

STB

FD

32760

(Sub 26)

12-17-98

J

# TROUTMAN SANDERS LLP

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP

1300 I STREET, N.W.  
SUITE 500 EAST  
WASHINGTON, D.C. 20005-3314  
TELEPHONE: 202-274-2950  
FACSIMILE: 202-274-2917

INTERNET: [william.mullins@troutmansanders.com](mailto:william.mullins@troutmansanders.com)

WILLIAM A. MULLINS

FILE IN DOCKET

FD-32760  
(Sub-No 26-30)

202-274-2953

December 16, 1998

The Honorable Linda J. Morgan  
Chairman  
Surface Transportation Board  
The Mercury Building  
1925 K Street, N.W.  
7<sup>th</sup> Floor  
Washington, D.C. 20423

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
DEC 17 9 45 AM '98

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

Dear Chairman Morgan:

I would again like to take this opportunity to thank you for holding oral argument with respect to the Houston/Gulf Coast oversight proceeding. In yesterday's argument, there were numerous discussions over the issues of infrastructure and competition. Additionally, there were several references to negotiations between BNSF and Tex-Mex. Quite surprisingly, even UP's counsel seemed to know the scope and extent of these discussions, mentioning it several times. I write today to clarify that the discussions between Tex-Mex and BNSF, even if successful, will do little to help Tex Mex and KCS restore competition to the Houston Gulf Coast market or add needed infrastructure.

The attached letter from the principal executive officers of the parent companies of Tex Mex and KCS makes it abundantly clear that the only way to restore competition and add infrastructure is to lift the restriction placed on Tex Mex's trackage rights granted in the original UP/SP merger decision.



**TROUTMAN SANDERS LLP**  
ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP

The Honorable Linda J. Morgan  
December 16, 1998  
Page 2

I intended to submit the attached letter for the record in yesterday's oral argument, but did not receive a facsimile signed copy until today. Please place the attached letter in the public docket.

Sincerely,

A handwritten signature in dark ink, appearing to read 'William A. Mullins', written in a cursive style.

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

Enclosure

cc: Vice Chairman Owen  
Parties of Record

**Transportacion Maritima Mexicana  
Kansas City Southern Industries**

Jose F. Serrano  
Chairman and Chief Executive Officer  
Transportacion Maritima Mexicana  
Av del la Cuapala 6755  
Colonia Parques del Pedregal  
Delegacion Tlalpam C.P.  
Mexico 14040

Landon H. Rowland  
Chairman, President and CEO  
Kansas City Southern Industries  
114 West 11<sup>th</sup> Street  
Kansas City, MO 64105-1806

December 7, 1998

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

Dear Chairman Morgan:

The Board currently is considering in the UP Oversight Proceeding proposals to address competition in Houston, Texas. One set of proposals has been presented by the Consensus Parties, of which The Texas-Mexican Railroad Company is a member. As the Board has recognized, Tex-Mex, our jointly owned subsidiary, is instrumental to competition for rail traffic moving under the North American Free Trade Agreement ("NAFTA").

The Tex-Mex, as part of the Plan, would add new rail infrastructure for Houston traffic and acquire rail lines of its own (between Rosenberg and Victoria and between Houston and Beaumont). However, we wish to stress the absolute necessity of one other feature of the Consensus Plan, without which the infrastructure additions and new rail lines will not be feasible.

Tex-Mex's current access to Houston is restricted to traffic having a prior or subsequent move over Tex-Mex's line between Corpus Christi and Laredo. The Consensus Plan proposes the removal of that restriction. Without the Board's removal of that restriction, Tex-Mex will not be able to afford the infrastructure improvements and line acquisitions it proposes. Thus, removal of the restriction is the linchpin for the success of these other proposals. We urge you to account for this fact in your consideration of the Consensus Plan.

Sincerely yours,

Jose F. Serrano

Sincerely yours,

Landon H. Rowland

STB FD 32760 (Sub 26) 12-16-98 J 192725

192725

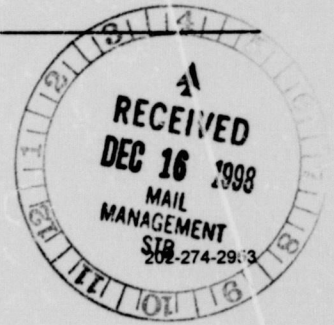
# TROUTMAN SANDERS LLP

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FACSIMILE: 202-274-2917

INTERNET: [william.mullins@troutmansanders.com](mailto:william.mullins@troutmansanders.com)

WILLIAM A MULLINS



ENTERED  
Office of the Secretary

December 16, 1998

DEC 16 1998

Part of  
Public Record

The Honorable Linda J. Morgan  
Chairman  
Surface Transportation Board  
The Mercury Building  
1925 K Street, N.W.  
7<sup>th</sup> Floor  
Washington, D.C. 20423

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

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The attached letter from the principal executive officers of the parent companies of Tex Mex and KCS makes it abundantly clear that the only way to restore competition and add infrastructure is to lift the restriction placed on Tex Mex's trackage rights granted in the original UP/SP merger decision.

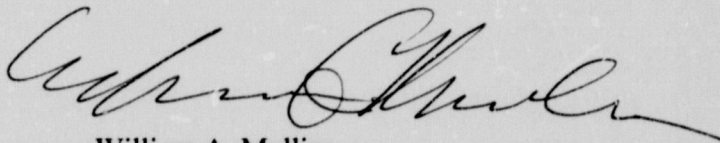


TROUTMAN SANDERS LLP  
ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP

The Honorable Linda J. Morgan  
December 16, 1998  
Page 2

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Attorney for The Kansas City  
Southern Railway Company

Enclosure

cc: Vice Chairman Owen  
Parties of Record



**Transportacion Maritima Mexicana  
Kansas City Southern Industries**

Jose F. Serrano  
Chairman and Chief Executive Officer  
Transportacion Maritima Mexicana  
Av. del la Cuspide 4755  
Colonia Parques del Pedregal  
Delegacion Tlalpam C.P.  
Mexico 14040

Landon H. Rowland  
Chairman, President and CEO  
Kansas City Southern Industries  
114 West 11<sup>th</sup> Street  
Kansas City, MO 64105-1804

December 7, 1998

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

Dear Chairman Morgan:

The Board currently is considering in the UP Oversight Proceeding proposals to address competition in Houston, Texas. One set of proposals has been presented by the Consensus Parties, of which The Texas-Mexican Railroad Company is a member. As the Board has recognized, Tex-Mex, our jointly owned subsidiary, is instrumental to competition for rail traffic moving under the North American Free Trade Agreement ("NAFTA").

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Sincerely yours,

Jose F. Serrano

Sincerely yours,

Landon H. Rowland

STB FD

32760

(Sub 26)

12-8-98

J

MOCs



Office of the Chairman

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

FILE IN DOCKET

December 8, 1998

The Honorable Kay Bailey Hutchison  
United States Senate  
Washington, DC 20510-4304

Re: Houston/Gulf Coast Oversight Proceeding

Dear Senator Hutchison:

Thank you for your letter expressing your continuing interest in the status of rail service throughout the Nation, and particularly in the Texas Gulf Coast Region. In your letter, you express your view that, notwithstanding the substantial service improvements that have occurred throughout the western United States, the Board acted appropriately in conducting further Union Pacific/Southern Pacific (UP/SP) merger oversight proceedings to consider structural changes in the way rail service is provided in the Houston/Gulf Coast area. In that regard, you ask the Board, as it works through the proceedings, to encourage private-sector outcomes where possible, but, where Government intervention is necessary, to issue a decision that addresses the needs of Houston area shippers and encourages investment in the regional rail infrastructure.

At this time I cannot address in any detail the issues that you have raised in light of the pendency of the Board's formal proceedings, in which, consistent with the suggestion in your letter, an oral argument is being held next week. I note, however, that the Board shares your view that private sector solutions are generally preferable to Government intervention. Additionally, 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



# United States Senate

WASHINGTON, DC 20510-4304

COMMITTEES:  
APPROPRIATIONS  
COMMERCE, SCIENCE,  
AND TRANSPORTATION  
RULES AND ADMINISTRATION

November 13, 1998

The Honorable Linda Morgan  
Chairman  
Surface Transportation Board  
1925 K Street, N.W., Suite 840  
Washington, D.C. 20423-0001

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
NOV 30 12 00 PM '98  
OFFICE OF  
CHAIRMAN MORGAN

Dear Chairman Morgan:

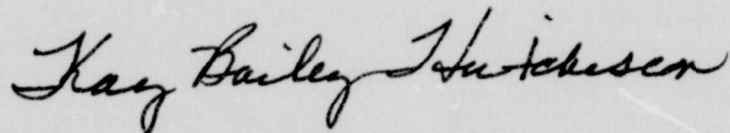
As you know, I have been carefully monitoring the rail congestion situation across the country, particularly in the Texas Gulf Coast region, and have been gravely concerned about the economic consequences of this service failure for shippers in the Houston area. I see vast improvement across the Union Pacific's system and commend the railroad and its employees for all they have done to untangle the congestion. Despite this progress, however, I still believe the Board was correct in opening the pending proceeding to review potential structural changes in the rail network of the Gulf Coast.

You have before you plans advanced by the "Consensus Partners," the Greater Houston Partnership, the Port of Houston, the National Industrial Transportation League and other shippers, Burlington Northern Santa Fe, Union Pacific, Kansas City Southern and TexMex. There are elements within these plans that most agree could be implemented, such as expanding Port Terminal Railroad Association (PTRA) membership and arbitration of the sale of the UP Victoria line to Kansas City Southern. There is less consensus on other recommendations, such as the expansion of neutral switching and the removal of trackage right restrictions.

I urge you to approach these questions prepared to utilize the good offices of the Board to encourage private-sector negotiated outcomes wherever possible. Where this is not possible, I urge you to keep in mind the needs of Houston area shippers for adequate capacity and competition, consistent with the principles of market economics and fairness, including respect for private property rights. Most important, the Board should focus on encouraging investment in the regional rail infrastructure.

There is more the Board can do to facilitate improved rail service to the area. I urge the Board to consider all submitted proposals carefully. The impact of rail freight service on the economy of Texas is so huge that I also urge the Board to consider holding a hearing on the various proposals. I think you could benefit greatly from the differing views which will better enable you to render decisions that best serve the region.

Sincerely,

A handwritten signature in cursive script, reading "Kay Bailey Hutchison". The signature is fluid and elegant, with the first letters of each name being capitalized and prominent.

Kay Bailey Hutchison

CC: Vice Chairman Gus Owen



STB FD

32760

(Sub 26)

12-8-98

J

MOCs



Office of the Chairman

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

FILE IN DOCKET

December 8, 1998

The Honorable Richard J. Durbin  
United States Senate  
Washington, DC 20510-1304

Re: Letter from H. Richard Landis Concerning Houston/Gulf Coast Oversight Proceeding

Dear Senator Durbin:

Thank you for your letter dated November 13, 1998, attaching a letter to you from your constituent Richard H. Landis regarding the proceeding the Board has been conducting, 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. In his letter to you, Mr. Landis expresses his support for the "Consensus Plan," which, in his opinion, will provide additional service options in the Houston area.

At this time I cannot address in any detail the issues that you have raised in light of the pendency of the Board's formal proceeding. 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.

As you requested, I am having your letter, along with Mr. Landis's letter to you, 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

RICHARD J. DURBIN  
ILLINOIS

COMMITTEE ON THE JUDICIARY

COMMITTEE ON  
GOVERNMENTAL AFFAIRS

COMMITTEE ON THE BUDGET

United States Senate  
Washington, DC 20510-1304

November 13, 1998

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

FILE IN DOCKET

Dear Mr. Williams:

Enclosed please find a copy of a letter from H. Richard Landis, an Illinois constituent who has written about the proposed plan to increase rail carrier competition in the Gulf Coast region.

I would appreciate your including this letter in the official record of public comment on this proposal (Finance Docket #32760-sub26). Please do not hesitate to contact me if you have any questions.

Thank you in advance for your attention to this matter.

Sincerely,

*Dick Durbin*

Richard J. Durbin  
United States Senator

RJD/pc

Enc.

364 RUSSELL SENATE OFFICE BLDG.  
WASHINGTON, DC 20510-1304  
(202) 224-2152  
TTY (202) 224-8180

230 SOUTH DEARBORN, 38TH FL.  
CHICAGO, IL 60604  
(312) 353-4952

525 SOUTH EIGHTH STREET  
SPRINGFIELD, IL 62703  
(217) 492-4062

SUITE 414  
MERCANTILE BANK OF SOUTHERN ILLINOIS  
123 SOUTH TENTH STREET  
MT. VERNON, IL 62864  
(618) 244-7441

OFFICE OF  
CHAIRMAN MORGAN

NOV 17 12 17 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD



## LANDIS PLASTICS, Inc.

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

September 22, 1998

Senator Richard Durbin  
IL U.S. Senate  
364 Russell

Washington, DC 20510

Dear Senator Durbin:

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



STB FD

32760

(Sub 26)

12-8-98

J

MOCs





Office of the Chairman

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

FILE IN DOCKET

JD-32760  
(Sub-26)

December 8, 1998

The Honorable Christopher S. Bond  
United States Senate  
Washington, DC 20510-2503

Re: Houston/Gulf Coast Oversight Proceeding

Dear Senator Bond:

Thank you for your letter expressing your continuing interest in the proceeding the Board has been conducting, 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. In your letter, you express the view that the preservation of competitive shipper options is essential in a deregulated rail industry, and you ask the Board to carefully consider approaches such as that in the "Consensus Plan" to promote additional service options in the Houston 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. 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

CHRISTOPHER S. BOND.

MISSOURI

COMMITTEES:

APPROPRIATIONS  
SMALL BUSINESS  
BUDGET  
ENVIRONMENT AND  
PUBLIC WORKS

## United States Senate

WASHINGTON, DC 20510-2503

FILE IN DOCKET

November 23, 1998

The Honorable Linda J. Morgan  
Chairman, Surface Transportation Board  
The Mercury Building  
1925 K Street, NW  
Washington D.C. 20423

OFFICE OF  
CHAIRMAN MORGAN

NOV 30 12 00 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Dear Chairman Morgan:

As you know, I have been concerned for some time that vital rail service options must be preserved for rail shippers as consolidation in the rail industry continues. While I believe that deregulation has been good and in our national interest, we cannot preserve deregulation without also preserving meaningful competitive service options for shippers.

Before the approval of the Union Pacific/Southern Pacific merger, Houston area shippers enjoyed access to three competitive railroads: Union Pacific, Southern Pacific, and Burlington Northern-Santa Fe. Because I believe preservation of competitive shipper options is essential in a deregulated rail industry, I hope the Board will support restoring rail-to-rail competition in the Houston-Gulf Coast area to the level that existed prior to the Union Pacific/Southern Pacific merger. This will benefit the Houston-Gulf Coast area and as well as the shippers in the Midwest and West.

A group of shippers, state regulators, shipper associations, and railroads have come together at the Board's suggestion to try and find reasonable modifications to the merger order that would restore the level of competitive options available in the area without undoing the merger. The Consensus Partners have filed a plan with the Board that would, in addition to lifting the restriction on the Texas Mexican Railroad regarding trackage rights, restore neutral switching and dispatch in Houston so that alternative rail carriers do not face discriminatory treatment in the routing of their trains in and out of the area. This neutral treatment of competitors is very common in other major rail terminals and common in other industries as well. These elements of the Consensus Plan seem reasonable and allow the restoration of competitive rail service options that the shippers want without undoing the merger. While I am not familiar with all the details of the Consensus Plan, these concepts seem consistent with what I believe to be sound public policy.

The Honorable Linda J. Morgan

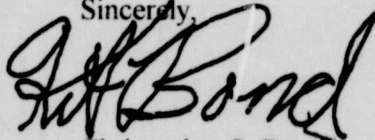
November 23, 1998

Page 2

It is my hope the Board will carefully consider ideas like these that would restore the service options available to Houston area shippers while not undoing the merger. This would appear to be a modest action that recognizes a legitimate need of shippers, restores competition to the pre-merger level, leaves the merger in place and demonstrates that the Board can protect service options available to shippers in merger proceedings.

Thank you for your continued efforts on this issue. I look forward to your reply.

Sincerely,

A handwritten signature in dark ink, appearing to read "Chris Bond", written in a cursive, flowing style.

Christopher S. Bond

STB

FD

32760

(Sub 26)

12-9-98

J

MOCH





Office of the Chairman

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

FILE IN DOCKET

December 9, 1998

The Honorable Chet Edwards  
United States House of Representatives  
2459 Rayburn Building  
Washington, DC 20515-4311

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congressman Edwards:

Thank you for your letter expressing your interest in the proceeding the Board has been conducting, 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. In your letter, which I received on December 7, 1998, you note that the Texas Farm Bureau, which is in your district, supports the approach in the "Consensus Plan" to promote additional service options in the Houston area. You ask that all interests wishing to do so be given an opportunity to present their views orally.

The Houston/Gulf Coast oversight proceeding was instituted last spring. According to a schedule that was adopted at that time, thousands of pages of pleadings were filed, with the record finally closing on November 16, 1998. On November 23, 1998, parties to the Consensus Plan asked the Board to hold an oral argument, at which parties that filed evidence and argument could discuss with Board members the issues that they had raised. On December 7, 1998, before I had received your letter, the Board granted the request for oral argument. In its order (copy enclosed), the Board limited oral argument to the parties that had affirmatively sought or opposed relief during the evidentiary phase of the proceeding. Nevertheless, the Board in its order did provide non-parties (such as the Texas Farm Bureau, which first expressed its desire to become involved in the case on December 2, 1998) the opportunity to file written summaries of the arguments they would have made had the argument been open to all, including non-parties.

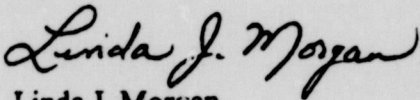
I appreciate your concern that the views of all sides be heard, and I believe that they will be heard under the approach that the Board is following. Additionally, I should note that representatives of the Consensus Plan, or of parties that in general support the concepts advanced in the Consensus Plan, have been given nearly an hour of argument time. Thus, the position that the Texas Farm Bureau supports will be thoroughly aired. In short, I assure you that all sides of the issue will be heard. I also 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

Enclosure

CHET EDWARDS  
11TH DISTRICT, TEXAS  
2459 RAYBURN BUILDING  
WASHINGTON, DC 20515-4311  
(202) 225-6105  
FAX (202) 225-0350

HOUSE APPROPRIATIONS COMMITTEE  
SUBCOMMITTEE ON MILITARY CONSTRUCTION  
SUBCOMMITTEE ON ENERGY AND WATER  
DEVELOPMENT

**Congress of the United States**  
**House of Representatives**  
**Washington, DC**

November 24, 1998

DISTRICT OFFICES  
701 CLAY AVENUE, SUITE 200  
WACO, TX 76706  
(254) 752-9600  
FAX (254) 752-7769

116 SOUTH EAST STREET  
BELTON, TX 76513  
(254) 933-2904  
FAX (254) 933-2913

FILE IN DOCKET

OFFICE OF  
CHET EDWARDS  
CHAIRMAN MORGAN

DEC 7 3 57 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Ms. Linda J. Morgan  
Chairman  
Surface Transportation Board  
1925 K Street, NW Suite 820  
Washington, D.C. 20423-0001

Dear Chairman Morgan:

I am writing in regard to your pending review of railroad service in the Houston/Gulf Coast area.

It is my understanding that the Surface Transportation Board (STB) is analyzing competing plans from Union Pacific and a group of organizations that developed the "Consensus Plan." One of the "Consensus Plan" supporters is the Texas Farm Bureau, whose state offices are located in Waco, Texas, in my district.

I do not pretend to be an expert on the details of the respective plans being considered by the STB. I respect the fact that the final decision must be made by you and the other Board members after considering the applicable law and facts of the case.

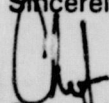
While I think it would be inappropriate for me, without a full consideration of the facts, to suggest what your final decision should be, I would like to request that you allow all sides to present their viewpoints to the Board in an oral hearing.

As someone who represents 70 miles of Interstate 35 in Texas, I have witnessed firsthand the huge increase in business between Texas and Mexico since the passage of NAFTA. For that reason, I believe it is essential for Texas' future growth that our state has high quality and competitive railroad services on a long-term basis.

Only the Surface Transportation Board has the resources and expertise to make a decision as to which plan would result in fair, competitive railroad service in Texas for the long-term. I will respect your final decision on the plans, but it seems to me to be a fair request that on an issue of this importance to the entire state of Texas, all parties in this issue be given a chance to orally present their facts and viewpoints to the Board in a hearing.

I would be grateful for your consideration of this request.

Sincerely,



Chet Edwards  
Member of Congress

STB FD

32760

(Sub 26)

12-7-98

J

MOC





Office of the Chairman

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

FILE IN DOCKET

FD-32760  
(Sub-78.26)

December 7, 1998

The Honorable Max Sandlin  
United States House of Representatives  
Washington, DC 20515

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congressman Sandlin:

Thank you for your letter dated November 19, 1998, concerning the various proposals to change the way in which rail service is provided in the Houston/Gulf Coast area. In your letter, you note that service has improved, but you express concern that service might still not be at optimal levels. You ask the Board to review carefully the "Consensus Plan," under which Union Pacific's lines would be opened up to other railroads.

At this time I cannot address in any detail the issues that you have raised, because, as you have pointed out, 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 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



**MAX SANDLIN**  
1ST DISTRICT, TEXAS

**COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE**

SUBCOMMITTEE ON RAILROADS  
SUBCOMMITTEE ON SURFACE TRANSPORTATION

**COMMITTEE ON BANKING AND  
FINANCIAL SERVICES**

SUBCOMMITTEE ON FINANCIAL  
INSTITUTIONS AND CONSUMER CREDIT  
SUBCOMMITTEE ON CAPITAL MARKETS,  
SECURITIES AND GOVERNMENT  
SPONSORED ENTERPRISES

**FRESHMAN DEMOCRATIC WHIP**

MEMBER  
DEMOCRATIC CAUCUS TASK FORCE  
ON JUVENILE JUSTICE

**Congress of the United States  
House of Representatives  
Washington, DC 20515**

November 19, 1998

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

Re: Houston/Gulf Coast Oversight Proceeding

Dear Madam Chair:

As a member of the Texas Congressional delegation and a member of the Railroad Subcommittee of the House Transportation and Infrastructure Committee, I have closely followed the performance of the railroad industry in the Houston region since the beginning of the rail service meltdown last year. After hearing from shippers, business leaders, and representatives from the railroad industry, I write to you today out of concern for the long term stability and well-being of the Texas economy.

