

STB FD 32760 (Sub 26) 12-14-98 J 192694

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united transportation union



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

ENTERED December 10, 1998
Office of the Secretary

DEC 14 1998

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Public Record



Re: **STB Finance Docket No. 32760 (Sub-No. 26)**
[Houston/Gulf Coast Oversight]

Dear Secretary Williams:

This is in reference to Decision No. 7 in this proceeding regarding oral argument. United Transportation Union respectfully submits that it does not wish to participate in oral argument in an effort to conserve the Board's time. However, UTU would like to submit this letter to reiterate its position that it opposes the proposed conditions and urges the Board to reject them.

The UTU is strongly opposed to the proposals to add new conditions on UP's operations around Houston and in the Gulf Coast area. The conditions are not a solution to the service issues we have seen in Texas and elsewhere. And they would badly hurt UP. Weakening UP with further losses on traffic and revenue is a bad idea and poor public policy. Rail service and competition in the West requires that UP be strong and fully able to compete against BNSF. These proposals would drain resources from UP and make it a weaker competitor. UP's ability to make necessary investments in its infrastructure throughout its system would certainly be threatened by conditions that further undermine its financial base and competitive position.

Thank you for the opportunity to present UTU's opposition to the proposed conditions.

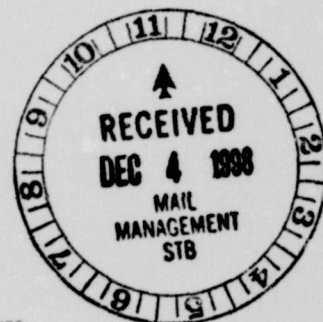
Sincerely,

Daniel R. Elliott, III
Assistant General Counsel

cc: C. L. Little, International President
B. A. Boyd, Jr., Assistant President
D. E. Johnson, Vice President-Administration
C. J. Miller, III, General Counsel
All Parties of Record

STB FD 32760 (Sub 26) 12/4/98 J 192512

192572



December 1, 1998

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
STB Finance Docket No. 33556
1925 K Street, N.W.
Washington, DC 20423-0001

ENTERED
Office of the Secretary

DEC 04 1998

Part of
Public Record

J

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

Dear Mr. Williams:

My name is Michael Ortega. I am Assistant General Manager of the San Diego & Imperial Valley Railroad ("SDIY"). SDIY is a Class III rail carrier providing rail service over 163 miles of track that extends from San Diego, California through Tijuana and Tecate, Mexico, to Plaster City, California. SDIY connects with the BNSF in San Diego, California and the Union Pacific Railroad ("UP") in Plaster City, CA. The SDIY transports approximately 4,300 carloads annually to rail shippers in both Southern California and Northern Baja California, Mexico. Commodities transported include liquefied petroleum gas, lumber, food goods, paper, plastics, grain, scrap metal and paper.

I am filing this Verified Statement in support of the Burlington Northern and Santa Fe Railway ("BNSF") request that the Board review BNSF's proposed options for service improvements in south Texas. It is in everyone's best interest to achieve better service for shippers and to reduce congestion. We believe that this request will benefit our company and other shippers and will result in service improvements.

I, Michael Ortega, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 1st day of December, 1998.

Sincerely,

Michael A. Ortega
Assistant General Manager

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5907

State of California

County of San Diego

On December 1, 1998 before me, Sue Strohmeyer, Notary Public,
DATE NAME, TITLE OF OFFICER - E.C. "JANE DOE, NOTARY PUBLIC"

personally appeared Michael A. Ortega,
NAME(S) OF SIGNER(S)

☒ personally known to me - **OR** - ☐ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Sue Strohmeyer
SIGNATURE OF NOTARY

OPTIONAL

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TITLE(S)

- ☐ PARTNER(S) ☐ LIMITED
☐ GENERAL
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STB FD 32760 (Sub 26) 12-2-98 J 192480

TROUTMAN SANDERS LLP

ATTORNEYS AT LAW
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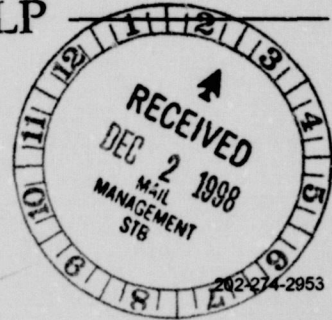
ENTERED
Office of the Secretary

DEC 02 1998

William A. Mullins

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Public Record

December 2, 1998



HAND DELIVERY

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

Re: Finance Docket No. 32760 (Sub-No. 26) *Union Pacific Corp. – Control & Merger – Southern Pacific Rail Corp. – Houston Gulf Coast Oversight*

Dear Secretary Williams:

On October 16 and pursuant to the Board's procedural schedule in the above referenced docket, the Consensus Parties filed their rebuttal filing addressing UP's arguments in opposition to the Consensus Plan. On October 27, despite the rules prohibiting a reply to a reply, counsel for UP submitted a "reply" to the October 16 rebuttal filing. On November 10, the Consensus Parties (not just KCS and Tex Mex) moved to strike UP's October 27 letter and, in the alternative, offered sur-rebuttal. KCS-17/TM-26/CMA-10/RCT-9/SPI-10/TCC-10. Of course not content with not having the last word, on November 24, UP once again tendered a reply.

As the November 10 pleading was filed as a motion, UP had a right to reply to the propriety and merits of the motion to strike, but instead of confining itself to that issue, which UP only addresses on pages 1 and 2 of its November 24 letter, UP then proceeds to submit 5½ additional pages replying to the merits of the Consensus Parties' sur-rebuttal. While the Board's precedents clearly allowed the Consensus Parties the right to file sur-rebuttal, *see* Nov. 10 motion at 6, n. 2, no such precedents exist for allowing UP to file a reply to that sur-rebuttal. Accordingly, the Board should strike UP's November 24 letter as improper reply.

In light of UP's improper November 24 letter, the Consensus Parties are compelled to briefly respond. First and foremost, the evidence and argument submitted on October 16 and November 10 was submitted by all of the Consensus Parties. UP's constant reference to the evidence and argument as a "KCS/Tex Mex claim" or as "KCS/Tex Mex say" is an insult to the many shippers and public bodies who are represented by the various members of the Consensus

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A LIMITED LIABILITY PARTNERSHIP

Hon. Vernon A. Williams

December 2, 1998

Page 2

Parties or who have submitted letters endorsing many of the principles contained with the Consensus Plan.

Second, UP continues to insist that the 2-to-1 traffic study should have been presented in the initial affirmative case and therefore was improper rebuttal because it was filed on October 16. Again, UP simply ignores the fact that the Consensus Parties did not even have the ability to access UP's or BNSF's 100% traffic tapes (access to which is the only means by which a 2-to-1 study can be performed) until July 15, a full week after the July 8 filing. Indeed, UP did not even forward the first half of 1998 data until August 15. Thus, none of the 1998 data could have been presented until the rebuttal. More pertinent for the instant considerations, the study directly contradicts evidence and issues raised by UP in its September 18 opposition case.

Third, UP continues to criticize the "2-to-1" facilities and points utilized in the Grimm/Plaistow study. Of course, the facilities and points were the precise "2-to-1" shippers listed by UP during the course of the original merger proceeding. Using the list provided by BNSF's October 1, 1997 Progress Report, the original list was then updated to include additional facilities and points. Indeed, the Consensus Parties have previously requested UP, the sole potential source, to give Messrs. Grimm and Plaistow an updated list as used by UP, but UP has not provided one.¹

If UP has the only accurate list, then UP could have provided a market share study of its own, utilizing their list, that would, if UP were to be believed, debunk the Grimm/Plaistow analysis. UP has not provided this Board with such a study. It is remarkable that in light of UP's criticisms about everyone else's studies, UP has not come forward with its own study. One must assume that UP neglected to produce such a study for the record because its results would confirm rather than contradict the Grimm/Plaistow study results. Indeed, the data speak for themselves and no manner of gerrymandering by either UP or Grimm/Plaistow will change that fact.

Other than taking issue with some of the facilities and points used, UP has simply not challenged the bottom line finding of the Grimm/Plaistow study—that BNSF has merely a 9% share of 2-to-1 traffic. Yet, SP had a 32% market share of this traffic prior to the UP/SP merger.

¹ Curiously, while UP claims the list utilized was inaccurate, UP, with a few exceptions, fails to point out which "2-to-1" facilities or points that were listed on Exhibits A-E provided to the Board on November 10 should not have been included in the sur-rebuttal study. As for one of the exceptions, UP claims that some of the points and facilities included in the Grimm/Plaistow study are non-existent. If this is true, then the Grimm/Plaistow study would not have counted this facility because the traffic tapes would show no traffic as coming from that facility. Thus, simply listing a non-existent facility is harmless error and would not have skewed the results.

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

Hon. Vernon A. Williams

December 2, 1998

Page 3

If UP's claim is correct that BNSF is a stronger railroad than SP ever was, then the only explanation for BNSF's far smaller market share of 2-to-1 traffic in Houston is obvious: neither BNSF nor any other railroad can effectively compete against UP when it has to operate via trackage rights and UP controls the dispatching and the switching. Indeed, independently operated and dispatched infrastructure is the only real solution.² UP's argument that 2-to-1 shippers have simply decided to choose UP over BNSF fails to explain why shippers, during the midst of a service crisis, would choose gridlock!

Fourth and finally, UP continues its assault against some of its largest shippers and the data that they have provided with respect to UP's pre and post merger service levels. While criticizing the number of shippers submitting data, UP does not refute the fact that those shippers who did submit data represented 25-30% of the plastics production capacity and thus constituted a significant representative sample. UP further attacks some of the SPI data as inaccurate, but then fails to address the ultimate conclusion of the data—that UP's service levels are not even near its pre-merger levels.³

UP claims it has "UP only" data and "on-line transit data" showing UP service on all major shipping corridors. UP then criticizes SPI for not using it, yet UP fails to produce such data or to provide this Board with a study, using that data, that would show UP's service levels are in fact better than or equal to the pre-merger levels. Again, as with the 2-to-1 study which UP failed to produce as evidence, one only can assume that UP neglected to provide its own

² According to UP, BNSF's trackage rights volumes have increased so that BNSF has 50% of the available market for its trackage rights. UP November 24 Letter at 3, n. 1. UP gives no definition of "available market." Simply pointing to BNSF's volumes utilizing its trackage rights does nothing to show the extent to which BNSF is competing with UP. Indeed, theoretically, all of BNSF's volume growth over its trackage rights lines could be attributed to BNSF simply rerouting existing BNSF traffic away from its own, more circuitous routes, to the trackage rights lines. Neither BNSF nor UP has ever attempted to provide this Board or the public with a breakdown of that volume growth so that one could determine how much of that growth could be attributed to traffic gained by BNSF at 2-to-1 points.

³ UP continues to attempt to attribute partial responsibility for the service problems in the West to other carriers, as it has since the inception of the service problems in mid-1997. In its most recent filing, CSX is the scapegoat. Whatever the effects caused by other railroads, neither CSX nor any other railroad recently has been the subject of a Emergency Service Order. Nor can the "chronic service problems on CSX in the southeast this year" or any "storm damage" or "derailments" affecting other carriers (both of the latter factors regularly experienced by the railroad industry) explain the erosion of UP service since late 1995 or the gridlock on the UP lines beginning in mid-1997. It is beyond credulity that unspecified episodic occurrences on other carriers have had the cumulative effect of eroding UP's service quality.

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

Hon. Vernon A. Williams

December 2, 1998

Page 4

service level study for the record because the results of that study would confirm rather than contradict what SPI's study shows—UP's post merger service levels are nowhere near its pre-merger levels. Furthermore, Dow Chemical, which UP says has better service than before the merger, has submitted comments in this proceeding complaining about UP's service levels. DOW-2 at 3.

Sincerely,



William A. Mullins

Signed on behalf of and with the permission
of each of the Consensus Parties

cc: All Parties of Record

STB FD 32760 (Sub 26) 11-20-98 J MOCH



Office of the Chairman

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

November 20, 1998

The Honorable Gene Green
United States House of Representatives
Washington, DC 20515-4329

FD-32760 Sub 26

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Green:

Thank you for your letter regarding the rail situation in the Houston/Gulf Coast area. In your letter, you note that service in the area has improved, but you state that further improvements are still needed. You also express the view that future service problems can be prevented only if the infrastructure in the Houston area is upgraded. You ask the Board to keep these considerations in mind as it considers the various suggestions for changes to the way in which rail service is provided in the area.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. The Board has in the past, however, stated that it shares your view that upgraded infrastructure is vital for the Houston area. I assure you that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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

• **GENE GREEN**

29TH DISTRICT, TEXAS

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Congress of the United States
House of Representatives
Washington, DC 20515-4329

November 2, 1998

COMMITTEE ON COMMERCE

- SUBCOMMITTEE ON
TELECOMMUNICATIONS, TRADE AND
CONSUMER PROTECTION
- SUBCOMMITTEE ON HEALTH AND
ENVIRONMENT

Ms. Linda Morgan
Chairman
Surface Transportation Board
Office of the Secretary
12th Constitution Ave. NW
Washington, D.C. 20423

OFFICE OF
CHAIRMAN MORGAN

Nov 6 2 10 PM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

Dear Ms. Morgan:

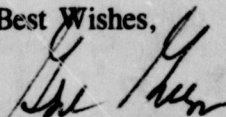
There is no doubt that the success of the petrochemical industry in Houston, one of the strongest in the world, relies on the strength of the railroad industry. After the merger of Union Pacific and Southern Pacific Railroads, the quality of rail service in Texas and the Gulf Coast deteriorated rapidly. The severe rail crisis that ensued had disastrous effects on the petrochemical industry and the Port of Houston, which lie within my Congressional District.

Both the length and severity of the rail crisis exacerbated its impact on the Houston Ship Channel's industries. As the Member of Congress representing this area, I remain concerned with the long-term reliability of service the plastic and chemical shippers receive. Substantial progress in correcting the rail problems has been made and the overall system has sufficiently rebounded from the earlier depths of the crisis. Yet, further improvements still need to occur.

I have closely monitored this situation for its duration and believe that long term solutions, including the construction of more infrastructure, should be implemented to prevent similar situations in the future. There is a critical need for the railroad industry to improve and expand the rail infrastructure in Houston and the Gulf Coast. In addition to making significant capital investments in Texas, the railroads serving Houston should upgrade the service they offer to the petrochemical industry and all customers along the Gulf Coast corridor.

Throughout this rail crisis, I have repeatedly communicated my concerns to the Surface Transportation Board. It is imperative that Houston and Texas have a rail system strong enough to withstand a similar meltdown in the future. I urge you to take these recommendations into consideration in the Board's pending decision in the Houston/Gulf Coast Oversight hearing.

