S.W. Fifth Ave., Suite 3800
Portland, OR 97201
(503) 227-5581

September 22, 1998

ENTERED
Office of the Secretary
SEP 24 1998
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RECEIVED
SEP 23
MAIL
MANAGEMENT
STB

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 Mr. Williams:

Please find enclosed original verified statement regarding Finance Docket No. 32760 (Sub-No. 30).

Thank you for the opportunity to make comments and to be a party of record in this proceeding.

Sincerely,

Michael D. Salvino
Director of Transportation

MDS/mr

BEFORE
THE
SURFACE TRANSPORTATION BOARD

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

FILED ON BEHALF

OF

WILLAMETTE INDUSTRIES, INC.

DATED: September 22, 1998

BY: MICHAEL D. SALVINO
DIRECTOR OF TRANSPORTATION
WILLAMETTE INDUSTRIES, INC.
1300 SW FIFTH AVENUE, #3700
PORTLAND, OR 97201

VERIFIED STATEMENT

OF

MICHAEL D. SALVINO

INTRODUCTION

My name is Michael D. Salvino, Director of Transportation for Willamette Industries, Inc., a Fortune 500 company that manufactures and sells paper and building material products. Willamette Industries operates 103 plants in 22 states, Mexico, Ireland and France, and employs over 13,000 people. Nearly all of our 103 plants ship or receive by rail. 33 of our plants are served by Union Pacific or affiliated short lines. We also have 9 plants served by Kansas City Southern in Louisiana.

I have been with Willamette Industries for ten years and I direct the Transportation Department. I have a combined 16 year background in forest products transportation as a shipper. I have a Master of Business Administration degree from Portland State University and a Bachelor of Science degree from Willamette University.

STATEMENT OF POSITION

Willamette Industries is very concerned with overall service levels worsening on our nation's freight rail system. We correlate this worsening of service levels to a lack of competition as consolidation of railroads have occurred through mergers. Thus, we support regulatory changes which would increase competition in our nation's freight railroad system.

DISCUSSION

1. We have seen worsening service levels throughout the country not confined to a single carrier or region. We have observed this condition as applying mostly to local switch service on manifest (single carload) traffic. All of the Class I railroads have cut personnel to the detriment of local switch service. It is very common to have a backlog of loads on constructive placement due to a railroad not providing a daily scheduled switch service. Within the last 60 days we have had this condition of backlogs occurring on several of our plants served by UP, BNSF, CSX, NS and KCS. Missed switches at our plants are increasing in their frequency.

2. We have seen general improvement of railcar throughput in the Gulf region and believe UP has done much to resolve the rail crisis that started 3rd

Quarter 1997. We would also suggest this is due to shifting of resources from other regions of the country. For example, we are experiencing a significant downturn in service levels on UP in the I-5 corridor; including, car shortages, delayed shipments and increased transit times. We are fearful that this situation could turn into a crisis similar to the Gulf region.

3. As a member of American Forest & Paper Association, we support their position statement dated 8/14/98 on this matter. Willamette Industries supports the removal of "paper barriers" to shortline railroads. We feel this would increase competition in the nation's rail freight system. Increased competition will lead to improvements in the quality and efficiency of the rail service provided.

4. In the same vein as supporting the removal of paper barriers to shortlines, we support TexMex Railway's application for permanent access to the shortline line railroads serving Houston. KCS/TexMex has been a consistent voice since the beginning of the UP/SP merger proceeding. Allowing TexMex access to the Houston shortlines accomplishes the objective of increasing competition to improve service levels in our nation's rail freight system.

5. Rail business from our eight Louisiana building materials mills served by KCS to Houston is non-existent. 1998 YTD volume figures show we have shipped 604 truck loads and zero railcars. Allowing TexMex access to the Houston shortlines would provide single line rail service to compete with trucks.

SUMMARY

We support the American Forest & Paper Association's position of removing "paper barriers" to shortline railroads as a means to foster more rail competition. We also support TexMex Railway getting permanent access to shortline railroads serving Houston.

Respectfully Submitted By:

MICHAEL D. SALVINO
DIRECTOR OF TRANSPORTATION
WILLAMETTE INDUSTRIES, INC.

VERIFICATION

COUNTY OF MULTNOMAH)
) ss
STATE OF OREGON)

MICHAEL D. SALVINO, says he has read the foregoing statement, knows the contents thereof, and that the same are true as stated.

Michael D. Salvino

Witnessed before me.

OFFICIAL SEAL
LOIS JEAN SMITH
NOTARY PUBLIC - OREGON
COMMISSION NO.057481
MY COMMISSION EXPIRES MAR. 24, 2000

Notary Public 9-22-98

My commission Expires: 3-24-2000

(Seal)

Witco

Witco Corporation
One American Lane
Greenwich, CT 06831-2559
(203) 552-3000
(203) 552-2874 Fax

John G. Breslin
Director of Logistics

March 18, 1998

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

RE: Ex Parte No. 573; *Rail Service in the Western United States*
Service Order No. 1518, *Joint Petition for Service Order*

Dear Secretary Williams:

I am filing this letter in response to the Surface Transportation Board's January 14 request in the referenced cases that shippers file information on "requests for service and the extent to which those service requests were met (e.g., the timeliness with which cars were placed for loading and the timeliness with which transportation was completed)," covering the four month period ending February 6, 1998.

The service available to my company has not improved significantly since last October and remains far more erratic and unreliable than service available from Union Pacific Railroad ("UP") and Burlington Northern Santa Fe Railway Company ("BNSF") during the October 1996 to February 1997 period. Therefore, I urge the STB to keep its emergency service order in place for as long as possible and to make alternative, permanent arrangements to relieve the service failures on UP and BNSF.

My company, Witco Corporation, ships from the following facilities located on lines of UP and BNSF:

Location	Railroad Serving that Location
1. Houston, TX	UP
2. Taft, LA	UP
3. Gretna, LA	UP
4. Mapleton, IL	UP

Since October 1997, my company has suffered substantial delays in obtaining rail cars for loading and unloading and in delivering shipments when using UP or BNSF service.

(continued)

A summary of our experience, shipping from UP and BNSF-served facilities, is as follows:

Deliveries - October 1997

Approximate % of deliveries comparable to 10/96: 95%
Approximate % of deliveries one or two days late: 15%
Approximate % of deliveries three or four days late: 20%
Approximate % of deliveries five to 10 days late: 40%
Approximate % of deliveries more than 10 days late: 25%

Deliveries - January 1998

Approximately % of deliveries comparable to 2/97: 95%
Approximate % of deliveries one or two days late: 5%
Approximate % of deliveries three or four days late: 25%
Approximate % of deliveries five to 10 days late: 55%
Approximate % of deliveries more than 10 days late: 15%

As you can see, delays by UP and BNSF in filling car orders and in delivering my company's shipments have not been significantly reduced between October 1997 and January 1998, and remain significantly worse than during the comparable period in the prior year. Accordingly, Witco Corporation urges the STB to take more aggressive steps to remedy the ongoing service problems, including, at a minimum, extending the current service order until a more permanent solution can be obtained.

The Board also needs to allow KCS and Tex Mex a more solid footing from which to help resolve the south Texas problem by enforcing neutral switching and dispatch in the Houston terminal area and allowing KCS and Tex Mex the opportunity to control facilities which any railroad needs to operate efficiently. For months, UP allowed its problems in Texas to grow until gridlock occurred. The Board's Emergency Service Order helped some, but very significant problems remain, as shown above. UP and BNSF since have joined in such actions as dissolving the Houston Belt and Terminal Railway, but problems persist nonetheless. It therefore is obvious that UP cannot, either by itself or with its main collaborator BNSF, solve the south Texas problem. Accordingly, I believe that it is essential that the Board take steps to enforce neutral dispatching and switching in Houston and allow Tex Mex and KCS the opportunity to own and control facilities (lines and yards) in Houston and south Texas in order to have a solid base from which to contribute to correcting what UP and BNSF together have not been able to resolve.

Sincerely,

John G. Breslin

190835

Witco

Witco Corporation
One American Lane
Greenwich, CT 06831-2559
(203) 552-3096
(203) 552-2874 Fax

John G. Breslin
Director of Logistics

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August 21, 1998

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

FD 32760 - Sub 26

RECEIVED
AUG 28 1998
MAIL
MANAGEMENT
STB

Dear Secretary Williams:

I am the Director of Logistics for Witco Corporation and have been in this position for nine years. My responsibilities include policy and procurement of transportation and related equipment and services.

Witco is a specialty chemicals manufacturer with $2.2 billion in sales. Our manufacturing sites include three in the New Orleans area, Houston, Memphis, Mapleton, IL and Petrolia, PA. The annual freight bill is about $100 million and our customers and suppliers reach broadly across the United States.

The UP/SP merger has created service disruptions which in turn have affected our business. Alternative rail service is necessary to alleviate service problems and therefore Witco supports ensuring: that shippers have equal access to all of the carriers serving the Gulf coast; the expansion of rail capacity and investment by all the existing carriers; and protecting future competitiveness by ensuring that adequate rail alternatives exist in the future.

If Witco and other American manufacturers are to remain competitive in a global market, these changes must be made.

Thank you for being responsive to our needs and we will stay abreast of the proceedings as they unfold.

Sincerely,

WRIGHT MATERIALS, INC.
Route 1, Box 143
Rolstown, Texas 7838[illegible]

May 21, 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 Wright Materials, Inc., 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.

Wright Materials, Inc. owns and operates four sand and gravel washing, crushing and screening plants with 62 full time employees. Annual sales are plus one million tons of aggregate with approximately 50% of this amount being shipped via The Texas Mexican Railroad to Laredo and Corpus Christi, Texas. A healthy rail system is essential to the continued success of our company, the South Texas Region and the nation itself. Therefore, Wright Materials supports the efforts of the K.C.S. and The Texas Mexican Rail Road to find solutions to problems which are largely in the Houston area.

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. We need more than a short term fix. We need a long term solution to the service problems in south Texas.

Wright Materials, Inc. 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, 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, Milus Wright, 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 Wright Materials, Inc., executed on May 21, 1998.

Sincerely yours,

Milus Wright
Manager

copy to: The Texas Mexican Railroad

OFFICERS:

BOB STALLMAN
President

DONALD PETMAN
Vice President

DELMAS McCORMICK
Secretary-Treasurer

BOARD OF DIRECTORS:

DAVID NOBLE
District

RICHARD McCORMICK
Republic

L.C. HARRISON
Wichita Falls

RICHARD BERMAN
Whitesboro

JAMES MARTIN
Mount Pleasant

KENNETH DERRICK
San Angelo

BRIAN ZINK
San Saba

HOPE HERRMAN
Mullinger

JIM BOEN
Panhandle

AARON HAMER
Hagley

CHET MOWERY
Hillsboro

ZACHARY E. YANTA
Bangs

DALE L. HINE
Abilene

P.O. Box 2689 • Waco, Texas 76702-2689 • 254-772-3030

October 9, 1998

The Honorable Max Sandlin
U.S. House of Representatives
214 Cannon House Office Building
Washington, D.C. 20515-4301

Dear Congressman Sandlin:

The Texas Farm Bureau would appreciate the addition of your signature to the attached letter to the Surface Transportation Board. The Consensus Plan developed by a number of shippers, both in and out of Texas, would relieve some of the rail congestion in the Houston area, and hopefully allow for better rail service as well as better rates in the rural areas of Texas. The coalition includes the Texas Railroad Commission, as well as the Texas Chemical Council. As you may be aware, our organization opposed the UP/SP merger for the very reasons that are now proving true. Only an extremely severe drought has prevented another buildup of cotton and grains in elevators all over Texas this year.

It is now well recognized what the impact of a monopoly of rail shipments in a state can cause. Certainly the agriculture industry has suffered in the past two years. The approval of the Consensus Plan by the Surface Transportation Board would restore some of the competition that existed prior to the merger. We believe that competition would result in better service throughout the state. Your assistance in this effort can help provide the rail service that Texas once had and needs in its future. We would greatly appreciate your signing the attached letter. Please contact Mr. Ken Nealy in Congressman Nick Lampson's office (225-6565) to add your signature.

Sincerely,

Bob Stallman
President

191329

Texas Democratic Party

September 15, 1998

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

FD32760 - SUB 26

J

Dear Secretary Williams:

Periodically, the Texas Democratic Party takes a stand on issues it deems important to the State of Texas. Enclosed you will find a copy of such a resolution.

This resolution worked its way up through the party system passing several senate district and county conventions in the Gulf Coast region. In addition, it passed unanimously through the Resolutions Committee of the June 1998 Texas Democratic Convention.

The State Convention is the highest authority of the Texas Democratic Party. It is apparent from the support this resolution has garnered that many people in our State, especially in the coastal area, are feeling the strain of this problem.

It is our understanding that you will soon be determining what to do about this rail situation in Texas. I hope that this resolution, illustrating the feelings of Texas citizens affected by this problem, will be of assistance in your decision-making.

Thank you for your consideration.

Sincerely,

Molly Beth Malcolm

Molly Beth Malcolm
Chair

Enclosure

919 Congress Avenue, Suite 600 • Austin, Texas 78701 • Office (512) 478-9800 • Fax (512) 480-2500

Rail Merger

Whereas, the merger of the Union Pacific and Southern Pacific railroads has been an unmitigated disaster for the State of Texas and the many rail shippers dependent upon rail service from this railroad;

Whereas, Dr. Bud Weinstein of the University of North Texas has estimated that his merger has already cost Texans in excess of $1.1 billion and counting;

Whereas, the competitiveness of the State of Texas has been severely eroded by the rail congestion that has enveloped the State of Texas in the wake of the merger and that has made the State of Texas the epicenter of the "worst rail crisis in the 20th century";

Whereas, this railroad has near-monopoly power over much of the rail business in the Texas Gulf Coast and the other large railroad in Texas, BNSF, controls great portions of the State's rail business also;

Whereas, this breakdown in rail service has caused increased use of trucks, which in turn has compounded the highway problems and the Clean Air Act problems that the State of Texas faces;

Whereas, literally hundreds of stalled and abandoned trains have caused tremendous aggravation to neighborhoods and citizens in many parts of this State as they try to go about their daily business;

Whereas, constant blocking of road crossings; the abandonment of trains for hours and days; the generally chaotic condition of the rail system in Texas all have contributed to an increase in accidents and raised serious safety questions;

Whereas, the economy of this State has been built on competition;

Whereas, these problems in the wake of the UPSP merger have created an absolutely intolerable situation for the State of Texas;

Be it resolved that the Texas Democratic Party adopt the following resolutions:

1. In an increasingly competitive world market place, an efficient and competitive rail system is essential to economic success for the State of Texas;
2. The free enterprise system is the greatest economic system ever devised but it works only when there is real competition. Consequently, we believe that at least three railroads are necessary all with the ability to serve as many shippers as possible so that shippers have real competitive choice. Just as we would find it intolerable for the State of Texas to be served by only two airlines (if it had been up to Braniff and Texas International, Southwest Airlines would never have made it off the ground), we find it intolerable for the State of Texas to be served in most areas of the State by only two railroads.
3. Sufficient rail competition will attract the necessary capital to expand the current rail infrastructure to meet the future needs of a growing economy.

Unanimously passed by the Texas Democratic Convention Resolutions Committee and referred for action to the State Democratic Executive Committee, June 27,1998.

NFIB Texas

NFIB
The Voice of Small Business

April 22, 1998

The Honorable Kay Bailey Hutchison
United States Senate
283 Russell SOB
Washington, D.C. 20510

Dear Senator Hutchison:

In the seven years I have held the job as State Director of the National Federation of Independent Business, I have witnessed and been party to the biggest business issues in Texas. Our members, as you know, are keenly attuned to business developments, especially those resulting from direct government action (or lack thereof).

In these seven years, one issue stands above all others in terms of complaints I have received from my members. That issue is the mass confusion and shipping delays caused as a result of the UP/SP merger. In simple terms, my members are losing their shirts.

The situation for our small businesses, unfortunately, has only worsened in recent months. The excuses made by the railroad for poor service have changed; the reality of delays, lost service, lost goods and every other imaginable calamity have continued unabated.

The current situation is not working. The status quo is unacceptable and, in our opinion, will remain so until additional competition is allowed into the present environment. Our members operate in very competitive environments, dramatically different than the current near monopoly or duopoly situation on the Texas gulf coast. Small business owners are being held financial hostage and it is economically disastrous.

We need competition. I know you care about Texas business and NFIB members. Please heed our concern and help make rail competition a permanent part of the Texas landscape once again.

Sincerely,

Robert S. Howden
State Director

National Federation of Independent Business
815 Brazos, Suite 900 • Austin, TX 78701 • 512-476-9847 • FAX 512-478-6122

JCIC

Joint Construction Industry Committee

ABC * ACME * AGC OF TEXAS * AGC * HCA * HAA * GHBA

4710 Bellaire Blvd #150
Bellaire, Texas 77401
713/349-9434
713/349-9435 (fax)

April 23, 1998

The Honorable Kay Bailey Hutchison
United States Senator
961 Federal Building
300 E. 8th Street
Austin, Texas 78703

Dear Senator Hutchison:

We have a serious problem: shortage of concrete. Let us explain.

We represent the construction industry in the greater Houston area. Our members construct streets, highways, houses, apartments, schools, churches, hospitals, shopping centers, office buildings, industrial plants and water, sewer and drainage facilities. There is one product that is essential and common to all these projects: concrete.

Houston is enjoying a period of growth and prosperity not seen since the early 1980's. Demand is high for new streets, highways, subdivisions, homes, apartments, churches, hospitals, shopping centers and office buildings. Even during the recent overheated period in the 1980's, we did not experience shortages in concrete. While building activity may be somewhat higher in 1998 than 1997 and 1996, we do not believe that increased demand is the cause of the problem.

Railroads are the cause of the problems. All components of concrete: cement, sand, gravel and limestone are primarily shipped by rail due to bulk and weight. Our local concrete suppliers report production of only 58% of capacity due to a lack of these basic products. Every available truck has been put into service hauling sand, gravel and limestone into Houston, but the shortages remain.

For the past several months we have had increasing difficulties obtaining an adequate supply, but it has now reached a critical stage. Our members have projects which are behind schedule, delayed or suspended due to lack of concrete. Employees are sent home since there is no work due to this shortage. Our members are working at a fraction of their capacities. Most of our members are on "allocation", a kinder, gentler term for rationing.

If there is not immediate action, serious problems will develop. New schools will not open on schedule in August. Home construction will slow due to lack of streets and foundations, resulting in shortages and escalating prices. The general public will understand this problem in the very near future as projects are not completed or are dramatically behind schedule.

In our opinion, the federal government caused this problem when it allowed the merger of Union Pacific and Southern Pacific and before that, Burlington Northern and Santa Fe, even though many warned of exactly what has happened-a duopoly which provides terrible service.

We are outraged by the daily propaganda by the railroads that the problems in Houston have been solved. Is there no penalty for false assertions that there is no longer a problem in the Houston area?

The construction business is extremely competitive. This is not a benefit to our members, but it is to our customers and the consuming public. If a contractor were as delinquent as the railroads, the contractor would have been terminated and replaced by one who could perform.

We have noted the timid actions of the Surface Transportation Board over the last several months and the corresponding lack of action by the railroads. We request that you take drastic steps to remedy the immediate crisis and to provide a long term solution that will ensure meaningful competition and adequate service. Terms like seizure and divestiture seem appropriate.

Please act now!

Very truly yours,

Peter C. Patillo, President
Houston Contractors Association

Tommy Bailey, President
Greater Houston Builders Association

David Chapman, President
Assoc.General Contractors- Houston Chapter

Dennis Sender
Association of Consulting Municipal Engineers

Phil Coplan, President
Associated Builders & Contractors

191655

ORIGINAL

CMA-5 SPI-5
RCT-4 TCC-5
TM-21 KCS-12

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

REBUTTAL EVIDENCE AND ARGUMENT IN SUPPORT OF THE CONSENSUS PLAN

VOLUME II

THE CHEMICAL MANUFACTURERS ASSOCIATION

THE SOCIETY OF THE PLASTICS INDUSTRY, INC.

THE RAILROAD COMMISSION OF TEXAS

THE TEXAS CHEMICAL COUNCIL

THE TEXAS MEXICAN RAILWAY COMPANY

THE KANSAS CITY SOUTHERN RAILWAY COMPANY

October 16, 1998

(* and embraced sub-dockets)

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VOLUME II

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VOLUME III

HIGHLY CONFIDENTIAL INSERTS
(served only on parties who have signed the appropriate confidentiality undertakings)

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

REBUTTAL JOINT VERIFIED STATEMENT

OF

DR. CURTIS M. GRIMM AND JOSEPH J. PLAISTOW

REBUTTAL JOINT VERIFIED STATEMENT

OF

DR. CURTIS M. GRIMM

AND

JOSEPH J. PLAISTOW

I. QUALIFICATIONS AND INTRODUCTION

My name is Curtis M. Grimm and I am Professor and Chair of Logistics, Business and Public Policy in the Robert H. Smith School of Business, University of Maryland at College Park. My name is Joseph J. Plaistow, Vice President and Principal of Snavely King Majoros O'Connor & Lee, Inc. We have previously submitted a statement in the July 8, 1998 filing, which provides information regarding our qualifications.

In our original statement we documented that UP's Houston service meltdown provided important post-merger evidence that the UP/SP merger created significant UP market power in Houston. First of all, the dominant market share retained by UP in the latter half of 1997 and the first half of 1998 provides strong evidence of the lack of competitive alternatives. Second, the extent to which shippers were harmed by UP's service problems provides evidence of a structural competitive problem in Houston. These points were largely ignored in UP's filing. The purpose of this statement is to address the testimony of UP with regard to competitive issues, and restate and clarify key points from our previous filing.

II. THERE IS A CLEAR LINKAGE BETWEEN THE SERVICE CRISIS AND COMPETITIVE IMPACTS OF THE MERGER

In launching this proceeding, the Board asked for evidence regarding linkage between competition and the service crisis. Contrary to UP's assertion, the Board did not require a showing that the service crisis was caused by the competitive effects of the merger. Instead, the Board asked for evidence of "whether there is any relationship between any market power gained by UP/SP through the merger and the failure of service that occurred in the region, and, if so, whether additional remedial conditions would be appropriate." Decision No. 6 at 6 (STB served Aug. 4, 1998); Decision No. 1 at 5 (STB served May 19, 1998). This language does not, as UP insists, require proof that the UP/SP merger gave UP "enhanced" market power and that such "enhanced" market power "caused" the service crisis.

The Board clearly wants to examine whether there is any "relationship" between the market power UP gained through the merger and the service crisis, but this is a "relational" test, not a "causal" test. This is an important distinction. UP misstated the test as causal – did increase market power cause the crisis – rather than relational – is there a connection between UP's increased market power and the crisis – because UP did not and cannot rebut the relational linkage established in our original filing: First, that the market share of UP in the face of the service crisis provides strong new evidence of the competitive problem in Houston created by the merger, unresolved by the BNSF trackage rights. Second, the severity of the service crisis and the fact that UP's service has not returned to pre-merger levels is evidence of the lack of competitive alternatives for Houston shippers.

In industries where competition exists, a catastrophic service failure by one leading provider inevitably results in massive defections to competing providers. If UP had no market power, the presence of an effective competitor would have enabled the customers during the

service crisis, especially so-called 3-to-2 and 2-to-1 shippers, to obtain and utilize service from BNSF and Tex Mex. In Houston and the Gulf Coast area, however, UP's customers have not had that option.

An examination of Houston market share numbers for July through December 1997 and January though June 1998 show that UP retained a highly dominant market share despite the crisis, particularly to the Northeast and South.[1] While our data and methodology in our initial filing differed in some respects from that employed by UP's witness Mr. Barber, the telling point here can be made invariant to exactly which data is employed. Thus, as an initial point, Figures 1 and 2 attached hereto are reproductions of Mr. Barber's Appendix Tables 1 and 6, but contrary to Mr. Barber's analysis of those tables, the data contained therein actually support our earlier findings. On a carload basis, UP has 80% of Houston originating traffic and 89% of Houston terminating traffic to/from the Northeast in January-June, 1998. With regard to traffic to and from the South, UP has 78% of originating traffic and 87% of terminating traffic in the first half of 1998.

UP's own data thus strongly corroborates our point in the original filing--at a time when shippers were pursuing any and all competitive alternatives in the face of UP's service meltdown, UP nonetheless retained a strongly dominant market share to the Eastern half of the country. As emphatically demonstrated by the large market share UP maintained throughout the crisis, UP's complete control of the Houston/Gulf Coast infrastructure, dispatching, and

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[1] UP continues to maintain that BNSF has been a competitive success in the exercise of its merger conditions, arguing that BNSF's traffic volumes have steadily and dramatically increased and are approaching half of the total of Houston traffic. UP/SP 356 at 32. Simply citing growth in the volume of BNSF traffic over the trackage rights lines, however, does nothing to account for reroutes of existing BNSF traffic (non trackage rights traffic) over the trackage rights lines, nor do gross volume numbers account for general economic growth and changes in commodity flows. As UP's witness Barber recognized, a more meaningful comparison is the use of market share data and we will confine our analysis to this approach.

switching result in UP having extensive market power, showing that the conditions imposed in the original merger decision to ensure adequate competition and service for Houston shippers have not been sufficiently effective and need to be enhanced.

A. Examining market shares for Houston origin/destination traffic both before and after the merger reveals a strong competitive effect in that UP has gained substantial market power

A Houston aggregate market definition is justified by the competitive importance of the number of carriers in the region, as detailed below in Section B3. Such data reveals a clear market dominance by UP to the Eastern U.S., where the Consensus Plan will provide needed competition. While arguing against the value of such a market definition as overly broad, UP proceeded to provide page after page of evidence using Houston as a market definition and then proceeded to provide additional pages with an even broader market definition, that of Texas and the entire Gulf Coast.

UP's effort to show that BNSF's modest post-merger gain in market share indicates an absence of anti-competitive effects is fundamentally flawed as a matter of basic economics and antitrust principles. The fatal flaw of Barber's analysis is his evaluation of the impacts of the merger by comparing the combined UP/SP market shares in 1994 with current UP market shares. A proper analysis of the impacts of a merger on market structure should use the pre-merger market shares of each individual carrier, BNSF, UP, and SP, as the baseline numbers, not the initial pre-merger shares after combining UP and SP as Barber has done.

By the logic of UP, suppose we have a market with three competitors, two with market shares of 49% each and the third with a share of 2%. If the two largest competitors merge, they would then have a combined market share of 98%. Subsequently, number three gains 1% of that combined share so that the market is now structured with the top firm having a 97% share and

the second with 3%. By UP's logic, simply because the second firm in the post-merger environment was able to acquire 1% in market share shows that the merger has resulted in a more competitive market structure, even though one firm now dominates the market. This logic is contrary to any standard analysis of the effects on competition of a merger. Indeed, the STB, when it approved the UP/SP merger, clearly understood that the relevant comparison in a post-merger environment is whether or not BNSF was going to sufficiently replace SP's market share, not whether or not a combined UP and SP would merely lose some market share to the BNSF.[2]

The key then is to compare the post merger market shares with the pre-merger shares.[3] We have previously referred to Mr. Barber's Tables 1 and 6 as supporting our initial findings. We can also follow Barber's suggestion to use 1994 as a base year, prior to the merger. However, when we disaggregate Barber's "UP" into its components, UP and SP, and market shares for 1994, this data reveals that the merger clearly has resulted in UP dominance. Figures 4, 5, 6 and 7, attached hereto, provide these results. For example, based on carloads of Houston outbound traffic, UP's market share has increased from 61 to 80% in the Northeast, from 49% to 78% in the South/Southeast and from 37 to 69% overall. In the latter instance, SP was the dominant carrier in 1994 with a 41% market share. Stated another way, pre-merger the carriers

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[2] *See* Decision No. 44 at 163 ("In sum, we believe that the service that will be provided by BNSF over trackage rights is an appropriate replacement for the service formerly provided by SP."); ("With the conditions we are imposing, we find that BNSF will be an effective replacement for SP at these 2-to-1 points and affected 1-to-1 points."). *Id.* at 124; Decision No. 57 at 3 ("In Decision No. 44 we imposed 'a number of broad-based conditions that augment the BNSF agreement to help ensure that the BNSF trackage rights will allow BNSF to replicate the competition that would otherwise be lost when SP is absorbed into UP.")(citations omitted); Decision No. 62 at 6-7 ("The merger should actually strengthen competition in Houston by replacing SP with a stronger BNSF."); and *Id.* at 8 ("We are confident that BNSF will emerge as a strong and effective replacement in Houston for the competition lost through the merger.").

[3] UP also quarrels with a number of methodological assumptions we made in presenting our market share data. In order to avoid any disputes over methodological assumptions, we can accept the data shown in Mr. Barber's Appendix Tables 1-7 to prove our precise point.

having 37% and 41% of the South/Southeast market competed in 1994, whereas post-merger there is no competition between those shares. When using the proper pre-merger market shares as a comparison, the same result holds whether using originations or terminations, or carloads or tons: the merger has clearly resulted in much greater market dominance by UP in Houston.

Although BNSF has gained some market share since the merger vis-a-vis a combined UP/SP market share, this gain has not in any way countered the increase in UP's market dominance resulting from its acquisition of SP. As Figures 4, 5, 6, & 7 establish, before the merger, SP clearly provided a much larger competitive presence in the Houston market than BNSF has achieved under the conditions.

Instead of making the proper pre- and post-merger comparison, witness Barber argues that the decline in UP's overall market share during the crisis shows that BNSF does provide a competitive alternative. The fact that UP's Houston market share fell modestly during the service crisis merely indicates that BNSF exerted some competitive pressure during the crisis to some geographic locations.

Moreover, leaving aside the issue of the proper pre-merger comparison, Barber's own figures show that BNSF has not been effective to the Northeastern, South/Southeastern, or Midwest gateways. For example, from July 1997 to June 1998, in the midst of the crisis, UP's carload market share for traffic originating in Houston and destined for the Northeast fell from 81% to 80%, 84% to 78% for traffic destined to the Southeast, and from 77% to 72% for the Midwest. This gateway traffic should have been fully competitive and does not entail closed destinations on the UP system, but BNSF was able to only achieve, at most, a 6% increase in its market share, even at the height of the crisis. Certainly one cannot challenge UP's dominance to the Northeast, where BNSF picked up only a 1% increase.

Obviously there must be something fundamentally wrong with the structural access provided to BNSF. While we have not done an extensive analysis of the reasons why BNSF has not been effective, it cannot be that simply giving BNSF additional access will solve the problem. What's more, BNSF's request for additional conditions does nothing to give BNSF independent infrastructure or reduce BNSF's reliance on its trackage rights over the UP. In contrast, the Consensus Plan calls for adding infrastructure and adopting neutral switching and dispatching. The lifting of the restriction placed upon Tex Mex, in conjunction with the KCS and CN/IC Alliance, will provide Houston shippers with an effective independent alternative to Northeast, Southeast, and Midwest destinations—the precise destinations where BNSF has been ineffective.

B. Using a disaggregated examination of Houston shippers provides a strong competitive justification for the Consensus Plan

1. Actual traffic data for 1998 shows that BNSF trackage rights have been largely ineffective for 2-1 shippers as defined by UP

UP continues to claim BNSF has had tremendous success in competing for 2-to-1 traffic, pointing to anecdotal evidence from its annual oversight reports of increased BNSF volumes over the trackage rights lines. UP/SP-356 at 31-34. However, unlike the Houston BEA analysis, UP's reports with respect to the 2-to-1 traffic are not specific to the Houston/Gulf Coast market and do not present comprehensive data on Houston originations and terminations. They are generally anecdotal evidence of shipper-specific bidding between UP and BNSF.

Notwithstanding the fact that we continue to believe, as apparently UP's witness Barber does, that the use of the Houston BEA as the relevant market is appropriate, we have nonetheless conducted an analysis of UP defined 2-1 traffic to assess the efficacy of BNSF's competition in the Houston market. We have conducted that analysis by drawing on the Houston area shippers

identified by the applicants, then matching those shippers in the first half 1998 traffic tapes of UP and BNSF. The results are contained in Figure 3[4] and show that even for this 2-1 traffic for which BNSF received direct access as a result of the merger, UP continued to maintain a 91% carload market share of this traffic during the service crisis.

Figure 3
Market Shares Houston Origination's/Terminations
From/To 2-to-1 Locations
January - June, 1988

	Originations		Terminations	
	Cars	Tons	Cars	Tons
BN	8.8%	8.7%	9.3%	14.6%
UP	91.2%	91.3%	90.7%	85.4%
Total	100.0%	100.0%	100.0%	100.0%

The dominant market share shows that BNSF's trackage rights have not been sufficiently effective for the competitive problems. Moreover, the fact that BNSF may be competing for a certain percentage of traffic does not in any way undercut the conclusion from these market share data. In virtually every industry, rivals can compete with regard to most or all of the customers. Nonetheless, market share data is a much more valuable indicator of the efficacy of BNSF trackage rights than the selected anecdotal evidence presented by UP in its oversight reports.

2. For 3-to-2 shippers, the plan restores competition to the pre-merger level

The record in the initial merger proceeding contained evidence on a number of econometric studies showing lower rates with 3 as opposed to 2 carriers. There was strong debate on this point in the various filings by applicants and protestants. However, the Board

[4] Highly Confidential Figures 8 and 9, attached to this statement, provide additional detail by 2-to-1 customer.

does not have to revisit the 3-to-2 competitive effects issue in order to provide a competition-preserving rationale for adoption of the Consensus Plan.

Whether or not any particular shipper was a 2-to-1 or 3-to-2 shipper is not the relevant issue. What is relevant is whether or not BNSF has sufficiently replaced SP so as to preserve the pre-merger level of competition provided by SP to any of those shippers. BNSF has not sufficiently replicated SP's competitive presence.

For the most part, the plan will restore a third carrier to the Houston area, but restoring a carrier, i.e. going from 2 to 3, does not provide that shipper with more competition than it had before the merger nor does it mean the Board has reversed its findings with respect to 3-to-2 shippers. It is likely that two carriers, BNSF and Tex Mex, both operating via trackage rights and having corresponding different route structures, are needed to preserve the same level of competition to UP that was provided pre-merger by a single carrier, SP, which operated via its own independent infrastructure and benefited from the existence of neutral switching and dispatching by the HBT and PTRA.

3. 1-to-1 shippers in the Houston area, as defined by UP, also suffered a loss in competition from the UP/SP merger

Several 1-to-1 shippers would benefit from increased competition in the Houston area by means of neutral switching, which is contained in two elements of the Consensus Plan's request that the Board:

- "restore neutral switching in Houston that was lost when the UP and BNSF dissolved the HBT"; and
- "expand the neutral switching area to include all customers currently located on the former SP Galveston Subdivision between Harrisburg Jct. and Galveston . . ."

This expansion of the neutral switching district has the collateral effect of reaching some 1-to-1 shippers who would for the first time obtain access to direct competitive line-haul service and, therefore, appears on its face to go beyond the pre-merger status quo in the Houston/Gulf Coast region. However, it simply is not true that these shippers suffered no competitive harm as a result of the merger. Providing neutral switching for these 1-to-1 shippers would alleviate competitive problems created as a result of the merger, while also providing service alternatives that could assist such shippers in the event of future UP operational difficulties.

In Dr. Grimm's original verified statement filed in Finance Docket No. 32760, KCS-33, Vol. I at 164-167, evidence was presented that shippers captive to UP or SP, with the other nearby, nonetheless benefited from indirect competition in many ways. This is not just source competition, as narrowly circumscribed in UP's testimony. There are many ways, documented in detail in the original filing.

Indeed, in Figure 3.2 of KCS-33, attached hereto as Figure 10, Industrial Site #2 is a shipper served by only UP, but with SP located in the vicinity. There are many ways a shipper in the position of Industrial Site #2 could gain value from the presence of an independent SP. This shipper benefits from UP/SP competition in at least the following ways:

- Industrial Site #2 can transload by truck to SP, or threaten (tacitly or explicitly) to do so and use this threat to gain a reduced contract rate.
- Industrial Site #2 can shorthaul UP, or threaten to do so and use this threat to gain a reduced contract rate. This may involve STB action to limit the rate charged by UP in such an instance.

- Industrial Site #2 can build out a spur line to connect with SP, or threaten (tacitly or explicitly) to do so and use this threat to gain a reduced contract rate. A variant of this occurs when plant expansions are required to handle increasing volumes.
- Industrial Site #2 can relocate plant/facility to SP's line upon receiving a more favorable contract rate, or threaten to do so, and use this threat to gain a reduced contract rate.
- Referring to Figure 3.3 of KCS-33, attached hereto as Figure 11, Industrial Site #3 has "captive" plants located on both railroads but relative production levels across the two plants are determined in part by rail rates to each plant. Thus, UP and SP will compete with regard to this shipper's traffic.
- Industrial Site #4 competes in the product market with Industrial Site #5, as depicted in Figure 3.4 of KCS-33, and attached hereto as Figure 12. This product market competition will result in "upstream" competition between UP and SP.
- Following a UP/SP merger, a shipper faces a choice between Industrial Site #7 and Industrial Site #8, as depicted in Figure 3.6 of KCS-33, attached hereto as Figure 13. Prior to the merger, the shipper would have received the benefits from UP and SP ex ante site location competition; the choice of a site would not be finalized until a long-term contract with one of the railroads was locked in.
- Shippers, especially large shippers with multiple plant locations served by several railroads, can use the concept of "package bidding" where these shippers will put out for bid their entire rail transportation needs for a certain period of time and then select one carrier to provide those needs. Where UP and SP currently compete in such package bidding situations, this competition will be lost as a result of the merger.

Indeed, the STB found support for the competitive effects of this indirect competition, and BNSF's trackage rights were broadened because of the importance of indirect competition, in order to resolve this problem. *See* Decision No. 44 at 124 ("With the conditions we are imposing, we find that BNSF will be an effective replacement for SP at these 2-to-1 points and affected 1-to-1 points.") (emphasis added).

The service crisis has provided strong new evidence as to the importance of indirect competition and the dominance of one railroad in a metro area, controlling all the infrastructure. UP states that the mere fact that it did not turn over all of its exclusively served business to competitors during the service crisis is not an exercise of merger related market power because those shippers would have been exclusively served with or without the merger. UP/SP-356 at 70. UP thus claims these exclusively served shippers suffered no merger related harm. This is simply wrong.

While those shippers may have been exclusively served prior to the merger, they were not all exclusively served by UP. Some were SP exclusively served shippers. These SP shippers did suffer merger related harm because prior to the merger, if UP had a service crisis, these exclusively served SP shippers were not subject to UP's switching, dispatching, or operating practices and thus would not have been impacted by a service crisis on the UP absent the merger. (Similarly, according to Mr. Ritter, UP exclusively served shippers were not significantly impacted by SP's 1978 meltdown). Likewise, during a UP service crisis, UP shippers could take advantage of the various forms of indirect competition provided by SP as noted above. All of these SP and UP exclusively served shippers are now subject to UP's operating, switching, and dispatching practices, which means that the effects of a service crisis are now much worse on exclusively served shippers than they were before the merger.

This is critical evidence regarding the competitive effects of the merger for 1-to-1 shippers. The effect is also more severe when there is not an effective second carrier in the area, when all of Houston is dependent on UP. This also supports the value of the Houston market definition.

III. UP IS USING ITS MARKET POWER TO REDUCE SERVICE AND INVESTMENT IN THE HOUSTON/GULF COAST MARKET

A. UP's Poor Service Is An Indication That BNSF Is Not An Effective Replacement For SP

Of course no monopolist would intentionally use its market power to cause a service crisis that would cost that monopolist millions of dollars in lost revenue; and it would be silly for any party to try to prove, as UP suggests they should, that the service crisis was caused by a monopolist's intentional exercise of its market power. Indeed, the Board was correct when it stated that "UP/SP did not manufacture the crisis to exploit some sort of dominant position in the market, or to obtain some sort of competitive advantage." Service Order No. 1518 at 12 (STB served Feb. 17, 1998). The service crisis was caused by a myriad of factors, some resulting from the merger and others not, but the effects of the service crisis on the shippers and the economy as a whole were much worse as a result of UP's market power, which it gained through the merger.

In our original filing, evidence was presented regarding the cost to UP shippers due to the service meltdown. For example, 27 members of CMA reported costs of more than $150 million over just four months. More recently, CMA commented that the UP service disruption cost CMA member companies tens of million of dollars per month. In addition, the Weinstein/Clower study estimated the costs to Texas business as of early 1998 at $1.093 billion from UP's service problems. Other than referring to SP's "World War III" service problems, UP presented no evidence to counter the fact that the severity of the damage to shippers was much

greater post-merger than it would have been pre-merger when shippers had more competitive options.

While UP did not exercise its market power to cause the service crisis, UP still has not restored its service to pre-merger levels, as shown by the Larry Thomas verified statement and by various shipper testimony. While this fact in and of itself may not prove that UP is intentionally reducing its service levels in an effort to exercise market power,[5] it still does, nonetheless, indicate a stark absence of market pressures forcing UP to perform and satisfy customers. If BNSF were truly an effective replacement for SP, the fact that UP has not returned to pre-merger levels of service would again argue for the notion that shippers would be fleeing UP as much as possible. This was confirmed by the U.S. Department of Transportation which stated:

> Service levels as well as rates may also be an important element in competitive markets. If a railroad cannot provide reliable service matched to shipper needs — for whatever reason — it will not be able to capture traffic and will not be able to serve as a competitive check.

Comments of the United States Department of Transportation, Finance Docket No. 32760 (Sub-Nos. 26-32), filed September 18, 1998, at 5. As BNSF has been able to capture little, if any, additional market share during the crisis and UP has not returned its service levels to pre-merger levels, this indicates that BNSF is not an effective alternative to UP.

B. UP's Failure To Invest In Houston/Gulf Coast Infrastructure Indicates A Lack Of Competition

In our joint verified statement filed in support of the Consensus Parties' Request on July 8, 1998, we stated that competition does not discourage investment, it spurs it on. We also stated that the increased investment in the Powder River Basin and in intermodal facilities after

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[5] In this respect, Professor Hausman is correct that "[a] firm with market power can . . . lessen competition by reducing product quality or service, while holding price constant. Reducing product quality [service] at the same price is similar to raising price, because in terms of units of quality per dollar charged, the price of quality has increased." UP/SP-358, V.S. Hausman at 3.

competition was introduced are perfect examples of the positive effects of competition. We concluded that UP's argument that it will not be able to invest in infrastructure and equipment if competition is introduced in the Houston area is invalid.

In its Opposition to Condition Applications, UP has again raised a similar argument. In an attempt to convince the Board not to grant the Consensus Parties' request to restore neutral switching, UP claims that it is investing in and improving various former SP facilities in Houston. These investments include (i) constructing connections between Englewood Yard and Settegast Yard, and (ii) installing ties on its line between Englewood Yard and Clinton Branch to Strang. UP states that it also has immediate plans to (i) expand Strang Yard, (ii) construct a major SIT yard in the Strang area, (iii) add CTC on its tracks between Strang Yard and Manchester Junction, and (iv) build four 2,000-foot tracks on the Clinton Branch. UP claims that it will halt these investments if the Consensus Plan is adopted. It argues that it must earn certain levels of return on its investments to proceed with its expenditures and that it does not expect to do so if the PTRA gains control of the neutral switching area. UP also claims that "no other party is proposing to make such investments." *See* UP/SP-356 at 171-73.

Elsewhere throughout its Opposition, UP makes similar arguments. UP claims that the proposed conditions would undermine its ability to make vital investments in the Houston/Gulf Coast area. UP/SP-356 at 17. UP later claims that revenue losses that it argues it would sustain because of the proposed conditions being granted "would do grave damage to UP's ability to invest in needed infrastructure in the Gulf Coast area and to continue its service recovery and improvement efforts system wide." UP/SP-356 at 84.

UP's arguments are inconsistent with the underlying economic circumstances. If the PTRA takes over neutral switching in the Houston area, then PTRA, which is owned by the three

carriers serving the Houston market, will make the infrastructure investments necessary to achieve efficient operations in the Houston terminal. The principle that such terminal railroads will invest in new infrastructure as necessary to reduce congestion and improve efficiencies was again proven just recently. On October 13, the Kansas City Terminal Railway Company, which is owned by NS, KCS, UP, BNSF, and Soo Lines and serves as a neutral switching entity for the Kansas City Terminal, announced that it would be spending $74 million to construct a new bridge and fly over in order to eliminate train delays and congestion. The costs would be borne by those members of the KCT who would use the line. While no one carrier could have afforded the entire investment, the KCT, acting as the agent for its owners, was able to finance it and build it. As with the KCT, the PTRA has the same economic incentive as UP would to make such infrastructure-improving investments.

With respect to UP's other threats to reduce investment if competition is introduced, it is true that a railroad must believe that it will earn an adequate return on an investment before making that investment. However, it is fallacious to argue that investments will be made provided that no other rail carriers are permitted to offer competing or alternative service. UP still will be able to earn an adequate return on its investment even if it has to share the traffic and revenues with other railroads. The reason is that, as with terminal railroads, other railroads will be prepared to share the cost of the investment in return for a sharing of the traffic and revenues. In addition, even if the Board grants the requested additional remedial conditions of the Consensus Parties. As long as UP's internal rate of return exceeds the threshold level that UP has established, UP is unlikely to abandon its capital investment plans.

This concept of shared costs and shared revenues is the basis of any voluntary business association. It is a concept that UP recognizes and actually applies. Elsewhere in its Opposition,

UP asserts that if BNSF decides to invest in additional capacity on various lines in the Houston/Gulf Coast area, in all likelihood UP would help pay for that capacity because it would use it. *See* UP/SP-356 at 104, 125 and 132. If UP is correct in saying that some of its business will be lost if the Consensus Plan is approved, those losses would be offset by a corresponding reduction in UP's investment costs as the other rail carriers will share these costs with UP.

If competition spurs investment, then lack of competition will slow investment. Nowhere is this more evident than the Houston/Gulf Coast area. UP does not have an incentive to invest in infrastructure there because it faces no threat of losing its traffic to a competitor who would be prepared to make the investments necessary to compete with UP. Without competitive pressure, UP can make the required investments at its own pace or not at all, depending on its own judgment of what is needed.

UP's disincentive to invest in the Houston/Gulf Coast was clearly identified by Tom O'Connor in his analysis of UP's Infrastructure Report filed with the Board on May 1, 1998. Mr. O'Connor calculated that: (i) UP had actually funded or begun investments in the Houston terminal area totaling $29.3 million, a mere 2% of the planned total of $1.4 billion, and (ii) UP had actually funded or begun investments in other Gulf Coast areas totaling $46.5, a further 3 percent of the planned total of $1.4 billion.