It is my understanding that rail service in the Houston area has improved substantially from mid-crisis levels of service, and for that Union Pacific and its employees deserve commendation. However, shippers still report that rail service remains below pre-merger levels. Any inefficiencies in rail service in the Houston area translate into millions of dollars of loss to the Texas economy. It is vitally important that the railroad industry in Texas operates as efficiently as possible and avoids any future major service disruptions.

Several proposals filed with the Surface Transportation Board in the current oversight proceeding of the Union Pacific/Southern Pacific merger, including those filed by the Consensus Partners, the Port of Houston, and the Greater Houston Partnership, may offer opportunities for significant improvements to rail service in the Gulf Coast through increased competition and further infrastructure investments. I urge the board to consider these proposals carefully and objectively. These proposals should be adopted or rejected based on their impact to the Texas economy -- not based on their impact to any individual railroad. If you find that aspects of these proposals offer long term benefits to shippers and to the Texas economy, I encourage you to adopt them.

I am a firm believer in limited government regulation of the free market. However, in approving the UP/SP merger, the STB retained broad authority to make structural changes to the

214 CANNON BUILDING  
WASHINGTON, DC 20515  
(202) 225-3035  
FAX: (202) 225-5866

1300 E. PINECREST DRIVE, SUITE 30  
MARSHALL, TX 75670  
(903) 938-8786  
FAX: (903) 935-5772

P.O. Box 248  
NEW BOSTON, TX 75670  
(903) 628-5594  
FAX: (903) 628-3155

P.O. Box 538  
SULPHUR SPRINGS, TX 75482  
(903) 885-8682  
FAX: (903) 885-2976

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
NOV 23 2 28 PM '98  
OFFICE OF  
CHAIRMAN MORGAN

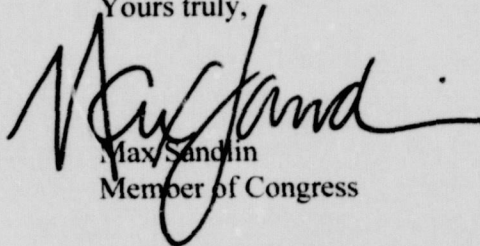
Houston area railroad market if necessary to improve rail service. Last year's meltdown presents compelling evidence that rail service in Texas can be improved. This current proceeding may be the best opportunity in the foreseeable future for the STB to exercise its authority for the benefit of the Texas economy.

For Texas to compete successfully for jobs and investments in the 21st century, Houston must develop a first-rate intermodal infrastructure. This proceeding is the one of the most important steps in that development, and should be undertaken with careful deliberation and complete objectivity. The future of the Texas economy may depend on the outcome.

Thank you for your consideration of my concerns. If I can be of any further assistance in this matter, please do not hesitate to contact me.

With kindest regards, I am

Yours truly,

A handwritten signature in dark ink, appearing to read "Max Sandin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Max Sandin  
Member of Congress

MS/jrr

STB

FD

32760

(Sub 26)

12-4-98

J





Office of the Chairman

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

FILE IN DOCKET

JS - 32760  
(Sub-78.26)

December 4, 1998

Mr. Robert S. Howden  
State Director  
National Federation of Independent Business  
815 Brazos  
Suite 900  
Austin, TX 78701

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Mr. Howden:

Thank you for your letter addressing the service problems experienced in the recent past in the Houston/Gulf Coast area. In your letter, you note the severe difficulties faced by businesses that experienced confusion and shipping delays. You suggest that the service problems were caused by a lack of competition produced by the merger of the Union Pacific and Souther Pacific (SP) railroad systems (collectively, UP), and that the Board should step in and provide for more competitive rail service in Texas.

The Board recognizes that UP has had service problems over the past year, and has taken serious steps to address them. At the formal level, the Board held 2 days of oral hearings and issued an unprecedented emergency service order, which was in effect for the statutory maximum 270-day period, that modified certain UP operations, authorized other railroads to serve certain UP customers, and required UP to file extensive reports on its performance to facilitate service monitoring, which UP is still filing in accordance with Board directive. At the informal level, our Office of Compliance and Enforcement, which established an open line of communication with senior staff of UP to ensure that complaints filed informally with the Board receive immediate attention, worked throughout the emergency with shipper interests to ensure better service.

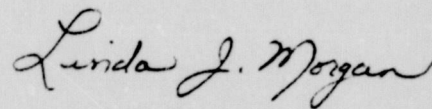
The service emergency on the UP system was caused by a variety of factors, including significantly in my view inadequate capacity and infrastructure, particularly the deteriorating plant and equipment that UP inherited from SP. In recent months, UP has invested aggressively in its plant, equipment, and personnel, and, although some complaints remain, the situation, as you acknowledge, is improving. Nevertheless, I assure you that we at the Board will remain vigilant and will step in, as appropriate.



Beyond that, 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 those 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,

A handwritten signature in cursive script that reads "Linda J. Morgan". The signature is written in dark ink and is positioned above the printed name.

Linda J. Morgan

October 2, 1998

FILE IN DOCKET

The Honorable Linda Morgan  
Chairman  
Surface Transportation Board  
1925 K Street N.W.  
Suite 820  
Washington, D.C. 02423

OFFICE OF  
CHAIRMAN MORGAN

OCT 26 5 57 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Chairman Morgan:

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

In these seven years, one issue stands above all the others in terms of complaints I have received from my members. That issue is the mass confusion and shipping delays caused as a result of the UP/SP merger. In simple terms, my members have lost a great deal of money because of bad rail service and lack of competitive choice.

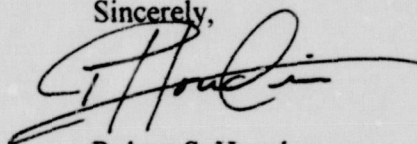
While the service has improved somewhat, it is still not to premerger levels (which I understand was not particularly good and was in fact one of the justifications for the approval of the merger - i.e., that service would improve from those levels).

During this miserable period of time, the railroad has made numerous excuses for poor service, frequently announced that everything is fine when it isn't and often denied the reality of delays, lost service and lost goods.

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

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

Sincerely,



Robert S. Howden

STB FD

32760

(Sub 26)

12-2-98

J



## **AMERICAN FARM BUREAU FEDERATION®**

225 TOUHY AVENUE • PARK RIDGE • ILLINOIS • 60068 • (847) 685-8600 • FAX (847) 685-8896  
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Internet: <http://www.fb.com/>

December 2, 1998

Linda Morgan, Chairman  
Surface Transportation Board  
1925 K Street, NW  
Room 715  
Washington, D.C. 20423-0001

Attn: Mr. Vernon A. Williams, Secretary

Dear Madame Chair:

It is our understanding that the Surface Transportation Board will hold oral hearings on the Houston/Gulf Coast Oversight matter on December 15, 1998. The American Farm Bureau Federation is deeply concerned about the rail transportation system, especially in the western United States.

We have been closely following the above referenced matter and would appreciate the opportunity to present our views on the "Consensus Plan." We therefore request a few minutes of time to present our position at the December 15, 1998 oral hearing.

Thank you for your thoughtful consideration.

Sincerely,

Richard W. Newpher  
Executive Director  
Washington Office



STB FD 32760 (Sub 26) 11-24-98 D 192378

# TROUTMAN SANDERS LLP

A T T O R N E Y S   A T   L A W  
A LIMITED LIABILITY PARTNERSHIP

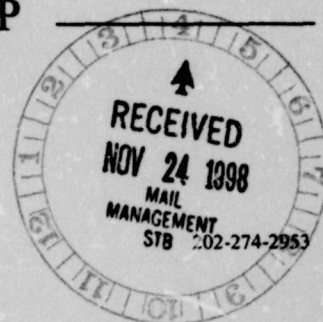
1300 I STREET, N.W.  
SUITE 500 EAST  
WASHINGTON, D.C. 20005-3314  
TELEPHONE: 202-274-2950  
FACSIMILE: 202-274-2994

William A. Mullins

ENTERED  
Office of the Secretary

NOV 24 1998

November 24, 1998



**HAND DELIVERY:** Part of Public Record

Honorable Vernon A. Williams

Case Control Unit

Attn: STB FD 32760 (Sub-No. 26)

Surface Transportation Board

Room 700

1925 K Street, N.W.

Washington, D.C. 20006

FD 32760 26 192378

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RE: Finance Docket No. 32760 (Sub-No. 26)\*  
Union Pacific Corp., et al. - Control & Merger - Southern Pacific Rail Corp.,  
et al. - Houston/Gulf Coast Oversight

Dear Secretary Williams:

Enclosed for filing in above captioned proceeding are an original and twenty-six copies of CMA-11/RCT-10/TM-27/SPI-11/TCC-11/KCS-18, Notice of Intent to Participate in Oral Argument.

Please date and time stamp one copy of the Petition enclosed herewith for return to our offices. Included with this filing is a 3.5-inch Word Perfect, Version 5.1 diskette with the text of the pleading.

Sincerely,

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

cc: Parties of Record

\* and embraced sub-dockets

CMA-11 SPI-11  
RCT-10 TCC-11  
TM-27 KCS-18

**BEFORE THE**  
**SURFACE TRANSPORTATION BOARD**

**FINANCE DOCKET NO. 32760 (Sub-No. 26)\***



**UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY  
AND MISSOURI PACIFIC RAILROAD COMPANY  
-- CONTROL AND MERGER --  
SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC  
TRANSPORTATION COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY  
COMPANY, SPCSL CORP. AND THE DENVER  
AND RIO GRANDE WESTERN RAILROAD COMPANY**

**HOUSTON/GULF COAST OVERSIGHT PROCEEDING**

**NOTICE OF INTENT TO PARTICIPATE IN ORAL ARGUMENT**

**THE CHEMICAL MANUFACTURERS  
ASSOCIATION**

**THE SOCIETY OF THE PLASTICS INDUSTRY,  
INC.**

**THE RAILROAD COMMISSION OF TEXAS**

**THE TEXAS CHEMICAL COUNCIL**

**THE TEXAS MEXICAN RAILWAY COMPANY**

**THE KANSAS CITY SOUTHERN RAILWAY  
COMPANY**

**November 24, 1998**

**(\* and embraced sub-dockets)**



CMA-11 SPI-11  
RCT-10 TCC-11  
TM-27 KCS-18

**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**FINANCE DOCKET NO. 32760 (Sub-No. 26)\***

---

**UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY  
AND MISSOURI PACIFIC RAILROAD COMPANY  
-- CONTROL AND MERGER --  
SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC  
TRANSPORTATION COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY  
COMPANY, SPCSL CORP. AND THE DENVER  
AND RIO GRANDE WESTERN RAILROAD COMPANY**

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**HOUSTON/GULF COAST OVERSIGHT PROCEEDING**

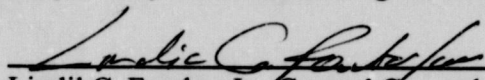
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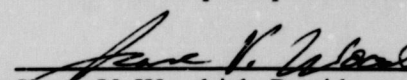
**NOTICE OF INTENT TO PARTICIPATE IN ORAL ARGUMENT**

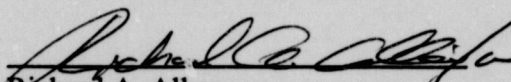
Pursuant to Decision No. 7 in Finance Docket No. 32760 (Sub-No. 26), STB served November 23, 1998, the Consensus Parties hereby give notice of their intent to participate in the oral argument scheduled for December 15, 1998 in this proceeding. On the day of the oral argument, the Consensus Parties will inform the Secretary of the identities of the speakers and the portion of the thirty (30) minutes of time allotted to each speaker. In addition, the Consensus Parties will file a summary of their oral argument, pursuant to Decision No. 7, by 2:00 p.m. on December 11, 1998.

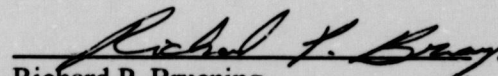


Respectfully submitted and signed on each party's behalf with express permission,

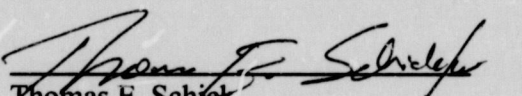
  
Lindil C. Fowler, Jr., General Counsel  
THE RAILROAD COMMISSION OF TEXAS  
1701 Congress Avenue  
P.O. Box 12967  
Austin, Texas 78711-2967  
Tel: (512) 463-6715  
Fax: (512) 463-8824

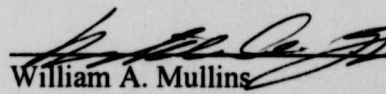
  
James V. Woodrick, President  
THE TEXAS CHEMICAL COUNCIL  
1402 Nueces Street  
Austin, Texas 78701-1586  
Tel: (512) 477-4465  
Fax: (512) 477-5387

  
Richard A. Allen  
Scott M. Zimmerman  
ZUCKERT, SCOUTT & RASENBERGER, LLP  
888 17<sup>th</sup> Street, N.W.  
Suite 600  
Washington, D.C. 20006-3939  
Tel: (202) 298-8660  
Fax: (202) 342-0683

  
Richard P. Bruening  
Robert K. Dreiling  
THE KANSAS CITY SOUTHERN RAILWAY  
COMPANY  
114 West 11<sup>th</sup> Street  
Kansas City, Missouri 64105  
Tel: (816) 983-1392  
Fax: (816) 983-1227

ATTORNEYS FOR THE TEXAS MEXICAN  
RAILWAY COMPANY

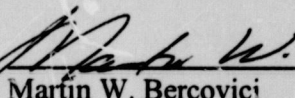
  
Thomas E. Schiek  
The Chemical Manufacturers Association  
1300 Wilson Boulevard  
Arlington, VA 22209  
Tel: (703) 741-5172  
Fax: (703) 741-6092

  
William A. Mullins  
David C. Reeves  
Sandra L. Brown  
Ivor Heyman  
Samantha J. Friedlander  
TROUTMAN SANDERS LLP  
1300 I Street, N.W.  
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Tel: (202) 274-2950  
Fax: (202) 274-2994

ATTORNEYS FOR THE KANSAS CITY SOUTHERN  
RAILWAY COMPANY

  
Scott N. Stone  
Patton, Boggs L.L.P.  
2550 M Street, NW  
Washington, D.C. 20037  
Tel: (202) 457-6335  
Fax: (202) 457-6315

ATTORNEYS FOR THE CHEMICAL  
MANUFACTURERS ASSOCIATION

  
Martin W. Bercovici  
Keller & Heckman  
1001 G Street, N.W.  
Suite 500 West  
Washington, DC 20001  
Tel: (202) 434-4144  
Fax: (202) 434-4651

ATTORNEYS FOR THE SOCIETY OF PLASTICS  
INDUSTRY, INC.

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the **NOTICE OF INTENT** was served this 24<sup>th</sup> day of November, 1998, by first class mail upon all parties of record in the Sub-No. 26 oversight proceedings.



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

STB

FD

32760

(Sub 26)

11-24-98

J

MOCH





Office of the Chairman

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

FILE IN DOCKET

*FD-32768  
(Sub-No. 26)*

November 24, 1998

The Honorable Lloyd Doggett  
United States House of Representatives  
126 Cannon Building  
Washington, DC 20515

Re: Houston/Gulf Coast Oversight Proceeding

Dear Congressman Doggett:

Thank you for your letter expressing your continuing interest in the proceeding the Board has been conducting, 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. In your letter, you ask the Board to provide for oral presentations in the matter.

On November 23, 1998, the Board issued a decision setting an oral argument date in the proceeding. For your convenience, I have enclosed a copy of that decision.

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

Enclosure



LLLOYD DOGGETT  
10TH DISTRICT, TEXAS

COMMITTEE ON THE  
BUDGET

COMMITTEE ON  
RESOURCES



Congress of the United States  
House of Representatives

October 26, 1998

WASHINGTON OFFICE:  
126 CANNON BUILDING  
WASHINGTON, DC 20515  
(202) 225-4865

DISTRICT OFFICE:  
763 FEDERAL BUILDING  
AUSTIN, TX 78701  
(512) 916-5921

e-mail: [lloyd.doggett@mail.house.gov](mailto:lloyd.doggett@mail.house.gov)  
<http://www.house.gov/doggett/>

FILE IN DOCKET

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

Re: Houston/Gulf Coast Oversight Proceeding

Dear Chairman Morgan:

It is my understanding that the parties involved in the above proceeding have completed their filings and, consequently, that the Surface Transportation Board (STB) may hand down a decision in this matter in the near future. I write to urge that the STB hold a hearing on the issues raised in this case before reaching a decision.

As you will recall I testified before the Board two years ago about my grave concerns regarding the effects of the UP/SP merger on my state. The parties and interested Members of Congress should have a similar opportunity to appear at a hearing on the current proceeding.

I appreciate your time and attention in this matter.

Sincerely,

Lloyd Doggett

LD:sq

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
Oct 30 3 10 PM '98  
OFFICE OF  
CHAIRMAN MORGAN

STB FD

32760

(Sub 26)

11-24-98

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MOCs



Office of the Chairman

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

FILE IN DOCKET

*FD-32760*  
*(Sub-No. 26)*

November 24, 1998

The Honorable Christopher S. Bond  
United States Senate  
Washington, DC 20510-2503

Re: Houston/Gulf Coast Oversight Proceeding

Dear Senator Bond:

Thank you for your letter expressing your continuing interest in the proceeding the Board has been conducting, 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. In your letter, you ask whether the Board intends to provide for oral presentations in the matter.

On November 23, 1998, the Board issued a decision setting an oral argument date in the proceeding. For your convenience, I have enclosed a copy of that decision.

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

Enclosure

United States Senate

WASHINGTON, DC 20510-2503

FILE IN DOCKET

October 21, 1998

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

Oct 29 3 01 PM '98  
OFFICE OF  
CHAIRMAN MORGAN

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

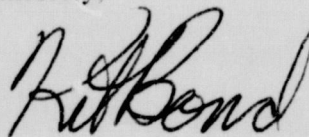
Dear Chairman Morgan:

In the Surface Transportation Board's current proceeding in Finance Docket No. 32760, the Board has asked interested parties to consider and propose modifications to the Union Pacific/Southern Pacific merger decision under the Board's ongoing oversight authority that would address the state of competitive rail service in the Houston/Gulf Coast area. This issue continues to be of great interest to me.

Because of the importance of this issue, I want to know whether or not there will be an opportunity for brief oral presentations in this proceeding and if so, when. Please let me know your intentions regarding this.

Thank you in advance for your consideration in this matter.

Sincerely,



Christopher S. Bond



STB FD

32760

(Sub 26)

11-20-98

J

MOC



Office of the Chairman

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

FILE IN DOCKET

*FD-32760*  
*(Sub-No. 26)*

November 20, 1998

The Honorable Byron L. Dorgan  
United States Senate  
Washington, DC 20510

Re: Union Pacific Houston/Gulf Coast Oversight Proceeding

Dear Senator Dorgan:

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 your position that the Union Pacific/Southern Pacific merger reduced competition, and you ask the Board to open up UP's lines to other railroads, and to "satisfy shippers and the public interest simply by restoring competition to pre-merger levels."

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 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 committed to issuing decisions that are in the interest of all segments of the rail sector 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 Chairman

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

FILE IN DOCKET

November 20, 1998

The Honorable John D. Rockefeller IV  
United States Senate  
Washington, DC 20510

Re: Union Pacific Houston/Gulf Coast Oversight Proceeding

Dear Senator Rockefeller:

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 your position that the Union Pacific/Southern Pacific merger reduced competition, and you ask the Board to open up UP's lines to other railroads, and to "satisfy shippers and the public interest simply by restoring competition to pre-merger levels."

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Sincerely,

*Linda J. Morgan*  
Linda J. Morgan



# United States Senate

WASHINGTON, DC 20510

October 28, 1998

FILE IN DOCKET

The Honorable Linda Morgan  
Chairwoman  
Surface Transportation Board  
1201 Constitution Avenue NW  
Washington, DC 20423

Dear Chairwoman Morgan:

It is our understanding that the Surface Transportation Board (STB) has the opportunity to restore the level of rail-to-rail competition in Houston to three competitive rail carriers, as it was before the Union Pacific/Southern Pacific (UP/SP) merger. Proceedings in Finance Docket No. 32760 offer the STB the option to lift the restriction imposed upon the Texas-Mexican Railway which bars it from handling traffic in and out of Houston to the north and east. Clearly, this restriction has reduced the competitive rail service options for Houston area shippers and lifting it would restore the level of competition to what they enjoyed before the UP/SP merger.

We have been informed that the STB has asked affected parties to consider and propose permanent modifications to the UP/SP merger decision that would alleviate the competitive rail service problems shippers face in the Houston/Gulf Coast area that result from the merger.

We urge you to modify the original decision to permanently improve competitive rail service in the Houston/Gulf Coast area. Further, We encourage the STB to conduct public hearings and ensure an open debate on this matter.

At one time, Houston was served by seven competitive railroads. As recently as 1988, Houston had five railroads. Before the UP/SP merger was approved, Houston area shippers enjoyed access to three competitive railroads: Union Pacific, Southern Pacific and Burlington Northern-Santa Fe. After the UP/SP merger was approved, only two railroads remained serving Houston — one of which, the Burlington Northern-Santa Fe, may be unable to compete due to the market dominance of the Union Pacific.

We hope the STB will take action to restore the level of competition that existed before the merger. We believe that the law grants you the ability to enlarge competition if you determined it to be in the public interest. In this case, the STB can satisfy shippers and the public interest simply by restoring competition to pre-merger levels.

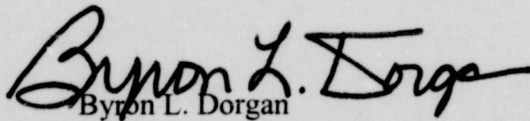
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SURFACE TRANSPORTATION  
BOARD  
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OFFICE OF  
CHAIRMAN MORGAN

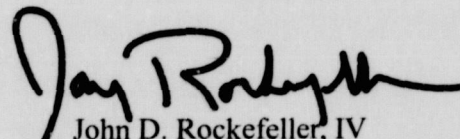


Page Two  
The Honorable Linda Morgan

Thank you for your consideration of our request. We appreciate your attention to this matter and look forward to hearing from you soon.

Sincerely,

  
Byron L. Dorgan  
U.S. Senator

  
John D. Rockefeller, IV  
U.S. Senator

STB FD

32760

(Sub 26)

11-9-98

J



Office of the Chairman

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

FILE IN DOCKET

FD-32760  
(Sub-No. 26)

November 9, 1998

Mr. Dick Davidson  
Chairman  
Union Pacific Corporation  
1416 Dodge Street  
Room 1230  
Omaha, NE 68179

Dear Mr. Davidson:

Thank you for sending me a copy of your letter to U.S. Department of Transportation Secretary Rodney Slater, concerning the Department's filing in the UP/Houston oversight proceeding. I appreciate your keeping me informed in this way.

I will have your letter and my response made a part of the public docket for the UP/Gulf Coast oversight proceeding. I look forward to continuing to work with you on these and other important transportation issues of mutual interest.