Best Wishes,



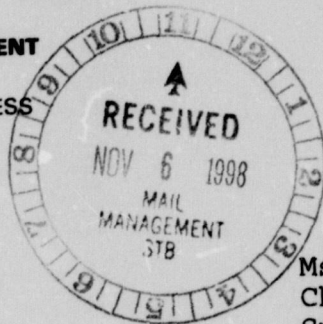
Gene Green
Member of Congress

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U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-4329

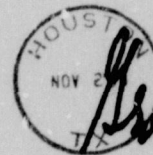
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OFFICIAL BUSINESS



Ms. Linda Morgan
Chairman
Surface Transportation Board
Office of the Secretary
12th Constitution Ave. NW
Washington, DC 20423

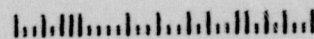
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(Sub 26)

11-20-98

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MOCSS



Office of the Chairman

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

November 20, 1998

The Honorable Pat Roberts
United States Senate
Washington, DC 20510-1605

FD-32760 Sub 26

Re: Union Pacific Houston/Gulf Coast Oversight Proceeding

Dear Senator Roberts:

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 note that there have been service problems in the recent past in the Houston area, and you suggest that the "Consensus Plan," under which UP's lines would be opened up to other railroads, would restore the competitive alignment that existed before the Union Pacific/Southern Pacific merger.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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

PAT ROBERTS
KANSAS

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COMMITTEES:
ARMED SERVICES
AGRICULTURE
INTELLIGENCE
ETHICS

United States Senate

WASHINGTON, DC 20510-1605

November 2, 1998

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

OFFICE OF
CHAIRMAN MORGAN

Nov 6 2 10 PM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

Dear Ms. Morgan:

I have been closely monitoring rail service during the 105th Congress and worked with a number of my colleagues on the Commerce Committee to improve shippers ability to seek competitive rail service.

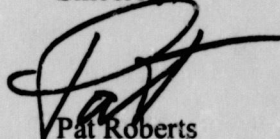
During our correspondence last year, I pointed out that Kansas relies upon railroads for the movement of agricultural commodities and manufactured goods in a timely and efficient manner. Last year, service problems in Houston greatly slowed down the ability to get Kansas grain to export facilities.

I hope the Board will use this proceeding to demonstrate that it will protect the public's interest and utilize its oversight authority to restore competition that existed prior to the merger. Specifically, the Consensus Plan developed by shippers and the Texas-Mexican Railway would permit more access to shippers by providing a third railroad to handle traffic in and out of Houston to the north and east. The Consensus Plan is a win-win design that would restore competition without undoing the benefits of the merger.

Because Kansans are concerned about rail service, I look forward to working with you to ensure that our rail transportation system remains competitive.

With every best wish,

Sincerely



Pat Roberts

PR:ky

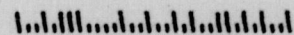
United States Senate

WASHINGTON, DC 20510-1605

OFFICIAL BUSINESS



Pat Roberts
U.S.S.



STB FD 32760 (Sub 26) 11-19-98 J 192318

INTERNATIONAL PAPER

November 14, 1998

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

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

Dear Secretary Williams:

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

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

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

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

The International Paper Company is served by the UP at all six of its primary paper mills in the southwestern United States, (Camden and Pine Bluff, AR; Bastrop, Mansfield and Pineville, LA; and Texarkana, TX). Immediately after the merger in September 1996, contrary to all UP media and public relations announcements, our UP/SP service levels dropped steadily through the Holidays and slowly recovered during the Spring of 1997. In June 1997, we encountered severe transit service problems to the west coast via UP, purportedly generated by systems



INTERNATIONAL PAPER
6400 POPLAR AVENUE
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Hon. Vernon A. Williams
November 14, 1998
Page Two

integration and consolidation "glitches". In July, overall transit performance started to deteriorate again and by August we were experiencing boxcar supply shortfalls at our southwestern mills, which continues to this day, affecting various mills ability to conduct business and serve their customers. On time transit performance via the UP has been a roller coaster ever since. Please see attached "Rail On Time Transit Performance for 1996 to 1998 YTD". This graph represents 145,000 carload shipments of outbound finished paper products from our mills to customers for the 33 month period noted. Union Pacific' sales, customer service and operating personnel worked feverishly during this period to correct problems and alleviate conditions with which we were suffering, with only limited success. Their management repeatedly made public pronouncements, gave assurances, and made promises, they could not and sadly did not meet. Plants were forced to curtail production or close for periods of time. Truck transportation for long haul moves was substituted at great expense, alternative rail routes were used in the few instances where that still was available; however, in the vast majority of cases we had little choice but to continue to use Union Pacific's service and endure their innumerable, ineffective efforts to bring their operating problems to heel in any reasonable time frame. No shipper should be compelled by reason of regulatory acceptance of what have turned out to be groundless commitments of railroad management or otherwise to face the possibility of any repeat of this "misadventure" in the future.

Where International Paper had the option of using alternative rail carriers during this crisis, we turned to those carriers, KCS and BNSF, in an attempt to preserve some semblance of rail operations in a marketplace numbed from a year of continuous, crippling service dysfunction not seen before on such a grand scale. Where rail alternatives were not available, we were compelled to continue to use UP service. Their overwhelming geographic dominance was gained through their merger with the SP and it has forced us to remain with them despite their intractable service problems and protracted inability to effectively deal with those issues in a timely and responsive manner.

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

BNSF through the UP/SP merger obtained rights to serve our mills at Camden and Pine Bluff, Arkansas. Our ability to utilize their services as well as their ability to provide service during this crisis period was limited due to a number of significant issues and impediments. While BNSF's desire to serve our mills was communicated clearly, their ability to do so was constrained by

Hon. Vernon A. Williams
November 14, 1998
Page Three

issues both within their control as well as beyond their control. The expected excess in boxcar equipment supply and locomotive power generated as a result of BNSF's own merger consolidation did not materialize as evidenced by BNSF's subsequent large orders for locomotive power as well as its inability to attract and handle anything but the most modest amount of traffic from these facilities. Notwithstanding the BNSF's overly optimistic pre-merger posturings about expected locomotive and boxcar supply surplus, International Paper is making every reasonable effort to employ BNSF services, as intended by this Board, but has only been able to achieve a modest degree of success. It is simply a fact that BNSF still does not have available the quantity and quality of cars suitable to meet our needs, which the pre-merger competitors UP and SP had.

Of course, it is manifestly unreasonable of us, as well as this Board, to think that BNSF could enter upon the Houston to Memphis scene and immediately serve a score of new customers to the degree and extent developed through years of operating experience and investment decisions of the pre-merger competitors now aligned as a post merger behemoth against the tentative efforts of this new entrant, BNSF, with its access limited to "2-to-1" customers and the need to subordinate its operational requirements to that of the landlord carrier, UP. It seemed plain then and it is clear now that BNSF cannot be the competitive replacement of the SP, as envisioned by the Board, anytime soon. Perhaps at some future date. We can only hope that the Board will respond and deal with all the unresolved competitive issues generated by the UP/SP merger.

Today we wish to inform the Board of operational issues beyond BNSF's control that can and should be changed to correct structural deficiencies in BNSF's rights as well as to improve movement of trains into, out of and through the Houston terminal which will favorably impact BNSF's ability to serve our mills on the Houston to Memphis corridor. For BNSF to be able to be a viable competitor to the merged UP and practicable replacement for the SP, it must gain access to all customers on branchlines as well as shortlines connecting to the Houston to Memphis corridor, formerly SP. One such case is before you today awaiting your action in Finance Docket 32760 (Sub No. 21) wherein the Arkansas, Louisiana, and Mississippi Railroad Company (ALM) seeks access to the BNSF at Fordyce, AR. International Paper strongly supported that pleading in our reply to the ALM's petition. I will not burden the record further on that point, but instead urge the Board to review our comments carefully. We urge your prompt and favorable consideration of these requests. The need to ameliorate serious structural defects in BNSF's rights as well as to alleviate the opportunity for future rail service meltdowns of the type experienced in Houston and radiating out over the whole UP system, cannot be overstated.

The UP/SP service meltdown has made it clear that alternative rail service is necessary to alleviate service problems when they occur, and that it is incumbent on the Board to take steps to preclude its recurrence in the future, here or elsewhere in the U. S. rail network. That this may lead to some lost business to the UP should not be controlling. Customers are not owned by railroads and should not be forced to endure such operational disasters. Therefore, consistent with the Consensus Party Plan and the principles outlined in our letter to the Surface Transportation Board in the matter of finance docket No. 32760 (Sub No. 30) dated August 27,

1998, the International Paper Company supports the following specific requests of the Burlington Northern and Santa Fe Railway:

A. Correct Structural Deficiencies in BNSF's Rights

1. Grant permanent bi-directional trackage rights.

- Caldwell-Flatonia-San Antonio, TX
- Caldwell-Flatonia-Placedo, TX

On the San Antonio route, BNSF's trackage rights are temporary and cancelable on short notice; UP provided these rights to permit BNSF to bypass BNSF's more congested permanent trackage rights route via Temple-Smithville-San Antonio in July, 1997. Depending on congestion on either route, BNSF would like to maintain these rights long-term, permitting BNSF to use whichever route is least congested and most capable, on a day-to-day basis, of permitting BNSF to operate consistent and scheduled operations. 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 shippers. These rights have allowed BNSF to use whichever route is least congested and most capable, on a day-to-day basis, and thus enhance the consistency in scheduled operations and service provided by BNSF to shippers like our company.

On the Placedo route, BNSF's rights are also temporary, directional (southbound) and conditional on UP continuing directional operations south of Houston (UP filed with the Board on September 18, that they plan to discontinue it). BNSF would prefer to operate its Corpus Christi/ Brownsville business bi-directionally via this route on a permanent basis, rather than via Alcoa if UP discontinues directional operation in this corridor. Operations via the Alcoa route, BNSF maintains, brings traffic through the Houston terminal which need not go there; permanently rerouting via Flatonia would move this traffic to a less congested route away from Houston. I believe that BNSF needs to ensure that it can avoid operating over the Alcoa route -- even if UP completes proposed capital improvements on that route -- to minimize the risk of delay for its trains.

Having permanent versus temporary trackage rights would also permit BNSF participation, as necessary and appropriate, in needed infrastructure investment (sidings, etc.) on those routes, something BNSF cannot justify when their rights can be canceled on short (15-30 day) notice by UP.

These routes are both former SP routes, which SP used to provide competition to UP. If BNSF has long-term access to these lines, BNSF is duplicating SP's lines, not improving on its competitive position vis-a-vis UP beyond what SP had the potential to do.

2. Harlingen-Brownsville

- Grant BNSF temporary trackage rights over both the UP and SP routes between Harlingen and Brownsville until new bypass trackage is completed north of Brownsville, permitting curtailment of the SP route
- Allow Brownsville & Rio Grande International Railroad (BRGI) to act as BNSF's agent in providing service, Harlingen-Brownsville-Matamoros

This will permit BNSF to commence trackage rights operations to south Texas, discontinue haulage via UP, which has proven unsatisfactory to customers, and provide effective service to both Brownsville and the border crossing. The bypass trackage connection will not be done, at best, until the end of 2000. We understand that BRGI and customers in Brownsville have already indicated their support to correct these structural deficiencies in BNSF's rights.

3. Grant BNSF trackage rights over additional UP lines to permit BNSF to fully join UP's directional operations wherever instituted.

- Fort Worth-Dallas via Arlington
- Houston-Baytown via the UP Baytown Branch

This request is aimed at improving service for BNSF customers, reducing congestion, and eliminating the potential for UP to favor its own traffic over that of BNSF moving on trackage rights lines. Presently, where BNSF has to run bi-directional operations over UP trackage rights lines where UP has instituted directional operations, BNSF trains are delayed when running "against the current" of UP's directional operations until the line is cleared of UP trains. Besides 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 a directional operation uses. BNSF views this request as a general principle to be applied wherever such issues exist.

B. Improve movement of trains into, out of, and through the Houston terminal

- 1. Grant BNSF overhead trackage rights on additional UP Houston terminal routes to permit BNSF to bypass congestion and improve through flows, for example, West Junction-Tower 26/Englewood Yard.**

This request would permit BNSF (and TexMex) to operate over any available clear routes through the terminal as determined and managed by the Spring Texas Consolidated Dispatching Center, and not just over the former HB&T East and West Belts, potentially reducing congestion caused by BNSF (and TexMex) trains staged in the Houston terminal waiting for track time to use the main trackage rights lines they currently share through the terminal, the former HB&T East and West Belt lines.

Hon. Vernon A. Williams
November 14, 1998
Page Six

This 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.

Specifically these BNSF proposed additional conditions are built on the following key themes, which we endorse:

- UP's service crisis affected BNSF's ability to provide viable competition, as expected by the STB (BNSF to replace SP competition to UP), at the new customers BNSF gained access to as a result of the UP/SP merger, i.e. International Paper mills at Camden and Pine Bluff, AR. BNSF cannot provide vigorous competition in an environment of unpredictable and unreliable UP service.
- The STB should ensure that the competitive problems induced by the UP service crisis do not recur, by making clearly targeted structural changes in the UP/SP merger conditions.
- BNSF cannot provide a competitive replacement for SP post-merger if BNSF is unable to use, at a minimum, the same routes used by SP to reach "2-to-1" customers and markets.
- Operating problems, as occurred with UP along the Gulf Coast and unanticipated at the time the UP/SP merger was approved, are amenable to operating solutions.
- Operating solutions can provide near-term service relief without waiting for long-term infrastructure investments to come on line.
- BNSF's proposed structural realignments would shift traffic away from Houston and to less congested routes, freeing up Houston-area rail infrastructure to handle Houston originating and terminating business.
- Expanded neutral switching and dispatching would improve competitive service and reduce the potential for UP favoritism of its traffic versus BNSF's or TexMex' traffic moving over trackage rights or in haulage and reciprocal switch service.
- New overhead trackage rights via UP between San Antonio and Laredo would ensure meaningful competition for shippers at the Laredo gateway.
- BNSF is not here requesting access to any additional customers.

We believe that these requests are complimentary to and supportive of the goals of the Consensus Parties and will produce tangible benefits for Houston shippers and all shippers, International Paper included, located on lines affected by the 1997-1998 UP service crisis by:

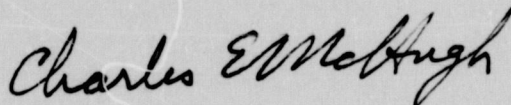
Hon. Vernon A. Williams
November 14, 1998
Page Seven

1. Expanding rail capacity and investment by all the existing rail carriers;
2. Providing neutral and fair dispatch of all rail traffic;
3. Ensuring that all shippers can be served by the rail carriers currently operating in the area; and,
4. Preserving competitiveness by ensuring that adequate rail service alternatives exist in the future.