At that time, Mr. O'Connor did not have access to the amounts which UP has authorized to be spent in 1998 in the Gulf Coast area. We have now gained access through discovery. Those documents show that if one includes all amounts authorized by UP, the total of all Gulf Coast spending (whether authorized or spent) increases to $116.9 million.[6] This amount represents 4.7% of the total of $2.5 billion capital investment that UP intends to make system

[6] *See* table of UP 1998 Gulf Coast Area Investments attached hereto as Highly Confidential Figure 14.

wide for 1998. This amount also represents 8.4% of the $1.4 billion in capital investment that UP has supposedly committed itself to in the Houston/Gulf Coast area over the next five years.

The size of UP's 1998 Gulf Coast investments also pales in comparison to the $400 million investment that UP is making in the corridor linking Chicago and Salt Lake City. UP has expended this large sum in a space of just over 6 months on a short segment between North Platte and Gibbon, NE. UP is making this investment to enable it to compete with BNSF for coal moving from the Powder River Basin in Wyoming to various locations in the United States.

Despite UP's tendency to invest primarily where it faces competition, UP has threatened to halt its investments in the Houston area if competition is introduced. This logic directly contradicts its investment behavior in locations where competition exists, and stands in stark contrast to its investment patterns in Houston prior to the merger. For example, in its 1994 Annual Report to its shareholders, UP announced that chemicals accounted for over $1.1 billion in Railroad revenue in 1994 and to support its goal of capturing "significant new petrochemical business in the Houston area," UP spent approximately $37 million for trackage to new customers that year alone.

UP's investment behavior also coincides with the investment behavior of other carriers. As can be seen from the table attached hereto as Figure 15, the vast majority of capital investments made by rail carriers occur in competitively served locations. In its 1995 Annual Shareholders report, the former SP explained this phenomenon as follows: "The Company [SP] faces large capital investment requirements in order to meet the challenges of its major competitors." SP went on to explain that "the stronger financial condition and resources of the [SP's] major competitors will allow them to make more investments designed to enhance service, attract new customers, gain market share and achieve even more efficient operations."

In its Opposition, UP states that no other party is proposing to make the required investments in the Gulf Coast area. However, the purpose of competition and the free market is to ensure that if UP does not carry through on the investments in the Gulf Coast area that it has described to the Board, then BNSF, PTRA, or Tex Mex will make those investments instead. The ultimate aim underlying the Consensus Plan, however, is for the Houston/Gulf Coast area to have competition restored so as to encourage UP to increase its level of investments together with competing carriers in order that all including the shippers may benefit.

APPENDIX TABLE 1

Figure 1

Summary of Houston Outbound Traffic
January - June 1998

REDACTED

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APPENDIX TABLE 6

Figure 2

Summary of Rail Traffic
Terminating in Houston - BEA 122
Jan. - June 1998

REDACTED

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Figure 4. Summary of Houston Outbound Traffic Carload Comparisons 1994 vs. First Half of 1998

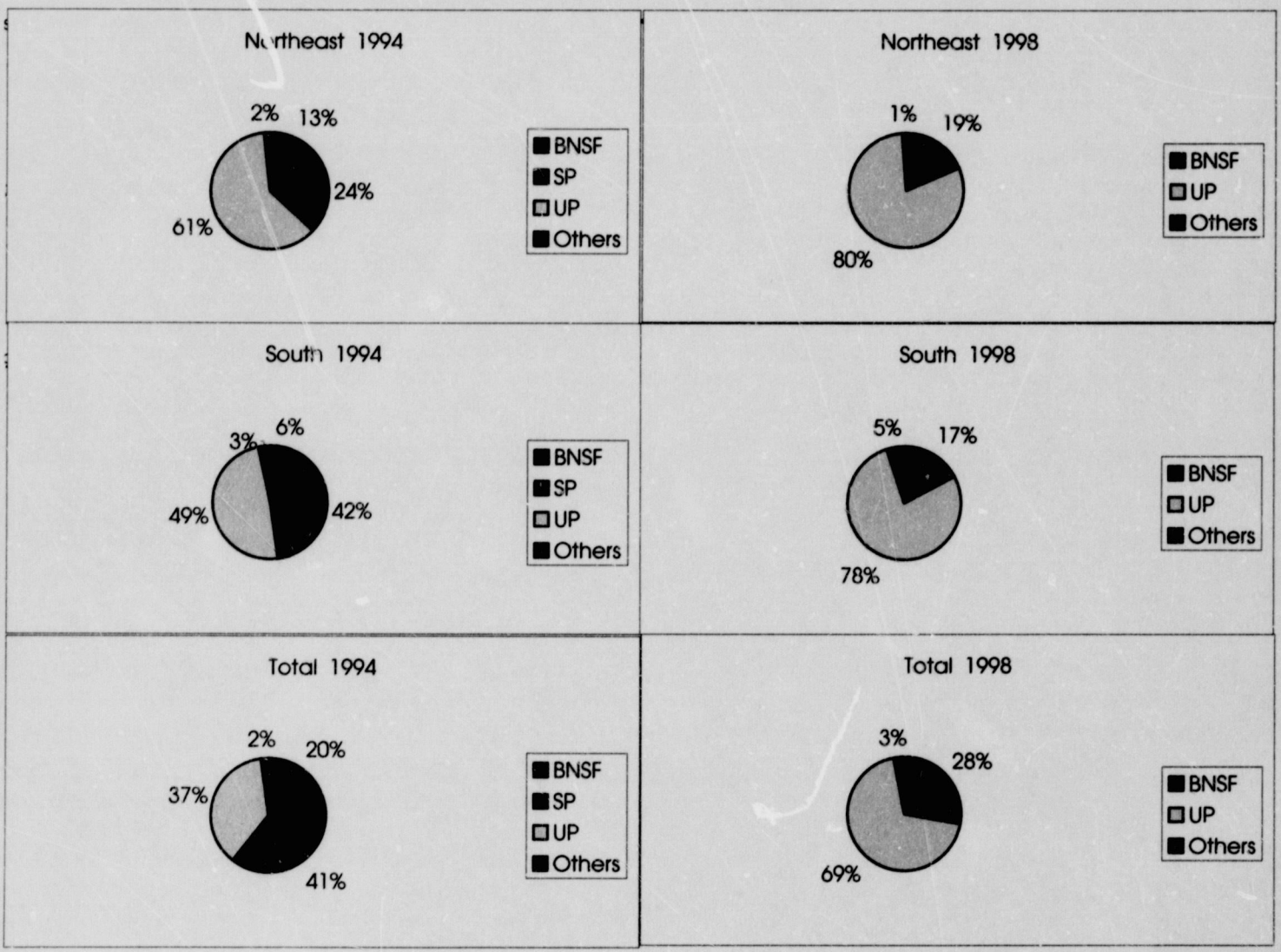

Figure 5. Summary of Houston Inbound Traffic
Carload Comparisons 1994 vs. First Half of 1998

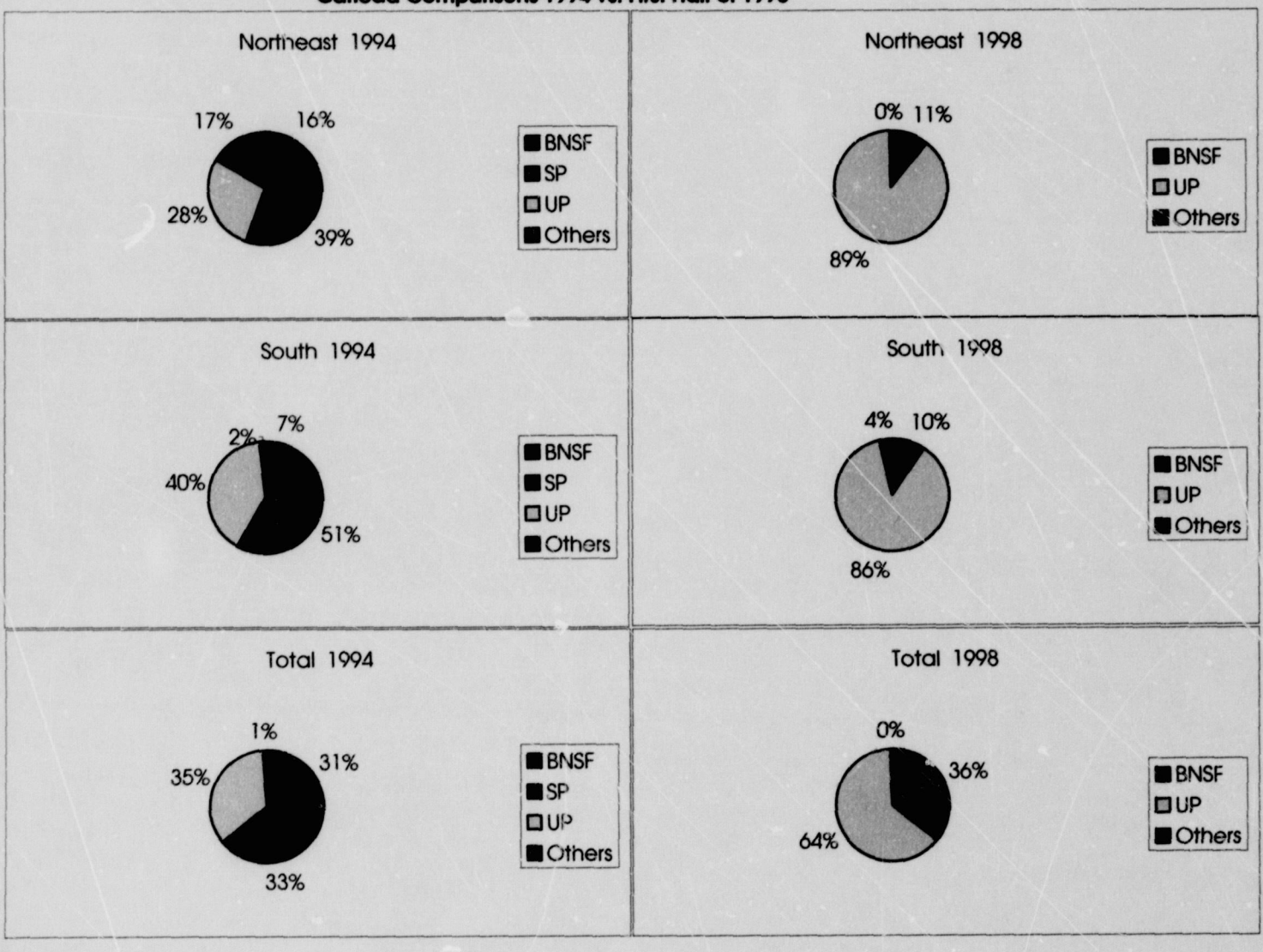

Figure 6. Summary of Houston Outbound Traffic
Tonnage Comparisons 1994 vs. First Half of 1998

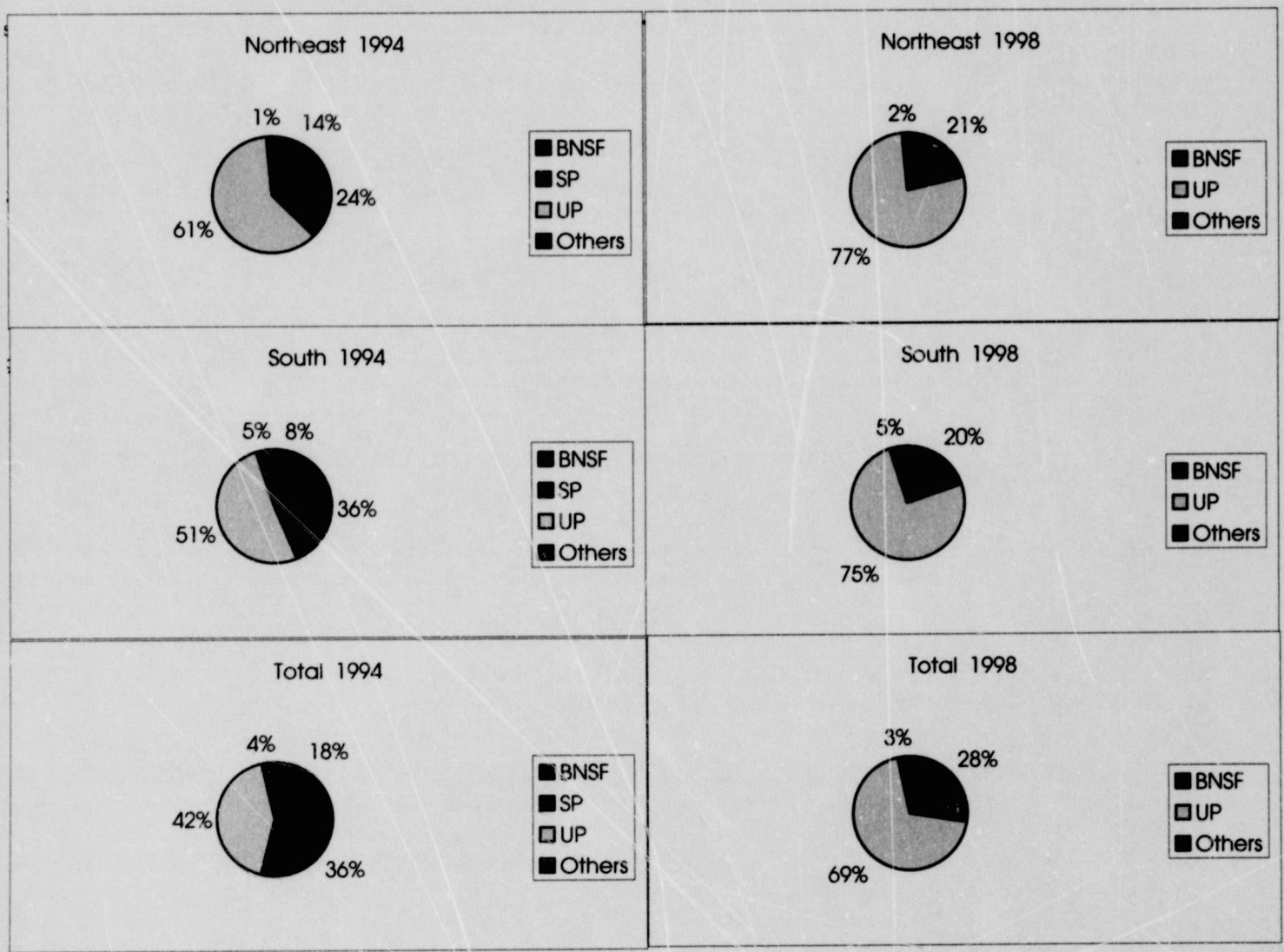

Figure 7. Summary of Houston Inbound Traffic
Tonnage Comparisons 1994 vs. First Half of 1998

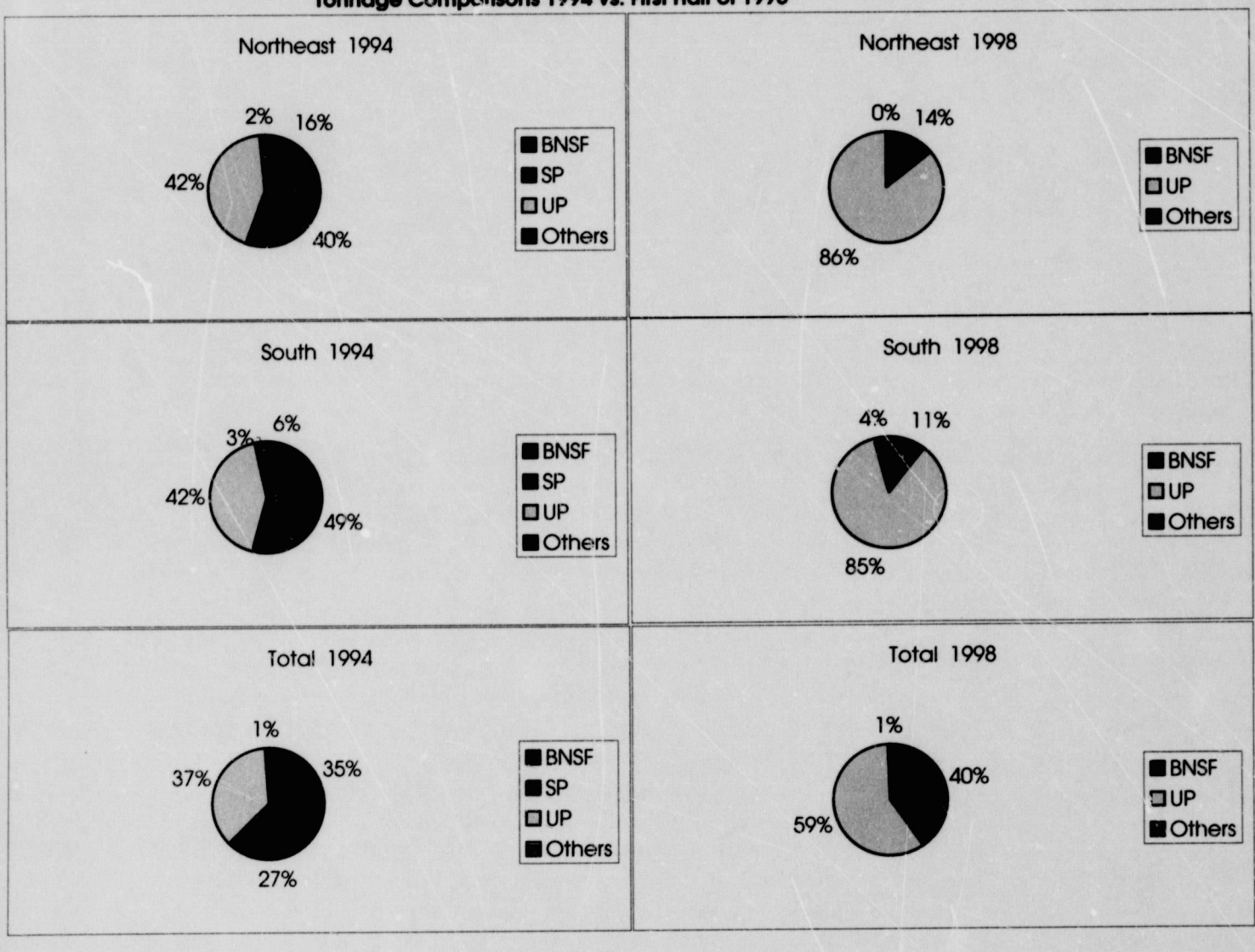

Figure 8

Appendix 1

Summary of 1st Half of 1998 2-to-1 Traffic Originating in the Houston BEA

SPLC6	Shipper	Location	UP Originating Traffic Cars	UP Originating Traffic Tons	BNSF Originating Traffic Cars	BNSF Originating Traffic Tons	UP Market Share Cars	UP Market Share Tons	BNSF Market Share Cars	BNSF Market Share Tons

REDACTED

HIGHLY
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Figure 9

Appendix 2

Summary of 1st Half of 1998 2-to-1 Traffic Terminating in the Houston BEA

SPLC6	Shipper	Location	UP Terminating Traffic		BNSF Terminating Traffic		UP Market Share		BNSF Market Share	
			Cars	Tons	Cars	Tons	Cars	Tons	Cars	Tons

REDACTED

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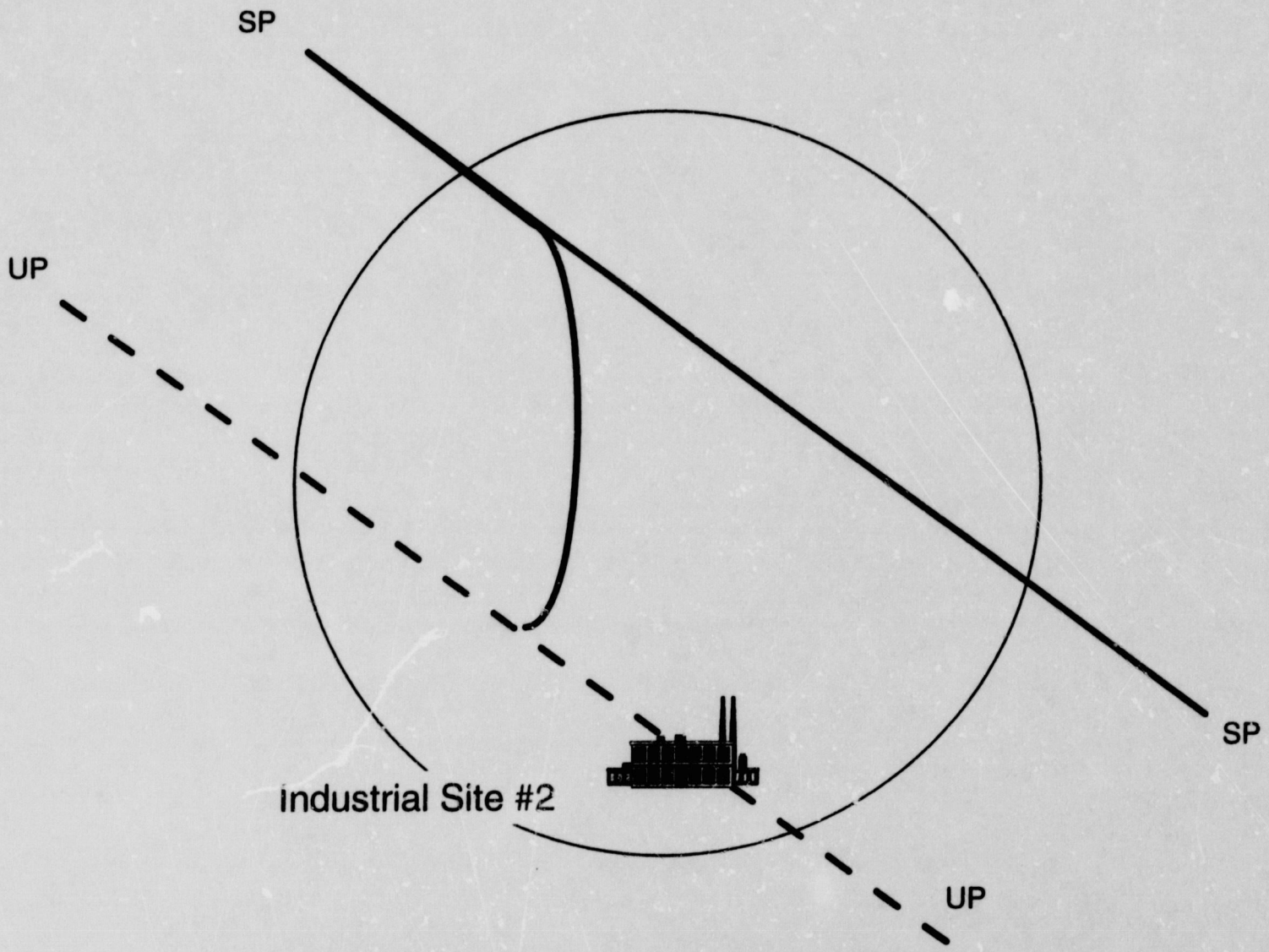
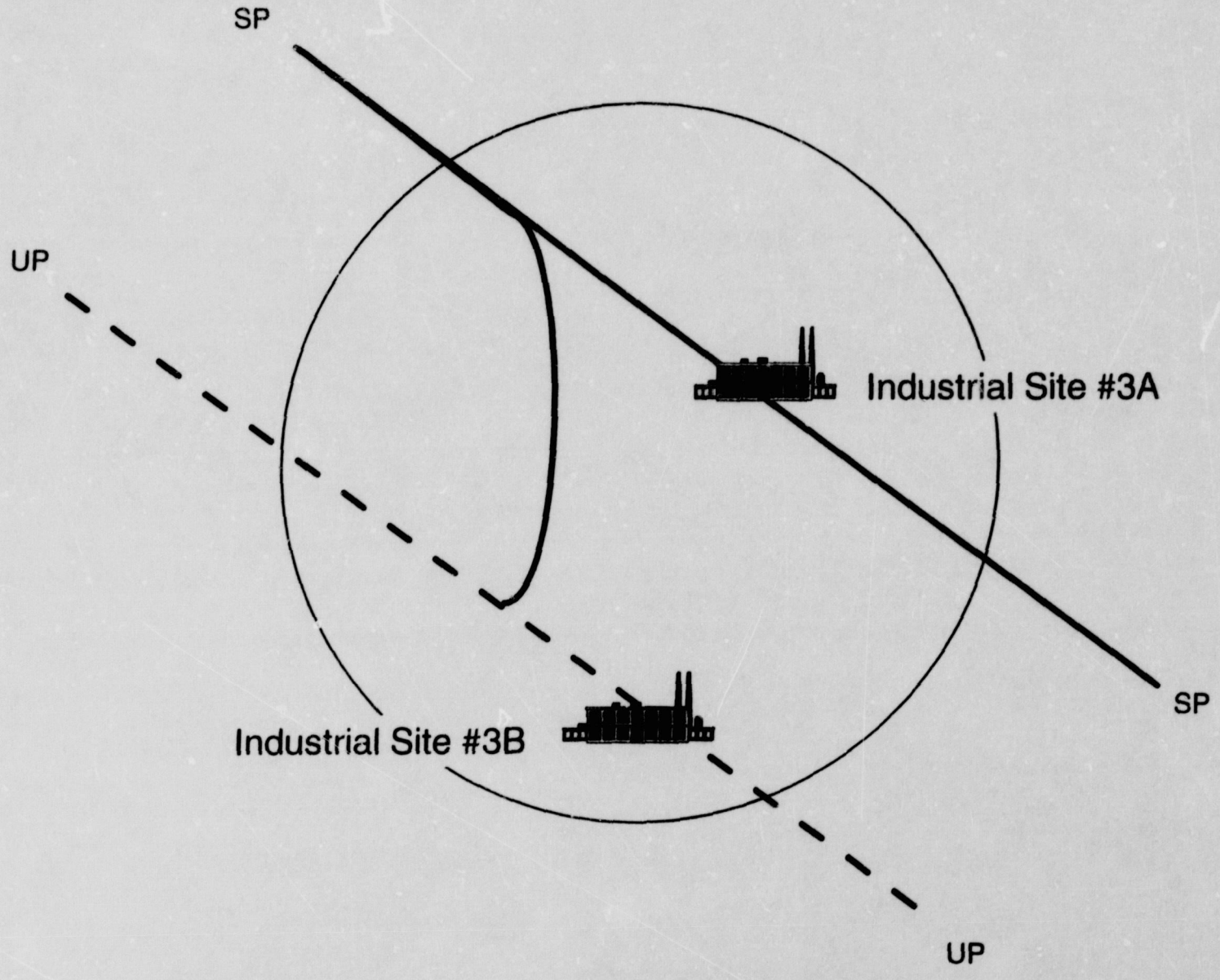
Figure 3.2



Shipper has physical access to only one applicant but is in proximity to the other.

Figure 10

Figure 3.3

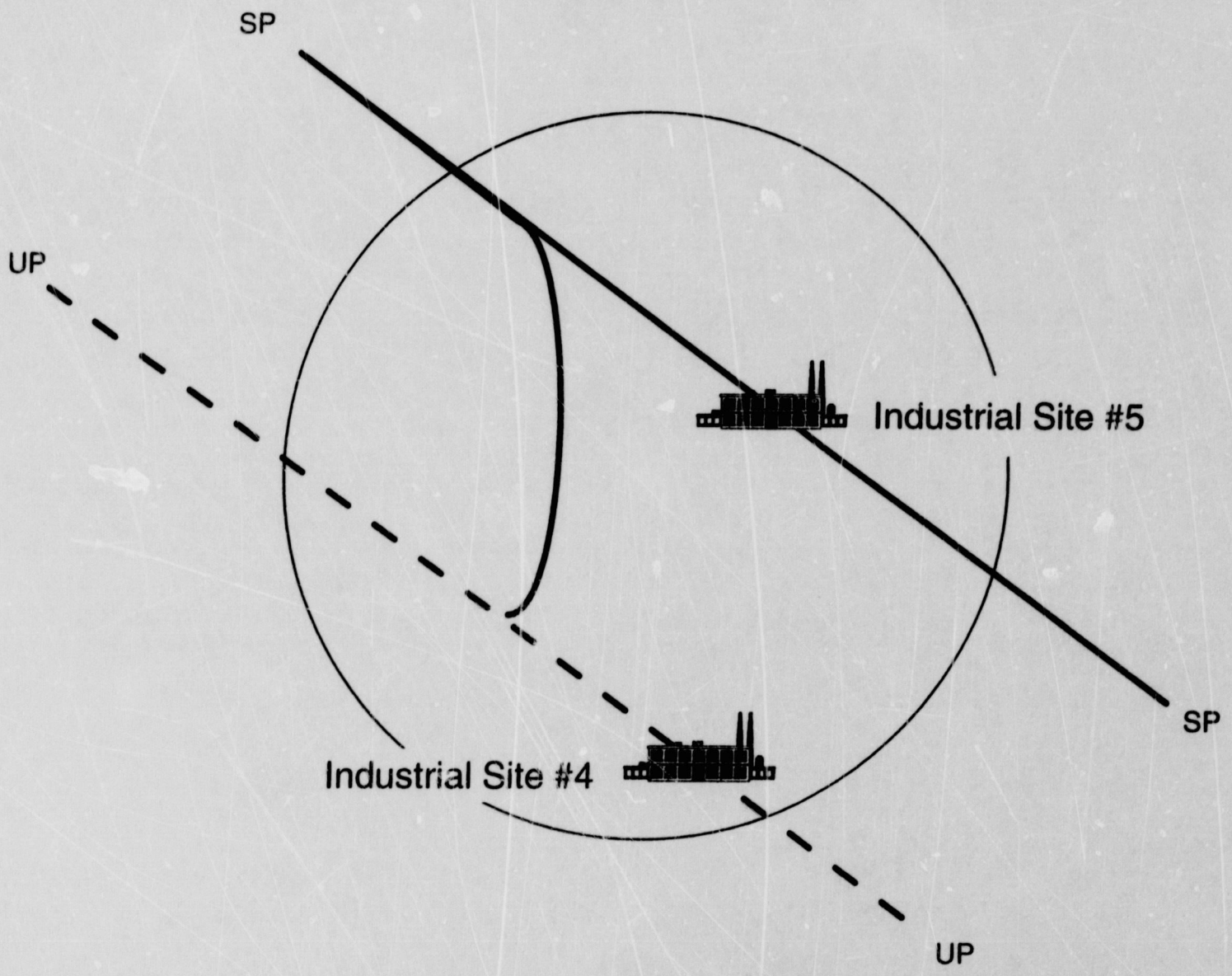


Shipper has captive plants on both UP and SP lines.

Figure 11

Snavely King Majoros O'Connor & Lee, Inc.

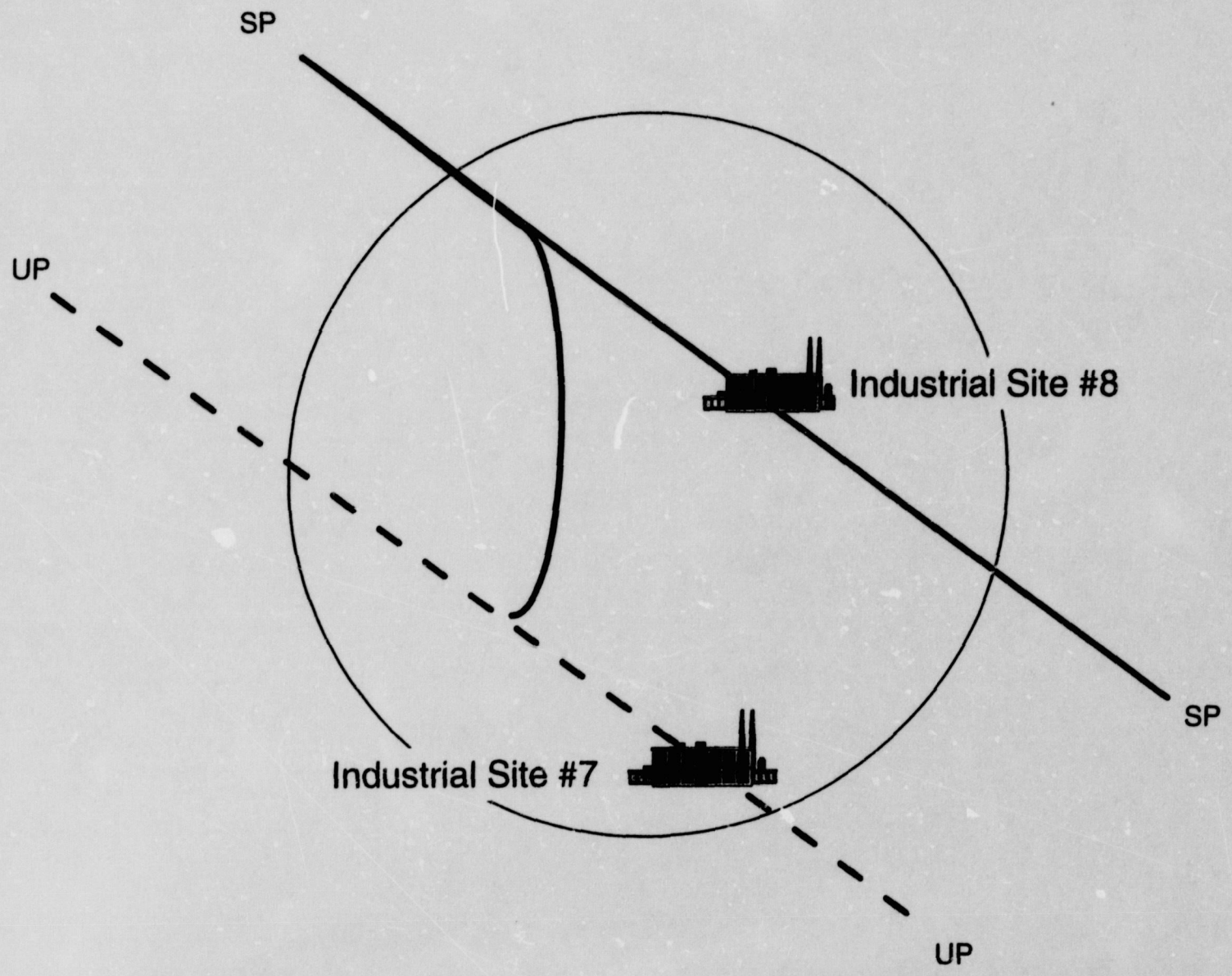
Figure 3.4



Shippers served by different railroads competing in same product market.

Figure 12

Figure 3.6



Shipper benefits from ex ante site location competition.

Figure 13

Snavely King Majoros O'Connor & Lee, Inc.

Summary of Infrastructure Investments Identified in Annual Shareholders Reports

Carrier	Year	Description	Investment Value (in $million)	Competitive or Non-Competitive Location
BNSF	1995	Intermodal Facilities in LA (Hobart), Chicago, and San Bernadino.	$155	Competitive
		PRB - 21 miles double/triple track, 25 additional miles, and expanded Aliance Yard.	$385	Competitive
BNSF	1996	Capacity expansion.	$800	Unknown
		Intermodal yard expansions in LA,San Bernadino, Corwith, Cicero and Willow Springs, IL.	$62	Competitive
		Two year renovation of Argentine Yard in KC.	$95	Competitive
		Acquisition of Washington Central and re-hab of 229 mile Stampede Pass.	$135	Competitive
		Double track Orin Line and three segments of the coal loop.	$-	Competitive
		Added track in Alliance Yard.	$-	Competitive
		Expansion in Lincoln to allow coal trains to pass through.	$-	Competitive
		55 miles of double track in Chicago - LA Lane.	$-	Competitive
BNSF	1997	Added 147 miles of main line track.	$-	Unknown
BNSF	1998	Plans to add 175 miles of track between: Belen and Clovis, NM; Sandpoint, ID and Shelby, MT; and Sandpoint, ID and Springfield, MO (coal route through Wyoming).	$-	Competitive
		Terminal and line expansions, information systems, and locomotives.	$900	Competitive
		Expansion of capacity of coal routes and daylight Guernsey Tunnel	$16	Competitive
		Double and triple track	$44	Unknown
		75 miles of double track between Chicago and LA	$150	Competitive
		Double track Missouri Sub	$30	Competitive
		Increase intermodal lift capacity	$55	Competitive
UP	1993	Elimination of bottlenecks by expanding busy Nebraska Corridor and the Oregon Blue Mountain Route.	$-	Competitive
		Increase of intermodal capacity at Memphis, Stockton and Seattle.	$-	Competitive
		Nebraska main line triple track expansion program. "This corridor carries nearly 100 trains a day, the busiest in the world."	$-	Competitive
		New Livonia Yard - to expedite traffic through lower Mississippi valley.	$-	Competitive
UP	1994	Intermodal yard expansions and technology improvements.	$-	Competitive
		PRB - Triple and quadruple tracking; higher volume, lighter weight aluminum cars	$-	Competitive
		Chemicals for 1995/1996.	$37	Partial Captive
UP	1995	Continued capacity expansion on main lines - upgrading lines, equipment and facilities (over 5-year period).	$1,200	Competitive
UP	1996	Terminal and track expansion capital projects	$500	Unknown
UP	1997	Capital spending associated with Integration of SP	$500	Competitive
UP	1998	Roseville Yard.	$145	Competitive
		Livonia Yard.	$15.5	Competitive
		Marion Arkansas Intermodal.	$70	Competitive
		KF Route.	$-	Competitive
SP	1993	Burnham facility.	$-	Competitive
SP	1994	Arizona.	$-	Competitive
		Tunnels in California to enable double stack usage.	$-	Competitive
SP	1995	Double track portion of Southern Corridor.	$-	Competitive
		Improve intermodal facilities.	$-	Competitive
		Enlargement of Herington, KS switch yard.	$-	Competitive

Source: Annual Shareholders Reports.

Figure 15

SNAVELY KING MAJOROS O'CONNOR LEE, INC.

Summary of Gulf Coast Area Spending Based On UP 1998 Texas

Projects and Union Pacific's Report on Houston and Gulf Coast Infrastructure[1/]

(Dollars In Thousands)

Type	Central Location	Description	Authorized	Spent As of 4/15/98

REDACTED

HIGHLY
CONFIDENTIAL

Summary of Gulf Coast Area Spending Based On UP 1998 Texas
Projects and Union Pacific's Report on Houston and Gulf Coast Infrastructure[1/]
(Dollars In Thousands)

Type	Central Location	Description	Authorized	Spent As of 4/15/98

REDACTED

HIGHLY
CONFIDENTIAL

Summary of Gulf Coast Area Spending Based On UP 1998 Texas
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(Dollars In Thousands)

Type	Central Location	Description	Authorized	Spent As of 4/15/98

REDACTED

HIGHLY
CONFIDENTIAL

Summary of Gulf Coast Area Spending Based On UP 1998 Texas
Projects and Union Pacific's Report on Houston and Gulf Coast Infrastructure[1/]
(Dollars In Thousands)

Type	Central Location	Description	Authorized	Spent As of 4/15/98

REDACTED

HIGHLY
CONFIDENTIAL

VERIFICATION

DISTRICT)
OF) ss.
COLUMBIA)

I, Dr. Curtis M. Grimm, being first duly sworn, upon my oath state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Curtis M. Grimm
Dr. Curtis M. Grimm

Subscribed and sworn before me this 12th day of October, 1998.

Sarah P. Londrie
Notary Public

My Commission Expires: 3/31/03

VERIFICATION

DISTRICT)
OF) ss.
COLUMBIA)

I, Joseph J. Plaistow, being first duly sworn, upon my oath, state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Joseph J. Plaistow

Subscribed and sworn before me this 14th day of October, 1998.

Sarah P. Londerée
Notary Public

My Commission Expires: 3/31/03

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

REBUTTAL VERIFIED STATEMENT

OF

LARRY L. THOMAS

REBUTTAL VERIFIED STATEMENT

OF

LARRY L. THOMAS

My name is Larry L. Thomas. I am President of the Society of the Plastics Industry, Inc. ("SPI"). I am the same Larry Thomas who submitted a verified statement as part of the Consensus Plan submission to the Surface Transportation Board ("STB" or "Board") on July 8, 1998. SPI and its interest in this proceeding are described in my prior statement.

Transportation has risen to be one of the key elements of interest and concern to the plastics industry. This is a result of the increasing concentration in the railroad industry; the commensurate reduction in competitive alternatives; and the service meltdowns experienced following recent rail consolidations, most particularly the Union Pacific ("UP") service meltdown which has substantially and adversely affected our industry in the Houston/Gulf Coast area.

Rail transportation is the lifeline of the plastics industry.

As described in SPI's Comments from the original UP/SP merger proceeding, the plastics industry is one of the most rail-dependent industries in this country. Not only does the industry ship 85% of its raw materials by rail, but this industry is uniquely dependent in that rail cars are also used for storing raw materials. As a result, when this industry must rely on a fragile rail system experiencing the "worst rail crisis of the 20th century," the effects permeate throughout the Gulf Coast area – which is this industry's principal point of production – and is felt throughout the entire industry.

The purpose of this statement is to respond to the assertion by the UP, and particularly the verified statement of Mr. Duffy, "that the Houston/Gulf Coast area service problems are over." Verified Statement of Dennis J. Duffy, UP/SP-358 at 1 (hereinafter referred to as "V.S. Duffy"). This statement also addresses the overall issue of rail competition in the Gulf Coast, and Mr. Duffy's claim that the need to store an "excessive" number of plastics resins cars is burdening UP's recovery efforts.

SPI will not take issue with the assertion by the Union Pacific that the gridlock experienced from mid-1997, and well into the first half of 1998, -- characterized by: trains blocking main lines due to lack of power; lack of crew and/or the inability to move the trains into yards; yards completely filled with cars almost unable to move; and transit times measured in weeks and even months -- no longer exists. Breaking the gridlock or log jam, however, does not equate to a resolution to the Houston/Gulf Coast service problems unless the UP and the STB are willing to accept a permanently degraded quality of railroad service as a result of the UP/SP merger and the UP's integration of SP's operations into its system.

Throughout his statement, Mr. Duffy describes service improvement by measuring recent performance against performance in February/March, which presumably consist of February and March of 1998. In other places in his statement, Mr. Duffy appears to refer to comparisons of recent service to 1997 service performance. We find these comparisons, at best, to be disingenuous for the reasons set forth below.

When UP applied for authority to acquire the Southern Pacific lines, the UP promised to improve service. In fact, during the merger approval process UP used terms such as "greatly improved transit times throughout the western two-thirds of the nation;" "take trucks off over-crowded highways;" "build direct routing and efficiency benefits never before accomplished in

railroading history;" and "to achieve dramatic capacity enhancements, service improvements, and cost reductions." UP also asserted that the merger would "strengthen competition." Texas, in particular, was touted as potentially "the biggest beneficiary of a UP/SP merger."

The Board's decision approving the UP/SP merger accepted and relied upon UP's assertions and found that service improvements would flow from a merger of the UP and SP railroads. Consequently, the benchmark for measurement of whether "service related problems are over" in the Houston/Gulf Coast area must be based upon a comparison of current performance and the service levels prior to the UP/SP merger. An accurate and fair comparison of acceptable service cannot be made by comparing current service with service during the heart of the meltdown or even with service after UP acquired SP when the deterioration of service quality appeared well underway.

The chart, attached as Exhibit A to my statement, graphically portrays the decrease in service, through increased average number of shipping days, shippers have received each year since 1995. If in fact, as UP claimed in justifying the merger, that the merger of UP and SP would provide better service, then UP's post-merger service levels must drop below the service levels of 1995. Exhibit A proves that UP is no where near those 1995 pre-merger service levels even today.

Evidence of the degradation of service experienced by the plastics industry is reflected in the transit time measurements developed by a partnership effort of SPI and UP. This ad hoc Rail Service Taskforce was established following the two hearings held before the Surface Transportation Board in the Fall of 1997. At these hearing, the reports by UP and those by SPI's members reflected a very different perspective on the service performance. Following the December 3, 1997 hearing before the Board, I wrote to Dick Davidson, President and CEO of

UP, and suggested the establishment of a joint ad hoc task force, in an effort to establish a common understanding of the service being rendered to the plastics industry. Mr. Davidson "enthusiastically" endorsed the joint effort. Copies of our exchange of correspondence and of the charter for the ad hoc joint task force are attached to my statement as Exhibits B-D.

Results of the task force service measurement effort that are discussed within this statement are attached as Exhibits E[1] and F. In my statement in the July 8 Consensus Plan filing, I observed that UP's service had begun to degrade shortly after UP's agreement to acquire the SP in August, 1995. SPI believes that service began to deteriorate because the merger agreement undercut the competitive pressure between UP and SP. This is dramatically illustrated in Exhibit E to this statement, which shows a month-to-month comparison of transit times for 1996, which were above the level of the transit times for 1995. Transit times again rose in 1997, even before the integration of UP and SP, and continued to increase until they peaked in March 1998. This graph evidences the folly of relying upon Mr. Duffy's February/March 1998 benchmark for evaluation of service improvement, and even of using 1997 for comparative purposes. Clearly, the Union Pacific has failed to deliver its promise to improve service, and particularly so with regard to the plastics industry, as measured by the pre-merger service levels.

SPI supports the Consensus Plan because our members believe that pre-merger competition between UP and SP has not been preserved by post-merger competition between UP and BNSF. This results from a number of factors, including: BNSF reliance upon the UP infrastructure in the Houston area; BNSF reliance upon UP switching of plants; and the enhanced leverage UP achieved over the plastics industry from the merger with SP. In SPI's Comments on

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[1] Exhibit E to this statement is an update to the graph which appeared as Exhibit D to my statement in the July 8, 1998 filing.

the merger in 1996, SPI noted that a number of member companies had plants on both the UP and the SP. Post-merger, with the UP acquiring access to the SP-served plants, whatever competitive balance was achieved by having access to the two railroads was lost. Moreover, even where BNSF received access to certain of the SP-served plants, UP was in the position to leverage those facilities based on UP's exclusive service to another plant of that same company, thereby effectively limiting the practical ability of our members to utilize BNSF's service.

We also expressed concern about BNSF's ability to effectively replace the SP due to BNSF's limited infrastructure in the Houston area. While the trackage rights agreement and conditions imposed by the Board addressed BNSF's lack of storage yards for plastics cars, none of the voluntary or imposed conditions addresses BNSF's lack of operational yard capacity in the Houston area or BNSF's sparse and fragmented main line track serving Houston. As discussed in SPI's 1996 comments, BNSF was, and it continues to be, primarily a transporter of trainload and unit train movements of coal, farm products and fertilizer into the Gulf Coast. Our concerns have proven true, and our worst fears have more than materialized.

There has been little reason for companies to change carriers, even at the height of the service crisis, since BNSF's Houston area operations depend upon UP lines and switching, and thus are subject to the same service impediments as the UP. This is reflected in the graph identified as Exhibit F, which tracks UP service against that of "other carriers," which most prominently consists of service by the BNSF.

Finally, Mr. Duffy attempts to cast responsibility for the current service problems on its customers, noting that service improvement is hampered by plastics producers storing "excessive" numbers of shipper-owned cars on the UP system. UP/SP-358, V.S. Duffy at 10-11.

