STB FD 32760 (Sub 26) 10-19-98 J 191753

algodonera
comercial
mexicana, s.a. de c.v.

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October 15th, 1998.

Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1926 K Street, NW
Washington, D. C. 20423-001
U. S. A.

-191753 191754

J
26

Re: Finance Docket No. 32760 (Sub-Nos. 26 and 28)

My name is Leopoldo Hernandez. I am the Purchases Director of Algodonera Comercial Mexicana, S. A. Our company is located in Mexico City, Mexico and is in the business of cotton trade.

I am filing this Verified Statement in support of the Burlington Northern and Santa Fe Raiway's ("BNSF") request that the Board grant permanent bi-directional overhead trackage rights on UP's Caldwell-Flatonia-San Antonio line. We believe that this request will benefit our company and other shippers and will result in service improvements and needed operational flexibility.

BNSF's trackage rights on UP's San Antonio line were granted by UP in July, 1997 to permit BNSF to bypass its more congested permanent trackage rights route via Temple-Smithville-San Antonio. These rights, however, are temporary and cancelable on short notice. In its September 18 filing, UP indicated to the Board that it intends BNSF to return to its permanent UP trackage rights route at some time in the future and commence directional operations on the Caldwell to Flatonia route.

The board must understand the importance of these bi-directional rights to shippers. These rights have allowed BNSF to bypass congestion on BNSF's permanent UP trackage right route, and to operate with greater consistency between Temple and San Antonio, TX, providing service at San Antonio and, in conjunction with additional routes, to the vital Eagle Pass, TX, gateway with Mexico. BNSF to shippers like our company, without causing congestion for UP. Indeed, this routing was available to SP pre-merger since it was formerly an SP route and BNSF's request would simply permit BNSF to replicate the competitive options available to shippers by the former SP.

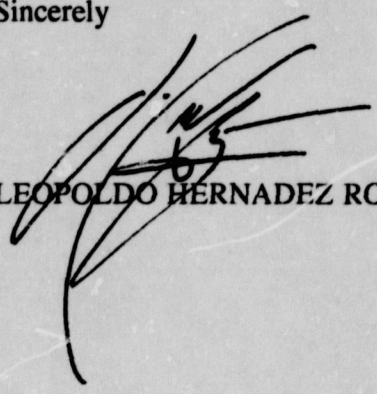
AV. REFORMA No. 382-6º PISO COL. JUAREZ, MEXICO 06600, D.F. TEL. 511-41-01 FAX 208-56-19

In addition, having permanent versus temporary trackage rights would also permit BNSF to participate, as necessary and appropriate, in needed infrastructure investment on this line. Understandably, BNSF is not likely to commit to such investment when its rights can be canceled on short notice by UP.

For all of these reasons, the Board should grant BNSF's request to maintain these bi-directional overhead trackage rights on a long-term basis. This would benefit our company and other shippers and will result in service improvements for both UP and BNSF to provide greater operational flexibility and reduce congestion.

I certify that the foregoing is true and correct. Executed 15th of October 1998.

Sincerely



LEOPOLDO HERNADEZ ROMANO

STB FD • 32760 (Sub 26) 10-19-98 J 191751

SOUTH TEXAS LIQUID TERMINAL, INC.

THE COLONNADE, SUITE 795
9901 IH-10 WEST
SAN ANTONIO, TEXAS 78230
(210) 690-1956

SAN ANTONIO TERMINAL
(210) 226-3274
DALLAS TERMINAL
(214) 630-5094
CLOVIS TERMINAL
(505) 762-3361

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October 14, 1998

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

Re: Finance Docket No. 32760 (Sub-Nos. 26 and 28) — 191752 26
191751

Dear Honorable Williams:

We support the Burlington Northern Santa Fe (BNSF) petition referenced in the above subject. Anything that will keep the rail traffic fluid and improve service to San Antonio we support.

Sincerely,

Miles Lee
General Operations Manager

ML/ddj

STB FD 32760 (Sub 26) 10-19-98 J 191750

191750

BELL PAPER BOX, Inc.

Committed to creating indispensable relationships resulting in quality, profit, growth and value for all.

October 12, 1998

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

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Dear Sir: FD 32760-Sub 26

My name is Tim Bunkers. I am the Traffic Coordinator for Bell Paper Box, Inc. Our company is located in Sioux Falls, S.D. and is in the business of manufacturing folding cartons. Our company imports paperboard at the rate of about four carloads per week.

I am filing this statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant trackage rights on additional UP lines in the Houston terminal area for BNSF to operate over any available clear routes through the terminal. We believe that this request will benefit our company and other shippers and will result in service improvements and needed dispatching flexibility in the Houston terminal.

Specifically, this request would permit BNSF to operate over any available clear routes through the terminal as determined and managed by the Spring Consolidated Dispatching Center, and not just over the former HB&T East and West Belts. The result would be to reduce congestion caused by BNSF trains staged in the Houston terminal waiting for track time to use the main trackage rights lines they currently share through the terminal and on the former HB&T East and West Belt lines.

This request would create an important safety valve for dispatchers to permit BNSF trains to traverse clear routes in the Houston terminal. It is a reasonable measure to avoid congestion and should pose no harm to UP as it does not give any competitive advantage to BNSF's operations in the Houston terminal.

Telephone (001) 605.332.6721 • Toll Free 800.658.3396 • Fax 605.336.7992
800 West Delaware Street • Sioux Falls, South Dakota 57104

The request thus stands to benefit all rail carriers operating in the Houston terminal area and shipping public. It is in everyone's best interest to achieve better service for shippers and to reduce the congestion in the Houston terminal area. Accordingly, the Board should grant BNSF's request.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 12th day of October, 1998.

Sincerely,

Tim Bunkers

Tim Bunkers

STB FD 32760 (Sub 26) 10-19-98 J 191749

191749

BARTON BEERS, LTD.

Executive Office
55 East Monroe Street
Chicago, Illinois 60603

Telephone: 312/346-9200
Facsimile: 312/346-3084

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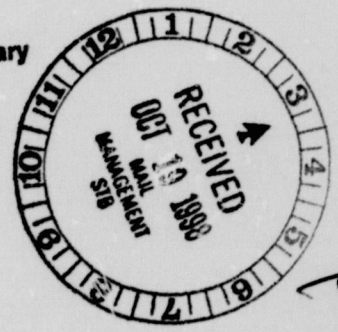

October 15, 1998

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

Re: Finance Docket. No. 32760 (Sub No. 26)

My name is Thomas J. Wyness. I am the Executive Vice President - Transportation of Barton Beers, Ltd. Our company is located in Chicago, Illinois and will import 35 million cases of Grupo Modelo (Corona) beer from Mexico in 1998. Barton Beer imports have increased by eight million cases from 1997 alone. Barton currently utilizes the Laredo and Eagle Pass gateways heavily, as well as the Nogales and Calexico gateways occasionally. Approximately 90% of our Mexican imported beer is handled by railroads, and we ship to destinations throughout the western U.S. including Chicago, Kansas City, Albuquerque, Denver, Phoenix, Seattle, Los Angeles and Benecia, California.

Our company's need for reliable, efficient and competitive rail transportation services is expected to grow significantly in 1999. It is therefore important to our business that competition be preserved for access to Mexico and that efficient and fluid rail service be available in the Houston/South Texas market. We have seen a degradation in service and fewer competitive options available for our rail transportation needs since the UP/SP merger. For these reasons, I am submitting this Verified Statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") requests for additional remedial conditions.

Specifically, Barton has seen a deterioration of UP service from Eagle Pass, Texas, to Southern California. In 1997, transit time in this lane was 12 days. Through August, the 1998 performance has been 22 days. Likewise, service from Eagle Pass, Texas, to Northern California has lengthened from an average transit time of 16 days in 1997 to 28 days in 1998.

In order to address these and other service issues, we support the requests of BNSF for: (i) permanent bi-directional overhead trackage rights on UP's Caldwell-Flatonia-San Antonio and Caldwell-Flatonia-Placedo lines; and (ii) trackage rights on additional UP lines in the Houston terminal area for BNSF to operate over any available clear routes through the terminal.

BNSF's trackage rights on UP's Caldwell-Flatonia-San Antonio line were granted by UP in July, 1997 to permit BNSF to bypass its more congested permanent

trackage rights route via Temple-Smithville-San Antonio. I understand that these rights, however, are temporary and cancelable on short notice. In its September 18 filing, UP indicated to the Board that it intends BNSF to return to its permanent trackage rights route at some time in the future and commence directional operations on the Caldwell to Flatonia route.

The Board must understand the importance of these bidirectional rights to our company and to shippers. These rights have allowed BNSF to use the route that is least congested and most able to handle traffic, and thus have enhanced the consistency in scheduled operations and service provided by BNSF for traffic interchanged at the Eagle Pass gateway. Indeed, this routing was available to SP pre-merger since it was formerly an SP route, and BNSF's request would simply permit BNSF to replicate the competitive options offered to shippers by the former SP.

In addition, having permanent versus temporary trackage rights would also permit BNSF to participate, as necessary and appropriate, in needed infrastructure investment (sidings, etc.) on this line. Understandably, BNSF is not likely to commit to such investment when its rights can be canceled on short notice by UP. BNSF's request would provide no new competitive access, and I believe that it would not interfere with UP's operations.

For all of these reasons, the Board should grant BNSF's request to maintain these bidirectional overhead trackage rights on a long-term basis. It is our position that were the Board to grant BNSF's requests, they would help to diminish the congestion on UP's lines in and around Houston and South Texas, as well as preserve competition as the Board originally envisioned in its decision approving the UP/SP merger. Granting BNSF's requests would also benefit our company and other shippers and result in long term, competitive, consistent and reliable service, needed operational flexibility, and the ability to avoid adding unnecessary traffic to the Houston terminal area.

In sum, BNSF's requests for remedial conditions stand to benefit all rail carriers operating in the South Texas and the shipping public. It is in everyone's best interest to achieve better service for shippers, to reduce the congestion in the Houston terminal and South Texas areas, and to preserve efficient and competitive service to all the Mexican gateways. Accordingly, the Board should grant BNSF's requests.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 15th day of October, 1998.

Sincerely,

Thomas J. Wyness

Thomas J. Wyness
Executive Vice President, Transportation

Luzenac AMERICA
Western Talc Operations • 767 Old Yellowstone Trail • Three Forks, MT 59752-9313 • (406) 285-5300 • FAX: (406) 285-3323

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October 15, 1998

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

RE: Finance Docket No. 32760 (Sub-Nos. 26 and 28), Houston/Gulf Coast

191730 191729 26 J

Dear Mr. Williams:

My name is William S. Carrier. I am the Distribution Manager. Our company is located in Three Forks, Montana and is in the business of mining, processing and marketing talc products. Our customer base is spread throughout the midwest, eastern and southern states and a small number of customers in northern Mexico.