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

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

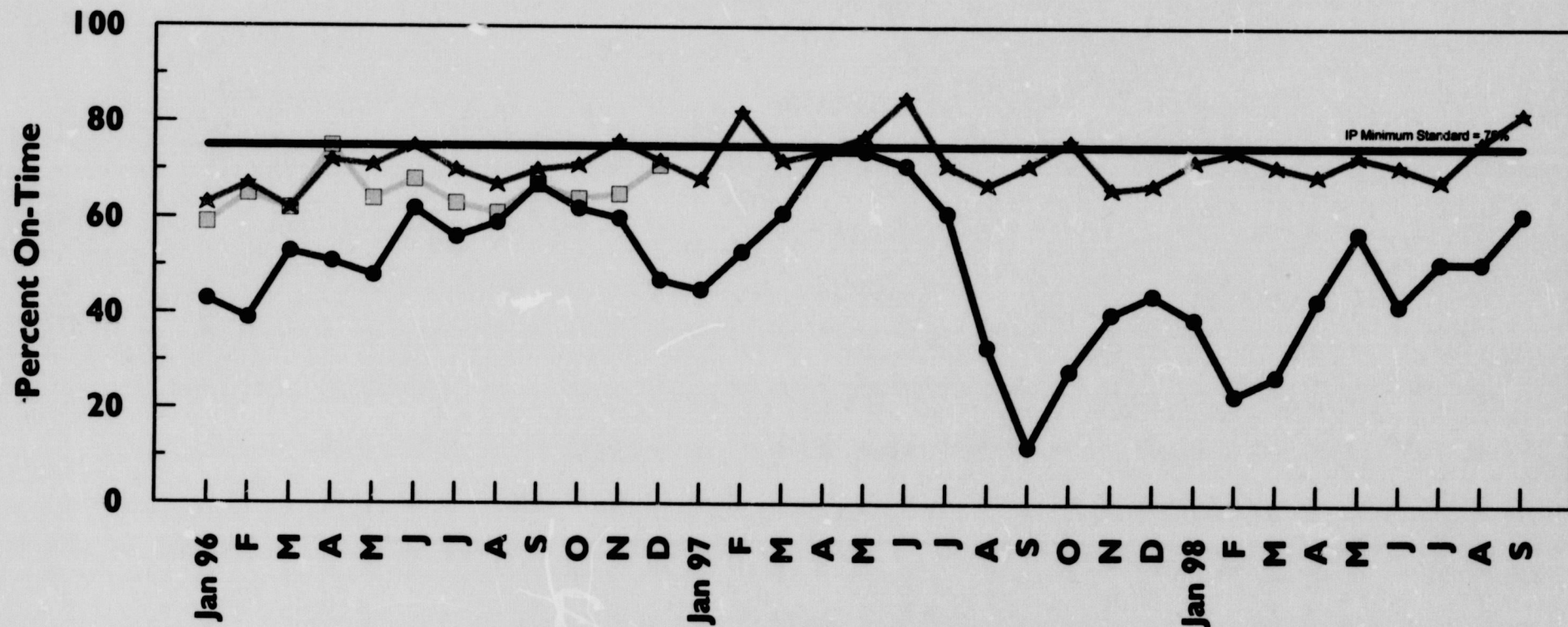
I, Charles E. McHugh, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of the International Paper Company, executed on November 14, 1998.



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

Rail On-Time Transit Performance *

1996- 1998



*Data supplied by railroads

STB FD • 32760 (Sub 26) 11-16-98 J SEC

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

Office of the Secretary

November 16, 1998

Mr. William A. Mullins, Esq.
Troutman Sanders LLP
1300 I Street, N.W.
Suite 500 East
Washington, D.C. 20005-3314

26
Re: Finance Docket No. 32760 (Sub-Nos. 27 & 30), *Union Pacific Corporation, et al. — Control & Merger — Southern Pacific Rail Corporation, et al.*
[Houston/Gulf Coast Oversight Proceeding]

Dear Mr. Mullins:

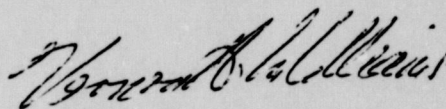
This responds to your Petition for the Recalculation and Recovery of Filing Fees filed in the above proceedings. In your petition, you ask the Board to return the bulk of the fees that were paid for a series of transactions for which The Texas Mexican Railway Company and The Kansas City Southern Railway Company (KCS/Tex Mex) seek authority. Your petition will be denied.

The fees that you now challenge were paid in connection with two separate filings. First, in a joint petition filed on March 30, 1998, docketed in Finance Docket No. 32760 (Sub-Nos. 26 and 27), KCS/Tex Mex sought exemption authority to construct and operate a line between Rosenberg and Victoria, Texas, over what was described in the joint petition (at 14) as the "formally abandoned SP Wharton Branch from Victoria to Rosenberg." Second, as part of the "Consensus Plan" filed in the "Houston/Gulf Coast Oversight" proceeding and docketed in Finance Docket No. 36720 (Sub-No. 30), KCS/Tex Mex asked the Board to force UP to allow it to construct track within a UP right-of-way, and then exchange the newly constructed track with UP for UP's "Beaumont Subdivision." Under the Board's fee schedule, codified at 49 CFR 1002.2(f), a person seeking construction authority, or an exemption therefrom, is required to pay a fee of \$48,300. Thus, the fees assessed to KCS/Tex Mex for these two construction items were \$96,600. Additionally, a \$5,000 fee was assessed to KCS/Tex Mex for the requested transfer of a yard in the Houston area, for a total of \$101,600.

In your petition, you claim that neither the Victoria-Rosenberg project nor the Beaumont Subdivision/double-tracking project is within the Board's section 10901 construction jurisdiction, and, therefore, that KCS/Tex Mex should not have been assessed the \$48,300 fee for either. With respect to the Rosenberg-Victoria line, you state that the line that you earlier described as "formally abandoned" has in fact never been formally abandoned, and therefore, instead of having been charged \$48,300, KCS/Tex Mex should be charged only \$4,700 for authority to acquire the line under section 10901. With respect to the Beaumont Subdivision proposal, you argue that double-tracking does not constitute a construction project, but instead amounts to a line sale under section 10901 to which a \$4,700 fee applies. The remainder of the Consensus PlaPn, you suggest, is a responsive application, for which an additional \$5,000 fee is due.

If, as you suggest, the Consensus plan to which KCS/Tex Mex has subscribed is viewed as a responsive application, then you will have paid substantially less than required under the Board's regulations. That is because line sales to existing carriers, which is how you would characterize the Rosenberg-Victoria and Beaumont Subdivision proposals, are reviewed under section 11323, not section 10901, which governs acquisition of rail property by a noncarrier. The fees for such line sales are \$193,300 for a significant transaction [fee item 41(ii)] or \$5,000 for a minor transaction [fee item 41(iii)]. Given the context in which the Rosenberg-Victoria and Beaumont Subdivision proposals have been proposed, and considering the massive restructuring contemplated by the Consensus Plan, I conclude that, if they are construed to be line sales, then the \$193,300 significant transaction fee should be assessed. However, in lieu of now assessing KCS/Tex Mex the difference between the fees already paid and the \$193,300 that should be assessed under the circumstances you present, the additional assessment will be waived.

Sincerely,



Vernon A. Williams
Secretary

STB

FD

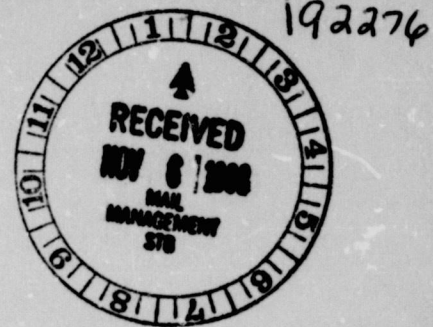
• 32760

(Sub 26)

11-6-98

• J

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From Forrest L. Becht, 402 W. Washington St., New Iberia, LA 70560
Phone: Office (318)364-9625, Home: (225)272-9728, Fax: Office (318) 369-1487, Home: (225) 272-9649
e-mail: Office: Fbecht@gwrr.com, Home: flbtrain@earthlink.net

October 21, 1998

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

FD 32760 - SUB 24

J

Dear Secretary Williams:

Please find attached a statement representing Louisiana & Delta Railroad's position on the latest STB oversight hearings for the Union Pacific Railroad and the Houston/Gulf Coast. Our purpose in submitting a statement is that Louisiana & Delta Railroad serves customers of both BNSF and UP – in fact, both railroads compete head-to-head for our customer's business. As a consequence, we are vitally interested in service issues as far west as Houston and beyond that directly affect movement of our customer's shipments.

Please feel free to contact me if the STB has any questions concerning our statement. Thank you.

Cordially,

FLB

Forrest L. Becht
President & General Manager

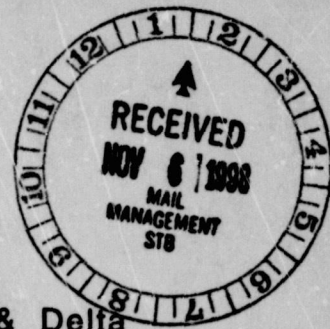
bcc: Pete Rickershauser, Larry Cronin

ENTERED
Office of the Secretary

NOV 19 1998

Part of
Public Record

VERIFIED STATEMENT
OF
LOUISIANA & DELTA RAILROAD, INC.



I am the President & General Manager of the Louisiana & Delta Railroad, Inc. We are in the business of owning and operating 112 miles of former Southern Pacific branch lines in south central Louisiana. We also operate via trackage rights on the BNSF/UP mainline from Raceland to Lake Charles, Louisiana. Louisiana & Delta handles 15,000 car loads of business a year and interchanges traffic with both Union Pacific and Burlington Northern Santa Fe.

Louisiana & Delta is vitally interested in and concerned about service problems and issues that may adversely affect movement of our customer's shipments. We must have improved fluidity and reduced congestion for all operations in the area.

Since mid 1997 Louisiana & Delta has lost over 2,000 carloads of business because of Union Pacific's inability to supply cars to load and because of customer dissatisfaction with Union Pacific's transit time. Much of the lost business was the result of congestion in Lake Charles, Louisiana, and Beaumont/Houston, Texas. It is critical that these terminal areas be kept fluid. BNSF's plan, from our perspective, goes a long way towards accomplishing that goal.

We do not support any conditions which would result in the handoff of UP traffic to any other railroad where UP has the potential to invest to handle the traffic safely and efficiently.

We urge the Surface Transportation Board to focus on mechanisms by which the physical handling of traffic can be improved. Operations in the Gulf Coast service area must be kept fluid for us to survive.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. Dated October 21, 1998.

FUR

Forrest L. Becht
President & General Manager

STB FD • 32760 (Sub 26) 11-4-98 • J 192078



November 2, 1998

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

Re: Finance Docket No. 32760, Sub 26 & 28

Dear Mr. Williams:

My name is Thomas Waskiewicz, and I am the Director of North American Logistics for Corn Products International. Our company is a multinational organization, operating plants in Canada, the United States and Mexico, as well as, subsidiary and affiliate locations through out the world. Our Corporate Headquarters is located in Argo, Illinois and our business is the manufacture of corn derived products for the Beverage, Food, Pharmaceutical and Paper industries. In support of the above referenced docket, Corn Products is an active participant and supporter of NAFTA and currently ships product between all three NAFTA countries. As a supporter of the UP/SP merger, Corn Products continues to seek and support issues to increase competition and improve service. We currently ship direct rail and intermodal shipments via the Laredo Gateway and have experience delays as a consequence of congestion along the UP 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.

I believe that the BNSF's request for trackage rights over the San Antonio - Laredo line are designed to insure 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 Alcoa 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. 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.

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Office of the Secretary

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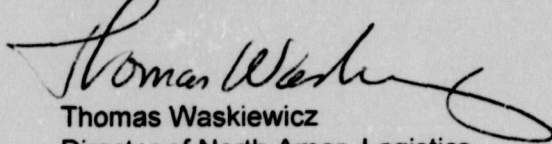
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For all of these reasons, the Board should grant BNSF's request for trackage rights over the San Antonio - Laredo line. This would benefit Corn Products and other shippers, resulting in service improvements to the Laredo Gateway, as well as provide a competitive alternative for all shippers.

I certify under penalty of perjury that this statement is true and correct. Executed this 2nd day of November, 1998.

Sincerely yours,



Thomas Waskiewicz
Director of North Amer. Logistics

cc: Mr. Delane D. Finke
Burlington Northern Santa Fe
1700 East Golf Road
4th Floor
Schaumburg, Illinois 60173

STB FD 32760 (Sub 26) 11-2-98 J MOC



Office of the Chairman

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

FILE IN DOCKET

FD-32760

(Sub-70.26)

November 2, 1998

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

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Lampson:

Thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan," and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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 further assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan



Office of the Chairman

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

FILE IN DOCKET

November 2, 1998

The Honorable Lloyd Doggett
U.S. House of Representatives
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Doggett:

Thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan," and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

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Sincerely,

Linda J. Morgan



Office of the Chairman

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

FILE IN DOCKET

November 2, 1998

The Honorable Rubén Hinojosa
U.S. House of Representatives
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Hinojosa:

Thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan," and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

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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 further assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan



Office of the Chairman

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

FILE IN DOCKET

November 2, 1998

The Honorable Sheila Jackson Lee
U.S. House of Representatives
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congresswoman Lee:

Thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan" and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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 further assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan



Office of the Chairman

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

FILE IN DOCKET

November 2, 1998

The Honorable Solomon P. Ortiz
U.S. House of Representatives
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Ortiz:

I thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan," and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

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Sincerely,

Linda J. Morgan



Office of the Chairman

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

FILE IN DOCKET

November 2, 1998

The Honorable Silvestre Reyes
U.S. House of Representatives
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Reyes:

Thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan," and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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 further assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan



Office of the Chairman

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

FILE IN DOCKET

November 2, 1998

The Honorable Chris John
U.S. House of Representatives
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman John:

Thank you for your letter dated October 18, 1998, which I received by FAX on October 29, 1998, 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 express the view that the region needs quality service, and that government should concern itself with the operations of individual railroad companies only when it is in the best interest of the consumer to do so. You indicate that principles of free enterprise dictate that the Board step in, adopt the "Consensus Plan," and open up UP's lines to other railroads to inject additional competition and improve infrastructure and service.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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 further assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

STB FD • 32760 (Sub 26) 10-30-98 J 192007



Minnesota Corn Processors, Inc.

October 26, 1998

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

ENTERED
Office of the Secretary

26
NOV 02 1998

Part of
Public Record



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

My name is Gary E. Smith. I am the Transportation Manager for Minnesota Corn Processors which is located in Marshall, MN. Our company is commonly referred as a Corn Wet Milling company. Minnesota Corn Processors is predominately a rail shipper; shipping over 15,000 rail shipments in privately owned tank cars.

As with our prior filing in support of the BNSF position on access to the South Texas Liquid Terminal in San Antonio, TX, we believe it is important to support any initiative that would either preserve or improve the service to our customers. Therefore we support the BNSF's request the STB 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 directional flows. We believe that this request will benefit our company and other shippers and will result in service improvements.

One of the important benefits that was to result from the UP/SP merger was that service would be significantly improved by the ability to run directional operations over parts of the new UP line. By making the BNSF conduct bidirectional operations over directional lines contradicts the spirit of the merger. 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 the BNSF traffic, UP traffic is potentially delayed while the BNSF operates against the UP traffic consuming more of the line's capacity than would be utilized with directional operations. These delays to both the BNSF and UP traffic adversely impact service to our company and other shippers. Certainly this not what the STB had in mind when the mergers were approved.

In summation we believe that the BNSF request is justified and would help to alleviate the degradation in service and reduce congestion on the line over which the UP has instituted directional operations. We, therefore, request that the STB grant the BNSF request.

