

STB

FD-32760 (SUB 26)

12-22-99

J

MOC

Phil Gramm
Texas

United States Senate

MEMORANDUM

DEC 22 1999

FILE IN DOCKET

Date: _____

**Surface Transportation Board
1925 K Street, NW, Room 820
Washington, D.C. 20423**

A constituent has sent the enclosed communication. A response which addresses his/her concerns would be appreciated.

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

**Office of Senator Phil Gramm
2323 Bryan Street, #2150
Dallas, Texas 75201**

**Attention: Charles Porter
(214) 767-3107
(214) 767-8754 (fax)**



Office of the Chairman

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

FILE IN DOCKET

January 31, 2000

FS-32760
(Sub-No. 26)

The Honorable Phil Gramm
United States Senate
2323 Bryan Street, #2150
Dallas, TX 75201

ATT: Charles Porter

Re: Correspondence From L. R. Martin

Dear Senator Gramm:

Thank you for sending me a copy of a letter from your constituent, L. R. Martin. Mr. Martin, who lives in Houston, corresponded with you during the rail service crisis in the western United States. In his recent letter to you, Mr. Martin asks what further steps, if any, the Board plans to take with respect to rail service in Houston.

As I know you are aware, the Board issued an emergency service order during portions of 1997 and 1998 to address the systemic rail congestion that originated on the Union Pacific system in the Houston area. The service order expired in the summer of 1998, as service improved. In a decision issued on December 21, 1998, the Board adopted certain conditions to ensure good service in the Houston Terminal, but for the most part it denied requests to impose an "open access" type arrangement in the area.

Since then, we have used our 5-year "oversight" proceeding to determine whether the conditions imposed in the "UP/SP" merger have been effective, and UP continues to issue regular reports containing operational data that provide information on operations in the Houston area. It appears to us that operations are fluid, and thus we have no plans to take any actions with respect to Houston operations at this time. Of course, if we determine during the oversight period that the Board's conditions are not having the intended effect, we can revisit the situation and take appropriate action.

I hope that this information is helpful. If I can be of assistance to you in the future, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

L. R. (RAY) MARTIN
18762 Fox Prairie Lane
Houston, TX 77084
Home Phone (281) 578-8786
Email lrmvbm@swbell.net

November 23, 1999

DEC 20 1999

FILE IN DOCKET

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

Dear Senator Gramm:

I have enclosed a copy of your letter to me, dated September 30, 1998, regarding rail congestion in the Houston area, and the monitoring of the situation by the U. S. Surface Transportation Board of Union Pacific and its operations.

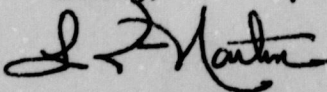
I thank you for your personal response to the issues addressed in my letter. As a year has passed, I am aware of certain concessions allowed to other Railroads in response to the merger between Union Pacific and Southern Pacific which of course, has affected us deeply here in Houston in regards to work volume and traffic flow.

I am curious as to what events, if any, are proposed by the STB in the near future, or has the situation reached a cessation point? If there are any future developments, and you are aware of them, are you currently in a position to share your insight of this information at this time? If you are so able, it would be greatly appreciated by your constituents in the Railroad Industry in Houston.

My wife, In-Laws, and myself vacationed in Washington in October 1998. As tourists, we of course took in all the sights and received tickets from Congressman Bill Archer to tour the White House, which we thoroughly enjoyed. I am sorry that we did not have time to arrange a visit to your Office or that of Congressman Archer. I would have liked to have met you in person.

Again, thank you for your response and for your continued directional leadership in Washington. As always, I look forward to receiving your correspondence.

Sincerely,



L. R. Martin

RECEIVED
SURFACE TRANSPORTATION
BOARD
DEC 20 6 10 PM '99
OFFICE OF
CHIEF OF
COUNCIL

PHIL GRAMM
TEXAS

United States Senate

WASHINGTON, D.C. 20510

September 30, 1998

Mr. L. R. Martin
18672 Fox Prarie Lane
Houston, Texas 77084

Dear Mr. Martin:

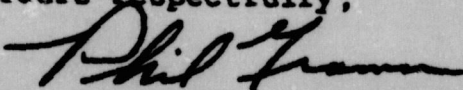
Thank you for your recent letter regarding the rail traffic congestion and other problems that have plagued much of Texas and the nation since the summer of 1997. I am glad to have your comments on this matter.

I agree with you that Union Pacific (UP) employees have worked hard to restore prompt, effective and safe rail service throughout many parts of Texas and am encouraged by the continued stabilization of rail traffic in general in most parts of the United States. Clearly, some operational problems throughout the UP system still remain, but I do not doubt the strong commitment the company and its employees have in providing the best and safest rail service possible.

As you know, UP is no longer operating under an emergency service order first issued by the U.S. Surface Transportation Board (STB) late last year. The STB removed that order on July 31, 1998, largely because of the recent improvements made within the UP rail system. Currently, the STB is still overseeing the Union Pacific-Southern Pacific merger to assess its impact on national rail traffic in general, and the agency will respond this December to proposals made by competing rail carriers and other groups to change some requirements and conditions of the merger. I will continue to monitor this situation through the STB, and you may be certain that I will share your views with officials there as the agency decides how to respond to these suggestions.

I appreciate having the opportunity to represent you in the United States Senate. Thank you for taking the time to contact me.

Yours respectfully,



PHIL GRAMM
United States Senator

PG/mosa

STB FD 32760 (Sub 26) 9-21-98 J 191297



ALTERNATIVE DISTRIBUTION SYSTEMS, INC.

191297
935 West 175th Street
Homewood, Illinois 60430-2028
Tel 708-799-4990
Fax 708-799-5935
E-mail: ads@adsinet.com

September 17, 1998



ENTERED
Office of the Secretary

SEP 23 1998

Part of
Public Record

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Suite 760
Washington, DC 20423-0001

RE: **HOUSTON/GULF COAST OVERSIGHT PROCEEDING
FINANCE DOCKET NO. 32760 (SUB-NO. 26)**

Dear Secretary Williams:

My name is Gordon D. Gustafson. I am the Vice President - Logistics for Alternative Distribution Systems, Inc., a provider of transportation, distribution and logistics services to the metals industries through its subsidiary companies; Area Transportation Company, Roll & Hold Warehousing & Distribution Corp., and Western Intermodal Services, Ltd. Western Intermodal Services supported the proposed merger of the Union Pacific and Southern Pacific Railway Companies (SP) with the trackage rights conditions that were granted to the BNSF.

At this time, I am writing to express our continued support of the UP post merger entity. Our observation is that the service problems in Texas resulted from pre-existing conditions in inadequate infrastructure that existed on the SP before the SP operations were effectively merged into the UP operations, and an implementation plan that proved ineffective. The entire system was taxed beyond its ability to respond effectively.

Today, the two operations are merged and appear working. Transit times on our shipments from the Chicago area to Mexico gateways in Texas have greatly improved. Transit times from our Houston facility moving to California are also much improved since earlier this year. The UP has applied resources, and with effective STB oversight, has established an effective service plan for the Gulf Coast.