Sincerely,

*Linda J. Morgan*  
Linda J. Morgan

# UNION PACIFIC CORPORATION



FILE IN DOCKET

DICK DAVIDSON  
CHAIRMAN

September 23, 1998

The Honorable Rodney Slater  
Secretary of Transportation  
400 7th Street  
Washington, D.C. 20590

Dear Rodney:

I have read the statement filed by the Department of Transportation in the STB's service/oversight proceeding. While I am pleased the Department does not support the majority of the conditions requested by BNSF and the "consensus group," I remain troubled by the Department's apparent belief that our service has only marginally recovered from the crisis of the past year.

I recognize filing deadlines prohibited your staff from reviewing our extensive submission prior to filing the Department's comments. As a result, they had to rely principally upon the previous submissions of certain customers or shipper groups, e.g., Shell Oil's filing of July 7, and the August 14 filings of Cemex and NIT League. We strongly urge your staff to review our September 18 submission, as it presents a current and accurate assessment. For example, supporting statements from a cross-section of over 185 shippers attest to the fact that service in Houston and elsewhere has significantly improved and that the service crisis is over. In the Cemex case, as we will show in a separate filing due September 30, we have reached higher levels of service than any time in the previous four years.

Given the importance of the issues and stakes involved in this proceeding -- not only to Union Pacific but to the nation as a whole -- we believe it is critical the Department be fully informed. Therefore, we are requesting the opportunity to meet with you and your key advisers to give a full report on the state of our Railroad. We would also like to extend the invitation to visit our Houston facilities and see for yourself that the service crisis has been resolved.

We look forward to hearing from you and are prepared to make the necessary arrangements.

Sincerely,

OFFICE OF  
CHAIRMAN MORGAN

SEP 28 5 09 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD



cc: The Honorable Mort Downey  
The Honorable Linda Morgan  
The Honorable Gus Owen

STB FD

32760 (Sub 26)

9-17-98

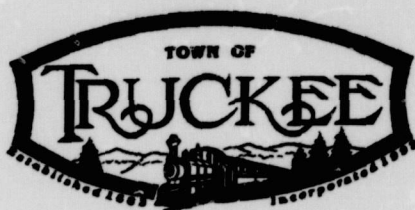
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191177

Town Council

Ron Florian, Mayor

Josh Susman  
Robert W. Drake  
Don McCormack  
Maia Schneider



Department Heads

Stephen L. Wright, Town Manager  
J. Dennis Crabb, Town Attorney  
Thomas E. Covey, Public Works  
Jon A. Lander, Town Engineer  
Tony Lashbrook, Community Development  
Jill R. Olsen, Administrative Services

Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20510

ENTERED  
Office of the Secretary

SEP 17 1998

Part of  
Public Record

September 2, 1998



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

Dear Secretary Williams:

As Mayor of the Town of Truckee, I am very aware of the value of rail transportation service in our area. Union Pacific Railroad is important to our community because of both the employment that it provides and the business that it serves.

We are strongly opposed to the proposals to impose new conditions on Union Pacific's operations around Houston and the Gulf Coast area. The STB established competitive conditions which were integrated into its approval of the Union Pacific/Southern Pacific merger. The proposed additional conditions would disrupt the competitive balance by altering a key portion of the original merged system, thereby weakening Union Pacific when it is recovering its operational capability.

At the time of the merger, Southern Pacific was close to collapse. Union Pacific has been struggling to improve operations of the combined system and has made great strides, ending the service crisis. To continue the progress, Union Pacific has to make further investments to improve service and infrastructure throughout the system. The proposed conditions would deprive Union Pacific of the revenue necessary to make these investments and would make it more difficult for the company to continue the service improvements that we have seen in recent months.

In addition, it would be unfair to grant special access conditions in one part of the country at the expense of shippers elsewhere. In particular, I am concerned that our community and economy will be adversely impacted if Union Pacific competitors are granted concessions in another part of the UP system. Certainly, if Union Pacific's competitors want direct access to Union Pacific customers, they can use their own capital to build the necessary track and facilities.

Our area has benefited from our association with Union Pacific Railroad. The service progress and community partnership should not be hindered by the imposition of new conditions that will harm Union Pacific, our community and others around the country.

Sincerely,

Ron Florian, Mayor  
Town of Truckee

STB FD 32760 (Sub 26) 9-17-98 J 191176



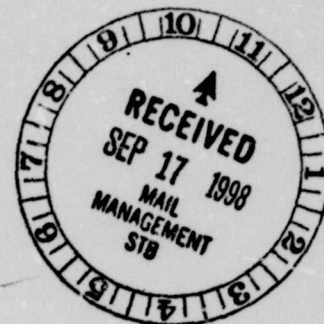
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Office of the Secretary

SEP 17 1998

Part of  
Public Record



City of Portland  
Vera Katz  
Mayor



September 16, 1998

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

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

Dear Secretary Williams:

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


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

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

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

Thank you for your consideration.

Warm regards,

  
VERA KATZ  
Mayor



STB FD 32760 (Sub 26) 9-17-98 J 191175



**RICHARD DEVLIN**  
**STATE REPRESENTATIVE**  
DISTRICT 24  
CLACKAMAS AND WASHINGTON COUNTIES  
**HOUSE OF REPRESENTATIVES**

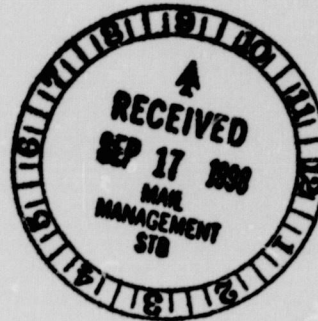
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ENTERED  
Office of the Secretary

SEP 17 1998

Part of  
Public Record

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

14 September, 1998



Dear Secretary Williams

**Re: Houston/Gulf Coast Oversight Proceeding Finance Docket No 32760 Sub No 26**

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

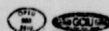
Oregon has experienced being served by a financially-limited railroad company before Southern Pacific merged with Union Pacific. While service problems still exist, improvements and expansion are happening. We feel strongly that consistent and quality service is not possible if Union Pacific is not allowed to recover from its weakened condition. Imposing additional conditions will seriously threaten the organization's ability to recover.

In addition to the capital that Union Pacific has spent in the Gulf Coast area, it has also invested in improvements in Oregon's infrastructure. Additional investment in our state is needed and is possible through the revenue generated from Union Pacific's traffic base. However, Union Pacific experienced an unprecedented loss of \$230 million over the last three years and the proposed additional conditions would deprive the company of the revenue needed to continue this pattern of investment.

I strongly caution the Board against taking any action that will contribute further to the current competitive imbalance that exists in this region. I urge the Board to forego additional conditions that will undermine Union Pacific's ability to reinvest in infrastructure improvements and expansion in Oregon's rail service, and elsewhere.

Kind regards

Richard Devlin



STB FD 32760 (Sub 26) 9-16-98 J 191164





**Paul R. Hitchcock**  
Senior Counsel  
Member of the Ohio Bar  
Not Admitted in Florida

**ENTERED**  
Office of the Secretary

SEP 16 1998

Part of  
Public Record

191164  
Law Department  
500 Water Street  
Speed Code J-150  
Jacksonville, FL 32202  
Fax (904) 359-7518  
Telephone (904) 359-3100  
Writer's direct telephone line:

904-359-1192

September 15, 1998

VIA Facsimile and Overnight Express Delivery Service

The Honorable Vernon A. Williams  
Office of the Secretary, Case Control Unit  
ATTN: STB Finance Docket No. 32760 (Sub-No.26)  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D. C. 20423-0001

Re: STB Finance Document No. 32760 (Sub-No.26)  
UNION PACIFIC CORPORATION [HOUSTON/GULF OVERSIGHT]  
NOTICE OF INTENT TO PARTICIPATE



Dear Mr. Williams:

This will confirm my conversation today with Ms. Ellen Keys of your office. As I indicated to her, CSX Transportation, Inc. (CSXT) was inadvertently omitted from the Service list released by the Board on September 10, 1998. CSXT timely submitted its Notice of Intent to Participate dated July 16, 1998. Mr. Cambridge advised me by phone on September 14 that his computer listings showed CSXT entered as a Party of Record as of July 20 and also showed CSXT as appearing on the Service List.

Please include on the Service List:

Douglas R. Maxwell, General Counsel  
CSX Transportation, Inc. J150  
500 Water Street  
Jacksonville, FL 32202

Phone 904-359-3673 Fax 903-359-7518  
Representing: CSX Transportation, Inc.

Enclosed are 25 copies of the Notice of Intent to Participate and a diskette.

Very truly yours,

*Paul R. Hitchcock*  
Paul R. Hitchcock *PRH*

PRH/sgb

Enclosure - Diskette, 25 copies of the Notice of Intent to Participate and the July 16, 1998 letter form Notice to Mr. Williams.



**Paul R. Hitchcock**  
Senior Counsel  
Member of the Ohio Bar  
Not Admitted in Florida

Law Department  
500 Water Street  
Speed Code J-150  
Jacksonville, FL 32202  
Fax (904) 359-7518  
Telephone (904) 359-3100  
Writer's direct telephone line:

**904-359-1192**

July 16, 1998

The Honorable Vernon A. Williams  
Office of the Secretary, Case Control Unit  
ATTN: STB Finance Docket No. 32760 (Sub-No.26)  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D. C. 20423-0001

Re: STB Finance Document No. 32760 (Sub-N0.26)  
UNION PACIFIC CORPORATION [HOUSTON/GULF OVERSIGHT]  
NOTICE OF INTENT TO PARTICIPATE

Dear Mr. Williams:

CSX Transportation, Inc. (CSXT) intends to participate as a party of record in this proceeding.

CSXT also requests the opportunity to speak at any oral hearing which the Board might determine to be appropriate in this proceeding.

Please include on the Service List:

Douglas R. Maxwell  
General Counsel  
CSX Transportation, Inc. J150  
500 Water Street  
Jacksonville, FL 32202

Phone 904-359-3673  
Fax 903-359-7518

Enclosed are 25 copies of the Notice of Intent to Participate and a diskette.

Very truly yours,

*Paul R. Hitchcock*  
Paul R. Hitchcock *at*

PRH/sgH  
Enclosure

STB FD 32760 (Sub 26) 9-16-98. D 191163



191163

# TROUTMAN SANDERS LLP

ENTERED  
Office of the Secretary

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP

SEP 16 1998

Part of  
Public Record

William A. Mullins

1300 I STREET, N.W.  
SUITE 500 EAST  
WASHINGTON, D.C. 20005-3314  
TELEPHONE: 202-274-2950  
FACSIMILE: 202-274-2917

September 15, 1998



The Honorable Vernon A. Williams  
Office of the Secretary  
Case Control Branch  
Attention: STB Finance Docket No. 32760 (Sub-No. 26)  
1925 K Street, N.W.  
Washington, D.C. 20423-0001

ENTERED  
Office of the Secretary

SEP 16 1998

Part of  
Public Record

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

Dear Mr. Williams:

I am writing in response to the Board's Notice to Parties served on September 10, 1998 in the above finance docket ("Notice").

The Notice provides that any requests for change of status, correction of address information or deletion from the service list must be filed in writing with the Board by September 16, 1998. This letter serves as a written request to correct the following errors in the service list which appear in the Notice:

1. William Mullins is the party of record for Kansas City Southern Railway Company. William Mullins is not a party of record for the Society of the Plastics Industry Inc. nor the Texas Chemical Council.
2. The party of record for the Society of the Plastics Industry Inc. is:  
Martin W. Bercovici  
Keller & Heckman  
1001 G Street, N.W.  
Suite 500 West  
Washington, DC 20001

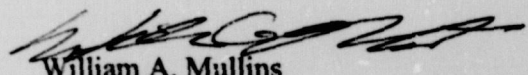


Office of the Secretary  
September 15, 1998  
Page 2

3. The party of record for the Texas Chemical Council is:  
James V. Woodrick, President  
The Texas Chemical Council  
1402 Nueces Street  
Austin, TX 78701-1586
4. Joseph J. Plaistow is not a party of record for Kansas City Southern Railway Company.  
Joseph J. Plaistow is a party of record for himself.

Please could you correct these errors in future service lists.

Sincerely,



William A. Mulfins  
Attorney for Kansas City Railway  
Company

Enclosures (25)

cc: All Parties of Record

STB FD

32760

(Sub 26)

9-16-98

J

191160

DARRELL V. DAUGHERTY  
City Manager  
RONALD D. CUNNINGHAM  
Finance Director  
DAVID A. JAMES, REA  
Dir. of Planning & Econ. Dev.  
DENNIS WAHLSTROM  
Public Works Director  
A. A. ANTHONY  
Fire Chief  
THOMAS F. SCHROETER  
City Attorney  
REX A. MASC  
City Engineer



ENTERED  
Office of the Secretary

SEP 16 1998

Part of  
Public Record

September 8, 1998

191160  
JOHN H.E. ROMBOUS  
Mayor  
PHILIP A. SMITH  
Mayor Pro-Tempore  
MARIANA B. TEEL  
Council Member  
JAMES D. FRANKLIN  
Council Member  
WES KITCHEN  
Council Member  
JEANETTE M. HAUBRICH-KELLEY, CMC  
City Clerk  
ROSE B. FRENG  
City Treasurer

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

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

Dear Secretary Williams:

As Mayor of the City of Tehachapi, I am very aware of the value of rail transportation service in our area. Union Pacific Railroad is important to our community because of the close working relationship we have developed with Union Pacific and because of the vital nature of the railroad as it passes through the Tehachapi Mountains and also the Tehachapi Valley.

The City of Tehachapi's relationship with Union Pacific has been both positive and pro-active on several fronts. The railroad has just completed an aggressive roadbed rehabilitation project that relocated several large crews to our valley. Working with Union Pacific executives, Tehachapi's newly created Economic Development Office, headed by Economic Development Director, David James, has sited a major new business development which will utilize a new switching and rail spur. The Union Pacific has also worked to preserve Tehachapi's historic rail depot as part of the promotion of cultural tourism in the Tehachapi Valley. Finally, the railroad has extended its earlier commitment to historic preservation by offering to convey to the City of Tehachapi property to build our Heritage Park complex which will focus on Native American culture, wind energy technology and the engineering genius involved in the creation of the Tehachapi Loop.

Here in the Tehachapi Valley, rail improvements have been impressive and need to continue. We have seen positive results in the form of roadbed rehabilitation by the installation of cement ties over a 40-mile rail segment. A crew of over 100 Union Pacific employees moved into our community, utilizing our local lodging and restaurants, thereby enhancing the economic well-being of our community, at the same time, improving the infrastructure of the rail network.

We are strongly opposed to the proposals to impose new conditions on Union Pacific's operations around Houston and the Gulf Coast area. The STB established competitive conditions which were integrated into its approval of the Union Pacific/Southern Pacific merger. The proposed additional conditions would disrupt the competitive balance by altering a key portion of the original merged



Honorable Vernon A. Williams  
September 8, 1998  
Page 2

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system, thereby weakening Union Pacific when it is recovering its operational capacity. This could result directly and negatively on UP's pro-active business involvement with Tehachapi and Kern County.

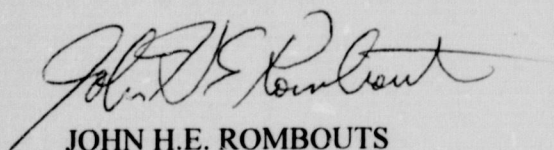
At the time of the Union Pacific-Southern Pacific merger, Southern Pacific was close to collapse. Union Pacific has been struggling to improve operations of the combined system and has made significant strides, ending the service crisis. To continue the progress, Union Pacific has to make further investments to improve service and infrastructure throughout the system as they have commenced here in Kern County. The conditions proposed before the Surface Transportation Board would deprive Union Pacific of the revenue necessary to make these investments and would make it more difficult for UP to continue the service improvements which I have described above.

In addition, I personally believe it would be unfair to grant special access conditions in one part of the country at the expense of Kern County and Tehachapi shippers. In particular, I am concerned that our community and economy will be adversely impacted if Union Pacific competitors are granted heavy-handed concessions in another part of the UP system. Certainly, if Union Pacific's competitors want direct access to Union Pacific customers, they can use their own capital to build the necessary track and facilities as is being done by businesses here in Tehachapi.

Again, the City of Tehachapi values our relationship with Union Pacific Railroad and are requesting, for the preservation of their economic vitality, that you oppose proposals for any new conditions on Union Pacific operations in the Texas Gulf Coast.

Tehachapi and Kern County have benefited from our association with Union Pacific Railroad. Our region's partnership should not be hindered by the imposition of heavy-handed mandates that will harm Union Pacific, the Tehachapi Valley, Kern County, California and throughout the country.

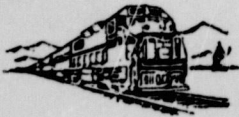
Sincerely,



JOHN H.E. ROMBOUTS  
Mayor of the City of Tehachapi



STB FD 32760 (Sub 26) 9-15-98 J 191149



## AT&L RAILROAD CO.

2nd STREET & NASH BLVD.

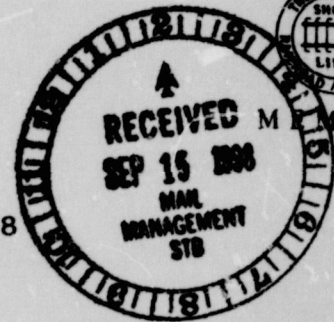
P.O. BOX 29

WATONGA, OKLAHOMA 73772

PHONE (405) 623-5477

FAX (405) 623-2686

September 11, 1998



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

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

Dear Secretary Williams:

VERIFIED STATEMENT  
S. STEVEN SMOLA  
AT&L RAILROAD

I am S. Steve Smola, the President of AT&L Railroad. We are in the Shortline Railroad business and connect with the Union Pacific Railroad at El Reno, Oklahoma. Our customers ship Hard Red Winter Wheat to Gulf points in Louisiana and Texas, mostly in 100 car unit trains.

AT&L Railroad is opposed to the proposals to impose new conditions on the UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction, by weakening UP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems.

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

*"The Wheat Line Railroad"*

(CONNECTING WITH THE UNION PACIFIC RR AT EL RENO, OK.)

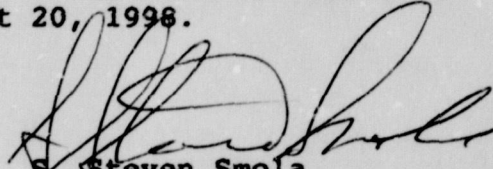
SERVING: WATONGA, GREENFIELD, GEARY, CALUMET AND BRIDGEPORT, OKLAHOMA

September 11, 1998

We do not believe that further conditions are needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the STB on the UP/SP merger have worked well. We have seen aggressive competition against UP by BNSF, KCS and Tex Mex since the merger. While these railroads may want still more opportunities, competition is working without imposing further conditions that would weaken UP.

For these reasons, AT&L Railroad opposes the requests for conditions on UP's operations around Houston and the Gulf Coast and urges that STB reject them.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. Dated August 20, 1998.



S. Steven Smola  
President  
AT&L Railroad

P.S. This letter replaces the letter dated August 20, 1998, which had typographical errors.





## AT&L RAILROAD CO.

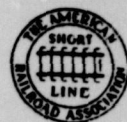
2nd STREET & NASH BLVD.

P.O. BOX 29

WATONGA, OKLAHOMA 73772

PHONE (405) 623-5477

FAX (405) 623-2686



MEMBER

September 11, 1998

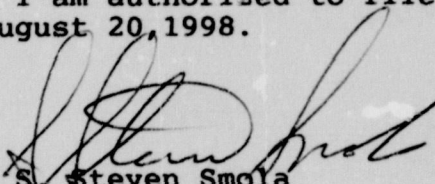
### VERIFIED STATEMENT

S. STEVEN SMOLA

AT&L RAILROAD

My name is S. Steven Smola and I am the President of AT&L Railroad. My responsibilities are operating a Shortline Railroad that ships Hard Red Winter Wheat to the Gulf ports in Texas and Louisiana.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. Dated August 20, 1998.

  
S. Steven Smola  
President  
AT&L Railroad

P.S. This letter replaces the letter dated August 20, 1998, which had typographical errors.

*"The Wheat Line Railroad"*

(CONNECTING WITH THE UNION PACIFIC RR AT EL RENO, OK.)

SERVING: WATONGA, GREENFIELD, GEARY, CALUMET AND BRIDGEPORT, OKLAHOMA



STB FD 32760 (Sub 26) 9-15-98 J 191148

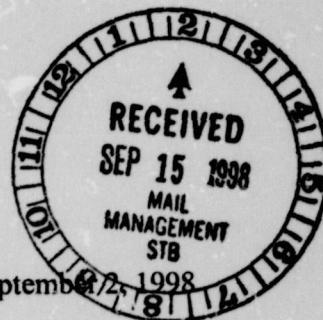
THE **GEON** COMPANY

One Geon Center  
Avon Lake, Ohio 44012  
216-930-1000

ENTERED  
Office of the Secretary

SEP 16 1998

Part of  
Public Record



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

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

Dear Secretary Williams:

The Geon Company is opposed to the various proposals to impose new conditions on Union Pacific's operations around Houston, TX and the Gulf Coast area since they do little to provide improved service. To have effective competition, it requires a significant look at the physical plant in Houston, rather than just a change in how and who runs the teams on the tracks. Unless each of the competitors' rail lines operating in Houston installs significant additions to track and yard systems, the total Houston transportation system will be impeded each time one of the carriers has a service failure.

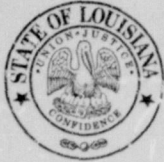
The best way to resolve the service problems in Houston is to find a way to align the rail superstructure growth to the industry expansions in the area. This would favor facilitating railroads and industry to add track and build out, instead of the sale or sharing of trackage rights that has become common in the past twenty years.

The UPSP merger may have been the flare up and be viewed as the cause of the Rail service meltdown in Houston. In reality, it was the final blow to an already overcrowded rail infrastructure.

Sincerely yours,

Glenn P. Opalenik  
Manager, Rail Transportation

STB FD 32760 (Sub 26) 9-14-98 J 191130



SENATE  
STATE OF LOUISIANA

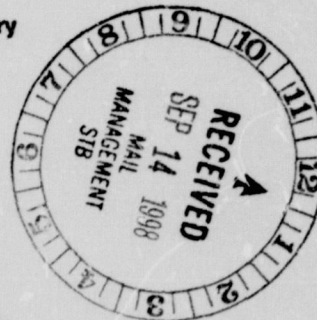
191130

DENNIS R. BAGNERIS, SR.  
SENATE PRESIDENT PRO TEMPORE

ENTERED  
Office of the Secretary

SEP 15 1998

Part of  
Public Record



4948 Chef Menteur Hwy.  
Suite 318  
New Orleans, LA 70126  
(504) 942-8198

September 10, 1998

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

J

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

Dear Secretary Williams:

I have the following observations regarding your upcoming hearings on the status of the Union Pacific-Southern Pacific merger and the new demands several Texas participants have made on you to serve their own interests in this matter.