Sincerely,

Gary E. Smith
Transportation Manager

STB

FD

• 32760

(Sub 26)

10-30-98

J

MOC



Office of the Chairman

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

FILE IN DOCKET

FD-32760
(Sub-26)

October 30, 1998

The Honorable Kevin Brady
United States House of Representatives
1531 Longworth House Office Building
Washington, DC 20515

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Brady:

Thank you for your letter dated October 14, 1998, 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 note the importance of rail service to the economic health of the Houston region, and you urge the Board to consider carefully all of the options presented: the "Consensus Plan," the Burlington Northern and Santa Fe Railway's plan, Union Pacific's own suggestions, and the various other approaches recommended. You also make specific recommendations about Port Terminal Railroad Association membership and arbitration for the Victoria Line; you recommend that neutral switching be considered, but not as a primary option; and you note the broad implications that the Board's decision here will have on rail regulation and rail infrastructure throughout the Nation.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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



FILE IN DOCKET

KEVIN BRADY
MEMBER OF CONGRESS
8TH DISTRICT OF TEXAS

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

COMMITTEES
INTERNATIONAL RELATIONS
RESOURCES
SCIENCE

October 14, 1998

The Honorable Vernon A. Williams
Secretary, Surface Transportation Board
1925 K Street, NW
Ste. 700
Washington, D.C. 20423

OFFICE OF
CHAIRMAN MORGAN

OCT 19 1 56 PM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

Dear Secretary Williams:

As a member of the Houston Congressional Delegation, I have been closely following and monitoring rail service levels in the Gulf Coast. I have studied both the level of service and the plans to make changes in the rail network, and have listened carefully to many shippers and business leaders in the Houston region who have endured the damaging economic disruptions of the Union Pacific/Southern Pacific merger.

As I communicated to you earlier, due to their products, many of these companies rely predominantly on rail and have suffered enormous economic losses caused by delays and when forced to transport their goods by alternative and more costly means of shipping. It is my understanding that levels of service are improving, although many shippers state it has not returned to pre-merger levels of service. Rail employees, in particular, should be commended for the hours of hard work they put in to correct the problems. However, my chief concern is that a service disruption like this never happens again.

There are several proposals currently before the Surface Transportation Board that would make structural changes in the rail network of the Gulf Coast. As a former Chamber of Commerce executive who believes in free enterprise and market competition, I would like to address and recommend the following items:

- 1) **PTRA Membership.** The Port of Houston and all long-haul railroads serving Houston should be full and equal voting members of the Port Terminal Railroad Association (PTRA), with corresponding financial responsibility for ongoing maintenance and upkeep of PTRA rail and yards.
- 2) **Victoria Line Arbitration.** An arbitration process should be quickly established between Union Pacific and Kansas City Southern to determine a fair market price for the Victoria line and subsequent timely sale which Union Pacific has, in concept, agreed to.

3) Neutral Switching as Second Option. Due to its expense and the questionable overlay of a new service entity, neutral switching and dispatching by a single third party should be considered a secondary option. I'm not convinced a full faith effort has been made by all the principal carriers to participate in and fairly evaluate the viability of shared/coordinated dispatching which could be quicker and less expensive. Non-Union Pacific railroads have raised the issue of additional managerial input into the shared/dispatching system which should be resolved. If, after full-faith participation, an independent evaluation does not support shared/coordinated dispatching, at that time neutral switching and dispatching may well be the preferred option.

4) Sale/Lease of Union Pacific Property. In concept, it seems reasonable that Union Pacific should be encouraged to reach an agreement with other long haul carriers to arrange the sale or lease of abandoned trackage and underutilized rights of way and switching yards which might allow shippers and the Port of Houston additional rail system competitiveness, capacity, flexibility and geographic access.

I remain sympathetic to the region's shippers who strongly desire more carriers and more competition. However, as a strong supporter of free enterprise, I also hold in high regard the value of property and assets purchased by businesses, even in a regulated environment. On balance, any government-induced "encouragement" to dispose of private assets should be carefully and cautiously scrutinized. Criteria for this consideration should include:

Maintaining Market-Based Elements. The Surface Transportation Board regulatory process should not provide competing railroads access to Houston shippers or acquisition of Union Pacific property at below market rate values. In short, railroads who within the pre-merger free marketplace chose not to avail themselves of -- or failed to acquire -- trackage, land or switching yards later purchased by Union Pacific should not gain an industry advantage through government intervention.

Application to all U.S. Markets. Surface Transportation Board regulations relating to the government-induced sale or lease of a railroad's assets should apply equally and consistently throughout the United States. If the principles of increased competition and multiple access to shippers are of such value as to warrant the induced sale of a railroad's assets in the Houston region, then the same principles of increased competition and multiple access to shippers should be of value to all regional markets -- to improve service and prevent future service disruptions.

Ensuring Long Term Investments in Railroad Infrastructure. All Surface Transportation Board determinations in this matter should encourage long term investment in the nation's railroad infrastructure. As the only Texas member on the

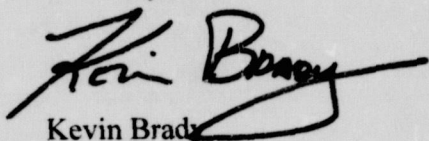
The Honorable Vernon A. Williams
Page 3
October 14, 1998

House International Relations Committee, I agree with the Greater Houston Partnership that Houston must develop a first-rate intermodal transportation infrastructure to successfully compete for jobs and investment in the 21st century.

Since rail transportation is a major part of that infrastructure, I strongly and respectfully urge the Surface Transportation Board to examine all proposals carefully --- the Consensus Plan, BNSF's Proposal, Union Pacific's plans, as well as others --- and render decisions in this matter that preserve and encourage long term competition and investment by railroad carriers.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Brady", with a long horizontal flourish extending to the right.

Kevin Brady
U.S. Representative
Eighth District of Texas

STB FD • 32760 (Sub 26) 10-28-98 J 191929



191929



From Forrest L. Becht, 402 W. Washington St., New Iberia, LA 70560

Phone: Office (318)364-9625, Home: (225)272-9728, Fax: Office (318) 369-1487, Home: (225) 272-9541

e-mail: Office: fbecht@gwrr.com, Home: flbtrain@earthlink.net

October 21, 1998

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

Dear Secretary Williams: FD32760-SUB 26

Please find attached a statement representing Louisiana & Delta Railroad's position on the latest STB oversight hearings for the Union Pacific Railroad and the Houston/Gulf Coast. Our purpose in submitting a statement is that Louisiana & Delta Railroad serves customers of both BNSF and UP – in fact, both railroads compete head-to-head for our customer's business. As a consequence, we are vitally interested in service issues as far west as Houston and beyond that directly affect movement of our customer's shipments.

Please feel free to contact me if the STB has any questions concerning our statement. Thank you.

Cordially,

Forrest L. Becht
President & General Manager

bcc: Pete Rickershauser, Larry Cronin

VERIFIED STATEMENT
OF
LOUISIANA & DELTA RAILROAD, INC.



I am the President & General Manager of the Louisiana & Delta Railroad, Inc. We are in the business of owning and operating 11 miles of former Southern Pacific branch lines in south central Louisiana. We also operate via trackage rights on the BNSF/UP mainline from Raceland to Lake Charles, Louisiana. Louisiana & Delta handles 15,000 car loads of business a year and interchanges traffic with both Union Pacific and Burlington Northern Santa Fe.

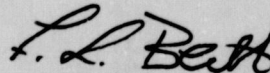
Louisiana & Delta is vitally interested in and concerned about service problems and issues that may adversely affect movement of our customer's shipments. We must have improved fluidity and reduced congestion for all operations in the area.

Since mid 1997 Louisiana & Delta has lost over 2,000 carloads of business because of Union Pacific's inability to supply cars to load and because of customer dissatisfaction with Union Pacific's transit time. Much of the lost business was the result of congestion in Lake Charles, Louisiana, and Beaumont/Houston, Texas. It is critical that these terminal areas be kept fluid. BNSF's plan, from our perspective, goes a long way towards accomplishing that goal.

We do not support any conditions which would result in the handoff of UP traffic to any other railroad where UP has the potential to invest to handle the traffic safely and efficiently.

We urge the Surface Transportation Board to focus on mechanisms by which the physical handling of traffic can be improved. Operations in the Gulf Coast service area must be kept fluid for us to survive.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. Dated October 21, 1998.



Forrest L. Becht
President & General Manager

STB FD 32760 (Sub 26) 10-28-98 J 191928



Texas Democratic Party

191928



October 20, 1998

ENTERED
Office of the Secretary

OCT 29 1998

Part of
Public Record

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

Dear Secretary Williams: *FD 32760-SUB 26*

I am writing to clear-up any confusion that may exist regarding my September 15, 1998 letter to you regarding a resolution passed by the Resolutions Committee of the Texas Democratic Party Convention.

The second paragraph of my letter states that this resolution passed only through the Resolutions Committee of the Democratic Convention. The Convention adjourned prior to consideration of this resolution. The resolution, together with others not acted upon, was referred to the State Democratic Executive Committee (SDEC) for possible further action.

I hope this letter serves to clear any remaining confusion regarding this resolution, but please feel free to call me should you require any additional information.

Proud to be a Democrat,

Molly Beth Malcolm

Molly Beth Malcolm
Chair

Cc: Mr. Sam Arrington, UTU State Legislative Director
Mr. Joe Gunn, Texas AFL-CIO President
Mr. Emmett Sheppard, Texas AFL-CIO Secretary-Treasurer
SDEC Resolutions Committee

STB

FD

32760 (Sub 26)

10-21-98

J

191767

Farmrail



Farmrail System, Inc., Post Office Box 1750, Clinton, OK 73601 580-323-1234

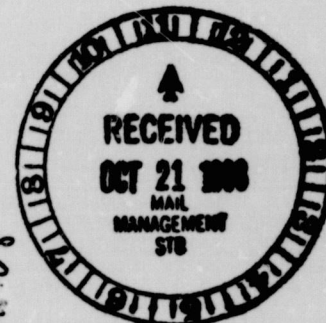
ENTERED
Office of the Secretary

OCT 22 1998

Part of
Public Record

October 16, 1998

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



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

Dear Mr. Williams:

My name is George C. Betke, Jr. I am Chief Executive Officer of Farmrail System, Inc. and of its two common-carrier railroad subsidiaries, Farmrail Corporation and Grainbelt Corporation. They operate 354 miles of contiguous light-density trackage, referred to as "Western Oklahoma's Regional Railroad," from headquarters in Clinton, Oklahoma. At least 50% of the traffic base normally is hard red winter wheat, the preferred variety for export, which moves for the most part to Houston and Galveston.

This statement is filed in support of The Burlington Northern and Santa Fe Railway Company's request for trackage rights over certain lines of Union Pacific Railroad Company affecting traffic flows in and through the terminal area of Houston, Texas. The objective is to alleviate ongoing congestion by allowing the use of any available clear route to relieve back-ups which restrict access to the Houston Public Elevator and cause delays in reaching other Gulf Coast ports and international gateways. Transit times now are extended and irregular, and equipment utilization suffers accordingly.

The domestic railroad industry operates an interconnected system comprised of a few mega-carriers and about 550 small feeder lines that are attempting to coordinate management of a customer-driven service business. Those of us operating branch lines on the fringe of that system compete with truckers providing highly predictable one- or two-day delivery to most destinations. In comparison, we can offer only "best-efforts" transportation with a result that is totally dependent on the performance of a connecting trunk-line railroad. Current best efforts on agricultural and general merchandise traffic simply are not good enough to satisfy customer needs.

Every short line I know has substantial excess capacity - room to grow its business. That growth opportunity, particularly in truck-competitive freight, is constrained by trunk-line congestion in key terminal areas such as Houston that cascades throughout the national

The Honorable Vernon A. Williams

October 16, 1998

Page 2

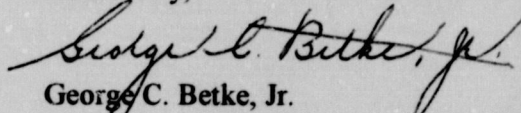
network. Its adverse impact on the velocity of movement is devastating to an industry that is both intensely competitive and capital-intensive. Those bottlenecks must be relieved.

Though some observers attribute ongoing congestion in Houston to poor planning of Class I railroad mergers, I believe the problem is likely to persist as the railroads regain market share in a growing domestic economy and as additional international commerce is directed through the Gulf ports as a result of the North American Free Trade Agreement. This view calls for more than a stop-gap solution to a crisis situation that has not been corrected in nearly two years. The "fix" should not merely deal with current traffic volumes, but anticipate future demand as well.

Coordination of dispatching at the Spring Center was a positive step, and logical sequels are expansion of neutral dispatching territory and joint use of scarce trackage. Since BNSF's requests afford it no access to additional customers, I would hope that traditional "turf" issues can be overridden in the interest of improving the over-all competitiveness of our industry.

I certify under penalty of perjury that the foregoing is true and correct. Executed this 16th day of October, 1998.

Yours truly,


George C. Betke, Jr.
Chairman and Chief Executive Officer

STB FD 32760 (Sub 26) 10-19-98 J 191726



Entergy Services, Inc.
Parkwood II Building, Suite 300
10055 Grogans Mill Road
The Woodlands, TX 77380
Tel 281 297 3562

Charles W. Jewell, Jr.
Director
Coal Supply

October 14, 1998

ENTERED
Office of the Secretary

OCT 21 1998

Part of
Public Record



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

Dear Mr. Williams:

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

191726 - 191725
My name is Charles W. Jewell, Jr., Director-Coal Supply, at Entergy Services, Inc. a wholly owned subsidiary of Entergy Corp. Entergy Services, Inc. is a service company which purchases and manages the fuel and transportation for Entergy Corp.'s generating subsidiaries (Entergy Gulf States, Inc. and Entergy Arkansas, Inc.). Entergy Gulf States owns and operates the Roy S. Nelson Generating Station ("Nelson"), a coal-fired electric generating station located near Mossville, Louisiana.

The Nelson facility is served by three carriers: The Kansas City Southern Railway Company ("KCS"), Union Pacific Railroad Company ("UP") and The Burlington Northern and Santa Fe Railway Company ("BNSF"). (BNSF recently obtained access to the Nelson facility by virtue of its becoming a one-half owner of the former UP line between Houston and Iowa Junction, LA). The facility can receive shipments of coal from mines located in the Southern Powder River Basin served by both UP and BNSF, or from all PRB locations served by BNSF. We rely on the railroads for 100% of our coal deliveries.

I am filing this statement in support of BNSF's request that the Board grant BNSF overhead trackage rights over the UP line between Fort Worth and Dallas, TX (via Arlington), to enable BNSF to join the directional operations recently instituted by UP between Dallas/Fort Worth and Waxahachie, TX. We believe that this request will result in service improvements and needed operational flexibility. As I understand the situation, BNSF presently has trackage rights over UP between Fort Worth and Waxahachie and that line is now used for southbound movements while the BNSF line between Waxahachie and Dallas over which UP has operating rights is being used for UP's northbound operations. BNSF could better join in UP's directional flow plans for this route if it were provided trackage rights on UP's main line route between Fort Worth and Dallas via Arlington, TX, which would minimize delays to both carriers and their customers.