We believe there are still more benefits to come as the merger is more fully implemented.

We recognize the service difficulties the UP has encountered with the SP franchise and do not minimize the impact on us and other shippers. The solution proposed by the "Houston Coalition" and other rail carriers however seems self-serving, and appears to us that it would actually interfere with the ability of the UP to efficiently operate their system and send the Texas recovery backwards.

Subsidiary Companies:
Area Transportation Company
Freight Connections International, Ltd.
Roll & Hold Warehousing & Distribution Corp.
Western Intermodal Services, Ltd.



VERNON A. WILLIAMS

September 17, 1998

Page 2

The STB imposed conditions on the UP/SP merger that has allowed other carriers to successfully compete for business. We understand UP traffic volumes are down while the BNSF is up. KCS volumes have increased as have Tex Mex volumes comparing the first six months of 1998 over 1997. In light of diversions away from UP during their difficulties, this is not surprising, but it also underscores that the conditions already imposed are resulting in increased competition. Simply shippers have exercised options and will continue to do so to UP's benefit or loss depending on UP's performance.

Alternative Distribution Systems urges the STB to reject requests for new conditions on UP's operation around Houston and the Gulf Coast. Let's let the UP demonstrate the benefits anticipated when this merger was first considered now that the worst of times is hopefully behind up. To inject conditions such as proposed by the Houston Condition would, in our opinion, only prolong the problems as the railroads tried to work out how to implement them.

We continue to believe that we are best served by allowing the UP to fully implement the merger efficiencies, and thank you for this opportunity to comment and provide our support.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gordon D. Gustafson", with a long horizontal flourish extending to the right.

Gordon D. Gustafson
Vice President - Logistics

GG/cae

H:\COMMON\SEC\WILLIAM1.WPD

cc: K. H. Adams
Union Pacific - Omaha

STB

FD-32760 (SUB26)

8-26-98

J

ID-190750

CMC Steel Group

A Commercial Metals Company

190750

Steel Mills:

SMI - Texas
Seguin, Texas

SMI Steel, Inc.
Birmingham, Alabama

SMI Steel - Arkansas
Magnolia, Arkansas

SMI Steel South Carolina
Cayce, South Carolina

Commercial Metals - Austin
Austin, Texas

AMP Recycling
Austin, Texas

CMC - Cayce
Cayce, South Carolina

CMC - Lexington
Lexington, South Carolina

CMC - North Augusta
North Augusta, South Carolina

Steel Fabrication:

Alamo Steel Company
Waco, Texas

Allagheny Heat Treating Co., Inc.
Chicora, Pennsylvania

Capitol City Steel Company
Austin, Texas

Capitol Steel, Inc.
Baton Rouge, Louisiana
Slidell, Louisiana

CoMet Steel, Inc.
Dallas, Texas

Houston Steel Service Company
Houston, Texas

Safety Railway Service
Tulsa, Oklahoma
Victoria, Texas

Safety Steel Service, Inc.
Victoria, Texas
Corpus Christi, Texas

Sheplers
Austin, Texas
Beaumont, Texas
Conroe, Texas
Houston, Texas
Pharr, Texas
San Antonio, Texas
Waco, Texas

SMI Georgia Rebar
Lawrenceville, Georgia

SMI Joist
Hope, Arkansas

SMI Miscellaneous
Cayce, South Carolina

SMI Joist South Carolina
Cayce, South Carolina

SMI Joist Florida
Stark, Florida

SMI - Owen Steel Company
Columbia, South Carolina

SMI - Owen Supply Company
Columbia, South Carolina

SMI Rebar North Carolina
Gastonia, North Carolina

SMI Rebar South Carolina
Columbia, South Carolina

SMI Rebar Virginia
Fredericksburg, Virginia

SMI Specialties
Columbia, South Carolina

SMI Steel Florida
Whitehouse, Florida

Southern Post Company
Magnolia, Arkansas
San Marcos, Texas
Brigham City, Utah
Columbia, South Carolina

South Carolina Steel
Taylors, South Carolina
Gastonia, North Carolina

Southern States Steel Company
Beaumont, Texas

Sterling Steel Company
Houston, Texas

Texas Cold Finished Steel, Inc.
Houston, Texas

ENTERED
Office of the Secretary

AUG 27 1998

Part of
Public Record



August 18, 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:

My name is Monty L. Parker, Sr. and I am Vice President of Raw Materials & Rail Transportation for the CMC Steel Group, a division of Commercial Metals (NYSE: CMC) which is headquartered in Dallas, Texas. The CMC Steel Group is a vertically integrated family of over 5,000 employees in more than 50 locations nationwide involved in the entire steel production process from scrap recycling yards to steel minimills, fabrication plants and value added operations. Our operations depend on time and cost efficient transportation, with particular emphasis on rail, which is the reason for my writing today.

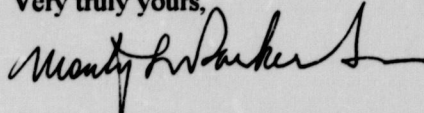
It disturbs me that competitors of the Union Pacific (UP) continue to nag at the Board about wanting a piece of the UP pie. Before the UP / SP merger, it was obvious to most all shippers that the SP was heading down the wrong track and needed to be rescued by a company with the financial and management resources necessary to serve the SP system. I supported the UP proposal to purchase the SP and although there have obviously been some problems, I have not abandoned the principles that led me to offer that support. When the STB granted emergency orders to help get the Houston region fluid again, the need for "something" to be done was obvious, however, the effect of the emergency orders, relating to how much other carriers actually assisted fluidity in the area, can be vigorously debated. Most in the region witnessed the UP making the changes necessary to get traffic moving again. The other carriers, although very vocal with claims of what they could do to get things moving, didn't contribute much to the eventual success of ridding the congestion in the area. It is astounding to me that these other carriers, who don't have the equipment necessary to serve their own customers, much less those served by the UP, would continue to boast that they are the answer to the congestion problems. I suppose their theory is to purchase necessary equipment to serve customers IF they are awarded expanded territory at the expense of the UP. In the steel industry, business isn't that easy, and neither should it be with the railroads.

Last year we were impacted by the UP problems in the region, but unlike many others, we chose to work with the UP to be part of the solution, not part of the problem. I found the UP to be very receptive to this partnership. I worked with and communicated with top managers at UP who made it clear to me their focus was to get things back to normal and beyond at the earliest possible date. I witnessed sincere regret for the problems we faced because of the rail

congestion and didn't get bombarded by excuses, which would have been the last thing anyone at my company would have wanted to hear. Using this working coalition, our service problems dramatically improved over a four month period. Since June of this year, our service is better than it has ever been. Deliveries are more prompt. Turnaround time on our cars is the best ever. And best of all, the communication with UP management about further improvements has not diminished. For example, we are currently discussing concepts that will reduce shipment transit time from Houston to our flagship facility (located just outside San Antonio) from seven days to just two. Both UP and I are committed to making it happen; and it will.