UP's claim can be clearly refuted based on the UMLER[2] system car registrations. The UMLER registration shows that approximately 10,000 cars were entered into plastics service from mid-1997 through mid-1998. With plastics resins production moving directly into rail cars, and with transit times increasing by 50% during the service crisis, it is apparent to any observer that the industry was required to acquire additional rail cars in order to avoid shutting down production lines. As transit times have been reduced, although not restored to normal, the need for some of that increase in car inventory has disappeared. Nevertheless, once rail cars are built and either purchased or leased by the plastics industry they are placed into rail service. The railroad industry has traditionally provided storage for those cars. Any storage problems being experienced by the UP from the increase in rail cars is clearly the consequence of its own service meltdown. Moreover, our members advise us that the UP has ignored requests over the past several years to increase the storage space available for hopper cars to be used in plastics resins service.

In conclusion, SPI submits that the service problems in the Houston/Gulf Coast area are not over; the conditions imposed in the UP/SP merger did not preserve pre-merger competition; and the lack of a competitive infrastructure served to exacerbate the service problems by assuring that all Gulf Coast producers were impacted by a service failure of one railroad. SPI continues to support the Consensus Plan as the only means of restoring competition and assuring expansion of rail infrastructure to serve the plastics industry.

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[2] UMLER is the Universal Machine Language Equipment Registry administered by Railinc, a business division of the Association of American Railroads. UMLER tracks all rail equipment, public and private, including trailers and containers, moving over rail, used in interchange service.

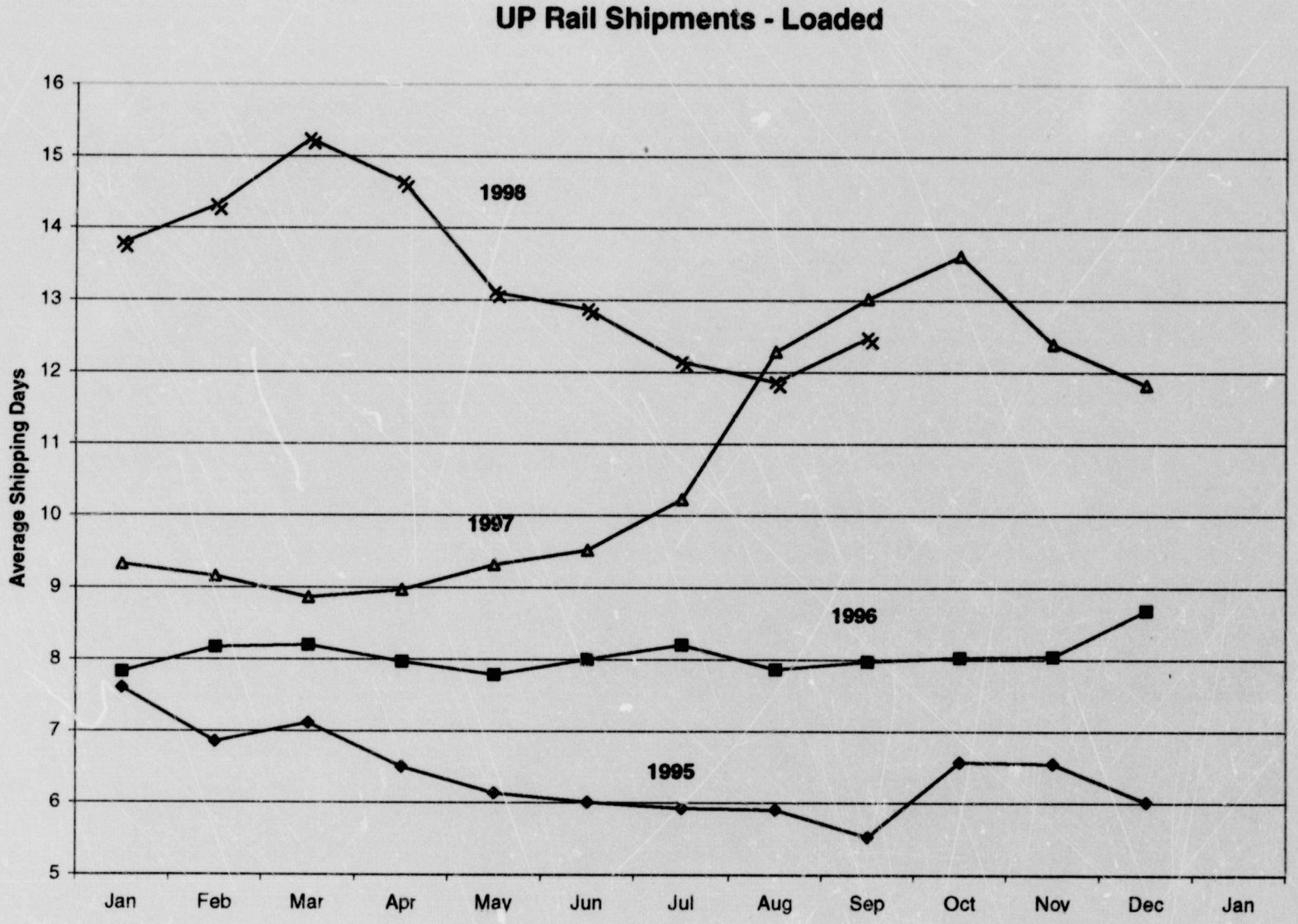

UP Rail Shipments - Loaded
Average Shipping Days
16
15
14
13
12
11
10
9
8
7
6
5
1998
1997
1996
1995
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan

Exhibit A

Exhibit B

The
Plastics
Industry
Trade
Association

December 9, 1997

VIA FAX 402-271-5326

Mr. Richard K. Davidson
President & CEO
Union Pacific Corporation
1416 Dodge Street
Omaha, Nebraska 68179

Dear Dick:

At the STB hearing last week, what became increasingly clear to me was the need to reconcile the differences that exist between the level of improvement in service reported by the Union Pacific Railroad (UP) and that perceived by the shippers.

Larry L. Thomas
PRESIDENT

In your remarks at the hearing, you stated that "SPI and NIT League are using data that is several weeks old." Yet, during my testimony, I showed that the trend lines in transit times for this industry, are still going up, as of the day of the hearing. Clearly, we are both in a no win situation until such time that we are able to collectively sit down at the table and resolve these issues facing our industries.

What I want to propose to you is the establishment of an Ad Hoc Task Force, Co-chaired by a UP rep and someone from the supplier side of the plastics industry. The purpose of this partnership would be threefold: 1) to address the issues that are affecting rail transportation for the plastics industry, and develop common solutions; 2) to develop and agree upon meaningful metrics that will measure the rate of service improvement for the plastics indsutry; and 3) to give the UP the same data we will use as the basis for our future statements on the service recovery effort.

The Society
of the Plastics
Industry, Inc.
Suite 600K
1801 K Street, NW
Washington, DC
20006-1301
202-974-5222
fax 202-293-0309
lthomas@socplas.org

In the Surface Transportation Board's (STB) decision issued last week, the STB stated that "we believe that more focused reporting will help us to evaluate the progress of the service recovery." This joint effort by the UP and the plastics industry will not only help us both to better understand the level of improvement, but it speaks directly to the Board's directive.

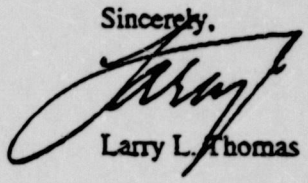
As you know, few other industries in this country are as rail dependent as the plastics industry. We are proud of our contribution to the overall U.S. economy. But, we would not be able to continue on this path of growth without a thriving and healthy rail industry. Therefore, we take great interest in the health and welfare of the Nation's railroads.

We are committed to helping in whatever way we can to resolve this rail crisis. I hope you will agree with this idea I have proposed to you. It will give us both an opportunity to illustrate what Chair Morgan reiterated at the hearing and in the Board's decision, that is private-sector business solutions can work and work well.

If you agree with this proposal, I will ask Maureen Healey, SPI's Director of Transportation Issues, to contact a Union Pacific official of your designation to proceed with organizing the task force.

I will look forward to hearing from you.

Sincerely,



Larry L. Thomas

Exhibit C

UNION PACIFIC CORPORATION

DICK DAVIDSON
CHAIRMAN

December 11, 1997

Mr. Larry L. Thomas
President
The Society of the Plastics Industry, Inc.
1801 K Street, NW, Suite 600K
Washington, D.C. 20006-1301

Dear Larry:

Thank you for your letter of December 9 concerning the need to reconcile the differences that exist between the level of improvement in service as seen by the railroad versus that perceived by the shippers.

We enthusiastically endorse the establishment of an Ad Hoc Task Force co-chaired by a Union Pacific representative and representatives from the plastics industry to accomplish the following:

- Identify the issues that are affecting rail transportation for the plastics industry and develop common solutions.
- Develop and agree upon metrics that would be used by both Union Pacific and the plastics industry.
- Ensure that UP and the plastics industry use the same data as the basis for future statements on service recovery efforts.

The point person at Union Pacific will be Ed Sims who is, as you know, our Vice President and General Manager of our Chemical Business Team. Ed will make himself available immediately to work with Maureen Healey in organizing the Task Force.

We are very encouraged by your statement that the SPI takes great interest in the health and welfare of the nation's railroads and its commitment to help resolve the rail crisis. I know that by working together we will be able to develop a common understanding of the issues facing both our industries, as well as accelerate the recovery process.

We look forward to getting started.

Sincerely,

1717 MAIN STREET, SUITE 5900, DALLAS, TX 75201-4605 • 214 743-5066

Team Charter
SPI – UP ad-hoc Rail Service Taskforce

PURPOSE

To work with the UP and other railroads as appropriate to:

1. Reach understanding and acceptance on how to measure performance and demonstrate improvement from the perspective of the plastics shipper.

2. Establish the specific metrics (critical few), and

3. Regularly review the metrics together with the associated railroad.

4. Provide a forum for giving specific feedback on service levels being experienced by plastics shippers, from their and their customer's perspective; giving the railroad the opportunity to respond, or act upon the data, before it is presented to the STB.

SCOPE

- The focus is on service levels experienced by plastics shippers and their customers.

- May by necessity expand to include in the discussions other railroads involved in the operations (BNSF, PTRA, KCS) and metrics which measure their impact on the plastics shipper's performance, including customer service.

- Is not intended to be a forum for "negotiating" settlements to what are deemed to be issues for either party.

TEAM MAKEUP

CHAIR – Maureen Healey...the COT&D Executive Board agrees that the point person on this task force needs to be someone who can speak to the industry's data collectively and has the resources and capability to "pool" and preset data in such a way as to protect the confidentiality of each company's individual data.

A.O. (Al) Bowles, Jr., Union Carbide
Doug Glass, Union Pacific
Maureen Healey, SPI
Jerry James, Equistar Chemicals
Bernard LeBlanc, Montell USA
Mary McDonald, Dow Chemical
Fran Molla, Union Pacific

Mike Scherm, Solvay Polymers (Chairman, COT&D_
Ed Sims, Union Pacific
Mike Spahis, Fina Oil & Chemical (Chairman, Surface Transportation Subcommittee, COT&D)
Eric Tibbetts, Chevron Chemical

TIMING

Initial contact with UP to be made by phone week of December 15th .
First face-to-face meeting targeted to be held the week of January 12th.
Project complete when team determines metrics reflect satisfactory rail operations.

Exhibit E

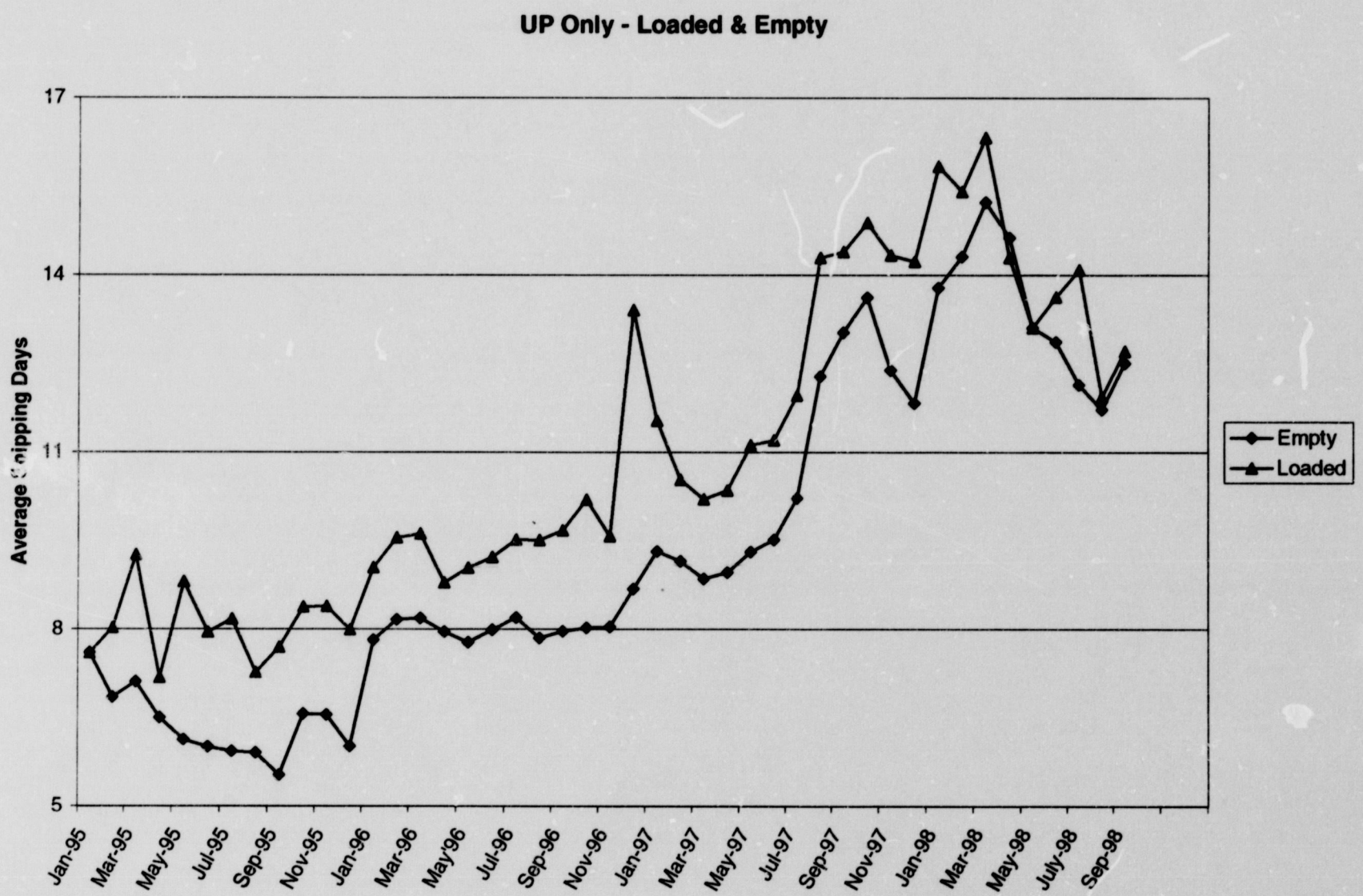
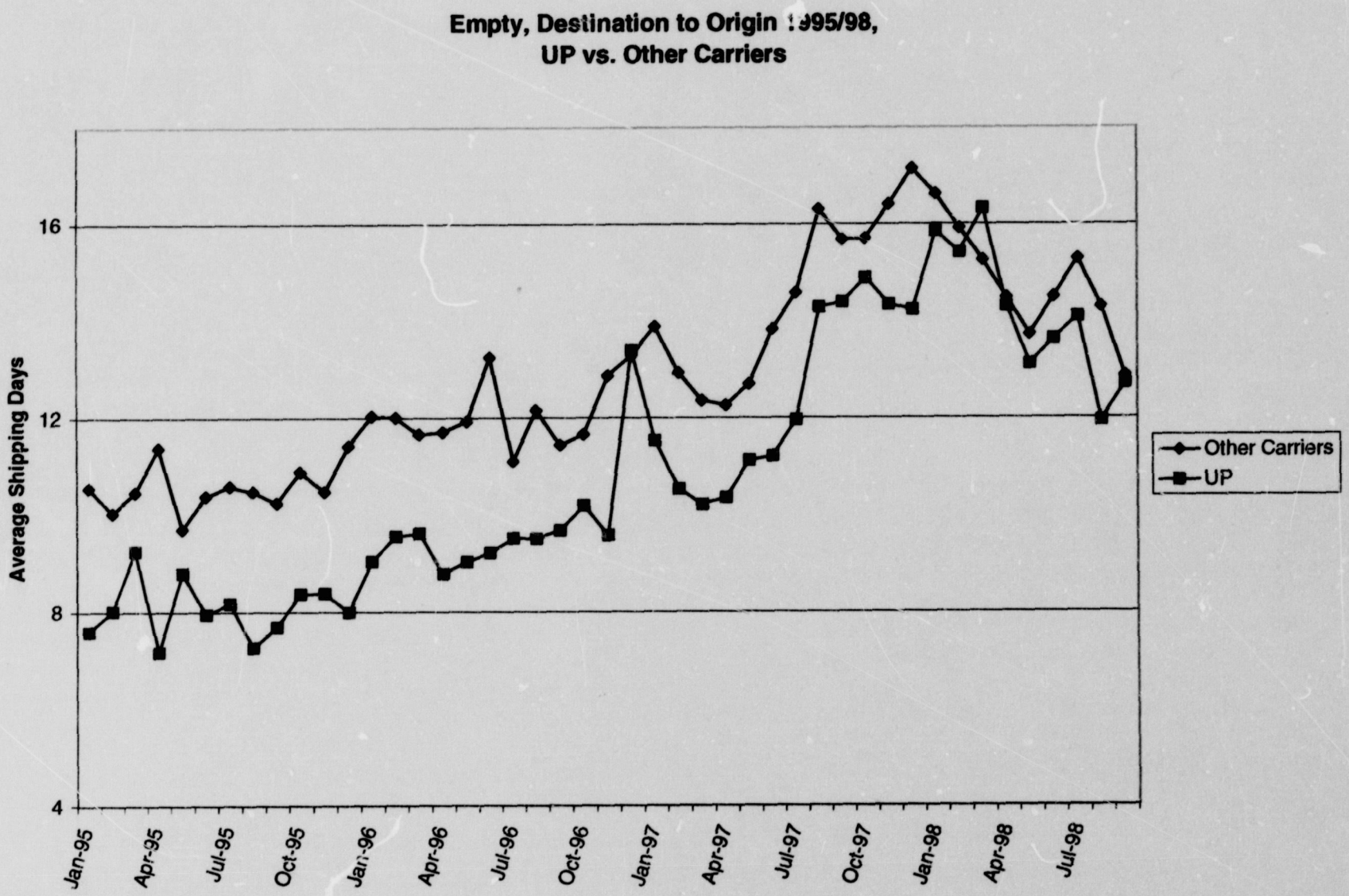
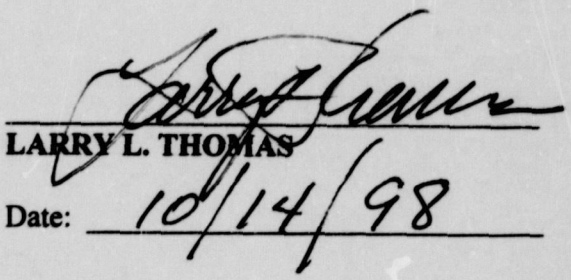

UP Only - Loaded & Empty
Average Shipping Days
17
14
11
8
5
Jan-95
Mar-95
May-95
Jul-95
Sep-95
Nov-95
Jan-96
Mar-96
May'96
Jul-96
Sep-96
Nov-96
Jan-97
Mar-97
May-97
Jul-97
Sep-97
Nov-97
Jan-98
Mar-98
May-98
July-98
Sep-98
Empty
Loaded

Exhibit F


Empty, Destination to Origin 1995/98,
UP vs. Other Carriers
Average Shipping Days
16
12
8
4
Jan-95
Apr-95
Jul-95
Oct-95
Jan-96
Apr-96
Jul-96
Oct-96
Jan-97
Apr-97
Jul-97
Oct-97
Jan-98
Apr-98
Jul-98
Other Carriers
UP

* * *

I, Larry L. Thomas, affirm under penalty of perjury that the foregoing statement is true and correct based on my knowledge, information and belief.



LARRY L. THOMAS

Date: 10/14/98

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

REBUTTAL VERIFIED STATEMENT

OF

PATRICK L. WATTS

REBUTTAL VERIFIED STATEMENT

OF

PATRICK L. WATTS

My name is Patrick L. Watts and I am Vice President – Transportation for the Texas Mexican Railway Company. I am located at Tex Mex's offices at 501 Crawford Street, Room 317, Houston Texas. In my current position, I am responsible for directing all of Tex Mex's train operations across its line between Laredo and Beaumont, Texas including the Greater Houston Terminal Area. Simultaneous with this rebuttal verified statement, I have filed a rebuttal joint verified statement with William Slinkard. I am submitting this rebuttal verified statement in rebuttal of the allegations made by Union Pacific in its Opposition to Condition Applications with respect to joint and neutral dispatching.

1. **UP Has Discriminated Against Tenant Railroads Since 1992**

Since 1992, numerous charges of dispatching discrimination have been filed against UP with the Interstate Commerce Commission and Surface Transportation Board. I have personally been involved in a number of these charges. In 1994, I was a witness in SP's charges of dispatching discrimination against UP. My evidence was based upon a report that I wrote following a visit to the Harriman Dispatching Center in 1992. UP has twisted my conclusions in that report out of the context in which they were written and referred only to my statement that "I highly doubt that any UP dispatcher intentionally mishandles SP trains." In fact, I explained in that report that "UP's upper management had been responsible for assigning our "hot" trains a low priority in their CAD system." This problem persists in the Spring Dispatching Center to this day.

UP acknowledges that SP accused it of dispatching discrimination in 1994 but then alleges that SP "later backed off that claim and concluded that it had been failing to manage its own trains properly." UP/SP-356 at 50. UP inaccurately states the facts. To my knowledge, not one of the SP witnesses who testified under oath about UP's discriminatory actions backed off or withdrew their statements. What did take place was that UP and SP decided to settle their dispute. That was when the Dispatching Protocols were born.

UP claims that I was "thrown out" out of the Harriman Center. UP/SP-356 at 51. This allegation is completely false. I was never even asked to leave the Harriman Center. I swore under oath in a deposition that these allegations were not true and I deny them again now. In 1995, I was again a guest of UP at the Harriman Center for a week and spent a week in the Harriman Center in June 1998. This would appear to be an odd reception for someone who was "thrown out" of the Harriman Center in 1992.

UP submits a verified statement prepared by Jerry Davis in 1994 while he was Executive Vice President and Chief Operating Officer of CSX Transportation. Mr. Davis apparently concluded that CSXT trains were "getting a fair shake" when he examined whether CSXT trains were being treated fairly by UP dispatchers on a 64.4 mile joint line between Chicago and Woodland Junction. However, Mr. Davis' view was not shared by the CSXT engineers and conductors who operated on that line and whom I interviewed in 1993. These engineers and conductors all emphatically claimed that UP's dispatching practices resulted in unequal treatment for CSXT trains.

In February 1995, I was sent again by SP to observe dispatchers at the Burlington Northern Dispatching Center in Ft. Worth, TX. My objective was to monitor and observe the manner in which BN dispatchers and their supervisors handled the movements of SP trains

between Kansas City and Chicago where SP had trackage rights. In contrast to UP's discriminatory dispatching practices, I observed that BN treated its trackage rights tenants fairly and equally. It was then that I realized that the dispatching practices of the two railroads reflected a completely different management culture. UP views trackage rights tenants as competitors while BN viewed trackage rights tenants as customers. This management culture persists in the Spring Dispatching Center to this day.

UP claims that the Spring Center dispatchers are not discriminating because they are now under a microscope. UP/SP-356 at 204. This is a pattern that I have observed on a recurring basis. UP came under heightened scrutiny from the ICC in 1994-95 during its negotiations with SP over dispatching practices. At that time, dispatching discrimination ceased, only to pick up again as soon as the scrutiny ended. These discriminatory practices again reached a height in 1997 and the early part of 1998 and I documented over twenty instances of dispatching discrimination in my verified statement on March 30, 1998. Now UP is again under the microscope as a result of this oversight proceeding and again it has changed its dispatching practices by discriminating in favor of Tex Mex. Unless the Board takes meaningful action to install neutral dispatching in the Houston terminal area, UP's previous dispatching practices will resume as soon as this oversight proceeding is over.

UP claims that it has instructed its dispatchers never to discriminate against Tex Mex trains and that as a result they never do. UP/SP-356 at 34, 59, 60 and 204. However, in reality this suggestion is unrealistic. In the same way that UP dispatchers are instructed to obey railroad operating rules and sometimes fail to do so, UP dispatchers may be instructed not to discriminate but nevertheless do so. Both Mr. Nichols, acting in his capacity as neutral observer for Tex Mex, and I have explained in our verified statements filed on July 8, 1998 that Tex Mex is limited in

its ability to prevent discrimination and enforce the Dispatching Protocols in the Spring Center. If one adds to this problem the fact that Spring Center dispatchers are chronically overworked and under immense pressure, then it is inevitable that discriminatory dispatching will be prevalent.

2. **The Results of the Wilmoth Study are Skewed**

UP points to a study performed by Jerry Wilmoth which apparently demonstrates that Tex Mex and BNSF trackage rights trains on UP tracks perform somewhat better than UP trains of the same class. UP/SP-356 at 54. However the Wilmoth Study is fundamentally flawed for a number of reasons. First, it only covers a very short time period from August 11, 1998 through September 10, 1998. This begs the question why UP has only performed this study only recently despite repeated allegations of dispatching discrimination by both Tex Mex and BNSF. Second, the Wilmoth Study was prepared when Spring Center dispatchers were actually favoring Tex Mex trains and therefore the results of the Wilmoth are liable to be skewed. Third, the Wilmoth Study omits to measure two critical areas where the bulk of discrimination incidents arise: (i) the Houston terminal area, and (ii) the line between Flatonia and Placedo, TX. Fourth, in view of the pattern of dispatching discrimination that I outlined above, UP is likely to return to its previous practices as soon as this proceeding is over and thus the Wilmoth Study is not a reliable indicator of UP's future dispatching practices.

3. **UP Dispatchers Should Not Discriminate For or Against Tex Mex**

UP eventually concedes it discriminates in dispatching. At various points in its Opposition, UP makes the troubling assertion that its dispatchers give Tex Mex trains preferential handling. UP/SP-356 at 51, 201 and 204. The reason why this assertion is troubling is that it undeniably confirms that UP dispatchers have the power to discriminate one way or the

other and do in fact discriminate. The benefit of neutral dispatching is that it contains numerous safeguards to ensure that dispatchers will not discriminate against Tex Mex trains. However, a further benefit of neutral dispatching is that UP dispatchers will also not be able to discriminate in favor of Tex Mex trains.

4. **UP Should Avoid Laying All the Blame on Tex Mex**

UP does not stop at a vehement denial of Tex Mex's discrimination allegations. It goes on to lay all the blame on Tex Mex for its dispatching problems. This is UP's standard response to the operational problems that Tex Mex raises with it. Instead of working with Tex Mex to find a solution to the problem, UP simply denies that there is a problem at all and then blames any difficulties that Tex Mex is experiencing on Tex Mex. BNSF describes the same frustrations in dealing with UP. Now, both BNSF and Tex Mex have concluded that it is fruitless to continue to approach UP with their problems and have approached the Board for relief.

A recurring theme throughout the Opposition is UP's claim that Tex Mex officials should speak up if they have problems (UP/SP-356 at 211) and that Tex Mex refuses to discuss the matter of the Spring Center with Tex Mex officials (UP/SP-356 at 210). These allegations are completely false. Tex Mex officials including myself have been talking to UP about the neutrality of the Spring Dispatching Center from the time that it was established and even before that. By way of example, I am attaching a memorandum from Steve Barkley to Charley Eisele dated March 27, 1997 where Mr. Barkley expressly refers to the discussions that he had with me and Ab Rees regarding the Spring Center (see Memorandum attached hereto as Exhibit 1) Since then I have held numerous discussions with UP officials about the Spring Center and its lack of neutrality. One of these included a discussion about neutrality with a UP employee and an employee of the Board at the Spring Center a few months ago.

5. **UP's Invitation to Participate Is Unsatisfactory**

UP continues to claim that it wants Tex Mex to participate in the management of the Spring Center but that Tex Mex does not want to do so. UP/SP-356 at 210. The reality is that Tex Mex, like BNSF, has realized that joint control is the only way to ensure the neutrality of the Spring Center. UP encourages Tex Mex to participate but it always stops short of saying that Tex Mex can have an equal say in how the Spring Center's operations are conducted. That is unacceptable to Tex Mex.

UP claims that Tex Mex has failed to apply the Dispatching Protocols. UP/SP-356 at 211. The problem is that the Dispatching Protocols do not work. Both BNSF and Tex Mex have pointed out to the Board that UP violates the Dispatching Protocols. Tex Mex has no way to stop these violations from recurring and every time it complains about the problem, UP simply denies that the problem exists. The only way to resolve this problem is for the Board to require neutrality of operations in the Spring Center.

The lack of neutrality in the Spring Center was illustrated by UP's failure to invite a single representative from Tex Mex to a meeting on June 18, 1998. This meeting was held to discuss the progress of the Spring Center to date. UP claims that it failed to invite Tex Mex's neutral observer, Ronney Nichols, because it was apparently under the impression that Mr. Nichols was not a Tex Mex employee. UP/SP-356 at 211. This explanation is unsatisfactory. UP knew that that Mr. Nichols was Tex Mex's neutral observer and in this capacity would have a strong interest in the content of that meeting. This was reason alone to invite Mr. Nichols. UP also could have invited me or any other employee of Tex Mex. However, UP did not regard Tex Mex as an equal participant in the Spring Center and therefore a Tex Mex representative was not invited.

6. **UP's Attempt to Refute the Discrimination Claims is Unconvincing**

a. The Emergency Joint Petition for Additional Trackage Rights

UP refers first to the Emergency Joint Petition of Tex Mex and KCS for Additional Trackage Rights Conditions to Emergency Service Order No. 1518, filed May 14, 1998 ("Joint Petition for Additional Trackage Rights"). UP reiterates its claim that the additional trackage rights which KCS/Tex Mex requested would result in unnecessary operations carrying very few cars that would cause more problems than they would resolve. However, UP asserts that its refusal to grant the requested additional trackage rights was not discrimination. UP/SP-356 at 205. While it may not technically be an act of discrimination to prevent trains from running along the most efficient routes in the Houston terminal, it is nevertheless an obstructive act on behalf of UP's management and stands contrary to UP's assertion that it is doing everything it can to reduce congestion in the Houston terminal.

There is absolutely no warrant for UP to require a train to traverse an extremely congested track when a parallel track is uncongested and available.[1] The dispatchers in the Spring Center recognized this and routed trains along the most efficient routes before they were prevented from continuing to do so by UP management. As the Joint Petition for Additional Trackage Rights makes clear, Tex Mex's transit times through the Houston terminal increased dramatically after UP's decision to restrict Tex Mex to certain routes. I noted with interest that

[1] In Decision No. 47, the Board stated that it was not persuaded by the argument that there cannot possibly be any justification for providing Tex Mex with two routes through Houston as opposed to only one. The Board stated that "congestion that exists in the Houston Terminal,congestion that is not always shared equally by each of the available routes, provides ample justification for a bypass route." Decision No. 47 at 13.

BNSF has registered an identical complaint about its lack of access to the most efficient routes in the BNSF Application. *See* BNSF Application at 14.

b. Discrimination Incidents From October 1997 to March 1998

UP relegates the twenty incidents of discrimination that I describe in my verified statement on March 30, 1998 to mere incidents of delay. UP claims that similar delays afflicted it during that period and thus there could not have been discrimination. UP/SP-356 at 205-6. This description of the incidents in question is a gross mischaracterization of what actually took place. If delays were the only problem that Tex Mex trains encountered, then the average system velocities for UP trains and Tex Mex trains would have been similar. Instead, for the period in question (October 1997 to March 1998) UP reported average velocities of between 12 and 16 mph on its tracks while Tex Mex reported average velocities of between 0 mph and 5 mph while on trackage owned and controlled by UP. This discrepancy in average velocities is attributable to something more than delay.

In my verified statement on March 30, 1998, I outlined various incidents of discrimination. The recurring theme in those instances is that UP dispatchers give preferential treatment to UP trains over Tex Mex trains usually by assigning a lower priority to equal classed or higher classed Tex Mex trains. It is immaterial whether this preferential treatment is intentional or unintentional. What matters is that it happens and, under the current dispatching arrangement in the Spring Center, Tex Mex is powerless to stop it.

c. Discrimination Incident on May 28, 1998

UP dismisses this incident of discrimination and claims that there were two UP trains which took all the delay instead of the Tex Mex train. UP/SP-356 at 207. This account is incorrect for the following reasons:

- UP is correct in saying that the first UP train (MALMX-27) was held up at Dyersdale. However, this delay was not attributable to the Tex Mex train (MMXSH-27). The UP train was held at Dyersdale for a crew and not the Tex Mex train as UP alleges. In fact, the Tex Mex train was able to pass by the UP train because there was a double track at that location.
- The second UP train (MAVHO-26) was holding at Huffman because its crew had expired on the Hours of Service and was not waiting for Tex Mex.
- The two UP trains had been allowed to run against the flow on the Beaumont Subdivision because of a maintenance window. Although this was contrary to normal operations, UP claimed that it allowed the two UP trains to run against the flow because there were no eastbound trains called at Houston and westbound trains holding at Beaumont had already caused congestion there. However, my review of the Digicon tapes showed that UP had overlooked the eastbound Tex Mex train and that there was no problem with congestion at Beaumont. In fact, the Digicon tapes showed that were six clear sidings between Echo and Dayton on the route over which the UP trains should have operated.
- Even though UP allowed its two trains to run against the flow, it held back a BNSF westbound intermodal train and a Tex Mex manifest train. The BNSF train should have been accorded higher priority than UP's two westbound trains.

The act of discrimination was therefore the dispatcher's decision to run two UP trains of lower priority against the flow on the Beaumont Subdivision during a maintenance window while holding the BNSF and Tex Mex train until the maintenance window was over.

d. Discrimination Incident on May 1, 1998

UP dismisses this incident of discrimination as a delay that resulted when the northbound Tex Mex train (1MMXSHJ-30) had to wait at North Shore Junction for the Settegast yardmaster

to clear a track for it. UP then alleges that a southbound Tex Mex train blocked Strutt siding for 4 hours and 40 minutes. When the Tex Mex train was cleared into Basin Yard it was misblocked which resulted in a delay of many hours in its switching. UP/SP-356 at 207.

UP's account of the delay suffered by the northbound Tex Mex train is incorrect:

- The Tex Mex train did have to go through Settegast Yard. However the Digicon tapes show that the Settegast yardmaster had not requested a signal from the dispatcher which indicates that Settegast Yard had a clear track for the Tex Mex train. The Tex Mex train was therefore held unnecessarily while the UP train passed it. The act of discrimination was the dispatcher's decision to allow the UP train of equal priority to run past the Tex Mex train even though Settegast Yard had a clear track for the Tex Mex train.

UP's account of the delay suffered by the southbound Tex Mex train (1MSSHO-01) is also incorrect:

- While the southbound Tex Mex train did block Strutt Siding for over four hours on May 1, 1998, this happened because UP held this train at Englewood causing the Tex Mex crew to expire on the Hours of Service. Tex Mex put another crew on the train and advanced it to Strutt at the dispatcher's and Englewood yardmaster's instructions. At that point, Tex Mex removed the crew at the instruction of UP's Spring Corridor Manager and did not call a replacement crew for almost three hours because the corridor manager told us that the train would not be able to move. The Tex Mex train blocked Strutt Siding because of the instructions of the UP dispatcher and corridor manager.
- It is true that the Tex Mex train was misblocked. However the Digicon tapes show that it did not block the East Belt line for hours as UP claims. Nor did it spend almost seven hours switching. According to the Digicon tapes, the Tex Mex train finished switching its train at

Basin Yard exactly twenty-eight minutes after it had received a signal to begin switching at Basin Yard. For the remaining six hours and forty minutes the Tex Mex crew simply waited while UP and BNSF trains passed it in both directions. It is therefore untrue that the Tex Mex train switched for eight hours in Basin Yard as UP suggests.

e. Discrimination Incident on May 12, 1998

UP dismisses this incident as one that could have been handled better although it was not discrimination. UP claims that normally UP's Sugarland local (1LXD37-08) would have had enough space to get through T&NO Junction and out of the way of through trains but on this day that local was unusually long and could not get in the clear on its normal route. UP/SP-358, V.S. Slinkard at 6.

This account of the facts is misleading for a number of reasons:

- As UP itself acknowledges, the Sugarland local was a local train and therefore of lesser priority than the Tex Mex through train.
- The Sugarland local had been tied up in Stella Siding for over forty hours and therefore was not even a local of high priority.
- Despite its low priority, the local was allowed to leave Stella merely twenty minutes ahead of the higher priority Tex Mex train even though it did not have a clear route ahead of it. If the lower priority train would have been properly held, the higher priority train would not have been delayed. The act of discrimination was therefore the dispatcher's decision to allow the lower priority UP train to run ahead of the higher priority Tex Mex train.

Mr. Slinkard states that when he saw this situation, he personally got involved to help the dispatcher clear the track and move the Tex Mex train. What Mr. Slinkard does not state is that it was Mr. Nichols who got Mr. Slinkard personally involved. Mr. Nichols then provided

valuable suggestions as to how the problem could be resolved. Owing to his assistance in this and other situations, Mr. Nichols has been rightfully called upon by Mr. Slinkard's staff to help resolve dispatching problems affecting BNSF, UP, PTRA and Tex Mex trains.

f. Discrimination Incidents in June 1998

UP dismisses the four incidents raised by Mr. Nichols by stating that Mr. Slinkard reviewed those incidents and found no reason to expect discrimination. However, Mr. Slinkard states himself that he did not recall the events although he is sure that the dispatching is correct. UP/SP-358, V.S. Slinkard at 7. Here the Board is being asked to rely upon the evidence of someone who, by his own admission, does not remember what happened. On the other hand, Mr. Nichols records all instances of discrimination in detail so that he does not have to rely on his memory. It seems clear that the Board should rely on Mr. Nichols accounts of what happened.

7. **The Spring Center is a Step in the Right Direction**

The Spring Center has clearly shown that coordinated dispatching is to be preferred over separate dispatching in different locations by different carriers. However, the Spring Center is unambiguously a joint dispatching center where dispatching is controlled by UP and BNSF. BNSF has claimed that the Spring Center is a success and BNSF has sought to bring additional territories within the jurisdiction of the Spring Center. However, the Spring Center is still not neutral and Tex Mex is still an outsider because it does not have an equal say in the way that the Center operates. Putting the dispatching center in the hands of the PTRA would not remove control from UP or BNSF. They would both be members of the PTRA with equal say. At the same time, Tex Mex would also be a member of the PTRA with an equal say in how the center

operates. A neutral dispatching center would ensure that all carriers "get a fair shake" and will enable the claims of dispatching discrimination to be put to rest permanently.

EXHIBIT 1

To: Charley Eisele

From: Steve Barkley

Date: March 27, 1998

Re: Meeting with Ab Rees and Pat Watts

REDACTED

CONFIDENTIAL

VERIFICATION

DISTRICT)
OF) ss.
COLUMBIA)

I, Patrick L. Watts, being first duly sworn, upon my oath, state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Patrick L. Watts

Subscribed and sworn before me this 13th day of October, 1998.

Notary Public

My Commission Expires: 3/31/03

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

REBUTTAL VERIFIED STATEMENT

OF

PAUL L. BROUSSARD

REBUTTAL VERIFIED STATEMENT

OF

PAUL L. BROUSSARD

I. SUMMARY OF STATEMENT

My name is Paul L. Broussard. I am the founder of Paul L. Broussard & Associates, Inc. ("PLB"), a transportation and logistics consulting firm with offices in Houston and Dallas, TX. I personally have over 27 years' involvement with rail operations in the Houston terminal area, first as a railroad operations officer with Missouri Pacific Railroad Co. ("MP") and Houston Belt & Terminal Railway Co. ("HBT"), and later as a consultant to shippers and carriers using and operating those facilities. I have previously given two verified statements in this proceeding which fully set forth my background and experience.

This statement addresses arguments made by Union Pacific Railroad Company ("UP") against Item 7 of the Consensus Plan, which calls for UP to sell or lease existing yard space in Houston, preferably Booth Yard, to the Texas Mexican Railway Company ("Tex Mex") under the conditions stated in the Consensus Plan filing of July 8, 1998. I also address the discussions by UP witnesses Alan DeMoss and Michael Ongerth concerning service problems that Southern Pacific Transportation Company ("SP") suffered in the Houston area in the 1978-1980 period, when I was acting as the liaison between all of the railroads serving Houston and the local governments.

UP's objections to allowing Tex Mex to lease or purchase Booth Yard proceed from several erroneous premises, namely that Tex Mex suffers inefficient "double reverse handling" of cars only if they are destined to points north of Houston; that PTRA, UP and BNSF adequately block cars for Tex Mex; and that the Consensus Plan's proposals to lift the northbound restriction

on Tex Mex's trackage rights and for neutral switching of the Greater Houston Terminal Area will not take effect.[1] The alternatives to Booth Yard suggested by UP are generally unworkable due, for the most part, to their remote locations. The Consensus Plan for neutral switching will substitute for UP's alleged current operations at Booth Yard, alleviating UP's alleged need for that yard.

Although SP was the dominant carrier in Houston between 1978 and 1980, when the service problems that UP's witnesses label "World War III" occurred, those SP service problems did not overwhelm Houston rail operations to nearly the extent that UP's service crisis did. The differences between the ripple effects of the 1978-1980 SP service difficulties and the tidal wave of damages that have swamped the western United States because of the recent UP service difficulties are, I believe, due to structural changes in the Houston rail market, principally the pervasiveness of UP's control of the Houston market, including the properties of the HBT.

II. BACKGROUND

In preparing this rebuttal statement, I reviewed the statement of Howard (Eddy) Handley submitted on behalf of UP on September 18, 1998, along with pages 217 - 225 of UP's argument volume. I also read the statements of Alan DeMoss and Michael Ongerth describing service problems suffered by SP in the 1978 - 1980 period, the time that I opened PLB and was functioning as a liaison between the nine railroads serving Houston and the local government.

III. TEX MEX IS FORCED TO "DOUBLE REVERSE HANDLE" SOUTHBOUND CARS; UP AND BNSF DO NOT BLOCK CARS FOR TEX MEX

UP's filing assumes that Tex Mex's need to haul cars to yards under its control in Beaumont or Corpus Christi in order to switch them, and then being forced to haul them back

[1] The reasons for lifting of the northbound trackage rights restriction and neutral switching are addressed by other witnesses.

through Houston toward their destination — what UP denominates as "double reverse handling" — is limited to traffic moving northbound from Houston. UP also asserts that "the carriers with which Tex Mex interchanges — PTRA, UP and BNSF — are already performing these functions [*i.e.*, blocking of cars] for Tex Mex traffic." Therefore, UP asserts that if the northbound trackage rights restriction is not removed, Tex Mex does not need a yard. While others point out why the northbound trackage rights restriction should be removed, I am compelled to clarify that Tex Mex is forced to "double reverse handle" southbound cars, and that UP and BNSF do not block cars for Tex Mex.

I have reviewed copies of documents produced in discovery by Tex Mex (Nos. TM-8-HC-02082-02095) upon which UP relies for its assertion that "double reverse handling" involved northbound shipments only. It is my understanding that all of the shipments shown on those documents involve "double reverse handling." Over fifteen percent of those shipments are shipments destined southbound from Houston but which had to be hauled to Beaumont to be switched and classified into a southbound train because Tex Mex does not have a yard in Houston. This is clearly inefficient and costly to Tex Mex, involving unnecessary fuel and labor expense and trackage rights fees, as well as delaying delivery of the shipments because the shipments must initially be hauled the wrong direction out of Houston and are forced to transit the crowded Houston rail lines twice. The prospects for some increase in southbound traffic as a result of new facilities which Tex Mex is building near Laredo could make "double reverse handling" an increasingly costly problem for Tex Mex.[2]

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[2] UP's statement at UP/SP-356 at 220, n. 81, that Tex Mex sought access to Houston yard space in the original UP/SP merger proceeding for traffic southbound from Houston also belies UP's assertion that Houston yard space is needed only for Houston-north traffic.

UP also is wrong in asserting that "the carriers with which Tex Mex interchanges — PTRA, UP and BNSF — are already performing these functions [*i.e.*, blocking of cars] for Tex Mex traffic." Actually, Mr. Handley's verified statement merely says, obliquely, that "the railroads" perform this function. V.S. Handley at 31. While Mr. Handley might think that UP and BNSF would perform this service, UP and BNSF do not block cars for Tex Mex, and PTRA began doing so only after UP finally allowed it to do so, following repeated requests by Tex Mex.

Thus, two premises of UP's argument that Tex Mex does not need Booth Yard — that Tex Mex only "double reverse handles" northbound freight and that UP and BNSF block cars for Tex Mex — are factually incorrect.[3]

IV. ALTERNATIVES TO BOOTH YARD SUGGESTED BY UP ARE LARGELY UNWORKABLE

In an effort to deflect the Consensus Parties' request that Tex Mex be able to use Booth Yard for switching and classification, UP tosses out a variety of supposed alternatives. These alternatives include (a) using another carrier's yard where Tex Mex is authorized to interchange; (b) using an existing BNSF yard; (c) using largely or completely dismantled yards; or (d) building a yard at an outlying location, such as the Wharton Branch. In reality, however, these alternatives are phantom alternatives because they would not suit Tex Mex's needs in serving Houston.

Tex Mex cannot use PTRA yards for its own switching and classification activities as UP implies. While UP suggests this alternative (UP/SP-356 at 220), it knows or should know that Tex Mex has the right only to interchange with PTRA at North and Manchester Yards (and

[3] For further information concerning operational and infrastructure reasons for "double reverse handling," see rebuttal testimony of Patrick L. Watts filed concurrently herewith.

Pasadena Yard). Tex Mex does not have the right to use those yards for Tex Mex switching activities. Indeed, UP's claims elsewhere that the Consensus Parties' operating plan is unworkable because of the crowded condition of North Yard (UP/SP-356 at 166) and that Manchester Yard is crowded and "is not a good switching yard in any event," (UP/SP-356 at 158) rebut UP's own suggestion that Tex Mex use PTRA yards for Tex Mex switching and classification.[4] In addition, it would be essentially impossible for two carriers to conduct successful switching operations in the same yard at the same time.