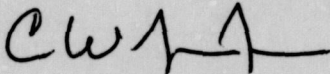
The Honorable Vernon Williams
Page 2
10/14/98

In the future, Entergy may use BNSF direct service to provide coal to the Nelson station. If BNSF trains are forced to operate against the directional flow on the UP line between Fort Worth and Waxahachie, service to the Nelson station could be adversely impacted due to delays in this area. To avoid that result, Entergy supports BNSF's request for overhead trackage rights over UP's line between Fort Worth and Dallas via Arlington to join in the directional operations in the area.

For these reasons, the Board should grant BNSF's request. It would benefit our company and other shippers, will result in service improvements for both UP and BNSF, and be one more step in insuring the congestion which impacted the Gulf Coast area and much of Texas, including the Fort Worth/Dallas area, does not reoccur.

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

Sincerely,



Charles W. Jewell, Jr.
Director-Coal Supply

jb

cc: The Honorable Linda Morgan
Chairman
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

STB FD 32760 (Sub 26) 10-19-98 J 191722

OCT 21 1998

Part of
Public Record

HUGO NEU-PROLER COMPANY
WORLDPORT L.A. — METAL RECYCLERS



October 15, 1998

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20006-1882

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

Honorable Vernon,

191722

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J

My name is Jeffrey Neu, I am the General Manager of Hugo Neu-Proler Company. Our Company is located is Terminal Island, California and is in the business of Steel Scrap Recycling. We produce Steel Scrap that is shipped to various destination, California, Arizona, Texas and Mexico. Because of the low value of steel scrap, rail transportation is necessary for us to supply our customer.

I am filing this Verified Statement in support of the Burlington Northern and Santa Fe Railway's ("BNSF") request that the Board grant permanent bidirectional overhead trackage rights on UP's Caldwell-Flatonia-Placedo line. I believe that this request 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.

BNSF's rights on the Placedo route are temporary, directional (southbound) and conditional on UP continuing directional operations south of Houston. On September 18, 1998 UP indicated to the Board that it intends to end its directional running operations after it completes an additional siding near Angleton, TX. When UP ends directional operations on this route, BNSF will be barred by UP from further use of this line.

I believe that BNSF needs to ensure that it can avoid operating over Algoa route — even if UP completes proposed capital improvements on that route — to minimize the risk of delay for its trains. Moreover, since operations via the Algoa route unnecessarily brings traffic through the Houston terminal area, an alternative 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.



In addition, having permanent versus temporary trackage rights would 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.

For all these reasons, the Board should grant BNSF's request to maintain these bidirectional 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 in the Houston terminal area.

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

Sincerely,

Jeffrey P. Neu
General Manager

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



Office of the Chairman

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

FILE IN DOCKET

FD-32760

(Sub-7/0.26)

October 19, 1998

The Honorable Lee P. Brown
Mayor, City of Houston
901 Bagby, 3rd Floor
P.O. Box 1562
Houston, TX 77251-1562

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Mayor Brown:

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 express the view that the region needs more rail competition, and that principles of free enterprise support the "Consensus Plan" suggested in the Houston/Gulf Coast Oversight proceeding.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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



OFFICE OF THE MAYOR
CITY OF HOUSTON
TEXAS

FILE IN DOCKET

Lee P. Brown
Mayor

October 12, 1998

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

Dear Madam Chair:

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

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

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

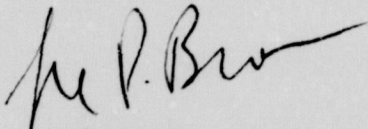
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BOARD
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OFFICE OF
CHAIRMAN MORGAN

The Honorable Linda J. Morgan
Page 2
October 12, 1998

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

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Lee P. Brown", with a stylized, flowing script.

Lee P. Brown
Mayor

LPB:DE:ddw

cc: Congressional Delegation

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

SLOVER & LOFTUS

ATTORNEYS AT LAW

1224 SEVENTEENTH STREET, N.W.

WASHINGTON, D. C. 20036

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
DONALD G. AVERY
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
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(202) 347-7170

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(202) 347-3619

WRITER'S E-MAIL:

kjd@sloverandloftus.com

October 16, 1998

VIA HAND DELIVERY

Adrian L. Steel, Jr., Esq.
Mayer, Brown & Platt
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Sub 26

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

Dear Adrian:

Enclosed please find the final, original Verified Statement of TMPA's Earle Bagley, in support of BNSF's Fort Worth-Dallas trackage rights request.

We would appreciate it if you could provide us with an extra copy of your rebuttal filing, for our client. Should you have any questions regarding the Statement, please give a call.

With best regards,

Sincerely,

Kelvin J. Dowd

KJD/cbh
Enclosure

VERIFIED STATEMENT
OF
EARLE BAGLEY

My name is Earle Bagley, and my business address is P.O. Box 7000, Bryan, Texas 77805. I am Manager of Fuel and Land Resources for the Texas Municipal Power Agency. In this capacity, I have responsibility for various aspects of TMPA's utility fuel supply and transportation arrangements, including those for the rail transportation of coal to our Gibbons Creek Steam Electric Station near College Station, Texas.

I am making this Statement in support of the Burlington Northern Santa Fe Railway's request for trackage rights over the lines of the Union Pacific Railroad between Fort Worth and Dallas, Texas. These rights would provide BNSF with an alternative routing for the transportation of coal to Gibbons Creek, which should allow BNSF to avoid train delays that otherwise would result from operations changes implemented by UP to alleviate its own system service problems.

Background

TMPA is a Texas municipal agency which was created in 1975. It is a political subdivision of the State of Texas, whose sole business is the generation and transmission of electric

power to the Member Cities who created TMPA. The Member Cities are:

City of Bryan, TX
City of Denton, TX
City of Garland, TX
City of Greenville, TX

The Gibbons Station is owned and operated by TMPA for the benefit of its Member Cities. Gibbons Creek is a 462-megawatt facility which consumes approximately 2 million tons of sub-bituminous Powder River Basin coal each year. All of the coal is delivered by BNSF, pursuant to a contract which took effect in 1996. The total round-trip distance from the origin mines to Gibbons Creek is over 2800 miles, which accents the importance of reliable and timely rail service to TMPA's ability to maintain adequate fuel inventories.

Impact of the UP Routing Changes

One of the primary routes traveled by loaded coal trains bound for Gibbons Creek includes a southbound BNSF movement via trackage rights over the UP line between Fort Worth and Waxahachie, TX. Our empty trains also move northbound over this segment. While precise transit time differentials are not available, this routing usually is preferable to a routing over BNSF's own line from Dallas, due to the fact that freight

shipments via Dallas must contend and co-exist with commuter rail operations in the Dallas area.

The importance of minimizing delays in transit for our coal shipments cannot be overstated. For example, a comparison of average round-trip cycle times during the period from May through August, 1998 to those from the same period in 1997 showed an increase of some 17.5 hours in the loaded direction, or over 17%. For TMPA, the difference translated into a drop in coal inventory from approximately 90,000 tons (our minimum target level) on May 1 to approximately 22,000 tons -- barely three days' supply -- by August. We only were able to recover our inventory, in part, because of mechanical failures at the Station which forced its shutdown. By contrast, inventories remained relatively constant at between 85,000 and 90,000 tons during the summer of 1997. Clearly, delays or interruptions in rail service have a significant, negative impact on TMPA's fuel security.

It is against this backdrop that we have deep concerns over UP's decision to institute northbound-only directional operations over its Fort Worth-Waxahachie line, as part of its Houston/Gulf Coast service recovery program. With UP shifting to a northbound-only operation over the line, it seems to us inevitable that southbound BNSF trains destined for Gibbons Creek will encounter more delays and slow orders as they attempt to

"swim upstream" against UP train flows. Unfortunately, any disruption to BNSF's operations over the Fort Worth-Waxahachie line means disruption to our fuel supply chain -- disruption which TMPA and its Member Cities can ill afford.

BNSF's Trackage Rights Request

We understand that BNSF has requested that it be granted trackage rights over UP's main line between Fort Worth and Dallas, to provide an alternative route to avoid the transit delays that otherwise would result from UP's directional running plan. According to information available to TMPA, these rights would enable BNSF to access its existing line from Dallas south without having to contend with Dallas-area commuter rail traffic. In effect, BNSF would be able to route its southbound traffic (including TMPA's coal traffic) around the newly-problematic Fort Worth-Waxahachie line. TMPA supports this request.

We at TMPA are sympathetic to UP's desire to find solutions to its persistent service difficulties in the Houston area. However, our obligations are to our Member Cities and the electric consumers they serve. TMPA did not create the Houston/Gulf Coast service problem, and we do not feel that our interests in a stable and reliable coal supply should be compromised as a result. If UP is to be permitted to implement

changes in its operations that adversely affect parties that are not responsible for the problem being addressed, UP should accommodate those parties to the extent practicable in order to alleviate the adverse effects. UP's directional running plan over the Fort Worth-Waxahachie line is just such an operations change, and BNSF's trackage rights request a practicable remedy. TMPA urges that it be granted by the Board.

VERIFICATION

STATE OF NEVADA

COUNTY OF Washoe

ss:

Earle Bagley, being duly sworn, deposes and says that he has read the foregoing Statement, knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.

Earle Bagley
Earle Bagley

Sworn and subscribed before me
this 14th day of October, 1998

[Signature]
Notary public

My Commission expires: March 26, 2002



STB FD 32769 (Sub 26) 10-19-98 J MOC



Office of the Chairman

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

FILE IN DOCKET

FD-32760
(Sub-7/0-26)

October 19, 1998

The Honorable Kenneth E. Bentsen, Jr.
United States House of Representatives
Washington, DC 20515-4325

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

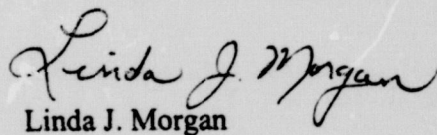
Dear Congressman Bentsen:

Thank you for your letter dated October 12, 1998, 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 express the view that the region needs efficient and competitive rail service, and that, although the matter ideally should be handled in the private sector, the Board should step in, adopt the "Consensus Plan," and open up UP's lines to other railroads.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for charges affecting the UP service area, and for regulatory changes applicable to the industry in general, the Board will remain cognizant of the need for vigorous competition along with 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

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

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

COMMITTEES:
BANKING AND FINANCIAL SERVICES

SUBCOMMITTEE ON
FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT

SUBCOMMITTEE ON
CAPITAL MARKETS, SECURITIES AND
GOVERNMENT SPONSORED ENTERPRISES

BUDGET

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

Dear Chairman Morgan:

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

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

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

1. Neutral switching needs to be implemented in the Houston area through the former Port Terminal Railroad Association (PTRA).
2. Additional lines should be opened to other Class I railroads.

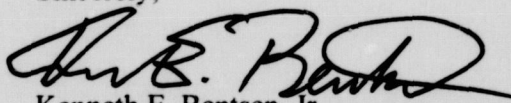
These recommendations will provide competition to the large majority of shippers in my district that are currently served by only one Class I railroad.

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

Thank you for your attention to this matter.

With kindest personal regards,

Sincerely,


Kenneth E. Bentsen, Jr.
Member of Congress

KEB:pw

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

October 12, 1998

FILE IN DOCKET

OFFICE OF
CHAIRMAN MORGAN

OCT 15 5 03 PM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

DISTRICT OFFICES:
6575 WEST LOOP SOUTH
SUITE 496
BELLAIRE, TX 77401
(713) 667-3554
(713) 667-4833 FAX
1001 E. SOUTHMORE
SUITE 810
PASADENA, TX 77502
(713) 473-4334
(713) 475-8887 FAX
1300 ROLLINGBROOK DRIVE
SUITE 517
BAYTOWN, TX 77521
(281) 837-8225

STB FD 32760 (Sub 26) 10-18-98 J MOC

Congress of the United States

Washington, DC 20515

FILE IN DOCKET

October 18, 1998

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

Dear Madam Chair:

It is with great concern for the customers and consumers of rail services in Texas that we write to urge your approval of the Consensus Plan filed by the Consensus Partners in response to the Houston/Gulf Coast Oversight Proceeding. Our focus is on the quality of rail service in Texas, not the companies that provide that service.

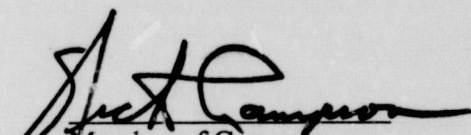
While we believe that government should concern itself with the operations of private individual railroad companies only when it is in the best interest of the consumer to do so, it is evident, through the lack of quality service that has plagued Texas throughout the last year, that we are compelled to voice the concerns of our constituencies who have been negatively impacted by the lack of competition in rail service in Texas. This is an effort to ensure that Texans do not have to suffer the great loss that we have endured during the last year.

It is very important that any company that operates a railroad in Texas concentrate on both improving infrastructure and service. Lifting the current restriction on a third competitor in the Houston area, as requested by the Consensus Partners, is the vehicle to facilitate this need. We, therefore, strongly encourage lifting that restriction. We urge you to approve the Consensus Plan because it will accomplish three important objectives for Texas and the entire Gulf Coast region:

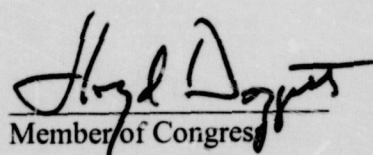
- Improved service, with a truly neutral entity providing both switching and dispatching service for the benefit of all shippers and carriers;
- Improved infrastructure, specifically \$150 million in additional rail capacity investments; and
- Increased competition provided by a third railroad.

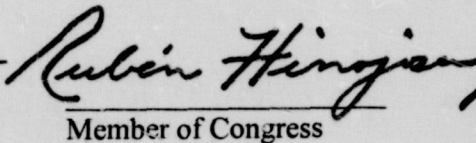
Linking these three objectives is our faith in the principles of free enterprise. Real rail competition will spur future improvements in service and infrastructure. It is our hope that the Surface Transportation Board will support improved infrastructure and service in Texas through increased competition.

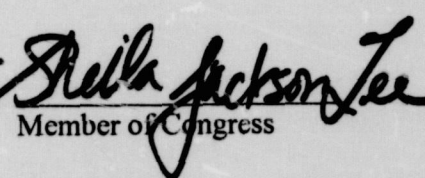
Sincerely,

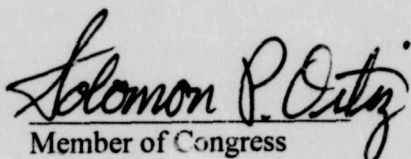


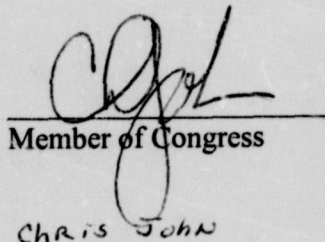
Member of Congress

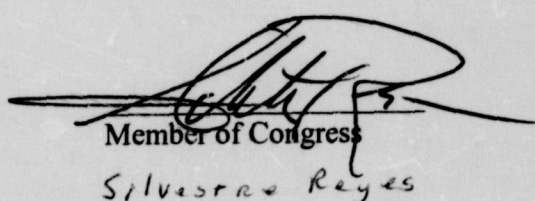

Member of Congress


Member of Congress


Member of Congress


Member of Congress


Member of Congress
Chris John


Member of Congress
Silvestre Reyes

Member of Congress

Member of Congress

Member of Congress

STB

FD

32760 (Sub 26)

10-14-98

J

191587

ASARCO

David C. Brotherton
Director of Traffic



October 13, 1998

VIA FEDERAL EXPRESS

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

ENTERED
Office of the Secretary

OCT 14 1998

Part of
Public Record

J

REFERENCE: FINANCE DOCKET NO. 32760
(SUB NOS. 26 AND 28)

191587

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Enclosed is our Verified Statement supporting the above proceeding.