In closing, government intervention at this stage of the game would be kin to firing the coach of a football team that just engineered a dramatic fourth quarter comeback to win a big game. The politicking that is going on with the other carriers needs to stop. They have their own problems that should be focused on, once again, without outside intervention. I respectfully suggest that the UP be left alone to run their business and serve their customers.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Monty L. Parker, Sr.", written in dark ink.

Monty L. Parker, Sr.
Vice President, Raw Materials & Rail Transportation
CMC Steel Group

STB

FD-32760 (SUB26)

8-25-98

J

ID-190742



American Plant Food Corporation

P.O. BOX 584

GALENA PARK, TEXAS 77547

PHONE 713 675-2231

190742

ENTERED
Office of the Secretary

AUG 27 1998

Part of
Public Record



August 19, 1998

Honorable Vernon A. Williams

Secretary

Surface Transportation Board

1925 K Street, N.W.

Washington, D.C. 20423

Dear Secretary Williams:

FD32760 - SUB36
I am writing on behalf of American Plant Food Corporation in Houston, with fertilizer manufacturing plants located on the UP/SP rail system throughout Texas.

My company, along with all other shippers in the Gulf Coast area, have experienced severe setbacks this past year due to UP/SP congestion. However, I do feel the UP's service is recovering and the situation in Houston and the Gulf Coast area is far better than it was three months ago.

We are opposed to the proposal 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.

We feel that the UP/SP service problems have turned the corner and 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 my want still more opportunities, competition is working without imposing further conditions that would weaken UP.

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

Sincerely,

AMERICAN PLANT FOOD CORPORATION

Donald R. Ford

Donald R. Ford

President

DRF/rg

STB

FE-32760 (SUB26)

8-25-98

J

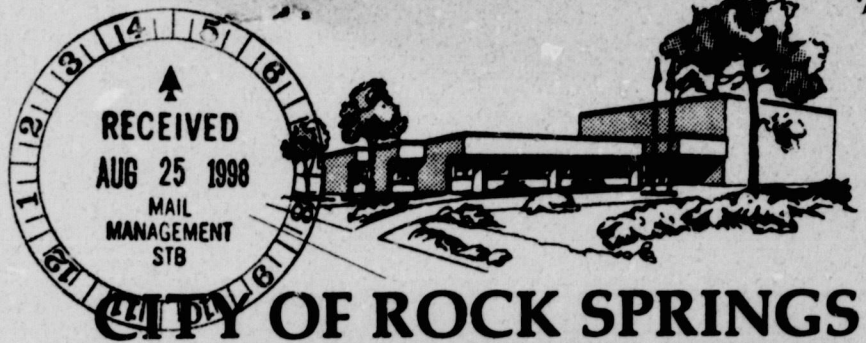
ID-190741

August 19, 1998

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

Dear Secretary Williams:

FD 33760-50826



212 D STREET • ROCK SPRINGS, WYOMING 82901

ENTERED
Office of the Secretary

AUG 27 1998

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Public Record

It is my understanding that the Surface Transportation Board will commence oversight proceedings to decide if additional federal regulatory conditions should be imposed on the Union Pacific Railroad in the Houston and Gulf Coast area. I would urge the Board not to impose additional federal regulatory conditions upon the Union Pacific Railroad, who is already financially and operationally weakened from its efforts in resolving the recent service and rail traffic crisis.

Union Pacific railroad has lost hundreds of millions of dollars in lost traffic, escalated costs and claims exposure. However, at the same time, Union Pacific has managed to resolve the service problems and cleared the train congestion within the Houston and Gulf Coast area. Important rail traffic indicators such as Union Pacific car inventory, transit times within the Houston-Gulf Coast area, unblocked siding counts and train speeds, all show that Union Pacific has cleared the train congestion and has return efficient rail service. The notion that there is still a rail service crisis in the southern corridor of Union Pacific's system is not justified, nor is the need for additional regulatory conditions justifiable.

Substantial investments toward Union Pacific's infrastructure will be required if Union Pacific experts to compete against the major Class I western railroads. These investments must be generated from Union Pacific's current and future traffic base, including Union Pacific's railroad in Sweetwater County and in the State of Wyoming. If additional conditions are imposed upon Union Pacific in Houston and the Gulf Coast, they would undermine Union Pacific's ability to make important investments in throughout their system, including Wyoming. Additional federal regulatory conditions would be counter productive and would burden the already weakened Union Pacific Railroad.

Your consideration of my comments is very much appreciated.

Sincerely,

Paul S. Oblock
Mayor

STB FD_32760(SUB26) 8-25-98 J ID-190738

Wyoming State Legislature

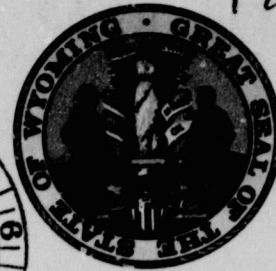
213 State Capitol / Cheyenne, Wyoming 82002 / Telephone 307 / 777-7881
<http://legisweb.state.wy.us>

190738

ENTERED
Office of the Secretary

AUG 27 1998

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Public Record



House of Representatives

August 17, 1998

REPRESENTATIVE HARRY B. TIPTON

House District 33
Fremont County
745 Buena Vista
Lander, Wyoming 82520

Committees:
Judiciary, Chairman
Rules and Procedure

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

Dear Secretary Williams:

This letter will serve as my official comment in opposition to the Surface Transportation Board imposing additional federal regulatory conditions upon the Union Pacific Railroad in the Houston and Gulf Coast area: Docket No.32760(Sub-No.25)

The Union Pacific Railroad has a long history with the State of Wyoming, beginning in 1868. Through the years the growth and expansion in Wyoming have been synonymous with that of Union Pacific Railroad. We have had differences but overall the relationship has been very beneficial.

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

Union Pacific Railroad continues to be an important part of Wyoming's economy. Additional federal regulatory conditions imposed by the Surface Transportation Board would be counterproductive. I urge the Surface Transportation Board not to impose additional conditions on the Union Pacific Railroad in the Houston and Gulf Coast area.

Thank you for the opportunity to comment.

Sincerely,

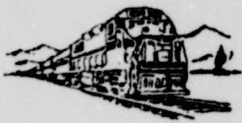
Representative Harry B. Tipton, MD

HBT/tr

cc: Dick Hartman

STB FD-32760 (SUB26) 8-25-98 J ID-190737

190737



AT&L RAILROAD CO.

2nd STREET & NASH BLVD.

P.O. BOX 29

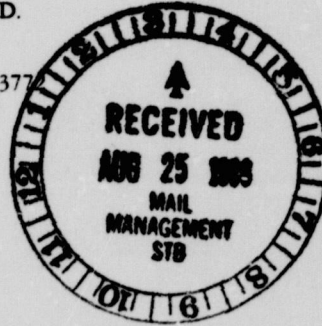
ENTERED
Office of the Secretary
WATONGA, OKLAHOMA 73777

PHONE (405) 623-5477

FAX (405) 623-2686

AUG 27 1998

Part of
Public Record



MEMBER

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
WHEELER BROTHER GRAIN COMPANY, INC.