I am filing this statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant trackage rights on additional UP lines in the Houston terminal area for BNSF to operate over any available clear routes through the terminal. We believe that this request will benefit our company and other shippers and will result in service improvements and needed dispatching flexibility in the Houston terminal.

Specifically, this request would permit BNSF to operate over any available clear routes through the terminal as determined and managed by the Spring Consolidated Dispatching Center, and not just over the former HB&T East and West Belts. The result would be to reduce congestion caused by BNSF trains staged in the Houston terminal waiting for track time to use the main trackage rights lines they currently share through the terminal and on the former HB&T East and West Belt lines.

This request would create in important safety valve for dispatchers to permit BNSF trains to traverse clear routes in the Houston terminal. It is a reasonable measure to avoid congestion and should pose no harm to UP as it does not give any competitive advantage to BNSF's operations in the Houston terminal.

The request thus stands to benefit all rail carriers operating in the Houston terminal area and the shipping public. It is in everyone's best interest to achieve better service for shippers and t reduce the congestion in the Houston terminal area. Accordingly, the Board should grant BNSF's request.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 15th day of October, 1998.

Sincerely,

William S. Carrier

William S. Carrier
Distribution Manager

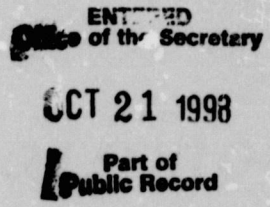
TECHNEGLAS

191717
191718

October 14, 1998

J

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



26

Dear Sir:

Please accept the attached Verified Statement in support of granting BNSF request for permanent bi-directional overhead trackage rights on UP's Caldwell-Flatonia-Placedo line on docket no. (32760 sub nos. 26 & 28).

191717 191718

Respectfully Submitted,

DH Falcone

Dan H. Falcone
Manager
Corporate Planning & Purchasing

DHF/nf
att.

Techneglas, Inc. 707 E. Jenkins Avenue Columbus, Ohio 43207 (614) 443-6551 • FAX (614) 445-1900

TECHNEGLAS

IMPORTANT RE: DOCKET NO. 32760 (SUB-NOS 26 & 28) (October 14, 1998)

INTRODUCTION: I (Dan H. Falcone, Manager, Corporate Planning and Purchasing) for Techneglas submit this Verified Statement in support of the Burlington Northern and Santa Fe Railway's request that the Board grant it permanent bi-directional overhead trackage rights on UP's Caldwell-Flatonia-Placedo line.

Techneglas manufactures glass cathode ray tubes for TV sets and computer monitors. We source a significant portion of our glass raw materials from Mexico that are transported via rail cars. The transit time, rail service and cost of this rail transportation service is very important to us. We have been negatively impacted by the congestion, longer transit times and service problems associated with the SP/UP merger. Therefore, I am filing this Verified Statement in support of The Burlington Northern and Santa Fe Railway's request that the Board grant it permanent bi-directional overhead trackage rights on UP's Caldwell-Flatonia-Placedo line for reasons as outlined herein. If the temporary rights are not made permanent the BNSF will no longer be able to use this line. This will place a high risk that the problems of congestion and critical service problems that existed after the UP/SP merger will reoccur as discussed below:

Some of the points that support this request include:

I. BNSF needs to ensure that it can avoid operating over the Algoa route - (even if the UP completes proposed capital improvements on that route) to minimize the risk of delays and congestion of its trains. Moreover, since operations via the Algoa route unnecessarily brings traffic through the Houston terminal area, an alternate routing such as the BNSF request makes sense. From a fairness perspective, this routing was available to SP prior to the merger since it was formerly an SP route and the BNSF request would simply permit BNSF the same competitive options available to shippers by the former SP. We were a former SP customer in this regard and did not support the UP/SP merger.

II. Allow shippers to be able to compare the UP's service with others.

III. Provide shippers with rates based upon competition rather than all the rate reasonableness and revenue adequacy junk taking up valuable regulatory and oversight time and resources of shippers.

Techneglas, Inc. 707 E. Jenkins Avenue Columbus, Ohio 43207 (614) 443-6551 • FAX (614) 445-1900

IV. Solve the problems in this specific area we have experienced as a result of the SP/UP competition that has been lost with the approval of this merger.

V. Increase badly needed infrastructure investment over and above that proposed by the UP.

VI. Our transit times have substantially improved since these temporary rights were granted and have substantially reduced service problems in addition to providing better equipment turn around time resulting in improved rail car utilization. The shortage of rail equipment is becoming critical and this will go a long way to correct.

My company needs good consistent rail service from Mexico and the service problems and congestion we experienced with the SP/UP merger caused our suppliers and us service and financial penalties. We cannot take a chance that some of the same problems that occurred after the merger will reoccur if the temporary rights expire and are not made permanent. Finally, approval will provide BNSF greater operational flexibility and reduce congestion in the Houston terminal area that has been such a big part of the problem.

I certify under penalty of perjury that the above is true and correct to the best of my ability to judge. Executed this 14th day of October, 1998.

Respectfully submitted,

DH Falcone

Dan H. Falcone
Manger
Corporate Planning & Purchasing

HMM

October 14, 1998

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

Re: Finance Docket. No. 32760 (Sub-Nos. 26 and 28)

191707 191705 26 J

Dear Secretary Williams:

My name is Kee Soo Pahk. I am the president of Hyundai Intermodal, Inc.. Our company is located in Gardena, Ca. and is in the business of rail intermodal transportation service in the U.S., and supports the inland transportation needs of Hyundai Merchant Marine Co., Ltd. with over 305,000 ocean containers of inbound and outbound shipments in North America.

I am filing this statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant trackage rights on additional UP lines in the Houston terminal area for BNSF to operate over any available clear routes through the terminal. We believe that this request will benefit our company and other shippers and will result in service improvements and needed dispatching flexibility in the Houston terminal.

Specially, this request would permit BNSF to operate over any available clear routes through the terminal as determined and managed by the Spring Consolidated Dispatching Center, and not just over the former HB&T East and West Belts. The result would be to reduce congestion caused by BNSF trains staged in the Houston terminal waiting for track time to use the main trackage rights lines they currently share through the terminal and on the former HB&T East and West Belt lines.

This request would create an important safety valve for dispatchers to permit BNSF trains to traverse clear routes in the Houston terminal. It is a reasonable measure to avoid congestion and should pose no harm to UP as it does not give any competitive advantage to BNSF's operations in the Houston terminal.

The request thus stands to benefit all rail carriers operating in the Houston terminal area and the shipping public. It is in everyone's best interest to achieve better service for shippers and to reduce the congestion in the Houston terminal area. Accordingly, the Board should grant BNSF's request.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 14th day of October, 1998.

Sincerely,

Kee Soo Pahk
President

HYUNDAI INTERMODAL, INC.
879 WEST 190TH STREET, 7TH FLOOR ■ GARDENA, CALIFORNIA 90248-4228 ■ TEL: (310) 527-8282 FAX: (310) 516-9513

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UNIVERSAL Foods CORPORATION

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October 7, 1998

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Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

191703 191704

J

Re: ***Finance Docket No. 32760 (Sub-Nos. 26 and 28) {verified statement in support of BNSF's operating over clear routes in the Houston terminal}***

My name is Paul F. Rasmussen. I am Manager, Commodities Procurement, for the Red Star Yeast Company, a division of Universal Foods Corporation, in Milwaukee, Wisconsin. Red Star Yeast is the largest manufacturer of bakers yeast in the United States with production facilities in Baltimore, Maryland; Milwaukee, Wisconsin; and Oakland, California. The prime raw material for manufacturing yeast is molasses, a by-product of the sugar industry, from both imported and domestic origins.

This commodity is best transported on rail. Annually, Red Star Yeast receives some two-thousand (2,000) rail tank cars of molasses, about 80% of our inbound raw material requirements.

Because of congestion in the Houston area, Red Star Yeast has been forced to use other ports to meet our rail needs on shipments to our Milwaukee, Wisconsin plant. By avoiding Houston, and its port, we have limited our sources of a basic raw material, thereby, increasing our production costs because of a lack of competitive rail transportation. We need to return to a more competitive rail environment in the Gulf port area.

I am filing this statement in support of the Burlington Northern and Santa Fe Railway's (BNSF) request that the Board grant trackage rights on additional UP lines in the Houston terminal area for BNSF to operate over any available clear routes through the terminal. We believe that this request will benefit our company and other shippers and will result in service improvements and needed dispatching flexibility in the Houston terminal.

433 EAST MICHIGAN STREET P.O. BOX 737 MILWAUKEE, WISCONSIN 53201-0737
(414) 271-6755

Specifically, this request would permit BNSF to operate over any available clear routes through the terminal as determined and managed by the Spring Consolidated Dispatching Center, and not just over the former HB&T East and West Belts. The result would be to reduce congestion caused by BNSF trains staged in the Houston terminal waiting for track time to use the main trackage rights lines they currently share through the terminal and on the former HB&T East and West Belt lines.

The request would create an important safety valve for dispatchers to permit BNSF trains to traverse clear routes in the Houston terminal. It is a reasonable measure to avoid congestion and should pose no harm to UP as it does not give any competitive advantage to BNSF's operations in the Houston terminal.

The request thus stands to benefit all rail carriers operating in the Houston terminal area and the shipping public. It is in everyone's best interest to achieve better service for shippers and to reduce the congestion in the Houston terminal area. Accordingly, the Board should grant BNSF's request.

Sincerely,

Paul F. Rasmussen

Paul F. Rasmussen
Manager, Commodities Procurement

PFR/jam

VERIFICATION

I, Paul Rasmussen, declare under penalty of perjury, that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

Paul F Rasmussen

Paul F. Rasmussen
Manager, Commodities Procurement
Red Star Yeast & Products
A division of Universal Foods Corporation

Notary Public in and for the State of Wisconsin.

Executed this 8th day of October, 1998.

My commission expires April 27, 2001

KMCO

Specialty Chemicals and Manufacturing

High Vacuum Distillations Chemical Processing And Manufacturing

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

Re: Finance Docket. No. 32760 (Sub-Nos. 26 and 28)

191701 - 191702

My name is Clark Craig. I am Customer Service Manager for KMCO, Inc., Crosby, Texas. I am charged with ensuring safe, efficient, and reliable transportation services to KMCO, Inc. and KMCO, Inc. subsidiaries. Subsidiaries include South Coast Terminal, Houston, Texas, South Coast Terminal, Port Facility, Houston, Texas, KMTEX, Inc., Port Arthur, Texas, and South Coast Terminal, LaPorte, Texas.