Please call me if you have any questions - (212) 510-1837.

Yours very truly,

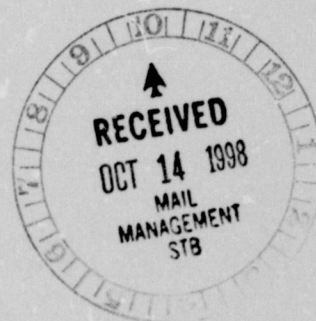
David C. Brotherton

att.

ASARCO

David C. Brotherton
Director of Traffic

**VERIFIED STATEMENT OF
DAVID C. BROTHERTON
ASARCO INCORPORATED**



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

REFERENCE: FINANCE DOCKET NO. 32760
(SUB NOS. 26 AND 28)

My name is David C. Brotherton. I am employed by ASARCO Incorporated as Director National Transportation with corporate offices located at 180 Maiden Lane, New York, NY 10038.

ASARCO Incorporated is one of the world's leading producers of nonferrous metals, principally copper, lead, molybdenum, zinc and precious metals, including gold and silver. ASARCO also produces specialty chemicals, aggregates and other industrial products and environmental services operations.

ASARCO or its subsidiaries and associated companies operate mines in the United States, Canada and Peru. In addition to mining and treating copper, lead and zinc ore from its own

mines as a fully integrated smelter and refiner, ASARCO is a custom smelter and refiner of lead ores mined by others. ASARCO is a major producer of sulfuric acid which is recovered as a by-product of the environmental control system at its smelters.

ASARCO also mines or produces construction aggregates and nonmetallic minerals, such as limestone and stone, from mines and quarries in the United States. In specialty chemicals, ASARCO's wholly owned subsidiary produces coating chemicals and technologies for engineering, functional, and decorative applications throughout the world.

ASARCO is filing this Verified Statement in support of the Burlington Northern Santa Fe Railway's (BNSF) request that the Surface Transportation Board grant permanent bi-directional overhead trackage rights on the Union Pacific's Caldwell-Flatonia-Placedo line. We believe that with the permanent bi-directional trackage rights, our transportation flows will benefit and it appears that the same will result for other shippers of freight on this line. Further service

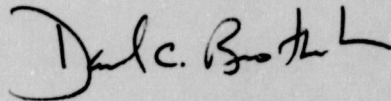
improvements are expected; and this will provide operational flexibility especially by keeping unnecessary freight out of the Houston terminal area.

ASARCO has shipments in and out of the Corpus Christi area on a regular basis. These shipments flow in and out of our Encycle Texas facility and we also import copper concentrate utilizing the Port of Corpus Christi facility. Based on the flows on these shipments, we feel that the BNSF bi-directional use of the Caldwell-Flatonia-Placedo line would benefit ASARCO from an operational and service perspective.

It has also been stated that on any rail merger, competition would be preserved as much as possible. This line was formerly a Southern Pacific route and by allowing the BNSF to permanently operate over it, competition will be preserved. It would seem logical that a permanent status on this line would allow the BNSF to make necessary investments to further improve the property which would serve to provide better service and operational efficiencies to the shippers and receivers of freight.

We feel that we will benefit, along with other shippers, from the granting of permanent bi-directional overhead trackage rights on the Caldwell-Flatonia-Placedo line and feel that the Board should indeed grant these rights on a long term basis.

Respectfully submitted,

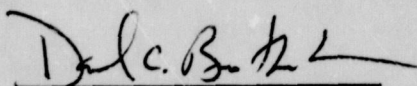
A handwritten signature in dark ink, appearing to read "David C. Brotherton". The signature is fluid and cursive, with a large, stylized "D" and a long horizontal stroke at the end.

David C. Brotherton
Director of Traffic

VERIFICATION

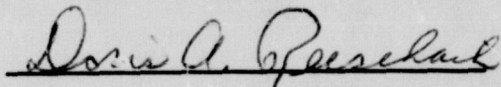
State of New York

David C. Brotherton, sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and the same are true as stated.


David C. Brotherton

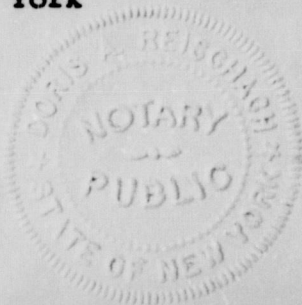
Director National Transportation
ASARCO Incorporated
180 Maiden Lane
New York, NY 10038

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



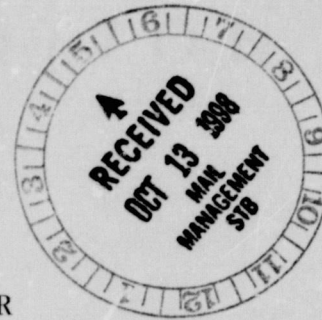
Notary Public of New York

DORIS A. REISCHACH
Notary Public, State of New York
No. 01RE5027311
Qualified in New York County
Commission Expires May 9, 2000



STB FD • 32760 (Sub 26) 10-13-98 J 191582

191582



STATE OF WYOMING
OFFICE OF THE GOVERNOR

JIM GERINGER
GOVERNOR

STATE CAPITOL
CHEYENNE, WY 82002

September 18, 1998

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

ENTERED
Office of the Secretary

OCT 14 1998

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Public Record

J

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

Dear Secretary Williams:

The Surface Transportation Board has a proceeding pending to determine if additional conditions need to be imposed upon the Union Pacific Railroad in the Gulf Coast area as a result of the Union Pacific merger with Southern Pacific Railroad.

Wyoming businesses involved in mineral extraction and agricultural production are particularly affected by access to shipping ports, rail lines and transportation terminals, and any resultant congestion in Texas. Access to markets and the return delivery of materials and goods are vital to Wyoming's economic success. We need viable and healthy rail service.

We have had difficulties in the past with timely and adequate positioning of UP rail cars and locomotives for our Wyoming commodity producers. We have listened to the concerns of mineral shippers with the freight rates charged by Union Pacific. We have also noted the concerns of our smaller shippers, particularly for non-mineral commodities, along with community concerns about blocked crossings and crossing safety. To their credit, Union Pacific has responded to our concerns by significant investments in technology and training along with capital investments in rolling stock and rail infrastructure and detailed explanations of market and freight conditions. I am pleased with the trend of improvement in their service within Wyoming. At this point, I discourage the imposition of any further conditions on Union Pacific in any area, including the Gulf Coast, as it might jeopardize the positive improvements that the Company has undertaken. We need strong, timely, and competitive rail service in Wyoming.



Page 2

September 18, 1998

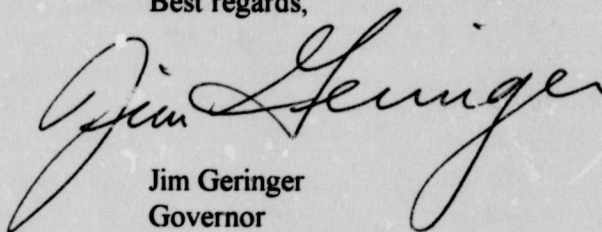
Secretary Williams

Wyoming also supports Resolution 98-020 of the Western Governors' Association, in particular, the first three paragraphs of the resolution, which read:

- The Governors support the ongoing efforts of the Surface Transportation Board to address western railroad service and economic problems and the establishment of a cooperative resolution approach involving small and large shippers, short line railroads and Class 1 railroads.
- The Governors believe that at least two healthy Class 1 railroads, as well as a system of regional short line railroads and motor carrier providers, must serve the West in order to maintain a transportation system which provides efficient high capacity flexible and safe transportation at reasonable cost to western shippers.
- The Western Governors further believe that resolution and mitigation of the current problems caused by the merger of western railroads requires that the partnership of western shippers, agricultural, forest and mineral producers, STB, federal, state and local entities, regional short lines, and the two Class 1 railroads be continued as recommended in the Western Governors' Association Rail Freight Roundtable convened May 5-6, 1998.

Key to economic competitiveness is the availability of healthy rail service. Union Pacific has committed to a cooperative approach of resolving freight and shipping problems in Wyoming and the western states. We need partners and cooperation from all areas, including governments and the railroads. I ask again, that you not impose burdensome conditions on Union Pacific as they continue to improve their service to the western states.

Best regards,

A handwritten signature in cursive script, reading "Jim Geringer". The signature is written in dark ink and is positioned above the printed name and title.

Jim Geringer
Governor

JG/nm

STB FD 32760 (Sub 26) 10-13-98 J 191574

191574



M. J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana

OFFICE OF THE GOVERNOR

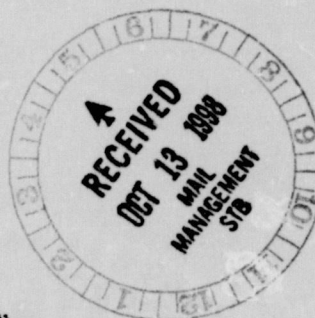
Baton Rouge

70804-9004

POST OFFICE BOX 94004
(504) 342-7015

October 2, 1998

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



ENTERED
Office of the Secretary

OCT 14 1998

Part of
Public Record

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

Dear Mr. Williams:

These comments are made for your consideration in the scheduled hearings the Surface Transportation Board will hold on the status of the previously approved Union Pacific and Southern Pacific railroad merger.

In your previous approval of the merger, in order to preserve an existing level of rail competition, the STB granted certain railroads trackage right to service the areas affected. This seems to have been a prudent decision on your part, for it has helped ease some of the problems that inevitably arise from such a massive merger. However, we now understand that there have been several requests made from various interests to have the STB impose additional new operating rights on the Union Pacific Railroad in Texas, and this is of concern.

Although the requested new operating rights affect only UP's Texas trackage, Union Pacific is important to the state of Louisiana and the company's continuing economic viability is of critical concern. For that reason, in our view, it does not seem prudent at this time to unnecessarily burden Union Pacific further in its recovery efforts by granting others new, additional rights on its property. This can only erode UP's customer base and diminish its capacity to earn a reasonable return on its investments, with potentially serious consequences to everyone in its service area.

Thank you for your consideration of our view in this matter.

Sincerely,


M.J. "Mike" Foster, Jr.

np

STB FD 32760 (Sub 26) 10-13-98 J 191562



77 St. Anne's Place
Pawleys Island, SC 29585
Phone: (843) 237-7866
Fax: (843) 237-7622
aleEngland@aol.com

October 9, 1998

THE HONORABLE VERNON A. WILLIAMS, SECRETARY
SURFACE TRANSPORTATION BOARD,
1925 K STREET, N.W.
WASHINGTON, D.C. 20423-0001



26

J

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).

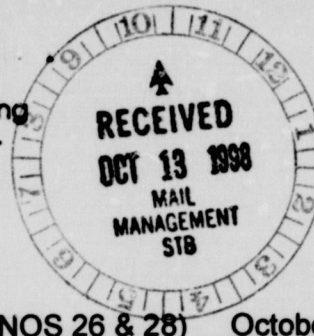
191561^x 191562
Respectfully Submitted,

Alan L. England
VP Marketing & Sales

ENTERED
Office of the Secretary

OCT 13 1998

Part of
Public Record



77 St. Anne's Place
Pawleys Island, SC 29585
Phone: (843) 237-7866
Fax: (843) 237-7622
aleengland@aol.com

URGENT RE: DOCKET NO. 32760 (SUB-NOS 26 & 28) October 9, 1998

GENERAL: My company ATI sells and CMV manufactures strontium carbonate and barium carbonate in Mexico and ships via rail to U.S. customers predominantly in the Eastern U.S. These inorganic chemicals are added to the glass in panel / screen of TV and computer monitor cathode ray tubes. **They serve a barrier property function to keep the x-rays / gamma rays from passing through the TV panel / screen to protect the viewer. Like TV and computer monitor users my company and our customers also need protection – in this case from the STB in the above issue.**

Now here comes Alan L. England, VP Marketing Sales of Alex Trading Inc. (ATI) with my office in South Carolina and our corporate main office in Brownsville TX. ATI sells strontium carbonate and barium carbonate that is manufactured by Compania Minera LaValenciana in Mexico since that is where the ore deposits of celestite and barite are located that are required for manufacture / chemical processing of these materials. Strontium carbonate and barium carbonate are used by TV / computer monitor cathode ray tube glass manufacturers who add these materials to the glass in the tube panel or faceplate. These materials perform the function of barrier properties or preventing the x-rays or gamma rays from passing through the screen and thus protecting the viewer.

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.

We ship a high number of bulk rail covered hopper cars monthly from Mexico through the Brownsville Texas gateway to several customers in the Eastern U.S. Our competition ships from Europe, China, Southern US and Mexico by rail, truck and container few of which are faced with regulatory agency authorized monopolies in their transportation routing. Our customers and we have sustained severe and crippling penalties in both financial and service terms since the UP / SP merger and before you authorized the BNSF rights for bi-directional overhead trackage rights on UP Caldwell-Flatonia-Placedo line. Additional benefits will accrue to us and other shippers upon your making these rights and authority permanent. Therefore we request you authorize permanent vs. temporary trackage rights. I cannot stress enough the enormity of the problem that existed prior to your temporary authorization. We simply cannot take the risk of the deterioration of service that is likely to occur if these rights are not made permanent. The losses incurred by shippers like ourselves and our customers in terms of financial penalties for emergency truck shipments, production lost time and service disruptions were quite real after the UP / SP merger. This provision should have been made in the original UP / SP merger agreement.

Why is the UP afraid of the competition that will result from making these rights permanent? - Since it will:

- Allow shippers to be able to compare the UP's service with others.
- 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.
- Solve all 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.
- Increase badly needed infrastructure investment over and above that proposed by the UP.
- BNSF needs to ensure that it can avoid operating over the Alcoa 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 Alcoa route unnecessarily brings traffic through the Houston terminal area, an alternate routing such as the BNSF requests 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. The cost benefit relationship in authorizing the BNSF their request in this regard can be summarized by saying " what is there to lose" and What are we afraid of in promoting the competition that made our free enterprise system so successful?
- Our transit times have substantially improved since these temporary rights were granted and this solves all the obvious service problems in addition to 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.