For months following the merger implementation, service problems developed on the Union Pacific Gulf Coast lines and congestion plagued their system. Following months of intensive effort and capital resources, relief from congestion has occurred and customer service has been restored to near normal levels. The intense effort by Union Pacific has been costly to the extent of reporting operating losses in recent quarterly reports, while competitors have continued to reap gains. It seems hardly justifiable that the Surface Transportation Board would now grant special operating rights over the Union Pacific that would only weaken the achievements it has recently obtained. Additionally, such action would weaken the revenue base Union Pacific needs to continue to improve service.

Union Pacific is an important and major investor in transportation in the state of Louisiana and we need a prosperous and vibrant rail industry here. It makes little sense to burden this state's largest rail carrier with additional rights so that others could diminish the improvements already obtained in rail operations in Louisiana. Union Pacific is making major capital investments here and hiring additional employees. I applaud the progress of Union Pacific and request that you refrain from any action that could jeopardize these plans.

Sincerely,

*Dennis R. Bagneris, Sr.*

Dennis R. Bagneris, Sr.  
Senate President Pro Tem

DRBsr:mpw

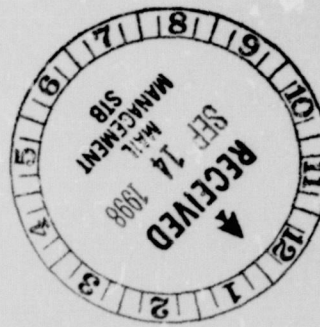


STB FD 32760 (Sub 26) 9-14-98 J 191129

# United Clays

September 8, 1998

Honorable Vernon A. Williams  
Secretary  
SURFACE TRANSPORTATION BOARD  
1925 K Street, N.W.  
Washington, D.C. 20423



19129  
ENTERED  
Office of the Secretary

SEP 15 1998

Part of  
Public Record

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

Dear Secretary Williams:

VERIFIED STATEMENT  
OF  
UNITED CLAYS, INC.

I am Joseph L. Kinney, the Traffic Manager of United Clays, Inc. We are in the business of mining and selling clay.

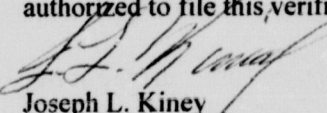
United Clays, Inc. is opposed to the proposals to impose new conditions on UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction, by weakening UP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems.

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

We do not believe that further conditions are needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the STB on the UP/SP merger have worked well. We have seen aggressive competition against UP by BNSF, KCS and Tex Mex since the merger. While these railroads may want still more opportunities, competition is working without imposing further conditions that would weaken UP.

For those reasons, United Clays, Inc. opposes the requests for conditions on UP's operations around Houston and the Gulf Coast and urges that the STB reject them.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. Dated September 8, 1998.

  
Joseph L. Kinney  
Traffic Manager

## **United Clays**

7003 Chadwick Drive, Suite 100, Brentwood, TN 37027 USA  
Tel: (615) 370-4500 Fax: (615) 370-0802



STB FD

32760 (Sub 26)

9-14-98

J

191128



191128

**Mailing Address**  
P.O. Box 908  
Wilmington, CA 90748

**Corporate Office**  
1010 S. Cabrillo Ave.  
San Pedro, CA 90731  
(310) 548-8300  
FAX# (310) 548-8357

**Operations Facility**  
1022 Eubank Ave.  
Wilmington, CA 90744  
FAX# (310) 549-8966

September 3, 1998

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

Dated September 3, 1998

Re: Houston/Gulf Coast Oversight Proceedings  
Finance Docket No. 32760 (sub-number 26)

Verified Statement of Ancon Transportation Services

Dear Secretary Williams:

My name is Ann Goodale and I am in Customer Service/Sales for Ancon Transportation Services. My company provides transportation warehousing services of metal and building products to the Western United States.

Ancon Transportation is opposed to any proposals or additional conditions, that will limit Union Pacific's ability to generate the funds needed to continue its aggressive capital investment programs. Effective rail competition between Union Pacific and BNSF in the western United States depends on the individual strengths of these companies. Any new conditions which hamper Union Pacific's ongoing service recovery effort would be adverse to increasing rail competition.

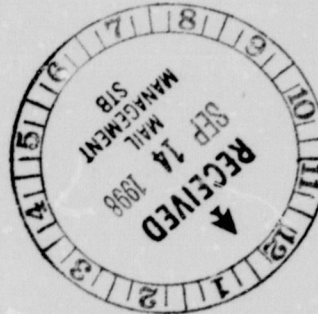
Competitive transportation rates depend upon the financial health of Union Pacific. Any additional Surface Transportation Board actions that restrict Union Pacific's ability to implement its service improvement programs are unnecessary and may prevent Union Pacific from generating appropriate revenue levels.

I encourage the Surface Transportation Board not to burden the Union Pacific with further conditions or restrictions and to allow this company to continue to finish the job of absorbing the Southern Pacific.

I declare that the aforementioned is true and correct and that I am authorized to file this verified statement.

With Best Regards,

Ann Goodale  
Customer Service/Sales  
Ancon Transportation Services



**ENTERED**  
Office of the Secretary

**SEP 15 1998**

**Part of  
Public Record**

**Fontana Facility**  
9401 Etiwanda Ave.  
Fontana, CA 91739  
(909) 357-7240  
FAX# (909) 357-7244

**National City/San Diego**  
900 W. 24th Street  
National City, CA 91950  
(310) 548-8310  
FAX# (619) 477-5245

**Long Beach Facility**  
1429 W. 11th Street  
Long Beach, CA 90813  
(310) 548-8310  
FAX# (310) 901-3275

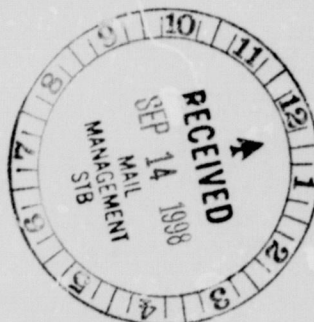


STB FD (Sub 26) 9-14-98 J 191127

# Ben-Trei Ltd.

191127

September 11, 1998



ENTERED  
Office of the Secretary

SEP 15 1998

Part of  
Public Record

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

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

Dear Secretary Williams:

## VERIFIED STATEMENT OF BEN-TREI, LTD.

I am Kenneth R. Treiber, the Vice President of Ben-Trei, Ltd. We are in the business of marketing and distributing phosphate fertilizers in United States from the Agrifos, L.L.C. production facility at Pasadena, Texas (formerly owned by Mobil, Mining and Minerals).

Ben-Trei, Ltd. is opposed to the proposals to impose new conditions on UP's operations around Houston and in the Gulf Coast area.

We are served from the Houston area by the BN/SF and the UP and need desperately to have two viable strong competing railroads with which to work.

When we, Ben-Trei Ltd., took over the marketing of the product output from the then Mobil Mining and Minerals facility at Pasadena, there were four railroads and the merger of these four into two, was seen as step in the right direction.

Most especially in the case of the SP, which was weak and unreliable, we saw the merger with the UP as a positive step for our business, bringing major investment in equipment and facilities and therefore, stronger, more reliable rail supplier.

We have, like all of the shippers in the Houston area, suffered through the problems that the UP has had in effecting the merger and making their railroad act as one unit. We have done our share of complaining about the service, however, we feel we see definite

improvement in the service and the shipping times for our products, and we certainly favor allowing the UP to continue to improve their overall service and giving them the opportunity to render the kind of service that was promised prior to the merger.

We favor two strong competitive railroads and desperately need the strong competition, to assure us of not being totally in the hands of one carrier.

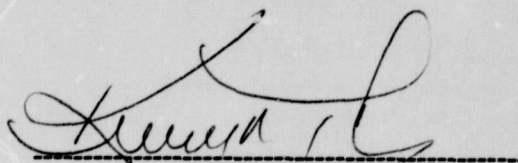
We should explain that most of our business is split and in most cases the two railroads do not truly compete to the customer delivery points, however, without two strong railroads servicing the area, we would be relegated to even worse service from the remaining railroad.

Where the BN/SF and the UP do compete for our business, we have seen better service and have been able to hold down the rate increases being imposed on the rest of the BN/SF system.

We do not believe that further conditions or restrictions are needed in the Houston area to protect competition, rather it is our feeling that any further restrictions on the UP would hamper their efforts to fully integrate and improve their services in the area. As mentioned previously in this letter, we favor two strong competitive railroads and feel this is our only protection, even if the number of specific competitive points are limited.

For these reasons we, Ben-Trei, Ltd., oppose the requests for conditions on UP's operations around Houston and the Gulf Coast and we urge that the Surface Transportation Board reject them.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorize to file this verified statement. Dated September 11, 1998.

A handwritten signature in dark ink, appearing to read "Kenneth R. Treiber", is written over a horizontal line.

KENNETH R. TREIBER  
VICE PRESIDENT

STB FD

32760 (Sub 26)

9-14-98

J

191126



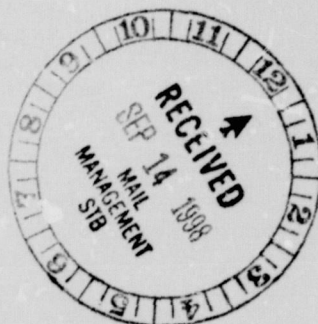


# MCGRANN PAPER WEST INC.

4501 Mitchell St., Suite B, N. Las Vegas, NV 89031  
702-644-3438 fax 702-644-3491

9 September 1998

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



ENTERED  
Office of the Secretary

SEP 15 1998

Part of  
Public Record

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

Dear Secretary Williams,

I am Thomas Ierlan, the Plant Manager of McGrann Paper West Corporation. We are a merchant / converter of all types of groundwood and free-sheet paper. Our facility can accept and deliver from and to mills via railcar.

McGrann Paper West Corporation is opposed to the proposals to impose new conditions on UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction, by weakening UP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems.

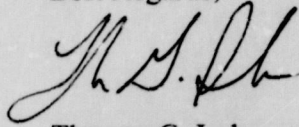
The best answer to service problems in Houston and the Gulf Coast, and throughout the West, is to let UP fight its way out of them. Weakening UP with further conditions is a mistake. Furthermore, we are very concerned that added conditions in Houston and the Gulf Coast will undermine UP's ability to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

We do not believe that further conditions are needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the STB on the UP / SP merger have worked well. We have seen aggressive competition against UP by BNSF, KCS and Tex Mex since the merger. While these railroads may want still more opportunities, competition is working without imposing further conditions that would weaken UP.

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

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified Statement. Date September 9, 1998.

Best Regards,

A handwritten signature in dark ink, appearing to read 'T. G. Ierlan', written in a cursive style.

Thomas G. Ierlan  
Plant Manager

STB FD 32760 (Sub 26) 9-14-98 J 191125



191125

## LINCOLN COUNTY ASSESSOR

111 West B  
P. O. Box 518  
Shoshone, Idaho 83352

Susie Edwards  
(208)886-2161  
Fax (208)886-2707

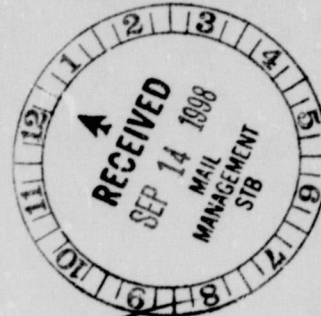
ENTERED  
Office of the Secretary

SEP 15 1998

Part of  
Public Record

September 10, 1998

Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington D. C. 10423



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

Dear Secretary Williams:

As Assessor of Lincoln County, Idaho, I am acutely aware of the value of rail transportation service in our area of the State of Idaho. Union Pacific Railroad is very important to our community because of services to local and area businesses. Union Pacific also contributes to our small community through property taxes, purchases and corporate giving.

I am opposed to proposals that impose new conditions on Union Pacific's operations in Texas in the Gulf Coast area and around Houston. The STB established competitive conditions which were integrated into its approval of the Union Pacific/Southern Pacific merger. The proposed additional conditions would only serve to disrupt the competitive balance and thereby weakening Union Pacific when it is recovering its operational capability.

Union Pacific needs to make continuing investments to improve service and their infrastructure. The proposed conditions would deprive Union Pacific of needed revenues to make necessary investments and hamper their efforts to make improvements.

It would be unfair to give special access conditions in Texas at the expense of shippers in Idaho and other states. I am concerned about the impact to Lincoln County. Our small county receives several tax dollars from Union Pacific. This year alone we lost 3.8 million in value for ad valorem purposes. With other changes taking place in the operating properties of Idaho, Lincoln County could be looking at a 20% decrease in ad valorem value again next year. This will be devastating to our three communities.

Lincoln County benefits from our longstanding association with Union Pacific Railroad. In order for these fruitful relationships to continue, I would urge the STB not to impose new conditions on UPRR.

Sincerely,

*Susie Edwards*  
Susie Edwards

Lincoln County Assessor



STB FD

32760

(Sub 26)

9-14-98

J

191122

191122

# CITY OF PINE BLUFF, ARKANSAS

## OFFICE OF THE MAYOR

JERRY TAYLOR

Mayor

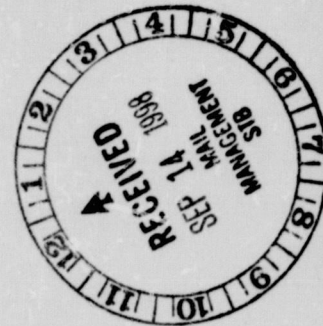
September 9, 1998

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

ENTERED  
Office of the Secretary

SEP 15 1998

Part of  
Public Record



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

Dear Secretary Williams:

As Mayor of Pine Bluff, I submit this letter out of concern over certain requests made by Texas interests to gain access on Union Pacific Railroad property there that could possibly create adverse conditions here and elsewhere.

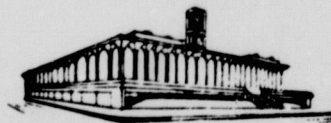
We recognize the importance of rail transportation in our area and in our state. Union Pacific is our state's largest railroad and is very critical to our transportation needs. Pine Bluff is also a beneficiary of Union Pacific's community relations program that supports numerous non-profit organizations here.

I am aware that difficulties arose as the Union Pacific-Southern Pacific began to merge their operations and serious congestion developed as a result of shortages including personnel and equipment. Increased demand for rail services also contributed to these problems. However, Union Pacific has made a strong effort to correct these conditions and your board has already recognized this as you have terminated the emergency order in place over the past few months.

Union Pacific continues to make the investments necessary to obtain the benefits in the approved merger. Those interests seeking benefits in Texas at Union Pacific's expense can only jeopardize future investments here and other areas of Union Pacific revenues are diminished and unable to provide a return on their expenditures. We are encouraged by all the improvements that have been made throughout the Union Pacific system and I urge the board to avoid any actions that would weaken the Union Pacific's recovery and its services to our area.

Sincerely,

Jerry Taylor  
Mayor



STB FD

32760

(Sub 26)

9-11-98

J

191092

191092  
R.J. (Rick) Lacroix  
Executive Vice President  
Transportation & Distribution



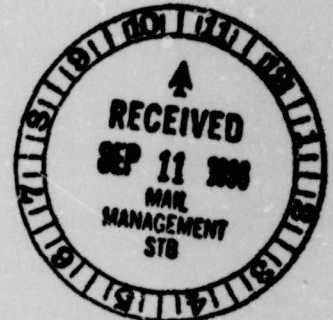
PCS Sales (Canada), Inc.

September 10, 1998

ENTERED  
Office of the Secretary

SEP 14 1998

Part of  
Public Record



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

Dear Secretary Williams:

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

Potash Corporation of Saskatchewan (PCS) is the world's largest fertilizer enterprise producing the three primary plant nutrients used in fertilizer. PCS is also the world's largest potash company, the second largest nitrogen company and the third largest phosphate producer and we ship product throughout Canada, United States and Mexico the majority of which moves by rail.

PCS is opposed to the proposals to impose new conditions on UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction, by weakening UP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems.

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

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

Yours truly,

Rick Lacroix  
Executive Vice President, Transportation & Distribution

D:\T&D\Lacroix\Houston-Gulf Proceeding.doc



STB FD32760

(Sub 26)

9-11-98

J

191089

# SierraPine

L I M I T E D

191089

PHONE (916) 772-3422

2151 PROFESSIONAL DRIVE, SUITE 200 • ROSEVILLE, CA 95661

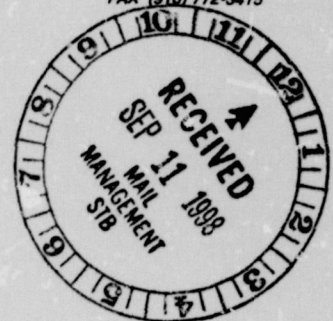
FAX (916) 772-3415

September 8, 1998

ENTERED  
Office of the Secretary

SEP 14 1998

Part of  
Public Record



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

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

Dear Secretary Williams:

I am Jeff Lundegard, the Vice President of Marketing at SierraPine Ltd. We are in the business of manufacturing particleboard and medium density fiberboard.

SierraPine Ltd. is opposed to the proposals to impose new conditions on the Union Pacific's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction by weakening the UP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems.

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

Further conditions are not needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the STD on the UP/SP merger have worked well. While their competitors want still more opportunities, competition is working without imposing further conditions that would weaken the UP.

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

Respectfully,

A handwritten signature in cursive script that reads "Jeff Lundegard".

Jeff Lundegard  
Vice President - Marketing  
SierraPine Ltd.

STB FD 32760 (Sub 26) 9-11-98 J 191088

**MARYLIN SHANNON**

ASSISTANT SENATE MAJORITY LEADER  
DISTRICT 15

REPRESENTING THE HEART OF  
THE WILLAMETTE VALLEY



ENTERED  
Office of the Secretary

SEP 14 1998

Part of  
Public Record

OREGON STATE SENATE

SALEM, OREGON

97310

September 2, 1998

191088  
1995-1997 COMMITTEES

Education  
Agriculture, Natural  
Resources and  
Environment  
Transportation  
Water and Land Use  
Legislative Administration

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



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

Dear Secretary Williams:

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

Here in Oregon, we experienced first-hand what it was like being served by an under-capitalized, poorly performing railroad prior to the Southern Pacific merger with the Union Pacific. While service problems since that merger are still present in some areas, we have seen continuing improvement and feel strongly that good, consistent service will not be possible if UP cannot recover from its currently weakened condition. The imposition of the additional conditions contemplated will seriously threaten that recovery.

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

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

Thank you for your consideration.

Sincerely,

*Marilyn Shannon*  
Senator Marilyn Shannon



STB FD

32760

(Sub 26)

9-11-98

J

191087

1776 Lincoln St., Suite 1200  
Denver, CO 80203-1029  
FAX: (303) 860-1439  
Phone: (303) 831-7411

191087



**Colorado Association of  
Commerce and Industry**

ENTERED  
Office of the Secretary

SEP 14 1998

Part of  
Public Record



**September 4th, 1998**

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

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

*Dear Secretary Williams:*

*I am the President and CEO of the Colorado Association of Commerce and Industry, the Colorado State Chamber of Commerce and State Manufacturers Association. In this capacity, my primary concern, and the concern of our membership, is preserving a strong economic climate, one which encourages capital investment and entrepreneurial activity. In that regard, the investment of Union Pacific provides not only jobs for our citizens, but also essential infrastructure to commerce. Union Pacific's investment is of that essential nature which we endeavor to encourage in our State.*

*I understand that the Surface Transportation Board is being asked to impose conditions on Union Pacific which would allow competing interests to obtain trackage rights. The result of such action can only be to dilute Union Pacific's market position, and to discourage this kind of capital investment by Union Pacific as well as other railroads in the future.*

*Furthermore, I fear that such an action will upset the competitive balance of rail service in the southern corridor, and ultimately impact other western states. In turn and as a consequence, Union Pacific's ability to spend needed funds in Colorado will be weakened. I encourage you to consider the adverse impact of such an anticompetitive regulatory environment on this basic transportation industry. We need railroad transportation, and we need a regulatory structure which encourages private sector investment in that industry.*

*Sincerely,*

**Sam Cassidy,  
President and CEO**

SC/eob

cc: **J. Frederick Niehaus, President--Intermountain Partners, Inc.**  
**Kent Kalb, General Tax Counsel--Union Pacific Railroad Company**

STB FD

32760 (Sub 26)

9-11-98

J

191086

NIAC

Nissho Iwai  
American  
Corporation

Detroit Office

ENTERED  
Office of the Secretary

SEP 14 1998

Part of  
Public Record



September 07, 1998

Honorable Vernon A. Williams, Secretary  
SURFACE TRANSPORTATION BOARD  
1925 K Street, N.W.  
Washington, D.C. 20423

RE: HOUSTON / GULF COAST OVERSIGHT PROCEEDING  
Finance Docket No. 32760 ( Sub-No. 26 )

Dear Secretary Williams,

Please accept the enclosed statement in support of the UNION PACIFIC RAILROAD. It is important that the SURFACE TRANSPORTATION BOARD not take any action that would weaken the recovery efforts of the UNION PACIFIC RAILROAD.

Thank you in advance for the consideration given to this request.

Sincerely,

Timothy Gilhuly,  
Sr. Trading Representative  
NISSHO IWAI AMERICAN CORP.  
Detroit Steel Department



VERIFIED STATEMENT  
Of NISSHO IWAI AMERICAN CORPORATION  
Detroit Steel Department

My name is Timothy Gilhuly, and I am a Senior Trading Representative for NISSHO IWAI AMERICAN CORPORATION'S Detroit Steel Department. My responsibilities include purchase of steel products from Canada and to arrange for their shipment to a forwarding company in South Texas with ultimate sale and consumption in Mexico.

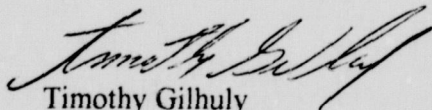
It has been suggested that competition in the rail industry has been reduced as a result of the rail merger between UNION PACIFIC RAILROAD and the SOUTHERN PACIFIC RAILROAD and further that the BURLINGTON NORTHERN SANTA FEE has been disadvantaged in competing for UNION PACIFIC business.

I would like to go on record with this letter to say that this does not appear to be the case based upon conversations with my customer in Mexico. In fact, BNSF has made contact with my customer with the expressed intention of converting their rail service from the UP to BNSF. The offer that was made to my customer suggested several advantages to making this change of service. The results of which are still pending. However the contact and resulting offer is evidence that, in fact, the BNSF is willing, able and capable of competing with the UNION PACIFIC.