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.

Wheeler Brothers Grain Company 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"

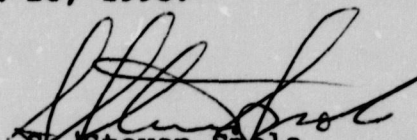
(CONNECTING WITH THE UNION PACIFIC RR AT EL RENO, OK.)

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

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, Wheeler Bros. Grain Company 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



AT&L RAILROAD CO.

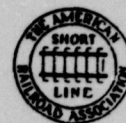
2nd STREET & NASH BLVD.

P.O. BOX 29

WATONGA, OKLAHOMA 73772

PHONE (405) 623-5477

FAX (405) 623-2686



MEMBER

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**

"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 (SUB26)

8-25-98

J

ID-190736

WHEELER BROTHERS GRAIN COMPANY

INCORPORATED

190736
Telephone: (580) 623-7223 Fax #: (580) 623-2686
P.O. Box 29 • Watonga, Oklahoma 73772

Grain Merchants - Cattle Feeders - Since 1917

ENTERED
Office of the Secretary

AUG 27 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
MIKE MAHONEY
WHEELER BROTHER GRAIN COMPANY, INC.

I am Mike Mahoney, the Executive Vice President of Wheeler Brothers Grain Company, Inc. We are in the grain merchandising business. We load unit trains (100 cars) of Hard Red Winter Wheat that go to the Texas and Louisiana Gulf Ports from our inland loading facility at Watonga, Oklahoma.

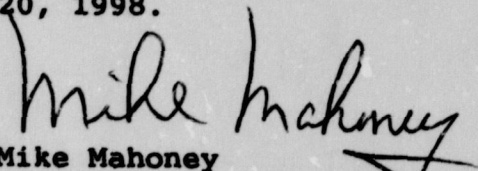
Wheeler Brothers Grain Company is opposed to the proposals to impose new conditions on the UP's operations around Houston and in the Gulf Coast area. Effective rail competition depends on a strong UP competing against a strong BNSF. These new conditions would go in the wrong direction, by weakening UP 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.

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, Wheeler Bros. Grain Company 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.


Mike Mahoney
Executive Vice President
Wheeler Bros. Grain Co.

WHEELER BROTHERS GRAIN COMPANY

Telephone: (580) 623-7223 Fax #: (580) 623-2686
P.O. Box 29 • Watonga, Oklahoma 73772

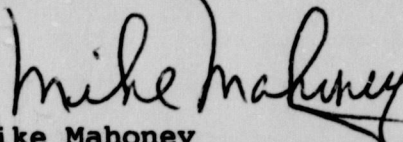
Grain Merchants - Cattle Feeders - Since 1917

INCORPORATED

**VERIFIED STATEMENT
MIKE MAHONEY
WHEELER BROTHERS GRAIN COMPANY, INC.**

My name is Mike Mahoney, and I am the Executive Vice President of Wheeler Brothers Grain Co., Inc. My responsibilities include merchandising and coordination of hard red winter wheat shipments to Gulf Ports in Louisiana and Texas.

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.



Mike Mahoney
Executive Vice President
Wheeler Brothers Grain Co.

STB

FD-32760 (SUB26)

8-25-98

J

ID-1900735

190735

Representative Mac McGraw
Wyoming House of Representatives
District 41
3526 Essex Rd. Cheyenne, WY 82001

August 19, 1998

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

ENTERED
Office of the Secretary

AUG 27 1998

Part of
Public Record



Dear Secretary Williams:

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

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

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

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

Thank you for the opportunity to comment.

Sincerely,

Mac McGraw

Representative Mac McGraw

STB

FD-32760 (SUB26) 8-25-98 J

ID-190734

DEAN SCHEMM, President
DANNY R. WELSH, Vice President
DAVID G. MAI, Secretary
VIRGIL L. SMITH, Director
LEONARD UNRUH, Director
RALPH STOLZ, Manager



190734
SHARON SPRINGS OFFICE 852-4241
SHARON SPRINGS STATION 852-4279
WALLACE, KANSAS 891-3535
WESKAN, KANSAS 943-5422
MCALLASTER, KANSAS 846-7890
ARAPAHOE, COLORADO 719-767-5508

WALLACE COUNTY CO-OP EQUITY EXCHANGE

P. O. Box 280 - 102 North Front
Sharon Springs, Kansas 67758
Watts: 1-800-434-8052
Fax: 913-852-4286

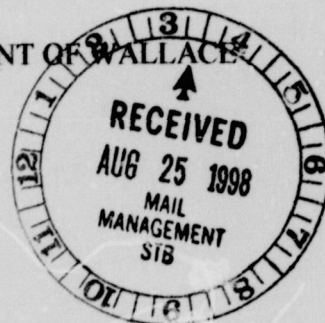
Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

VERIFIED STATEMENT OF WALLACE
COUNTY COOP

ENTERED
Office of the Secretary

AUG 27 1998

Part of
Public Record



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

Dear Secretary Williams,

I am Ralph Stolz, the General manager of The Wallace County Co-op. We are a farm supply cooperative and a 100 car unit grain train shipper in Western Kansas. The Wallace County Co-op 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 the 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, The Wallace County Co-op 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 19, 1998.

Sincerely,

Ralph Stolz

STB

FD-32760 (SUB26)

8-25-98

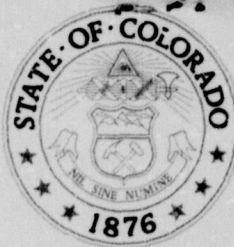
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ID-190732

ENTERED
Office of the Secretary

AUG 27 1998

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COLORADO
HOUSE OF REPRESENTATIVES

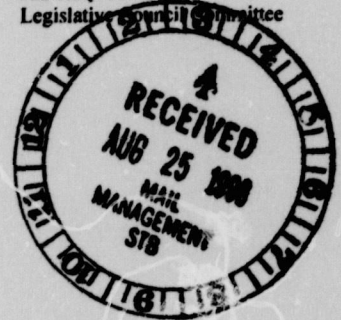
STATE CAPITOL
DENVER
80203

August 21, 1998

State Representative
GARY L. McPHERSON, Esq.
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MAJORITY CAUCUS CHAIRMAN
Member:

Judiciary Committee
Legislative Council Committee



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

Dear Secretary Williams:

FD32760-SUB 26

The State of Colorado is a vital part of the Union Pacific Railroad system, as I am sure you are aware. Recent growth in rail movements across Colorado has increased that importance. It is my understanding that the service crisis that hit Union Pacific Railroad's southern corridor has weakened Union Pacific both financially and operationally. I urge the Surface Transportation Board not to impose additional federal regulatory conditions upon Union Pacific Railroad near Houston and the Gulf Coast area at a time when an important service and competitive balance could be disrupted.

Additional federal regulatory conditions would go in the wrong direction. It would weaken Union Pacific when it has already suffered large financial and traffic losses over the past year due to the service problems. New federal regulations would also hinder Union Pacific's ability to continue to invest in important infrastructure that is extremely important to Colorado and other states throughout its twenty-three state system.