A second phantom alternative suggested by UP is that Tex Mex use a BNSF yard in Houston to meet its needs. Of course, BNSF effectively has only three yards in Houston - Old South, New South and East Belt[5] - while UP has many times the yard capacity of BNSF's Houston yards. The collective capacity of Old and New South Yards and East Belt Yard — 1821 65-foot cars (*see* Exhibit 1 to my verified statement in the Consensus Parties' July 8 filing at pages 432 and 433) — is only about 20 percent of the 60-foot standing car capacity of UP's Englewood Yard (8,535) and about half that of UP's Settegast Yard (3,675), as reported in UP's weekly service reports filed during the emergency service order's effectiveness. UP also has approximately 19 other yards in the Houston area. Nevertheless, UP asserts that BNSF's yards are underutilized, which, if true, merely shows the extent to which UP dominates the Houston market.

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[4] Also, when Tex Mex has operated in and out of Manchester Yard, UP's dispatchers have forced Tex Mex to take a highly inefficient route out of the yard which leads Beaumont-bound Tex Mex trains westward from Houston as much as 20 or 25 miles, to Sugar Land, in order to find a siding where Tex Mex can cut off its cars and run the locomotives around to the opposite end of the train so that it can have the locomotives on the lead end of the train to head east toward Beaumont. This is a time-consuming, wasteful process which is unnecessary and results in additional delays to Tex Mex trains.

[5] BNSF's Hub Center intermodal facility currently is not used by BNSF for any essential yard operations, but apparently is under lease for certain other uses.

During the emergency service order proceeding, Tex Mex requested rights to use a portion of Old South Yard. BNSF replied, "Old South Yard is actively utilized by BNSF on a daily basis and is in no sense a surplus or underutilized yard available for use by Tex Mex." *Report of BNSF Pursuant to Supplemental Order No. 1 to STB Service Order No. 1518*, filed Dec. 12, 1997, at 2. I anticipate that BNSF would react similarly to UP's current suggestion that Tex Mex utilize any of BNSF's Houston yards.

UP also points to unusable or non-existent yards as supposedly suitable for Tex Mex. UP specifies both Glidden and Chaney as potentially available to Tex Mex. UP soft pedals the fact that "most of the tracks at Glidden Yard were removed" (V.S. Ongerth, UP/SP-359, Tab 11 at 12), and that "after tearing out the tracks [at Chaney Yard], it used the money for other purposes, eliminating that yard in the early 1990s." *Id.* Thus, these yards are not presently available to Tex Mex. In addition, Chaney Yard is a relatively limited space, bounded on each end by heavily-traveled road crossings which impede switching activity, and located adjacent to a very heavily used rail line, which limits the yard operator's flexibility in using the yard.

UP's suggestion that Tex Mex use Glidden Yard also suffers from the some of the same deficiencies as UP's suggestions that Tex Mex should build a yard on the Rosenberg-Victoria line - each of these locations is too far away from Houston to function effectively as a switching yard. The Glidden Yard is about 80 miles west of Houston, much too distant to function as a switching yard for Houston.[6] Building a switching yard on the Rosenberg-Victoria line likewise is not an acceptable location for a Houston switching yard, as UP itself states. *See* UP/SP-356 at

[6] Also, the Glidden Yard also is located on the Rosenberg to Flatonia route. Item 6 of the Consensus Plan calls for Tex Mex to surrender its trackage rights between Rosenberg and Flatonia when it begins operations between Rosenberg and Victoria. Therefore, using the Glidden Yard is incompatible with Item 6 of the Consensus Plan.

225.[7] Quite simply, having a switching yard 30 or 40 miles from the points being switched makes for long and time consuming switching activities, vastly reducing the functional capacity of the yard, particularly in a crowded terminal like Houston where transit through the city often is impeded by blocked lines and the need to avoid blockage of grade crossings. Thus, UP's suggestions that Tex Mex use Glidden Yard or construct a switching yard on the Wharton Branch are unworkable.

UP suggests a number of alternatives to the Consensus Parties' proposal that Tex Mex acquire existing yard space, preferably Booth Yard, in Houston. UP fails to show, however, that those alternatives are workable or functional for a switching operation such as Tex Mex anticipates.

V. UP'S SHIFTING "NEEDS" FOR BOOTH YARD WILL BE MET WITH NEUTRAL SWITCHING

UP's statement that the Consensus Parties "seem to have confused UP's use of Booth Yard with the yard's use under the previous operators," overlooks several important facts, not the least of which is the statement of UP's CEO Dick Davidson in a February 27, 1998, letter to Messrs. Haverty and Fields that "Booth Yard provides us with badly-needed SIT and overflow capacity." UP has been changing its description of its use of Booth Yard ever since the Tex Mex/KCS March 30 filing criticized UP's use of Booth Yard for car storage as inefficient, but has yet to show that it must have Booth Yard, particularly in light of the Consensus Plan for neutral switching operations throughout the Greater Houston Terminal Area.

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[7] It bears repeating that the Consensus Parties did not suggest that UP move *switching* activities to a yard on the Rosenberg-Victoria line, *see* Consensus Plan at 78, but suggested that UP's Booth Yard car *storage* activities, that UP's CEO Dick Davidson stated as UP's primary use of Booth Yard, could reasonably be moved to a less-central location, just as UP currently stores cars north of Houston at Spring, TX to serve shippers at Bloomington and Freeport.

UP's statements implying that it was not responsible for misuse of Booth Yard as a car storage lot is wrong. UP's witness Handley states that "In 1997, after UP and BNSF jointly restructured[8] HBT's operations . . . UP immediately changed the yard's use." V.S. Handley, UP/SP-359, Tab 7 at 39. UP and BNSF dissolved HBT effective October 31, 1997, yet fully 4 months later, UP's CEO wrote to Messrs. Haverty and Fields that "[W]e [*i.e.*, UP] are using . . . Booth Yard . . . [for] SIT and overflow capacity." Thus, it was not, as UP implies, a figment of the Consensus Parties' imagination that UP (not HBT or PTRA) was misusing Booth Yard for car storage. Moreover, as Mr. Watts recounts in his joint verified statement with Mr. Slinkard, last week a traffic manager for one of the shippers that supports UP in this proceeding told Mr. Watts that UP was **at that time** storing 150 cars for the shipper at Booth Yard.

As noted in my July statement in the Consensus Parties' presentation, UP has been changing its story ever since March about its use of Booth Yard. Regardless, however, UP fails to recognize that the Consensus Parties' operating plan calling for neutral switching of the Greater Houston Terminal Area will allow the switching carrier, presumably PTRA, tremendous flexibility in staging cars for industry and in its other functions by allowing the neutral switching carrier use of a sufficient portion of the Houston infrastructure to effectuate a single, efficient and coordinated operation of the terminal area. Thus, the neutral switching carrier will have flexibility that even UP does not now have in staging cars for industry, enabling the neutral switcher to perform the functions for which UP supposedly now uses Booth Yard without having to operate Booth Yard.[9]

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[8] "Restructured" is, in my view, an interesting euphemism for abolishing HBT's functions.

[9] I also wish to point out that UP mischaracterized my prior testimony by saying that my statement, at page 425 (cited by UP) suggests "switching" Booth Yard from the south end following reconnection of the disconnected yard tracks to the south lead track. While "switching" the yard entirely from the south end would require movements of blocks of cars large enough to foul the signal where the south yard lead track intersects the main line passing

UP's ever shifting "needs" for Booth Yard would be satisfied by the proposed neutral switcher. Accordingly, Booth Yard is not needed by UP for the purposes UP states.

VI. THE 1978-1980 SP SERVICE PROBLEMS

UP's witnesses Alan DeMoss and Michael Ongerth testify at length about what they refer to as "World War III," SP service problems that led to significantly increased transit times and other problems with SP service in the Houston area between 1978 and 1980. What they fail to point out, however, was that "World War III" for SP in Houston was not World War III for everyone throughout all of Houston, all of Texas and all of the rest of the western United States, as UP's unprecedented service problems of the past year have been. I believe the reason for that difference was the degree of UP's current dominance of the Houston market and the availability of alternative service, principally through the neutral switching services of HBT and PTRA, in Houston in 1978-1980.

I have worked with railroad matters in Houston most of my adult life. I worked for MP as a rail terminal operations officer in Houston beginning in 1970. In 1972, I left MP to work for the HBT. I worked for HBT for approximately six years, during which time I progressed from Manager - Terminal Planning to Assistant to the Vice President of Operations, and finally served for three years as Assistant to the President and General Manager of HBT. I left HBT in 1978 to start PLB. 1978 is the year that Messrs. DeMoss and Ongerth cite as the beginning of "World War III."

Booth Yard, I stated that Tex Mex could "move" cars between tracks at the south end of the yard and could "work" the yard once the track connections are restored. By that I meant that small groups of cars could be moved. These small movements, which would occur in the upper portion of the yard where the reconnected tracks would be located — the part furthest from the adjacent main line track — would not be large enough to foul the signal on the adjacent main line or interfere with movements of passing trains.

My first major project as an independent businessman was representing all nine rail carriers serving Houston[10] as their primary contact person, with local government. In that role, I acted as liaison between the Houston railroads and municipal authorities on innumerable issues from grade crossing problems to track construction. I performed this function throughout the "World War III" period. While I dealt with a number of issues arising between local government and the railroads during that period, nothing that occurred at that time even approached the magnitude of the unending service problems that the UP service crisis has visited upon Houston over the past year or more. Having seen this current crisis from all sides as a consultant to shippers and carriers, I know that the past year has presented problems that were far more severe and pervasive than anything that SP's service problems in the 1978-1980 period caused. There simply is no comparison between the two situations.

I believe that what made the UP service crisis so much worse than any problems stemming from SP's "World War III" is the consolidation of the Houston rail market under UP's control. In 1978, seven linehaul railroads and two neutral switching carriers served Houston. As a result, if there were service problems on one carrier, most shipments could be routed via the neutral switchers to an alternative linehaul carrier. By contrast today, UP controls 9 of the 11 rail lines into or out of Houston, while the two lines that BNSF controls do not connect except over shared trackage. That connecting trackage is now mostly switched by UP, so if there are service problems with UP, Houston essentially becomes gridlocked. In 1978-1980, there were alternatives to using SP, even though SP controlled a large portion of the Houston infrastructure. Now, there is almost no alternative to UP. That, in my view, is what caused the damage from

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[10] Namely, Missouri Pacific Railroad Co.; Port Terminal Railway Association; Santa Fe Railway Co.; Southern Pacific Railroad Co.; Chicago Rock Island & Pacific Railroad; Fort Worth & Denver Railway Co.; Galveston Houston & Henderson Railway Co.; Houston Belt & Terminal Railway Co.; and Missouri-Kansas-Texas Railroad Co.

UP's service crisis to reach so far and so deep, while SP's problems in 1978-1980 pale by comparison.

VII. CONCLUSION

UP is wrong in contending that Tex Mex does not need yard space in Houston unless it handles northbound traffic. Tex Mex needs yard space for both northbound and southbound traffic. Allowing Tex Mex to purchase or lease Booth Yard will provide Tex Mex an efficient operating location, particularly in conjunction with the to-be-constructed Rosenberg to Victoria line, and will provide operational benefits to other carriers serving Houston as well in terms of congestion relief by removing Tex Mex's interchange operations from the East Belt. UP does not need Booth Yard for the purposes it asserts (if it truly uses Booth Yard for those purposes and not, as Mr. Davidson said, for car storage) because the proposed neutral switcher of the Greater Houston Terminal Area will handle the traffic which UP says that it handles out of Booth Yard.

The SP service difficulties of 1978-1980 were much more limited in scope than UP's recent difficulties, principally because in 1978-1980 there were alternatives — several linehaul carriers and a neutral HBT — which no longer exist. The Consensus Plan seeks to restore some of those essential alternatives.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

I, Paul L. Broussard, being first duly sworn, upon my oath state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Paul L. Broussard

Subscribed and sworn to before me this 13th day of October, 1998.

GINA ALFARO
Notary Public, State of Texas
My Commission Expires
AUGUST 19, 2002

Notary Public

My Commission Expires: _____

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

REPLY TO UP'S OPPOSITION TO CONDITION APPLICATIONS

REBUTTAL VERIFIED STATEMENT

OF

MARGARET KENNEY

Snavely King Majoros O'Connor & Lee, Inc.
1220 L Street, NW, Suite 410
Washington, D.C. 20005

My name is Margaret Kenney. I am an analyst at Snavely King Majoros O'Connor & Lee, Inc., (Snavely King), an economic and management consulting firm with offices at 1220 L Street, N.W. in Washington, D.C. I have been involved in the field of transportation for the past four years.

At Snavely King my transportation projects have included extensive cost and revenue analyses of rail freight movements, along with the preparation of databases for use in rate negotiations with the railroads. Using Geographic Information Systems I also prepare graphic maps for use in presentations and statements filed before the Surface Transportation Board ("STB" or "Board"). These maps have depicted rail systems, traffic volumes, and various merger scenarios.

Prior to my employment at Snavely King I was employed by the United States Air Force as an imagery analyst and intelligence quality control specialist with responsibility for analyzing and interpreting a wide range of imagery. A full statement of my qualifications appears as Appendix I to this statement.

I have been asked by the Consensus Parties to analyze the supporting shipper and political statements presented by the Union Pacific Railroad Company ("UP") in Finance Docket No. 32760 (Sub-No. 26), as well as to prepare a graphic representation of these statements.

Summary of Conclusions

My analysis of the documents filed by UP as support for its opposition to the Consensus Parties' proposal yielded the following observations:

- There are almost two-thirds more statements supporting UP from politicians than there are from shippers.
- Of the statements that are from actual or potential rail shippers, slightly more than 10 percent (or approximately 3.9 percent of the total number of supporting statements)

are from shippers headquartered in or that specify that they have facilities in Houston.

- The combined number of Illinois and Louisiana politicians filing statements supporting UP is almost four times the number of Texas politicians supporting UP.
- Only six chemicals or plastics companies in Houston support UP.
- Only about forty percent of the supporting shippers' statements even say that the shippers ship to or through Texas; several specify that they do not ship in the Texas or Gulf Coast area.

Shipper and Railroad Support Map

In analyzing the support statements presented by UP and to prepare a graphic representation of those statements, I reviewed UP's Opposition to Condition Applications, Volume 4 - Statements of Shippers, Railroads and Government Officials (UP/SP-359), along with errata thereto filed by UP and dated September 21, 1998, and prepared a database listing each shipper and railroad supporter. That database includes the company name, location (city and state), type of business, the method I used to determine the location, and comments. The database is attached as Appendix II to this statement.

In most instances the company location shown in the database is the corporate headquarters for the company, derived from the statement letterhead. However, in a few letters the most prominently-mentioned address was not the corporate headquarters, so the more prominently-mentioned address was used in the database instead. Addresses specified in the text of the support statements were given preference if they differed from the letterhead as, for example, with the letter from Ben-Trei, Ltd. which shows Tulsa, OK as the corporate headquarters but which describes the company's business as "marketing and distributing phosphate fertilizers in United States from the Agrifos, LLC production facility in Pasadena, TX." Hence, Pasadena, TX was used in the database as the location for this company.

In some cases the shipper did not include an address in their letter. In those cases I researched the address using Internet based yellow pages and search engines. When the search turned up more than one address for a given company, I selected the address with the business category that most closely matched the type of business described in the letter.

Many of the shippers mentioned that they had several facilities, not all located in the same area as their corporate headquarters. Others mentioned the locations they receive shipments from. While the map is prepared using the corporate headquarters address, as discussed above, it is important to consider the additional locations from which these shippers originate and terminate shipments. Therefore, when additional specific locations in the Houston/Gulf Coast area were mentioned, they were included in the comments column. Some of the locations mentioned were well outside the area at issue in this proceeding and were not listed. Additionally, when the shipper stated that they shipped goods throughout the United States, without specifying a particular area, this fact was not listed in the comments column.

I assigned shippers to one of six business type categories, based on their letter. These categories are as follows:

1. Agricultural, including co-ops, grain elevators and milling companies.
2. Transportation, including brokers, intermodal and logistics companies and shortline railroads.
3. Chambers of Commerce and similar organizations
4. Building and metal products, including lumber, cement, construction aggregates, scrap metal, roofing granules, etc.
5. Chemicals and plastics
6. Other

The map representing the UP shipper support was generated using TransCad, a

Geographic Information System (GIS). TransCad took the information directly from the above-described Excel database and plotted each shipper on the map. Shipper location points are shown clustered within a 30 mile radius of their exact location. This allows the map to show more individual points when they are located in the same general area. In some of the areas where the supporters are more dense, such as Chicago, IL, the points show as a large cluster, instead of individual dots.

A few changes were necessary to the shipper addresses in order for the GIS to map them. When my GIS system was unable to recognize a shipper's address, I found the given city on a street map and then selected the nearest city that the GIS would recognize. In the case of the shipper map these changes are as follows:

1. Auburn Hills, MI (Chrysler Corporation) was changed to Pontiac, MI.
2. Rancho Cucamonga, CA (Keep On Truckin' Company) was changed to Cucamonga, CA.
3. The Woodlands, TX (Tetra Technologies, Inc.) was changed to Tomball, TX.

Shippers located in Mexico are shown on the map as individual points inside the border of Mexico, instead of being shown at their actual location. One shipper, Texas Gas and Oil, Ltd., has corporate headquarters in Nassau, Bahamas. Since they state in their letter that they distribute LPG in Mexico, they were assigned a location in Mexico for mapping purposes. Shippers located in Canada are shown on the map as individual points in their correct Province, but not at their actual location. The treatment of these non-U.S. located shippers was done solely to maintain the scale of the map, allowing for the largest view of the United States.

The map resulting from these analyses is Appendix III to this statement.

Political Support Map

The map representing the political statements supporting UP was prepared in a similar fashion to

the shipper support map. A database was prepared showing the writer's name, office and local locations (if different), level of government (federal, state or local), the method used to identify the addresses, and the writer's position. This database is included as Appendix IV to this statement.

Two addresses are shown in the database, the capital address and the local address. The addresses are identical except for those of most legislators. For these individuals, the capital address is the address of the state capital and the local address is the writer's district office. For example, Senator Kathleen Parker from Illinois has a capital address of Springfield, IL. Her district office, shown in the "local" address column is Northfield, IL. In cases where the letter did not give a district office address the capital address was used. Attached to some letters were additional pages of signatures. I did not include points for these additional signatures on the maps.

Using my GIS system, a map was prepared that pinpoints the supporters by their capital locations. The points are clustered within a 50 mile radius of the exact location. That map is attached as Appendix V to this statement.[1]

Conclusion

Overall, the foregoing analyses of UP's support show that approximately 60 percent of UP's supporting statements (306 of 512) are from politicians. Statements from persons in Illinois (60), Louisiana (58) and Wyoming (36) together total approximately half of the political support statements. Each of these states has more politicians writing in support of UP than does

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[1] While these maps present a graphic representation of the dispersion of UP's supporters' locations, it should be noted that due to the properties of the mapping program in some more densely populated areas a separate point does not show for each individual supporter. In such cases the points overlap, a direct result of the scale of the maps and the fact that many supporters are located at the same area. Despite the use of 30 and 50 mile clustering, there is still some overlapping of points. Appendices II and IV to this statement should be consulted for complete listings of supporter locations.

Texas.

About 90 percent of the shipper support statements are filed by entities that are not located in Houston (20 of 187 shippers - approximately 10.7 percent of the supporting shippers - identify their location as Houston). Of those 20, only 6 (Exxon, Occidental Chemical, Pioneer Chlor Alkali, Tetra Technologies, Texas Petrochemical and Shintech - only 3.2% of all UP shipper support, and less than 1.2% of overall UP support) are plastics or chemical shippers.

Twenty-four shippers (12.8% of the total shipper support) specify facilities in Texas outside the Houston area. Thus, less than 25% of UP's supporting shippers show that they have facilities anywhere in Texas.

Only 32 of 187 shippers (17.1% of UP's shipper support) state that they ship through Houston, while another 42 shippers (22.5% of UP's shipper support) state that they ship through other Texas points. Thus, less than 40% of UP's shipper support comes from shippers who ship through Texas. Indeed, several of the shippers (General Iron Industries - "General Iron does not currently do business in the Gulf Coast area," Roberts & Dybahl, Inc. - "we are not directly involved in the Texas and Gulf Coast markets," and Distribution Services of America - "our transportation focus is not in Texas") specify that they do not ship in the areas which are the focus of this proceeding.

In conclusion, most of UP's support comes from politicians, and almost ninety percent of those politicians are from outside Texas. Only about 3.9% of UP's overall support comes from Houston based businesses, and only a fraction of those are in the chemicals or plastics industries.

Appendix I

Statement of Qualifications

Margaret Kenney

Experience

Snavely King Majoros O'Connor & Lee, Inc.
Washington, DC

Analyst (1995-Present)
Administrative Assistant (1994-1995)

Ms. Kenney provides analytical support to SK clients and senior consultants. Her responsibilities include cost modeling, operations simulation, database management, financial analysis and research. She has experience in a variety of projects in the transportation and telecommunications areas.

Her transportation projects have included extensive cost and revenue analyses of rail freight movements, along with preparation of databases for use in rate negotiations with the railroads. Using a Geographic Information System, Ms. Kenney also prepares rail system maps for use in statements filed before the Surface Transportation Board. These maps depict traffic volumes and various merger scenarios.

Her telecommunications and public utility experience consists primarily of supporting company witnesses and preparing exhibits for use in the depreciation aspects of regulatory proceedings. These exhibits range from a comparison of the depreciation reserves for various accounts to the generation of life curves using in-house developed software.

As an Administrative Assistant Ms. Kenney assisted with the preparation of testimony, exhibits, briefs and other supporting documentation for proceedings before state and federal regulatory bodies. Ms. Kenney also performed the firm's accounting functions using JURIS and other software systems, and maintained the firm's accounting database. Her responsibilities included accounts receivable, accounts payable and payroll.

U.S. Air Force, Hickam AFB, HI

Intelligence Quality Control Specialist (1988 to 1991)

Ms. Kenney maintained and operated a data base with world wide scope, containing complex and constantly changing intelligence information. Calling on this data base and other resources, Ms. Kenney was responsible for the accurate and timely dissemination of intelligence reports in support of the U.S. Commander-in-Chief, Pacific, CINCPACAF, CINCPACFLT, as well as operational units throughout the pacific theater. She performed Quality Control for a staff of 10 analysts editing their reports for accuracy and standardization. She compiled Top Secret reports and transmitted these reports to users via Autodin, a secure communications network. Ms. Kenney performed data base updates and catalogued incoming film products. She produced statistical data outlining areas requiring training and performed such training. Ms. Kenney also directed rapid response data base and information system trouble shooting efforts when Imagery Division personnel experienced problems with the Computer-Aided Tactical Information System.

U.S. Air Force, Hickam AFB, HI

Imagery Analyst (1988 to 1991)

Accessing large and inter-related data bases, Ms. Kenney analyzed imagery from national reconnaissance platforms and prepared imagery intelligence reports for the U.S. Pacific Command. She nominated significant intelligence items for briefing to the HQ PACAF staff. Responding to changing requirements, Ms. Kenney retrieved target information from national intelligence data bases and updated and maintained in-house target reference material.

Education

University of South Florida, Tampa, FL
B.S. in Business Administration, 1992

Edison Community College, Fort Myers, FL
A.A. in Business Administration 1991

Community College of the Air Force,
Montgomery, AL
A.A.S. in Intelligence and Imagery Analysis 1991

Appendix II

Shipper and Railroad Support Database

UP Supporters - Shippers and Railroads

Company Name	Address	Map Address, Corrected	Business Type	Business Category	Source	Comments
AG Partners, LLC	Albert City IA	ALBERT CITY IA	grain	1	letterheau	
Alimentos Balanceados Proan, SA de CV	Guadalajara Mex.	MEXICO	animal feed	6	letterhead	Receives through Laredo and Eagle Pass gateways.
Alliance Shippers, Inc.	Palos Park IL	PALOS PARK IL	broker	2	letterhead	
Alternative Distribution Systems, Inc.	Homewood IL	HOMEWOOD IL	transportation and logistics	2	letterhead	Ships to Texas-Mexico gateways; has Houston facility.
American Continental Freight, Inc.	Denver CO	DENVER CO	broker	2	letterhead	
American Plant Food Corp.	Houston TX	HOUSTON TX	fertilizer	6	letter text	Plants in Texas.
Ancon Transportation Services	San Pedro CA	SAN PEDRO CA	warehousing	2	letterhead	
APL Limited	Oakland CA	OAKLAND CA	intermodal	2	letterhead	Ships through Laredo.
Arenas y Barros, SA	Santa Catarina Mex.	MEXICO	silica sand	6	letterhead	
Arkansas Steel Assoc.	Newport AR	NEWPORT AR	steel tie plates	4	letterhead	
Ash Grove Cement Co.	Overland Park KS	OVERLAND PARK KS	cement	4	letterhead	Receives from Houston and north TX.
Atlas Tube	Harrow ON Can.	ONTARIO CAN.	steel tube	4	letterhead	
Azteca Milling Co.	Plainview TX	PLAINVIEW TX	flour	1	letter text	Edinburg, TX, and affiliated ops in Houston, Dallas, San Antonio.
Badger Mining Co.	Berlin WI	BERLIN WI	silica sand	6	letterhead	
Baroid Drilling Fluids	Houston TX	HOUSTON TX	drilling fluids	6	letterhead	
Bay Area Piggyback, Inc.	Walnut Creek CA	WALNUT CREEK CA	broker/intermodal	2	letterhead	
Behr Iron & Steel, Inc.	Rockford IL	ROCKFORD IL	iron/steel	4	letterhead	
Ben-Trei, LTD.	Pasadena TX	PASADENA TX	marketing and distributing fertilizers	2	letter text	Corporate offices in Tulsa, OK. Specifies Pasadena location.
Borden Chemicals & Plastics	Geismar LA	GEISMAR LA	chemicals/plastics	5	Internet	
Brokers Logistics, Inc.	El Paso TX	EL PASO TX	broker	2	letterhead	
Builder Marts of America, Inc.	Greenville SC	GREENVILLE SC	building materials buying group	6	letter text	Distribution centers include Conroe, TX.
C&D Lumber Co.	Riddle OR	RIDDLE OR	lumber	4	letterhead	
California Portland Cement Co.	Glendora CA	GLENDORA CA	cement	4	letterhead	
Capitol Cement	San Antonio TX	SAN ANTONIO TX	cement	4	letterhead	Ship from docks in Houston to San Antonio plant.
Carrizozo Chamber of Commerce	Carrizozo NM	CARRIZOZO NM	chamber of commerce	3	letterhead	
Cascade Wood Components	Cascade Locks OR	CASCADE LOCKS OR	lumber	4	letterhead	Sold lumber to Houston receivers.
Celanese	Dallas TX	DALLAS TX	chemicals	5	letterhead	Mentions use of Houston as interchange point.
Central Marketing Cooperative	Shelby NE	SHELBY NE	marketing and transportation to grain co-ops	2	letterhead	
Chem-Rail Transport Intl.	Prairie Village KS	PRAIRIE VILLAGE KS	haz waste transport	2	letterhead	Many movements orig. or end in or around Houston and Beaumont.
Chicago Dairy Corp.	Lake Forest IL	LAKE FOREST IL	dairy products	6	letterhead	
Chicagoland Chamber of Commerce	Chicago IL	CHICAGO IL	chamber of commerce	3	letterhead	
Chickasha Chamber of Commerce	Chickasha OK	CHICKASHA OK	chamber of commerce	3	letterhead	
Chippewa Valley Bean Co.	Menomonie WI	MENOMONIE WI	kidney bean supply	6	letterhead	
Chrysler Corp.	Auburn Hills MI	PONTIAC MI	automotive	6	letterhead	San Antonio - Laredo corridor used; also, shipments terminate in Houston area.
CMC Steel Group	Dallas TX	DALLAS TX	steel	4	letter text	
CO Assoc. of Commerce & Industry	Denver CO	DENVER CO	chamber of commerce	3	letterhead	
Columbus Metal Industries, Inc.	Columbus NE	COLUMBUS NE	scrap metal recycling and processing	4	letterhead	
Commonwealth Edison Co.	Chicago IL	CHICAGO IL	electricity	6	letter text	
Continental General Tire	Charlotte NC	CHARLOTTE NC	tires	6	letterhead	Receives shipments from LA and Beaumont/Orange, TX areas; ships to Waco and Laredo.
Cryo-Trans,Inc.	Mt. Airy MD	MOUNT AIRY MD	rail cars	2	letterhead/text	
Dal-Tile Mexico, SA de CV	Monterrey Mex.	MEXICO	ceramic tiles	6	letterhead	Ships raw materials from TX.
Darling Intl.	Irving TX	IRVING TX	rendering	6	letterhead	Ships to TX and Mexico.
Deming-Luna Chamber of Commerce	Deming NM	DEMING NM	chamber of commerce	3	letterhead	
Distribution Services of America	Foxboro MA	FOXBORO MA	food distribution	6	letterhead	
Dixie Plywood Co.	Savannah GA	SAVANNAH GA	building products	4	letterhead	Distribution centers in Garland, El Paso, Houston, San Antonio, TX, GA and FL.
Eades Commodities Co.	Omaha NE	OMAHA NE	grain	1	letter text	Destinations include Strawn and Stephenville, TX.
Eastoort Industries, Inc.	Eastport ID	EASTPORT ID	building materials	4	letterhead	
Eaton Metal Products Co.	Denver CO	DENVER CO	steel plate	4	letterhead	
Elementis Chromium	Corpus Christi TX	CORPUS CHRISTI TX	chromium chemicals	5	letter text	
Elkhart Grain Company	Elkhart IL	ELKHART IL	grain elevator	1	letterhead	
Erb Lumber	Birmingham MI	BIRMINGHAM MI	forest products	4	letterhead	
Exxon Chemical Co.	Houston TX	HOUSTON TX	chemicals	5	letter text	
Farmers Commodities Corp.	Des Moines IA	DES MOINES IA	grain co-op	1	text	Members include TX grain shippers.
Farmers Coop Elev. Co.	Ruthven IA	RUTHVEN IA	grain co-op	1	letter text	
Farmers Cooperative Elevator	Buffalo Center IA	BUFFALO CENTER IA	grain co-op	1	letter text	
Farmers Cooperative Company	Dows IA	DOWS IA	grain co-op	1	letter text	
Farmers Cooperative Society	Garner IA	GARNER IA	grain co-op	1	letter text	
Ferex Metals Recycling	Tyler TX	TYLER TX	scrap metal	4	letterhead	Also mentions Odessa, TX.
Ferrell North America	Houston TX	HOUSTON TX	liquefied petroleum gas	6	letterhead	
Fibras Quimicas, SA	Monterrey Mex.	MEXICO	polyester/nylon chips	5	letterhead	Ships from Laredo, TX.
First Cooperative Assoc.	Cherokee IA	CHEROKEE IA	grain co-op	1	letterhead	
Forest Products Supply Co.	St. Louis MO	SAINT LOUIS MO	forest products	4	letterhead	Some shipments originate in Houston.
L. B. Foster Co.	Pittsburgh PA	PITTSBURGH PA	steel	4	letter text	
Four Way Transportation, Inc.	Houston TX	HOUSTON TX	broker	2	letterhead	
Foxley Grain Co.	Omaha NE	OMAHA NE	grain elevator	1	letter text	Ships to "Gulf Coast" and Mexico.
Framing Square Lumber Co.	Midland TX	MIDLAND TX	lumber	4	letterhead	
Galveston Chamber of Commerce	Galveston TX	GALVESTON TX	chamber of commerce	3	letterhead	
GAF Roofing, Inc.	Pryor OK	PRYOR OK	roofing	4	letterhead	
General Iron Industries	Chicago IL	CHICAGO IL	scrap metal	4	letterhead	
The Geon Company	Avon Lake OH	AVON LAKE OH	vinyl resins/compounds	5	letterhead	
M. Gervich & Sons	Marshalltown IA	MAHSHALLTOWN IA	scrap metal	4	letterhead	

UP Supporters - Shippers and Railroads

Company Name	Address	Map Address, Corrected	Business Type	Business Category	Source	Comments
Gopher State Scrap & Metal, Inc.	Mankato MN	MANKATO MN	scrap metal	4	letterhead	
Granite Mountain Quarries	Pine Bluff AR	PINE BLUFF AR	crushed stone construction aggregates	4	letterhead	
Greater Omaha Chamber of Commerce	Omaha NE	OMAHA NE	chamber of commerce	3	letterhead	
GTI Materials, LLC	Houston TX	HOUSTON TX	limestone aggregates	6	letterhead	
Hampton Lumber Sales Co.	Portland OR	PORTLAND OR	lumber	4	text	Mills in OR, Pollock (Lufkin), TX and AL.
Heinz USA	Pittsburgh PA	PITTSBURGH PA	food	6	letterhead	
HELP Transportation Co.	League City TX	LEAGUE CITY TX	intermodal	2	letterhead	
Hill Brothers Intermodal Logistics	Omaha NE	OMAHA NE	intermodal	2	letterhead	Mentions shipments in the Chicago - Houston lanes.
Hunt Forest Products	Ruston LA	RUSTON LA	lumber	4	letter text	Mills in LA, ships to unspecified points in TX.
Hylsa, SA de CV	*San Nicolas de los Garza Mex.*	*MEXICO*	*steel*	4	*letterhead*	*Export routes go through Laredo or Eagle Pass, TX to customers in Midlothian,TX and Memphis. Import routes originate in Houston and San Antonio, TX.*
Idaho Growers Shippers Assn.	Idaho Falls ID	IDAHO FALLS ID	potato trade assn.	1	letterhead	Ships to unspecified points in TX.
Imperial Holly Corp.	Sugar Land TX	SUGAR LAND TX	sugar	6	letter text	Also, plant in Hereford, TX.
Independent Salt Co.	Kanopolis KS	KANOPOLIS KS	salt	6	letter text	
Industrial Storage Warehouse Corp.	Chicago IL	CHICAGO IL	transloading	2	letter text	Receives shipments originating in "Gulf Coast."
Innovative Logistics, Inc.	Kennesaw GA	KENNESAW GA	consulting	6	letterhead	
ISP Mineral Products	Hagerstown MD	HAGERSTOWN MD	roofing granules	4	letterhead	
JD Lumber, Inc.	Priest River ID	PRIEST RIVER ID	lumber	4	letter text	
Kaiser Aluminum & Chemical Corp.	Spokane WA	SPOKANE WA	aluminum sheet, plate, coils	4	letterhead	
Keep On Truckin' Co.	*Rancho Cucamonga CA*	*CUCAMONGA CA*	*intermodal*	2	*letterhead*	
Koppers Industries	Pittsburgh PA	PITTSBURGH PA	carbon compounds, chemicals, treated wood	5	letter text	Mentions shipping over Laredo and Eagle Pass.
Lange-Stegmann Company	St. Louis MO	SAINT LOUIS MO	fertilizer	6	letterhead	Exports through "the Gulf."
Laramie Economic Development Corp.	Laramie WY	LARAMIE WY	economic development association	3	letterhead	
Leiser-Mabe	Mex.	MEXICO	home appliances	6	letter text	Ships into U.S. from Mexico.
Lipton	Lisle IL	LISLE IL	food	6	letter text	
LMS International	Laredo TX	LAREDO TX	transloading	2	letter text	
Louisiana-Pacific Corp.	*Schaumburg IL*	*SCHAUMBURG IL*	*building materials*	4	*letterhead*	
Manke Lumber Company	Tacoma WA	TACOMA WA	lumber	4	letter text	
Market Transport, LTD	Portland OR	PORTLAND OR	transportation and logistics	2	Internet	
Master Halco, Inc.	Troutdale OR	TROUTDALE OR	wood products	6	letterhead	
MBIS	Wilmington DE	WILMINGTON DE	bulk transfer	2	letterhead	
McGrann Paper West Inc.	Las Vegas NV	LAS VEGAS NV	paper	6	letterhead	
McLean County Service Co.	Bloomington IL	BLOOMINGTON IL	grain	1	letterhead	
Mervis Industries	McAllen TX	MCALLEN TX	transportation broker (metals)	4	letterhead	
MFP of Oregon, Inc.	Lake Oswego OR	LAKE OSWEGO OR	lumber	4	letterhead	
Minnesota Mining & Manufacturing Co.	St. Paul MN	SAINT PAUL MN	roofing granules	4	letter text	
Mitech	*Houston TX*	*HOUSTON TX*	*transportation broker (plastics)*	?	*letterhead*	
F.W. Myers & Co., Inc.	El Paso TX	EL PASO TX	customs broker	2	letter text	
NationsBanc Auto Leasing, Inc.	Linden NJ	LINDEN NJ	auto leasing	6	letterhead	
Nebraska Public Power District	North Platte NE	NORTH PLATTE NE	power	6	letterhead	
Neste Trifinery Petroleum Services	Houston TX	HOUSTON TX	petroleum	6	letterhead	
NGL Supply Co. LTD	Calgary AB Can.	ALBERTA CAN.	liquefied petroleum gas	6	letterhead	Moves LPG by rail from Mt. Belvieu, TX to CA.
Nissho Iwai American Corp.	Detroit MI	DETROIT MI	steel broker	2	letterhead	Ships to south Texas.
Non-Stock Marketing Cooperative	Kearney NE	KEARNEY NE	grain co-op	1	letterhead	Ordered fertilizer from Houston area.
North Central Cooperative	Clarion IA	CLARION IA	agricultural co-op	1	letter text	
North Platte Area Chamber of Commerce	North Platte NE	NORTH PLATTE NE	chamber of commerce	3	letterhead	
Northwest Container Services, Inc	*Portland OR*	*PORTLAND OR*	*intermodal*	2	*letterhead*	
Northwest Iowa Coop	George IA	GEORGE IA	grain	1	letterhead	Ships to "Gulf area."
Northwestern Steel & Wire Co.	Sterling IL	STERLING IL	steel and wire	4	letter text	
Occidental Chemical Corp.	Dallas TX	DALLAS TX	chemicals	5	letter text	Three plants in the Houston area.
Olympic Steel, Inc.	Cleveland OH	CLEVELAND OH	steel	4	letterhead	
OmniSource Corp.	Ft. Wayne IN	FORT WAYNE IN	scrap metal	4	letterhead	Business often involves Texas.
Osburn Sand Co.	San Antonio TX	SAN ANTONIO TX	sand	6	letterhead	
Pavlich, Inc.	Kansas City KS	KANSAS CITY KS	trucking and unloading	2	letterhead	
Pioneer Chlor Alkali Co.	Houston TX	HOUSTON TX	chemicals	5	letter text	
Planters Cotton Oil Mill, Inc.	Pine Bluff AR	PINE BLUFF AR	cottonseed processing	1	letterhead	
Port of Montana	*Butte MT*	*BUTTE MT*	*port*	6	*letterhead*	
Potash Corp. of Saskatchewan	Saskatoon Can.	SASKATCHEWAN CAN.	fertilizer, potash	6	letterhead	
Prairie Central Cooperative, Inc	Pontiac IL	PONTIAC IL	grain co-op	1	Internet	
Prairie Land Cooperative	Hubbard IA	HUBBARD IA	grain co-op	1	letterhead	
ProFlame, Inc.	Novato CA	NOVATO CA	propane	6	letterhead	
Pronto Pig, Inc.	Hillsboro OR	HILLSBORO OR	intermodal	2	letterhead	
Quality Liquid Feeds, Inc	Dodgeville WI	DODGEVILLE WI	liquid feeds	6	letterhead	
Rail Van, Inc.	Worthington OH	WORTHINGTON OH	intermodal	2	letterhead	
Raven Logistics	Keego Harbor MI	KEEGO HARBOR MI	rail logistics	2	letter text	Shipments originate in LA and east TX, and elsewhere.
Redland Stone Products Co.	San Antonio TX	SAN ANTONIO TX	construction materials	4	letter text	Ships to Houston, Lufkin, Brownsville, Corpus Christi and Harlingen, TX.
The Rice Company	*Roseville CA*	*ROSEVILLE CA*	*rice*	1	*letterhead*	*Milling operation in Texas.*
RMC Lonestar	Pleasanton CA	PLEASANTON CA	cement	4	letterhead	
Roberts & Dybdahl Inc.	Des Moines IA	DES MOINES IA	lumber broker	4	letterhead	
Robertson's	Riverside CA	RIVERSIDE CA	rock, sand, concrete	4	letterhead	
Rock Springs Chamber of Commerce	Rock Springs WY	ROCK SPRINGS WY	chamber of commerce	3	letterhead	

UP Supporters - Shippers and Railroads

Company Name	Address	Map Address, Corrected	Business Type	Business Category	Source	Comments
Ross Logistics, Inc.	Vancouver WA	VANCOUVER WA	logistics	2	letterhead	
RSG Forest Products, Inc.	Kalama WA	KALAMA WA	lumber	4	letterhead	
Samuels Recycling Co.	Madison WI	MADISON WI	scrap	4	letterhead	
Savage Industries, Inc.	Salt Lake City UT	SALT LAKE CITY UT	logistics	2	letterhead	Includes facilities located in TX.
Shintech, Inc.	Houston TX	HOUSTON TX	plastics	5	letterhead	
SierraPine Ltd.	Roseville CA	ROSEVILLE CA	particleboard, fiberboard	4	letterhead	
Slater Steels	Hamilton ON Can.	ONTARIO CAN.	steel bar products	4	letterhead	Ships through Eagle Pass.
South Central Industrial Assn.	Rawlins WY	RAWLINS WY	association	3	letterhead	
StateLine Cooperative	Burt IA	BURT IA	grain dealer	1	letterhead	
Stelco Mcmaster Ltee	Quebec Can.	QUEBEC CAN.	steel bar	4	letterhead	Ships through Eagle Pass.
Stroh Brewery Co.	Detroit MI	DETROIT MI	beverages	6	letterhead	Ships to Houston / Gulf Coast.
Sun Valley Energy, Inc.	Sacramento CA	SACRAMENTO CA	propane	6	letterhead	Propane moves by rail from Houston.
Superior Cooperative Elevator Co.	Superior IA	SUPERIOR IA	grain elevators	1	letterhead	
Sweetwater Economic Development Assn.	Rock Springs WY	ROCK SPRINGS WY	association	3	letterhead	
Tamko Roofing Products	Joplin MO	JOPLIN MO	roofing products	4	letterhead	
Taylor Forge Engineered Systems, Inc.	Paola KS	PAOLA KS	pressure vessels	4	letterhead	
Tetra Technologies, Inc.	The Woodlands TX	TOMBALL TX	chemicals	5	letterhead	Includes plant at Westlake, LA and warehouse at Port of Lake Charles, LA.
Texas Gas and Oil, LTD.	Nassau Bah.	MEXICO	natural gas	6	letterhead	Distributes in Mexico.
Texas Petrochemicals Corporation	Houston TX	HOUSTON TX	petrochemicals	5	letter text	
Texpar Energy, Inc.	Mishawaka IN	MISHAWAKA IN	energy marketing	6	Internet	
Top of Iowa Cooperative	Joice IA	JOICE IA	corn and soybeans	1	letterhead	
Transit Mix Concrete & Materials Co.	Bryan TX	BRYAN TX	concrete & materials	4	Internet	
Transload Services, Inc.	Steamboat Springs CO	STEAMBOAT SPRINGS CO	transloading	2	letterhead	
Tri-Line Freight Systems	Mississauga ON Can.	ONTARIO CAN.	logistics	2	letterhead	
Trinity Chemical Industries, Inc.	Tulsa OK	TULSA OK	chemical transportation	2	letterhead	
Twin Falls Chamber of Commerce	Twin Falls ID	TWIN FALLS ID	chamber of commerce	3	letterhead	
Unimin Corporation	New Canaan CT	NEW CANAAN CT	industrial minerals	6	letter text	
Union Pacific Resources	Fort Worth TX	FORT WORTH TX	oil & gas exploration	6	letterhead	Operations in TX, LA and WY.
United Clays, Inc.	Brentwood TN	BRENTWOOD TN	clay	4	letterhead	
United States Gypsum Co.	Chicago IL	CHICAGO IL	building materials	4	letterhead	Three facilities in TX, including one in Houston.
United States Shippers, Inc.	Edmonds WA	EDMONDS WA	intermodal	2	Internet	
Universal Forest Products, Inc.	Union City GA	UNION CITY GA	lumber	4	letterhead	Mentions TX plants in Dallas and San Antonio.
U.S. Commodities, Inc.	Wayzata MN	WAYZATA MN	feed merchandisers	6	letterhead	
Vista Trading	Houston TX	HOUSTON TX	grain export	1	letterhead	
Wallace County Co-op Equity Exchange	Sharon Springs KS	SHARON SPRINGS KS	farm supply, grain	1	letterhead	
Watco	Pittsburg KS	PITTSBURG KS	rail transportation services	2	letterhead	
Welded Tube Company of America	Chicago IL	CHICAGO IL	steel tubing	4	letterhead	
West Bend Elevator Company	West Bend IA	WEST BEND IA	grain co-op	1	letterhead	
West Central Cooperative	Ralston IA	RALSTON IA	grain co-op	1	letterhead	
Wheeler Brothers Grain Co.	Watonga OK	WATONGA OK	grain	1	letterhead	Ships to TX and LA gulf ports.
White Sands Forest Products, Inc.	Alamogordo NM	ALAMOGORDO NM	lumber	4	letterhead	Ship wood chips to Pasadena, TX.
Winnebago Industries, Inc.	Forest City IA	FOREST CITY IA	motorhomes	6	letter text	Receives traffic through Laredo.
WTD Industries, Inc.	Portland OR	PORTLAND OR	lumber	4	letterhead	
Yarbrough's Material & Construction, Inc.	Sour Lake TX	SOUR LAKE TX	limestone	6	letterhead	
Zeb Pearce Companies	Mesa AZ	MESA AZ	beer distributors	6	letterhead	
Zeneca Ag Products	Wilmington DE	WILMINGTON DE	crop protection chemicals	5	letter text	Production facilities in AL, LA, TX, AR, NE and export through west coast ports. Receives shipments through Houston.
Acadiana Railway Company Inc.	Opelousas LA	OPELOUSAS LA	railroad	2	letterhead	
Arkansas & Missouri Railroad	Springdale AR	SPRINGDALE AR	railroad	2	Railway Guide	
Arkansas-Oklahoma Railroad Co.	Wilburton OK	WILBURTON OK	railroad	2	letterhead	
AT&L Railroad Co.	Watonga OK	WATONGA OK	railroad	2	letterhead	
Central Oregon & Pacific Railroad	Roseburg OR	ROSEBURG OR	railroad	2	letterhead	
Dallas, Garland & Northeastern Railroad Co.	Garland TX	GARLAND TX	railroad	2	letterhead	
Delta Southern Railroad Co.	Tallulah LA	TALLULAH LA	railroad	2	letterhead	
Ferrocarril Mexicano	Mex.	MEXICO	railroad	2	letter text	
Georgetown Railroad Co.	Georgetown TX	GEORGETOWN TX	railroad	2	letterhead	
Guilford Rail System	North Billerica MA	NORTH BILLERICA MA	railroad	2	Railway Guide	
Ironhorse Resources, Inc.	O'Fallon IL	O'FALLON IL	railroad	2	letterhead	
Louisiana & Delta Railroad, Inc.	New Iberia LA	NEW IBERIA LA	railroad	2	Railway Guide	
Metra	Chicago IL	CHICAGO IL	railroad	2	letterhead	
Rail Link, Inc.	Jacksonville FL	JACKSONVILLE FL	railroad	2	letterhead	
Sabine River & Northern Railroad Co.	Orange TX	ORANGE TX	railroad	2	letterhead	
Salt Lake Garfield & Western Railway Co.	Salt Lake City UT	SALT LAKE CITY UT	railroad	2	Railway Guide	
Willamette & Pacific Railroad, Inc., Portland & V	Albany OR	ALBANY OR	railroad	2	Railway Guide	
Willamette Valley Railway Co.	McMinnville OR	MCMINNVILLE OR	railroad	2	letterhead	
Wisconsin & Southern Railroad Co.	Milwaukee WI	MILWAUKEE WI	railroad	2	letterhead	