In addition, for the service route of my product there is new competition coming from the CANADIAN NATIONAL RAILROAD. Their recent acquisition extends their reach to the Gulf of Mexico adding to the competition even further.

Although there have been delivery problems in the recent past with UP, the quality of information and customer service that I received during these troubles was outstanding. Within the last few weeks, the service being provided by the UNION PACIFIC on traffic to Mexico has improved significantly. It is clearly in my best interest to keep UP financially and operationally strong and I oppose any action that would jeopardize that recovery.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement dated September 07, 1998



Timothy Gilhuly  
Sr. Trading Representative  
NISSHO IWAI AMERICAN CORP.  
Detroit Steel Department

STB FD 32760 (Sub 26) 9-8-98 J 191051

# Nebraska State Legislature

191051

SENATOR NANCY P. THOMPSON

District No. 14  
1302 Western Hills Drive  
Papillion, Nebraska 68046

Legislative Address:

State Capitol  
PO Box 94604  
Lincoln, Nebraska 68509-4604  
(402) 471-2730

E-Mail:

nthompson@unicam3.lcs.state.ne.us



Ninety-Fifth Legislature

COMMITTEES

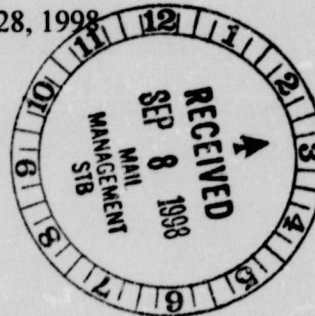
Health and Human Services  
Transportation  
Legislative Council

ENTERED  
Office of the Secretary

SEP 10 1998

Part of  
Public Record

August 28, 1998



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

Dear Secretary Williams:

FD 37760 - SUB 26

I am writing in reference to the pending decision of the Surface Transportation Board regarding the imposition of additional conditions on the Union Pacific Railroad's operations in the Houston and Gulf Coast area.

Union Pacific reports that congestion in the Gulf Coast region has been virtually eliminated and that with some exceptions service is improving steadily throughout its system. These improvements are a direct result of the substantial investment of dollars and other resources Union Pacific has dedicated to the problem. The significant strides that have been achieved in only one year are noteworthy.

I am concerned that if the federal government imposes additional conditions, Union Pacific will lack the necessary resources to continue its recovery and fund much needed infrastructure improvements.

I urge the Surface Transportation Board to seriously consider the negative consequences additional conditions will generate, and decline to impose additional conditions on Union Pacific Railroad.

Sincerely,

Nancy Thompson  
District #14

STB FD 32760 (Sub 26) 9-2-98 J 190985





STATE OF LOUISIANA  
HOUSE OF REPRESENTATIVES

190985

BILLY MONTGOMERY

District 9

House Legislative Services, Chairman

ENTERED  
Office of the Secretary

SEP - 9 1998

Part of  
Public Record

August 27, 1998



House & Governmental Affairs  
Joint Legislative Committee on Capital Outlay  
Ways & Means

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

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

Dear Mr. Williams:

I am aware you will soon hold hearings regarding the previously approved Union Pacific-Southern Pacific merger. I know that some interests in Texas have filed requests for special privileges and these Texas-related requests concern me because, if granted, they could impact Union Pacific in Louisiana.

Union Pacific is a major employer in our state and extensively serves the Louisiana economy. I know that rail service began to decline soon after the transportation functions of the Union Pacific and Southern Pacific were merged in the Gulf Coast area. This condition persisted for many months and has generated warranted criticism; however, Union Pacific has made major investments, hired many new employees, and purchased new locomotives to rectify this condition. These measures appear to have been successful as Union Pacific service approaches near normal levels.

I see that the congestion has been greatly mitigated and service has returned to reasonable levels in most areas. Union Pacific's efforts to relieve the congestion resulted in losses to the company in its effort to achieve normal rail operations. Meanwhile, competitors have made the most of this situation and their earnings have risen dramatically, while Union Pacific's have fallen. These competitors, who now seek additional advantages, would create more disruption to Union Pacific and cause that company further losses. This would impact Union Pacific in Louisiana, as well as other areas on its system.

I have seen Union Pacific's service improve in recent months. This progress should not be hindered by the imposition of new conditions that will harm Union Pacific, the state of Louisiana, and others around the country. Thank you for hearing my views on this matter.

Sincerely,

*Billy Montgomery*  
Billy Montgomery  
State Representative

STB FD

32760 (Sub 26)

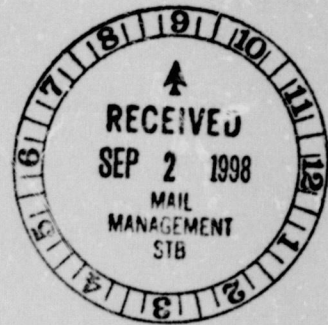
9-2-98

J

190983

190983

ENTERED  
Office of the Secretary  
SEP - 9 1998  
Part of  
Public Record



FD3276 SUB 26  
VERIFIED STATEMENT  
OF JEFFREY R. BRASHARES  
RAIL VAN, INC.

I, Jeffrey R. Brashares, am the President of Rail Van, Inc. We are an intermodal marketing company serving the entire United States.

Rail Van, Inc. is opposed to the proposals to impose new conditions on UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction, by weakening UP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems.

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

We do not believe that further conditions are needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the STB on the UP/SP merger have worked well. We have aggressive competition against UP by BNSF, KCS and Tex Mex since the merger. While these railroads may want still more opportunities, competition is working without imposing further conditions that would weaken UP.

For these reason, Rail Van, Inc. opposes the requests for conditions on UP's operations around Houston and the Gulf Coast and urges that the STB reject them.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. Dated August 27, 1998.

A handwritten signature of Jeffrey R. Brashares, consisting of a large, stylized 'J' and 'B'.

Jeffrey R. Brashares  
President  
Rail Van, Inc.

STB FD

32760 (Sub 26)

9-1-98

J

190939



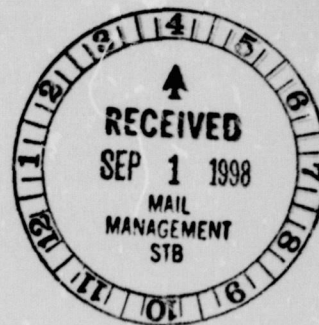


**KEEP ON TRUCKING  
COMPANY**

**ENTERED  
Office of the Secretary**

**SEP - 3 1998**

**Part of  
Public Record**



August 27, 1998

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

RE: Houston/Gulf Coast Oversight Proceedings  
Financial Docket No. 32760(sub-number26)

Keep On Trucking Co., Inc. is a flatbed transportation carrier located in California, which unloads and ships over 1000 railcar annually via the Union Pacific.

Keep On Trucking Co., Inc. is opposed to any proposals or additional conditions, that will limit Union Pacific's ability to generate the funds needed to continue its aggressive capital investment programs. Effective rail competition between Union Pacific and the BNSF in the Western States depends on the individual strengths of these companies. Any new conditions, which hamper Union Pacific's ongoing service recovery efforts, would be adverse to increasing rail competition.

Competitive transportation rates depend upon the financial health of the Union Pacific. Any additional Surface Transportation Board actions that restrict Union Pacific's ability to implement its service improvement programs are unnecessary and may prevent Union Pacific from generating appropriate revenue levels.

I encourage the Surface Transportation Board not to burden the Union Pacific with further conditions or restrictions and to allow this company to continue to finish the job of absorbing the Southern Pacific.

I declare that the aforementioned is true and correct and that I am authorized to file this verified statement.

Sincerely,

*Karyn Bojanower*  
Karyn Bojanower  
Regional Sales Manager  
Keep On Trucking Co., Inc.

**Rancho Cucamonga  
Corporate Office**

11355 Arrow Route  
P.O. Box 3209, 91729-3209  
Rancho Cucamonga, CA 91730  
(909) 987-3939  
(800) 825-1205  
(909) 484-2420 FAX

**Fontana**

10610 Live Oak Avenue  
Fontana, California 92337  
(909) 877-4389  
(909) 829-4301 FAX

**Oakland**

370 8th Avenue  
Oakland, California 94606  
(800) 666-5337  
(510) 835-8383 FAX

**Wilmington**

607 Harry Bridges Blvd.  
Wilmington, California 90744  
(800) 234-2098  
(310) 830-1171 FAX

STB FD

32760 (Sub 26)

9-1-98

J

190938

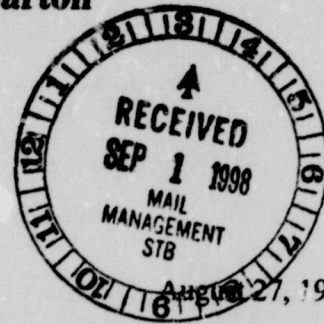
190938



House of  
Representatives

**Rep. Robert E. (Bob) Barton**

State Representative  
District 8



3018 Old Minden Road  
Suite 1107  
Bossier City, LA 71111

Tel.: (318) 741-7158  
Fax: (318) 741-7159

ENTERED  
Office of the Secretary

SEP - 3 1998

Part of  
Public Record

J

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

Dear Mr. Williams, *FD 32760 - SUB 26*

I write to you in connection with the Houston/Gulf Coast Oversight Proceeding Finance Docket No. 32760 (Sub-No. 26). I am concerned about any decision in this matter that might adversely affect the financial recovery of Union Pacific and the service it provides within Louisiana. As you are aware, Union Pacific is the largest rail carrier in Louisiana. Any decision by your Board that would put Union Pacific at a competitive disadvantage in Texas would have horrible implications for rail traffic in Louisiana.

I therefore request that any decision made in this matter give special consideration to Louisiana, the future of rail transportation in this state, and any financial hardship that might be imposed upon Union Pacific.

Kindest regards,

Rep. Bob Barton

STB

FD

32760

(Sub 26)

9-1-98

J

190937





CORPORATE  
DIVISION

P.O. BOX 8300 (53708)  
4400 SYCAMORE AVENUE (53714)  
MADISON, WISCONSIN  
PHONE: (608) 241-7191  
FAX: (608) 241-2641



August 26, 1998

ENTERED  
Office of the Secretary

SEP - 3 1998

Part of  
Public Record

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

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

Dear Secretary Williams:

I understand the Surface Transportation Board, as per the afore mentioned Oversight Proceeding, is considering requests to impose further conditions on the Union Pacific Railroad Company around Houston and in the Gulf Coast area. We would appose such actions.

Our service on our outbound scrap shipments to various destinations on their system have improved to where we have no problems with any of our moves.

The UP/SP merger did not reduce competition and the service crisis did not result from loss of competition. The UP has reported large financial losses and has lost large volumes of traffic. Their projection to invest over \$1.4 billion over the next five years in the Houston/Gulf Coast infrastructure cannot be funded with reduced traffic base and revenues.

Emergency service relief is proper in appropriate circumstances, but such relief should not be granted as a permanent condition to a merger, especially where normal operations have been largely restored. I urge the STB to allow the UP to continue to aggressively implement its service improvement steps.

Sincerely,  
Samuels Recycling Company

Gary Bachus  
Vice President of Operations

STB FD 32760 (Sub 26) 8-31-98 J. 190897

# Nebraska State Legislature

190897

SENATOR DWITE A. PEDERSEN

District No. 39  
21440 Shamrock Road  
Elkhorn, Nebraska 68022

**Legislative Address:**

State Capitol  
PO Box 94604  
Lincoln, Nebraska 68509-4604  
(402) 471-2885

E-Mail:

dpedersen@unicam3.lcs.state.ne.us



Ninety-Fifth Legislature

**COMMITTEES**

Vice Chairman, Judiciary  
Committee on Committees  
Executive Board  
Intergovernmental Cooperation  
Reference  
Transportation  
Legislative Council

August 26, 1998

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Office of the Secretary

SEP - 2 1998

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Public Record



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

Dear Secretary Williams:

FD32760-SUB26

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

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

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

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

Sincerely,

*Dwite*  
Dwite A. Pedersen  
State Senator  
District 39

DP:bb

STB FD 32760 (Sub 26) 8-28-98 J 190841



DISTRICT OFFICE:  
191 WAUKEGAN ROAD, SUITE 210  
NORTHFIELD, IL 60093  
847/441-0077  
FAX: 847/441-0322  
E-MAIL: SENKATHY@PARKER@WORLDNET.ATT.NET



190841  
VICE CHAIRMAN:  
PUBLIC HEALTH AND  
WELFARE

TRANSPORTATION

MEMBER:  
FINANCIAL INSTITUTIONS

CAPITOL OFFICE:  
ROOM M118 STATE CAPITOL  
SPRINGFIELD, IL 62706  
217/782-2119  
FAX: 217/782-0650

ILLINOIS STATE SENATE  
**KATHLEEN K. PARKER**  
STATE SENATOR - 29TH DISTRICT

August 24, 1998

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

ENTERED  
Office of the Secretary

SEP - 1 1998

Part of  
Public Record



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

Dear Secretary Williams:

I am Kathleen Parker, a member of the Illinois State Senate and Vice-Chairman of the Senate Transportation Committee. The district which I represent is in the Chicago metropolitan area. Illinois is the rail hub of the nation and a sound rail system is important to the economy of the Chicago area and the nation.

It is my understanding that the surface Transportation Board is considering the imposition of additional conditions on the operations of the Union Pacific in Texas and the Gulf Coast. I am writing to let you know that I oppose the Surface Transportation Board requiring the Union Pacific to spend \$500 million on non-safety-related projects in the Texas and Gulf Coast area if the imposition of these additional conditions will directly affect safety and service in Illinois.

Thank you very much for your consideration.

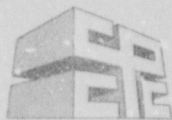
Sincerely,

KATHLEEN K. PARKER  
State Senator - 29th. District

KKP/dpm

STB FD 32760 (Sub 26) 8-28-98 J 190839

190839



## CALIFORNIA PORTLAND CEMENT COMPANY

2025 E. FINANCIAL WAY, GLENDORA, CA 91741 / TEL. (626) 852-6200

August 24, 1998

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

ENTERED  
Office of the Secretary

SEP - 1 1998

Part of  
Public Record



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

Dear Secretary Williams:

The California Portland Cement Company is the largest producer of portland cement in its marketing areas of California, Nevada and Arizona. We utilize the Union Pacific Railroad to transport a significant portion of our product.

We are opposed to the proposals in the referenced proceeding that would impose new conditions on the Union Pacific's operations around Houston and in the Gulf Coast area. Effective rail competition, which is a benefit to all shippers, depends on a strong UP competing against a strong BNSF. The conditions would severely weaken the UP at a time when it has already suffered extensive financial and traffic losses due to its service crisis over the past year. The UP has lost \$230 million over the last three quarters because of the service crisis and the need to expand capacity immediately. These conditions would further seriously undermine the UP's financial position by exposing well over half a billion dollars in annual gross revenue to potential diversion to other railroads.

The harmful effects on the UP cannot be justified. The conditions are completely unnecessary in order to preserve competition between the UP and BNSF or KCS/Tex Mex. By weakening UP's overall competitive position against a very strong BNSF, these condition requests will greatly undermine UP's ability to be an effective, vigorous competitor throughout the entire West, not merely in the Houston and Gulf Coast area. The consequence would be that shippers throughout the country will ultimately suffer from these steps to weaken the UP's overall competitive position.

For these reasons, the California Portland Cement Company opposes the requests for conditions on the UP's operations around Houston and the Gulf Coast area and urges the STB to reject them.

Sincerely,

James R. Risse  
Manager, Marketing & Traffic

STB FD 32760 (Sub 26) 8-28-98 J 190838





CITY COUNCIL  
**CITY OF ROSEVILLE**  
TRADITION • PRIDE • PROGRESS

311 VERNON STREET, #208 • ROSEVILLE, CA 95678  
PHONE: (916) 774-5362 • FAX: (916) 786-9175

190838

August 19, 1998

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

ENTERED  
Office of the Secretary

SEP - 1 1998

Part of  
Public Record



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

Dear Secretary Williams:

As Mayor of the City of Roseville, California, I am very aware of the value of the railroad industry to the Roseville community. Roseville was founded, in large part, to serve the railroad industry and at one time featured the largest railyard in the western United States. In 1996, Union Pacific Railroad became a member of our community through its merger with the Southern Pacific Railroad Company. Currently, Union Pacific is one of the five largest employers within the City of Roseville and is investing \$140 million + in renovating the Roseville railyard into a state of the art facility.

I have become aware of efforts within the railroad industry to have the Surface Transportation Board require Union Pacific permit their competitors access to their tracks and facilities in the Texas Gulf Coast Region. It is my understanding that requiring such access to competing rail operators is not typical within the industry and could create significant financial strains within the Union Pacific Railroad Company.

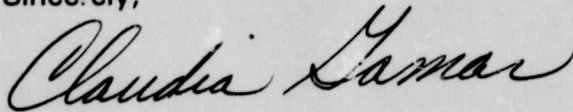
This information causes great concern, as the Roseville community has first hand experience with the disruption that occurs to local economies and individual families when a railroad operator does not have the financial ability to properly maintain and operate their facilities. Prior to the merger with Union Pacific, the Southern Pacific Railroad Company was not able to maintain the Roseville railyard facility. Due to an antiquated design, aging equipment, and deferred maintenance, the Roseville railyard was operating at 33% or less of capacity. The railyard was characterized by dilapidated buildings, inadequate security, and unusable trackage. As a result, Southern Pacific was regularly closing railyard operations and transferring employees to other locations.

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

Union Pacific's efforts to renovate the Roseville railyard has resulted in significant new investment in the Roseville community, insured Roseville's role as a major center of rail operations, protected the jobs of the existing railroad employees, and created opportunities for increased employment. Union Pacific has regularly demonstrated their interest in acting as a responsible corporate citizen and has established excellent communications with the Roseville community. As Mayor of the City of Roseville, I request the Surface Transportation Board carefully consider the repercussions to communities such as Roseville, which could result from concessions granted to Union Pacific's competitors.

The Roseville area has benefited with the arrival of Union Pacific as a member of the community. The partnership built between the Roseville community and Union Pacific should not be hindered or jeopardized by the imposition of any new conditions which could cause financial harm to Union Pacific and, ultimately, our community.

Sincerely,

A handwritten signature in cursive script, reading "Claudia Gamar".

Claudia Gamar  
Mayor

cc: Roseville City Council  
Congressman John Doolittle  
Wayne Horiuchi, Union Pacific Railroad

STB FD 32760 (Sub 26) 8-28-98 J. 190836



190836



## Office of the Commissioner of Railroads

610 N. Whitney Way  
P.O. Box 8968  
Madison, WI 53708-8968

Rodney W. Kreunen, Commissioner

Tel: (608) 266-7607  
Fax: (608) 261-8220  
TTY (608) 267-1479

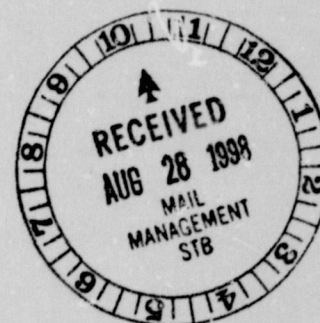
August 20, 1998

ENTERED  
Office of the Secretary

SEP - 1 1998

Part of  
Public Record

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



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

Dear Secretary Williams:

As Commissioner of Railroads in the state of Wisconsin, one of the foremost goals is to ensure the highest level of rail safety in the state, including at rail/highway grade crossings and in other areas. As a state public official, I am always working with the Wisconsin rail industry to improve the rail network in Wisconsin. With a strong rail network, as one component of Wisconsin's transportation infrastructure, we can ensure that the state's economy continues to prosper as it has done the last 12 years.

While Union Pacific Railroad (UP) is not Wisconsin's largest railroad, its 1,086-mile system is very important in making Wisconsin goods and products competitive in national and world markets. Also, UP employs 559 people in Wisconsin.

This letter is being filed in response to the various requests filed by shippers and others requesting increased access to Union Pacific's traffic base in Texas and the Gulf Coast. I am opposed to the proposals to impose new conditions on the Union Pacific's operations in Texas and the Gulf Coast area, as it is premature and this action could harm UP and its Wisconsin customers.



Honorable Vernon A. Williams  
Surface Transportation Board

August 20, 1998  
Page 2

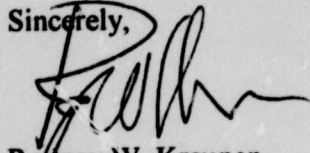
Effective western rail competition depends on a strong UP. The requested conditions would upset the competitive balance and financially undermine UP after it has already suffered large traffic and financial losses. UP's traffic volumes are down by nearly 10%. There is no basis for taking away even more revenue and traffic from UP, when it seems that the initially imposed pro-competitive conditions of the UP/SP merger have been working and should be allowed to continue as initially approved by the STB.

UP has been making capital improvements in Wisconsin on its mainlines. These improvements need to continue in the future. In 1996, UP made \$17.7 million of capital expenditures in Wisconsin, in 1997 it made \$15.4 million, and it plans \$7 million for 1998, or a total of \$40.1 million in the three years to its track structure only. This does not count the new locomotives and cars that have been purchased that have contributed to Wisconsin industry, especially the coal-fired utilities that UP serves in Wisconsin with Wyoming low-sulfur coal.

If UP does not stay financially strong, future needed improvements to its Wisconsin infrastructure could be delayed or canceled. It is not fair to ask Wisconsin to pay that price, especially when there has not been a clear showing that the approved conditions in Texas and the Gulf Coast are not working.

Do not make a change in Texas and the Gulf Coast that will penalize Wisconsin, our progress on improving our rail system and our economy.

Sincerely,



Rodney W. Kreunen  
Commissioner

RWK/dal

STB FD 32760 (Sub 26) 8-28-98 J 190835

# Witco

190 835

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

**John G. Breslin**  
Director of Logistics

ENTERED  
Office of the Secretary

SEP - 1 1998

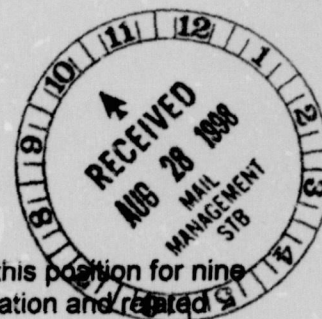
Part of  
Public Record

August 21, 1998

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

Dear Secretary Williams:

FD 32760 - SUB 26



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

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

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

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read "John G. Breslin".