Recent reports show that the operational and service related problems have been resolved in Union Pacific's southern corridor. While there have been some disappointments with Union Pacific's service, Union Pacific has stepped forward to do what had to be done and has turned things around. These efforts by Union Pacific show that it is capable and willing to resolve its problems. However, additional federal regulatory conditions would weaken Union Pacific's continued efforts and erode the investments it must make to keep its system running. These investments are critical to Colorado and additional federal regulations in the southern corridor could have significant negative impact.

Sincerely,

Gary L. McPherson
State Representative
House District 40

STB

FD-32760 (SUB26)

8-25-98

J

ID-190730

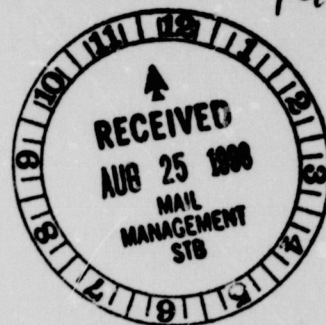
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Office of the Secretary

AUG 27 1998

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Best Western
Outlaw Inn



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

FD32760-SUB26

Dear Secretary Williams:

The Union Pacific Railroad has been a vital part of Wyoming's economy for over one-hundred years. In recent years the growth of trail movements and the presence of Union Pacific within our communities have added to its importance. It is obvious that the recent service crisis in Union Pacific's southern corridor created major service and train traffic problems for Union Pacific all across its twenty-three state system. However, all indications show that those problems have been resolved and that the service crisis and congestion problems within the Houston and Gulf Coast area no longer exist.

It is my understanding that the Surface Transportation Board will commence oversight proceedings to decide if additional federal regulatory conditions should be imposed on the Union Pacific Railroad in the Houston and Gulf Coast area. I am writing this letter to urge the Board not to impose additional conditions upon a railroad already financially and operationally weakened from its efforts to resolve the service related crisis.

Effective Western rail competition depends on a strong Union Pacific competing against a strong Burlington Northern/Santa Fe. Additional conditions would upset the competitive balance and undermine the Union Pacific after it has already suffered large traffic and financial losses. Union Pacific's traffic volumes are down by nearly 10%, while Burlington Northern/Santa Fe's are up by almost 10%. The Texas/Mexican Railroad's traffic volume have nearly doubled in the first six months of 1998 compared to 1997. The Kansas City Southern's traffic volumes are also up since the merger of Union Pacific and the Southern Pacific railroads. There is no basis for taking away even more revenue and traffic from the Union Pacific Railroad in its southern corridor. Any additional federal regulatory conditions placed on Union Pacific would give competing railroads unjustified advantages, and weaken Union Pacific.

I strongly urge the Board not to impose additional conditions upon the Union Pacific Railroad in the Houston and Gulf Coast area. Your time and serious consideration of this issue is very much appreciated.



Best Western
OUTLAW INN

Sincerely,

John Anselmi

1630 Elk Street
Rock Springs, WY 82901
(307) 362-6623 Fax (307) 362-2633

STB

FD-32760 (SUB26)

8-17-98

J

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BRUSSELS 1040 BELGIUM

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FACSIMILE: 32-2-502-1598

August 17, 1998

REDACTED PUBLIC RECORD VERSION

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 a discovery dispute requiring resolution at a hearing this week.¹ This dispute involves the responses of Tex Mex and KCS to two separate requests contained in UP's First Set of Requests for the Production of Documents in the above-referenced docket, which were served on May 13, 1998.

The two requests at issue are:

"5: All documents reflecting communications between Tex Mex and KCS regarding Tex Mex's dealings with BNSF with respect to interline traffic."

"8: All documents relating to actual or proposed cooperation between Tex Mex and BNSF for traffic to or from Mexico."

¹ Although Your Honor's ruling of June 1 would call for a hearing on Thursday, August 20, counsel for UP has a scheduling conflict on that date. We would respectfully propose to work out with counsel for KCS/Tex Mex and Your Honor an alternative date and time this week, perhaps Wednesday afternoon or Friday morning.

Hon. Stephen Grossman
August 17, 1998
Page 2

KCS/Tex Mex's response to Request No. 5 indicated that "responsive documents, if any, will be placed in the Depository." As a result, UP has not previously had occasion to raise any dispute concerning KCS/Tex Mex's response to this request. Instead, as of the date of the last hearing before Your Honor on July 13, UP was awaiting receipt of documents responsive to this request.

In response to Request No. 8, on the other hand, KCS/Tex Mex objected and stated that they would only produce documents reflecting "'actual cooperation,' if any," and would not produce documents relating to "'proposed' cooperation on the ground that it is irrelevant in that it pertains to a hypothetical situation which may never occur." This objection was addressed before Your Honor on July 13. Your Honor rejected this objection and ordered KCS/Tex Mex to produce documents reflecting both actual and potential cooperation. See Tr., p. 47. With respect to the latter, Your Honor allowed KCS/Tex Mex to redact certain commercially sensitive portions of the documents reflecting specific "negotiating details, the nature of divisions or rate terms of proposed or potential interline arrangements between Tex Mex and BNSF. See Tr., pp. 49-50.

In late July (on July 21 and July 31, respectively), KCS and Tex Mex produced to UP documents responsive to these requests. Almost every document produced by KCS and Tex Mex, however, was heavily redacted. In a few cases, the redactions were limited to specific dollar figures reflecting divisions or rates contained in draft agreements between Tex Mex and BNSF, as contemplated by Your Honor's July 13 ruling. In most cases, however, a substantial portion of the content of the documents was excised. For several reasons, KCS/Tex Mex's redactions are inappropriate, and KCS/Tex Mex should be ordered to produce unredacted versions of these documents.²

First, the majority of the documents were responsive to Request No. 5, in that they reflect communications between Tex Mex and KCS concerning Tex Mex's dealings with BNSF on interline traffic.³ KCS/Tex Mex were not entitled to make any redactions – except for privileged matter, which was not the basis of the redactions at issue here – with respect to documents produced in response to Request No. 5. KCS/Tex Mex's response to this request stated that all responsive documents would be produced, and this request was

² The redacted documents at issue, which are in Bates ranges KCS-3-HC-00025 to -27 and TM-6-HC-00029 to -79, are set forth, in numerical order, in the binder we are providing as a courtesy with Your Honor's copy of this letter.

³ KCS/Tex Mex's document index describes the documents at issue as responsive to Requests Nos. 5 and 8.