Our companies specialize in custom chemical processing and packaging. We serve customers such as DOW USA, Exxon Paramins, Union Carbide Corporation, Ethyl Petroleum, Lyondell, Condea Vista, and Wagner Brake Fluid. We move product by rail to other points in Louisiana, California, Utah, Oklahoma, Illinois, South Carolina and our marketing efforts are beginning to pay off in other areas as well. We produce and market brake fluids, antifreeze, oil field chemicals, and other glycol-related products. However, as a toll processor, we move customer owned material by rail in and out of our facilities to a much larger degree. In other words, rail traffic is relative to the amount of business generated not only by KMCO efforts, but the toll customers it serves (customer material shipped from their facility, customer material received at our facilities, and customer product shipped from our facilities).

As evidenced by twenty-four years at Crosby, six years at Port Arthur, and thirty-plus years at the South Coast facilities, the UPRR has been reluctant to serve companies such as ours. Now that BNSF is a factor at the Crosby facility, service has increased by the UPRR from 20 -- 58% before service rights were given to BNSF to better than 75% afterwards. Today, we are convinced that KMCO, as well as other facilities, would benefit from any rights granted as described in the statement below.

I am filing this statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant overhead trackage rights to enable BNSF, should it determine to do so, to join the directional operations over any UP line or lines where UP commences directional operations and where BNSF has trackage rights over one, but not both, lines involved in the UP directional flows. We believe that this request will benefit our company and other shippers and will result in service improvements and needed operational flexibility.

Responsible Care®
A Public Commitment

KMCO, Inc.
16503 Ramsey Rd. • Crosby, Texas 77532 • 281-328-3501 • Fax: 281-328-9528

ISO 9002
DNV Certification, Inc.
REGISTERED FIRM

Under present operations, BNSF has to run bidirectional operations in certain situations over UP trackage rights lines where UP has instituted directional operations such as over the Forth Worth to Dallas, TX line (via Arlington). In such instances, BNSF trains are delayed when running "against the current" of UP's directional operations until the line is cleared of UP trains. In addition to delaying BNSF traffic, UP traffic is potentially delayed while BNSF operates against the UP "current of traffic", consuming more of the line's capacity than would be utilized with directional operations. These delays to both BNSF and UP traffic adversely impact service to our company and other shippers.

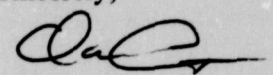
We believe that UP's unilateral and unanticipated institution of temporary directional flows on various lines in Houston/Gulf Coast area have harmed the effectiveness of the rights granted to BNSF by the Board. UP's accommodation of its own operational needs - - and later decisions to cease directional running on its lines such as on the former SP Caldwell-Flatonia-Placedo line - - causes disruption to BNSF's operations and inhibits BNSF's ability to provide consistent, predictable and reliable service to our company and other shippers. Such significant changes in rail operations not only undermines the competitive rights BNSF was granted but understandably inhibits BNSF's incentive to make capital commitments to enhance service to shippers.

In sum, we believe that the BNSF's request would help to alleviate the degradation in service and reduce congestion on the lines over which UP has instituted directional operations. We are also in favor of this request because it would eliminate the potential for UP to favor its own traffic over that of BNSF moving on trackage rights lines.

For all of these reasons, the Board should grant BNSF's request. It would benefit our company and other shippers and will result in service improvements for both UP and BNSF.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 14th day of October,1998.

Sincerely,



Clark Craig, CSM

GEORGETOWN RAILROAD COMPANY
5300 South IH-35
Georgetown, Texas 78627-0529
512-863-2538
Fax: 512-869-2649

JAMES E. ROBINSON
President

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Office of the Secretary
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October 15, 1998

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423

J

Re: STB Finance Docket No. 32760 (Sub-Nos. 26, 30 and 32)

191698 191699 191700 26

Dear Secretary Williams:

I am writing this letter to clarify and supplement my August 12, 1998 statement of support on behalf of Georgetown Railroad Company ("GRR") for the Union Pacific which was contained in Volume IV of UP's Opposition to Condition Applications, filed with the Board on September 18, 1998.

In my August 12, 1998 letter, GRR indicated that it opposed requests for new remedial conditions in this proceeding. What I meant by that statement is that the GRR generally opposes the imposition of additional remedial conditions that would provide carriers with new competitive access to shippers. GRR still maintains that view.

However, I would like to clarify that GRR fully supports BNSF's request for overhead trackage rights on the UP Taylor-Milano line. BNSF's request would not create any new competitive access. Rather, BNSF seeks only to maintain its existing competitive access to handle shipments for Texas Crushed Stone and other customers at Kerr/Round Rock (which are served by GRR) by ensuring the proper functioning of the original condition. Specifically, it has been our company's experience since the merger that BNSF has been unable to provide consistent and reliable service to handle shipments for such customers using its existing rights due to congestion on UP's Temple-Taylor line. These problems, which have arisen since the merger, were not foreseen at the time UP and BNSF reached their Settlement Agreement or when the Board issued its decision approving the merger.

GRR notes that pre-merger, SP had rights to utilize UP's Taylor-Milano line. Thus, BNSF's request would simply provide BNSF with the ability to use that same route to maintain adequate, competitive service to shippers and thus restore the competition that SP provided pre-merger.

In sum, while GRR stands by its original August 12, 1998 letter to the Board opposing requests for remedial conditions that seek new competitive access, it also fully supports BNSF's request for overhead trackage rights on UP's line between Taylor and Milano, TX. The reason our company supports BNSF's request is that it would provide no new competitive access, but would allow BNSF to route traffic over a more logical and historic route. It would allow more efficient service by avoiding much of the congested and circuitous trackage rights that BNSF is currently using. GRR believes that granting BNSF's request would not harm UP and would provide our customers with more consistent and reliable service.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 15th day of October, 1998.

Sincerely,

J. E. Robinson

J. E. Robinson

STB FD 32760 (Sub 26) 10-16-98 J 191682

SYSCO

October 15, 1998

ENTERED
Office of the Secretary
OCT 20 1998
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Public Record

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OCT 16 1998
MANAGEMENT
STB

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

Re: Finance Docket No. 32760 (Sub-Nos. 26 and 28)
191682 191683

Dear Honorable Vernon A. Williams:

My name is Richard A. Kell. I am the Senior Director of Logistics of Sysco Corporation. Our company is headquartered in Houston, Texas and is the largest marketer and distributor of foodservice products in North America. Our distribution network is comprised of 70 distribution facilities throughout the United States including six facilities in Texas and Louisiana. These facilities receive inbound shipments by rail (intermodel as well as carload) and truck from origins throughout the United States.

Our company's need for reliable and efficient rail transportation services is expected to grow in the future. It is therefore important to our business that efficient and fluid rail service be available in the Houston/South Texas market. We have seen a degradation in service and fewer competitive options available for our rail transportation needs since the UP/SP merger. For these reasons, I am submitting this Verified Statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") requests for additional remedial conditions.

We support BNSF's requests because they will benefit our company and other shippers and will result in service improvements, needed operational flexibility and the ability to avoid adding unnecessary traffic to the Houston terminal area. For example, BNSF has requested that the Board grant trackage rights on additional UP lines in the Houston terminal area for BNSF to operate over any available clear routes throughout the terminal. We support this request because it would permit BNSF to operate over any available clear routes through the terminal as determined and managed by the Spring Consolidated Dispatching Center, and not just over the former HB&T East and West Belts. The result would be to reduce congestion caused by BNSF trains staged in the Houston terminal waiting for track time to use the main trackage rights lines they currently share through the terminal and on the former HB&T East and West Belt lines.

We also support the requests of BNSF for (i) permanent bidirectional overhead trackage rights on UP's Caldwell-Flatonia-San Antonio and Caldwell-Flatonia-Placedo lines; and (ii) overhead trackage rights on UP's San Antonio-Laredo line. It is our position that were the Board to grant BNSF's requests, they would help to diminish the congestion on UP's lines in and around Houston and South Texas, as well as preserve competition as the Board originally envisioned in its decision approving the UP/SP merger.

In sum, BNSF's requests for remedial conditions stand to benefit all rail carriers operating in the South Texas and the shipping public It is in everyone's best interest to achieve better service for shippers and to reduce the congestion in the Houston terminal and South Texas areas. Accordingly, the Board should grant BNSF's requests.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 15th day of October, 1998.

Sincerely,

Richard A. Kell
Senior Director of Logistics
SYSCO CORPORATION

STB FD 32760 (Sub 26) 10-16-98 J 191681

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MAIL MANAGEMENT
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SANTA'S BEST®

SANTA'S BEST®

2902 MUNICIPAL DRIVE
LUBBOCK, TX 79415
FAX (806) 744-3273

FD 32760 26 & 28

October 14, 1998

J

191681 191680

Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K. Street, NW
Washington, DC 20423-0001

26

Dear Sir,

My name is Richard Nugent. I am Vice President of Operations of Santa's Best. Our Company is a Seasonal-Decorative manufacturer and distributor with multiple locations in the United States. I am responsible for the Lubbock, Texas Division.

This letter is written in support of permanent overhead trackage rights on UP's San Antonio-Laredo line, and is specially in reference to: Finance Dochet No. 32760 (Sub Numbers 26-28).

During 1998, the Lubbock Division imported approximately 700 railcars from our operation in San Luis Potosi, Mexico. Due to the "mass" traffic problems at the Laredo border and/or the San Antonio-Laredo line, I was forced to utilized the Eagle Pass Gateway to transport our product from San Luis Potosi, Mexico to Shallowater, Texas. The Eagle Pass routing increased the rail freight costs within Mexico by approximately 10% over a more direct route via San Luis Potosi - Laredo. It also increased mileage of the route, which increased my intransit time of the railcars, as compared to the San Luis Potosi-Laredo route.

I am filing this Verified Statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant permanent trackage rights on the UP's San Antonio-Laredo line. I believe that this request will benefit our Company and other shippers and will result in service improvements and create meaningful competition for rail shippers to the Laredo Gateway.

It is my understanding that BNSF's request for trackage rights over San Antonio-Laredo line is designed to ensure that competition at this critical Mexican gateway does not

continue to be adversely impacted by UP's south Texas congestion and service problems specifically on the UP's Algoa to Corpus Christi route.