STB

FD

32760

(Sub 26)

8-24-98

J



**COVINGTON & BURLING**

1201 PENNSYLVANIA AVENUE, N. W.

P.O. BOX 7566

WASHINGTON, D.C. 20044-7566

(202) 662-6000

FACSIMILE: (202) 662-6291

**DAVID L. MEYER**

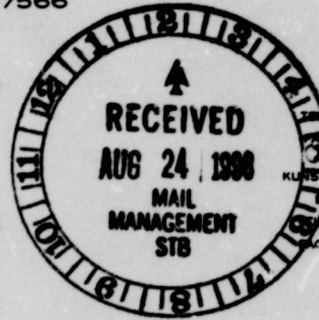
DIRECT DIAL NUMBER

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August 24, 1998

**BY HAND**

The Honorable Stephen Grossman  
Administrative Law Judge  
Federal Energy Regulatory Commission  
888 First Street, N.E., Suite 11F  
Washington, D.C. 20426

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

Dear Judge Grossman:

I am writing on behalf of Union Pacific Railroad Company ("UP") to raise with Your Honor discovery disputes requiring resolution at a hearing this Thursday, August 27. These disputes involve the responses of Tex Mex and KCS to six separate requests contained in UP's Third Set of Discovery Requests in the above-referenced docket, which were served on July 30, 1998 and responded to on August 14.

The six requests at issue sought information from KCS/Tex Mex concerning their allegations that UP has discriminated against Tex Mex trackage rights trains in the dispatching and operation of the UP lines in and around Houston over which those trains operate. The specific requests at issue are excerpted as Exhibit A hereto.<sup>1</sup>

As Your Honor is aware, KCS/Tex Mex's allegations of discrimination are among the centerpieces of KCS/Tex Mex's requests for additional conditions in this proceeding. KCS/Tex Mex's March 30, 1998 and July 8, 1998 submissions contain strongly-worded attacks on UP's treatment of Tex Mex's trackage rights trains. Those filings cite a handful of supposed examples of discriminatory conduct, but suggest that KCS/Tex Mex believe that there are many more such examples that have not been cited.

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<sup>1</sup> Those requests are Nos. 1, 3, 4, 5, and 6.

Hon. Stephen Grossman  
August 24, 1998  
Page 2

For example, KCS/Tex Mex's July 8 submission refers to "various acts of discrimination" witnessed by KCS/Tex Mex's observer at the Spring dispatching center (KCS-2, p. 53); "many other examples" beyond those described by KCS/Tex Mex's witnesses (*id.*, p. 374); "various incidents" as to which no further information is provided (*id.*, p. 379); and "various examples" supposedly represented by three specific incidents described by witness Watts (*id.*, pp. 384-85).

Under the procedural schedule established by the Board, UP is entitled to only one opportunity – its September 18 submission – to address assertions made by KCS/Tex Mex regarding supposed discrimination against Tex Mex trains. For purposes of that submission, UP is investigating each of the alleged incidents thus far described in KCS/Tex Mex's submissions (or set forth in the workpapers associated with those submissions). UP will also be submitting general evidence that it did not engage in discrimination as KCS/Tex Mex have alleged. Among other points, UP will establish that KCS/Tex Mex have behaved in a manner that strongly suggests that their allegations of systematic discrimination have been invented as means of creating leverage supporting the grant of additional rights by the Board in this proceeding. KCS/Tex Mex have not made any serious attempt to exercise their ample contractual rights to monitor UP's dispatching of Tex Mex trains or to enforce Tex Mex's contractual right to have its trains dispatched in a non-discriminatory manner. UP is investigating, for example, the extent to which KCS/Tex Mex – outside the context of Board proceedings – have made any complaints or inquiries about the handling of Tex Mex trains.

In order to permit UP to prepare a thorough response to KCS/Tex Mex's allegations of discrimination – and specifically in light of KCS/Tex Mex's allusions in their July 8 filing to many unspecified examples of allegedly systematic discrimination by UP – UP sought information through discovery that would flesh out the basis, if any exists, for KCS/Tex Mex's vague and generalized allegations of discrimination. Specifically, UP's Third Set of discovery requests sought from KCS/Tex Mex, (a) a detailed description of the circumstances surrounding every instance of "alleged discriminatory or preferential treatment involving Tex Mex trains" (Request No. 1); (b) a detailed description of every complaint made by KCS or Tex Mex concerning the alleged mis-treatment of Tex Mex trains (Request Nos. 3, 5, 6); and (c) a detailed description of every action taken by KCS/Tex Mex to have Tex Mex trains treated fairly and impartially (Request No. 4). Each of these requests was designed to require the disclosure by KCS/Tex Mex of any and all evidence they have supporting their assertions – which UP believes to be utterly baseless – that discrimination actually occurred and KCS/Tex Mex are not able to put a stop to it without Board intervention.

KCS/Tex Mex have refused to provide any meaningful responses to these requests. Relying on assertions that providing responses would be unduly burdensome and require the "preparation of an unduly burdensome and oppressive special study," KCS/Tex



Hon. Stephen Grossman  
August 24, 1998  
Page 3

Mex have refused to supply any of the information sought. Instead, KCS/Tex Mex merely referred UP back to the vague and generalized allegations that led UP to ask for more detailed information in the first place.

In response to Request No. 1, which asked for a description of every instance of alleged discriminatory treatment of Tex Mex trains, KCS/Tex Mex merely referred UP to the handful of examples of discriminatory treatment in KCS/Tex Mex's previous filings, witness workpapers and so-called "delay reports," which are standard forms filled out by every Tex Mex train crew that merely list the times during which those trains were not moving. Tex Mex produced box after box of "delay reports," none of which shed any light on the nature of KCS/Tex Mex's allegations with regard to which delays, if any, were the product of discrimination as opposed to the routine delays inherent in day-to-day railroad operations. KCS/Tex Mex have shirked their obligation to come forward with the evidence, if any exists, backing up their repeated allegations that there are numerous additional examples of discrimination against Tex Mex trains.

In response to Request Nos. 3 and 6, which asked for a description of every complaint made by KCS/Tex Mex about alleged mis-treatment of Tex Mex trains (including a supposed series of complaints referred to by KCS/Tex Mex witness Nichols), KCS/Tex Mex merely reiterated their boilerplate response -- which was not even responsive to this request -- directing UP to the "examples of discriminatory treatment enumerated" in KCS/Tex Mex's previous filings. Not a single complaint was described.

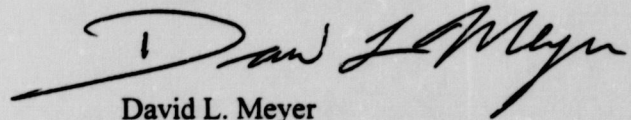
In response to Request No. 4, which asked for a description of every action taken by KCS/Tex Mex to have Tex Mex trains treated fairly and impartially, KCS/Tex Mex again repeated their non-responsive boilerplate directing UP to the "examples of discriminatory treatment enumerated" in KCS/Tex Mex's previous filings. The only other information provided was a list of three meetings of the UP-Tex Mex Joint Service Committee ("JSC") at which "complaints and concerns" were allegedly raised. However, there is no description of the nature of any such complaints or concerns, much less any identification of remedial action that was sought by KCS/Tex Mex. No other actions were described.

In response to Request No. 5, which asked for specific information about complaints allegedly made at the November 1997 JSC meeting (one of the three referred to in the response to Request No. 4, see above), KCS/Tex Mex refused to respond on the ground that UP was at the meeting too. But UP would not have been privy to the information sought by sub-part (c) of this request, and in any event UP is entitled to know what KCS/Tex Mex intend to say, if anything, about these alleged complaints in their rebuttal submission so that UP can submit evidence relating to those assertions on September 18.

Hon. Stephen Grossman  
August 24, 1998  
Page 4

KCS/Tex Mex's responses to these requests are plainly insufficient. If KCS/Tex Mex have any further evidence supporting their assertions of repeated acts of discrimination and repeated complaints about such discrimination by KCS/Tex Mex, they should be required to provide it to UP now, so that UP can address that evidence in its September 18 submission. If KCS/Tex Mex do not provide UP with additional information concerning these matters in discovery now, they will necessarily be precluded from submitting it – or arguing about it – in their rebuttal submission.<sup>2</sup> On the other hand, if – as UP suspects – KCS/Tex Mex do not have any further evidence supporting their allegations of discrimination, they should be required to say so, instead of seeking refuge in a series of obfuscations and objections about the undue burden entailed in backing up their discrimination allegations.

Respectfully submitted,



David L. Meyer

*Attorney for Union Pacific  
Railroad Company*

Attachments

cc: Hon. Vernon A. Williams (by hand)  
William A. Mullins, Esq. (by hand)  
Richard A. Allen, Esq. (by hand)  
Erika Z. Jones, Esq. (by hand)

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<sup>2</sup> Similarly, KCS/Tex Mex would be precluded from relying on the mass of "delay reports" they have produced as evidence of further examples of discriminatory conduct after refusing to identify which, if any, alleged delays were the product of discrimination as opposed to other causes.



US OFFICE PRODUCTS

## DOCUMENT REQUEST RESPONSES AND ADDITIONAL OBJECTIONS

1. Describe in detail the circumstances surrounding each and every instance of alleged discriminatory or preferential treatment involving Tex Mex trains, including without limitation (i) the "various acts of discrimination" allegedly "witnessed" by Tex Mex's observer at the Spring Dispatching Center (KCS-2, p. 53); (ii) the "many acts of discrimination" referred to by Witness Nichols (*id.*, p. 372); (iii) the "many other examples" referred to by Mr. Nichols (*id.*, p. 374); (iv) the "various incidents" referred to by Mr. Watts (*id.*, p. 379); (v) the "various examples" referred to by witness Watts as represented by three specific incidents described by Mr. Watts (*id.*, pp. 384-85); and (vi) each occasion on which Tex Mex trains have allegedly been "subjected to needless discrimination" (*id.*, pp. 385). For each alleged incident provide:

- a) a detailed description of the factual circumstances underlying the alleged incident;
- b) the date of the alleged incident
- c) the actions, if any, taken by Tex Mex or KCS to bring the matter to the attention of UP and/or BNSF joint dispatching personnel or otherwise to seek to have the matter addressed; and
- d) the outcome of those actions.

Produce all documents reflecting or recording any of the alleged facts provided in response to his interrogatory, including without limitation notes or reports prepared contemporaneously by Tex Mex or KCS employees.

Tex Mex/KCS object to this request as overbroad and unduly burdensome. Further, responding to this request would require the preparation of an unduly burdensome and oppressive study which is not ordinarily required to be performed, and to which Tex Mex/KCS object to performing. This request calls for a detailed description of the circumstances underlying each and every one of innumerable incidents that have taken place over a period of years. Tex Mex estimates that to provide such a detailed and exhaustive description literally -- to the extent that these innumerable contacts could be reconstructed at all -- would require several months' work of high level Tex Mex personnel, working solely on this response to the exclusion of their normal duties. The undue burden this request places on Tex Mex and KCS outweighs any need for the performance of such a special study, especially in light of the information contained in responsive documents already provided to the Applicants and the numerous examples of discriminatory treatment enumerated in Tex Mex/KCS' filings of March 30, 1998 and July 8, 1998. Notwithstanding these objections, numerous documents responsive to this request have been produced, including delay reports that are available in the Depository.



3. Provide a detailed description of each and every complaint made by Tex Mex or KCS to any representative of UP (or any joint UP/BNSF dispatching personnel at the consolidated dispatching center at Spring, Texas) concerning alleged mishandling of Tex Mex trains, alleged discriminatory treatment of Tex Mex trains, or alleged preferential treatment of trains of other railroads relative to those of Tex Mex, including without limitation.

- a) the date of the complaint;
- b) the nature of the conduct complained of (including a detailed description of the circumstances surrounding any specific instance of alleged misconduct complained of);
- c) the identity of the person who made the complaint;
- d) the identity of the person to whom the complaint was made;
- e) UP's (or anyone else's) response to the complaint; and
- f) the actions, if any, Tex Mex or KCS took to have the complaint addressed or resolved.

Produce all documents reflecting the complaint, the incident at issue, and any resolution of the complaint.

Tex Mex/KCS object to this request to the extent that it calls for documents/information already produced to the Applicants, or information that is as readily available to UP as it is to Tex Mex/KCS. The request is overbroad and unduly burdensome, and would require the preparation of an unduly burdensome and oppressive study which is not ordinarily required to be performed, and to which Tex Mex/KCS object to performing. This request calls for a detailed description of each and every one of the countless daily complaints that have been made, largely by telephone, to UP over a period of years. Tex Mex estimates that to provide such a detailed and exhaustive description literally -- to the extent that these innumerable contacts could be reconstructed at all -- would require several months' work of high level Tex Mex personnel, working solely on this response to the exclusion of their normal duties. The undue burden this request places on Tex Mex and KCS outweighs any need for the performance of such a special study, especially in light of the information contained in responsive documents already provided to the Applicants and the numerous examples of discriminatory treatment enumerated in Tex Mex/KCS' filings of March 30, 1998 and July 8, 1998.

4. Describe in detail any and all actions, other than those described in response to Request No. 3 above, that Tex Mex or KCS has taken (other than complaints to the Board in this or other proceedings) to have Tex Mex trackage rights trains treated fairly and impartially by UP, including without limitation:

- a) any and all efforts to make use of the Joint Service Committee established by the UP-Tex Mex trackage rights agreement, including without limitation any "rules and standards" proposed by Tex Mex to "ensure equitable and non-discriminatory treatment";
- b) any and all efforts to make use of the Joint Service Committee established in connection with the consolidated dispatching center at Spring, Texas;
- c) any and all efforts to make use of Tex Mex's rights under the UP-Tex Mex trackage rights agreement to secure access for its personnel to dispatching facilities or UP personnel to review the handling of UP and Tex Mex trains on joint trackage;
- d) any and all efforts to raise with UP operating personnel or the Joint Service Committee any "questions, disagreements, concerns or disputes" arbitrated as provided by the UP-Tex Mex trackage rights agreement, including without limitation attempts to agree with UP on the sanctions to be available to an arbitrator.

Produce all documents reflecting any such actions.

Tex Mex/KCS object to this request to the extent that it calls for documents/information already produced to the Applicants, or information that is as readily available to UP as it is to Tex Mex/KCS. Tex Mex/KCS object further that the request is overbroad and unduly burdensome, and would require the preparation of an unduly burdensome and oppressive study which is not ordinarily required to be performed, and to which Tex Mex/KCS object to performing. This request calls for a detailed description of each and every one of the countless daily complaints that have been made to UP over a period of years. Tex Mex estimates that to provide such a detailed and exhaustive description -- to the extent that these innumerable contacts could be reconstructed at all -- literally would require several months' work of high level Tex Mex personnel, working exclusively on this response to the detriment of their normal duties. The undue burden this request places on Tex Mex and KCS outweighs any need for the performance of such a special study, especially in light of the information contained in responsive documents already provided to the Applicants and the numerous examples of discriminatory treatment enumerated in Tex Mex/KCS' filings of March 30, 1998 and July 8, 1998. Notwithstanding these objections, and subject to the general objections, Tex Mex/KCS



respond as follows: In 1997, three meetings of the JSC took place; one in the first quarter of 1997 at Tex Mex offices in Houston, one in May 1997 in Omaha, and one in November 1997 in Houston. Though complaints and concerns were raised at each of these JSC meetings (in addition to the countless daily complaints raised between Tex Mex and UP personnel via telephone and other means), Tex Mex's experience has been that no required remedial action was taken with regard to those concerns.

5. With regard to the complaints raised at the November 1997 meeting of the Joint Service Committee (referred to by witness Watts, at pp. 382-83 of KCS-2):

- a) describe in detail the matter complained of by Tex Mex or KCS;
- b) describe in detail any remedial steps Tex Mex or KCS requested be taken; and
- c) describe in detail any actions taken by Tex Mex or KCS to participate in the investigative process and/or otherwise to determine whether it was "fair and impartial."

Tex Mex/KCS object to this request on the grounds that is vague, ambiguous and unduly burdensome. Tex Mex/KCS object to this request to the extent that it calls for documents and information already produced to the Applicants. Tex Mex further objects to this request in that information responsive to this request is as readily available to UP as to Tex Mex, in that the November 1997 meeting was attended by representatives of UP and Tex Mex. No KCS representative was present at the meeting.

6. Describe in detail the circumstances surrounding each and every occasion on which Mr. Nichols (a) advise[d] the Joint Corridor and Joint Director" of "any mishandling or discrimination against Tex Mex trains" or (b) report[ed] incidents to the joint corridor manager or joint director," see KCS-2, Nichols V.S., pp. 370-71, including without limitation (i) the date; (ii) the details surrounding the substance of the complaint or report; (iii) the person or persons to whom the report was made; and (iv) any response provided to Mr. Nichols or Tex Mex. Produce all documents relating to any such instance.

Tex Mex/KCS object to this request to the extent that it calls for documents/information already produced to the Applicants, or information that is as readily available to UP as it is to Tex Mex/KCS. The request is overbroad and unduly burdensome, and would require the preparation of an unduly burdensome and oppressive study which is not ordinarily required to be performed, and to which Tex Mex/KCS object to performing. This request calls for a detailed description of each and every one of the countless daily complaints that have been made to UP over an extended, including multiple daily conversations between Tex Mex and UP personnel. Tex Mex estimates that to provide such detailed and exhaustive descriptions -- to the extent that these innumerable contacts could be reconstructed at all -- literally would require several months' work of high level Tex Mex personnel, working exclusively on this response to the detriment of their normal duties. The undue burden this request places on Tex Mex and KCS outweighs any need for the performance of such a special study, especially in light of the information contained in responsive documents already provided to the Applicants and the numerous examples of discriminatory treatment enumerated in Tex Mex/KCS' filings of March 30, 1998 and July 8, 1998.

STB FD 32760 (SUB 26) 8-18-99 J



Title This Jacket

STB FD-32760 (Sub-26) 8-18-99 J



Office of the Chairman

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

FILE IN DOCKET

FD-32760  
(Sub-70-26)

August 18, 1999

Mr. Kenneth Williams  
Greater Houston Partnership  
1200 Smith, Suite 700  
Houston, TX 77002-4309

Re: Houston/Gulf Coast Infrastructure Issues

Dear Mr. Williams:

Thank you for your letter bringing me up to date on the progress of your discussions with Union Pacific Railroad Company (UP) concerning the infrastructure improvements that UP is making in the Houston/Gulf Coast area. Your letter appends a letter from the Partnership to UP's Joe Adams suggesting alternate ways of tracking UP's progress.

I appreciate the cooperative spirit with which both the Partnership and UP are approaching these matters of mutual concern. You know that I wholeheartedly support private-sector problem solving, and it appears to me that your efforts, and those of UP, will benefit the Houston area in particular and the shipping public in general.

I am placing your letter and this response in the formal docket in the UP/SP 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



**GREATER HOUSTON PARTNERSHIP**  
Chamber of Commerce • Economic Development • World Trade

FILE IN DOCKET

July 30, 1999

Via Facsimile 202-565-9016

The Honorable Linda Morgan  
Chairman  
Surface Transportation Board  
1925 K Street, NW  
Washington, DC 20423

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
AUG 9 5 10 PM '99  
OFFICE OF  
CHAIRMAN MORGAN

Dear Chairman Morgan:

On July 1, 1999, the Union Pacific reported to the Board on the infrastructure investments it has made in the Houston/Gulf Coast region since its merger with Southern Pacific.

As the Board had directed earlier, UP has met with the Greater Houston Partnership's Freight Rail Task Force to review its infrastructure investments and has given the Task Force a tour of the Spring Dispatching Center.

Attached for your information is a copy of a letter from the Partnership to UP suggesting a format for UP to use in future quarterly review meetings with the Partnership. This form starts with the projects identified by UP in its May 1, 1998 infrastructure report and provides a vehicle to track both physical progress and expenditures on infrastructure projects.

Sincerely,

Kenneth Williams  
Chairman, Freight Rail Task Force



**GREATER HOUSTON PARTNERSHIP**  
Chamber of Commerce • Economic Development • World Trade

**George Beatty, Jr.**  
President  
Chamber of Commerce Division

FILE IN DOCKET

July 29, 1999

803 Mr. Joe Adams, Jr.  
Union Pacific Railroad  
803 Travis, Suite 620  
Houston, TX 77002

Dear Joe:

The Partnership's Rail Freight Task Force, which you so graciously hosted at the Joint Dispatching Center in June, met again in July to review UP's infrastructure report filed with the STB on July 1.

Although the overview was probably adequate for the STB's purposes, the Task Force members were concerned that there was very little information included on the funds expended or the percentage completion of each of the projects. They were also concerned that some projects included in the May 1, 1998 infrastructure report to the STB were not discussed in the July 1 update.

The Task Force developed the attached form to assist it in tracking the infrastructure improvements UP is making in the Houston region. As a base, it uses the projects presented by UP in the May 1, 1998 infrastructure report augmented by those additional projects included in the July 1 report.

The Task Force is scheduled to meet again on September 16 at the GHP offices. We would like to make this one of the UP quarterly infrastructure briefings for the Partnership and give the Task Force members an opportunity to discuss with you the current projects and their status and UP's plans for the remaining projects.

We would appreciate if you could have this form completed by September 1 so that the Task Force members may prepare for the meeting by reviewing it in advance. I will ask Dick Schiefelbein to send an electronic version to whomever you identify so that no one on your staff needs to re-create the spreadsheet.

Thank you for your efforts to keep the Partnership informed on UP's infrastructure improvements. You may contact Ken Williams, Chairman of the Freight Rail Task Force at 713 652-7560 or me at 713 844-3631 if you have any questions or need more information.