The above paragraphs are intended to show from a positive perspective why the Board should grant BNSF's request to maintain these bi-directional trackage rights on a long-term basis. There are a number of negative points as to what will happen if such approval is not granted, but the positive argument in favor of approval is so compelling that the negative side of the issue is academic and unnecessary. I am a rail user who has seen my company and my customers suffer as a result of the SP /UP merger approval. Please listen to me when I tell you that your approval will benefit our company, customers and other shippers who too frequently are silent because they do not even understand this issue is being considered. 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 problems.

I certify under penalty of perjury that the above is true and correct to the best of my ability to judge. Executed this 9 th day of October 1998.

Respectfully Submitted,



Alan L. England
VP Marketing & Sales

STB

FD

32760

(Sub 26)

10-13-98

J



Office of the Chairman

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

FILE IN DOCKET

FD-32740

October 13, 1998

(Sub-26)

The Honorable Carol Moseley-Braun
United States Senate
Washington, DC 20510-1303

Re: Houston/Gulf Coast Oversight Proceeding

Dear Senator Moseley-Braun:

Thank you for your letter, enclosing a letter to you from your constituent H. Richard Landis, regarding the requests of a variety of interests to obtain additional rail access to customers served by the Union Pacific Railroad (UP) in the Houston/Gulf Coast area. In his letter, Mr. Landis refers to the service problems that UP has experienced during the past year, and he states that the "Consensus Plan" proposed by certain interests, if adopted, will address the service crisis in the Houston/Gulf Coast area and will benefit shippers in other ways.

In a decision issued in late July of this year, the Board found that the service crisis in Houston is over. Nevertheless, the Board has been conducting a formal proceeding, in the context of its oversight of the Union Pacific/Southern Pacific (UP/SP) merger, to consider permanent changes in the way rail service is provided in the Houston/Gulf Coast area. Because the matter is pending, I cannot address in any detail the issues that Mr. Landis has raised. 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

STB FD

32760 (Sub 26) 10-9-98 J 191557

Wyoming State Legislature

213 State Capitol / Cheyenne Wyoming 82008 / Telephone 307 / 777-7881
<http://legisweb.state.wy.us>

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ENTERED
Office of the Secretary

OCT 13 1998

October 1, 1998

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Public Record



House of Representatives

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

RECEIVED
OCT 9 1998
MAIL
MANAGEMENT
STB

REPRESENTATIVE TOM RARDIN

House District 46
Albany County
2333 Highway 230
Laramie, Wyoming 82070

Committees:

Transportation and Highways
Labor, Health and Social Services

J

FO 32760 - SUB 26

Dear Secretary Williams:

This letter is in regard to the imposition of additional federal regulatory conditions upon the Union Pacific Railroad in Houston and Gulf Coast area.

Just as people and governments now ask that we think globally and not locally, so must that be the case with regulatory actions. You and your board must think nationally and not regionally.

In doing so it is important that you consider Other areas of the country that may be affected by additional requirement on the Union Pacific in the Gulf Coast area. One of those areas is Wyoming and adjacent areas that have depended on the U.P. since it's founding.

There are other areas that the U.P. needs to invest in besides the gulf coast. I urge you to take into consider the past efforts made in the gulf coast but in addition the other areas of the country where they have a great responsibility.

Lastly, all regulatory action should be undertaken only in the most needed situations not as routine matters.

Thank you for your attention to these comments.

Sincerely

Thomas J. Rardin

STB FD 32760 (Sub 26) 10-9-98 J MOC



Office of the Chairman

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

FILE IN DOCKET

70-32760
(Sub-26)

October 9, 1998

The Honorable Eddie Bernice Johnson
U. S. House of Representatives
1123 Longworth Building
Washington, DC 20515-4330

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congresswoman Johnson:

Thank you for your letter regarding the requests of a variety of interests to obtain additional rail access to customers served by the Union Pacific Railroad (UP) in the Houston/Gulf Coast area. In your letter, you note that UP's initial service problems were largely related to infrastructure problems, and that UP has begun aggressively investing in infrastructure to improve service for the present and the future. You state that granting requests such as those of the "Consensus Parties" would result in further revenue losses for UP, and would unfairly permit competitors to benefit from UP's misfortunes at a time when UP's efforts are beginning to produce tangible improvements.

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

COMMITTEES:
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES:
AVIATION
SURFACE TRANSPORTATION

SCIENCE

SUBCOMMITTEES:
ENERGY AND ENVIRONMENT
TECHNOLOGY

DEMOCRATIC DEPUTY WHIP
CONGRESSIONAL BLACK CAUCUS
SECOND VICE CHAIR



Eddie Bernice Johnson

Congress of the United States
30th District, Texas

PLEASE RESPOND TO:
WASHINGTON OFFICE:
1123 LONGWORTH BUILDING
WASHINGTON, DC 20515-4330
(202) 225-8885

☐ DALLAS OFFICE:
2515 MCKINNEY AVENUE
SUITE 1565
DALLAS, TX 75201
(214) 922-8885

☐ IRVING OFFICE:
1634 B WEST IRVING BOULEVARD
IRVING, TX 75061
(972) 253-8885

Email: Ejohnson@hr.house.gov

www.house.gov/ejohnson/

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OFFICE OF
CHAIRMAN MORGAN

October 2, 1998

Ms. Linda J. Morgan
Chair of the Board
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Dear Ms. Morgan:

This letter is to express my strong opposition to the changes to the Union Pacific (UP) rail network in the Houston/Gulf Coast area proposed by the so-called "Consensus Parties".

It has been asserted by UP's competitors that UP's market share somehow led to the congestion problem in the Houston area this past year. As a proposed solution, the parties are asking you as Chair of the Surface Transportation Board to cause UP to divest itself of several of its' rail lines and rail yards. The problems that beset UP in the Houston area were not caused by a concentration of market share. Rather, these problems can be directly attributed to UP's merger with Southern Pacific (SP), a fledgling rail line with serious infrastructure problems. The period immediately following the UP/SP merger was a difficult time. However, UP has worked diligently to normalize service and to bring their newly expanded system up to expected performance levels.

Since UP moved its' headquarters to my district, I have carefully watched its' progress through both the merger with SP and the service problems it experienced thereafter. While service problems were disruptive to business, the majority of companies who depend on UP for shipping have told me that they are pleased with the level of service they now receive. In fact, many of them look forward to expanding their relationship with UP.

UP has dedicated itself to normalizing service and making reparations to those who were negatively impacted by the service disruptions. It has worked to improve infrastructure on those lines acquired in the merger with SP as well as previously held lines. In the first half of this year, UP has spent \$223 million for track improvement system wide. UP has identified \$1.4 billion worth of capital spending that it plans to use in Texas and Louisiana alone to improve service in those areas, and, in turn, expedite service nationwide. In total, UP has increased its' capital improvement budget to \$2.2 billion. UP has also reached cash settlements with many of their customers who were financially affected by service delays. These figures are indicative of the effort UP is making to become a strong, vibrant rail system that can compete with other rail systems to provide quality choice of service to their customers and those who use their railways.

Now, UP's competitors are trying to use UP's recent service difficulties to their own advantage. These parties assert that UP's increased market share after the merger with SP is the root cause of their service problems. In UP's filings with the STB, it counters that the service problems that they experienced can in no way be explained by increased market share, but instead are the result of integrating a rail system woefully in need of modernization and capital investment. I cannot overstate my agreement with these arguments. Those parties seeking divestiture are looking to profit from UP's misfortune. Many of the rail lines that opposing parties are looking to acquire through divestment were available for purchase before the UP/SP merger. It is only after UP has expended capital to vastly improve those lines do these parties wish to acquire those lines.

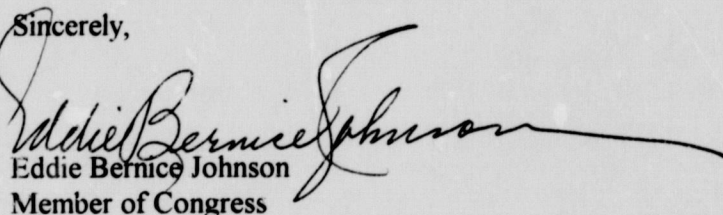
The "Consensus Parties" also argue that UP has acted in a discriminatory fashion against other rail companies using UP lines in favor of UP trains. In fact, it has been shown that other rail lines using UP trackage in the Houston/Gulf Coast area have encountered equal, and in many cases superior, service from UP dispatchers than UP trains received. UP has led the charge to bring fairness to the shared track system used by the rail industry. UP has proposed to add the presence of independent dispatchers in stations where track is used by several rail systems and, furthermore, has instructed its' own dispatchers to act in a non-partisan fashion.

In short, the "Consensus Parties" are trying to get something for nothing.

It is imperative that the STB oppose any change to the merger conditions it placed on UP. UP has fought to improve its' rail lines, it has fought to re-establish the level of service expected by its' customers, and it has fought to put itself in a competitive position. After a very difficult period, UP is beginning to see the success it have worked hard to achieve. It would be wrong to take rail lines away from UP when it has done everything asked of it and more. It would be unfair to allow competitors to benefit from UP's misfortune. UP has struggled for the benefit of the entire rail industry.

I urge you to oppose the changes to the merger plan promoted by the "Consensus Parties". Please do not hesitate to contact me or Christopher Kukla, a member of my staff, at (202) 225-8800 if you have any additional questions or concerns.

Sincerely,



Eddie Bernice Johnson
Member of Congress

EBJ/ck

STB FD 32760 (Sub 26) 10-7-98 J



Office of the Chairman

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

FILE IN DOCKET

FD-32760

(Sub-2.6)

October 7, 1998

The Honorable Jay Bradford
Senator, State of Arkansas
P.O. Box 8367
Pine Bluff, AR 71611-8367

Re: Union Pacific Oversight Proceedings

Dear Senator Bradford:

Thank you for your letter supporting the efforts of the Union Pacific Railroad (UP) to live up to the commitments it made during its merger with the Southern Pacific Transportation Company (SP). As you note, UP experienced service problems shortly after its merger with SF was approved, but service has consistently improved in recent months. You urge the Board to consider keeping the original merger plan in place notwithstanding the requests of a variety of interests to make changes in the Houston/Gulf Coast area and elsewhere on the system.

At this time I cannot address in any detail the issues that you have raised, because, as you know, the Board is conducting formal proceedings, in the context of its oversight of the UP/SP merger, to consider the matters. I assure you, however, that as it considers proposals for changes affecting the UP service 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

JAY BRADFORD

SENATOR
9TH DISTRICT

P. O. BOX 8367
PINE BLUFF, ARKANSAS 71611-8367



**THE SENATE
STATE OF ARKANSAS**

September 21, 1998

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

Dear Chairman Morgan:

As a State Senator from Pine Bluff, Arkansas, I recognize the importance of the Union Pacific Railroad to our economy.

After careful consideration of the issues, I believe Union Pacific is making conscientious efforts to fulfill the agreements entered into during the merger with Southern Pacific. I know there were problems in the beginning but I feel that Union Pacific is on the right track to correct them.

I am hopeful that you will give every consideration to the original merger plan.

Best regards,

A handwritten signature in cursive script that reads "Jay Bradford".

Jay Bradford

JTB/sp

CHAIRMAN:

PUBLIC HEALTH, WELFARE & LABOR

COMMITTEES:

MEMBER:

JOINT COMMITTEE ON ENERGY
STATE AGENCIES & GOVERNMENTAL AFFAIRS
EFFICIENCY

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OFFICE OF
CHAIRMAN MORGAN

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United States Senate
WASHINGTON, DC 20510-1303

October 2, 1998

FILE IN DOCKET

OFFICE OF
CHAIRMAN MORGAN

OCT 7 12 16 PM '98

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BOARD

Mr. Dan King
Director, Congressional Services
Surface Transportation Board
1925 K Street, N.W. Rm. 842
Washington, D.C. 20423

Dear Mr. King:

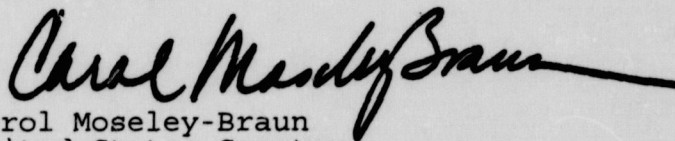
Enclosed is an inquiry I received from my constituent, H. Richard Landis.

Because of my desire to be responsive to all communications, your consideration of the matter is requested.

Please return your findings in duplicate form along with this correspondence to the attention of Rebecca Stoecker on the envelope only.

Thank you very much for your consideration.

Yours truly,



Carol Moseley-Braun
United States Senator

CMB:rs



LANDIS PLASTICS, Inc.

5750 W. 118th Street • Alsip, Illinois 60803
Telephone (708) 396-1470 • FAX (708) 396-7690

September 22, 1998

Senator Carol Moseley-Braun
IL U.S. Senate
324 Hart

Washington, DC 20510

Dear Senator Moseley-Braun:

I am writing to ask your support for a permanent fix to the virtual monopoly of rail service in the Houston/Gulf Coast area. Service disruptions have plagued the Gulf Coast region since the merger of the Union Pacific (UP) and Southern Pacific (SP) railroads two years ago. As a result, Texas shippers have suffered enormous economic damage. The shipper community, and particularly the plastics industry, has suffered long enough.

At one time Texas consisted of 17 railroads. Today most of Houston's rail assets are controlled by a single railroad - the UP. The UP controls nine of 11 tracks into and out of Houston and approximately 70 percent of the switching.

Before the U.S. Surface Transportation Board (STB), the agency which approved this merger, is a plan that will address the crisis in the Houston/Gulf Coast region by alleviating the virtual monopoly held by the merged Union Pacific and will provide shippers with alternative rail carrier options. The Consensus Plan has unprecedented support - from shipper groups, other railroads, a state regulatory agency and a state industry coalition.

This Plan will:

- * Add substantial new competitive infrastructure to the Gulf Coast region;
- * Restore the competition that existed before the UP/SP merger;
- * Enable a third, viable rail carrier to compete for U.S.-Mexico traffic.

Most importantly, the shipper community will win. The plastics industry is one of the most rail dependent industries in this nation. We ship more than 85 percent of our raw materials by rail. Regardless of geographic location, all elements of the plastics industry will be financially harmed by the UP's continued stranglehold on the Houston market, since nearly 80 percent of all plastics raw materials are produced in the Gulf Coast region.

We need your help. My company, Landis Plastics, employs 1200, and these jobs are threatened when we cannot get our raw materials in a timely and predictable fashion. Since the UP labeled the service meltdown "the worst rail crisis of the 20th century," last fall, any improvements we have experienced have been episodic at best.

When the STB decides this case this fall, please let them know that the shipper community, and your constituents, need a reliable and, above all else, a competitive rail industry in the United States. Without it, US industry will suffer and find it increasingly difficult to remain competitive in the global market.