Granting BNSF trackage rights to the Laredo Gateway through San Antonio will also allow BNSF to bypass the TexMex, with whom BNSF has been unable to conclude a competitive, long term commercial arrangement. I am concerned that the unexpected lack of competition in the privatized Mexican rail systems is preventing shippers from receiving a fully competitive service at the Laredo Gateway.

For all of these reasons I respectfully request that the Board grant BNSF's request for trackage rights over the San Antonio-Laredo line. I believe that this would benefit our Company and other shippers, and would result in service improvements to the Laredo Gateway, as well as provide a competitive alternative for shippers.

Sincerely,

Richard Nugent
Vice President

mm

STB FD 32760 (Sub 26) 10-15-98 J 191678

M. SCHIEFER TRADING CO.
COTTON

P.O. BOX 1065 • LUBBOCK, TEXAS 79408
PHONE 806—762-0700
FAX 806—762-0078

MEMBER:
Lubbock Cotton Exchange
Texas Cotton Association
American Cotton Shippers Association

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10/12/98

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OCT 15 1998

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

26 J

Dear Sir:

191678 - 191679

Re: Finance Docket No. 32760 (Sub-Nos. 26 and 28)

My name is Manfred Schiefer, I am the president of M. Schiefer Trading Co.. Our company is located in Lubbock, Texas and is in the business of Raw Cotton Exports. Since many years now we have been exporting cotton to Mexico using mostly US rail service from all points of Texas and Oklahoma as well as eastern states and California. Just in the past we have exported about 30 Million dollars worth of cotton to Mexico, this translates to about 500 plus rail cars.

During the past 2 years we have experienced severe delays due to the terrible service we received from Union Pacific Railroad. Needless to say that we have suffered severe losses because of unavailability of cars, delays and re-routing of our cars to different railroads eventhough this cost us more freight. We estimate our losses at about $50,000.00.

I am filing this Verified Statement in support of The Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant permanent trackage rights on the UP's San Antonio- Laredo Line. I believe that this request will benefit our company and other shippers and will result in service improvements and create meaningful competition for rail shippers to the Laredo Gateway.

I believe that BSNF's request for trackage rights over the San Antonio-Laredo Line are designed to ensure that competition at this critical Mexican gateway does not continue to be adversely impacted by UP's south Texas congestion and service problems specifically on the UP's Algoa to Corpus Christi route.

M. SCHIEFER TRADING CO.
COTTON
P.O. BOX 1065 • LUBBOCK, TEXAS 79408
PHONE 806—762-0700
FAX 806—762-0078

MEMBER:
Lubbock Cotton Exchange
Texas Cotton Association
American Cotton Shippers Association

Granting BNSF trackage rights to the Laredo gateway through San Antonio will also allow BNSF to bypass the TEXMEX, with whom BNSF has been unable to conclude a competitive long term commercial arrangement. We are also concerned that the unexpected lack of competition in the privatized Mexican rail system is preventing shippers from receiving a fully competitive service at the Laredo Gateway.

For all these reasons, the Board should grant BNSF's request for trackage rights over the San Antonio- Laredo Line. This would benefit our company and other shippers, and would result in service improvements to the Laredo Gateway, as well as provide a competitive alternitive for shippers.

I certify under the penalty of perjury that the foregoing is true and correct. Executed this 12th. day of October, 1998

Yours very truly,
M. SCHIEFER TRADING CO.

By: Manfred Schiefer

STB FD • 32760 (Sub 26) 10-5-98 J 191465

191465

sam arrington director

united transportation union

texas legislative board

southwest tower, 211 east 7th, suite 440, austin, tx 78701-3263
(512) 472-7072 FAX 472-5821

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September 30, 1998

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STB

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

Dear Secretary Williams: FD32764 SUB 26

I have seen a copy of a letter sent to you by Molly Beth Malcolm, Chair of the Texas Democratic Party, concerning a Resolution passed by the Resolutions committee of the June, 1998 Texas Democratic Convention. This Resolution supports the introduction of a third railroad into Texas, a proposition the United Transportation Union in Texas has vigorously opposed.

I was shown this Resolution by a representative of the Vinson & Elkins law firm working on behalf of the Kansas City Southern Railroad sometime before the Convention. He asked if we would support such a resolution. I informed that representative of Vinson & Elkins of the UTU's position in opposition. That is the last I saw of this Resolution. I, and members of my union, attended the Texas State Democratic Convention in June and closely watched the proceedings. This Resolution was never presented to the floor for approval by the full Convention. I can only surmise that is because there would have been sufficient delegates to object to its ratification.

Again, I want to express the UTU's strong opposition to this Resolution.

Sincerely,

Sam Arrington

Sam Arrington
State Legislative Director

SA:sh

191425

DAN RUTHERFORD
STATE REPRESENTATIVE

732 West Madison Street
Pontiac, Illinois 61764

(815) 842-2475

2302 East Oakland Avenue
Bloomington, Illinois 61701

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Septembe: 11, 1998

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

FD 32760 - SUB 24

Dear Secretary Williams:

I write in opposition to the proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area.

I represent the area around Pontiac, Illinois, which is located in the central region of the state. My District includes farm land and small industrial businesses. Union Pacific has been cooperating with the Illinois Department of Transportation in providing a major grain load-out facility in Pontiac and Bloomington (among other places). These projects are funded by state loans, and with UP technological cooperation, in-kind donations and provision of mainline switches, will earn Illinois farmers up to 10 cents per bushel more for grain.

The financial strength of the Union Pacific is vitally important to the state of Illinois. UP is the largest railroad in the state. A sound Union Pacific which is able to make the necessary investment in their infrastructure is important to Illinois. Proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area could result in the delay or cancellation of infrastructure improvements. I do not believe my constituents should pay that price.

The Union Pacific's service has improved markedly in recent months. This progress should not be hindered by the imposition

A copy of our report filed with the State Board of Elections is (or will be) available for purchase from the State Board of Elections, Springfield, IL. Dan Rutherford Campaign Committee, Chairman, Collins Miller, Treasurer, Rex Schaeffer.
(Not printed at taxpayers' expense)

of new conditions that will harm UP, our community, and others around the country. Union Pacific has increased its hiring in Illinois, which provides opportunities to my constituents, as well as the additional industrial base it supports. Illinois is the rail hub of America, and I do not want changes made in Texas that will adversely affect Illinois' status and UP's ability to grow and help our state.

Thank you for your attention and your consideration.

Sincerely,

Dan Rutherford

DAN RUTHERFORD
State Representative

191424

Wyoming State Legislature

213 State Capitol / Cheyenne, Wyoming 82002 / Telephone 307 / 777-7881

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House of Representatives

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September 28, 1998

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

Dear Secretary Williams:

This letter will serve as my official comment in opposition to the Surface Transportation Board imposing additional federal regulatory conditions upon the Union Pacific Railroad in the Houston and Gulf Coast area: Docket No.32760(Sub-No.26).

The Union Pacific Railroad has a long history with the State of Wyoming, beginning in 1868. Through the years the growth and expansion in Wyoming have been synonymous with that of Union Pacific Railroad.

The unexpected problems in Union Pacific's southern corridor has drawn much criticism. However, recent reports filed by the Union Pacific Railroad to the Surface Transportation Board have indicated that the major congestion problems have been resolved and that significant improvement in service and train movements have been accomplished. These accomplishments did not come without a price. If additional federal regulatory conditions were imposed, they would erode Union Pacific's ability to make important investments for its infrastructure throughout its system and undermine its ability to effectively compete against other railroads, not only in the Houston and Gulf Coast area, but throughout the Western states. Union Pacific Railroad's ability to invest in its infrastructure and to effectively compete are critical factors to the State of Wyoming.

Union Pacific Railroad continues to be an important part of Wyoming's economy. Additional federal regulatory conditions imposed by the Surface Transportation Board would be counterproductive by weakening the Union Pacific Railroad when it has already suffered large financial and traffic losses. I urge the Surface Transportation Board not to impose additional conditions on the Union Pacific Railroad in the Houston and Gulf Coast area.

Thank you for the opportunity to comment.

Sincerely,

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
FD-32760
(Sub-26)

September 28, 1998

Mr. Jim McAlister
City Manager
610 Caddo St.
Arkadelphia, AR 71923

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Mr. McAlister:

Thank you for your letter regarding the requests of a variety of interests to obtain additional access to customers served by the Union Pacific Railroad (UP) in the Houston/Gulf Coast area. In your letter, you state that granting these requests would result in further revenue losses for UP, and could affect UP's ability to remain a strong competitor.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting a formal proceeding, in the context of its oversight of the Union Pacific/Southern Pacific (UP/SP) merger, to consider the matter. I assure you, however, that as it considers proposals for permanent changes in the Houston/Gulf Coast area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for strong competitors in the West and throughout the Nation, and it will remain committed to issuing decisions that are in the interest of railroads, shippers, and the Nation as a whole.

I am having your letter and this response placed in the formal docket in the UP/SP Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

ARKADELPHIA
OFFICE of the CITY MANAGER
610 Caddo St, Arkadelphia, AR 71923
PH: (870) 246-9864 FAX: (870) 246-1813

FILE IN DOCKET

RECEIVED
SURFACE TRANSPORTATION
BOARD
SEP 9 10 24 AM '98
OFFICE OF
CHAIRMAN MORGAN

September 2, 1998

Ms. Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

Dear Chairman Morgan:

Every major commercial area today is well aware of the need to be served by a financially strong rail carrier. When circumstances threaten the strength of a serving carrier, the entire community has reason to be concerned.

As City Manager of the City of Arkadelphia, Arkansas, it concerns me to read that Union Pacific Railroad has lost money for three quarters. Since Union Pacific is the major rail carrier for most of Arkansas, including Arkadelphia, I am further concerned with the knowledge that requests have been made to require Union Pacific to give trackage rights in Houston and south Texas to other carriers. Obviously, if granted, these petitions would result in further revenue losses for Union Pacific.

Please consider this letter as a petition opposing any measures that would weaken Union Pacific's financial ability to address capital and operating needs by depriving it of revenues from its own resources.

Sincerely,

Jim McAlister
City Manager

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET

FD-32760
(Sub-26)

September 28, 1998

The Honorable Jim Dailey
Mayor, City of Little Rock
City Hall, Room 203
500 W. Markham St.
Little Rock, AR 72201-1427

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Mayor Dailey:

Thank you for your letter regarding the requests of a variety of interests to obtain additional access to customers served by the Union Pacific Railroad (UP) in the Houston/Gulf Coast area. In your letter, you state that granting these requests would result in further revenue losses for UP, and could affect UP's ability to remain a strong competitor.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting a formal proceeding, in the context of its oversight of the Union Pacific/Southern Pacific (UP/SP) merger, to consider the matter. I assure you, however, that as it considers proposals for permanent changes in the Houston/Gulf Coast area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for strong competitors in the West and throughout the Nation, and it will remain committed to issuing decisions that are in the interest of railroads, shippers, and the Nation as a whole.