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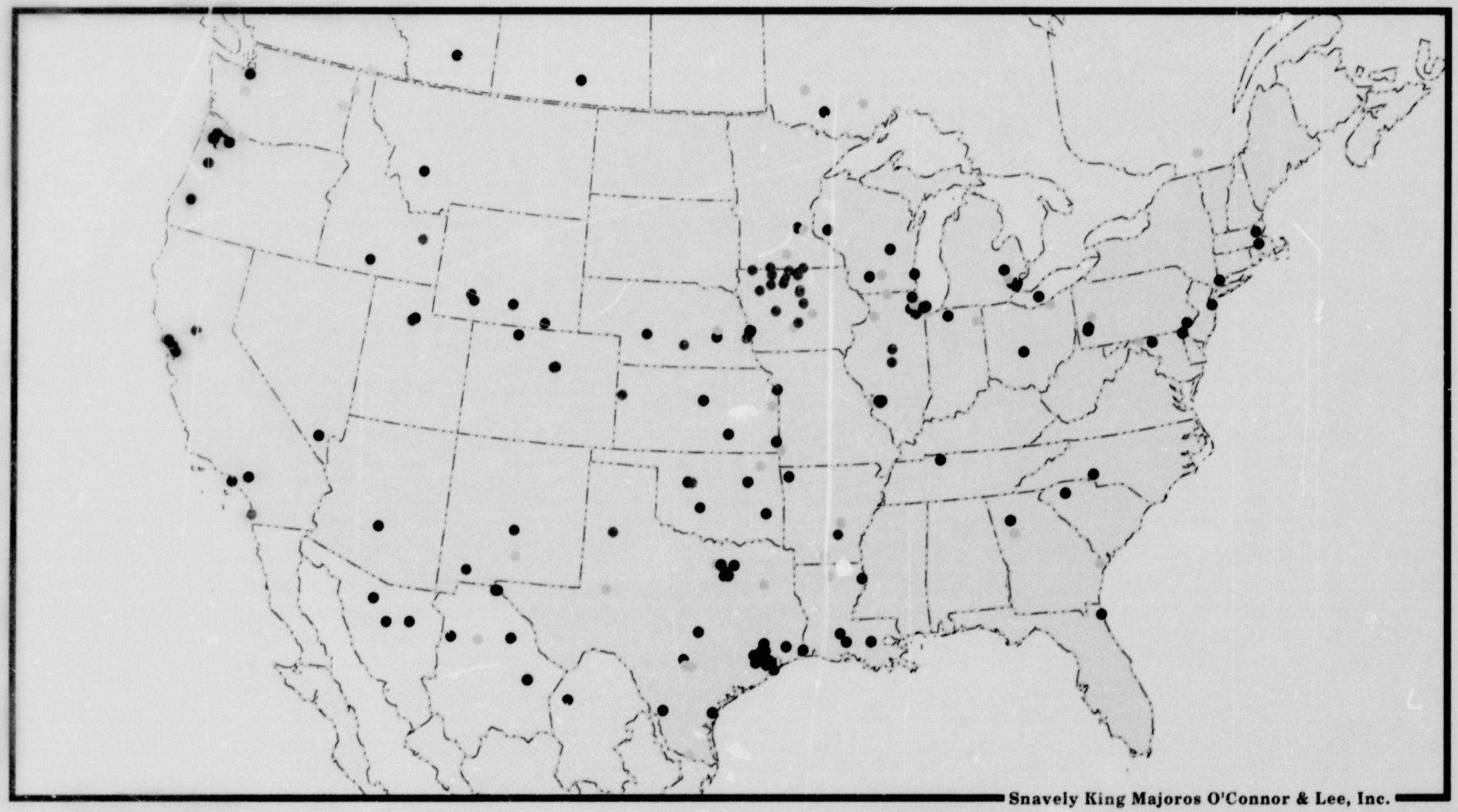
Appendix III

Map Representing Shipper Support

Shippers & Railroads Supporting UP



Shippers & Railroads

- Agricultural
- Transportation
- Chambers of Commerce
- Building & Metal Products
- Chemicals & Plastics
- Other

0 100 200 300

Miles

Appendix IV

Political Support Database

UP Supporters - Politicians

Name	Address	Capital Map Address, Corrected	Address	Local Map Address, Corrected	Level of Govt.	Source	Position
Chuck Hagel	Washington DC	WASHINGTON DC	Omaha NE	OMAHA NE	federal	letterhead	Senator
Mike Huckabee	Little Rock AR	LITTLE ROCK AR	Little Rock AR	LITTLE ROCK AR	state	letterhead	Governor
Dennis Ramsey	Hope AR	HOPE AR	Hope AR	HOPE AR	local	letterhead	Mayor
Jim Dailey	Little Rock AR	LITTLE ROCK AR	Little Rock AR	LITTLE ROCK AR	local	letterhead	Mayor
Patrick Hays	North Little Rock AR	NORTH LITTLE ROCK AR	North Little Rock AR	NORTH LITTLE ROCK AR	local	letterhead	Mayor
Jerry Taylor	Pine Bluff AR	PINE BLUFF AR	Pine Bluff AR	PINE BLUFF AR	local	letterhead	Mayor
F.G. Villines	Little Rock AR	LITTLE ROCK AR	Little Rock AR	LITTLE ROCK AR	local	letterhead	County Judge, CEO
David Evans	Searcy AR	SEARCY AR	Searcy AR	SEARCY AR	local	letterhead	Mayor
Scott Baugh & others	Sacramento CA	SACRAMENTO CA	Huntington Beach CA	HUNTINGTON BEACH CA	state	letterhead	Assemblyman/people, many additional signatures
Scott Perry	Colfax CA	COLFAX CA	Colfax CA	COLFAX CA	local	letterhead	Mayor
Ivan Young	Dunsmuir CA	DUNSMUIR CA	Dunsmuir CA	DUNSMUIR CA	local	letterhead	Mayor
Claudia Gamar	Roseville CA	ROSEVILLE CA	Roseville CA	ROSEVILLE CA	local	letterhead	Mayor
John Rombouts	Tehachapi CA	TEHACHAPI CA	Tehachapi CA	TEHACHAPI CA	local	letterhead	Mayor
Ron Florian	Truckee CA	TRUCKEE CA	Truckee CA	TRUCKEE CA	local	letterhead	Mayor
Roy Romer	Denver CO	DENVER CO	Denver CO	DENVER CO	state	letterhead	Governor
Don Ament	Denver CO	DENVER CO	Iliff CO	ILIFF CO	state	letterhead	Senator
Tilman Bishop	Denver CO	DENVER CO	Grand Junction CO	GRAND JUNCTION CO	state	letterhead	Senator
Ray Powers	Denver CO	DENVER CO	Colorado Springs CO	COLORADO SPRINGS CO	state	letterhead	Senator
Norma Anderson	Denver CO	DENVER CO	Lakewood CO	LAKEWOOD CO	state	letterhead	Representative
Bob Bacon	Denver CO	DENVER CO	Ft. Collins CO	FORT COLLINS CO	state	letterhead	Representative
Gary McPherson	Denver CO	DENVER CO	Denver CO	DENVER CO	state	letterhead	Representative
Carl Miller	Denver CO	DENVER CO	Leadville CO	LEADVILLE CO	state	letterhead	Representative
Paul Schauer	Denver CO	DENVER CO	Littleton CO	LITTLETON CO	state	letterhead	Representative
Jack Taylor	Denver CO	DENVER CO	Steamboat Springs CO	STEAMBOAT SPRINGS CO	state	letterhead	Representative
Club 20	Grand Junction CO	GRAND JUNCTION CO	Grand Junction CO	GRAND JUNCTION CO	local	letterhead	Community Group
John C. Andreason	Boise ID	BOISE ID	Boise ID	BOISE ID	state	letterhead	Senator
Evan S. Frasure	Boise ID	BOISE ID	Pocatello ID	POCATELLO ID	state	letterhead	Senator
Gary Schroeder	Boise ID	BOISE ID	Moscow ID	MOSCOW ID	state	letterhead	Senator
J.L. Thorne	Boise ID	BOISE ID	Nampa ID	NAMPA ID	state	letterhead	Senator
Lin Whitworth	Boise ID	BOISE ID	Inkom ID	INKOM ID	state	letterhead	Senator
Frank Bruneel	Boise ID	BOISE ID	Lewiston ID	LEWISTON ID	state	letterhead	Representative
Ron Crane	Boise ID	BOISE ID	Caldwell ID	CALDWELL ID	state	letterhead	Representative
Charles Cuddy	Boise ID	BOISE ID	Orofino ID	OROFINO ID	state	letterhead	Representative
Julie Ellsworth	Boise ID	BOISE ID	Boise ID	BOISE ID	state	letterhead	Representative
Steven Hadley	Boise ID	BOISE ID	Boise ID	BOISE ID	state	letterhead	Representative
Kent Kunz	Boise ID	BOISE ID	Pocatello ID	POCATELLO ID	state	letterhead	Representative
Bert Marley	Boise ID	BOISE ID	McCammon ID	MCCAMMON ID	state	letterhead	Representative
Susie Edwards	Shoshone ID	SHOSHONE ID	Shoshone ID	SHOSHONE ID	local	letterhead	County Assessor
Idaho Assn. Of Counties	Boise ID	BOISE ID	Boise ID	BOISE ID	local	letterhead	Association
Maxine Horn	Nampa ID	NAMPA ID	Nampa ID	NAMPA ID	local	letterhead	Mayor
Jim Edgar	Springfield IL	SPRINGFIELD IL	Springfield IL	SPRINGFIELD IL	state	letterhead	Governor
Illinois Dept. Of Transportation	Springfield IL	SPRINGFIELD IL	Springfield IL	SPRINGFIELD IL	state	letterhead	DOT
Arthur Berman	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Senator
Marty Butler	Springfield IL	SPRINGFIELD IL	Mount Prospect IL	MOUNT PROSPECT IL	state	letterhead	Senator
Earlean Collins	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Senator
Kirk Dillard	Springfield IL	SPRINGFIELD IL	Downers Grove IL	DOWNERS GROVE IL	state	letterhead	Senator
Walter Dudycz	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Senator
Doris Karpiel	Springfield IL	SPRINGFIELD IL	Roselle IL	ROSELLE IL	state	letterhead	Senator
Robert Madigan	Springfield IL	SPRINGFIELD IL	Lincoln IL	LINCOLN IL	state	letterhead	Senator
Kathleen Parker	Springfield IL	SPRINGFIELD IL	Northfield IL	NORTHFIELD IL	state	letterhead	Senator
William Peterson	Springfield IL	SPRINGFIELD IL	Prairie View IL	PRAIRIE VIEW IL	state	letterhead	Senator
Christine Radogno	Springfield IL	SPRINGFIELD IL	La Grange IL	LA GRANGE IL	state	letterhead	Senator
William Shaw	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Senator
Thomas Walsh	Springfield IL	SPRINGFIELD IL	Westchester IL	WESTCHESTER IL	state	letterhead	Senator
Edward Acevedo	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative

UP Supporters - Politicians

Name	Address	Capital Map Address, Corrected	Address	Local Map Address, Corrected	Level of Govt.	Source	Position
Robert Bergman	Springfield IL	SPRINGFIELD IL	Palatine IL	PALATINE IL	state	letterhead	Representative
Judy Biggert	Springfield IL	SPRINGFIELD IL	Westmont IL	WESTMONT IL	state	letterhead	Representative
Bob Biggins	Springfield IL	SPRINGFIELD IL	Elmhurst IL	ELMHURST IL	state	letterhead	Representative
Bill Brady	Springfield IL	SPRINGFIELD IL	Bloomington IL	BLOOMINGTON IL	state	letterhead	Representative
Richard Bradley	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Michael Brown	Springfield IL	SPRINGFIELD IL	McHenry IL	MCHENRY IL	state	letterhead	Representative
Robert Bugielski	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Ralph Capparelli	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Verna Clayton	Springfield IL	SPRINGFIELD IL	Buffalo Grove IL	BUFFALO GROVE IL	state	letterhead	Representative
Elizabeth Coulson	Springfield IL	SPRINGFIELD IL	Glenview IL	GLENVIEW IL	state	letterhead	Representative
Suzanne Deuchler	Springfield IL	SPRINGFIELD IL	Aurora IL	AURORA IL	state	letterhead	Representative
James Durkin	Springfield IL	SPRINGFIELD IL	Westchester IL	WESTCHESTER IL	state	letterhead	Representative
John Fritchey	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Ronald Wait	Springfield IL	SPRINGFIELD IL	Belvidere IL	BELVIDERE IL	state	letterhead	Representative
David Wirsing	Springfield IL	SPRINGFIELD IL	De Kalb IL	DE KALB IL	state	letterhead	Representative
Donald Lemm	Bellwood IL	BELLWOOD IL	Bellwood IL	BELLWOOD IL	local	letterhead	Mayor
Michael Esposito	Berkeley IL	BERKELEY IL	Berkeley IL	BERKELEY IL	local	letterhead	President
Carrie Austin	Chicago IL	CHICAGO IL	Chicago IL	CHICAGO IL	local	letterhead	Alderman
Brian Doherty	Chicago IL	CHICAGO IL	Chicago IL	CHICAGO IL	local	letterhead	Alderman
Percy Giles	Chicago IL	CHICAGO IL	Chicago IL	CHICAGO IL	local	letterhead	Alderman
Michael Einhorn	Crete IL	CRETE IL	Crete IL	CRETE IL	local	letterhead	President
Peter Silvestri	Elmwood Park IL	ELMWOOD PARK IL	Elmwood Park IL	ELMWOOD PARK IL	local	letterhead	President
John Sirotti	Highwood IL	HIGHWOOD IL	Highwood IL	HIGHWOOD IL	local	letterhead	Mayor
Ronald Serpico	Melrose Park IL	MELROSE PARK IL	Melrose Park IL	MELROSE PARK IL	local	letterhead	Mayor
Jeffrey Sherwin	Northlake IL	NORTHLAKE IL	Northlake IL	NORTHLAKE IL	local	letterhead	Mayor
Rita Mullins	Palatine IL	PALATINE IL	Palatine IL	PALATINE IL	local	letterhead	Mayor
David Owen	South Chicago Heights I	SOUTH CHICAGO HEIGHTS IL	South Chicago Heights IL	SOUTH CHICAGO HEIGHTS IL	local	letterhead	Mayor
Louis Sherman	Steger IL	STEGER IL	Steger IL	STEGER IL	local	letterhead	President
John Sinde	Westchester IL	WESTCHESTER IL	Westchester IL	WESTCHESTER IL	local	letterhead	President
Calvin Giles	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Kurt Granberg	Springfield IL	SPRINGFIELD IL	Centralia IL	CENTRALIA IL	state	letterhead	Representative
Douglas Hoeft	Springfield IL	SPRINGFIELD IL	Elgin IL	ELGIN IL	state	letterhead	Representative
Howard Kenner	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Carolyn Krause	Springfield IL	SPRINGFIELD IL	Mount Prospect IL	MOUNT PROSPECT IL	state	letterhead	Representative
Eileen Lyons	Springfield IL	SPRINGFIELD IL	La Grange IL	LA GRANGE IL	state	letterhead	Representative
Joseph Lyons	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Michael McAuliffe	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Eugene Moore	Springfield IL	SPRINGFIELD IL	Maywood IL	MAYWOOD IL	state	letterhead	Representative
Rosemary Mulligan	Springfield IL	SPRINGFIELD IL	Des Plaines IL	DES PLAINES IL	state	letterhead	Representative
Terry Parke	Springfield IL	SPRINGFIELD IL	Schaumburg IL	SCHAUMBURG IL	state	letterhead	Representative
Vincent Persico	Springfield IL	SPRINGFIELD IL	Glen Ellyn IL	GLEN ELLYN IL	state	letterhead	Representative
Coy Pugh	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Angelo Saviano	Springfield IL	SPRINGFIELD IL	River Grove IL	RIVER GROVE IL	state	letterhead	Representative
Cal Skinner	Springfield IL	SPRINGFIELD IL	Crystal Lake IL	CRYSTAL LAKE IL	state	letterhead	Representative
Todd Stroger	Springfield IL	SPRINGFIELD IL	Chicago IL	CHICAGO IL	state	letterhead	Representative
Terry Branstad	Des Moines IA	DES MOINES IA	Des Moines IA	DES MOINES IA	state	letterhead	Governor
Brent Siegrist	Des Moines IA	DES MOINES IA	Des Moines IA	DES MOINES IA	state	letterhead	Representative
George Maybee	Boone IA	BOONE IA	Boone IA	BOONE IA	local	letterhead	Mayor
Dennis Bagneris	Baton Rouge LA	BATON ROUGE LA	New Orleans LA	NEW ORLEANS LA	state	letterhead	Senator
Robert Barham	Baton Rouge LA	BATON ROUGE LA	Rayville LA	RAYVILLE LA	state	letterhead	Senator
Ron Bean	Baton Rouge LA	BATON ROUGE LA	Shreveport LA	SHREVEPORT LA	state	letterhead	Senator
Jay Dardenne	Baton Rouge LA	BATON ROUGE LA	Baton Rouge LA	BATON ROUGE LA	state	letterhead	Senator
B.G. Dyess	Baton Rouge LA	BATON ROUGE LA	Alexandria LA	ALEXANDRIA LA	state	letterhead	Senator
Noble Ellington	Baton Rouge LA	BATON ROUGE LA	Winnsboro LA	WINNSBORO LA	state	letterhead	Senator
Tom Greene	Baton Rouge LA	BATON ROUGE LA	Maringouin LA	MARINGOUIN LA	state	letterhead	Senator

UP Supporters - Politicians

Name	Capital Address	Capital Map Address, Corrected	Local Address	Local Map Address, Corrected	Level of Govt.	Source	Position
Donald Hines	Baton Rouge LA	BATON ROUGE LA	Bunkie LA	BUNKIE LA	state	letterhead	Senator
Ken Hollis	Baton Rouge LA	BATON ROUGE LA	Metairie LA	METAIRIE LA	state	letterhead	Senator
Paulette Irons	Baton Rouge LA	BATON ROUGE LA	New Orleans LA	NEW ORLEANS LA	state	letterhead	Senator
Ron Landry	Baton Rouge LA	BATON ROUGE LA	LaPlace LA	LAPLACE LA	state	letterhead	Senator
Max Malone	Baton Rouge LA	BATON ROUGE LA	Shreveport LA	SHREVEPORT LA	state	letterhead	Senator
Craig Romero	Baton Rouge LA	BATON ROUGE LA	New Iberia LA	NEW IBERIA LA	state	letterhead	Senator
John Siracusa	Baton Rouge LA	BATON ROUGE LA	Morgan City LA	MORGAN CITY LA	state	letterhead	Senator
Mike Smith	Baton Rouge LA	BATON ROUGE LA	Winnfield LA	WINNFIELD LA	state	letterhead	Senator
Gerald Theunissen	Baton Rouge LA	BATON ROUGE LA	Jennings LA	JENNINGS LA	state	letterhead	Senator
J. Chris Ullo	Baton Rouge LA	BATON ROUGE LA	Harvey LA	HARVEY LA	state	letterhead	Senator
Rodney Alexander	Baton Rouge LA	BATON ROUGE LA	Jonesboro LA	JONESBORO LA	state	letterhead	Representative
Robert Barton	Baton Rouge LA	BATON ROUGE LA	Bossier City LA	BOSSIER CITY LA	state	letterhead	Representative
Shirley Bowler	Baton Rouge LA	BATON ROUGE LA	Harahan LA	HARAHAN LA	state	letterhead	Representative
Carl Crane	Baton Rouge LA	BATON ROUGE LA	Baton Rouge LA	BATON ROUGE LA	state	letterhead	Representative
Israel Curtis	Baton Rouge LA	BATON ROUGE LA	Alexandria LA	ALEXANDRIA LA	state	letterhead	Representative
N.J. Damico	Baton Rouge LA	BATON ROUGE LA	Marrero LA	MARRERO LA	state	letterhead	Representative
Dirk Deville	Baton Rouge LA	BATON ROUGE LA	Baton Rouge LA	BATON ROUGE LA	state	letterhead	Representative
Charlie Dewitt	Baton Rouge LA	BATON ROUGE LA	Lecompte LA	LECOMPTE LA	state	letterhead	Representative
John Diez	Baton Rouge LA	BATON ROUGE LA	Gonzales LA	GONZALES LA	state	letterhead	Representative
Jimmy Dimos	Baton Rouge LA	BATON ROUGE LA	Monroe LA	MONROE LA	state	letterhead	Representative
Sydnie Durand	Baton Rouge LA	BATON ROUGE LA	Parks LA	PARKS LA	state	letterhead	Representative
Daniel Flavin	Baton Rouge LA	BATON ROUGE LA	Lake Charles LA	LAKE CHARLES LA	state	letterhead	Representative
Gregory Fruge	Baton Rouge LA	BATON ROUGE LA	Eunice LA	EUNICE LA	state	letterhead	Representative
Bryant Hammett	Baton Rouge LA	BATON ROUGE LA	Ferriday LA	FERRIDAY LA	state	letterhead	Representative
Herman Hill	Baton Rouge LA	BATON ROUGE LA	Dry Creek LA	DRY CREEK LA	state	letterhead	Representative
Roy Hopkins	Baton Rouge LA	BATON ROUGE LA	Oil City LA	OIL CITY LA	state	letterhead	Representative
Charles Hudson	Baton Rouge LA	BATON ROUGE LA	Opelousas LA	OPELOUSAS LA	state	letterhead	Representative
Raymond Jetson	Baton Rouge LA	BATON ROUGE LA	Baton Rouge LA	BATON ROUGE LA	state	letterhead	Representative
Ronnie Johns	Baton Rouge LA	BATON ROUGE LA	Sulphur LA	SULPHUR LA	state	letterhead	Representative
Donald Kennard	Baton Rouge LA	BATON ROUGE LA	Baton Rouge LA	BATON ROUGE LA	state	letterhead	Representative
Charles Lancaster	Baton Rouge LA	BATON ROUGE LA	Metairie LA	METAIRIE LA	state	letterhead	Representative
Jimmy Long	Baton Rouge LA	BATON ROUGE LA	Natchitoches LA	NATCHITOCHES LA	state	letterhead	Representative
Robert Marionneaux	Baton Rouge LA	BATON ROUGE LA	Livonia LA	LIVONIA LA	state	letterhead	Representative
Daniel Martiny	Baton Rouge LA	BATON ROUGE LA	Metairie LA	METAIRIE LA	state	letterhead	Representative
Jay McCallum	Baton Rouge LA	BATON ROUGE LA	Farmerville LA	FARMERVILLE LA	state	letterhead	Representative
Charles McDonald	Baton Rouge LA	BATON ROUGE LA	Bastrop LA	BASTROP LA	state	letterhead	Representative
Charles McMains	Baton Rouge LA	BATON ROUGE LA	Baton Rouge LA	BATON ROUGE LA	state	letterhead	Representative
Danny Mitchell	Baton Rouge LA	BATON ROUGE LA	Shreveport LA	SHREVEPORT LA	state	letterhead	Representative
Billy Montgomery	Baton Rouge LA	BATON ROUGE LA	Bossier City LA	BOSSIER CITY LA	state	letterhead	Representative
Tony Perkins	Baton Rouge LA	BATON ROUGE LA	Baker LA	BAKER LA	state	letterhead	Representative
Joe Salter	Baton Rouge LA	BATON ROUGE LA	Florien LA	FLORIEN LA	state	letterhead	Representative
B.L. Shaw	Baton Rouge LA	BATON ROUGE LA	Shreveport LA	SHREVEPORT LA	state	letterhead	Representative
Vic Stelly	Baton Rouge LA	BATON ROUGE LA	Lake Charles LA	LAKE CHARLES LA	state	letterhead	Representative
R. H. Strain	Baton Rouge LA	BATON ROUGE LA	Abita Springs LA	ABITA SPRINGS LA	state	letterhead	Representative
Francis Thompson	Baton Rouge LA	BATON ROUGE LA	Delhi LA	DELHI LA	state	letterhead	Representative
Warren Triche	Baton Rouge LA	BATON ROUGE LA	Thibodaux LA	THIBODAUX LA	state	letterhead	Representative
Mike Walsworth	Baton Rouge LA	BATON ROUGE LA	West Monroe LA	WEST MONROE LA	state	letterhead	Representative
Randy Wiggins	Baton Rouge LA	BATON ROUGE LA	Pineville LA	PINEVILLE LA	state	letterhead	Representative
Stephen Windhorst	Baton Rouge LA	BATON ROUGE LA	Terrytown LA	TERRYTOWN LA	state	letterhead	Representative
Diane Winston	Baton Rouge LA	BATON ROUGE LA	Covington LA	COVINGTON LA	state	letterhead	Representative
Tommy Wright	Baton Rouge LA	BATON ROUGE LA	Jena LA	JENA LA	state	letterhead	Representative
Chuck Swysgood	Helena MT	HELENA MT	Dillon MT	DILLON MT	state	letterhead	Senator
E. Benjamin Nelson	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Governor
John Breslow	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Auditor of Public Accounts
Dept. Of Agriculture	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Dept. of Agriculture

UP Supporters - Politicians

Name	Capital Address	Capital Map Address, Corrected	Local Address	Local Map Address, Corrected	Level of Govt.	Source	Position
Dept. of Roads	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Dept. of Roads
Lowell Johnson	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Public Service Commissioner
Frank Landis	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Public Service Commissioner
Scott Moore	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Secretary of State
David Heineman	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	State Treasurer
Chris Abboud	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Senator
Kermit Brashear	Lincoln NE	LINCOLN NE	Omaha NE	OMAHA NE	state	letterhead	Senator
Curt Bromm	Lincoln NE	LINCOLN NE	Wahoo NE	WAHOO NE	state	letterhead	Senator
Pam Brown	Lincoln NE	LINCOLN NE	Omaha NE	OMAHA NE	state	letterhead	Senator
Jon Bruning	Lincoln NE	LINCOLN NE	Sarpy County NE	BELLEVUE NE	state	letterhead	Senator
George Coordsen	Lincoln NE	LINCOLN NE	Hebron NE	HEBRON NE	state	letterhead	Senator
LaVon Crosby	Lincoln NE	LINCOLN NE	Lincoln NE	LINCOLN NE	state	letterhead	Senator
Owen Elmer	Lincoln NE	LINCOLN NE	Indianola NE	INDIANOLA NE	state	letterhead	Senator
Paul Hartnett	Lincoln NE	LINCOLN NE	Bellevue NE	BELLEVUE NE	state	letterhead	Senator
Joyce Hillman	Lincoln NE	LINCOLN NE	Gering NE	GERING NE	state	letterhead	Senator
Jim Jensen	Lincoln NE	LINCOLN NE	Omaha NE	OMAHA NE	state	letterhead	Senator
Gerald Matzke	Lincoln NE	LINCOLN NE	Sidney NE	SIDNEY NE	state	letterhead	Senator
Dwite Pedersen	Lincoln NE	LINCOLN NE	Elkhorn NE	ELKHORN NE	state	letterhead	Senator
Edward Schrock	Lincoln NE	LINCOLN NE	Elm Creek NE	ELM CREEK NE	state	letterhead	Senator
Elaine Stuhr	Lincoln NE	LINCOLN NE	Bradshaw NE	BRADSHAW NE	state	letterhead	Senator
Nancy Thompson	Lincoln NE	LINCOLN NE	Papillion NE	PAPILLION NE	state	letterhead	Senator
Jerry Willhoft	Lincoln NE	LINCOLN NE	Central City NE	CENTRAL CITY NE	state	letterhead	Senator
Kate Witek	Lincoln NE	LINCOLN NE	Omaha NE	OMAHA NE	state	letterhead	Senator
Hal Daub	Omaha NE	OMAHA NE	Omaha NE	OMAHA NE	local	letterhead	Mayor
Bernie Anderson & others	Carson City NV	CARSON CITY NV	Sparks NV	SPARKS NV	state	letterhead	Assemblymen and Senators
Mary Jane Garcia	Santa Fe NM	SANTA FE NM	Dona Ana NM	LAS CRUCES NM	state	letterhead	Senator
John Sullard	Boulder City NV	BOULDER CITY NV	Boulder City NV	BOULDER CITY NV	local	letterhead	City Manager
Pete Rahn	Santa Fe NM	SANTA FE NM	Santa Fe NM	SANTA FE NM	state	letterhead	Cabinet Secretary, State Highway & Transportation Dept.
Dianna Duran	Santa Fe NM	SANTA FE NM	Tularosa NM	TULAROSA NM	state	letterhead	Senator
Don Kidd	Santa Fe NM	SANTA FE NM	Carlsbad NM	CARLSBAD NM	state	letterhead	Senator
Patrick Lyons	Santa Fe NM	SANTA FE NM	Cuervo NM	CUERVO NM	state	letterhead	Senator
Roman Maes	Santa Fe NM	SANTA FE NM	Santa Fe NM	SANTA FE NM	state	letterhead	Senator
Leonard Rawson	Santa Fe NM	SANTA FE NM	Las Cruces NM	LAS CRUCES NM	state	letterhead	Senator
John Smith	Santa Fe NM	SANTA FE NM	Deming NM	DEMING NM	state	letterhead	Senator
Mary Helen Garcia	Santa Fe NM	SANTA FE NM	Las Cruces NM	LAS CRUCES NM	state	letterhead	Representative
J. Andrew Kissner	Santa Fe NM	SANTA FE NM	Las Cruces NM	LAS CRUCES NM	state	letterhead	Representative
G.X. McSherry	Santa Fe NM	SANTA FE NM	Deming NM	DEMING NM	state	letterhead	Representative
Michael Olguin	Santa Fe NM	SANTA FE NM	Socorro NM	SOCORRO NM	state	letterhead	Representative
Murray Ryan	Santa Fe NM	SANTA FE NM	Silver City NM	SILVER CITY NM	state	letterhead	Representative
Raymond Sanchez	Santa Fe NM	SANTA FE NM	Albuquerque NM	ALBUQUERQUE NM	state	letterhead	Representative
Daniel Silva	Santa Fe NM	SANTA FE NM	Albuquerque NM	ALBUQUERQUE NM	state	letterhead	Representative
W.C. Williams	Santa Fe NM	SANTA FE NM	Glencoe NM	GLENCOE NM	state	letterhead	Representative
Sam Baca	Deming NM	DEMING NM	Deming NM	DEMING NM	local	letterhead	Mayor
Demetrio Montoya	Tularosa NM	TULAROSA NM	Tularosa NM	TULAROSA NM	local	letterhead	Mayor
Dan Ramsey	Oklahoma City OK	OKLAHOMA CITY OK	Chickasha OK	CHICKASHA OK	state	letterhead	Representative
Marylin Shannon	Salem OR	SALEM OR	Salem OR	SALEM OR	state	letterhead	Senator
Richard Devlin	Salem OR	SALEM OR	Tualatin OR	TUALATIN OR	state	letterhead	Representative
Bob Montgomery	Salem OR	SALEM OR	Cascade Locks OR	CASCADE LOCKS OR	state	letterhead	Representative
Vera Katz	Portland OR	PORTLAND OR	Portland OR	PORTLAND OR	local	letterhead	Mayor
Bob Bullock	Austin TX	AUSTIN TX	Austin TX	AUSTIN TX	state	letterhead	Lt. Governor
David Cain	Austin TX	AUSTIN TX	Dallas TX	DALLAS TX	state	letterhead	Senator
Mario Gallegos	Austin TX	AUSTIN TX	Galena Park TX	GALENA PARK TX	state	letterhead	Senator
Eddie Lucio	Austin TX	AUSTIN TX	Brownsville TX	BROWNSVILLE TX	state	letterhead	Senator
Frank Madla	Austin TX	AUSTIN TX	San Antonio TX	SAN ANTONIO TX	state	letterhead	Senator
Drew Nixon	Austin TX	AUSTIN TX	Nacogdoches TX	NACOGDOCHES TX	state	letterhead	Senator

UP Supporters - Politicians

Name	Address	Capital Map Address, Corrected	Address	Local Map Address, Corrected	Level of Govt.	Source	Position
Eliot Shapleigh	Austin TX	AUSTIN TX	El Paso TX	EL PASO TX	state	letterhead	Senator
John Whitmire	Austin TX	AUSTIN TX	Houston TX	HOUSTON TX	state	letterhead	Senator
Kevin Bailey	Austin TX	AUSTIN TX	Houston TX	HOUSTON TX	state	letterhead	Representative
Bill Carter	Austin TX	AUSTIN TX	Fort Worth TX	FORT WORTH TX	state	letterhead	Representative
Joe Crabb	Austin TX	AUSTIN TX	Kingwood TX	KINGWOOD TX	state	letterhead	Representative
Tom Craddick	Austin TX	AUSTIN TX	Midland TX	MIDLAND TX	state	letterhead	Representative
Charles Finnell	Austin TX	AUSTIN TX	Holliday TX	HOLLIDAY TX	state	letterhead	Representative
Toby Goodman	Austin TX	AUSTIN TX	Arlington TX	ARLINGTON TX	state	letterhead	Representative
Patrick Haggerty	Austin TX	AUSTIN TX	El Paso TX	EL PASO TX	state	letterhead	Representative
Talmadge Heflin	Austin TX	AUSTIN TX	Houston TX	HOUSTON TX	state	letterhead	Representative
Allen Hightower	Austin TX	AUSTIN TX	Huntsville TX	HUNTSVILLE TX	state	letterhead	Representative
Paul Hilbert	Austin TX	AUSTIN TX	Houston TX	HOUSTON TX	state	letterhead	Representative
Fred Hill	Austin TX	AUSTIN TX	Austin TX	AUSTIN TX	state	letterhead	Committee on Urban Affairs, Representative
Bob Hunter	Austin TX	AUSTIN TX	Abilene TX	ABILENE TX	state	letterhead	Representative
Mike Jackson	Austin TX	AUSTIN TX	Houston TX	HOUSTON TX	state	letterhead	Representative
Jim Pitts	Austin TX	AUSTIN TX	Waxahachie TX	WAXAHACHIE TX	state	letterhead	Representative
Gilbert Serna	Austin TX	AUSTIN TX	Fabens TX	FABENS TX	state	letterhead	Representative
Bill Siebert	Austin TX	AUSTIN TX	San Antonio TX	SAN ANTONIO TX	state	letterhead	Representative
Todd Staples	Austin TX	AUSTIN TX	Palestine TX	PALESTINE TX	state	letterhead	Representative
G.E. West	Austin TX	AUSTIN TX	Odessa TX	ODESSA TX	state	letterhead	Representative
Yvonne Jenkins	Argyle TX	ARGYLE TX	Argyle TX	ARGYLE TX	local	letterhead	Mayor
Audrey Kariel	Marshall TX	MARSHALL TX	Marshall TX	MARSHALL TX	local	letterhead	Mayor
Celia Boswell	Mineola TX	MINEOLA TX	Mineola TX	MINEOLA TX	local	letterhead	Mayor
Richard Johnson	Nacogdoches TX	NACOGDOCHES TX	Nacogdoches TX	NACOGDOCHES TX	local	letterhead	Mayor
R.E. McKelvey	Palestine TX	PALESTINE TX	Palestine TX	PALESTINE TX	local	letterhead	Mayor
Gary Middleton	Victoria TX	VICTORIA TX	Victoria TX	VICTORIA TX	local	letterhead	Mayor
Michael Leavitt	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Governor
Dept. Of Transportation	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Dept. of Transportation
Lane Beattie	Salt Lake City UT	SALT LAKE CITY UT	West Bountiful UT	WEST BOUNTIFUL UT	state	letterhead	Senator
Scott Howell	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Senator
Al Mansell	Salt Lake City UT	SALT LAKE CITY UT	Sandy UT	MIDVALE UT	state	letterhead	Senator
Melvin Brown	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Representative
Judy Ann Buffmire	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Representative
Don Bush	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state		Representative
Beverly Evans	Salt Lake City UT	SALT LAKE CITY UT	Altamont UT	ALTAMONT UT	state	letterhead	Representative
Brent Goodfellow	Salt Lake City UT	SALT LAKE CITY UT	West Valley City UT	WEST VALLEY CITY UT	state	letterhead	Representative
David Jones	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Representative
Peter Knudson	Salt Lake City UT	SALT LAKE CITY UT	Brigham City UT	BRIGHAM CITY UT	state	letterhead	Representative
Powell Nelson	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state	letterhead	Representative
Joseph Murray	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state		Representative
Raymond Short	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state		Representative
Howard Stephen	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	state		Representative
John Swallow	Salt Lake City UT	SALT LAKE CITY UT	Sandy UT	MIDVALE UT	state	letterhead	Representative
John Valentine	Salt Lake City UT	SALT LAKE CITY UT	Orem UT	OREM UT	state	letterhead	Representative
Deedee Corradini	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	local	letterhead	Mayor
Brent Overson	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	local	letterhead	County Commissioner
Mary Callaghan	Salt Lake City UT	SALT LAKE CITY UT	Salt Lake City UT	SALT LAKE CITY UT	local	letterhead	County Commissioner
Eugene Prince	Olympia WA	OLYMPIA WA	Olympia WA	OLYMPIA WA	state	letterhead	Senator
Tommy Thompson	Madison WI	MADISON WI	Madison WI	MADISON WI	state	letterhead	Governor
Wisconsin Railroad Commission	Madison WI	MADISON WI	Madison WI	MADISON WI	state	letterhead	Commissioner
Jim Geringer	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Governor
Hank Coe	Cheyenne WY	CHEYENNE WY	Cody WY	CODY WY	state	letterhead	Senator
Irene Devin	Cheyenne WY	CHEYENNE WY	Laramie WY	LARAMIE WY	state	letterhead	Senator
Robert Grieve	Cheyenne WY	CHEYENNE WY	Savery WY	SAVERY WY	state	letterhead	Senator
Rae Lynn Job	Cheyenne WY	CHEYENNE WY	Rock Springs WY	ROCK SPRINGS WY	state	letterhead	Senator

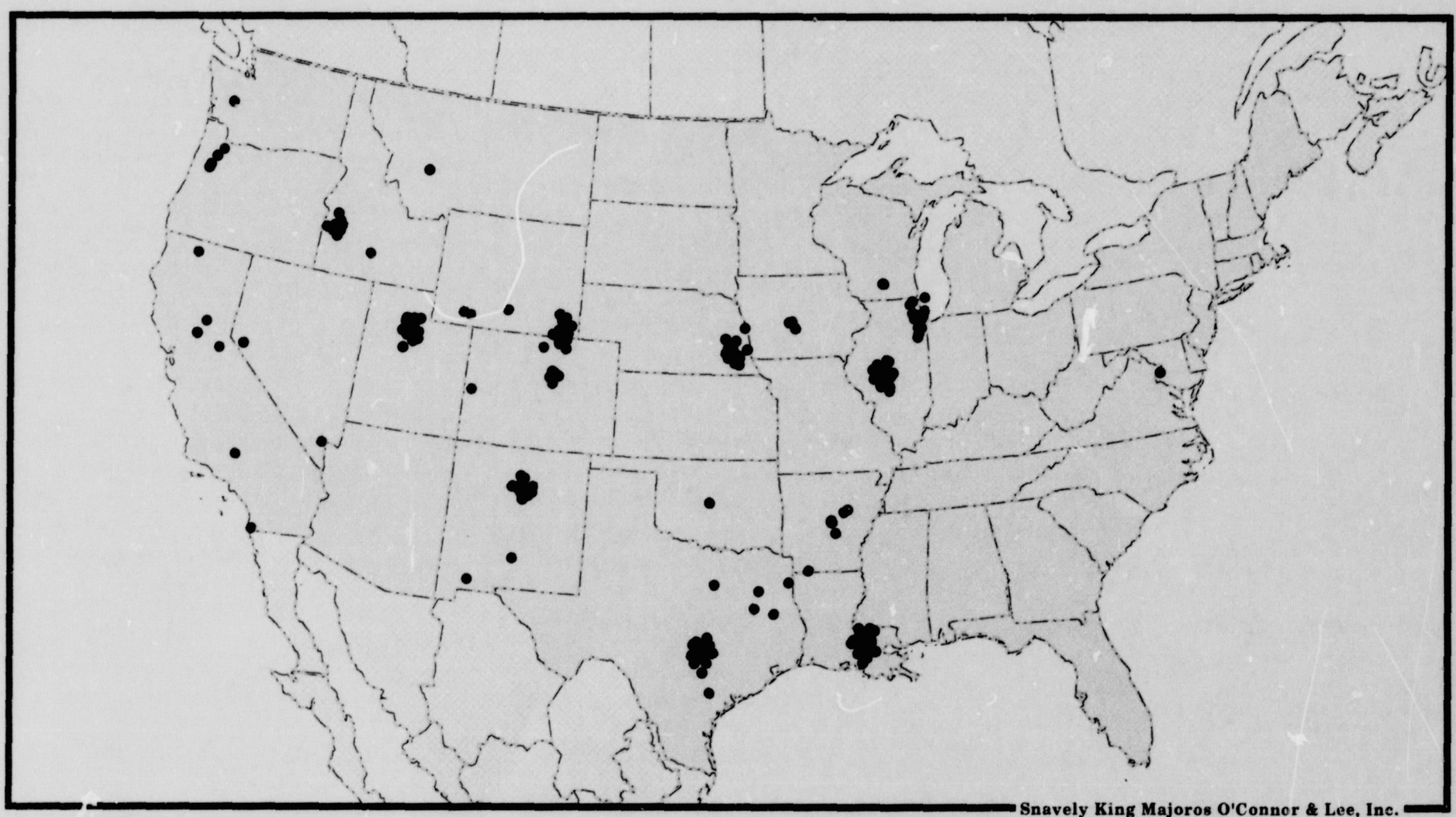
UP Supporters - Politicians

Name	Address	Capital Map Address, Corrected	Address	Local Map Address, Corrected	Level of Govt.	Source	Position
Grant Larson	Cheyenne WY	CHEYENNE WY	Jackson WY	JACKSON WY	state	letterhead	Senator
E. Jayne Mockler	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Senator
Greg Phillips	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state		Senator
Vincent Picard	Cheyenne WY	CHEYENNE WY	Laramie WY	LARAMIE WY	state	letterhead	Senator
Rodney Anderson	Cheyenne WY	CHEYENNE WY	Pine Bluffs WY	PINE BLUFFS WY	state	letterhead	Representative
Guy Cameron	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Senator
Ross Diercks	Cheyenne WY	CHEYENNE WY	Lusk WY	LUSK WY	state	letterhead	Representative
Floyd Esquibel	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Leo Garcia	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
John Hanes	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Ray Harrison	Cheyenne WY	CHEYENNE WY	Worland WY	WORLAND WY	state	letterhead	Representative
Bruce Hinchey	Cheyenne WY	CHEYENNE WY	Casper WY	CASPER WY	state	letterhead	Representative
Roger Huckfeldt	Cheyenne WY	CHEYENNE WY	Torrington WY	TORRINGTON WY	state	letterhead	Representative
Wayne Johnson	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Mac McGraw	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
George McMurtrey	Cheyenne WY	CHEYENNE WY	Rozet WY	ROZET WY	state	letterhead	Representative
R. Larry Meuli	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Wayne Reese	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Tony Ross	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Peggy Rounds	Cheyenne WY	CHEYENNE WY	Evanston WY	EVANSTON WY	state	letterhead	Representative
Marlene Simons	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Bill Stafford	Cheyenne WY	CHEYENNE WY	Chugwater WY	CHUGWATER WY	state	letterhead	Representative
Jack Steinbrech	Cheyenne WY	CHEYENNE WY	Rock Springs WY	ROCK SPRINGS WY	state	letterhead	Representative
Harry Tipton	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	state	letterhead	Representative
Louie Tomassi	Cheyenne WY	CHEYENNE WY	Big Piney WY	BIG PINEY WY	state	letterhead	Representative
Loren Willford	Cheyenne WY	CHEYENNE WY	Saratoga WY	SARATOGA WY	state	letterhead	Representative
Board of Commissioners	Rawlins WY	RAWLINS WY	Rawlins WY	RAWLINS WY	local	letterhead	County Board of Commissioners
Leo Pando	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	local	letterhead	Mayor
Norman Stark	Green River WY	GREEN RIVER WY	Green River WY	GREEN RIVER WY	local	letterhead	Mayor
Board of Commissioners	Cheyenne WY	CHEYENNE WY	Cheyenne WY	CHEYENNE WY	local	letterhead	County Board of Commissioners
Paul Oblock	Rock Springs WY	ROCK SPRINGS WY	Rock Springs WY	ROCK SPRINGS WY	local	letterhead	Mayor

Appendix V

Map Representing Political Support Statements

Politicians Supporting UP



Politicians
- Federal
- State
- Local

0 100 200 300
Miles

VERIFICATION

DISTRICT)
OF) ss.
COLUMBIA)

I, Margaret Kenney, being first duly sworn, upon my oath, state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Margaret Kenney

Subscribed and sworn before me this 14th day of October, 1998.