Respectfully,

H. Richard Landis
C.E.O. & Board Chairman

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Office of the Chairman

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

FILE IN DOCKET

70-32760

(Sub-No. 26)

August 31, 1998

Ms. Catherine Maruska
Sr. VP -- Chief Administrative Officer
United Sugars Corporation
524 Center Avenue
Moorhead, MN 56560

Re: Rail Regulation Issues

Dear Ms. Maruska:

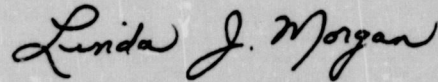
Thank you for your letters expressing your support for the remedial conditions requested by the Burlington Northern and Santa Fe Railway Company (BNSF) during the continuing oversight of the Union Pacific/Southern Pacific merger proceeding. In one of your letters, you express the view that BNSF's requested conditions are similar to the types of competitive access sought by various shippers in the UP/SP general oversight proceeding, the "Houston/Gulf Coast" oversight proceeding, and the Board's proceeding reviewing access and competition in the railroad industry generally. You also urge the Board to consider the application of BNSF's proposals on a broader scale, in particular with respect to six regulatory changes that in your view would enhance competition and improve the rail system.

As the UP/SP general oversight proceeding and the Houston/Gulf Coast oversight proceeding are pending, I cannot specifically address the merits of the BNSF filing as it relates to those cases. More generally, however, the Board has addressed five of the six general issues that you have raised (with the exception of the time limit on emergency service orders, which is set by statute), both in its Ex Parte No. 575 access and competition proceeding, and in other individual proceedings. In Ex Parte No. 575, the Board directed railroads and shipper groups to hold several meetings with an Administrative Law Judge to try to develop changes to competitive access rules, and several of the parties to those discussions have reported back to the Board with their recommendations. In its "bottleneck" decision, the Board required railroads to quote a bottleneck rate whenever a non-bottleneck railroad and a shipper have entered into a contract over an established routing. In its "small rate case" guidelines, the Board indicated that one factor in a rate reasonableness analysis could be rates charged by railroads on comparable traffic. In its "CSX/Norfolk Southern/Conrail Acquisition" proceeding, the Board added competitive conditions to what was already a pro-competitive rail acquisition transaction. And finally, in its Ex Parte No. 575 proceeding, the Board directed large and smaller railroads to meet and negotiate procedures for improving access to small carriers; the parties have held several meetings, and an agreement is near.

The Board will continue to evaluate all proposals such as the ones that you have made to ensure that, within the limits of the law that it administers, its regulatory decisions promote a rail system that provides good service at reasonable rates. In the general UP/SP oversight proceeding and 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 April 17, 1998, decision in the Ex Parte No. 575 proceeding, and press releases describing its decisions in the other proceedings I have discussed. I am also having your letters and this response placed in the formal docket in the Houston/Gulf Coast oversight proceeding, the general UP/SP oversight proceeding, and the Ex Parte No. 575 proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Linda J. Morgan".

Linda J. Morgan

Enclosures



FILE IN DOCKET

Moorhead, MN

July 8, 1998

Mr. Vernon Williams
Surface Transportation Board
1925 K St. NW
Washington, DC 20423

Dear Mr. Williams:

United Sugars Corporation is a marketing cooperative representing over 4,000 sugar producers in the Upper Midwest and the state of Florida.

We believe any law and/or regulatory decision which decreases competition in the rail industry would be detrimental to the health of both shippers and railroads, and would be in direct opposition to the stated goals of the 1980 Staggers Rail Act. We also believe that any law that attempts to reintroduce the burdensome regulatory concepts that were replaced by the Staggers Act or re-regulation would be a serious public policy mistake.

Far from re-regulating the rail industry, we believe we need to move in the opposite direction—one in which shippers in all geographic markets have increased access to rail-to-rail competition when moving their products to market.

In the spirit of moving towards this goal, United Sugars believes the rail industry must begin to move into a competitive environment, where market forces replace government regulation. Such a move must begin gradually, and United Sugars currently supports recommendations that would correct several anti-competitive regulatory decisions that have been handed down in recent years. Specifically, we support changes that would enhance competition by:

1. Granting reciprocal switching and terminal trackage rights;
2. Requiring carriers to quote rates over bottleneck segments;
3. Determining the "reasonableness" of a rate by considering the impact rail-to-rail competition has on similar commodity movements over similar distances;
4. Adopting conditions which promote rail-to-rail competition when evaluating mergers;
5. Removing time restrictions on emergency service orders; and
6. Increasing access to short-line carriers.

OFFICE OF
CHAIRMAN MORGAN

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United Sugars understands that this is not the final answer to the question of how to achieve rail-to-rail competition, but we do believe it is a start in the right direction, and hope that you will give this recommendation serious consideration.

Sincerely,

Catherine Maruska

Catherine Maruska
Sr. VP-Chief Administrative Officer
United Sugars Corporation

Cc: **Honorable Linda Morgan, Chairman**
Honorable Gus Owen, Vice Chairman



524 Center Avenue

Moorehead, MN

56560

July 8, 1998

Mr. Vernon Williams
Surface Transportation Board
1925 K St. NW
Washington, DC 20423

Re: Re-Opened Hearings on UP/SP Merger

Dear Mr. Williams:

United Sugars believes any plan that increases rail competition will be to everyone's benefit, and we support any initiative that would change the current railroad access environment to a more competitive one.

The BNSF requested for consideration to the STB to reopen hearings regarding service and competitive issues in the UP/SP merger. It is clear that the BN is asking for many of the same benefits other shippers have requested, mainly, competitive access. Specifically:

1. BNSF has requested that it be granted trackage rights on UP/SP's lines as necessary to enable BNSF to provide customers with competitive, effective service at reasonable rates. This request is consistent with the United Sugar's position that terminal trackage rights and reciprocal switching should be affirmatively granted within some set distance from an interchange. We believe this position is consistent with BNSF's requests for trackage rights in the following corridors:
 - UP's San Antonio-Laredo line and between Taylor & Milano, TX, permitting BNSF access to the most direct routes in order to service customers.
 - UP's Caldwell-Flatonia-San Antonio and Caldwell-Flatonia-Placedo lines.
 - UP routes in the Houston Terminal for all traffic.
 - UP and SP line between Harlingen and Brownsville in order to provide effective service.

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CHAIRMAN MORGAN

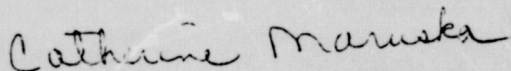
2. BNSF has also requested that neutral switching supervision on the former Baytown Branch be established to allow BNSF to provide customers with competitive service. Because neutral switching is a means for ensuring trackage rights which can effectively increase competitive access, United Sugars supports this proposal.
3. Finally, BNSF has requested joint neutral dispatching over UP & SP routes. Because neutral dispatching can ensure customer service in a competitive environment, United Sugars supports this proposal.

BNSF's proposals for alleviating the service crisis in Texas illustrate the need for greater emphasis to be placed on increasing competition so that market forces can replace government regulation in as many instances as possible. Further, United Sugars urges policy makers to consider the application of BNSF's proposals and similar policy changes on a national scale. Specifically, we urge changes that would enhance competition by:

1. Granting reciprocal switching and terminal trackage rights within a specified distance;
2. Requiring carriers to quote rates over bottleneck segments;
3. Determining the "reasonableness" of a rate by considering the impact rail-to-rail competition has on similar commodity movements over similar distances;
4. Adopting conditions which promote rail-to-rail competition when evaluating mergers;
5. Removing time restrictions on emergency service orders; and
6. Increasing access to short-line carriers.

Thank you for your consideration of our views on the pending BNSF requests.

Sincerely,



Catherine Maruska
Sr. VP - Chief Administrative Officer
United Sugars Corporation

Cc: Honorable Linda Morgan, Chairman
Honorable Gus Owen, Vice Chairman



Office of the Chairman

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

FILE IN DOCKET

JD-32760

(Sub-No. 21)

August 31, 1998

Ms. Catherine Maruska
Sr. VP -- Chief Administrative Officer
United Sugars Corporation
524 Center Avenue
Moorhead, MN 56560

Re: Rail Regulation Issues

Dear Ms. Maruska:

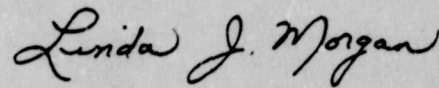
Thank you for your letters expressing your support for the remedial conditions requested by the Burlington Northern and Santa Fe Railway Company (BNSF) during the continuing oversight of the Union Pacific/Southern Pacific merger proceeding. In one of your letters, you express the view that BNSF's requested conditions are similar to the types of competitive access sought by various shippers in the UP/SP general oversight proceeding, the "Houston/Gulf Coast" oversight proceeding, and the Board's proceeding reviewing access and competition in the railroad industry generally. You also urge the Board to consider the application of BNSF's proposals on a broader scale, in particular with respect to six regulatory changes that in your view would enhance competition and improve the rail system.

As the UP/SP general oversight proceeding and the Houston/Gulf Coast oversight proceeding are pending, I cannot specifically address the merits of the BNSF filing as it relates to those cases. More generally, however, the Board has addressed five of the six general issues that you have raised (with the exception of the time limit on emergency service orders, which is set by statute), both in its Ex Parte No. 575 access and competition proceeding, and in other individual proceedings. In Ex Parte No. 575, the Board directed railroads and shipper groups to hold several meetings with an Administrative Law Judge to try to develop changes to competitive access rules, and several of the parties to those discussions have reported back to the Board with their recommendations. In its "bottleneck" decision, the Board required railroads to quote a bottleneck rate whenever a non-bottleneck railroad and a shipper have entered into a contract over an established routing. In its "small rate case" guidelines, the Board indicated that one factor in a rate reasonableness analysis could be rates charged by railroads on comparable traffic. In its "CSX/Norfolk Southern/Conrail Acquisition" proceeding, the Board added competitive conditions to what was already a pro-competitive rail acquisition transaction. And finally, in its Ex Parte No. 575 proceeding, the Board directed large and smaller railroads to meet and negotiate procedures for improving access to small carriers; the parties have held several meetings, and an agreement is near.

The Board will continue to evaluate all proposals such as the ones that you have made to ensure that, within the limits of the law that it administers, its regulatory decisions promote a rail system that provides good service at reasonable rates. In the general UP/SP oversight proceeding and 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 April 17, 1998, decision in the Ex Parte No. 575 proceeding, and press releases describing its decisions in the other proceedings I have discussed. I am also having your letters and this response placed in the formal docket in the Houston/Gulf Coast oversight proceeding, the general UP/SP oversight proceeding, and the Ex Parte No. 575 proceeding. If I can be of assistance to you in this or any other matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Linda J. Morgan".

Linda J. Morgan

Enclosures



FILE IN DOCKET

31+ Center Avenue

Moorhead, MN

July 8, 1998

Mr. Vernon Williams
Surface Transportation Board
1925 K St. NW
Washington, DC 20423

Dear Mr. Williams:

United Sugars Corporation is a marketing cooperative representing over 4,000 sugar producers in the Upper Midwest and the state of Florida.

We believe any law and/or regulatory decision which decreases competition in the rail industry would be detrimental to the health of both shippers and railroads, and would be in direct opposition to the stated goals of the 1980 Staggers Rail Act. We also believe that any law that attempts to reintroduce the burdensome regulatory concepts that were replaced by the Staggers Act-or re-regulation-would be a serious public policy mistake.

Far from re-regulating the rail industry, we believe we need to move in the opposite direction-one in which shippers in all geographic markets have increased access to rail-to-rail competition when moving their products to market.

In the spirit of moving towards this goal, United Sugars believes the rail industry must begin to move into a competitive environment, where market forces replace government regulation. Such a move must begin gradually, and United Sugars currently supports recommendations that would correct several anti-competitive regulatory decisions that have been handed down in recent years. Specifically, we support changes that would enhance competition by:

1. Granting reciprocal switching and terminal trackage rights;
2. Requiring carriers to quote rates over bottleneck segments;
3. Determining the "reasonableness" of a rate by considering the impact rail-to-rail competition has on similar commodity movements over similar distances;
4. Adopting conditions which promote rail-to-rail competition when evaluating mergers;
5. Removing time restrictions on emergency service orders; and
6. Increasing access to short-line carriers.

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United Sugars understands that this is not the final answer to the question of how to achieve rail-to-rail competition, but we do believe it is a start in the right direction, and hope that you will give this recommendation serious consideration.

Sincerely,

Catherine Maruska

Catherine Maruska
Sr. VP-Chief Administrative Officer
United Sugars Corporation

Cc: Honorable Linda Morgan, Chairman
Honorable Gus Owen, Vice Chairman



524 Center Avenue

Meerhead, MN

56560

July 8, 1998

Mr. Vernon Williams
Surface Transportation Board
1925 K St. NW
Washington, DC 20423

Re: Re-Opened Hearings on UP/SP Merger

Dear Mr. Williams:

United Sugars believes any plan that increases rail competition will be to everyone's benefit, and we support any initiative that would change the current railroad access environment to a more competitive one.

The BNSF requested for consideration to the STB to reopen hearings regarding service and competitive issues in the UP/SP merger. It is clear that the BN is asking for many of the same benefits other shippers have requested, mainly, competitive access. Specifically:

1. BNSF has requested that it be granted trackage rights on UP/SP's lines as necessary to enable BNSF to provide customers with competitive, effective service at reasonable rates. This request is consistent with the United Sugar's position that terminal trackage rights and reciprocal switching should be affirmatively granted within some set distance from an interchange. We believe this position is consistent with BNSF's requests for trackage rights in the following corridors:
 - UP's San Antonio-Laredo line and between Taylor & Milano, TX, permitting BNSF access to the most direct routes in order to service customers.
 - UP's Caldwell-Flatonia-San Antonio and Caldwell-Flatonia-Placedo lines.
 - UP routes in the Houston Terminal for all traffic.
 - UP and SP line between Harlingeng and Brownsville in order to provide effective service.

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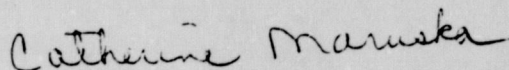
2. BNSF has also requested that neutral switching supervision on the former Baytown Branch be established to allow BNSF to provide customers with competitive service. Because neutral switching is a means for ensuring trackage rights which can effectively increase competitive access, United Sugars supports this proposal.
3. Finally, BNSF has requested joint neutral dispatching over UP & SP routes. Because neutral dispatching can ensure customer service in a competitive environment, United Sugars supports this proposal.

BNSF's proposals for alleviating the service crisis in Texas illustrate the need for greater emphasis to be placed on increasing competition so that market forces can replace government regulation in as many instances as possible. Further, United Sugars urges policy makers to consider the application of BNSF's proposals and similar policy changes on a national scale. Specifically, we urge changes that would enhance competition by:

1. Granting reciprocal switching and terminal trackage rights within a specified distance;
2. Requiring carriers to quote rates over bottleneck segments;
3. Determining the "reasonableness" of a rate by considering the impact rail-to-rail competition has on similar commodity movements over similar distances;
4. Adopting conditions which promote rail-to-rail competition when evaluating mergers;
5. Removing time restrictions on emergency service orders; and
6. Increasing access to short-line carriers.

Thank you for your consideration of our views on the pending BNSF requests.

Sincerely,



Catherine Maruska
Sr. VP - Chief Administrative Officer
United Sugars Corporation

Cc: Honorable Linda Morgan, Chairman
Honorable Gus Owen, Vice Chairman



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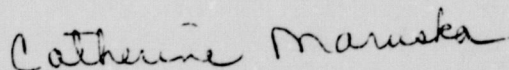
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