I am having your letter and this response placed in the formal docket in the UP/SP Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

City of Little Rock

Office of the Mayor

City Hall, Room 203
500 W. Markham St.
Little Rock, AR 72201-1427
FAX (501) 371-4498

FILE IN DOCKET

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SURFACE TRANSPORTATION BOARD
AUG 24 2 31 PM '98
OFFICE OF CHAIRMAN MORGAN

August 14, 1998

Ms Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street, NW
Washington D.C. 20423-0001

Dear Chairman Morgan:

Every major commercial area today is well aware of the need to be served by a financially strong rail carrier. When circumstances threaten the strength of a serving carrier, the entire community has reason to be concerned.

As mayor of the City of Little Rock, Arkansas, it concerns me to read that Union Pacific Railroad has lost money for three quarters. Since Union Pacific is the major rail carrier for most of Arkansas, including Little Rock, I am further concerned with the knowledge that requests have been made to require Union Pacific to give trackage rights in Houston and south Texas to other carriers. Obviously, if granted these petitions would result in further revenue losses for Union Pacific.

Please consider this letter as a petition opposing any measures that would weaken Union Pacific's financial ability to address capital and operating needs by depriving it of revenue from its own routes.

Sincerely,

Jim Dailey
Mayor

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
FD-32760
(Sub-26)

September 28, 1998

The Honorable Chuck Hagel
United States Senate
Washington, DC 20510-2705

Re: Houston/Gulf Coast Oversight Proceeding

Dear Senator Hagel:

Thank you for your letter regarding the requests of a variety of interests to obtain additional access to customers served by the Union Pacific Railroad (UP) in the Houston/Gulf Coast area. In your letter, you state that granting these requests would result in further revenue losses for UP, and could affect UP's ability to remain a strong competitor.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting a formal proceeding, in the context of its oversight of the Union Pacific/Southern Pacific (UP/SP) merger, to consider the matter. I assure you, however, that as it considers proposals for permanent changes in the Houston/Gulf Coast area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for strong competitors in the West and throughout the Nation, and it will remain committed to issuing decisions that are in the interest of railroads, shippers, and the Nation as a whole.

I am having your letter and this response placed in the formal docket in the UP/SP Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

CHUCK HAGEL
NEBRASKA

346 RUSSELL SENATE OFFICE BUILDING
(202) 224-4224
(202) 224-9083 TTY/TDD

FOREIGN RELATIONS
CHAIR, SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY, EXPORT AND TRADE PROMOTION

BANKING, HOUSING, AND URBAN AFFAIRS

SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510-2705

September 8, 1998

OFFICE OF CHAIRMAN MORGAN
FILE IN DOCKET
SEP 14 2 22 PM '98
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SURFACE TRANSPORTATION BOARD

The Honorable Linda Morgan
Chairman
Surface Transportation Board
1925 K Street, N.W. Suite 700
Washington, D.C. 20423-0001

Dear Madame Chairman:

I am writing to express my concerns about possible permanent changes to rail operations in Houston, Texas. My concerns are for the financial health of the Union Pacific Railroad and how that directly relates to the overall level of rail service in Nebraska and the rest of the country.

As you noted in your decision allowing the Emergency Service Order of October 31, 1997, to expire, service in the Houston area has improved significantly. The problems that began in Houston and spread to the rest of the Union Pacific system did not result from the lack of competition in the Houston area. Rather, they were operational in nature, and Union Pacific has made great strides to correct them. However, Union Pacific has been financially weakened by the service crisis over the past year. Union Pacific operates in 23 states, one of which is Nebraska. The financial health of Union Pacific and its ability to be a viable competitor are vital if Nebraska shippers are to be competitive in the world market.

The fundamental reason behind the Union Pacific/Southern Pacific merger was to create a strong competitor in the rail industry. However, Southern Pacific was a very weak railroad. In order to provide true competition, Union Pacific will need to spend huge amounts of capital to upgrade its system. The diversion of revenue associated with these possible changes in the Houston area could seriously impact the ability of Union Pacific to invest in its entire system and provide adequate competition in the western United States.

Union Pacific, over the past year, has demonstrated the ability to solve many of the congestion problems that have plagued its system, and is committed to ensure a safe, efficient and competitive railroad. The possible changes to operations in the Houston area will severely hamper Union Pacific's ability to reach these goals. The diversion of traffic and the corresponding revenue will adversely affect Union Pacific's ability to make investments in its system and offer competitive services, which in turn will hurt not only Nebraska shippers, but shippers in all states served by Union Pacific. I urge you to reject any operational changes in the Houston area.

Thank you for your consideration and diligence in improving rail service across America.

Sincerely,

Chuck Hagel

4009 6TH AVENUE
SUITE 9
KEARNEY, NE 68847
(308) 236-7602

294 FEDERAL BUILDING
100 CENTENNIAL MALL, NORTH
LINCOLN, NE 68508
(402) 476-1400

300 EAST 3RD STREET
ROOM 304
NORTH PLATTE, NE 69101
(308) 534-2006

11301 DAVENPORT STREET
SUITE 2
OMAHA, NE 68154
(402) 758-8981

1010 AVENUE I
SCOTTSBLUFF, NE 69361
(308) 632-6032

STB FD • 32760 (Sub 26) 9-22-98 • J 191317

191317

City of Portland
Vera Katz
Mayor

September 16, 1998

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

ENTERED
Office of the Secretary
SEP 23 1998
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Public Record

RE: Houston/Gulf Coast Oversight Proceeding
Finance Docket No. 32760 (Sub-No. 26)

Dear Secretary Williams:

I am writing to urge the Surface Transportation Board to decline to impose additional conditions on Union Pacific Railroad's operations in the Houston/Gulf Coast area.

As Mayor of Portland, I am keenly aware of service problems from undercapitalized, poorly-performing railroads. The Southern Pacific merger with the Union Pacific has brought improvements. While service problems since that merger are still present, I feel strongly that good, consistent service will not be possible if UP cannot recover from its currently weakened condition. The imposition of the additional conditions contemplated will seriously threaten that recovery.

In addition to the large sums of money spent in the Gulf Coast area, Union Pacific has invested heavily in both infrastructure improvements and capacity expansion in Oregon and elsewhere throughout its system. Additional investment is still badly needed, and can only be made out of revenues generated by UP's present and future traffic base. UP experienced an unprecedented loss of $230 million over the last three consecutive quarters. The proposed additional conditions would deprive UP of the revenues needed to continue its system investments to the detriment of Oregon shippers.

Competitive, dependable rail service in the West assumes two strong railroads. We currently have only one, the BNSF. I strongly caution the Board against taking any action that will contribute further to the current competitive imbalance that exists in the West, and urge the Board to forego additional conditions that will undermine UP's ability to reinvest future revenues in much needed infrastructure improvements and capacity expansion in Oregon and elsewhere.

Thank you for your consideration.

Warm regards,

Vera Katz

VERA KATZ
Mayor

1221 SW 4th Avenue, Suite 340 • Portland, Oregon 97204-1995
(503) 823-4120 • FAX (503) 823-3588 • TDD (503) 823-6868 • www.ci.portland.or.us/mayor/

STB FD 32760 (Sub 26) 9-22-98 J 191316

191314

Robert S. Koenig
National Marketing Manager

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Savage Industries Inc.
Industrial & Rail Division
5250 South Commerce Drive
Suite 200
Salt Lake City, Utah 84107
(801) 264-7989
(801) 261-6677 FAX
(801) 694-2205 Mobile

August 25, 1998

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20433

Re: Houston/Gulf Coast Oversight Proceeding
Finance Docket No. 32760 (Sub-No. 26)

Dear Secretary Williams:

My name is Robert Koenig and I am National Marketing Manager of the Industrial and Rail group for Savage Industries. Headquartered in Salt Lake City, UT, Savage operates over 60 facilities nationwide of which several are located within Texas.

While there have been disappointments with the UP's service over the past year, improvements over the last several months have allowed Savage to once again provide a consistent, high level of service to our customers. Railcar availability, switching and transit times have all improved to levels that are more consistent with pre merger levels. The UP has worked diligently with our operations to respond to problems and through this climate of partnership allowed Savage and UP to grow in their ability to service numerous markets.

Effective western rail competition depends on a strong UP competing against a strong BNSF. The requested conditions will upset the competitive balance that now exists in the west and undermine the substantial progress UP has made to provide a high quality service. The requested conditions will interfere with UP's operations and actually diminish advances in service made over the last several months.

Emergency service relief may be proper in certain circumstances, but under the current situation should not be granted.

Respectfully,

Robert S. Koenig
National Marketing Manager

Cc: K. Hall
R. Davidson
J. Colietti

191315

ALLIANCE shippers inc.

September 15, 1998

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

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SEP 23 1998
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MANAGEMENT
STB

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

Dear Secretary Williams:

I am Larry Henry, Vice President Logistics and Special Projects, of Alliance Shippers, Inc.

Alliance Shippers, Inc. is a worldwide provider of transportation services to its' customer base with combined annual sales of our services in excess of one-half billion dollars. In this capacity, we are a major user of services currently provided by rail-truck-water and air carriers including but not limited to Union Pacific Railroad (UP).

The proposals to impose new conditions and competitive pressures on UP's operations around Houston and the Gulf Coast area greatly concern us.

Alliance has reviewed materials relative to imposing these new conditions on the UP and it appears that Union Pacific could experience operating impediments and further erosion of revenue if other rail carriers are given access to trackage or markets now available exclusively to the UP. This could further hurt their business and weaken our rail options in the West and Souhtwest.

The conditions imposed by STB on the UP/SP merger should be allowed to continue and for these reasons, Alliance Shippers, Inc. opposes the requests for conditions by other railroads on UP's operations and we urge the STB reject them.

Sincerely,

Larry W. Henry
Vice President Logistics

15515 South 70th Court • Orland Park, Illinois 60462 • (708) 802-7000 • Fax (708) 802-5253

STB FD • 32760 (Sub 26) 9-22-98 • J 191314

191314

STATE OF LOUISIANA

HOUSE OF REPRESENTATIVES

September 17, 1998

DIRK DEVILLE
District 38

P.O. Box 297
Ville Platte, Louisiana 70586
Telephone: (318) 363-0744
1-800-259-0744
Fax: (318) 363-0223

Appropriations
Labor & Industrial Relations
Natural Resources
Joint Legislative Committee on the Budget
Bond Commission

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SEP 23 1998
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SEP 22 1998
MAIL
MANAGEMENT
STB

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

RE: Houston/ Gulf Coast Oversight Proceeding
Finance Docket No. 32760 (Sub-No. 26)

Dear Mr. Williams,

As a member of The Louisiana State Legislature, I am writing you today out of concern over certain demands, filed with your board, by various Texas interests that seek special new operating rights over the Union Pacific Railroad in Texas.