Sincerely,

Cc: Surface Transportation Board



Union Pacific Houston Area Infrastructure Report, as of \_\_\_\_\_  
\$ in millions

Project	Estimates from 5-1-98 Infrastructure Report				Project Status as of:			
	Committed Projects: Low Estimate	Committed Projects: High Estimate	Tentative Projects: Low Estimate	Tentative Projects: High Estimate	Percent Complete	Funds Expended by UP	Funds Expended by Others	Comments
Upgrade Englewood Yard	\$12.0	\$18.0						
New computer, scale Englewood	2.5	2.5						
Englewood Expansion			\$30.0	\$40.0				
Tracks at Settegast	6.0	6.0						
Expand locomotive service Settegast	N/A	N/A	N/A	N/A				
Centralized local management facility	5.0	5.0						
Tower 87 connections	4.0	4.0						
West Belt, Tower 26, Quitman	1.0	1.0						
Tower 26 connection	2.1	2.1						
Carr St. connection	2.0	2.0						
CTC, Tower 26 to West Jct.	4.7	4.7						
SW quadrant Pierce Jct.	3.2	3.2						
Power switches SE quadrant Pierce	1.2	1.2						
NE quadrant Arcola	2.6	2.6						
Bypass Englewood			3.6	3.6				
Double track Bridge 16			12.7	12.7				
Third main, Double Track Jct.-T&NO			5.0	5.0				
Upgrade Harrisburg Line	5.5	5.5						
New siding Harrisburg Line	4.7	4.7						
Power and signal GH&H connection	4.0	4.0						
Interlock Tower 30	5.3	5.3						
SW quadrant Tower 30	1.8	1.8						
Support tracks, Clinton Branch	2.8	2.8						

Union Pacific Houston Area Infrastructure Report, as of \_\_\_\_\_  
\$ in millions

Project	Estimates from 5-1-98 Infrastructure Report				Project Status as of:			
	Committed Projects: Low Estimate	Committed Projects: High Estimate	Tentative Projects: Low Estimate	Tentative Projects: High Estimate	Percent Complete	Funds Expended by UP	Funds Expended by Others	Comments
Upgrade Hardy St. yard			2.7	2.7				
New yard at Chaney Jct.			2.4	2.4				
Reconstruct Depot Yard			2.5	2.5				
SIT capacity at Spring	13.7	13.7						
Build Cleveland, Conroe connections	5.4	5.4						
CTC on BNSF			3.6	3.6				
Extend Tamins siding			3.1	3.1				
Connect to BNSF Navasota	1.7	1.7						
Relocate mainline at Dayton			6.8	6.8				
New Yard at Dayton			35.0	43.5				
Expand Cosdy Yard	4.0	4.0						
Extend tracks at Mont Belvieu	2.2	2.2						
Storage Yard Baytown Branch	16.8	16.8						
Double track Baytown Branch			24.7	24.7				
Upgrade Cedar Bayou Lead			0.8	0.8				
Connect Cedar Bayou siding			0.4	0.4				
Double track near Dayton Jct.			11.7	11.7				
Extend Hatchery siding			5.8	5.8				
Crossover at MP 348.3			2.8	2.8				
Connect East Dawes, West Fenne			9.1	9.1				
Strang R&D tracks	6.0	6.0						
Strang Bowl	6.0	6.0						
Strang/Bayport SIT Yard	17.0	33.0						



Union Pacific Houston Area Infrastructure Report, as of \_\_\_\_\_  
\$ in millions

Project	Estimates from 5-1-99 Infrastructure Report				Project Status as of:			
	Committed Projects: Low Estimate	Committed Projects: High Estimate	Tentative Projects: Low Estimate	Tentative Projects: High Estimate	Percent Complete	Funds Expended by UP	Funds Expended by Others	Comments
Double Track Strang to Harbours Cut	0.9	0.9						
Double track Strang-Deer Park/CTC			4.6	4.6				
Double track Sinto to Pasadena			12.3	12.3				
Double Track Manchester to GH&H	0.9	0.9						
Improve Booth Yard	1.1	1.1						
Extend Rosenberg, Sugar Land sidings	6.0	6.0						
Switching track at Rosenberg			1.0	1.0				
Siding at Angleton	N/A	N/A	N/A	N/A				
PTRA North Yard R&D track			0.8	0.8				
PTRA expand Pasadena Yard			7.0	7.0				
<b>Houston Subtotal</b>	<b>\$152.1</b>	<b>\$164.1</b>	<b>\$188.4</b>	<b>\$206.9</b>	<b>-</b>	<b>\$0.0</b>	<b>\$0.0</b>	
SIT yard in Beaumont	26.0	30.0						
Crossover Beaumont Yard	1.1	1.1						
Upgrade Beaumont Yard			8.0	8.0				
Move control of Tower 74 to Spring			0.5	0.5				
Relocate KCS dispatcher to Spring			0.5	0.5				
Relocate mainline Lake Charles			13.4	13.4				
Expand Lake Charles Yard			2.0	2.0				
Crossover Mallard Jet			2.4	2.4				
Storage tracks, Lockmoor			2.9	2.9				
Iowa Junction siding	5.8	5.8						
Joint line sidings			8.6	8.6				
Elton siding	4.3	4.3						

Union Pacific Houston Area Infrastructure Report, as of \_\_\_\_\_  
\$ in millions

Project	Estimates from 5-1-98 Infrastructure Report				Project Status as of:			
	Committed Projects: Low Estimate	Committed Projects: High Estimate	Tentative Projects: Low Estimate	Tentative Projects: High Estimate	Percent Complete	Funds Expended by UP	Funds Expended by Others	Comments
Livonia double track	23.7	23.7						
Taft siding	7.2	7.2						
New yard, double track Angleton	37.0	44.0						
Extend yard tracks Bloomington	4.4	4.4						
Reroute mainline Bloomington	5.2	5.2						
Seadrift storage tracks	3.3	3.3						
Port Lavaca sidings			2.2	2.2				
Brownsville sub. sidings			10.0	13.0				
Odem-Robotown CTC			1.7	1.7				
Rockport industry tracks			4.0	4.0				
Classification tracks at Gregory, TX	N/A	N/A	N/A	N/A				
Sinton Jct. connection			1.0	1.0				
Relocate Sinton Jct. mainline			1.2	1.2				
Expand Kingsville			3.5	3.5				
Upgrade Viola Yard			2.7	2.7				
Expand Viola Yard			2.5	2.5				
Reconstruct MKT Jude-Ogden Jct	15.6	15.6						
Extend Corbyn Yard			1.8	1.8				
Extend Landas Park lead			1.3	1.3				
Industry support tracks Jama	1.6	1.6						
Extend, upgrade Buda siding	3.5	3.5						
Run-thru tracks BoSan			5.1	5.1				
CTC San Antonio-Laredo	12.0	12.0						



**Union Pacific Houston Area Infrastructure Report, as of \_\_\_\_\_**  
 \$ in millions

Project	Estimates from 5-1-98 Infrastructure Report				Project Status as of:			Comments
	Committed Projects: Low Estimate	Committed Projects: High Estimate	Tentative Projects: Low Estimate	Tentative Projects: High Estimate	Percent Complete	Funds Expended by UP	Funds Expended by Others	
Siding at Moore	1.5	1.5						
Staging tracks near Laredo			8.4	8.4				
Wye track extension at Laredo	N/A	N/A	N/A	N/A				
Customs facility at Laredo	N/A	N/A	N/A	N/A				
Sidings near Smithville			7.8	7.8				
CTC Eagle Lake-Flatonis	2.8	2.8						
Connect Eagle Lake, Ramsey	6.2	6.2						
Glidden sub. siding			4.8	4.8				
Customer track Seguin	1.8	1.8						
<b>Grand Total - Gulf Region</b>	<b>\$315.1</b>	<b>\$338.1</b>	<b>\$284.7</b>	<b>\$306.2</b>	<b>—</b>	<b>\$0.0</b>	<b>\$0.0</b>	

STB

FD

32760

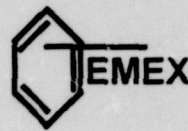
(Sub 26)

8-14-98

J



PETROCEL



Monterrey, N.L., August 6, 1998 .

Hon. Vernon A. Williams  
Secretary  
Surface Transportation Board  
Room 711  
1925 K Street N.W.  
Washington, DC 20243-0001

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

Dear Secretary Williams :

I am writing on behalf of Petrotemex, S.A. de C.V. to inform you of our support for the Consensus Plan filed on July 8, 1998 .

Petrotemex, S.A. de C.V. has 2 plants (DMT and PTA) in Altamira, México , and one plant in Cosoleacaque, Ver., México (PTA only) , employing in the three sites about 1,100 persons , transporting approximately 5,500 carloads annually in México, and 2,000 carloads with containers . We have started movements to the United States and consider they can reach 60,000 metric tons for the next year. Most of our destinations in the United States are located in the States of South and North Carolina, Georgia, and West Virginia .

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

During your oversight process, we strongly recommend that you give your utmost consideration to the Plan proposed by the Consensus Parties on July 8 . We



endorse their Plan to alleviate the service crisis in Houston and the Texas/Gulf Coast region. The Consensus Plan will improve Rail Service by :

Expanding rail capacity and investment by all the existing carriers .

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

Ensuring that all shippers in Houston have equal access to all of the carriers  
Currently serving the area, and

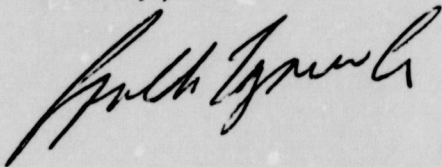
Protecting the future competitiveness of the Houston Ship Channel by  
ensuring that adequate rail service alternatives exist there in the future .

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

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

I, Arnolito Lozano, state under penalty of perjury that the foregoing is true and correct. Further, I confirm that I am qualified to file this statement on behalf of Petrotemex, S.A. de C.V., executed on this 6 of August of 1998 .

Sincerely ,

A handwritten signature in dark ink, appearing to read "Arnolito Lozano", written in a cursive style.



STB FD 32760 (Sub 26) 8-11-98 D 190459

# TROUTMAN SANDERS LLP

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP

ENTERED  
Office of the Secretary

AUG 11 1998

Part of  
Public Record

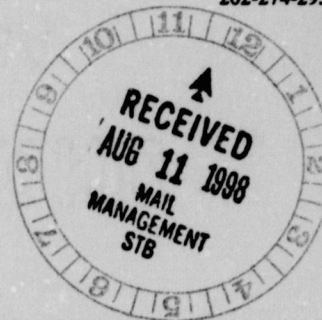
1300 I STREET, N.W.  
SUITE 500 EAST  
WASHINGTON, D.C. 20005-3314  
TELEPHONE: 202-274-2950  
FACSIMILE: 202-274-2994  
william.mullins@troutmansanders.com

William A. Mullins

August 11, 1998

## VIA HAND DELIVERY

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



190458  
190460  
190461  
190462  
190463  
190464  
190465

RE: STB Finance Docket No. 32760 (Sub-Nos. 26-32)

Dear Secretary Williams:

Pursuant to Decision No. 6 in the above-referenced docket, The Kansas City Southern Railway Company ("KCS") hereby submits its notice of intent to participate. Please place the following representatives of KCS on the official service list in this proceeding:

William A. Mullins  
David C. Reeves  
Sandra L. Brown  
Ivor Heyman  
Samantha J. Friedlander  
Troutman Sanders, L.L.P.  
1300 I Street, N.W., Suite 500 East  
Washington, DC 20005-3314  
Phone: (202) 274-2950  
Fax: (202) 274-2994

Enclosed with this original are twenty-six additional copies. Please date and time stamp one copy for return to our office. Also included is a 3.5 inch diskette containing the text of this document.

Sincerely yours,

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

cc: Robert K. Dreiling  
Richard A. Allen  
Parties of Record

STB FD

32760 (Sub 26)

8-7-98

J



Office of the Chairman

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

FILE IN DOCKET

FD-32760  
(Sub-26)

August 7, 1998

Mr. Jim Kollaer  
Greater Houston Partnership  
1200 Smith, Suite 700  
Houston, TX 77002-4309

Dear Mr. Kollaer:

Thank you for your letter expressing your views on the requests that the Board continue to provide emergency service order relief for the Houston area. On July 31, 1998, the Board issued a decision providing for continued data filing by the railroads in the West, and for continued operational monitoring of the Union Pacific Railroad (UP). However, the Board found that, while service throughout the West is not at uniformly improved levels, the service emergency in Houston is over, and that there is thus no legal basis for issuing a further emergency service order. Accordingly, the Board provided that, after a 45-day "wind-down" period to ensure a smooth transition, UP would no longer be required to allow other railroads to operate over its tracks pursuant to the unprecedented service order that was in effect for the past 9 months.

In its decision, the Board committed to remain vigilant and to address any significant service issues that may arise. Additionally, the Board noted that its decision here was premised on the significant improvements in service in and around the Houston area, and did not constitute a prejudgment of the issues in the Houston/Gulf Coast Oversight proceeding, in which various interests have suggested permanent changes to the ownership and operation of the rail facilities in and around the Houston area. I assure you that the Board will live up to its commitments on both counts: it will remain involved to ensure that service improvements continue, and it will review the Houston/Gulf Coast Oversight issues objectively and fairly.

For your information, I have enclosed a copy of the press release describing the Board's decision. I appreciate hearing your views, and I will have a copy of your letter and my response placed in the formal docket of the 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

Enclosures





**GREATER HOUSTON PARTNERSHIP**  
Chamber of Commerce • Economic Development • World Trade

FILE IN DOCKET

July 28, 1998

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

VIA FAX

CHAIRMAN OF  
SURFACE TRANSPORTATION  
BOARD

JUL 28 5 09 PM '98

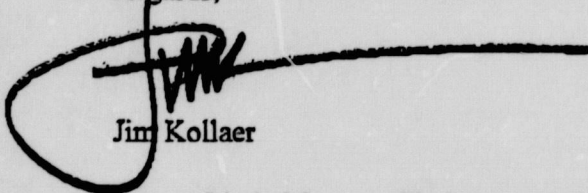
RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Dear Secretary Williams:

The Greater Houston Partnership expresses its support of the joint petition of The National Industrial Transportation League, Chemical Manufacturers Association and The Society of the Plastics Industry, Inc. calling on the STB to continue the effect of the current emergency service order issued in Service Order No. 1518 as amended, until such time as the STB decides the issues in the Finance Docket No. 32760 (Sub-No. 26).

In its resolution to the STB on July 8, the Partnership Board of Directors asked the STB to allow permanent rights if it is determined that service has improved or can reasonably be expected to improve as a result of the additional service afforded the Houston-Gulf Coast area. As the STB has yet to rule on this or any other related issue in Docket 32760, the Partnership suggests that the most prudent course of action would be to continue the effect of the current emergency service order until such time as the issue is fully resolved.

Regards,

  
Jim Kollaer

cc: Linda Morgan, Chairman, Surface Transportation Board  
Gus Owen, Vice Chairman, Surface Transportation Board  
Thomas E. Schick, Counsel for Chemical Manufacturers Association  
Nicholas J. DiMichael & Frederic L. Wood, Counsel for The National Industrial Transportation League  
Martin W. Bercovici, Counsel for The Society of the Plastics Industry, Inc.  
Arvid E. Roach II, Covington & Burling

## FAX TRANSMITTAL



**GREATER HOUSTON PARTNERSHIP**  
Chamber of Commerce • Economic Development • World Trade

1200 Smith, Suite 700 • Houston, Texas 77002-4309  
713-844-3600 • Fax 713-844-0200 • ghp@houston.org

TO Thomas Schick 703.741.6092  
Linda Morgan, 202.565.9016  
Gus Owen, 202.565.9016  
Nicholas DiMichael & Frederic Wood, 202.371.0900  
Michael Bercovici, 202.296.7218  
Arvid Roach II

NO. OF PAGES (including cover page) 2

DATE 7/28/98

FROM Elizabeth Ann for Mr. Roger H. Hord

PHONE 713 844.3655

COMMENTS

For your information.

STB

FD-32760 (SUB26)

5-14-98

J

ID-187555

187555

# TROUTMAN SANDERS LLP

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP

ENTERED  
Office of the Secretary

MAY 15 1998

William A. Mullins Part of  
Public Record

1300 I STREET, N.W.  
SUITE 500 EAST  
WASHINGTON, D.C. 20005-314  
TELEPHONE: 202-274-2950  
FACSIMILE: 202-274-2917

INTERNET: [william.mullins@troutmansanders.com](mailto:william.mullins@troutmansanders.com)

May 14, 1998



## VIA HAND DELIVERY

Mr. Vernon A. Williams  
Case Control Unit  
ATTN: STB Finance Docket No. 32760 (Sub-No. 21)  
Surface Transportation Board  
Suite 700  
1925 K Street, N.W.  
Washington, D.C. 20006

26  
Re: Finance Docket No. 32760 (Sub-No. 21) (New Oversight Proceeding)  
*Union Pacific Corporation, et al. -- Control & Merger -- Southern Pacific  
Rail Corporation, et al. Oversight Proceeding*

Dear Secretary Williams:

We received late yesterday, Applicants' [Union Pacific] First Requests for the Production of Documents to Kansas City Southern Railway Company and the Texas Mexican Railway Company (UP/SP-338). Tex Mex and KCS intend to respond to the 25 far-reaching document requests, many of which are properly the subject of objections, within fifteen days.

On April 22, Tex Mex and KCS filed a joint petition requesting the imposition of a protective order and discovery guidelines, and the appointment of an administrative law judge (TM-9/KCS-9)(the "Discovery Petition"). Tex Mex and KCS believe that the fact the UP served these extensive discovery requests on Tex Mex and KCS is relevant to the Board's consideration of the Discovery Petition. In addition, Tex Mex and KCS are awaiting responses and/or objections to their second set of discovery which are due today. As a result of these growing discovery disputes, Tex Mex and KCS believe that the parties would benefit from the imposition of discovery guidelines and the appointment of an ALJ to adjudicate disputes and objections in the first instance.

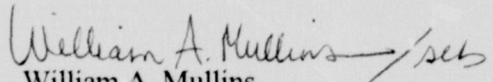


Secretary Williams  
May 14, 1998  
Page 2

To date, the pending discovery issues in this matter include at least a motion to compel UP to respond to certain Tex Mex/KCS discovery requests (TM-13/KCS-14), additional pending discovery requests to UP and BNSF, and now discovery served on Tex Mex and KCS requesting everything from traffic tapes, revenues and costs to communications with shippers and other parties to this proceeding concerning other parties' requests for conditions to be filed with the Board on June 8. UP may also have served similar discovery on the several other parties referenced in UP's discovery served on Tex Mex and KCS.

In its opposition to the Discovery Petition, UP argues that the requested guidelines and the appointment of an ALJ "would sanction and institutionalize the sort of broad-ranging and burdensome discovery that the Board has sought to avoid in carrying out its oversight function." UP/SP-337 at 2. UP's far-ranging document requests to Tex Mex and KCS demonstrate that UP believes that discovery is necessary for a fair adjudication of the issues in this oversight proceeding. Thus, UP's discovery requests provide additional new evidence supporting the need for the granting of the Discovery Petition. Far from institutionalizing discovery, the grant of the Discovery Petition would put in place a structure which has been proven to expedite both discovery and the attendant resolution of discovery disputes.

Sincerely yours.

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

cc: Richard A. Allen, Esquire  
Arvid E. Roach, Esquire

STB FD

327660

(Sub 26)

2-9-99

J

193307

193307

**COVINGTON & BURLING**

1201 PENNSYLVANIA AVENUE, N. W.

P.O. BOX 7566

WASHINGTON, D.C. 20044-7566

(202) 662-6000

FACSIMILE: (202) 662-6291

**J. MICHAEL HEMMER**

DIRECT DIAL NUMBER

(202) 662-5578

DIRECT FACSIMILE NUMBER

(202) 778-5578

mhemmer@cov.com

LECONFIELD HOUSE

CURZON STREET

LONDON W1Y 8AS

ENGLAND

TELEPHONE: 44 (71) 495-5655

FACSIMILE: 44 (71) 495-3101

KUNSTLAAN 44 AVENUE DES ARTS

BRUSSELS 1040 BELGIUM

TELEPHONE: 32-2-549-5230

FACSIMILE: 32-2-502-1598

February 9, 1999

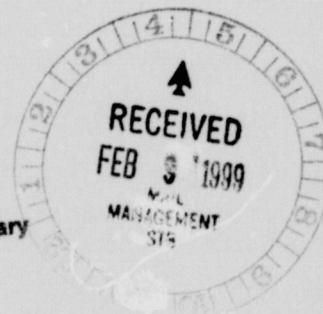
**HAND DELIVERY**

Melvin F. Clemens, Jr., Director  
Office of Compliance and Enforcement  
Surface Transportation Board  
1925 K Street, N.W.  
Mercury Building, Room 780  
Washington, D.C. 20423-0001

**ENTERED**  
Office of the Secretary

**FEB 10 1999**

**Part of  
Public Record**



Re: Finance Docket No. 32760 (Sub-No. 26)  
and Related Sub-Dockets

Dear Mr. Clemens:

We are disappointed to report that Texas Mexican Railway Company has advised Union Pacific that Tex Mex will not relocate its dispatchers to the joint BNSF-UP dispatching center in Spring, Texas. Tex Mex has inquired about participating in a Joint Service Committee, as contemplated by its trackage rights agreements with UP, and UP will cooperate with Tex Mex in developing such a committee.

Sincerely,

Arvid E. Roach II  
J. Michael Hemmer

STB

FD

32760

(Sub 26)

1-20-99

J

MOCS





Office of the Chairman

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

FILE IN DOCKET

FD-32760  
(Sub No. 26)

January 20, 1999

The Honorable Phil Gramm  
United States Senate  
370 Russell Senate Office Building  
Washington, DC 20510-4302

Att: Mr. John Savercool

Re: Letter from Mr. Craig Elkins of Port Elevator - Brownsville, L.C.

Dear Senator Gramm:

Thank you for your memorandum asking the Board to look into the concerns raised by Mr. Craig Elkins, General Manager of Port Elevator - Brownsville, L.C. In his letter to you, Mr. Elkins complains that the Port of Brownsville has been adversely affected by the merger of the Union Pacific and Southern Pacific rail systems. Mr. Elkins states that, before the merger, there was competition for the transportation of agricultural commodities, but that since the merger, inadequate competition has reduced traffic and driven rates above those charged for service to comparable ports that have the benefit of competition. We have reviewed Mr. Elkins' letter, and have discussed it with officials from Union Pacific Railroad Company (UP) and from the Burlington Northern and Santa Fe Railway (BNSF).

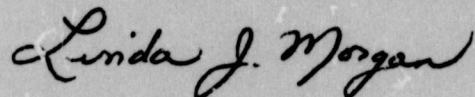
As you know, rail rates are not filed with the Board, and thus, we can not verify the extent to which rates to the Port of Brownsville are different from rates to other points or ports on the Gulf Coast. What we can say, however, is that any rate differential experienced by the Port of Brownsville *vis a vis* other Gulf Coast ports is not a product of inadequate competition produced by the UP/SP merger. To the contrary, both UP and BNSF have a substantial competitive presence in the Brownsville area, and both provide substantial services for the Brownsville shipping community, as they do for Corpus Christi, Galveston, Houston, and New Orleans.

Mr. Elkins states that rates to Brownsville are disproportionately higher, on the basis of distance, than rates to other points in Texas, but the law governing economic regulation of railroads does not require that rates be equalized for competing ports, or that any rate differentials be pegged to mileage. Rather, the law permits and indeed directs railroads to consider other economic factors in pricing their services. Brownsville's rates — which, according to BNSF, have been recently reduced — presumably reflect the variety of economic and competitive factors that railroads take into account when they price their services to any shipper or location. They do not, however, stem from a failure of competition, and, notwithstanding Mr. Elkins' suggestion to the contrary, Brownsville continues to be served by two major railroads, as it was before the merger.

Mr. Elkins also asks you to help him secure a Jones Act exemption so that he can obtain service from Mexican-flagged ocean carriers. The Board, of course, does not administer the Jones Act; any relief in that regard would have to be pursued through the legislative process.

I will have your memorandum, Mr. Elkins' letter, and my response placed in the formal docket in the Houston/Gulf Coast oversight proceeding. I appreciate your interest in our activities, and hope that you will not hesitate to contact me if we can be helpful in the future.