Hon. Stephen Grossman
 August 17, 1998
 Page 3

accordingly not the subject of Your Honor's ruling entitling KCS/Tex Mex to make certain limited redactions.⁴

The Board has recently made clear that parties are required to produce responsive documents in their "entirety" absent a timely objection that "certain material contained in a responsive document is not relevant to any matter properly at issue in this proceeding," coupled with a ruling of the ALJ or the Board upholding such objection. CSX Corp. & CSX Transportation, Inc., Norfolk Southern Corp. & Norfolk Southern Ry. - Control & Operating Leases/Agreements - Conrail Inc. & Consolidated Rail Corp. ("CSX/NS/Conrail"), Decision No. 34, served Sept. 18, 1997, p. 3.⁵ Here, there was no such objection. KCS/Tex Mex instead stated that all responsive documents would be produced in response to Request No. 5. Accordingly, under binding Board precedent no redactions on relevance or any other ground (other than privilege) can be sustained. See, Id., p. 2 (parties responding to discovery "have one opportunity to object to discovery requests; they cannot unilaterally hold an objection in reserve").

KCS/Tex Mex's redactions are all the more improper because it is plain that the redacted material is itself responsive to UP's discovery requests. The redactions at issue involve the substance of communications between Tex Mex and KCS about Tex Mex's dealings with BNSF on interline traffic, which was the precise subject of the discovery request. The Board has stated unequivocally that redaction of relevant material is always improper in light of the protections afforded "Highly Confidential" material by Board-entered protective orders such as the one in place in this proceeding. CSX/NS/Conrail, Decision No. 34, served Sept. 18, 1997, p. 3 (citing CSX/NS/Conrail, Decision No. 32, served Sept. 18, 1997, as "rejecting the argument that relevant material can be redacted from documents designated Highly Confidential under the terms of the protective order"); see also, e.g., ICC Docket No. 37809, McCarty Farms, Inc. v. Burlington Northern R.R., Decision served Aug. 15, 1994, p. 2 (rejecting redaction of revenue, rate and division information).

⁴ The redacted documents that on their face reflect correspondence between KCS and Tex Mex (or between KCS and Tex Mex's other part-owner, TMM) on the subject of Tex Mex's cooperation with BNSF are listed in Appendix A. In addition, KCS produced correspondence between Tex Mex and BNSF on the subject of Tex Mex's interline relationship with BNSF. These documents are also properly responsive to Request No. 5, because they could only have been received by KCS from Tex Mex, and thus intrinsically reflect communications between KCS and Tex Mex. Such documents are listed on Appendix B.

⁵ See also CSX/NS/Conrail, Decision No. 32, pp. 2-4.

Hon. Stephen Grossman
August 17, 1998
Page 4

Second, the vast majority of the redactions made by KCS/Tex Mex – both on those documents responsive only to Request No. 8 as well as on the documents responsive to Request No. 5 – went well beyond the minimal redactions necessary to excise specific divisions, rates terms and other matters of extraordinary commercial sensitivity, and thus departed from both the letter and spirit of Your Honor's July 13 ruling. The parameters of permissible redactions were set forth in the following colloquy during the July 13 hearing:

“JUDGE GROSSMAN: I am talking about the commercial negotiating details of such a potential agreement, but not the fact that there is such an agreement being negotiated. . . . So if there is an exchange of correspondence [referring to correspondence between BNSF and Tex Mex], for instance that says we must come into agreement on a new method of operation and interlining, that needs to be provided. If there is one that says we propose the following commercial relationship that X percent belongs to us and Y percent belongs to you, that kind of negotiation –

“MR. EDWARDS: Or potential future divisions or for future joint rates, et cetera.

“JUDGE GROSSMAN: You can redact the specific commercially sensitive portions of that type of documentation.”

Tr., pp. 49-50 (emphasis added). Although there are isolated examples of redactions that adhered to those parameters – such as those set forth at Exhibit 1 (Highly Confidential), which involve specific division or rate terms – almost all of the redactions excised material that is at the heart of the basic substance of the documents produced by KCS/Tex Mex or which is essential to an understanding of the context and meaning of the unredacted portions of the documents.

In Appendix C (Highly Confidential) we describe several of KCS/Tex Mex's redactions, which illustrate that KCS/Tex Mex have inappropriately redacted substantive material relevant to the issues in this proceeding.⁶ Appendix C, however, describes only a

⁶ The documents referred to in Appendix C are Exhibits 2-12 (Highly Confidential) to this letter. We have placed these descriptions in Appendix C, which is not being served on parties other than KCS/Tex, rather than in the body of this letter because all of the documents at issue have been designated by KCS/Tex Mex as “Highly Confidential.” We will supply a copy of Appendix C (together with the documents included as Exhibits 1-12)

(footnote continued . . .)

Hon. Stephen Grossman
August 17, 1998
Page 5

few representative examples of inappropriate redactions. UP believes that all of the redactions made by KCS/Tex Mex – excepting only those set forth as Highly Confidential Exhibit 1 – are inappropriate. The pages on which the challenged redactions appear are listed in Appendix D. If Your Honor desires, UP will be prepared to review each of these documents with Your Honor at the August 20 hearing.

As Appendix C demonstrates, KCS/Tex Mex's redactions go well beyond those contemplated by Your Honor's prior order, and substantially "negate the usefulness of the produced documents." CSX/NS/Conrail, Decision No. 26, served Sept. 3, 1997, p. 3. As ALJ Leventhal recently held in the CSX/NS/Conrail proceeding, in the ordering the production of unredacted versions of disputed documents that he had previously ordered produced, the "effect of the redactions is an ephemeral compliance with the decisions but without substance." Id., p. 3.

All of the redacted material is either directly relevant or must be disclosed because it is essential to a complete understanding of the relevant portions of the documents produced by KCS/Tex Mex. The unredacted portions of the documents reveal significant involvement by KCS in Tex Mex's negotiations with BNSF. The parameters of the arrangements under discussion, and even the specific terms of those arrangements, are relevant, *inter alia*, to a determination whether KCS's role – and the asserted KCS-Tex Mex joint venture relationship – resulted in Tex Mex being reluctant to participate in arrangements with BNSF that would have brought it significant traffic opportunities. UP of course cannot warrant that each and every tidbit of redacted information is necessarily relevant, but the broad context of the redacted documents – which involve correspondence between Tex Mex and KCS about the BNSF negotiations and/or correspondence between Tex Mex and BNSF (most of which was shared with KCS) – strongly suggests that all the material is highly relevant.

But, regardless of whether each and every bit of redacted material is directly and specifically relevant, these documents should be produced to UP in full in unredacted form. First, relevance is a very broad concept during the discovery stage. Parties must produce material that, even if not itself relevant, may lead to the discovery of relevant evidence, and the producing party has no right to be the unilateral arbiter of what is relevant. See, e.g., Sellon v. Smith, 112 F.R.D. 9, 13 (D. Del. 1986) (ordering production of unredacted documents because producing party "should not be the final arbiter of what is relevant or irrelevant in a particular document" and "parties' representatives are obviously in a far better position than this Court to adjudge the significance of the omitted passages");

(. . . continued)

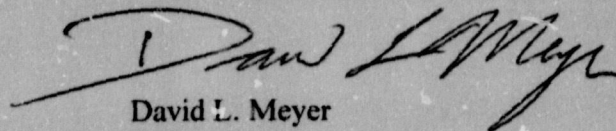
and in the accompanying binder, upon request to outside counsel for any party that has executed the Highly Confidential undertaking accompanying the protective order herein.