In your decision to approve the Southern Pacific merger into Union Pacific, you have already provided for trackage rights to several competitors to preserve the pre-merger competitive level. It seems there can be no logical reason to burden the Union Pacific with additional conditions that can only adversely affect their performance. Union Pacific is important to us in Louisiana as a major investor, employer and provider of transportation services. They continue to build additional railroad capacity improvements, hire new employees and **make a positive contribution to our state.**

Despite its early service and congestion problems, the company has dedicated its resources to the extent that dramatic improvements have been made all over the Gulf Coast area. These efforts have also resulted in operating losses to Union Pacific while the service recovery is underway. Awarding competitors new rights in Texas on Union Pacific tracks is likely to further deteriorate the revenues of the company and make a healthy recovery much more difficult. As you study the requests being made to you by Texas, surely there can be no reasonable grounds for such action and I hope your decision will reflect that conclusion.

Thank you for your time as it concerns this matter.

Sincerely,

Dirk Deville
State Representative
District 38

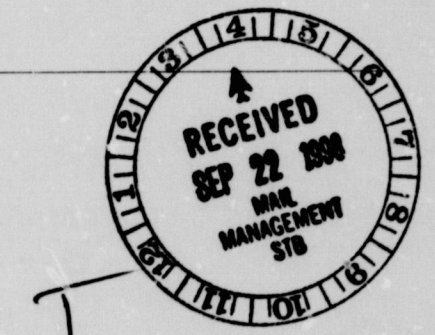
191313

Chemicals Division

Celanese Ltd.
1601 West LBJ Freeway
PO Box 819005
Dallas, TX 75381-9005

Telephone: 972-443-4000

Celanese



September 10. 1998

ENTERED
Office of the Secretary
SEP 23 1998
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Public Record

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

Re: Houston / Gulf Coast Oversight Proceeding Finance Docket No. 32760
(Sub-No 26)

Dear Secretary Williams:

I am Wrennie Love, the Rail Commercial Manager of Celanese, a commodity chemical manufacturer headquartered in Dallas, TX. Celanese ships approximately 15,000 railcars per year from manufacturing sites located in Bayport, TX, Bishop, TX and Bay City, TX (all utilizing the Houston area as a junction point). In addition, Celanese has manufacturing sites in northern Texas, Alabama, Mexico, and Canada all of which ship rail cars of our chemical products. Celanese also operates chemical terminals in North Carolina, New Jersey, Texas, Illinois, and California. I am responsible for contracting freight rates with the various railroads and determining the most efficient routings for our rail cars.

It is the opinion of Celanese that the recently requested conditions are not justified. The UP/SP merger has not proved to be a hindrance to competition or competitive pricing in the markets in which we participate. We do not believe that the service crisis was a result of a loss of competition therefore, we do not believe that new conditions are justified.

The conditions imposed on the UP/SP merger by the Surface Transportation Board seem to have worked well and competition between the UP and the BNSF has been healthy. We have benefited from this competition at our Bay City, TX facility and are pleased with the results. We expect that, in the future, we will continue to benefit from the conditions imposed on the UP/SP merger but, not with the new conditions that are proposed. Celanese believes that these conditions will interfere with UP's operations by putting additional trains on UP's already crowded tracks. This, we believe, will disrupt service rather than enhance it and ultimately, only add to the congestion.

Our traffic is moving more efficiently as time progresses and we would like for that trend to continue. Transit times to key customers have been reduced to normal (pre-merger) levels and we have noticed overall improvement in transit times to major gateways.

Again, Celanese suggests to you that the improvement in competitive pricing, the improved service (e.g., transit times), and more efficient equipment utilization are not indications that new sanctions should be imposed.

I declare that the foregoing is true and that I am authorized to file this statement.

Regards,

Wrennie Love

Wrennie Love
Manager, Rail Commercial
Celanese
Dallas, TX

191330

RMC LONESTAR

6601 Koll Center Parkway
P.O. Box 5252
Pleasanton, CA 94566
(510) 426-8787

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Office of the Secretary
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Public Record

September 15, 1998

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

FD 32760 SUB 26

Re: Union Pacific Regulation

RMC LONESTAR is opposed to the proposals to impose new conditions on UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These proposed conditions would go in the wrong direction.

The best answer to service problems in Houston and the Gulf Coast, and throughout the West, is to let UP fight its way out of them. Weakening UP with further conditions is a mistake. We are concerned that added conditions in Houston and the Gulf Coast will undermine UP's ability to invest in service and infrastructure throughout its system. This would likely hurt our business and degrade our rail options.

We do not believe that further conditions are needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the STB on the UP/SP merger have worked well. Emergency service relief is proper in appropriate circumstances, but such relief should not be granted as a permanent condition to a merger.

For these reasons, RMC LONESTAR opposes the requests for special conditions on UP's operations around Houston and the Gulf Coast and urges that the STB reject them.

Sincerely,

Douglas K. Guerrero
Vice President, Cement Sales & Distribution

BW/ef/BW/UPREG98

191329

Texas Democratic Party

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SEP 24 1998
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Public Record

September 15, 1998

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

FD32760 - SUB26

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.

FD-32760 5-26-26

SOLOMON P. ORTIZ
27TH DISTRICT, TEXAS

2136 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4327
202-225-7742

DISTRICT OFFICES:
3649 LEOPARD, SUITE 510
CORPUS CHRISTI, TX 78408
512-883-5868

3505 BOCA CHICA BOULEVARD, SUITE 200
BROWNSVILLE, TX 78521
956-541-1242

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

COMMITTEES:
NATIONAL SECURITY
SUBCOMMITTEES:
RANKING MINORITY, MILITARY READINESS
MILITARY INSTALLATIONS AND FACILITIES
MORALE, WELFARE AND RECREATION PANEL

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

September 21, 1998

FILE IN DOCKET

OFFICE OF CHAIRMAN MORGAN
SEP 23 3 29 PM '98
RECEIVED
SURFACE TRANSPORTATION BOARD

Ms. Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Dear Chairman Morgan:

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

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

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

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

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

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

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

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

Sincerely,

Solomon P. Ortiz

Solomon P. Ortiz
Member of Congress

SPO:mek

cc: Vice Chairman Gus A. Owen

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
FD-32760
(Sub-26)

September 30, 1998

The Honorable Simon P. Ortiz
U.S. House of Representatives
Washington, DC 20515-4327

Re: Houston/Gulf Coast Rail Oversight Proceeding

Dear Congressman Ortiz:

Thank you for your letter asking the Board to review carefully requests that the Board require changes to the way in which service is provided in the Houston/Gulf Coast area. In your letter, you note that a broad group of interests has expressed support for enhanced railroad capacity and investment, neutral and fair dispatching and switching, and adequate rail-to-rail competition in the Houston area. You ask the Board to keep these objectives in mind as it moves to resolve the issues in the proceeding, and to give serious consideration to the "Consensus Plan" filed in the case.

At this time I cannot address in any detail the issues raised by the Consensus Plan filing, because, as you know, the Board is conducting a formal proceeding, in the context of its oversight of the Union Pacific/Southern Pacific (UP/SP) merger, to consider the matter. I assure you, however, that, as it considers proposals for permanent changes in the Houston/Gulf Coast area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the issues that concern shippers and of the need for strong competitors in the West and throughout the Nation, and it will remain committed to issuing decisions that are in the interest of railroads, shippers, and the Nation as a whole.

I am having your letter and this response placed in the formal docket for the Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

Nebraska Public Service Commission

300 The Atrium, 1200 N Street
P.O. Box 94927
Lincoln, Nebraska 68509-4927
(402) 471-3101

LOWELL C. JOHNSON
COMMISSIONER, 3RD DISTRICT

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SEP 18 1998
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September 18, 1998

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

FD32760-SUB36

Dear Secretary Williams:

I am writing as an individual Commissioner in reference to the pending decision of the Surface Transportation Board regarding whether to impose additional conditions on the Union Pacific Railroad's (UP) operations in the Houston and Gulf Coast area.

While Union Pacific's recent service problems have received a great deal of publicity and criticism, it appears that congestion in the Gulf Coast region has been virtually eliminated and that with some exceptions service is improving steadily throughout the UP system. These improvements are a direct result of the substantial investment of dollars and other resources the UP has dedicated to the problem. Given the dismal condition of the SP prior to its merger with the UP, the significant strides that have been achieved in only one year are noteworthy.

Here in Nebraska, we have felt the effects of UP's service problems and continue to experience some congestion due to the massive capacity expansion projects UP is currently installing. However, I am very concerned that if the federal government imposes additional conditions on an already-weakened railroad, UP will lack the necessary resources to continue its recovery, fund much needed infrastructure improvements, and reemerge as a strong, competitive presence in the rail system in the West. Our Nebraska industrial, commercial, and agricultural economy is critically dependent on the service which UP provides.

I urge the Surface Transportation Board to seriously consider the negative consequences additional conditions will generate throughout the Western rail network. A vibrant rail system requires two strong, competitive railroads, which we presently lack. I ask the Board to decline to impose additional conditions on Union Pacific Railroad.

Sincerely,

Lowell C. Johnson

LCJ:tsg

STB FD 32760 (Sub 26) 9-18-98 J 191243

191243

City of Portland
Vera Katz
Mayor

September 16, 1998

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

ENTERED
Office of the Secretary
SEP 22 1998
Part of
Public Record

J

RE: Houston/Gulf Coast Oversight Proceeding
Finance Docket No. 32760 (Sub-No. 26)

Dear Secretary Williams:

I am writing to urge the Surface Transportation Board to decline to impose additional conditions on Union Pacific Railroad's operations in the Houston/Gulf Coast area.

As Mayor of Portland, I am keenly aware of service problems from undercapitalized, poorly-performing railroads. The Southern Pacific merger with the Union Pacific has brought improvements. While service problems since that merger are still present, I feel strongly that good, consistent service will not be possible if UP cannot recover from its currently weakened condition. The imposition of the additional conditions contemplated will seriously threaten that recovery.

In addition to the large sums of money spent in the Gulf Coast area, Union Pacific has invested heavily in both infrastructure improvements and capacity expansion in Oregon and elsewhere throughout its system. Additional investment is still badly needed, and can only be made out of revenues generated by UP's present and future traffic base. UP experienced an unprecedented loss of $230 million over the last three consecutive quarters. The proposed additional conditions would deprive UP of the revenues needed to continue its system investments to the detriment of Oregon shippers.