Sincerely,

A handwritten signature in cursive script that reads "Linda J. Morgan". The signature is fluid and elegant, with the first letters of each word being capitalized and prominent.

Linda J. Morgan

Phil Gramm  
Texas

# United States Senate

## MEMORANDUM

Date: 12-11-98

FILE IN DOCKET

My constituent has sent me the enclosed communication, and I would appreciate a response which addresses his/her concerns.

Please send your response, together with the constituent's correspondence, to me at the following address:

Office of Senator Phil Gramm  
370 Russell Senate Office Building  
Washington, D.C. 20510-4302

Attention: John Savercool

OFFICE OF  
CHAIRMAN MORGAN

Dec 14 2 07 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD



# Port Elevator - Brownsville, L.C.

Honorable Phil Gramm  
United States Senate  
370 Russell Senate Office Building  
Washington DC 20510

FILE IN DOCKET

November 23, 1998

Dear Senator Gramm:

As a member of the Senate Committee on Agriculture, Nutrition and Forestry, I do not have to tell you that the merger of the Union Pacific (UP) and Southern Pacific (SP) railroads has not brought forth the multitude of benefits we were lead to believe it would. In fact, from a transportation of Agricultural commodities standpoint, we in Texas are worse off.

Pre-merger there were more than 200 railcars of grain coming into the Port of Brownsville for unloading each month. In the two (2) years since the merger, there have been less than 500 total railcars of grain unloaded and one of the grain companies using the Port's facilities has filed for bankruptcy. Our problem is simple; grain companies cannot use the Port's facilities because of the discriminatory high cost of rail transportation caused by a post-merger lack of competition in the transportation of Agricultural commodities.

Prior to the merger, my facility, along with the rest of the businesses located at the Port, was a 2 to 1 receiving/shipping point. With the completion of the Channel Deepening Project and the construction of the SP's Palo Alto rail yard, the Port had both deep water and a direct connection to not only the UP's main line but the SP's main line as well. Our plans to increase both loading and unloading capabilities have since been scrapped because post-merger, the UP refuses to use or allow the use of the new Palo Alto rail yard.

The Port of Brownsville is the only Port on the entire Gulf Coast with an export terminal grain elevator that does not have competitively priced rail freight rates. The "published" rates charged on grains unloaded at the Ports of Houston and Galveston are \$100 per railcar less than those rates for unloading at the Port of Corpus Christi. The mileage differential between Brownsville and Corpus Christi is the same as between Corpus Christi and Galveston. Therefore the rates for unloading at the Port of Brownsville should be \$100 per railcar higher than those for unloading at the Port of Corpus Christi, yet they are almost \$600 per railcar higher. When asked "why?" the UP replies "marketing" and the BNSF replies that they "plan on publishing rates" but do not say by when.

The post-merger reality is that the Port, along with my company, has become a 1 to 1 receiving/shipping point and I am no longer able to receive grain by rail from the Midwest (Kansas, Nebraska, Iowa) into the Port of Brownsville.

9155 R.L. OSTOS ROAD, BROWNSVILLE, TEXAS 78521 (956) 831-8245 FAX (956) 831-3181



Our attempts, via both oral and written presentations at the Surface Transportation Board hearings by Mr. Larry Cantu, CEO, BRG Railroad, to improve our situation have been thwarted by the UP's strategy of delay, delay, and then stall some more. Our only alternative to rail is to load grain on ocean going vessels or barges out of the Baton Rouge - New Orleans (NOLA) area for shipment into the Port of Brownsville.

In my attempts to book ocean going vessel freight I have been told time and again that there are NO bulk carriers servicing the Gulf of Mexico that meet the requirements of the Jones Act. The only vessels I could find operating in the Gulf that comply with the Jones Act are either company owned/leased vessels providing intra-company services or tow boats servicing the barge trade. Unfortunately, my company is not large enough to own or lease such a vessel and barge movements are not practical due to the high cost of barge freight that is due to the uncertainty over tow boat availability which in turn affects the transit time. Barge movements out of NOLA can take anywhere from 10 to 38 days as compared to 2 or 3 days for an ocean going vessel.

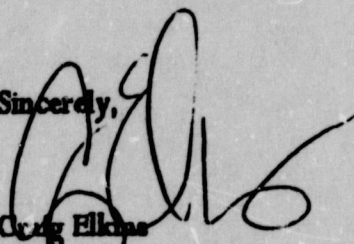
There are many Mexican flagged bulk carriers that would be happy to load in NOLA and unload at Brownsville if they could obtain an exemption or waiver to the Jones Act. Is there anything in the NAFTA agreement that would permit such an exemption or waiver?

In order for my business to survive the merger and continue providing jobs and contributing to the Rio Grande Valley community I need your help to either:

- force the UP and BNSF to improve the rail situation at the Port of Brownsville and/or
- grant an exemption or waiver to the Jones Act to Mexican flagged ocean going vessels so they can operate in the Gulf of Mexico and/or
- both.

I look forward to hearing from you, Senator Gramm and any assistance will be greatly appreciated.

Sincerely,



Craig Elkins  
General Manager

Phil Gramm  
Texas

# United States Senate

## MEMORANDUM

FILE IN DOCKET

Date: 12-11-98

My constituent has sent me the enclosed communication, and I would appreciate a response which addresses his/her concerns.

Please send your response, together with the constituent's correspondence, to me at the following address:

Office of Senator Phil Gramm  
370 Russell Senate Office Building  
Washington, D.C. 20510-4302

Attention: John Saverio

OFFICE OF  
CHAIRMAN MORGAN

DEC 14 2 07 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Arenson  
1000 Cypress Sta. Dr., #3503  
Houston, TX 77090

October 19, 1998

Honorable Phil Gramm  
United States Senate  
Washington, D. C. 20510

Dear Senator Gramm:

I am writing to inform you of my full support for The Texas Mexican Railway Company (Tex Mex), my employer and the Kansas City Southern Railway Company (KCS), Consensus Plan filed on July 8, 1998.

I am a dues paying member in good standing of UTU Local 110 with 114 active members of which 38 members are in engine service and the remainder in train service.

I am deeply concerned about other UTU locals which represent the Union Pacific Railroad and the position they have taken opposing the Tex Mex/KCS Consensus Plan and supporting limited competition. I strongly urge you to consider the Consensus Plan as filed with the Surface Transportation Board and recommend that you give your utmost consideration and support to the Plan proposed by the Consensus Parties on July 8, 1998.

As an active railroad employee concerned for my future and the customers I service, I personally endorse the Tex Mex/KCS Consensus Plan and as a professional railroad employee I believe that this plan will alleviate the service crisis in Houston and the Texas Gulf Coast Region which will ultimately benefit all railroads in Texas.

Yours very truly,

*J. E. Arenson*

STB FD 32760 (Sub 26) 1-12-99 J MOCS





Office of the Chairman

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

FILE IN DOCKET

78-32760  
(Sub-No 26)

January 12, 1999

The Honorable Phil Gramm  
United States Senate  
370 Russell Senate Office Building  
Washington, DC 20510-4302

Att: Mr. John Savercool

Re: Letter from Mr. L. E. Arenson

Dear Senator Gramm:

Thank you for your memorandum asking the Board to look into the concerns raised by Mr. L. E. Arenson. In his letter to you, Mr. Arenson, who is a member of the United Transportation Union, indicates that, contrary to the position taken by his union leadership, he favors the so-called Consensus Plan that was advanced in the Houston/Gulf Coast Oversight proceeding. The Consensus Plan would essentially take the property of the Union Pacific Railroad (UP) and share it with UP's competitors. Mr. Arenson's position is that the Consensus Plan would improve rail service in Texas.

In its decision issued on December 21, 1998, the Board discussed the Consensus Plan in substantial detail. It found that the service problems that had been experienced in the western United States for several months were caused by a variety of factors, but that the implementation of the Union Pacific/Southern Pacific (UP/SP) merger, once it finally took place, actually solved rather than prolonged the service crisis. The Board also addressed open access, which is what the Consensus Plan ultimately sought. The Board found that open access might be good for some shippers (such as, possibly, chemicals and plastics shippers with their lucrative, high-volume traffic); that it might not be good for other shippers (such as, possibly, rural shippers with less volume and less lucrative traffic); but that, in any event, it was not provided for in the Board's governing statute, and thus, the Board could not order it in this case. Finally, the Board addressed the argument that open access would encourage infrastructure investment and improved service, finding that the argument had not been adequately supported in this case, and that, in any event, the "more-competitors-enhance-infrastructure" argument is more appropriately made to Congress in an open access debate than in this proceeding.

For your information, I am enclosing a copy of the Board's decision in the Houston/Gulf Coast Oversight proceeding. I will have your memorandum, Mr. Arenson's letter, and my response placed in the formal docket in the proceeding. I appreciate your interest in our activities, and hope that you will not hesitate to contact me if we can be helpful in the future.

Sincerely,

*Linda J. Morgan*  
Linda J. Morgan

Enclosure

STB

FD

32760 (Sub 26)

1-12-99

J

BUSINESS





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

January 12, 1999

*Office of Compliance and Enforcement*

Steve Barkley  
Regional Vice President - Southern Region  
Union Pacific Railroad Company  
24125 Aldine Westfield Road  
Spring, Texas 77373

Re: Houston & Gulf Coast Railroad

Dear Mr. Barkley:

This responds to your letter of January 6, 1999, regarding your meetings with the Houston & Gulf Coast Railroad (HGC).

I appreciate your making the Board aware of UP's meetings with HGC and your efforts to respond to the Board's suggestions regarding improving capacity at Houston. I will appreciate being kept informed on these issues as is appropriate. Please let me know if I can be of assistance.

Sincerely,

Melvin F. Clemens, Jr.  
Director



STEVE BARKLEY  
Regional Vice-President  
Southern Region

UNION PACIFIC RAILROAD COMPANY  
SURFACE TRANSPORTATION BOARD

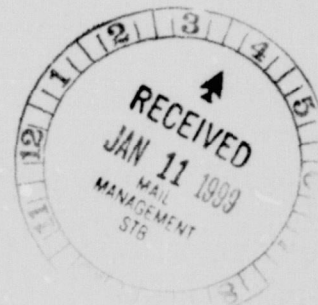
24125 Aldine Westfield Rd  
Spring Texas 77373  
(281) 350-7201

JAN 12 11 04 AM '99



OFFICE OF COMPLIANCE  
AND ENFORCEMENT  
DIRECTOR'S OFFICE

January 6, 1999



Mr. Kenneth Cotton  
Chief Operating Officer  
Houston & Gulf Coast Railroad  
3203 Areba Street  
Houston, TX 77091

Dear Mr. Cotton:

This letter is a follow-up and summary of our meeting on December 18, 1998 at the Union Pacific Regional Office Building in Spring, Texas.

A) Our discussion began with a review of your current capabilities.

- 1) Houston & Gulf Coast Railroad (HGC) is the operator of a 13-mile short-line between Wharton and Cane Jct. Railroad headquarters is Wharton, Texas and corporate office is in Houston.
- 2) HGC interchanges traffic with the BNSF at Cane Jct.<sup>1</sup>
- 3) HGC has provided service in the past to Coastal Warehouse, NG Fertilizer, and Maxmum AG Farms.
- 4) Currently HGC is not providing rail service on the 13-mile short-line. HGC currently does not have any locomotives under lease nor any employees to operate the railroad.
- 5) Mechanized maintenance and construction on the railroad is performed by third-party contractors.

B) Our second point of discussion was your outline of requests made by the HGC to the Surface Transportation Board during oral testimony on December 15th.

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<sup>1</sup> HGC connects to the out-of-service UP (SP) Wharton Branch at Wharton. There is no current interchange there or elsewhere with UP.

- 1) Trackage rights over UP from Wharton to Rosenberg to Houston (Settegast and Englewood).
  - 2) Interchange rights to UP and BNSF at Rosenberg.
  - 3) Trackage rights Bay City to Algoa over UP's Angleton Subdivision.
  - 4) Require UP to sell the former GH&H Railroad from Congress Yard to Galveston to Kenneth Cotton and the HGC.
- C) The third phase of our discussion centered around your proposal for other options and opportunities UP (and BNSF) have to work with HGC to provide rail services to customers.
- 1) HGC proposes to purchase the segment of the UP Wharton Branch between Wharton and Rosenberg with rights to interchange with UP and BNSF at Rosenberg. Following the joint inspection trip scheduled for Friday, January 8, 1999, HGC will provide written offer to UP.
  - 2) HGC also proposed, if the sale of this segment of the Wharton Branch between Wharton and Rosenberg was consummated with the Texas Mexican Railway, which is currently negotiating with Union Pacific, that sale contract will include overhead trackage rights for HGC between Wharton and Rosenberg, with interchange rights to UP and BNSF at Rosenberg.
  - 3) HGC also requests from BNSF access to the New Gulf Facility (an old sulfur mill) near Cane Jct., which contains a railyard with 11 tracks and capacity for approximately 350 cars.
  - 4) In order to resume operations, HGC will lease locomotives from Helm Leasing and hire approximately 7-10 people.
  - 5) HGC believes there is opportunity to unload aggregates along the line between Wharton and Cane Jct., and also ship cotton and grain south. HGC would expect fair and equitable rate divisions on all origin and destination traffic.
  - 6) HGC also proposes to utilize the New Gulf Facility Railyard as a multipurpose storage facility. These uses could be empty equipment, SIT plastic, company material cars. The charges for use of this facility by a Class I carrier would be:
    - Inbound switch charge



- Daily storage fee with minimums
  - 5-10 year contract term
  - Automatic 3-year renewals if HGC performs against contract terms
- 7) HGC requests trackage rights over BNSF between Cane Jct. and Bay City in order to interchange with the UP at Bay City.
  - 8) HGC would also propose to switch major chemical plants at Bay City for both BNSF and UP.
  - 9) HGC proposes to provide overhead bridge operations for UP and BNSF, handling trains between Rosenberg and Bay City if the above conditions are met.
  - 10) HGC would propose to purchase the former GH&H for between \$5-\$7 million.

D) Follow-up Activities:

- By Kenneth Cotton & HGC
- 1) Provide written offer to purchase the segment of the Wharton Branch between Wharton and Rosenberg.
  - 2) HGC to seek written commitment for access to the New Gulf Railyard Facility near Cane Jct. from BNSF.
  - 3) HGC to obtain written commitment from Helm Leasing for securing locomotive power to resume operations.
  - 4) HGC provide, in writing, the proposed charges for utilizing the New Gulf Railyard Facility as a multipurpose storage location for rail equipment. This would include:
    - Inbound switch charge
    - Daily storage fee
    - Minimum daily storage count
    - Contract term lengths
    - Automatic renewal clause specifications
    - Capabilities for operating parameters and service guarantees by HGC
  - 5) HGC to seek agreement with BNSF for trackage rights between Cane Jct. and Bay City with interchange rights to UP at Bay City.

Mr. Kenneth Cotton  
January 6, 1999  
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- 6) HGC will provide written proposal to UP and BNSF if HGC desires to provide third-party switching to any plants served by UP or BNSF at Bay City.
  - 7) HGC will submit written proposal to UP and BNSF for providing overhead bridge operations for freight moving between Rosenberg and Bay City.
  - 8) Currently UP does not have any interest in selling the former GH&H Railroad between Congress Yard and Galveston. It will not be necessary to provide a written proposal to purchase this line from Union Pacific.
- By Steve Barkley & Union Pacific
- 1) Arrange for joint inspection of Wharton Branch between Wharton and Rosenberg with track and bridge maintenance personnel from IJP and Kenneth Cotton of HGC.
    - Scheduled: Friday, January 8, 1999
  - 2) Provide HGC with track profile of Wharton Line HGC proposes to purchase.
    - To be provided during inspection January 8, 1999
  - 3) Provide to HGC the maximum curvature in UP standards for movement of a SD-40 locomotive through an interchange connection.
    - To be provided January 8, 1999
  - 4) Arrange for joint meeting between appropriate senior managers from HGC, BNSF and UP to discuss these proposals outlined in this letter.
    - Meeting arranged for 11:30 AM on January 27, 1999 in the UP Regional Office Building in Spring, Texas. Those attending are:

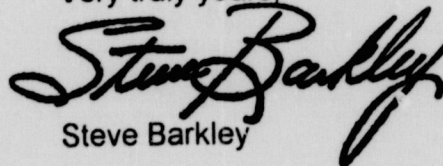
Steve Barkley - RVP Operations - IJP  
Dave Dealy - VPO South - BNSF  
Kenneth Cotton - COO - HGC




Mr. Kenneth Cotton  
January 6, 1999  
Page 5

We have serious questions about whether several of these proposals are realistic, but we will continue to explore them with you.

Very truly yours,

  
Steve Barkley

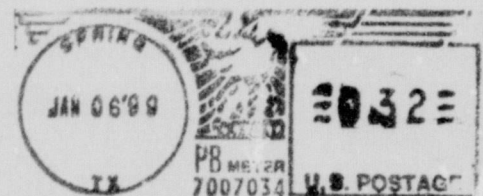
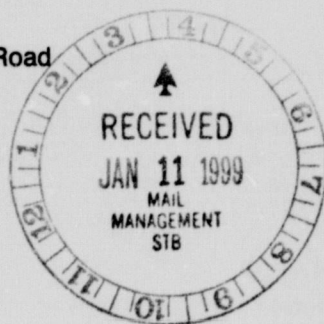
cc: Dave Dealy  
Buck Hord - VP BNSF  
Fran Molla - AVP UP  
Melvin F. Clemens,   
Surface Transportation Board

FORM 29-542  
REV. 5-86

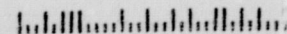


**UNION PACIFIC  
RAILROAD**

24125 Aldine-Westfield Road  
Spring, Texas 77373



Mr. Melvin F. Clemens  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423



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Office of the Chairman

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

FILE IN DOCKET

FL-32760

(Sub-No. 26)

January 4, 1999

Mr. Dean Kleckner  
President  
American Farm Bureau Federation  
600 Maryland Avenue S.W., Suite 800  
Washington, DC 20024

Re: Houston/Gulf Coast Oral Argument

Dear Mr. Kleckner:

This responds to your letter dated December 17, 1998, expressing disappointment that the Board did not allow your organization, or other non-parties, to participate in the oral argument held in the Houston/Gulf Coast Oversight proceeding on December 15, 1998. In your letter, you state that, had you been allowed to participate, you would have testified in support of the so-called Consensus Plan.

As the Board pointed out in its order issued on December 7, 1998, the record in the proceeding had been closed for several weeks. The parties presenting the Consensus Plan sought oral argument not so that they could introduce new testimony supporting their position, but so that they could discuss with Board members the evidence they had filed and the legal issues they had raised. At the oral argument, they did indeed address the issues that they raised, and that you also raised in your December 17 letter: they discussed the service problems that affected western rail service for several months; they suggested that opening up access to new competitors would encourage investment in infrastructure; and they argued that providing for more competitors would improve service.

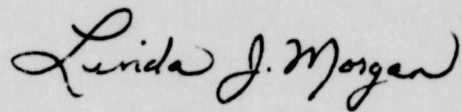
In its decision issued on December 21, 1998, the Board addressed all of these issues in substantial detail. It found that the service problems were caused by a variety of factors, but that the implementation of the Union Pacific/Southern Pacific (UP/SP) merger, once it finally took place, actually solved rather than prolonged the service crisis. The Board also addressed open access, which is what the Consensus Plan ultimately sought. The Board found that open access might be good for some shippers (such as, possibly, chemicals and plastics shippers with their lucrative, high-volume traffic); that it might not be good for other shippers (such as, possibly, rural shippers with less volume and less lucrative traffic); but that, in any event, it was not provided for in the Board's governing statute, and thus, the Board could not order it in this case.



Finally, the Board addressed the argument that open access would encourage infrastructure investment and improved service, finding that the argument had not been adequately supported in this case, and that, in any event, the "more-competitors-enhance-infrastructure" argument is more appropriately made to Congress in an open access debate than in this proceeding.

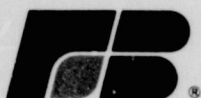
For your information, I am enclosing a copy of the Board's decision in the Houston/Gulf Coast Oversight proceeding. I will have your letter and my response placed in the formal docket in the proceeding. I appreciate your interest in our activities, and hope that you will not hesitate to contact me if we can be helpful in the future.

Sincerely,

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

Linda J. Morgan

Enclosure



## AMERICAN FARM BUREAU FEDERATION®

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FILE IN DOCKET

OFFICE OF  
CHAIRMAN MORGAN

Dec 18 9 40 AM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

December 17, 1998

The Honorable Linda Morgan, Chairman  
Surface Transportation Board  
1925 K Street, NW  
Room 715  
Washington, D.C. 20423-0001

Dear Chairman Morgan:

I was disappointed to learn of your decision to deny the American Farm Bureau Federation an opportunity to express its views regarding the Consensus Plan for restructuring of rail competition in the Houston area. As you may know, Farm Bureau represents farm producers who grow virtually every commodity produced commercially in the United States. The efficiency, or lack of it, of our rail transportation system profoundly affects farm producers. Many producers rely solely on railroads to move their products for final domestic sale or export.

Congestion in and around Houston, or any major railroad hub city, has a negative effect on farm producers because it increases their costs and makes them unreliable suppliers to their customers. Transportation costs are not passed along to consumers; farmers pay transportation costs for their products in reduced per-bushel and per-pound prices for their products.

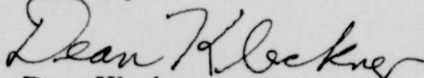
Had we been afforded an opportunity to testify, Farm Bureau would have supported a measure that would have the effect of offering shippers additional options for moving cargo when one carrier (in the case of Houston, the Union Pacific/Southern Pacific Railroad) fails to move that cargo in a timely, efficient, and affordable fashion. This would include allowing competing railroads to build parallel lines anywhere they can be built in an economically viable fashion. This would also include the creation of a neutral switching authority, including the assets of the Port Terminal Rail Association, to ensure that all cargo is treated equitably and efficiently.

AFBF opposed the Union Pacific/Southern Pacific merger because we feared that massive numbers of farmers would become captive shippers and suffer poor service and rising service prices as a result. The service problems experienced in the Houston area during the last year bears out that fear. In the decision allowing the merger, STB retained authority to ensure that shippers would retain competitive shipping options. That cannot happen unless the Board acts to adopt at least some of the features of the Consensus plan.

The Honorable Linda Morgan  
December 17, 1998  
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The unfortunate result of the Union Pacific/Southern Pacific merger has been to render agricultural shippers in the West captive to either the UP/SP or the Burlington Northern/Santa Fe. The Board has so far failed to understand that access to a single rail shipper does not constitute a competitive rail transportation market. The Board can take a step toward creating a competitive market in rail transportation by giving favorable consideration to the Consensus Plan.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dean Kleckner".

Dean Kleckner  
President