Hon. Stephen Grossman
August 17, 1998
Page 6

Smith v. MCI Telecommunications Corp., 137 F.R.D. 25, 27 (D. Kan. 1991) (ordering production of unredacted versions of documents on the ground, *inter alia*, that "relevance is broadly construed at the discovery stage"). Second, it is well established that redactions are improper where the redacted material is necessary to a complete understanding of the unredacted material, as is manifestly the case here. See, e.g., Sellon, 112 F.R.D at 12 (among grounds for requiring production of unredacted material was conclusion that "some of the editing is so extreme that it is impossible to get any meaning out of the snippets that were produced"); In re Medeva Securities Litigation, 1995 WL 943468 (C.D. Cal. 1995), p. 3 (redactions make documents "difficult or confusing to use").

As noted above, moreover, Board precedent does not leave room for KCS and Tex Mex to complain that disclosure of the redacted material will cause it commercial harm. See, e.g., CSX/NS/Conrail, Decision No. 34, served Sept. 18, 1997, p. 3. All of the documents at issue have already been designated as "Highly Confidential," meaning that access will be restricted to outside counsel and experts for UP. UP personnel – including lawyers – will not have access to these documents. Moreover, the redacted material does not pertain to any ongoing negotiations to which UP is a party.⁷

Respectfully submitted,



David L. Meyer

Attorney for Union Pacific
Railroad Company

Attachments

cc: Hon. Vernon A. Williams
(by hand – separate confidential and public record versions)
William A. Mullins, Esq. (by hand)
Richard A. Allen, Esq. (by hand)
Erika Z. Jones, Esq. (by hand – public record version only)

⁷ In addition, to the extent BNSF's outside counsel is involved in the ongoing negotiations between Tex Mex and BNSF, Your Honor might require that they receive only the existing redacted versions of these documents.

APPENDIX A

Redacted Documents Responsive to Request No. 5

(Reflecting Communications Between KCS and Tex Mex Concerning Tex Mex's Interline Relationship with BNSF)

KCS-3-HC-00030
KCS-3-HC-00063 to -64
KCS-3-HC-00065 to -66
KCS-3-HC-00074 to -76
KCS-3-HC-00077
KCS-3-HC-00078
KCS-3-HC-00080
KCS-3-HC-00081 to -82
KCS-3-HC-00085 to -86
KCS-3-HC-00087 to -95
KCS-3-HC-00096 to -98
KCS-3-HC-00106 to -08
KCS-3-HC-00109 to -13
TM-6-HC-00038
TM-6-HC-00041 to -42
TM-6-HC-00043 to -44
TM-6-HC-00045
TM-6-HC-00072 to -79

APPENDIX B

Redacted Documents Responsive to Request No. 5

(Correspondence Between Tex Mex and BNSF Produced by KCS)

KCS-3-HC-00025 to 26
KCS-3-HC-00027 to -28
KCS-3-HC-00031
KCS-3-HC-00032 to -33
KCS-3-HC-00034 to -35
KCS-3-HC-00038
KCS-3-HC-00039
KCS-3-HC-00040
KCS-3-HC-00041 to -43
KCS-3-HC-00050 to -56
KCS-3-HC-00057 to -61
KCS-3-HC-00067 to -73
KCS-3-HC-00116
KCS-3-HC-00117 to -23

APPENDIX D

Pages Containing Improper Redactions

KCS-3-HC-00025
KCS-3-HC-00026
KCS-3-HC-00028
KCS-3-HC-00030
KCS-3-HC-00031
KCS-3-HC-00032
KCS-3-HC-00034
KCS-3-HC-00038
KCS-3-HC-00039
KCS-3-HC-00040
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KCS-3-HC-00107

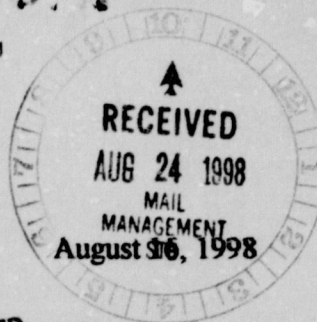
KCS-3-HC-00109
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KCS-3-HC-00111
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KCS-3-HC-00116
KCS-3-HC-00117
KCS-3-HC-00118
KCS-3-HC-00119
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TM-6-HC-00076
TM-6-HC-00077
TM-6-HC-00078

STB FD-32760 (SUB26) 8-24-98 J ID-190659

Wyoming State Legislature

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

190659



House of Representatives

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

ENTERED
Office of the Secretary

AUG 24 1998

Part of
Public Record

REPRESENTATIVE JACK STEINBRECH

House District 48
Sweetwater County
2064 Skyview
Rock Springs, Wyoming 82901

Committees:

Agriculture, Public Lands and
Water Resources
Travel, Recreation, Wildlife and
Cultural Resources

Dear Secretary Williams,

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

The Union Pacific Railroad has a long history in the State of Wyoming and our growth and expansion in southern Wyoming have been closely linked to Union Pacific Railroad.

The unexpected problems in Union Pacific's southern corridor experienced after the Union Pacific/Southern Pacific merger have drawn much publicity and criticism. Additional federal regulatory conditions, if imposed will certainly erode Union Pacific's ability to remedy a difficult situation and make investments in important system wide infrastructure including much needed investment in Wyoming. I have never known a regulatory burden to be a benefit to the party being regulated or to the long term benefit of the public.

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

Thank you for the opportunity to comment.

Sincerely,

Jack Steinbrech
Wyoming State Representative

cc: Richard M. Hartman
Union Pacific Railroad

STB

FD-32760

(SUB26)

8-24-98

J

ID-190658



TAMKO Roofing Products
220 W. 4th Street
PO Box 1404
Joplin, MO 64802-1404

Phone: 417-624-6644 ext. 2137
FAX: 800-841-1925
e-mail: Roger_Edwards@Tamko.com

190658

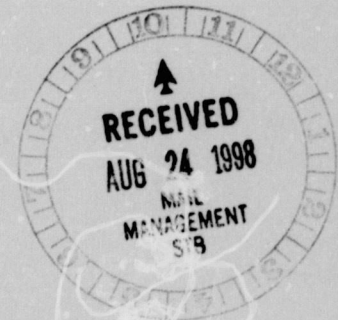
Sunday, August 16, 1998

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

ENTERED
Office of the Secretary

AUG 24 1998

Part of
Public Record



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

Dear Secretary Williams:

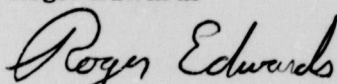
TAMKO Roofing Products is opposed to the proposals to impose new conditions on Union Pacific's operation around Houston and in the Gulf Coast area. As I understand the new conditions would further complicate the flow of traffic in that area. More restrictions would negatively effect Union Pacific's ability to continue service improvements.

As a large consumer of rail services TAMKO can confirm that Union Pacific has made great strides at improving their service levels to our plants and our customers.