Competitive, dependable rail service in the West assumes two strong railroads. We currently have only one, the BNSF. I strongly caution the Board against taking any action that will contribute further to the current competitive imbalance that exists in the West, and urge the Board to forego additional conditions that will undermine UP's ability to reinvest future revenues in much needed infrastructure improvements and capacity expansion in Oregon and elsewhere.

Thank you for your consideration.

Warm regards,

Vera Katz

VERA KATZ
Mayor

1221 SW 4th Avenue, Suite 340 • Portland, Oregon 97204-1995
(503) 823-4120 • FAX (503) 823-3588 • TDD (503) 823-6868 • www.ci.portland.or.us/mayor/

LAW OFFICES
McCARTHY, SWEENEY & HARKAWAY, P.C.
1750 PENNSYLVANIA AVE., N. W.
WASHINGTON, D. C. 20006

LAWRENCE W. BIERLEIN
DOUGLAS M. CANTER
JOHN M. CUTLER, JR.
ANDREW P. GOLDSTEIN
STEVEN J. KALISH
KATHLEEN L. MAZURE
HARVEY L. REITER
DANIEL J. SWEENEY

TELEPHONE (202) 393-5710
TELECOPIER (202) 393-5721
email: msh@mshpc.com
http://www.mshpc.com

WILLIAM I. HARKAWAY
COUNSEL

ENTERED
Office of the Secretary
SEP 22 1998
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Public Record

RECEIVED
SEP 18 1998
MAIL
MANAGEMENT
STB

September 15, 1998

Re: STB Finance Docket No. 32760 (Sub-No. 26),
Union Pacific Corporation, et al. -- Control and Merger -- Southern Pacific Rail Corporation, et al.
[Houston/Gulf-Coast Oversight]

TO ALL NEW PARTIES OF RECORD:

Pursuant to the STB's Notice of September 10, 1998, Formosa Plastics Corporation, U.S.A. hereby serves you, as a new party of record, with the Public Version of its Comments previously filed with the STB on July 8, 1998. Persons who were parties of record as of July 8 were previously served with a copy of the same pleading.

Sincerely,

Andrew P. Goldstein
Attorney for
Formosa Plastics Corporation, U.S.A.

cc: Honorable Vernon A. Williams
Secretary
Surface Transportation Board

AGP/rmm

STB FD • 32760 (Sub 26) 9-16-98 • J 191245

191245

OxyChem®

September 11, 1998

ENTERED
Office of the Secretary
SEP 22 1998
Part of
Public Record

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street N.W. 7th Floor
Washington, D.C. 20423-0001

RE: Houston/Gulf Coast Oversight Processing
Finance Docket No. 32760 (Sub No. 26)

I am Robert L. Evans, Director, Transportation Pricing, Occidental Chemical Corporation (OxyChem) with a business address at P.O. Box 809050, Dallas, Texas 75380. My responsibilities include the safe and successful movement of 70,000 rail carload shipments annually.

OxyChem is one of the top ten largest chemical corporations in the United States, manufacturing chlor-alki products and plastic resins from over twenty manufacturing plants located on each of the major Class I railroads. From these plants OxyChem operates a fleet of 7,000 rail cars.

OxyChem originally supported the Union Pacific Southern Pacific merger in 1995. We are again writing to <u>support</u> Union Pacific's position with respect to the current oversight hearings for increased access by other carriers in the Houston area.

OxyChem has three plants in the Houston area and like many shippers the OxyChem plants also experienced many service problems following the merger with the Southern Pacific. We did not, however, experience a reduction in competition due to the merger. The Union Pacific worked well with our company during the critical times by allowing us to move freight away from them even before the emergency orders.

OxyChem has not experienced the improved service that was expected by this time; however, the Union Pacific is reporting to OxyChem regularly our service in critical areas even after the lifting of the emergency order. They continue to make progress in these areas.

OxyChem has always requested that competition needed to be rail-to-rail as many of our commodities are only transported by rail for safety reasons. We currently experience rail-to-rail competition within our Houston manufacturing plants.

The Union Pacific purchased a major railroad (Southern Pacific). They need the traffic this provides to compete with the Burlington Northern Santa Fe and to expand and improve their plant (system) to remain a strong competitor throughout their franchises. OxyChem believes that further conditions will interfere with the Union Pacific's operations and could delay the future improvements in the Union Pacific service.

OxyChem is working very actively on the Conrail Council that came to a mutual agreement between the Council, CSXT and Norfolk Southern on objective measurable standard. The STB has reduced the reporting of measurements by the Union Pacific railroad. We believe that the measurements shouldn't be reduced but that they should have additional measurements similar to those agreed to by the Council imposed upon the Union Pacific so the STB, as well as the shippers can better determine critical area monitoring rather than system wide monitoring.

The above information clearly and descriptively states OxyChem's position on the oversight proceeding. Should the STB require additional comments or dramatically alter the Union Pacific Southern Pacific system covering Texas, OxyChem then reserves the right to reevaluate or change its position.

Occidental Chemical Corporation
Corporate Office
Occidental Tower, 5005 LBJ Freeway
P.O. Box 809050, Dallas, TX 75380-9050
972/404-3800

Verification

State of Texas

County of Dallas

Robert L. Evans being first duly sworn, deposes and says that he has read the forgoing document, knows the facts asserted therein and that the same are true as stated.

Robert L. Evans

Robert L. Evans

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

Notary Public

My commission expires 9/02/2002

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

1300 I STREET, N.W.
SUITE 500 EAST
WASHINGTON, D.C. 20005-3314
TELEPHONE: 202-[illegible]-2950
FACSIMILE: 202-274-2917
INTERNET: sandra.brown@troutmansanders.com

Sandra L. Brown
202-274-2950

RECEIVED
AUG 21 1998
MAIL
MANAGEMENT
STB

August 20, 1998

BY FACSIMILE AND REGULAR MAIL

David L. Meyer, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566

Re: Finance Docket No. 32760 (Sub-No. 26) (Sub-No. 30)

Dear David:

We have tried unsuccessfully to reach you today to try and come to an agreement regarding certain documents which are the subject of a discovery conference set for Friday, August 21, 1998 at 10:00 a.m..

We wish to make clear that Tex Mex and KCS believe that Union Pacific's objections to the redactions are neither well-taken nor timely, and we do not waive those objections or any other objection previously raised, including but not limited to the relevance of the documents. In addition, neither Tex Mex nor KCS agree with the substance of arguments raised in your letter of August 17, 1998 to Judge Grossman requesting a discovery conference regarding this matter. In particular, we believe that the redactions in the documents previously provided are consistent with Judge Grossman's ruling on this matter at the discovery conference on July 13, 1998. In that conference, Judge Grossman held that redactions were permissible with respect to discussions of "the nature of ongoing negotiations with shippers or other railroads," Tr. 41-42, and "the commercial negotiating details of . . . a potential agreement," Tr. 49.

Nevertheless, other considerations lead Tex Mex and KCS to propose producing the pages listed in Appendix D of your August 17th letter in a less redacted manner, *i.e.* redacting only the numbers corresponding to proposed contractual terms, including, but not limited to, rates, divisions, and volumes.

We believe that this proposal should render the discovery conference on Friday, August 20 unnecessary. We also propose to have the less-redacted versions of these documents produced to you by COB Tuesday, August 25, 1998.

Please call us if you have any questions.

Sincerely yours,

Sandra

Sandra L. Brown
Attorney for The Kansas City Southern Railway Company

Scott Zimmerman /SLB

Scott M. Zimmerman
Zuckert Scoutt & Rasenberger, LLP
Attorney for The Texas-Mexican Railway Company

cc: The Honorable Stephen Grossman (by hand)
The Honorable Vernon A. Williams (by hand)
Erika Z. Jones, Esquire (by facsimile)

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
FD-32760
(Sub-26)

August 21, 1998

Mr. Ward Uggerud
Chairman
Alliance for Rail Competition
1100 New York Avenue, NW
Suite 750 West
Washington, DC 20005

Re: Union Pacific Service Issues

Dear Mr. Uggerud:

Thank you for sending me a copy of your letter to Robert Starzel, Vice President-Western Region, Union Pacific Railroad (UP). Your letter, which addresses the situation in the West in general, and in Houston in particular, expresses your view that additional competition is necessary in the rail industry.

I am placing your letter and this response in the docket in the Houston/Gulf Coast oversight proceeding. I appreciate your interest in this matter.

Sincerely,

Linda J. Morgan

Linda J. Morgan

ARC
Alliance for
Rail Competition
1100 New York Avenue, NW, Suite 750 West • Washington, DC 20005 • Phone (202) 216-9270 • FAX (202) 216-9662

FILE IN DOCKET

RECEIVED
SURFACE TRANSPORTATION
BOARD

Jul 22 3 15 PM '98

OFFICE OF
CHAIRMAN MORGAN

July 20, 1998

Mr. Robert Starzel
Vice President-Western Region
Union Pacific Railroad
1 Market Plaza
San Francisco, California 94105

Officers and Executive Committee

Chairman
Ward L. Uggerud
Otter Tail Power Company

Vice Chairman
Frederic E. Schrodt
Farmland Industries

Secretary
Edward Rastatter
National Industrial Transportation League

Treasurer
Frederick D. Palmer
Western Fuels Association

Maureen A. Healey
Society of the Plastics Industry

Terry C. Whiteside
Montana Wheat and Barley Committee

Executive Director
Diane C. Duff

Dear Mr. Starzel:

After having a chance to review a copy of your June 23, 1998 letter discussing efforts to develop an effective solution to the problems plaguing rail service in Houston and sent to government officials and various rail customers, I'd like to point out that, in one sense, the Alliance for Rail Competition agrees with you—Enough is enough! However, ARC takes exception to the remainder of your diatribe.

Shippers in the Western United States have been suffering for more than a year from the mismanaged efforts of the UP to integrate the SP into its operations. Throughout the crisis, UP has sought to deny responsibility, blaming its service problems on its customers, its employees and even the condition of the SP's lines—a factor that should have been well-known to the UP if due diligence had been exercised both before the acquisition and during the implementation planning.

Consistent with its denial of responsibility has been UP's rosy claims of recovery. The UP promised in hearings before the Surface Transportation Board in late October of 1997 that service would be restored by Thanksgiving. As successive projected recovery dates passed with no improvement or even further backsliding, the UP stopped making projections. Your claims now that "the emergency in Houston is over" does not comport with reports from the shipper community of inadequate service, lack of car supply and poor transit times. As a result, UP's claims that service is restored can only be viewed as an attempt to portray the degraded quality of service as the new norm. This is simply unacceptable.