Notary Public

My Commission Expires: 10/31/02

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

REBUTTAL VERIFIED STATEMENT

OF

JOSEPH J. PLAISTOW

REBUTTAL VERIFIED STATEMENT

OF

JOSEPH J. PLAISTOW

I. INTRODUCTION AND SUMMARY.

My name is Joseph J. Plaistow. I am Vice President and a principal of Snavely King Majoros O'Connor & Lee, Inc. ("SKMOL"), an economic consulting firm.[1] The purpose of this statement is to present the results of a study (focusing on the effect of UP's current operating conditions on diversion of freight between rail and truck) performed by SKMOL to evaluate the claims by Union Pacific Railroad Company ("UP") that it has made a "Solid Service Recovery in the Houston/Gulf Area." *See* UP/SP-356 at 75

Using UP's own rail-truck diversion models offered into evidence by UP in the original merger proceeding, SKMOL's study yields two principal results. First, even under UP's current, supposedly recovered, operating conditions, diversion to UP's rail intermodal service would be insignificant even though in UP's diversion model, the impact of quality of service factors is relatively small. Shipments suffering low reliability, extended wait times, and transit times up to three times as long as trucks could still divert from truck to rail under UP's models if the total logistics costs per unit are the same. Second, again using UP's models, under current conditions, almost 10 percent of carload freight could be diverted *from* rail *to* truck. Thus, not only would UP's service not attract as much traffic from truck to intermodal rail as predicted by UP, but UP's carload service would also lose a large portion of its freight to truck. This effect is reflected

[1] A complete statement of my credentials is included in Exhibit No. JJP-1 to my statements in both the March 30, 1998 TM-7/KCS-7 filing in the Board's general UP/SP merger oversight proceeding, Finance Docket No. 32760 (Sub-No. 21), and in the July 8, 1998, Consensus Plan filing CMA-2/SPI-2/RCT-2, TCC-2/TM-2/KCS-2 filed in the Board's special Houston/Gulf Coast oversight docket, Finance Docket No. 32760 (Sub-No. 26), subsequently re-docketed as (Sub-No. 30).

in many recent shipper statements filed in the Houston/Gulf Coast oversight proceeding, and in UP's own statements filed with the Securities and Exchange Commission ("SEC").

These diversions from rail to truck have an adverse impact on the Houston area. Adoption of the Consensus Plan will improve efficiency and the competitiveness of the Houston and Gulf Coast rail service and would allow the rail industry to achieve the truck-to-rail diversions which UP had over-optimistically predicted.

II. BACKGROUND.

UP clearly dominates the rail transportation market in and around Houston. Other linehaul carriers have either limited physical networks or limited trackage rights over UP to access the region. The Port Terminal Railroad Association (PTRA) currently provides neutral switching service for the railroad traffic in a portion of the Houston region. UP's well-documented service meltdown in Houston has caused disruptions to the shipper community through longer transit and car cycle times, decreased rail car utilization, emergency truck shipments, plant shutdowns, added labor costs, power shortages, lost rail cars and misrouted rail cars.

About 80% of U.S.-Mexican trade passes through Texas, primarily in trucks carrying goods from Mexico to parts of the U.S. or into Canada and south from the U.S. into Mexico. Thousands of trucks rumble down Texas interstates each day. Although this trade creates an economic boom, it also places a burden on Texas' roads and bridges and its financial resources. Texas highways are subjected to more use than was ever envisioned. Interstate traffic in Texas has increased every year since 1987 with the passage of two major accords affecting U.S.-Mexican trade: on Tariffs and Trade in 1986 and the North American Free Trade Agreement (NAFTA) in 1994. Most of I-35, which runs through San Antonio, Austin and Dallas, now

operates at or beyond its capacity, according to Texas Department of Transportation (TxDOT) officials. Other major NAFTA arteries which run through Houston, such as I-10 and U.S. 59, also feel the brunt of burgeoning commercial traffic. (*See* http://www.window.state.texas.us/comptrol).

The Houston area and the overall Texas state economy continue to expand at a slow but steady rate. The Texas Industrial Production Index grew about 3.6 percent between May 1996 and May 1997 and 3.7 percent between May 1997 and May 1998.

III. THE STUDY.

This statement discusses SKMOL's analysis of the impact of rail service inadequacies on highway transportation, including shippers' reactions to those problems. Contrary to UP's earlier arguments that shippers would divert truck freight to intermodal in large volumes, our analysis suggests that not only did these overly optimistic truck-to-rail diversion estimates largely fail to materialize, but in fact UP rail has lost some of its carload freight to trucks.

A. Objective

The objective of our analysis was to evaluate whether or not UP's service problems continue to adversely affect shippers and continue to divert large volumes of freight from rail to truck; freight which rail carriers could recapture under the Consensus Plan.

B. Methodology

As a part of their merger application, UP and SP filed diversion model results that estimated the potential diversion of truck traffic to UP/SP's post-merger intermodal service. The estimates were provided in the verified statement of Paul O. Roberts. Mr. Roberts' model and data were part of the record in the merger case.

SKMOL used Mr. Roberts' data of actual motor carrier shipments and his computer-based diversion model to regenerate his results, modifying some parameters (mainly transit times, waiting time, and service reliability) to reflect existing UP service conditions. Specifically, we changed UP's assumptions about system train speed from 25 miles per hour for the intermodal and 20 mph for the carload trains to 20 miles per hour for intermodal and 15 miles per hour for carload freight (average system speed reported by UP for weeks ending Sept. 18 and 25 was 15.5 mph), and changed the terminal dwell time parameter from 24 hours to 38.1 hours (the figure reported for the week ending September 18, 1998, and slightly less than the average shown by the service reports posted by UP on the Internet for the weeks ending September 4 through 25, 1998).

The shipments utilized were actual, observed movements by truckload motor carriers in given origin-to-destination traffic lanes. The analysis was limited to specific UP/SP post-merger traffic lanes that UP anticipated would become more competitive with motor carriers as a result of its merger with SP, and thus tend to be more likely to find truck-to-rail diversions than if the model were applied to randomly selected lanes.

In addition to rerunning Mr. Roberts' truck-to-intermodal diversion model analysis predicting diversions of freight *from* truck *to* rail intermodal, we employed his carload data used for estimating the shipper benefits before and after the merger, to estimate the potential diversion *from* rail carload *to* truck with UP's current service parameters.

C. Study Results

i. *Diversions From Truck To Rail*

At the time of the merger application, UP/SP estimated that there would be substantial diversions from truck to intermodal and that the quality of intermodal service would improve as a

result of the merger. That conclusion, reached using UP's model and data, were accepted by the STB when it approved the UP/SP merger.

UP's analysis grouped the traffic lanes studied into five regions[2] and tried to estimate the diversions from truck to rail and related shipper benefits. UP's claims of diversion and shipper benefits for the corridors that were defined to include the Houston area, are summarized below.

	The Pacific Crescent Corridor	**Southern Corridor**	**Midwest-Texas-Mexico Corridor**
UP's estimated diversion to rail from truck (units/day)	152	126	49
UP-estimated shipper benefits/year	$10.6 Million	$2 Million	$1 Million

However, things did not happen according to UP's plan. The service meltdown that started in the Houston area gradually spread throughout the system causing major delays, wiping out the estimated shipper benefits and actually causing major economic damage to shippers.

Using UP's model with the same basic data UP used in the merger application but reflecting changing the UP service parameters as previously discussed, our results are summarized in the table below.

[2] SKMOL excluded the Midwest-Southwest Corridor and the Central Corridor from its run of the study because those corridors do not involve the Houston and Gulf Coast areas and are, therefore, irrelevant to this proceeding.

	The Pacific Crescent Corridor	Southern Corridor	Midwest-Texas-Mexico Corridor
Diversion to rail from truck (units/day)	86	16	15
Shipper benefits/year	$6.0 Million	$0.2 Million	$0.1 Million
With Doubled Transit Times:			
Diversion to rail from truck (units/day)	64	0	6
Shipper benefits/year	$4.2 Million	$0	$0.06 Million

Our new estimates suggest that with UP's slower moving traffic, longer wait times and lower reliability rates, potential diversion to trucks adds up to be 117 trucks/day as opposed to 327 trucks/day as UP projected. The potential shipper benefits are also lower — $6.3 million compared to earlier estimate of $13.6 million. When we double the transit times, as some shipper's statement suggest is appropriate, the shipper benefits goes down to $4.26 million and potential diversion to trucks to 70 trucks/day.

It should also be noted that the model probably over-represents the potential for diversion of truck traffic to intermodal because it heavily bases modal choice on costs. Mode selection criteria in this model is based on the total logistics and transportation costs per unit. However, transit time, wait time and reliability, some of the factors affecting the costs, have a low impact on per unit costs. Since these factors are important for the shippers, shipper benefits would actually be a lot lower than even our revisions of UP's estimates.

ii. *Diversion from Rail to Truck*

Using a variation of the diversion model, UP estimated the benefits that would accrue to shippers of carload traffic. It was estimated that the shipper benefits totaled over $72 million annually for the carload traffic for a sample of movements in all five corridors as a result of the savings in time and mileage brought about by the merger. However, our estimates with new service parameters showed shipper benefits of only $3.3 million annually for the carload traffic as a result of the savings in mileage brought about by the merger.

We used the after merger sample data set for the carload traffic in order to test if any rail carload traffic would divert to trucks as a result of UP's poor service. Statistics reflecting UP's actual service were taken from UP's Bi-Weekly Service Report (9/18/98) which reported a system-wide train speed of 15.5 miles per hour and wait time (system terminal dwell) of 38.1 hours. In our model, we used average speeds of 15 miles per hour for carload trains and 20 miles per hour for the intermodal trains and assumed that trains would operate around the clock.

The model run resulted in a 9.65% diversion to trucks (40,250 trucks/year) from rail intermodal. Many of the commodities that diverted to truck are high value and low density high tech manufacturing products with low volume shipments. These included automobiles, electrical equipment, machinery, instruments, finished textile products, miscellaneous manufacturing products and mail. This diversion from rail intermodal to trucks added 46.6 million miles per year to vehicle miles traveled by trucks. When we doubled the transit times for carload rail movements, about 15.9% diverted to trucks (66,500 trucks/year) adding 81.4 million truck vehicle miles per year.

Contrary to UP's earlier arguments that shippers will divert large volumes of truck shipments to rail, our model runs suggest that not only did these truck-to-rail intermodal

diversion estimates fail to fully materialize, but that, under UP's current operating conditions, diversions of rail carload and intermodal freight to trucks could be expected.

IV. BOTH SHIPPERS AND UP CONFIRM ONGOING RAIL-TO-TRUCK DIVERSION.

Although in its September 18, 1998 filing in this proceeding UP claims a "solid service recovery," many shippers continue to experience service problems. UP's problems continue to cause many shippers to turn to trucks to handle freight:

- Champion International Corporation, an integrated forest products company that manufactures paper, paperboard, pulp, lumber, and plywood, argues that rail service to their facilities continues to be impacted by events in Houston and the Gulf Coast area. Their service problems include:
  - * a severe reduction in the frequency of car pickups and setouts by the UP;
  - * local service failures due to congestion in Houston and directional traffic flow;
  - * problems with switching;
  - * increased transit times;
  - * substantially increased costs related to shipping products by truck and other modes; and
  - * trans-loading rail cars to trucks in order to meet customer's delivery schedules and press times.

  Champion states that rail shipments from Camden, Texas, have averaged a 138% increase in transit time in 1998 over 1997. Shipments to Utility, Texas, which should be 4 days transit time, now average 25 days, yet were only taking 11 days during the "meltdown crisis." (Statement of Champion International Corporation, CIC-2, dated September 15, 1998).

- In the Houston area, it is not uncommon for FMC Corporation to incur transit times of 3 or 4 times more than what it had experienced prior to the merger. FMC often has to use other, more costly modes of transportation and product sourcing to meet customer needs. (Letter of Eric B. Robinson, Director of Industrial Chemical Distribution, FMC Corporation, to STB, 9/2/98).
- International Paper Company, the world's largest paper company, states "Truck transportation for long haul moves was substituted at great expense, alternative rail routes were used in a few instances where that was still available; however, in the vast majority of cases we had little choice but to continue to use UP's service and endure their innumerable, ineffective efforts to bring their operating problems to heel in any reasonable time frame." (Letter of Charles E. McHugh, Manager, U.S. Distribution Operations, International Paper Company to STB, 8/27/98).
- The situation in Houston has caused problems with Matson Intermodal System's 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 . . . several shipments were delayed so badly at origin that we had to incur the extra cost of trucking the loads" (Letter of Matson Intermodal System to STB, 8/4/98).
- Montoi, S.A. de C.V.'s main problems have been the failure to receive their raw materials in time to meet their production schedule and being forced to use full truckload trailers in order to prevent plant shutdowns, thereby increasing costs and increasing forwarding agent fees. (Letter of Montoi, S.A. de C.V., to STB, 8/12/98).

- Angelina & Neches River Railroad Company (A&NR) and its customers have been seriously and adversely impacted by the service crisis in Houston. In addition to reduction in the frequency and reliability of the rail service, increased transit times and a complete breakdown in communication with UP/SP operating managers, has experienced a 40% decline in rail traffic through the third quarter of 1998 as compared to the same period in 1997. (Verified Statement of David M. Perkins, Angelina & Neches River Railroad Company, A&NR-2, 9/17/98).
- The Dow Chemical Company acknowledges that it continues to tender significant volumes of traffic to alternative modes. (Letter of Nicholas J. DiMichael and Jeffrey O. Moreno to STB, 9/14/98).

Deficiencies in rail transportation also have caused shippers to turn to ocean transportation. Some of the traffic shippers earlier handled by rail is now handled by using a barge-rail combination, eliminating UP from the rail route. Implementation of these new solutions increases the cost of the supply chain significantly for the shippers, which in turn increases the price of the final products. (Verified Statement of Richard C. Walters of North American Distribution for the Chemicals Group of Air Products and Chemicals, Inc.).

Even UP has been forced to admit that its failings in the Houston/Gulf Coast area have caused substantial diversions of rail freight to truck. UP's SEC 10-Q quarterly report dated August 11, 1998, clearly states that as a result of UP's service deficiencies, shippers diverted freight to other modes of transportation:

- "Chemicals: Carloadings declined 9% . . . The decline in volume resulted principally from congestion-related diversions to other modes of transportation as well as other rails."

- "Industrial Products: Carloadings decreased 11% . . . Volume declines resulted primarily from equipment shortages and service issues, including diversions of traffic to other modes of transportation and to other rails . . ."

Thus, both shipper testimony and UP's own SEC reports confirm the results of SKMOL's analysis: that instead of diverting freight from truck to rail as planned, UP's service deficiencies have caused a diversion of traffic from rail to truck.

V. EFFECTS OF CHANGES IN RAIL-TRUCK TRANSPORTATION PATTERNS.

Truck transportation over the highway network overwhelms the traffic flow and causes greater harm than any other mode of transportation. Detriments of a rail-to-truck diversion include increased pollution, decreased public safety, increased highway wear, decreased transportation efficiency and higher costs to shippers.

The Center for Transportation Research at the University of Texas at Austin has estimated that 35% of highway repair costs are due to truck-related damage, while large trucks represent only about 13% of total traffic on the Texas highway system.

Growing trade activity has a direct impact on Texas' transportation infrastructure. The state must cope with unprecedented increases in traffic volumes — all while maintaining an interstate system entering its fifth decade. The growth of Mexico-U.S. trade, along with the additional traffic diverted from rail due to inefficiency of rail infrastructure and the service meltdown, leave the highway system in Texas in a gridlock. The Houston region has been affected the most. Transportation of bulk materials, chemicals and agricultural products has been provided by railroads. Inadequacy of competition and hence lack of rail infrastructure forces shippers to use trucks which overburdens the highway network in the State of Texas and chokes the traffic in and around Houston.

The UP's service meltdown a year ago flooded the highway system with freight. Federal studies show that Texas has the highest volume of truck traffic in the nation, based on vehicle miles traveled. TxDOT has reported that in the last three years, truck mileage jumped by . %, compared to a 12% growth in passenger car miles. (http://www.window.state.texas.us/comptrol).

Vehicle Miles Traveled (VMT) in Harris County increased to 41.869 billion in 1997 up 3% from 40.649 billion in 1996. **Truck** VMT, however, has increased to 3.003 billion in 1997 up 8% (as contrasted to Texas' industrial production increases of only about 3.65% in 1997) from 2.790 billion in 1996 due, in part, to UP's service meltdown. The following table summarizes the statistics for vehicle transportation within District 12 (Houston):

VMT and Truck VMT Statewide--96 TLOG Highway System

Texas Department of Transportation
District 12: HOUSTON

County		Length	Vehicle Miles	Annual Vehicle Miles	Truck Vehicle Miles	Annual Truck Vehicle Miles	Truck--Single Unit Vehicle Miles	Truck V
Brazoria	20	443.287	3,511,898	1,285,354,668	355,195	130,001,525	191,504	
Fort Bend	80	368.150	4,032,283	1,475,815,578	398,231	145,752,733	161,563	
Galveston	85	267.357	3,813,133	1,395,606,678	191,425	70,061,719	138,087	
Harris	102	660.818	40,649,928	14,877,873,648	2,790,670	1,021,385,234	1,069,730	
Montgomery	170	384.877	4,898,426	1,792,823,916	468,071	171,314,040	167,839	
Waller	237	216.898	1,119,361	409,686,126	190,631	69,771,075	59,799	
District Total		2,341.387	58,025,029	21,237,160,614	4,394,223	1,608,286,326	1,788,522	

VMT and Truck VMT Statewide--97 TLOG Highway System

County		Length	Vehicle Miles	Annual Vehicle Miles	Truck Vehicle Miles	Annual Truck Vehicle Miles	Truck--Single Unit Vehicle Miles	Truck V
Brazoria	20	443.287	3,666,162	1,338,149,130	384,850	140,470,515	213,090	
Fort Bend	80	368.150	4,071,252	1,486,006,980	379,885	138,658,212	155,165	
Galveston	85	273.582	3,866,777	1,411,373,605	194,700	71,065,572	143,795	
Harris	102	673.183	41,869,337	15,282,308,005	3,003,661	1,096,336,617	1,148,109	
Montgomery	170	400.063	5,379,998	1,963,699,270	564,685	206,110,315	204,273	
Waller	237	216.898	1,144,046	417,576,790	192,448	70,243,740	62,954	
District Total		2,375.163	59,997,572	21,899,113,780	4,720,229	1,722,884,971	1,927,386	

VMT and Truck VMT Statewide--Percent Change 1996-1997

County		Length	Vehicle Miles	Annual Vehicle Miles	Truck Vehicle Miles	Annual Truck Vehicle Miles	Truck--Single Unit Vehicle Miles	Truck V
Brazoria	20	0%	4%	4%	8%	8%	11%	
Fort Bend	80	0%	1%	1%	-5%	-5%	-4%	
Galveston	85	2%	1%	1%	2%	1%	4%	
Harris	102	2%	3%	3%	8%	7%	7%	
Montgomery	170	4%	10%	10%	21%	20%	22%	
Waller	237	0%	2%	2%	1%	1%	5%	
District Total		1%	3%	3%	7%	7%	8%	

Source: Texas Department of Transportation
(http://www.window.state.texas.us/comptrol/fnotes).

Within District 12, Harris, Brazoria, and Montgomery Counties, where Houston lies, experienced the highest growth rates for truck traffic: 8 percent, 8 percent, and 21 percent, respectively.

VI. CONCLUSIONS.

UP's service meltdown in Houston has caused longer rail transit and car cycle times, decreased rail car utilization, emergency truck shipments, plant shutdowns, added labor costs, power shortages, lost rail cars and misrouted rail cars. Consequently, shippers diverted rail traffic to truck, as shown by UP's traffic diversion models, by shippers' statements and by UP's own statements. Therefore, the benefits to shippers that UP projected as a result of the merger were never realized. The adoption of the Consensus Plan, which is projected to increase efficiency and the competitiveness of rail freight transportation in Houston, is necessary to help actualize the truck-to-rail traffic diversion benefits which UP projected but never produced.

There is substantial evidence that rail traffic is diverting to truck and costing both the local economy in the Houston region and overall Texas economy. Burgeoning traffic overwhelms the Texas highway network and causes greater harm to the region's economy and environment than any other mode of transportation. Some of the detriments of a rail-to-truck diversion are increased pollution, decreased public safety, increased highway wear, decreased transportation efficiency and higher costs to shippers. Congestion throughout UP's 23-state operating area is estimated to have cost the U.S. economy $4 billion in stalled production and more-expensive transportation. Truck vehicle miles traveled in the Houston area have increased 8% in 1997 due, in part, to the UP service meltdown.

Region Definitions and Truck Diversion Model

The Pacific Crescent (I-5) Corridor: This corridor provides a route which connects Seattle/Tacoma with California and the Southwest with single-line rail intermodal service.

The Southern Corridor: UP's line from Dallas to El Paso combined with SP's line from El Paso to the Los Angeles Basin. This route provides access through the Memphis gateway to the southeastern portion of the United States. This corridor also includes traffic over the New Orleans gateway to Jacksonville. Atlanta and Jacksonville are collection points for traffic throughout the East.

The Midwest-Texas-Mexico Corridor: This corridor carries most of the north-south traffic between the U.S. and Mexico. It extends from the Midwest to Mexican border.

* * *

TRUCK DIVERSION ANALYSIS

The following section is taken from the verified statement of Paul O. Roberts in Finance Docket No. 32760. It describes the procedures we followed to reproduce UP's earlier results and observe the changes under different service conditions.

To perform the diversion analysis, a logistics cost diversion model, originally designed to be used in conjunction with a predecessor to the North American Truck Survey (NATS) data base, was modified to allow an analysis of each pertinent individual NATS record and to account for the exact locations of the UP and SP intermodal terminals and the mileages between them. Once all inputs for each record were available, they were transferred from the database manager into a spreadsheet, where the diversion computations were performed. A summary of the steps performed in the process follows:

Step 1: The latitude and longitude of the origin cities recorded in each NATS observation are identified. The geographical data is then used to place each such origin city into a BEA region. For every BEA, we identify one or more possible intermodal terminals serving as access points to the rail intermodal network. The distance to each of these potential terminals from the origin city is then calculated using a road distance routine.

The same process is repeated at the destination end of the movement recorded on the NATS record.

Step 2: The routes using each of the alternative access points are evaluated to determine which of the alternative routes is the most favorable (lowest cost to the shipper) for each railroad that could potentially divert the traffic to intermodal service. The cost calculation includes drayage, linehaul and interchange. Once selected, this lowest-cost route for each of the carriers is carried forward for use in the diversion analysis.

Step 3: Level of service values are developed for each of the competing alternatives (over-the-road truckload, UP/SP intermodal, and other rail intermodal). These include the **service frequency**, the **schedule time** and the **time reliability** of the movement. **Service frequency** is the time between intermodal departures. **Schedule time** includes ramp-to-ramp time plus time for unloading and drayage. **Drayage time** is calculated at a base speed at the end points of the trip. **Schedule time** includes 24 hours for interline transfers between railroads where such connections are required. Interline transfers are assumed to take place at interchange points designated by the originating railroad. **Time reliability** is

defined in the model as the time between the scheduled arrival and the time when 99 percent of all of the movements have arrived.

Step 4: The diversion model draws upon data regarding the receiver, the type of product (commodity code and related attributes) being shipped, the distance of the movement and other parameters used in determining service levels for each of the alternative modes. The most important receiver attribute is the receiver's annual use (measured in tons) of the commodity under study. This number is developed by drawing from a distribution of the known use rates for truckload and intermodal shippers. Figures for the receiver's internal rate of return on investments and the average discount rate for LTL shipments are also included. Inputs to the level of service calculation include linehaul distance by truck, parameters used to model truck rates, intermodal linehaul and drayage distances, and short-term variable cost for the intermodal movement.

Step 5: The variables affecting how receivers choose among transport alternatives are embodied in mathematical functions in the logistics cost model. The model calculates the tradeoffs that receivers face when attempting to minimize the total logistics costs associated with maintaining an inventory of the product for use in manufacturing or wholesale trade.

Step 6: The winning mode, given the new service that will be offered by UP/SP, is selected, and the results are formatted and reported.

VERIFICATION

DISTRICT)
OF) ss.
COLUMBIA)

I, Joseph J. Plaistow, being first duly sworn, upon my oath, state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Joseph J. Plaistow

Joseph J. Plaistow

Subscribed and sworn before me this 14th day of October, 1998.

Sarah P. Londerée

Notary Public

My Commission Expires: 3/31/03

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

REBUTTAL JOINT VERIFIED STATEMENT

OF

PATRICK L. WATTS AND WILLIAM J. SLINKARD

REBUTTAL JOINT VERIFIED STATEMENT

OF

WILLIAM J. SLINKARD

AND

PATRICK L. WATTS

By Mr. Slinkard:

My name is William J. Slinkard and I am Superintendent for the Kansas City Southern Railway Company ("KCS") Gulf Region headquartered in Shreveport, LA. I have been employed by the KCS since September 1, 1997. Immediately prior to my employment by KCS, I was employed since 1963 at Union Pacific Railroad Company ("UP") and Southern Pacific Transportation Co. ("SP") At UP, I was the Director of Quality Transportation headquartered in Kansas City, Missouri. Prior to the UP and SP merger, I held the following positions with SP:

- Division Superintendent, El Paso Division, headquartered in Tucson, AZ.
- Acting Superintendent, Houston Division, headquartered in Houston, TX.
- Assistant Division Superintendent, Houston Division, headquartered in Houston, TX.
- Division Superintendent, St. Louis Division, headquartered in East St. Louis, IL.
- Terminal Superintendent, Sacramento Division, headquartered in Roseville, CA.
- Terminal Superintendent, Los Angeles Division, headquartered in West Colton, CA.
- Assistant Terminal Superintendent, Pine Bluff Division, headquartered in Pine Bluff, AR.

During my 34-year career with the SP, I was headquartered in the Houston area 4 times for a total of 11 years. I am very familiar with the operations at Strang, Galveston, the Port Terminal Railroad Association, the Bayport Loop, and Englewood Yard, as well as the remainder of the Houston rail complex.

By Mr. Watts:

My name is Patrick L. Watts and I am Vice President-Transportation of the Texas Mexican Railway Company ("Tex Mex"), headquartered at 4600 Gulf Freeway, Suite 250, Houston, Texas. I have been in my current position at Tex Mex for about 2 years. Prior to coming to Tex Mex, I worked for SP for 5 ½ years in various management positions in both the Sales and Marketing Department and the Operating Department. Before coming to the SP, I had 14 years total experience as a train dispatcher with UP, Illinois Central Gulf Railroad, and the Chicago, Rock Island and Pacific Railroad. I have previously submitted verified statements in several proceedings before the Surface Transportation Board ("STB" or "Board").

By Messrs. Slinkard and Watts:

In this Rebuttal Verified Statement we respond to the Verified Statement of Howard Handley, Jr. on behalf of UP ("V.S. Handley") in UP's Opposition to Condition Applications (UP/SP-358 at Tab 7), and to the comments of the Brotherhood of Maintenance of Way Employees regarding the Consensus Plan's effect on those employees.

We have spent the majority of our railroad careers working in railroad operating departments in the Houston area. Mr. Slinkard, as stated in his qualifications, worked for SP and is very familiar with the operations of the PTRA, Strang Yard, the Bayport Loop area, Englewood, and the former Houston Belt and Terminal Railroad Co. ("HBT"). Mr. Watts has worked in Houston in the operating departments of the UP, SP, and the Tex Mex, and has been a locomotive engineer, conductor, field officer and train dispatcher within the Houston terminal complex.

UP's witness, Mr. Handley, comments on operational aspects of various elements of the Consensus Plan. We will discuss those in turn. After that, we will respond to the comments of the Brotherhood of Maintenance of Way Employees.

PTRA Operations South of the Houston Ship Channel

First, Mr. Handley finds fault with the proposal to facilitate neutral switching and dispatching by the PTRA south of the Houston Ship Channel by instituting unidirectional operations at Pasadena and Strang Yards. His fears in this regard are unfounded.

The notion of a neutral switcher serving the Strang/Bayport Loop area is not new. Nor is the concept of coordinated and directional use of Pasadena and Strang Yards, which as recently as October, 1997 was advocated by BNSF operating personnel, in BNSF's October 3, 1997 Gulf Coast Service Initiative. Indeed, the PTRA Operating Plan in the Consensus Plan was modeled on the earlier BNSF proposal. Moreover, UP itself has employed the concept of coordinated and directional yard usage with respect to its operations at Englewood and Settegast Yards and claims to have significantly improved operations of those yards as a result.

UP's assertion that the PTRA Operating Plan presented by the Consensus Parties would overburden Pasadena and Strang Yards is wrong. UP's witness argues that the plan for directional use of Pasadena and Strang is unworkable because it would require Pasadena and Strang Yards each to accommodate several hundred more cars per day than they do now. UP/SP-356 at 159-60; UP/SP-358, V.S. Handley at 15-16. The fact is, however, that under the Consensus Plan, Pasadena and Strang Yards will not collectively assume any more switching than they already handle.

Both Strang and Pasadena Yards currently operate as inbound yards for 12 hours and as outbound yards for the next 12 hours, as noted by Mr. Handley on pages 13 and 14 of his verified

statement. What UP and its witness gloss over is that "turning over" a yard -- that is, changing its direction of operation between inbound and outbound – is an efficiency-killing operation. Each time a yard is turned over, a great deal of productive switching time is lost. For example, Mr. Handley admits that Pasadena Yard must be turned over "three times per day, once on each shift." UP/SP-358, V.S. Handley at 13. Further, it is our understanding that Strang is turned over at least twice a day. These turnovers[1] cause a loss of at least 4 to 8 hours of productive switching time for each yard every day – an enormously costly and highly inefficient use of limited capacity. Under the Consensus Plan, this substantial and wasteful turnover time is eliminated, and the yards become coordinated and efficient inbound/outbound switching yards similar to the system that UP itself has implemented at Settegast and Englewood, thus enabling Pasadena and Strang to accommodate the traffic contemplated by the Consensus Plan.

Strang currently creates blocks for 72 industries and 25 switch engines plus at least 8 blocks for outbound trains within its 13 track yard. UP/SP-358, V.S. Handley at 14, 16, 17. Pasadena Yard, which is larger than Strang, flat switches[2] for "10 or 11 industry jobs, as well as two BNSF trains, a UP train, and several transfer runs to BNSF and UP yards." UP/SP-358, V.S. Handley at 12. Eliminating the duplicated effort of both yards by combining traffic destined to BNSF and UP yards, and eliminating the substantial "turnover" time now needed every day at both yards, will result in a more efficient and safe switching operation.

UP also frets about the "awkward" movements necessary to travel between Pasadena and Strang Yards. Under the Consensus Plan, PTRA trains departing Pasadena for Strang would not

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[1] Turnovers refer to changing a yard from inbound to outbound. Lost efficiencies basically result from the need to clear a yard prior to changing its mode of operation from inbound to outbound or vice-versa, thus disrupting the continuity of inbound/outbound flow of that yard.

[2] A form of classifying cars that does not utilize a gravity classification ("hump") yard.

back out of the west end of Pasadena Yard onto the SP/PTRA mainline, as UP describes in its "Route A" on page 163 of UP/SP-356. Rather, the trains enroute to Strang would depart from the east end of Pasadena Yard toward Deer Park Junction. At Deer Park Junction, using a new crossover to be constructed for this purpose, trains would cross over from the PTRA trackage to UP's trackage and proceed to Strang via the existing single main track and the future track presently under development by the Port of Houston Authority. However, since almost 30 percent of inbound Strang cars are destined to the HL&P Lead, this traffic would stay on trains destined via PTRA trackage to the HL&P Lead and be dropped off enroute. This routing will encounter none of the obstacles that UP describes in its "Route B" on page 163 of UP/SP-356.

UP's concern, discussed at pages 161-62 of its narrative and pages 16-17 of Mr. Handley's verified statement, that Strang would not be able to make up the outbound blocks it makes today for UP, is also unwarranted. First, it is our understanding that UP's assertion that PTRA is obligated under its rules to make the same number of blocks for all member roads, is not correct. The PTRA Agreement merely provides that the PTRA Board of Control has authority over "the method of blocking cars." And in fact, PTRA today builds more blocks for UP, for example, than it does for Tex Mex. There is no reason to believe that, following adoption of the Consensus Plan, the PTRA Agreement would prevent PTRA from building the blocks at Strang that UP would require. And as a practical matter, the Consensus Plan does not call for, and would not require, any decrease in the number of blocks currently constructed at Strang, and would not pose any operational impediment to creating sufficient blocks for UP. Under the Consensus Plan, we anticipate that three additional blocks would be required at Strang: one Tex Mex block and two BNSF blocks, one for Temple and one for Memphis. The substantial efficiencies that Strang would enjoy as a result of establishing directional operation

there and eliminating the turnovers (alternating between inbound use and outbound use) that now take place there every day would permit Strang to accommodate those three new blocks.

PTRA Operations North of the Houston Ship Channel

Under the Consensus Plan, inbound cars destined for customers on the former HBT, other customers north of the Houston Ship Channel and customers on the Clinton Branch (except unit train movements) will be delivered to PTRA's North Yard. Additionally, HBT would lease to PTRA its Basin Yard, Congress Yard, Dallerup Yard, and the Glass Track and Lead to support satellite yard operations to facilitate neutral switching service to customers on the former HBT lines. Consensus Plan at 326. UP incorrectly asserts that receiving an additional 8000 carloads each year at North Yard both inbound and outbound from HBT industries under the Consensus Plan would bury North Yard and cause it to "fail on Day One." UP/SP-358, V.S. Handley at 18.

UP overlooks that under the Consensus Plan, the PTRA would regain the use of Basin Yard along with 3 smaller satellite yards on the Clinton Industrial Lead. See Consensus Plan at 326. Even the unsubstantiated estimate of carloads of HBT business that Mr. Handley cites -- 8000 carloads per year inbound and another 8000 carloads per year outbound -- amounts to an average of only of 22 cars per day in each direction. With the additional yard capacity at Basin, Clinton Industrial Lead, and Congress Yard, it is patently not the case that PTRA "would fail on Day One," or anything like it. Indeed, because these yards are highly interconnected, coordinated control by the PTRA would provide a safer and more efficient switching operation than exists now, thereby increasing rail car throughput.

Clinton Branch

Mr. Handley challenges our view that service by PTRA under the Consensus Plan will be better than UP's is now, but he is wrong. First, the 41-hour dwell time we cite on page 325 of the Consensus Plan is just that – a terminal dwell time, which means the average amount of time each rail car spends in one rail yard. To state the dwell time for Englewood, or Settegast, for example, as being 41 hours means that is the average number of hours that rail cars spend within that yard. Dwell time does not count the amount of time that rail cars spend in other yards or at the customer's dock or plant. Mr. Handley's assumption to the contrary – that the figure we referenced is misleading because it includes the total time between the release of a customer's shipment and the time it departs Houston – is incorrect.

Mr. Handley's "expectation" that PTRA would provide worse service to Clinton Branch industries than UP does now is wrong. Mr. Handley assumes that under the Consensus Plan, traffic would require an extra interchange as compared with UP's service today. UP/SP-358, V.S. Handley at 19. That is not so. Under the Consensus Plan, the UP could easily design its train service to move solid PTRA trains from yards in Livonia, Pine Bluff, Dallas and San Antonio directly to North Yard and Pasadena Yard without going through a classification process at Englewood Yard. The BNSF is successfully doing that very same operation currently using direct train operations from Temple, Texas to North Yard. Their service reduces transit time, terminal dwell time, and congestion in Houston. It is important to note that every time a rail car is switched unnecessarily, liability for injury and derailments increases along with costs.

Further, Mr. Handley may not be aware of conflicts between the operation of the Clinton Drive Industrial Lead and PTRA's North Yard (as says at page 19 of his verified statement), but such conflicts have occurred for as long as both of us have been in Houston. Operations of the

industrial switching jobs serving the customers along the former SP Clinton Drive depend upon and are intertwined with the operations of North Yard. Because these tracks intersect and run parallel to each other, better service and a more fluid operation coordinated by the PTRA makes eminently good sense. Mr. Handley's admitted policy of "Whoever gets there first gets to go first," as stated at page 19 of his verified statement, only leads to confusion, delays, congestion, lost productivity, and the possibility of accidents. This lack of coordination in fact has led to several "near misses" over the last several years.

GH&H

Mr. Handley's assessment, UP/SP-358, V.S. Handley at 20, of traffic destined to Galveston requiring an extra interchange movement through Englewood is incorrect. The UP would run that traffic through its normal PTRA blocks and PTRA-destined trains. As mentioned above, BNSF has successfully bypassed Houston yards by designing "PTRA only" trains from other non-Houston yards such as Temple. A similar operation by UP would expand the UP's capacity at Englewood and Settegast yards.

The Former HBT

When the Consensus Plan was developed, we recognized BNSF's need to retain the use of New South Yard, Old South Yard, and East Belt Yard. As Mr. Broussard pointed out in his verified statement in the Consensus Plan, UP controls the vast bulk of Houston yard space. For BNSF and Tex Mex to compete with UP, both carriers need yard space. For Tex Mex's part, that is why Item 7 of the Consensus Plan calls for the sale or lease by UP to Tex Mex of Booth Yard, and that is why the Consensus Plan does not rely on yard space now operated by BNSF.

Mr. Handley's complaint at page 22 of his statement that North Yard is not well-suited to serve HBT customers who are closer to Congress and Navigation Yards misses on two points.

The first point is that the UP's own current operations require an equally lengthy movement of from UP's Englewood and Settegast Yards to Congress Yard. Second, these operations would be dispatched by the neutral PTRA to allow better coordination of the PTRA's inter-yard movement.

A final observation with respect to the former HBT: On page 23 of his verified statement, Mr. Handley states that he believes UP's service today "equals HBT's pre-merger service," although UP encounters "difficulty serving one HBT customer due to the number of through movements on the mainline near that facility." Last October, in opposing Tex Mex's request for a cease and desist order to prevent dissolution of the HBT, UP asserted that dissolving the HBT "will improve service for many shippers on HBT, reducing transit time by one to two days."[3]

Now, nearly a year after dissolving the HBT, UP assertedly has restored local service to some, but not all, former HBT customers to pre-merger levels, and has not come anywhere close to the one or two days' improvement in service that it promised. It is no wonder that shippers want a return to neutral switching that they enjoyed prior to the HBT's dissolution.

Employees and Equipment

Mr. Handley complains that the Consensus Plan did not take into account a need for additional signal maintainers, maintenance of way employees, mechanical employees or clerical personnel with respect to PTRA operations. To the contrary, we spent several days reviewing all

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[3] *See* Verified Statement of J.B. Mathis ("V.S. Mathis") at 1 in support of *UP/SP's Opposition to Petition for Cease and Desist Order*, in Texas Mexican Railway Company v. Houston Belt & Terminal Railway Company, Finance Docket No. 33507 filed Oct. 31, 1997 ("UP/SP Opposition to HBT Complaints").

the support requirements for expanding the PTRA, and identified in the Consensus Plan the needs that would have to be met.

First, however, a general observation is in order. Mr. Handley, and UP elsewhere in its filing, try to color the debate by mischaracterizing the essence of the Consensus Plan for the PTRA. The plan calls for trackage rights and leases. These trackage rights and leases would permit PTRA to offer shippers an opportunity for neutral switching that they do not now have. Mr. Handley, trying to change the terms of the debate, asserts that the plan is not really trackage rights, but rather a "takeover" by the PTRA. UP/SP-358, V.S. Handley at 24. This, according to Mr. Handley, is because if the plan is adopted, "UP would have no reason to use the Bayport Loop or any of the industrial tracks." Id. Maybe UP would reach that conclusion, and maybe it would not. But the operational and commercial decisions that UP would have to make are no different from those that any landlord carrier has to make in any case where trackage rights are instituted. The fact that UP would have to make those operational and commercial decisions does not transform a trackage rights proposal into something more sinister. Calling a trackage rights plan a "takeover" by PTRA does not make it so. A duck is still a duck and trackage rights are still trackage rights, much as UP would like to convince the Board otherwise.

Now to a discussion of the PTRA's service and equipment needs:

Signal Maintainers: Since, as just discussed, the Consensus Partners do not propose divestiture of the UP's or HBT's property, but merely the use of trackage rights and leases, the function of maintaining signals would continue to be provided by UP and compensated by normal trackage rights and lease fees.

Maintenance of way employees: Again, because the Consensus Plan proposal calls for trackage rights, the landlord railroad – UP – would continue to be responsible, as it is now,

for maintaining this function on UP and HBT tracks. The UP provides many of these services to the PTRA today under the current PTRA operations. (It should be noted that the Consensus Plan does call for additional maintenance of way employees for Tex Mex, as a result of additional infrastructure planned under the Consensus Plan).

Mechanical employees: Locomotive repair on the PTRA is currently out-sourced and we do not envision any change in this procedure that would have a positive or negative impact on PTRA personnel. The number of carmen undoubtedly would have to be increased to handle inspections and car repair. However, the PTRA's member lines could assist in providing qualified personnel to assist in startup and training operations.

Clerical employees: We believe there would be no positive or negative effect in terms of additional clerical employees needed by the PTRA. With the advent of Electronic Data Interchange billing, data can be exchanged electronically between customer, the customer service centers of the PTRA member carriers, and PTRA without the need for additional clerical personnel. The majority of additional billing would be done by the linehaul carriers through their customer service centers as is normal practice with traffic handled by neutral terminal carriers.

Switchmen and engineers: Mr. Handley believes it is "unwise to try to mount a rail operation from scratch with virtually untested employees," and asserts that PTRA's workforce would be too young and inexperienced. But as Mr. Handley well knows, the PTRA already has shown it is up to the task. Despite losing a substantial number of people (due in large part to their being lured away by UP and others) the PTRA has continued to maintain a superb safety record. It has done so through excellent training programs and management's ability to keep employee morale at an enviable level.

Dispatchers: At page 25 of his verified statement, Mr. Handley argues that the PTRA would not have the capability to dispatch the neutral area. He states that the PTRA does not have dispatchers and never has had dispatchers. That, of course, is true; dispatchers would have to be hired and we discuss this in the PTRA Operating Plan. Consensus Plan at 337. Contrary to Mr. Handley's presumption, PTRA would not have to rely on UP's dispatchers. There are good, qualified, and well-trained dispatchers that are available that want to come to Houston to work for the PTRA. Mr. Watts has discussed this opportunity with a number of qualified dispatchers.

The PTRA's Board of Control would make the decision on which dispatching system would be utilized and where the dispatchers would be located. Despite the artificial stumbling blocks that Mr. Handley and Mr. Hord of BNSF discuss in terms of the new PTRA dispatchers being disconnected from the Consolidated Dispatching Center ("CDC"), they are making assumptions that the Consensus Plan would call for a new and separate location for the PTRA dispatchers. Although there would be benefits to a neutral site, the Consensus Parties feel that the issue of neutral dispatchers working with the synergies of the CDC is more important, operationally, than the location. The actual location of the PTRA dispatchers should be decided by a vote of the PTRA Board of Control.

Locomotives: Mr. Handley asserts that UP "will not make its locomotives available for PTRA to take UP's business away from it and give it to other carriers." Mr. Handley may not be aware that the member lines of the PTRA -- Tex Mex, BNSF, and UP -- contractually are required, under the PTRA Operating Agreement, to provide, on a pro rata basis, any additional locomotives needed by the PTRA to serve and switch their customers. The number of locomotives required by the PTRA of each member road is based upon the car count that each member road receives. Any increase in business or geographic scope of the PTRA would

contractually require the three member roads – Tex Mex, BNSF, and UP -- to provide the PTRA with locomotives until such a time that PTRA's Board of Control receives the lease locomotives provided for in the PTRA Operating Plan.

Request to Lift the Northbound Restriction

In addition to neutral switching and dispatching by PTRA in the Houston terminal area, the Consensus Plan asks the Board to grant the same trackage rights awarded to Tex Mex in Decision No. 44, but without restricting the traffic moved under those rights to traffic that has a subsequent or prior movement on Tex Mex's Corpus Christi-Laredo line.

UP first claims that the experience under the Emergency Service Order, during which that restriction was temporarily lifted, demonstrates that granting this request would "cause significant additional congestion" in Houston. As evidence, UP points to Tex Mex's operation of a dedicated train between Houston and Beaumont during the Emergency Service Order. UP/SP-358, V.S. Handley at 30. UP's claims are simply untrue.

In January, 1998, Tex Mex established a dedicated Houston to Beaumont train and Beaumont to Houston train, in response to a request from customers and to provide Houston shippers expedited service during UP's service meltdown. The train would originate at either PTRA's North Yard or PTRA's Pasadena Yard. The Houston to Beaumont train would pick up any north tonnage that UP interchanged to Tex Mex at Basin Yard and then run to Beaumont. The cars that Tex Mex would receive, through interchange, from UP at Basin Yard were shipments that UP permitted Tex Mex to move outside the provisions of Emergency Service Order No. 1518.

Tex Mex added this new train set in response to customer requests, at a time when the UP service crisis was so bad that it would sometimes take as long as four days for a Tex Mex train to

operate from Robstown to Beaumont. A scheduled Tex Mex operation that should have taken only three train crews sometimes took as many as nine because UP was allowing its trains to stand idle for hours on sidings and main tracks, many times sitting side-by-side and shutting down everyone's operations.

When UP's congestion and inability to resolve it caused Tex Mex's scheduled Robstown to Beaumont service to suffer, Tex Mex took seriously the role the Board gave it under the Emergency Service Order and established the new and dedicated Houston-Beaumont train to help ensure reliable service to its customers. During the Emergency Service Order, Tex Mex had to operate this train at a financial loss because of the size of the train. But Tex Mex was determined to ensure that its customers received reliable service; the company took the risk that the traffic base would grow, and it did.

But this train suffered at the hands of UP. UP's management refused to permit Tex Mex to operate the train through Houston on the route that was most efficient. Because of UP's non-cooperation, after interchanging with PTRA at Manchester Yard, Tex Mex sometimes was forced to run this Beaumont-bound train west from Manchester Yard as far as 25 or so miles to Sugar Land, then use a siding to run its locomotive around the train, and then fight its way back through Houston to get to Beaumont. It is absurd that UP now accuses this train of causing increased congestion in Houston when it was UP that unnecessarily blocked Tex Mex's effort to operate efficiently through Houston.

With regard to contemplated future operations, a number of points should be made. First, experience under the Emergency Service Order shows that Tex Mex would vigorously compete for "Houston-north" traffic. During the ESO, the Houston-north traffic that Tex Mex was awarded by its customers was remarkable enough, despite its temporary nature, that UP

complained to the Board of the threat Tex Mex's competition posed to UP's financial health.[4] This past experience, and common sense, show that granting the Consensus Plan's request to lift the northbound restriction would result in Tex Mex capturing a portion of that business from UP and/or BNSF. That being so, it is undeniable that the train operations of UP and/or BNSF supporting that traffic would shrink. UP does not deny this. UP merely claims, conclusorily, that such competition would not result in a *one-to-one* reduction in the number of UP and/or BNSF trains. UP/SP-358, V.S. Handley at 28. That is entirely supposition. But what is undeniable is that if UP's business from the Houston-north customers decreased, as it surely would, UP would redesign and consolidate its rail operations accordingly, and the number of UP trains would decrease. Ditto for BNSF. Additionally, congestion would be reduced under the Consensus Plan because currently, Tex Mex interchanges traffic at three Houston yards – North Yard (interchanging with PTRA), Basin Yard (interchanging with UP), and New South Yard (interchanging with BNSF), requiring Tex Mex through trains to make numerous stops along the East Belt. But under the Consensus Plan, Tex Mex through trains would make only one stop, at Booth Yard. Interchange work with PTRA, UP and BNSF would be accomplished through much shorter, and therefore less disruptive, daily interyard transfer jobs.