Thousands of shippers, both individually and through representation by coalitions and leading associations, opposed the UP/SP merger due to fears that the merger proposal, including the trackage rights agreement with BNSF, would leave UP in control of Gulf Coast industry. Their worst fears about the impact of monopoly control have not just been realized; reality has far-exceeded their wildest dreams. The crisis in Houston must be averted, and immediately. Clearly, that means involvement of Texas regulators, shippers, businesses and others in the rail industry because what you are advocating is a continuation of the power to leverage captive customers to pay for UP's mistakes. We

have gone beyond the point where whining about a dwindling of UP's monopoly market share is relevant. Nor is a solution that transfers that monopoly power from one carrier to another appropriate. UP and other rail carriers, like every other service organization, should have to earn the confidence and business of their customers by competing for it. Proposals that have been forwarded to the STB have suggested a variety of options that would allow for such rail-to-rail competition to take place in Houston, and they should be given serious consideration.

The lessons learned in Houston must then also be applied to the rest of the rail industry, nationwide. Competition is the driving force behind innovation, efficiency and quality performance. Railroads must compete to be robust, not the other way around, and this has been demonstrated over and over again in virtually every other highly capitalized industry that has been transformed from a monopoly into a competitor.

Over the past year, the UP has become a textbook example of the failures of monopoly control. Only competition will give the UP the opportunity to earn the confidence, and the ability, to earn the business of the shipping community. We challenge the UP to stop defending failure, and to demonstrate the claims made during the merger of superior management and performance in the only manner possible—through demonstration every day in a truly competitive environment.

Sincerely,

Ward L. Uggerud

Ward L. Uggerud

cc: Dick Davidson, Union Pacific Railroad
STB Chairman Linda Morgan ✓
STB Vice Chairman Gus Owen
Members, Senate Commerce Committee
Members, House Transportation & Infrastructure Committee
Members, Texas Railroad Commission

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
70-32760
(Sub-26)

August 21, 1998

The Honorable Robert L. Livingston
United States House of Representatives
Washington, DC 20515-1801

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congressman Livingston:

Thank you for your letter dated August 7, 1998, expressing your concern over the length of the "wind-down" period for the Board's emergency service order that provided temporary changes to the way in which service is provided in the Houston/Gulf Coast area. In your letter, you suggest that the Board should extend the wind-down period until it completes its proceeding considering several requests for permanent changes to the Houston/Gulf Coast rail configuration.

The Board has authority to act under the emergency service order provisions of the law only when it finds that there is a rail emergency. As I am sure you are aware, in its decision issued on July 31, 1998, the Board found that the rail service emergency in the Houston area was over, and thus that it could not issue further emergency service order relief. Recognizing that shippers would benefit from some transition time, however, the Board provided for a wind-down period, the length of which was the subject of substantial deliberation among staff. In a typical service order case, the Board provides a short transition period of approximately two weeks. In this case, I initially concluded that a period of 15-30 days to wind down contracts could be justified, but that anything longer would run a substantial risk of being found by a court to be an illegal extension of the service order. Nevertheless, to give shippers the maximum relief possible, we decided to provide a 45-day wind-down period. You note that the wind-down period will expire before the Board completes its review of the several pending Houston/Gulf Coast proposals (as to which final public comments will not be filed until October 16, and as to which the Board will not likely issue a final decision before November or December of this year). As the Board pointed out in its July 31 decision, however, the Houston/Gulf Coast oversight proceeding and the emergency service order proceeding are entirely distinct.

I understand your concern that shippers in the Houston/Gulf Coast area receive good service. In its July 31 decision, the Board pointed out that service in the area has improved, and it found no basis on which to conclude that Houston/Gulf Coast shippers would not be adequately served after the service order expires. Nevertheless, the Board expressed its commitment to continue to be vigilant and to take action as appropriate in the event that service deteriorates, and I can assure you that we take that commitment seriously.

I am aware of the positions taken by various Gulf Coast shippers in the Houston/Gulf Coast oversight proceeding. The Board will seriously consider all positions that are advanced, and will seek to reach a resolution that is the interest of railroads, shippers, other interested parties, and the Nation as a whole.

For your information, I am enclosing a copy of the Board's July 31 decision. I am also having your letter and this response placed in the formal docket in the Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

Enclosure

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
FD-32760
(Sub-26)

August 21, 1998

The Honorable Sam Brownback
United States Senate
Washington, DC 20510-1604

Re: Houston/Gulf Coast Oversight Proceeding

Dear Senator Brownback:

Thank you for your letter dated August 14, 1998, asking the Board to consider seriously modifying the railroad configuration in the Houston area by requiring a system that entails neutral switching and dispatching and that provides shippers with new competitive alternatives. In your letter, you express your view that implementation of these steps would have a positive impact on rail service throughout the Nation.

I cannot respond in detail to the points you have raised, because, as you know, the Board is conducting a formal proceeding to consider several requests to require changes to the way in which service is provided in the Houston/Gulf Coast area. I assure you, however, that the Board will seriously consider all positions that are advanced, and will seek to reach a resolution that is the interest of railroads, shippers, other interested parties, and the Nation as a whole.

I am having your letter and this response placed in the formal docket in the Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

SAM BROWNBACK
KANSAS

(202) 224-6521 PHONE
(202) 228-1265 FAX

United States Senate

WASHINGTON, DC 20510-1604

COMMITTEES:
COMMERCE, SCIENCE, AND TRANSPORTATION
FOREIGN RELATIONS
GOVERNMENTAL AFFAIRS
JOINT ECONOMIC COMMITTEE

FILE IN DOCKET

August 14, 1998

Ms. Linda Morgan
Chairman
Surface Transportation Board
1925 K St., N.W.
Washington, D.C. 20423-0001

Dear Chairman Morgan:

As you are aware, I am deeply concerned about the state of rail service in Kansas and the adequacy of competition within the industry.

I understand that the STB is now considering proposals to modify conditions it imposed in approving the 1996 merger of the Union Pacific and the Southern Pacific rail carriers. Consideration is being given specifically to changes in the ownership and operation of facilities in the Houston/Gulf Coast region. Given the profound impact that congestion in this region has had over the past year on rail service throughout the western United States, I believe that permanent changes are needed and I urge you to give serious consideration to the alternatives presented to you.

There simply must be better and more competitive options for obtaining rail service. As you know, the control of traffic through the critical Houston area has a profound impact on the system overall. The emergency service orders that STB imposed during the past nine months helped to stabilize the flow of traffic in that area; however, with the expiration of those orders, shippers have no viable alternatives for procuring rail service in that area independent of the Union Pacific. I am concerned about the potential this presents for a repeat of last year's crisis, and I hope the STB will act promptly to instate permanent adjustments that will instill greater competition. I believe that this can be accomplished with minimal negative impact on carriers' current operations.

Specifically, I urge you to consider a plan that implements neutral switching and dispatching as well as provides shippers multiple options for obtaining long haul service through the Houston area. I believe that these options would enhance competition among railroads in this critical region, and would therefore have a positive impact on rail service throughout the country.

Thank you for your consideration.

Sincerely,

Sam Brownback
United States Senate

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(785) 233-2616 FAX

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(316) 275-1837 FAX

225 NORTH MARKET, SUITE 120
WICHITA, KS 67202
(316) 264-6066 PHONE
(316) 264-9078 FAX

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OVERLAND PARK, KS 66214
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(913) 492-7253 FAX

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

FILE IN DOCKET
FD - 32760
(Sub-26)

August 21, 1998

The Honorable Nick Lampson
U.S. House of Representatives
Washington, DC 20515

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congressman Lampson:

Thank you for your letter dated July 30, 1998, expressing your support for the Board's determination to initiate a proceeding reviewing requests that the Board require changes to the way in which service is provided in the Houston/Gulf Coast area. In your letter, you note that a broad group of interests has expressed support for enhanced railroad capacity and investment, neutral and fair dispatching and switching, and adequate rail-to-rail competition in the Houston area. You ask the Board to keep these objectives in mind as it moves to resolve the issues in the proceeding, and to give serious consideration to the "consensus plan" filed in the case.

I cannot respond in detail to the points you have raised, because, as you have pointed out, the Board is conducting a formal proceeding to consider several requests to require changes to the way in which service is provided in the Houston/Gulf Coast area. I assure you, however, that the Board will seriously consider all positions that are advanced, and will seek to reach a resolution that is the interest of railroads, shippers, rail employees, other interested parties, and the Nation as a whole.

I am having your letter and this response placed in the formal docket in the Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

Surface Transportation Board
Washington, D.C. 20423-0001

Office of the Chairman

August 21, 1998

The Honorable Kenneth E. Bentsen, Jr.
U.S. House of Representatives
Washington, DC 20515

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congressman Bentsen:

Thank you for your letter dated July 30, 1998, expressing your support for the Board's determination to initiate a proceeding reviewing requests that the Board require changes to the way in which service is provided in the Houston/Gulf Coast area. In your letter, you note that a broad group of interests has expressed support for enhanced railroad capacity and investment, neutral and fair dispatching and switching, and adequate rail-to-rail competition in the Houston area. You ask the Board to keep these objectives in mind as it moves to resolve the issues in the proceeding, and to give serious consideration to the "consensus plan" filed in the case.

I cannot respond in detail to the points you have raised, because, as you have pointed out, the Board is conducting a formal proceeding to consider several requests to require changes to the way in which service is provided in the Houston/Gulf Coast area. I assure you, however, that the Board will seriously consider all positions that are advanced, and will seek to reach a resolution that is the interest of railroads, shippers, rail employees, other interested parties, and the Nation as a whole.

I am having your letter and this response placed in the formal docket in the Houston/Gulf Coast oversight proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan

Congress of the United States

Washington, DC 20515

July 30, 1998

RECEIVED
SURFACE TRANSPORTATION
BOARD
Aug 03 1 55 PM '98
OFFICE OF
CHAIRMAN MORGAN

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

FILE IN DOCKET

Dear Madam Chair:

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

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

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

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

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

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

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

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

These objectives are central to concerns we have heard from our constituents and from the shippers. We urge you to bear them in mind as your proceeding moves forward. Additionally, we urge you to give consideration to the consensus plan recently filed by several

shipper groups, the Railroad Commission of Texas and two railroad companies to resolve service and competitive problems in the Houston/Gulf Coast area. This plan attempts to address many of these objectives and we hope you will give it careful consideration.

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

Sincerely,

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

Nick Lampson, M.C.