Second, UP's complaint about Tex Mex trains having to operate through Settegast Yard, UP/SP-356 at 193; UP/SP-358, V.S. Handley at 28, 30, is insubstantial. First, it is patently untrue that, as UP asserts, "UP must suspend most yard activity while Tex Mex trains are passing through the Yard." UP/SP-358, V.S. Handley at 30. Mr. Watts spent many hours during the past year on Tex Mex trains traversing Settegast Yard, and saw UP continue most switching activities

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[4] See Emergency Service Order 1518; UP's Reply in Opposition to the Petition, July 28, 1998 at 22-25.

in the yard every time Tex Mex trains went through. Additionally, the issue of operations through Settegast has been before the Board before, as discussed in Decision No. 47. As has been discussed before, any inconvenience resulting from Tex Mex operations through Settegast could be avoided relatively simply and cost-effectively by constructing a connection at Gulf Coast Junction that would allow trains to bypass Settegast. But even though this solution has been on the table for years, and despite UP's claimed inability to operate Settegast Yard during Tex Mex operations through it, UP has shown no interest in pursuing this matter, even though UP itself admits at page 20 of its Opposition, that a Gulf Coast Junction connection could be built "relatively cheaply."

Moreover, UP is not correct when it states that Tex Mex's through trains need only pick up or drop off traffic at Basin/North Yards. A little history is required here. When the HBT existed, Tex Mex did make only one stop in Houston – Basin Yard. There, HBT would interchange Tex Mex cars to the PTRA, UP and BNSF. When the HBT was dissolved, UP initially agreed to do the interchange work that HBT had done. It quickly became clear, however, that UP could not perform that role. Because of the incompatibility of UP's computer billing system, and because UP itself was not part of the routing for cars to be interchanged between Tex Mex, on the one hand, and BNSF and PTRA, on the other, UP could not access critical billing information for those cars. As a result, UP could not properly interchange Tex Mex cars to PTRA and BNSF. In addition to presenting a serious safety concern, because UP was handling cars without having access to critical waybill information about the contents of the cars, those cars oftentimes would erroneously end up in places like Alexandria, LA and Fort Worth, TX. Customers, understandably, became angry. Tex Mex therefore was forced to begin direct interchanges with PTRA at North Yard, UP at Basin and Dallerup Yards, and BNSF at

New South Yard, requiring Tex Mex through trains to make numerous stops all along the East Belt. It was the dissolution of the HBT and the UP's inability to step into the HBT's former role, not Tex Mex's initiation of Houston-north traffic under the Emergency Service Order, that led to this problem.

Further, contrary to UP's assertions, there is a very good reason why Tex Mex's southbound trains cannot efficiently pick up southbound cars at Basin/North Yards. The south end of PTRA's North Yard does not have a physical connection to the East Belt line. When a Tex Mex through train needs to pick up southbound tonnage, Tex Mex must disconnect the locomotive from the train north of the North Shore Lead, cut road crossings,[5] enter North Yard, pick up cars, back out of North Yard, couple crossings,[6] and get an air test. At best, this process can take 2 to 4 hours. Sometimes, Tex Mex has had to leave its train at Englewood or Fauna to accomplish that process. When it does so, a Tex Mex conductor, because the train is moving backward, must hang from the rear of a car for several miles riding across congested track and multiple road crossings. For this reason, Tex Mex has found it necessary instead to haul southbound tonnage north all the way to Beaumont and then back through Houston, referred to by UP as "double reverse handling."

UP claims that permitting Tex Mex to carry Houston-north traffic would increase congestion on the East Belt. UP/SP-358, V.S. Handley at 29-30. Actually, implementing the Consensus Plan would do just the opposite. UP's error arises from considering various elements of the Consensus Plan only in isolation from each other. For the reasons outlined in the

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[5] Cutting a crossing refers to the separation of a train so as to not block vehicular road crossings.

[6] "Couple crossings" refers to reconnecting rail cars that were previously separated to allow vehicular traffic to move across road crossings.

Consensus Plan, Tex Mex needs a yard in Houston – preferably Booth Yard. Access to Booth Yard would greatly diminish, if not eliminate, the need for the stops Tex Mex through trains now are forced to make along the East Belt at New South, Dallerup, Basin, and North Yards, as we have described above. Instead of making these numerous stops along the East Belt, Tex Mex through trains would pick up and set out only at Booth Yard. Interchange work with PTRA, UP, and BNSF would be accomplished through much shorter, daily inter-yard transfer jobs. Many of those transfers could be accomplished without using the East Belt. Thus, the addition of Houston-north traffic would not create additional interference on the East Belt, because, as we already have explained, that traffic would not be handled through Basin Yard or North Yards, as UP incorrectly surmises, but through Booth. Mr. Handley's comments about the effect of Houston-north traffic on Basin Yard, UP/SP-358, V.S. Handley at 29-30, are baseless.

Finally, UP is incorrect that the Consensus Plan would require other Houston railroads to build multiple Tex Mex blocks. UP/SP-356 at 194; UP/SP-358, V.S. Handley at 31. UP's error, again, arises from viewing the Houston-north element of the Plan in isolation from the others. If the Board adopts the Consensus Plan, each Houston railroad, including PTRA, would only make one block for Tex Mex. Tex Mex would then switch those cars at Booth Yard and create multiple north and south blocks there. Although UP's conclusion about the need for other railroads to create multiple blocks is incorrect, its comments do underscore why Booth Yard is an integral and important element of the Consensus Plan and underscore the importance of the Board granting the relief the Consensus Parties seek with respect to Booth Yard.

Placedo-Algoa

UP does not offer any substantial operating objections to the Consensus Plan's request for permanent Tex Mex trackage rights over the UP line between Placedo and Algoa; UP's witness

Handley merely asserts that "Tex Mex trains would cause unnecessary delay," but offers no evidence supporting that conclusion. We need not comment further on it. We also note, however, that, under the Consensus Plan, UP and BNSF would be granted overhead trackage rights over the newly-constructed line between Rosenberg and Victoria.

Rosenberg – Victoria Line (Wharton Branch)

Although the issue of the Rosenberg – Victoria proposal is dealt with in detail elsewhere in the Consensus Parties' rebuttal, we note that the gist of Mr. Handley's operational concern with this proposal appears to center around a mainline siding west of Tower 17 on the Sunset Route, and "several short yard tracks adjacent to Tower 17, nestled in the southwest corner of the mainline crossing." UP/SP-358, V.S. Handley at 33. Mr. Handley asserts that UP makes "constant use of all these tracks" for essential railroad operating purposes. But Mr. Handley's concern is unnecessary, because Tex Mex is not interested in obtaining the tracks he refers to.

Access to Booth Yard

Item 7 of the Consensus Plan calls for the sale or lease to Tex Mex of yard space in Texas — preferably UP's Booth Yard. The reasons supporting this request are fully set forth in the Consensus Plan.

It is completely untrue that Tex Mex would need yard space in Houston only to accommodate traffic obtained through lifting the Board's restriction on northbound Tex Mex traffic. We have already explained, for example, how Tex Mex is forced to stop its through trains on the busy East Belt at numerous points to interchange with UP, BNSF and PTRA. Access to a Houston yard is necessary to eliminate the need for Tex Mex through trains to make multiple stops along the East Belt to interchange at New South Yard, Dallerup Yard, Basin Yard, and North Yard. As we have pointed out, under the Consensus Plan, Tex Mex's through trains

would have to stop only at Booth Yard to set out and pick up, while interchanges with PTRA, BNSF and UP would be accomplished through shorter daily inter-yard exchange jobs. This would ease congestion on the very busy East Belt. It is ridiculous to suggest, as UP does, that KCS's Chaison Yard in Beaumont – 90 miles from Houston – or Tex Mex's Corpus Christi or Laredo yards – 200 miles away and nearly 340 miles away from Houston, respectively – could serve the essential yard functions that Booth can.

The use of Booth Yard contemplated by the Consensus Plan is feasible, contrary to UP's contention. Switching at Booth Yard is done today via the north (Booth Yard) lead. There is sufficient "tail space" on the north lead to allow switching to be done so as not to interfere with the main line. The Consensus Plan calls for Tex Mex to reconnect the south end of thirteen yard tracks to the south lead, recognizing that there is not sufficient "tail space" to do much switching at the south end. A main purpose, though, of reconnecting the tracks at the south end, as they were when the yard was built, is so that Tex Mex trains entering the yard from the south end can have the option of using more tracks to clear the main line while they are picking up or setting out. We recognize that the main line adjacent to Booth Yard is a heavily used and sometimes congested track. By having access to Booth Yard, Tex Mex can allow its through trains to enter the yard and clear the main line while working there, which often is not possible today at the multiple yards where Tex Mex does work on the East Belt. In addition to the enhanced flexibility that will come with reconnecting the south end of Booth Yard, the terminal trackage rights that the Consensus Plan seeks throughout the Houston terminal area will ease congestion by permitting all carriers in Houston to be dispatched over the most efficient routes possible.

Alternative yard arrangements raised by UP are not feasible. Glidden Yard, for example, is 80 miles west of Houston, and consists of only two yard tracks (others having been removed

by SP), a siding and a main line. Additionally, if Tex Mex is allowed to reconstruct the Rosenberg-Victoria line, Tex Mex would relinquish its trackage rights between Rosenberg and Flatonia, meaning that Tex Mex would lose its access to Glidden. As for seeking access to BNSF yards, given that UP controls the overwhelming bulk of yard space in Houston, we think it is unlikely that BNSF would agree that any of its yards are "underutilized." New yard construction, of course, would pose numerous logistical, political, and environmental obstacles. UP's suggestion regarding the former SP Chaney Yard poses problems as well. It is located along the SP double main line between Chaney Junction and Eureka Junction, which is a route heavily used by UP and Amtrak. Because of two heavily traveled vehicular road crossings at each end of the property, switching would be difficult and would require the use of one of the two main lines. Because of those obstacles, SP removed the yard some time ago.

UP's concerns about disruption of the industry support and staging functions that it argues it carries out now at Booth Yard would be moot under the Consensus Plan in any event, because, under the Plan, Sinco customers would be served by PTRA neutral switching. Indeed, it is likely that UP will find neutral switching more cost effective than operating its own trains. And despite UP's claim to the contrary, UP does in fact use Booth Yard for car storage. Less than two weeks ago, for example, one of UP's supporting shippers' traffic managers told Tex Mex in a telephone conversation that UP was storing 150 of its cars there. The Consensus Plan offers substitute storage space for UP for up to 300 cars at a yard to be built on the Rosenberg-Victoria line.

Lafayette Subdivision Double-Tracking

Operationally, UP objects to the Consensus Plan's proposal to double-track UP's Lafayette Subdivision and exchange it for UP's Beaumont Subdivision. UP's complaints are

essentially two: first, it argues that the proposal would not be a "fair trade" operationally, and second, that the proposal would "virtually trap" UP in Settegast Yard. UP/SP-358, V.S. Handley at 43.

In his Rebuttal Verified Statement included with this filing, Alan W. Haley, Jr., discusses and refutes UP's comments about the operational inadequacy of the double-tracking proposal. It suffices that we note here, in response to Mr. Handley's comment that Tex Mex and KCS would receive a "complete, CTC-equipped mainline with five sidings," that the new double-track stretch that the Consensus Plan proposes for the Lafayette Subdivision also will be CTC-equipped and will have numerous crossover switches.

UP's other concern, that of being "trapped" in Settegast Yard, is baseless, for a number of reasons. First, the north end of Settegast Yard is almost two miles south of Settegast Junction, which is the proposed dividing point between PTRA neutral dispatching and Tex Mex dispatching. Yard operations would not be dispatched or interfered with by Tex Mex dispatching. UP trains leaving Settegast Yard and turning southwest – the trains that UP appears most concerned about -- would be dispatched by PTRA, not Tex Mex. And with respect to trains traveling from Settegast Junction northeast to Beaumont, Tex Mex, not KCS, would dispatch those trains, and those dispatchers would be headquartered locally in Houston, not "far away" as Mr. Handley misunderstands.

Comments by the Brotherhood of Maintenance of Way Employees

The Brotherhood of Maintenance of Way Employees ("BMWE"), while asserting that it "neither opposes nor supports" the Consensus Plan, nevertheless writes with respect to certain elements of the Plan that BMWE believes could work to the detriment of maintenance of way employees.

The proposed construction of a new main line on the Lafayette Subdivision between Houston and Beaumont, as would be expected when new infrastructure is created, will increase the need for maintenance of way employees. The Consensus Plan did not address the number of MOW employees that will be needed to maintain the double track because that is a decision that UP and BNSF will have to make. Implementing agreements will have to be negotiated at the time of any transfer of trackage.

As for the Consensus Plan proposal for the Rosenberg – Victoria line, that line is out of service, and for most of the length of the line there are no rails or ties remaining. It is our understanding that UP has no MOW employees assigned to maintaining this line, as there is little to maintain. The restoration of the line thus will be in the nature of new construction, not maintenance. Once the line is reestablished, however, it obviously will need to be maintained, and in the Consensus Plan we have accounted for those new maintenance of way jobs.

With respect to the proposed grant of trackage rights to the PTRA, we expect no negative impact on maintenance of way employees. The Consensus Plan calls for no transfer of ownership of the affected lines, but merely the grant of trackage rights over them. UP and HBT will maintain ownership of their respective rail lines as they do today, and will continue to be responsible for their maintenance.

By Mr. Watts:

Finally, I and Tex Mex strenuously object to the gratuitous and unsupported allegations by Roger D. Sanchez that Tex Mex is violating its collective bargaining agreement with BMWE and deliberately trying to attrit its maintenance of way force to replace it with subcontractors. Those assertions are utterly unwarranted and false. And in any event, if BMWE believes to the contrary its claims are properly addressed elsewhere, not here before the Board.

VERIFICATION

DISTRICT)
OF) ss.
COLUMBIA)

I, Patrick L. Watts, being first duly sworn, upon my oath, state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Patrick L. Watts

Subscribed and sworn before me this 13th day of October, 1998.

Notary Public

My Commission Expires: 3/31/03

VERIFICATION

STATE OF LOUISIANA)
) ss.
COUNTY OF CADDO)

I, William J. Slinkard, being first duly sworn, upon oath and under penalty of perjury state that I have read the foregoing statements and the contents thereof are true and correct as stated.

William J. Slinkard

William J. Slinkard

Subscribed and sworn to before me this 13 day of October, 1998.

Lynn N. Lawrence

Notary Public

LYNN N. LAWRENCE, NOTARY PUBLIC
BOSSIER PARISH, LOUISIANA
MY COMMISSION IS FOR LIFE

My commission expires: With Life

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

REBUTTAL VERIFIED STATEMENT

OF

HARLAN W. RITTER

REBUTTAL VERIFIED STATEMENT

OF

HARLAN RITTER

1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Introduction

My name is Harlan Ritter. I am Vice President of the Kansas City Southern Railway Company. I have submitted two previous verified statements in this proceeding that recited the specifics of my almost 35-year career in the railroad industry, which includes a combined total of approximately 16 years serving as president of two Houston area railroads, the Houston Belt & Terminal Railway Company ("HBT") and the Texas City Terminal Railway Company/Port of Texas City. The purpose of this statement is to respond to opposition by Union Pacific Railroad Company ("UP") to the Consensus Plan proposal to allow a neutral switching carrier, preferably the Port Terminal Railroad Association ("PTRA"), to conduct neutral switching within the Greater Houston Terminal Area. I also will briefly address the impact of what UP's witnesses refer to as Southern Pacific Transportation Company's ("SP's") "World War III" on other railroads and on the Houston area in general from the perspective of my position at the time as Assistant General Manager and General Manager of HBT.

1.2 Executive Summary

Although UP's rebuttal witness James Martin attempts to show that neutral switching is neither appropriate nor necessary in the Greater Houston Terminal Area, his statement, along with those of other UP rebuttal witnesses, actually demonstrates why neutral switching is both appropriate and necessary in Houston. UP's evidence shows that the Houston area handles a high volume of rail traffic generated by hundreds of shippers and the nation's second largest

port,[1] on a dense network of intersecting rail lines, tightly interwoven with hundreds of crisscrossing public roads, many with at-grade crossings. This dense network, where room for additional facilities is limited, handles traffic arriving and departing via eleven major rail lines and three trunk line carriers, creating a terminal that is what UP's witnesses call "one of the most complex and difficult to operate in the U.S."

It is, in fact, the complexity and limitations of the Houston terminal that call for operation of the terminal under a unified control whose sole purpose is the smooth operation of the terminal, putting that terminal's shippers first and foremost. The Consensus Plan proposal to institute neutral switching by PTRA throughout the Greater Houston Terminal Area is designed to meet the very needs of that terminal pointed out by UP's witnesses.

Regarding SP's so-called "World War III," my experience as General Manager of the HBT during the period when "World War III" occurred shows me that SP's service difficulties pale by comparison to UP's western rail service crisis of 1997-1998. Although SP held a dominant position in the Houston rail market in the 1978-1980 period, its dominance was by no means as complete as UP's is now. As a result, when SP's rail arteries clogged in 1978, the congestion did not spread throughout the entire western United States, as UP's recent problems have. Rather, because shippers had multiple trunk line carriers available and had neutral switching services of HBT and PTRA, Houston did not become gridlocked in 1978-1980 as it did in 1997-1998 with UP. Again, UP's evidence argues for, not against, the Consensus Plan's request for neutral switching of Houston by PTRA.

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[1] "The port ranks first in the United States in foreign waterborne commerce and second in total tonnage." http://www.portofhouston.com.

2. Terminal Railroads Are Crucial to Efficient Operations in Constricted and Complex Terminal Areas

As I emphasized repeatedly in my July verified statement filed in this matter, the purpose of having a terminal railroad is operational efficiency. "Neutral switching will benefit all carriers serving Houston . . . by allowing the terminal to be operated more efficiently by an entity managed with its sole focus on handling Houston traffic effectively. . . . the switching carrier's primary goal is moving the necessary railcars as efficiently as possible." Consensus Plan at 288-289. Mr. Martin, based on his many years of experience in areas other than Houston, obviously agrees with these statements. "Terminal railroads are designed to facilitate operations." UP/SP-358, Tab 9 at 2. Thus, Mr. Martin and I begin at a common point - that terminal railroads such as the neutral switching operation proposed in the Consensus Plan facilitate terminal efficiency.

Mr. Martin also points to limitations on available terminal infrastructure as a factor encouraging the creation of terminal railroads. For example, of the Conrail Shared Asset Areas he says, "a single railroad . . . had, over time, consolidated its facilities to the point where only a single railroad could feasibly operate within those terminals." UP/SP-358, Tab 9 at 8. Similarly, with respect to the Terminal Ferroviaria del Valle de Mexico ("FTVM"), the new terminal railroad which Mr. Martin helped create to serve the world's most populous city, Mr. Martin states, "[T]he decision to use a terminal railroad reflected the fact that 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, Tab 9 at 5. Thus, tightly constrained operating conditions are another reason for using a terminal railroad.

Houston's terminal is as confined and constricted as any other with which I am familiar. Throughout his statement, UP's Mr. Handley similarly expresses his opinion that the Houston

terminal infrastructure is tightly constricted. He does a good job describing some of those limitations as follows:

- "The Houston rail network is one of the most complex and difficult to operate in the U.S." UP/SP-358, Tab 7 at 2.
- "Although traffic has grown over the years, railroad capacity in the core of the Houston terminal has not kept up." *Id.*
- "Another feature that makes the Houston terminal difficult to operate is that there are no grade-separated rail crossings." *Id.* at 3.
- "The rail lines in Central Houston are interwoven like a pretzel. A train using almost any route through Houston must cross or intersect other main lines every few miles." *Id.*
- "Most of the mainlines through Houston also serve numerous industries, . . . On the HBT East Belt, it is often difficult to coordinate industry switching with transfer moves and through train operations." *Id.* at 4.
- "Houston is a maze of tracks with trains moving in every direction all day and night. 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.*

This last observation is probably the most telling of Mr. Handley's comments because it is the Belt Railway of Chicago ("BRC"), **a neutral switching carrier**, that switches and dispatches the south side of Chicago. As Mr. Martin says, "BRC's purpose . . . to provide coordination in sorting out thousands of loaded and empty freight cars, and to increase efficiency in the Chicago terminal." UP/SP-358, Tab 9 at 3.

Based on my 16 years of direct involvement with terminal railroad operations in the Houston area, I agree with Mr. Handley's conclusion that the Houston terminal is extremely complex. One need look no further than to see the mess that UP's changes to use of various yards in Houston made during the service crisis to know that the Houston rail system is a delicately crafted machine that must be operated to maximum efficiency to produce the services needed by Houston shippers. I do **not** agree with Mr. Handley that the Houston area cannot support more and better rail service to shippers, but doing so is going to require a more efficient terminal operation than exists today.[2] That is the reason the Consensus Plan calls for an expanded neutral terminal carrier operation in Houston.

3. Mr. Martin's Decision to Establish an Independent Terminal Company in Mexico City Shows That a City Like Houston Should Be Served By a Neutral Switching Company

Because Houston is a complex and congested terminal and because terminal railroads are designed to maximize terminal operating efficiency, the Consensus Plan proposes a neutral terminal railroad for Houston. While Mr. Martin seems to agree with the premises of this analysis, he disagrees with the conclusion. What he says differentiates Houston from areas that require a terminal railroad for efficient operation (Chicago and St. Louis, in Mr. Martin's view) is that areas which do require terminal railroads are served by a larger number of trunk line

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[2] I likewise do not agree with Mr. Handley's assertions that UP conducts switching more efficiently today than HBT did inasmuch as Mr. Handley admits having to add switching jobs to accomplish the same work the HBT did, inasmuch as Mr. Handley admits that UP has continuing problems meeting the needs of at least one customer switched by UP, and inasmuch as UP's witness Dennis Duffy admits that UP's supposed reciprocal switching service to DuPont was "not impressive." Moreover, since UP essentially just acquired many of the same assets - employees and facilities - that HBT used, it is difficult to imagine that merely because those assets have come under UP's control they somehow have been transformed from the inefficiency that Mr. Handley wrongly alleges that they exhibited while employed by HBT. Likewise, UP's criticisms of PTRA ring hollow in view of UP's continuing problems and the fact that UP, prior to taking over SP and gaining a stranglehold on Houston infrastructure, wanted to merge HBT and PTRA for consolidated operations.

carriers than the three that serve Houston. *See* UP/SP-358, Tab 9 at 5. However, Mr. Martin's own actions in designing the FTVM prove him wrong.

Mr. Martin designed the FTVM as a neutral terminal carrier for Mexico City to serve the identical number of linehaul carriers that serve Houston - three. Mr. Martin's statement recites his leadership role in designing FTVM, the new terminal railroad operation in the world's most populous city, Mexico City. "I was the project director responsible for the development of the operating plan and organizational structure for the recently-established Terminal Ferroviaria del Valle de Mexico in Mexico City, Mexico," Mr. Martin says. UP/SP-358, Tab 9 at 1. As stated in my July verified statement in this proceeding, Mexico City is served by three linehaul carriers. Consensus Plan at 297. Likewise, Houston has three linehaul railroads serving it, UP, BNSF and Tex Mex. So, what did Mr. Martin design as the terminal railroad to serve Mexico City's three connecting linehaul carriers? He chose a **neutral** switching carrier.[3] Thus, when called upon to put his many years of experience in terminal railroad operations into practice by designing a terminal railroad to tie together the operations of three carriers over a confined and complex terminal facility, Mr. Martin chose a **neutral** terminal railroad. Mr. Martin's actions state loudly and clearly that coordinating the operations of three connecting linehaul carriers through a crowded and complex terminal **requires** a neutral switching carrier.[4]

The same logic applies to Houston. Houston was the epicenter of UP's unprecedented western rail service meltdown. Even Mr. Handley admits at least to some degree that UP's mismanagement of Houston terminal operations deepened the service crisis. *See*

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[3] As stated in my July statement, each of the three linehaul carriers serving Mexico City will have an ownership interest in the FTVM. *Id.*

[4] Similarly, Mr. Martin seems to recognize the necessity for Conrail's shared assets area concept, *see* UP/SP-358, Tab 9 at 8, even though there the neutral switcher will serve only two connecting carriers.

UP/SP-358, Tab 7 at 18. One of UP's attempts to cure the problem, apparently, was its decision to divide the properties of the HBT between itself and BNSF, canceling neutral switching throughout much of Houston. Of course, the service crisis got worse, not better after the October 31, 1997 abolition of the HBT. And while UP would like to lay claim to having "fixed" the rail service crisis, in reality it was a combination of factors, led by UP's poor service and the Board's emergency service order, which caused at least some traffic to move by means other than via UP. A neutral switching carrier in Houston would similarly serve as a safety valve for Houston traffic, preventing the next rail service crisis.

4. Consolidating Houston Terminal Operations Under Unified, Coordinated Control Will Increase Terminal Efficiency, Benefiting Shippers and Carriers

As discussed in greater detail in my July verified statement, a terminal railroad in Houston will improve terminal operating efficiency. With all due respect to Mr. Martin, his actions demonstrate that a neutral terminal carrier is the most effective way to operate a crowded and complex terminal area like Houston. Otherwise, Mr. Martin would not have installed such a system in Mexico City. And while Mr. Martin apparently has no direct knowledge of the Houston terminal, my sixteen years of experience there tell me that the neutral switching carrier system which Mr. Martin chose for Mexico City would serve Houston effectively as well, just as PTRA does now and as HBT did until UP dissolved it.

Having a terminal railroad in Houston while allowing the connecting linehaul carriers trackage rights over terminal tracks will remove artificial barriers that restrict efficiency. For example, Tex Mex has rights to interchange freight with PTRA at Manchester Yard. However, it does not have trackage rights over the GH&H line that extends from Harrisburg Junction to Congress Yard. Thus, when Tex Mex leaves PTRA track after interchanging at Manchester Yard, rather than routing Tex Mex north along the GH&H line to the East Belt, UP dispatchers

route Beaumont-bound Tex Mex trains west toward T&NO Junction and West Junction, even as far as Sugar Land, about 25 miles out of Houston. The point of this wasteful activity for UP is to make Tex Mex adhere strictly to the trackage rights granted by the Board in the UP/SP merger while finding a siding which Tex Mex can use to run around its trains and put the engines on the lead end of the train to head east. Such wasteful activities would be eliminated with the Consensus Plan, which would give UP, BNSF and Tex Mex rights over the terminal trackage served by the neutral switching carrier.

By having use of a significant part of the Houston infrastructure, a neutral switching carrier would have operational flexibility that would allow it to coordinate operations and maximize terminal efficiency.[5] Access to facilities creates operational options for a railroad. While UP complains in its filing that PTRA sometimes refuses to accept UP and BNSF trains, PTRA is forced into that position by the limited, crowded facilities which it operates (facilities which even UP's witness Handley repeatedly calls overcrowded) and the fact that it essentially has its back to the Ship Channel, with no back door or escape valve through which to move excess cars. Given more space, PTRA could operate even more effectively, because even though it would be handling larger responsibilities, it would have more options to use in handling those responsibilities than it now has. Thus, as a neutral switching carrier, PTRA could improve the operational efficiency of the Houston terminal in a way that the three-way divided operation now

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[5] Although I understand that Messrs. Watts and Slinkard are refuting UP's assertions that PTRA could not acquire adequate equipment or personnel to conduct neutral switching and dispatching operations in Houston, I would point out that UP suggests in its pleading, UP/SP-356 at 177, n. 55, that HBT could step in to perform switching service over the HBT tracks if UP and BNSF failed to do so. If HBT, a company which presently has only one or two employees, no locomotives, virtually no office space, and which exists essentially as an asset-holding company, could, in UP's opinion, start a switching operation to replace what UP and BNSF now conduct, then clearly PTRA, a top-flight, extremely safe and competent active switching carrier could perform the neutral switching functions called for in the operating plan.

conducted by UP, PTRA and BNSF, each operating their own corner of the system, will never be able to match.[6]

In sum, the Consensus Plan for a neutral switching carrier in Houston is clearly the optimal solution for efficient operation of the Houston terminal. While UP would like to say that three railroads can sufficiently coordinate their own activities, continuing shipper discontent expressed through the Chemical Manufacturers' Association and the Society of the Plastics Industry, as well as Mr. Martin's actions in creating the FTVM as a neutral switching carrier to serve three connecting linehaul carriers, show that a neutral switching railroad is necessary in a crowded, complex terminal like Houston. The Consensus Plan meets that need.

5. Unlike UP's Unprecedented Service Crisis, SP's Service Difficulties in the Late 1970's Were Contained by SP's Market Share and by Operations of Neutral Switching Carriers

UP's testimony about SP's 1978-1980 service difficulties - "World War III" as UP's witnesses label it - shows one thing - service problems on SP. It does not, by contrast to UP's western rail service crisis, show service problems that reached throughout the entire western half of the country. The reason for that is, in my view, simple: SP did not have the stranglehold on Houston infrastructure that UP now has, so while there were alternatives available to many Houston SP shippers in 1978-1980, virtually no UP shipper had such options. In large part, UP's stranglehold on Houston has been facilitated by its elimination of HBT as a neutral switcher.

During the 1978-1980 period, I was an officer on the HBT. It is during this period that Messrs. DeMoss and Ongerth describe what they dramatically label "World War III" as having

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[6] It also is obvious that a *neutral* switching carrier would not generate the discrimination complaints that Tex Mex and BNSF have lodged against UP, nor those implied by a DuPont statement which I understand describes how the ineptitude of UP's reciprocal switching service of DuPont's LaPorte plant managed to render both BNSF and Tex Mex service offered to DuPont non-competitive with even the congestion-afflicted UP.

occurred on SP's lines in the Houston area. As Mr. Ongerth describes the situation, "For more than two years, SP service was in crisis in Houston and throughout the Gulf Coast area." UP/SP-358, Tab 11 at 6.

The key part of Mr. Ongerth's statement is the phrase "*SP service* was in crisis." Reading through the descriptions by Mr. DeMoss and Mr. Ongerth about "World War III," one does not find that SP's problems incapacitated other railroads in the Houston area as well. It is my recollection that while SP may have had a service crisis, the effects of the problem were largely limited to SP, and while those problems may have made HBT's operations more complicated, they did not shut down virtually the entire Houston terminal as UP's crisis of the past year did. Neither did SP's problems spread throughout the entire western United States as UP's crisis has.

I believe that the reason that SP's service problems of two decades ago were limited by comparison to UP's recent problems is that SP did not dominate the Houston market to the degree UP does today. While SP was the dominant carrier in the Houston market in the later 1970's when I arrived at HBT, its dominance was nothing like UP's is today. In the late 70's there were 7 trunk line carriers serving Houston, each operating its own infrastructure and connected to the others primarily by the neutral switching carrier, HBT. Today, by contrast, there are only three linehaul carriers serving Houston and they, for the most part, all operate over infrastructure controlled by the dominant carrier, UP. BNSF, in part, and Tex Mex entirely depend on trackage rights over UP in serving Houston. UP also controls switching on over 80 percent of the connecting lines within the terminal that formerly were operated by HBT.

UP's dominance of the Houston market has meant during the past year that for Houston shippers there was no escaping UP's service problems. Particularly because of the abolition of the HBT's operations at the end of October 1997, the neutrally-operated infrastructure that

during "World War III" enabled many shippers to avoid the congestion on SP has not existed for nearly a year. This, coupled with the BNSF's and Tex Mex's dependence on UP infrastructure on either side of Houston, meant that UP's problems were everyone's problems, not just UP's. While the effects of SP's "World War III" were largely confined to SP, UP's problems spread throughout Houston, the Gulf Coast and the entire western part of the United States.

This difference between the SP service problems of the late 1970's and UP's problems today is what, in my view, makes the Consensus Plan essential. The Consensus Plan proposes creation of infrastructure east and west of Houston that is independent on UP. It proposes neutral operation of most of the lines in Houston that link the proposed new infrastructure, along with BNSF's lines north and south of Houston, together. Thus, the Consensus Plan would restore some measure of the independent operational alternative that existed in the late 1970's which, I believe, helped quarantine SP's 1970's service problems largely on SP, preventing a shutdown of the entire Houston and Gulf Coast service area. That is why the Consensus Plan is so important for the future of rail operations in the Houston/Gulf Coast area.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

I, Harlan W. Ritter, being first duly sworn, upon my oath state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Harlan W. Ritter

Harlan W. Ritter

Subscribed and sworn to before me this 9th day of October, 1998.

DOROTHY EVELYN MOORE
Notary Public, State of Texas
My Commission Expires
JUNE 19, 2001

Dorothy Evelyn Moore

Notary Public

My Commission Expires: 06-19-2001

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

REBUTTAL VERIFIED STATEMENT

OF

ALLEN W. HALEY, JR.

REBUTTAL VERIFIED STATEMENT

OF

ALLEN W. HALEY, JR.

My name is Allen W. Haley, Jr. and I am General Manager of Operations for The Texas Mexican Railway Company ("Tex Mex"), headquartered at 1200 Washington Street in Laredo, Texas. I have previously submitted verified statements in proceedings before the Surface Transportation Board.

I began my railroad career in 1973 with the Southern Pacific as a Telegrapher on the San Antonio Division. I worked at numerous stations between El Paso and Rosenberg, Texas before being promoted to train dispatcher in 1977. From 1977 to 1979, I worked as a train dispatcher and chief dispatcher in SP's Houston office.

In 1979,I relocated to San Francisco, California when I was promoted to the position of Power Supervisor for the SP and responsible for SP's locomotive distribution. In 1981, I transferred back to Houston. Between 1981 and 1990, I held numerous jobs in the operations department starting with chief dispatcher, to Assistant Manager of Operations and finally as Regional Manager of Operations. As the Regional Manager of Operations for SP, I was responsible for the daily operations along SP's routes in Texas, Louisiana, Missouri, Arkansas, Kansas, Illinois and New Mexico.

I left SP in 1990 after a voluntary separation during a force reduction. From 1990 to 1996, I was a transportation consultant for transportation companies and railroads providing expertise in train dispatching and train operations. Then in 1996, I joined The Texas Mexican Railroad Company as Superintendent of Transportation. In 1998, I was promoted to General Manager which is the position I hold today.

I am submitting this verified statement as part of the Consensus Parties' Rebuttal filing to describe the benefits of the proposed double tracking of the Lafayette Subdivision between Houston and Beaumont in exchange for Tex Mex obtaining the Beaumont Subdivision between Houston and Beaumont.

The double track project that has been proposed involves construction of approximately 59.2 miles of main track from Langham Road near Beaumont to Dawes just east of Houston. This construction will add additional capacity for meeting and passing trains along 84% of the existing route. The remaining 16% of the route will continue as a single track railroad along two segments which total 11.5 miles (4.0 and 7.5 miles respectively), where the railroad crosses two major river channels. This new 59.2 miles of multiple main track will connect two segments of multiple main on each end, one which travels through the yard complex at Beaumont and one which traverses the city of Houston. Construction of the second main track will permit in many locations, where sufficient right of way exists, the retention of existing sidings as center sidings used by trains of either track to be parked out of the way when necessary. The locations of the possible center sidings are at, but not limited to the existing sidings of China, Devers, Ames, Dayton, Crosby, Hatchery, and Fauna.

To better understand the benefit of a multiple main track railroad visualize a two lane highway with cars moving in both directions. When traffic is flowing normally cars move without delay in both directions a safe distance apart. When the flow of traffic is interrupted by a stalled or slower vehicle, following vehicles are able to continue without delay by moving from the right lane into the left lane and traveling in the left lane for a short distance and then returning back.

This same scenario happens hundreds of times daily on multiple main tracked railroads all over the United States. Trains move in a single direction following other trains moving ahead in the same direction. Signals along the railroad keep the trains separated a safe distance and warn or stop following trains before they get too close to a preceding train. If a preceding train is delayed or experiences troubles, a following train(s) can be routed around the delayed or slower train by a dispatcher who routes the faster train to the opposite track through crossovers switches. This allows the faster train to pass the slower train without delay to either train.

If you examined dispatching records on long high speed multiple track territories such as is proposed between Beaumont and Houston, you would note that dispatchers "weave" train of both directions to move faster trains around slower trains and to "meet" trains traveling in opposite directions. Multiple main track territories such as between St. Louis and Illmo, Missouri, between St. Louis and Jefferson City, Missouri, between Oakland and Sacramento, California and between West Colton and Thousand Palms, California are just a few examples of where this occurs hundreds of times daily.

When a railroad runs trains in directional running operations (like used by the UP between Beaumont and Houston) the flow of traffic can be stopped or delayed frequently when passing tracks are full or not readily available. One train following another must stop and wait while the preceding train does station work. The flow of traffic can also be stopped if there is a mechanical failure on a train or if trains are delayed by track work. In addition, when it becomes necessary for a train to move against the flow, under directional operation of trains, all train operations can be limited and unusual delays can occur as you play dodge ball with this opposing train in a normal directional flow.

Multiple main track provides the train dispatcher with an invaluable tool to move slower trains out of the way of faster high priority trains, many times without delay to either train. It permits "meeting" of a train or fleet of trains without being constrained by traditional limiting factors like siding spacing and length. It permits the dispatcher to move a train around a maintenance gang, track problems or another train that has been stopped due to mechanical or other problems with the rerouted train seldom if ever having to slow down.

Analysis of the practical capacity of this railroad in a multiple main track configuration have been performed and presented in other documents. This analysis followed a standard procedure for evaluating the maximum capacity of a rail line based upon train schedules, distance and track speeds. The analysis of this segment has shown that a maximum theoretical capacity of this route segment with multiple main tracks would be 165 evenly spaced trains. This number far exceeds the capacity of adjacent terminals and routes and exceeds as well the traffic volumes, locomotive and crew availability for normal and probably future train operations over the corridor. More importantly, and not addressed in other analysis is the capacity of this route in a multiple main track scenario to handle an increasing number of train events as business levels grow. A train event could be defined as a train either, stopping or starting along the route, performing a work event, meeting or passing another train or the occupancy of a track segment by a maintenance employee. Along a multiple main track corridor such as this, the placement of center sidings and crossovers not only allow for the movement of hundreds of trains, but for many of these trains to be able to start, stop, be delayed, perform station switching, set out or pick up cars without delaying the movement of other traffic along the route.

Questions have been raised of the impact that the two non-multiple main track segments will have on train operations over the territory. The two track segments are a 4.0 mile length of

track between Sheldon and Crosby, Texas and a 7.5 miles segment between Dayton and Ames, Texas. These are the only two sections of the entire 70.7 miles which will not be a multiple main track. In each of these locations, the railroad traverses a river channel and adjacent low lying area. While it is not impossible to construct a railroad over these two segment, the need is not apparent. At current track speeds the transit time for these segments are 5.0 and 11.25 minutes respectively. Taking the higher transit time of 11.25 minutes and analyzing it as a normal single track railroad, the practical maximum capacity of this segment would be 128 trains per day which far exceeds again the normal daily operation and the capacity of adjacent terminals. Thus these two non-contiguous sections of single track do not have a net effect of reducing the capacity gained from the double tracking of this corridor.

Finally, a multiple main track railroad offers the operator a tremendous opportunity to expand capacity in the future in two ways without astronomical expenditures of capital. The first option offers not only a lesser expense but also the greatest benefit. The installation of high speed crossovers increases the flexibility of the railroad to handle more and more frequent train events along the corridor. Basically as more switches are added to provide more route choices, dispatchers can make more frequent meets and passes along the route without delays and handle more trains as well as absorb the inevitable bunching or fleeting of trains moving in the same direction. The second option, at a slightly greater expense helps the route to handle and hold trains for operational convenience. The addition of sidings provides the railroad the option to park a train for an extended period of time in one location without limiting the ability of the multiple main track to handle the train meets or passes. An example of this could be when a terminal does not have the capability to process a train immediately or there is a lack of a crew to handle the train. These sidings would permit the railroad to move a train of lesser priority out of

an originating terminal, such as Houston, ahead of numerous higher priority trains and then place this train in a siding for several hours to let the higher priority trains enter the final terminal, such as Beaumont, ahead of this train. All of this can occur without affecting the multiple main tracks ability to continue to handle the hundreds of train events without being impeded by this lesser priority train.

In conclusion, I believe that the double tracking of the Lafayette Subdivision, even with the 11.5 miles of single track, will add needed capacity to the territory. In addition, the operational benefits from having double tracked main lines are tremendous. The value gained from the double tracked Lafayette Subdivision far exceeds the value of operating on the Beaumont and Lafayette Subdivisions combined.

VERIFICATION

COUNTY)
OF) ss.
WEBB)

I, Allen Haley, Jr., being first duly sworn, upon my oath state that I have read the foregoing statement and the contents thereof are true and correct as stated.

Allen W. Haley, Jr.
Allen Haley, Jr.

Subscribed and sworn before me this 13th day of October, 1998.

SANDRA SUE WEBBER
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires 8-14-2001

Sandra Sue Webber
Notary Public

My Commission Expires: 8-14-2001

EVIDENTIARY SUPPLEMENT
OF CITED DOCUMENTS, PLEADINGS AND STUDIES

October 14, 1998 Analysis of Operations Over the Union Pacific Beaumont and Lafayette Subdivisions Between Houston and Beaumont, TX by ZETA-TECH Associates

November 6, 1997 Memo to All Train Management Personnel from Steve Barkley

October 31, 1997 Verified Statement of J.B. Mathis in support of *UP/SP's Opposition to Petition for Cease and Desist Order*, Finance Docket No. 33507, filed October 31, 1997.

AN ANALYSIS OF OPERATIONS OVER THE UNION PACIFIC BEAUMONT AND LAFAYETTE SUBDIVISIONS BETWEEN HOUSTON AND BEAUMONT, TX

Prepared for
Kansas City Southern Railway

Final Report, Revised October 14, 1998

by

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Executive Summary

Texas-Mexican Railway, an affiliate of Kansas City Southern Railway, currently operates on trackage rights over the Beaumont Subdivision of Union Pacific Railway. Due to the implementation of directional operation by Union Pacific on the Beaumont Sub and the parallel Lafayette Sub, Tex-Mex has been granted temporary rights on the Lafayette Sub for westbound operation (virtually all operations on the Beaumont Sub are in the eastbound direction). However, Tex-Mex has experienced frequent delays due to large volumes of trains operating on the Lafayette Sub.

The Consensus Parties, which includes Tex Mex and the Kansas City Southern have proposed to solve the operating problem by paying for the double-tracking of most of the Lafayette Sub (two single track segments, one of four miles and one of eight, will remain across two rivers and adjacent bottomlands) in exchange for Tex Mex's ownership of the Beaumont sub. Following the completion of this work, it is proposed that Union Pacific trains will use the double tracked Lafayette Sub and have use of the Beaumont Sub through trackage rights by Tex Mex.

A line capacity analysis by ZETA-TECH indicates that the Lafayette Sub has a current theoretical maximum capacity of 47 trains per day (assuming an even spacing of trains throughout the day). A realistic maximum throughput without excessive train delay is probably about half that number. Current traffic on the two subdivisions combined consists of 36 through freight trains and 10 rock trains and locals, plus Amtrak six days per week. In its present configuration, the Lafayette Sub cannot accommodate this traffic.

Following the completion of double tracking, the Lafayette Sub will have an estimated theoretical capacity of 165 trains per day (evenly spaced by time of day and direction). Again, maximum throughput in normal operation may be only about half that number, but will still provide ample capacity for the 47 trains now operating over the Lafayette and Beaumont Subs.

A capacity analysis of the Beaumont Sub indicates a theoretical maximum of 46 daily trains (again, evenly spaced in time and direction) may operate. In normal operation, the Beaumont Sub should be able to accommodate 20 or more daily trains. Thus, the combination of the double-tracked Lafayette Sub and the existing single-track Beaumont Sub will be able to handle, conservatively, 100 trains per day. This is more than double the current number of trains.

ZETA-TECH finds that a double-track Lafayette Sub will be adequate to carry all UP and BNSF traffic for the foreseeable future. Ample capacity will remain on the Beaumont Sub for UP trackage rights operations. The combined capacity of the two rail lines following double-tracking will be approximately twice the current traffic volume, and will significantly exceed the combined capacity of the two subdivisions in their current configuration.

Section 1: Introduction and Background

Kansas City Southern Railway, through its ownership stake in Texas Mexican Railway, has trackage rights over the Union Pacific (former Missouri Pacific) Beaumont Subdivision between Beaumont and Houston, TX. With its purchase of Southern Pacific Railway in 1997, Union Pacific acquired ownership of the Sunset Route between New Orleans and Los Angeles. Part of this route, the Lafayette Subdivision, parallels the Union Pacific Beaumont Subdivision between Beaumont and Houston.

As a partial solution to its widely reported service problems, Union Pacific has instituted "directional running" on some parts of its rail network. Directional running is the practice of pairing parallel rail lines between common end points (for example, the Cotton Belt line and the Missouri Pacific line between St. Louis, MO and Texarkana, TX) and running traffic one direction on one line and the opposite direction on the other. Since the parallel lines may be many miles apart in places, there is less flexibility than with a true double-track railroad, but pairing rail lines in this fashion avoids the need to meet opposing trains and can increase capacity and reduce delays.

Union Pacific has implemented directional running on the Beaumont and Lafayette Subdivisions between Beaumont and Houston, TX. Trains run east on the Beaumont Sub and west on the Lafayette Sub. Tex-Mex, which holds rights only on the Beaumont Sub, has been granted temporary rights on the Lafayette Sub in order to avoid the need to run trains against the prevailing current of traffic. However, there have been frequent and severe delays due to Union Pacific's service difficulties.

In part, the UP difficulties result from an apparent need to run trains in both directions on the Lafayette Sub. This may stem from difficulties in accessing terminals, yards, and customers either in Houston or Beaumont, but for whatever reason UP operates about nine eastbound trains per day over the otherwise westbound Lafayette Sub. Amtrak also operates both directions on the Lafayette Sub. The result has been congestion and delays.

The Consensus Parties have proposed a solution to these problems. It involves double-tracking most of the Lafayette Sub (except for the bridges over the San Jacinto and Trinity Rivers), granting trackage rights over the Tex Mex-owned Beaumont sub. The analysis issues involved are:

1. Whether the double-track Lafayette Sub will offer enough capacity to handle UP trains without excessive delays
2. Whether UP will require overhead rights on the Beaumont Sub
3. Whether the Beaumont Sub offers sufficient capacity for Tex-Mex and KCS now and in the future.

This report will answer these questions.

Section 2: Scope and Objectives of the Analysis

The objective of this study is to determine the feasibility of handling UP traffic between Beaumont and Houston, TX via the double tracked Lafayette Sub. In addition, the study will determine the feasibility of the operations of the Beaumont Sub which UP will have access to via trackage rights.

Issues in the analysis include:

- Capacity of the Lafayette Sub in its current configuration
- Number of trains (east- and westbound) typically operated by UP and Tex-Mex
- Capacity of a double-track Lafayette Sub
- Capacity of the Beaumont Sub

ZETA-TECH Associates, Inc. has considerable experience in the assessment of line capacity, having performed similar work for Burlington Northern during the benefits evaluation of the Advanced Railroad Electronics System (ARES) and having completed in 1996 an analysis of capacity and train delays on trackage belonging to Kansas City Terminal Railway. ZETA-TECH has also performed computer simulations of train operations on two lines of Transportes Ferroviarias Mexicanas (TFM), a KCS affiliate in Mexico.

Route Characteristics and Traffic Volume

At present, both the Lafayette Sub and the Beaumont Sub are single track with passing sidings. The Beaumont Sub extends 77.5 miles from Beaumont to Settegast Junction in Houston, and has seven passing sidings, of which only six are usable for normal-sized trains (Martha siding, at 4,660 feet, is too short for most trains). The entire line, except for four miles between MP 449.7 and MP 453.7, is controlled by Centralized Traffic Control (CTC).

The former Southern Pacific Sunset Route between Beaumont and Houston, which historically saw heavier traffic than the Beaumont Sub, has seven passing sidings. Two of these near Houston, Fauna and Hatchery sidings, have been connected to produce about 10 miles of double track just east of Houston. All other sidings are at least 10,000 feet long. The entire subdivision is controlled by CTC.

Information supplied by KCS indicates that there are about 18 westbound through trains per day on the Lafayette Sub, and the same number eastbound on the Beaumont Sub. On the Beaumont Sub, only one out-and-back local switcher works against prevailing eastbound traffic between Beaumont and Amelia. On the Lafayette Sub, however, there are a total of eight daily rock trains to and from a quarry at Dayton (MP 326) that must move against the flow of traffic in one direction (they operate both to Beaumont and to Houston). There is also one out-and-back switcher between Beaumont and Cotton Creek, and three days per week an eastbound Amtrak

train transits the Lafayette Sub against the prevailing westbound flow. These rock trains and Amtrak seriously restrict the capacity of the Lafayette Sub.

Proposed Capacity Improvements

Both the Beaumont Sub and the Lafayette Sub are now single track. The presence of the Dayton rock trains on the Lafayette Sub greatly reduces the benefits of directional running. The Dayton trains run both east (to Beaumont) and west (to Houston) from the quarry at Dayton. This traffic amounts to eight trains per day. In the current circumstances, Tex-Mex suffers along with Union Pacific since Tex-Mex trains must use the Lafayette Sub westbound.

The solution is simple, if expensive. The Consensus Parties have proposed to build a second main track on the Lafayette Sub for the entire distance from Houston to Beaumont, with two exceptions. These are:

- Between Sheldon and Crosby, TX, where the rail line crosses the San Jacinto River (a distance of about four miles)
- Between Dayton and Liberty, TX, over the Trinity River and adjacent bottomlands (about eight miles)

Once this double tracking is complete, UP will own and use the Lafayette Sub and have trackage rights over the Tex Mex-owned Beaumont Sub.

Analysis Issues

There are several issues to examine in this analysis. First and foremost, can a mostly but not entirely double-track Lafayette Sub accommodate 36 through freight trains (18 each way), plus the eight rock trains to and from Dayton, a switcher, and Amtrak? Second, will the UP require overhead rights on the Beaumont Sub as insurance against capacity problems on the Lafayette Sub? To answer these two questions, a third must be answered as well: namely, what is the theoretical maximum capacity of the Lafayette Sub in its present configuration, and as a mostly double-track railroad? The following section addresses each of these issues.

Section 3: Line Capacity Analysis

Scenarios

At the request of KCS, ZETA-TECH addressed three scenarios:

1. Current operations (mostly direction running, east on the Beaumont Sub, west on the Lafayette Sub, with the exceptions mentioned earlier)
2. UP operation confined to the Lafayette Sub, with Tex-Mex on the Beaumont Sub
3. UP operation on the Lafayette Sub, with overflow trackage rights on the Beaumont Sub

Capacity analysis was performed for both the single-track Lafayette Sub and the proposed double-track configuration, as well as for the single-track Beaumont Sub.

Analysis Methodology

The first task in the analysis was to determine the maximum capacity of the Lafayette Sub, in terms of trains per day (24 hours) in both its present configuration and its proposed double-track configuration. A parallel analysis of the Beaumont Sub was also undertaken.

Capacity of rail lines is a concept that depends upon the timing of train movements as well as their volume. The analysis here has sought to determine the absolute maximum capacity of each route by defining a series of "train paths" (schedules on which trains might operate) spread evenly by direction and by time of day. Trains need not operate on every one of these defined paths (and probably will not, due to marketing considerations such as cut-off times for loading of intermodal traffic, etc.). Therefore the practical, day to day capacity of these lines is approximately half the theoretical maximum.

As an example, a railroad on which all train movements had, for whatever reason, to take place in a two-hour window would have a very different theoretical capacity than one on which movements could be spaced evenly over 24 hours. Therefore, the capacities defined here for the Lafayette and Beaumont Subs should be considered as an *absolute maximum* that can operate on each line.

The first step in the analysis was to determine the maximum capacity of a two-track railroad with directional running and no overtaking movements. With an average signal block length of about 2.3 miles, and a minimum two-block train separation, this produces an interval of about five minutes between following trains at the timetable speed limit. If trains run only westbound on the Lafayette Sub and eastbound on the Beaumont Sub, then in theory each line can carry 12 trains per hour or 288 per day. However, it is unlikely that yards and terminals at each end of the line could accommodate this volume of traffic (although analysis of terminal operations was beyond the scope of this study), and in any event, there are nine "contra-flow" trains that must be accommodated as well on the Lafayette Sub (eight rock trains and Amtrak).

When contra-flow movements are taken into account, the capacity of the Lafayette Sub is greatly reduced. The Beaumont Sub has only one contra-flow train (the Amelia Local). However, trains must operate in both directions, and a large amount of capacity for eastbound trains (on the Beaumont Sub) will only cause problems as they return westbound on the Lafayette sub.

Capacity Measurement, Single-Track Lafayette Sub

To determine the capacity of the bi-directional railroad, a network of train paths at five-minute intervals was created in each direction, using timetable speed limits. Many of these train paths crossed each other at points where there was no siding, and trains can meet only on double

track or at one of the passing sidings. Therefore, wherever train paths crossed at locations other than sidings, one train path was eliminated. Continuing this process until all infeasible train paths were eliminated yielded a maximum capacity (in terms of number of feasible train paths per 24 hours) in each direction, taking into account the location of sidings or double track for meets and the speeds and speed restrictions prevailing on the line.

Figure 1 shows the feasible train paths for a single-track Lafayette Sub with passing sidings. The maximum number of available paths for trains is 47, 24 eastbound and 23 westbound. Note that the siding spacing permits the operation of "fleets" of two trains, following closely, about every two hours in each direction. The pattern repeats several times over 24 hours, with the repetitions being driven by operating speeds and the spacing of siding locations.

This total of 47 trains is a theoretical maximum for any 24-hour period. The railroad may choose to operate fewer trains, of course, and may also operate them at different times. However, changing the start time of a train at either end of the line will simply ensure that it waits for a meet with an opposing train. Operating more than the 47 trains shown is simply impossible; there will be no place for the trains to meet, and the railroad will experience "gridlock".

Since the timing of train movements depends on external factors such as marketing needs, it can be expected that the Lafayette Sub will comfortably accommodate about half the 47-train theoretical maximum capacity.

Capacity Measurement, Double-Track Lafayette Sub

The capacity of the proposed double-track railroad can be determined with the same train path methodology as for the single-track railroad. It is actually a less complex analysis, since rather than ensuring that trains meet only where there are sidings, in this analysis it is only necessary to ensure that trains do not meet on the two short stretches of single track.

Figure 2 shows train movements graphically for a 24-hour period. As with the first analysis, trains move in fleets. However, these fleets consist of up to five trains at a time, due to the flexibility afforded by a largely double track railroad. Time separations between the fleets in each direction are dictated by the presence of two single-track segments, over which trains may of course move in only one direction at a time.

Since trains may meet anywhere *except* at the two single-track locations, rather than being constrained to meet only at one of seven sidings, the number of feasible train paths is

Figure 1

Train Path Analysis, Lafayette Subdivison Single Track Operation

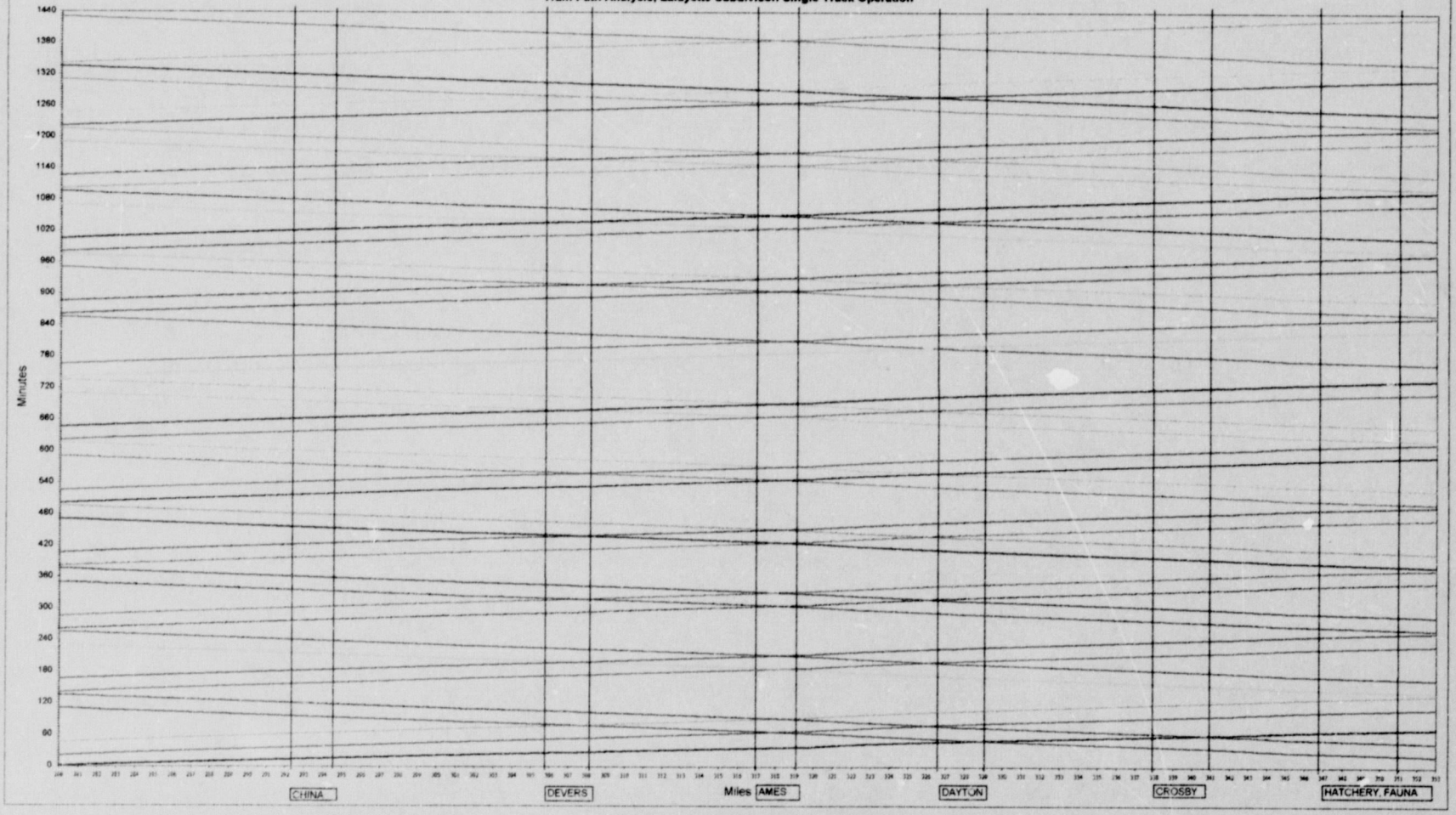
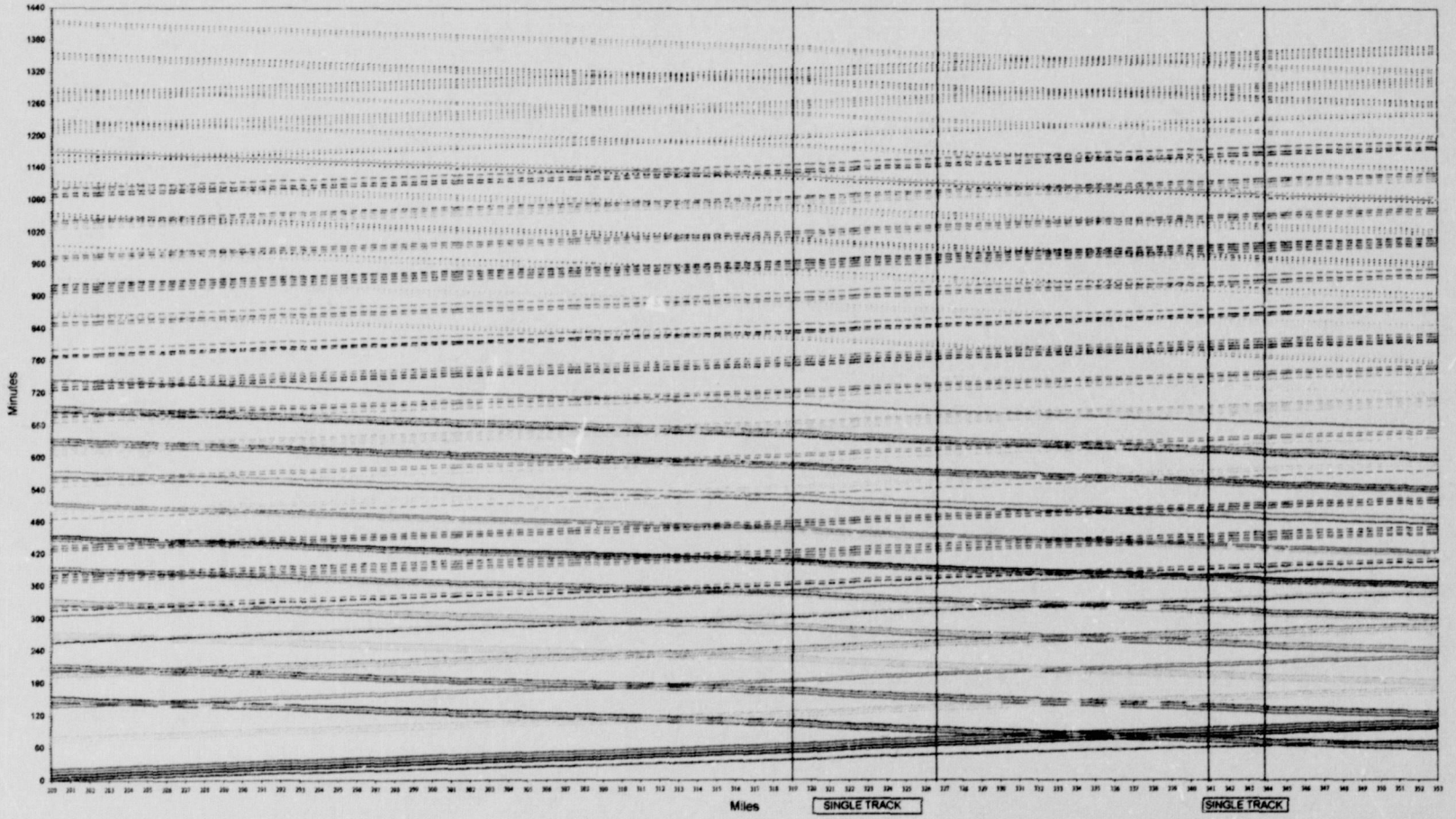


Figure 2

Train Path Analysis, Lafayette Subdivision Double track Operation



vastly increased. A total of 89 eastbound and 76 westbound trains can operate over a 24-hour period, for a theoretical total of 165 total train movements (the numbers of eastbound and westbound trains differ because the pattern of movements repeats on a cycle that does not divide evenly into 24 hours).

Once again, this is an absolute maximum number of "train paths". Maximum throughput in normal operation is about half that number. How many trains can actually operate will depend upon distribution of train movements by direction and time of day. However, under the most pessimistic assumptions there appears to be ample capacity for the 47 daily trains now operated by UP and BNSF on the Lafayette and Beaumont Subs together.

Capacity Measurement, Beaumont Sub

The Beaumont Sub does not experience the operating difficulties of the Lafayette Sub, since in the current operating scenario all trains operate eastward except for the Amelia Local. In the proposed scenario, however, trains will operate in both directions on both the Lafayette and the Beaumont Subs, so the capacity of the Beaumont Sub to handle bi-directional traffic must be determined.

The five sidings on the Beaumont Sub are somewhat better located than those on the Lafayette Sub, and there are three miles of double track outside of Houston. The result is a total of 46 train paths per 24 hours, 23 in each direction as shown in Figure 3. As with the other analyses, this is a maximum feasible number of trains that may operate, spread out throughout the 24-hour period. In normal operations the Beaumont Sub should be able to accommodate 20 or more daily trainsets. Thus, it appears that the Beaumont Sub has more than ample capacity for the two Tex-Mex trains, plus traffic growth, plus UP and BNSF trackage rights traffic.

Section 4: Results of the Analysis

Capacity vs. Train Volumes

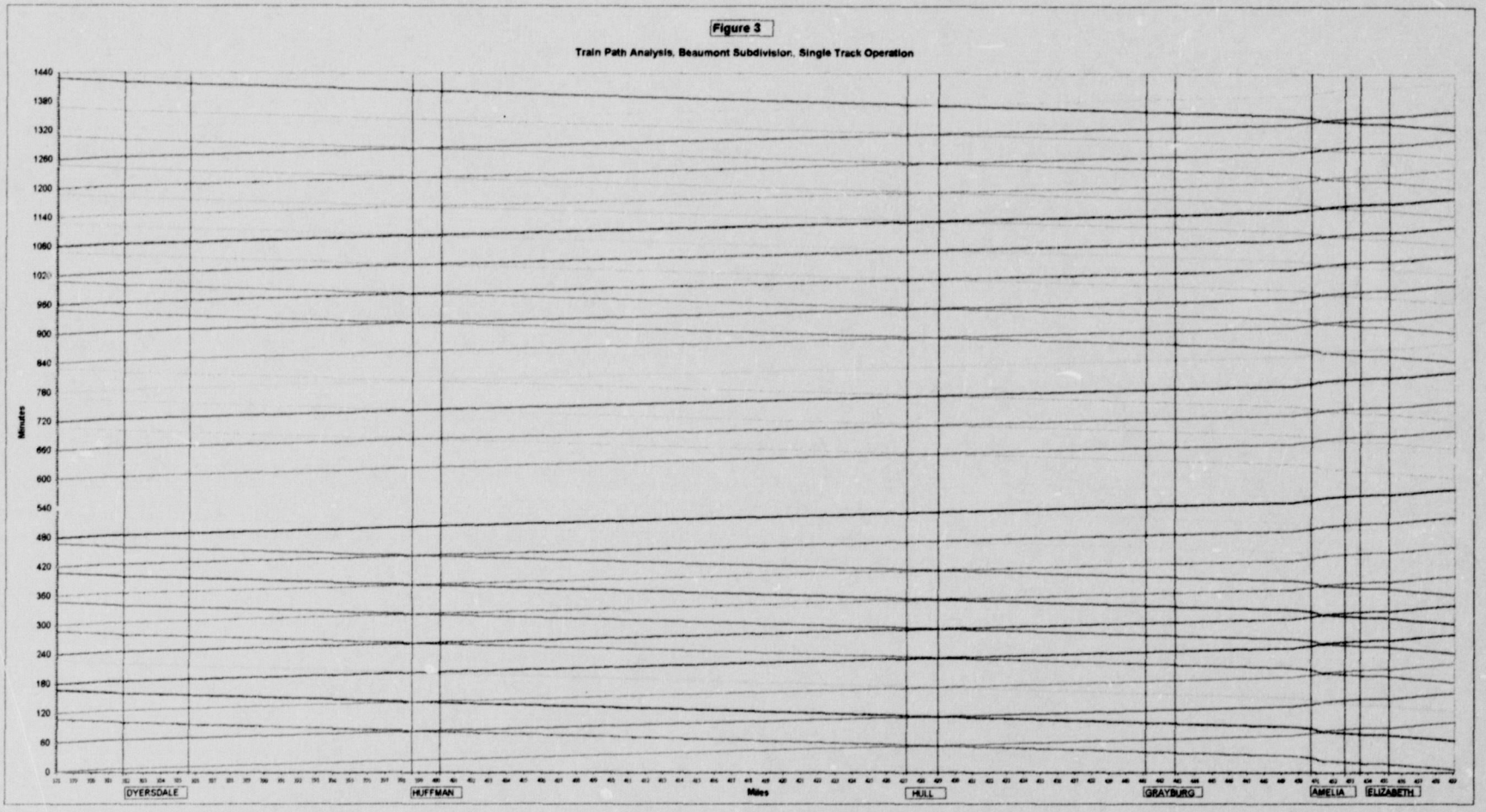
Information provided by KCS indicated that 18 through trains operated eastbound daily on the Beaumont Sub, plus one out-and-back local. The same number of through trains operated westbound on the Lafayette Sub, plus one local, a total of eight rock trains to and from Dayton, and Amtrak (eastbound three days per week, westbound the other three). In total, 47 trains operated on the two subdivisions combined. Table 1 summarizes the base case operation.

Table 1: Base Case Operation, Lafayette and Beaumont Subs

Through Trains		Locals and Rock Trains		Totals
Beaumont Sub	Lafayette Sub	Beaumont Sub	Lafayette Sub	
18	18	1	9	47 (plus Amtrak)

Figure 3

Train Path Analysis, Beaumont Subdivision, Single Track Operation



Capacity of the Lafayette Sub has been estimated at exactly 47 trains, so it is clear that trying to fit all trains currently operating over both subdivisions onto the Lafayette Sub alone, in its present configuration, would be unwise. While in theory there are paths for all trains, in practice normal variations in schedules or train speeds or any tendency of the trains to "bunch" during certain periods of the day could bring the railroad to a halt.

Table 2 compares present train volumes with measured capacity before and after double-tracking of the Lafayette Sub. As can be seen, there is a great deal of excess capacity on the double-tracked Lafayette Sub even when all UP traffic operates there.

Table 2: Actual Train Movements vs. Capacity, Lafayette Sub

Total Trains		Theoretical Capacity (Trains per 24 Hours)	
Base Case*	Double Track Case	Base Case	Double Track Case
28	47	47	165

*Excludes trains using Beaumont Sub

Section 5: Conclusions and Recommendations

Capacity of Lafayette Sub

This analysis indicates clearly that double-tracking of most of the Lafayette Sub will produce a solution to the line capacity problems faced by Union Pacific in this corridor. True bi-directional operation would be as effective as, or more effective than, the proposed double-tracking. However, true bi-directional operation cannot be implemented because of the rock trains to and from Dayton and because of Amtrak's insistence on using the Lafayette Sub for movements in both directions.

Given that full directional operation is impossible, double-tracking of all but about 12 miles of the Lafayette Sub will produce a railroad with more than enough capacity to accommodate the 47 trains now spread between the two parallel subdivisions.

Beaumont Sub Issues

A capacity analysis of the Beaumont Sub indicates that it should have adequate capacity to relieve operations on the Lafayette Sub necessary. The Beaumont Sub has been calculated to have space for 46 trains in 24 hours, and Tex-Mex now operates only two trains per day over the route. With five passing sidings in the approximately 79 miles between the ends of double track in Beaumont and Houston, the Beaumont Sub's practical capacity will be significantly less than that of the double-track Lafayette Sub, but is likely to be at least 20 trains spaced out over 24 hours. Given the excess of capacity on the Lafayette Sub and the small number of trains

operated by Tex-Mex, there should be ample capacity for Tex-Mex, KCS, UP and BNSF operations now and in the future.

Recommendations

The double-tracking of most of the Lafayette Sub will provide ample capacity for present UP operations, and a significant reserve of capacity against future needs. In fact, the double-track Lafayette Sub appears likely to offer an improvement over the present system of directional running, since the operation of the Dayton rock trains means that 30% of the daily trains on the Lafayette Sub operate "against the flow" of traffic. A double-track railroad will facilitate the operation of these trains and reduce disruption to other traffic.

The double-track Lafayette Subdivision plus the Beaumont Subdivision in its current configuration will have a combined theoretical maximum capacity of 211 trains per day. As a conservative estimate, the two subs combined can probably carry in excess of 100 trains per day without excessive delay. This is more than double the current volume of train traffic, and in fact exceeds the theoretical maximum capacity of the existing track configuration if both subs are used for bi-directional operations.

While the double-track Lafayette Sub should have adequate capacity for current UP and BNSF traffic, there will also be ample capacity for UP trains to operate on trackage rights over the Beaumont Sub.

TO: All Train Management Personnel

FROM: Steve Barkley

DATE: **November 6, 1997**

SUBJECT: **Trackage Rights - Dispatching Protocol**

Attached is a summary of the Dispatching Protocol developed in agreement with other railroads regarding the movement of trackage rights trains on other roads.

The key content of this summary, which everyone should read and understand, is identified below:

- Equal dispatch without discrimination
- Dispatched exactly as if they were trains of the same class
- Given equal treatment with trains of the owner
- Take trains of same class / priority on first come, first served basis
- Where train performance is used in evaluating employee performance, the performance of owners' and users' trains will be used

This protocol must be strictly adhered to by all Train Management personnel. We are currently under very close scrutiny by foreign roads who are reporting discrepancies to this dispatching protocol.

This is critically important to the future of the Union Pacific as we face continued review by the Surface Transportation Board.

Att.

11063.SRB

TRACKAGE RIGHTS DISPATCHING PROTOCOL

Required by the merger, separate letters of agreement were made with the trackage rights partners. One of these letters of agreement is "DISPATCHING PROTOCOL". The protocol spells out the manner in which each roads trains will be dispatched and measured. Each HDC employee must be familiar with these protocols and strive to follow them when handling another railroads trains.

The DISPATCHING PROTOCOL consists of 14 items recapped below:

1. **SCOPE:** These protocols apply to all segments of joint trackage.
   "This means all trackage rights, past, present and future with the only exception being the Powder River Basin which is covered under a separate letter of agreement".

2. **PURPOSE:** To ensure that user and owner trains operating on joint trackage are given **equal dispatch without any discrimination** in promptness, quality of service or efficiency and.....is not adversely affected by the fact that the other railroad owns the track.
   *"Key words are **EQUAL DISPATCH**".*

3. **GENERAL INSTRUCTIONS:** Owners and users will issue written instructions to all personnel (including supervisors) responsible for train dispatching on joint trackage that trains of the user are to be dispatched exactly as if they were trains of the same class of the owner and given equal treatment with trains of the owner.
   "Dispatched exactly is if they were trains of the same class.....and given equal treatment with trains of the owner".

4. **MONITORING SYSTEMS:**
   "Addresses the sharing of dispatching systems for monitoring joint trackage at users expense".

5. **TRAIN INFORMATION:** User will provide to the owner, and regularly update, information about its expected train operations and schedules.....The user will provide reliable and current information about trains approaching joint trackage.....sufficiently in advance to allow dispatchers to plan for them...The owner will provide the user advance notice of planned maintenance-of-way projects, line closures and train or equipment restrictions.
   "Simply stated, the user must provide advance lineups/sights on their trains, advance operational changes, etc., to allow owner to prepare for the trains operations. The owner must supply the user sufficient advance notice of MofW projects or other conditions which limit the users ability to operate their trains".

6. **SPECIFIC INSTRUCTIONS:** Owner will permit user to transmit instructions regarding requirements of specific trains and shipments to designated dispatching center employees responsible for handling those trains.

7. **TRAIN PRIORITIES/RUN TIME STANDARDS:** Owner and user will at all times provide to each other current procedures for assigning dispatching priorities or rankings to their trains and information sufficient to show how those procedures are applied to their own trains. The user will assign priorities or rankings to its trains operating on the joint trackage using the owner's procedures, and the owner will dispatch user trains in accordance with those priorities or rankings.
   "Priorities will be applied to trains of both owner and user using the procedures of the owner and all trains operating on the joint trackage will be dispatched according to the priorities assigned them".

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8. **ENTRY TO JOINT TRACKAGE:** At points where user trains enter joint trackage, entry will be provided by the owner on a first-come, first-served basis, taking into consideration the relative priorities of affected trains and the specific needs and operating characteristics of individual trains of both railroads.

   "Owner is required to take trains of same class/priority on first-come, first serve basis".

9. **COMMUNICATIONS:**

   "States that owner and user will supply each other specific dispatching/supervisory positions and telephone numbers for contact on trackage rights issues. Also specifies the installation of dedicated lines (Hot Lines) where feasible and economical".

10. **ACCESS TO DISPATCHING CENTERS:** Appropriate officials of either railroad will be admitted at any time to dispatching facilities and personnel responsible for dispatching joint trackage to review handling of trains on joint trackage and will be provided an office in the other railroad's dispatching center. It is understood that management and supervision of dispatching operations is the responsibility of the owning carrier.

11. **PERFORMANCE MEASUREMENT:** Owner and user will cooperate to develop train performance evaluation methods under which train performance of user trains on joint trackage segments can be compared to train performance of the owner's trains on the same segments for the same train category and priority.

12. **PERSONNEL INCENTIVES AND EVALUATION:** In evaluating the performance of employees and supervisors responsible for dispatching joint trackage, both owner and user will consider train performance of user trains and effectiveness in cooperating with user personnel and meeting user service requirements in the same manner as such factors are considered with respect to the owner's trains, personnel and requirements. If bonuses, raises or salaries of those persons are affected by performance of the owner's trains, performance of the user's trains shall be considered on the same basis to the extent feasible.

    "Where train performance is used in evaluating an employee for bonuses, raises or salaries, the performance of both the owners AND users trains must be used".

13. **DISAGREEMENTS:** The designated contact supervisors are expected to raise questions, disagreements, concerns or disputes about compliance with these protocols promptly as and when any such matters arise and to use their best efforts to resolve them. If a matter is not resolved to the satisfaction of both parties, it will be presented to the Joint Steering Committee.

    "Any disagreements, disputes, concerns or questions that cannot be worked out between the Corridor Managers, Directors, dispatchers, etc., of each carrier should be advanced to the designated officials in each dispatching center. In Fort Worth, Steve Searle for UPRR and Buck Hord for BNSF. In Omaha, Jim Wilson for BNSF and Thom Williams for UPRR. For Tex Mex issues, Thom Williams in Omaha and Pat Watts in Houston.
    If the issues cannot be resolved by these people, they will escalate them to the Joint Steering Committee".

14. **MODIFICATIONS:** As the ultimate objective of these protocols is the equal, flexible and efficient handling of all trains of both railroads on joint trackage, these protocols may be modified at any time by mutual agreement, consistent with that objective.

bcc: Brad King - Rm. 1206
Jim Dolan - Rm. 830
Paul Conley - Rm. 830
Mike Hemmer - Via Fax
Thom Williams

N021-0004

VERIFIED STATEMENT

OF

J.B. MATHIS

My name is J.B. Mathis. I am General Manager of the Houston Belt & Terminal Railway Company ("HBT"), 501 Crawford Street, Houston, Texas 77002. I began my railroading career on the MKT and later worked for UP in operations and joint facilities. Since then, I have served as President and General Manager of the Kansas City Terminal Railroad, Interim General Manager of PTRA and President of the Texas City Terminal Railroad.

I am providing this statement to describe the many advantages of dividing HBT operations between BNSF and UP/SP. This restructuring will benefit every railroad operating through Houston, including Tex Mex, by making train operations through Houston much smoother and faster. As a result, this transaction is important in reducing congestion in the Houston area. It also will improve service for many shippers on HBT, reducing transit time by one to two days.

HBT is a terminal railroad serving the heart of the Houston terminal area. A map of HBT is attached. As the map shows, we operate a West Belt mainline between T&NO Junction on the south side of Houston and connections to BNSF and UP/SP north and west of Belt Junction on the north side of Houston. At the south end of this line is New South Yard, our primary classification yard, where we switch our traffic as well as BNSF traffic. We also operate an East Belt mainline between

Double Track Junction on the south and Belt Junction on the north. This line circles the center of Houston on its east side. HBT operates several other lines in the Houston terminal, as shown on the map.

HBT dispatches the trains on its tracks and handl more than 100 movements per day. These include BNSF, Tex M and UP/SP through trains, as well as HBT switching movement and interchange movements. We also operate several industr support yards to handle shipments to and from shippers on HBT. The principal industrial support yards are Congress Yard, located in Central Houston on the West Belt, and Dallerup and Basin Yards, located on the East Belt. Basin Yard parallels PTRA's North Yard, which serves PTRA trackage north of the Houston Ship Channel.

Under the restructuring plan developed by BNSF and UP/SP, BNSF and UP/SP will divide HBT operations beginning on November 1, 1997. BNSF will manage Old and New South Yards, which will give it yard space under its own control in Houston for the first time. BNSF also will serve the shippers located on HBT lines south of the GH&H railroad line connecting Congress Yard and Tower 85, with two exceptions. UP/SP will operate the "Columbia Tap," a line disconnected from the rest of the HBT, and BNSF will serve customers west of Belt Junction on the old Rock Island. UP/SP will operate HBT's industrial support yards and serve all industries on the remainder of HBT, except for a short stretch of the former

Rock Island mainline west of Belt Junction, which will be served by BNSF. UP/SP's new Houston control center will dispatch all movements on HBT lines beginning November 14, 1997.

The HBT Restructuring Will Improve Operations and Reduce Congestion for All Railroads Serving Houston

I am very surprised that KCS and Tex Mex would attempt to block the HBT restructuring, because it will improve service in Houston for all railroads and reduce congestion in the Houston terminal. One of the major causes of congestion and freight train delay in the Houston terminal is fragmented dispatching. The HBT restructuring will allow us to consolidate dispatching of most Houston terminal trackage in one office. The men and women who dispatch HBT tracks will continue to use their experience to move trains over these tracks, but they will be sitting next to UP/SP train dispatchers who will control movements on all UP and SP lines radiating from Houston. This will allow us to coordinate train movements throughout the terminal in a way that is impossible now.

I will describe the uncoordinated of movement of trains in Houston today. It may be difficult to believe that what I am about to describe still happens in 1997, but it does, every day.

At the south end of our railroad, T&NO Junction, we intersect with a US/SP line from the west and a BNSF line

from the south. The BNSF line carries BNSF trains to and from Temple on the former Santa Fe, BNSF trains to and from Corpus Christi on UP/SP trackage rights, and UP/SP trains to and from Corpus Christi and Brownsville. The SP line carries some UP/SP trains and Tex Mex trains to and from Laredo and Robstown.

Our train dispatchers do not receive information in advance about the arrival of BNSF, Tex Mex or UP/SP trains at T&NO Junction. They find out about an arriving train just before it shows up, ready to enter our tracks. The BNSF or UP/SP dispatcher contacts our dispatcher just before a train reaches the Junction, or the engineer on the train calls our dispatcher on the radio. Our tracks may be jammed when one of these trains appears. We try to take it, but we may not be able to because we have trains moving in the other direction, switch engines working, or track maintenance in progress. Trains may wait for several hours. Since our dispatchers do not know what is happening on UP/SP or BNSF tracks beyond the Junction, we have no way of planning our operations to ensure that trains can move smoothly.

The same pattern is repeated every day at other junction points. BNSF trains from Dallas and UP/SP trains from Ft. Worth and Little Rock approach Belt Junction on the north side of Houston, where we often must hold them until we can take them. These railroads sometimes must recrew their trains due to these delays. UP/SP trains leaving UP's

Settegast Yard and Tex Mex and BNSF trains on UP/SP trackage rights from the east enter our tracks in northeast Houston with little advance warning. We take them as quickly as we can, but delays are common.

Just as we are in the dark about the trains coming toward us on other railroads, the other railroads are in the dark about conditions on our railroad. They cannot coordinate their operations with ours, because they do not know what is moving or not moving on our lines.

The problem of uncoordinated train dispatching arises in the opposite direction as well, when we try to move trains off our lines. We want to move through trains off of our lines as quickly as possible, but BNSF and UP/SP often cannot take them because of traffic already moving on their lines. For example, UP/SP trains between Settegast Yard and Corpus Christi or Brownsville operate over HBT from Settegast to T&NO Junction, where they enter BNSF tracks. We often find that the BNSF dispatcher cannot take the train as it approaches T&NO Junction, which requires us to hold it on our line, causing congestion. Similarly, UP/SP may not be able to take UP/SP trains at any of several junctions. This causes congestion on our lines and delays not only those trains but also other movements.

The HBT restructuring plan will allow us to coordinate most train operations in Houston for the first time in history. HBT and UP/SP dispatchers will be in the

same room, able to talk to each other and view each other's dispatching screens. They will be able to plan and coordinate movements on HBT in Houston with operations on all UP/SP tracks radiating from Houston. Dispatchers will be able to plan operations much further in advance, clearing tracks for trains before they arrive. If a train is passing through Houston and its route on the other side of Houston is congested, we will know that in advance and be able to hold it at an appropriate location, moving other trains around it. The Houston control center will also have CRT screens showing BNSF operations on BNSF lines into Houston so that coordination will include the BNSF operations.

Centralized dispatching will not prevent all delays or avoid other causes of congestion in the Houston terminal, but it will eliminate many of the delays BNSF, Tex Mex and UP/SP trains experience today. It is much less likely that Tex Mex trains will be delayed entering or leaving the Houston terminal area or will be delayed by other trains waiting for dispatching clearances.

The HBT restructuring plan also will reduce delay and congestion in another important way. HBT operations at New South Yard, including train makeup and classification for BNSF, cause congestion. Thanks to rapid growth of BNSF traffic, that yard is operating at capacity, requiring us to hold trains or cars on the West Belt outside the yard and blocking this mainline. This causes delays to Tex Mex

and UP/SP trains that use the line. As I will explain momentarily, the HBT restructuring will remove 200 to 300 cars per day from New South Yard, giving BNSF much more capacity and reducing congestion on the West Belt.

In several ways, BNSF service will improve. BNSF will for the first time gain control over its own classification yard in Houston by operating New South Yard. By taking several hundred cars per day out of that yard, the restructuring plan will make the yard more fluid and allow BNSF to handle its traffic and trains more reliably. In addition, many BNSF trains operate on UP/SP trackage rights east of Houston. UP/SP and BNSF will be able to coordinate operations more effectively without the HBT dispatchers in the middle, reducing delays resulting from lack of direct communication and improving crew utilization.

Coordinated and centralized control of dispatching on HBT and UP/SP lines will provide a major boost to UP/SP's service recovery efforts. Approximately 70% of the trains passing through Houston are UP/SP trains. We receive them from one dispatcher, with the chance of delays, and give them to another, again with the chance of delays. Often we receive them from one UP/SP dispatcher and give them to another UP/SP dispatcher, so that HBT is nothing more than an unnecessary intermediary.

Consolidated dispatching will reduce delays to UP/SP trains in Houston and on mainlines outside the Houston

terminal. This will allow UP/SP to use its crews, cars and locomotives more efficiently. It will allow train crews to reach their terminals with greater reliability within the limits of Hours of Service Law. It will reduce the number of trains that are held for crews or power, blocking HBT and UP/SP tracks or using yard tracks at congested UP/SP yards. UP/SP trains to and from Corpus Christi and Brownsville will suffer fewer delays from congestion in the vicinity of New South Yard.

Tex Mex may be concerned that it will lose some special benefits that HBT has given it in recent months. Under its agreement with HBT, Tex Mex is supposed to interchange with BNSF at New South Yard, with PTRA at North Yard and with UP/SP at Settegast Yard. We help Tex Mex out by handling all its Houston business at Basin Yard and performing interchange for Tex Mex with the two larger railroads.

This will continue after the restructuring, because it is more efficient and desirable for all concerned. If Tex Mex had to stop every train three times, it would cause much more congestion and delay in the Houston terminal. No one wants that, so Tex Mex will be allowed to continue to operate as it does today until it has sufficient volume to make this procedure unworkable.

Similarly, HBT allows Tex Mex to pick up and set out blocks of cars for a shipper located at Dallerup Yard on the

East Belt. This is also desirable for all railroads and will continue. Tex Mex can only gain from this restructuring.

The HBT restructuring plan will benefit all the railroads serving Houston. It will reduce congestion significantly and improve operations throughout the terminal. It will reduce the congestion experienced by UP/SP and improve BNSF's service in the terminal. It should not be delayed.

The HBT Restructuring Will Improve Service for HBT Shippers

The HBT restructuring will save one to two days of transit time for every loaded car and every empty car shipped or received by the majority of HBT's shippers. Our customers will enjoy this improved service because the restructuring will eliminate one classification for the affected shipments.

Today, all UP/SP shipments that originate or terminate on the HBT lines UP/SP will operate are switched three times in Houston. To take an inbound car as an example, the car will arrive at a UP/SP yard such as Settegast on an inbound train. It is switched there into a block for HBT. The block is then delivered to HBT at New South Yard, where it is switched again. The car is then moved to one of our industry support yards, such as Congress Yard or Basin Yard, where it is switched the third time for final movement to the shipper's facility. This entire process takes place in reverse for outbound shipments and empty returns.

The restructuring will eliminate the second classification at New South Yard. After the restructuring, UP/SP

will perform the industry switching on the northern part of HBT, so there will be no need to interchange traffic to and from HBT at South Yard. In my example, the inbound car will be switched at Settegast into a block for Congress or Basin. It will move directly to that yard, where it will be switched a second time for final delivery. This will save up to two days of transit time for every movement in both directions.

Traffic arriving on UP/SP or BNSF but destined to a shipper located on the segment of HBT to be switched by the other carrier also will enjoy improved service. For shipments arriving on BNSF, BNSF will make a separate block of cars for HBT customers served by UP/SP, avoiding reswitching at a UP/SP yard. Similarly, UP/SP recently began to create separate blocks of cars for HBT shippers who will be served by BNSF, avoiding reswitching at New South Yard.

Tex Mex has no reason to object to the HBT restructuring. It will benefit. It also has no reason to try to frighten shippers about the restructuring plan. They will benefit, too. This plan should be allowed to move forward.

HOUSTON BELT & TERMINAL RAILWAY COMPAN'

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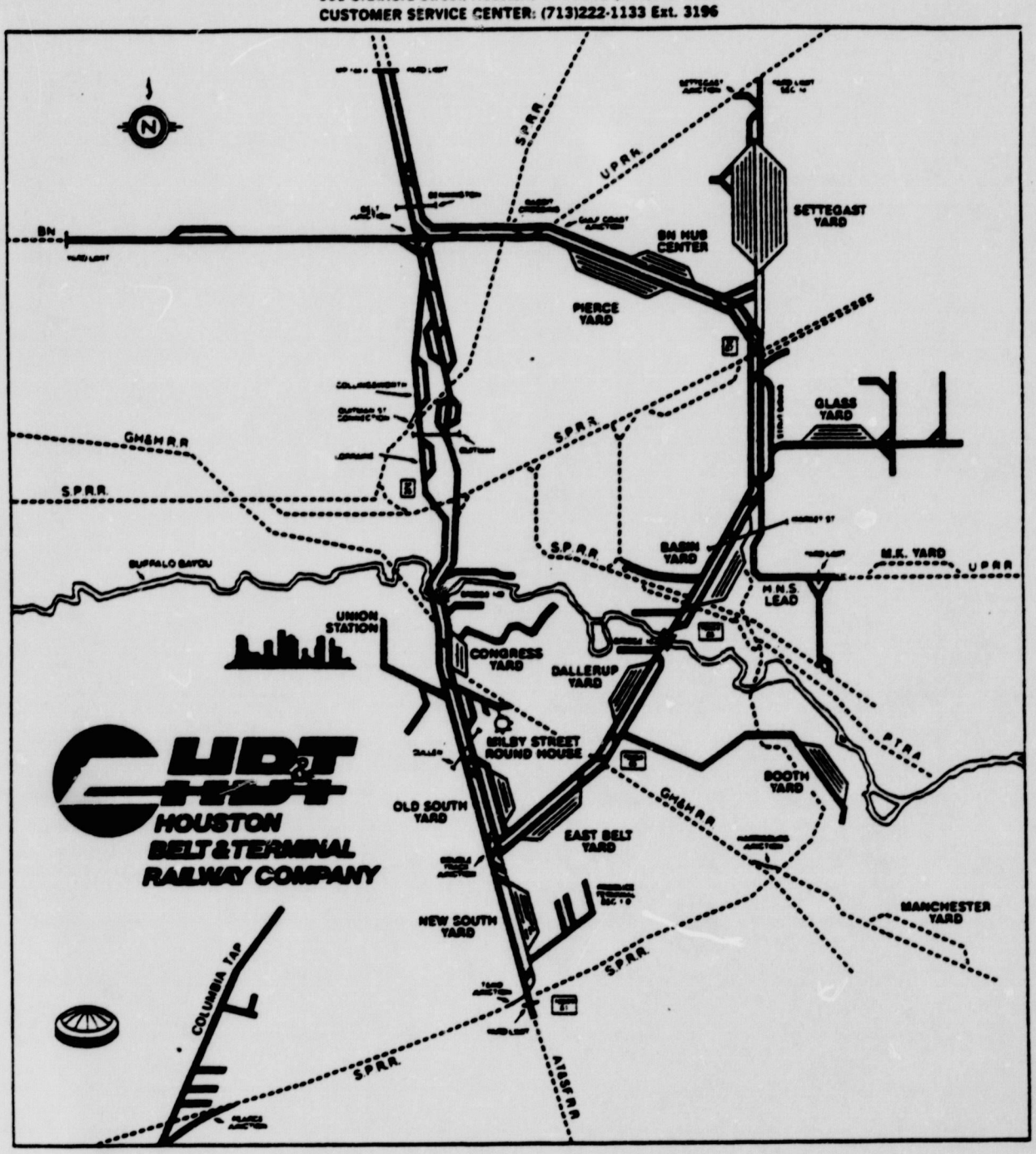

VERIFICATION

STATE OF TEXAS :
: ss:
COUNTY OF HARRIS :

J. B. Mathis, being duly sworn, deposes and says that he is the General Manager of the Houston Belt & Terminal Railway Company and has read the foregoing document, knows the content thereof, and that the same is true and correct.

J. B. Mathis

SUBSCRIBED AND SWORN to before me on this 31st day of October, 1997.

THERESA E. HARPER
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
JULY 7, 2001

Notary Public

My Commission Expires:

July 7, 2001