BNSF is one of the least customer service friendly railroads I have had an occasion to deal with. Their adversarial attitudes and service failures are acute with respect to TAMKO. Their proposals for new conditions should be rejected.

While Union Pacific has experience extreme service difficulties their business conduct has always been honest and professional in matters with TAMKO.

Roger Edwards


Distribution Specialist

STB FD-32760 (SUB26) 8-24-98 J ID-190657

TEXAS SENATE

190657

STATE CAPITOL, ROOM E1.706
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AUSTIN, TEXAS 78711
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2205 CLINTON DRIVE
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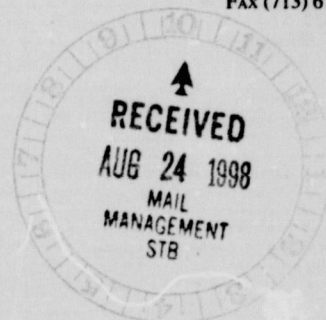
MARIO GALLEGOS, JR.

August 17, 1998

ENTERED
Office of the Secretary

AUG 24 1998

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Public Record



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

Re: Houston/Gulf Coast Oversight Proceeding
Finance Docket No. 32760 (Sub-No. 25)

Dear Secretary Williams:

As the Texas State Senator whose district encompasses the Port of Houston, I have watched the recent rail crisis in this state with concern and dismay. As you well know, estimates of economic losses in the hundreds of millions have diluted the effects of the otherwise positive factors of our manufacturing and shipping industry. The shippers and chemical manufacturers in my community are slowly starting to recover their footing, and I am growing more confident that corrective measures are beginning to show their dividends.

As I understand it, new conditions are being considered which would be placed on the Union Pacific railroad's operations around Houston and the Gulf Coast area. I have grave concerns that any misstep could jeopardize the fragile recovery that this industry is experiencing. My chief concern is the return to full service and operations for the manufacturers and other businesses in Texas who depend so heavily on the rail system. To that end, I urge you and your staff to cautiously review each new policy proposal and determine its impact on the progress that is being made in the shipping industry before proceeding with implementation.

There are many small businessmen and women in my district who are counting on you to make the right decisions for their economic well-being. If I can provide any information to help you reach an appropriate decision, please don't hesitate to contact me at any time.

Sincerely,

Mario Gallegos, Jr.



COMMITTEES: STATE AFFAIRS ★ INTERGOVERNMENTAL RELATIONS
HEALTH & HUMAN SERVICES ★ NOMINATIONS
COMMITTEE OF THE WHOLE ON LEGISLATIVE AND CONGRESSIONAL REDISTRICTING
DISTRICT 6

STB

FD-32760 (SUB26)

8-24-98

J

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BRUSSELS 1040 BELGIUM

TELEPHONE: 32-2-546-5030

FACSIMILE: 32-2-502-1598

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.¹

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.

¹ 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.

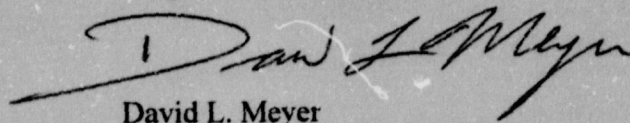
In response to Request No. 4, which asked for a description of every action taken by KCS/Tex Mex to have Tex Mex trains treated fairly and impartially, KCS/Tex Mex again repeated their non-responsive boilerplate directing UP to the "examples of discriminatory treatment enumerated" in KCS/Tex Mex's previous 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.² 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)

² 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.

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 (SUB26)

8-21-98

J

ID-190653

Wyoming State Legislature

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<http://legisweb.state.wy.us>



190653

August 18, 1998

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House of Representatives

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

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Office of the Secretary

AUG 24 1998

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Public Record

REPRESENTATIVE TONY ROSS

House District 7
Laramie County
1712 Pioneer Avenue
Cheyenne, Wyoming 82001

Committees:

Corporations, Elections and
Political Subdivisions
Labor, Health and Social Services
State Hospital and Mental Health Services

Dear Secretary Williams:

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

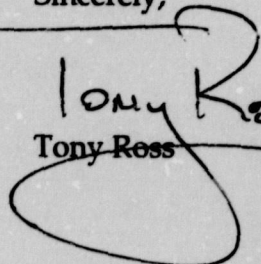
The Union Pacific Railroad has a long history with the State of Wyoming, beginning in 1868. Through the years the growth and expansion in Wyoming have been synonymous with that of Union Pacific Railroad.

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

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

Thank you for the opportunity to comment.

Sincerely,


Tony Ross

TR:bas

cc: Richard Hartman

STB

FD-32760 (SUB26)

8-21-98

J

ID-190643

Nebraska State Legislature

190643

SENATOR FLOYD P. VRTISKA

District No. 1
706 Wyoming Street
Table Rock, Nebraska 68447

Legislative Address:
State Capitol
PO Box 94604
Lincoln, Nebraska 68509-4604
(402) 471-2733



Ninety-Fourth Legislature

August 17, 1998

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

Dear Secretary Williams:

FD32760 SUB 26

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 UP system. These improvements are a direct result of the substantial investment of dollars and other resources the UP has dedicated to the problem. Given the dismal condition of the SP prior to its merger with the UP, the significant strides that have been achieved in only one year are noteworthy.

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



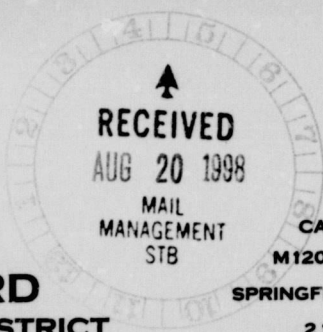
Vice Chair, Business and Labor
Vice Chair, Executive Board
Vice Chair, Reference
Agriculture

Government, Military and Veterans Affairs
Building Maintenance
Legislative Council

J

STB FD-32760 (SUB26) 8-20-98 J ID-190635

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217-782-0650 (FAX)

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DOWNERS GROVE, ILLINOIS 60515
630-969-0990
630-969-1007 (FAX)

KIRK W. DILLARD
STATE SENATOR • 41ST DISTRICT

August, 1998

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

ENTERED
Office of the Secretary

AUG 21 1998

Part of
Public Record

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

Dear Secretary Williams:

I am Kirk Dillard, a member of the Illinois Senate and Commerce & Industry Committee. The District I represent is in the Chicago metropolitan area. Good rail transportation, and a sound Union Pacific, is important to the Chicago region's economy.

The financial strength of the Union Pacific is vitally important to the Chicago region. The Union Pacific Railroad has four major lines entering the Chicago region. The Union Pacific has plans to improve safety and efficiency on these lines. Proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area could result in the delay or cancellation of improvements to these lines. I do not feel my constituents should pay that price. In order to keep Illinois industries competitive in our global economy, I am opposed to the proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area.

The UP's service has improved markedly in recent months. This progress should not be hindered by the imposition of new conditions that will harm UP, our community and others around the country. UP has increased its hiring in the Chicago area, which provides an opportunity to my constituents, as well as the additional industrial base it supports. The Chicago region is the rail hub of America, and I don't want changes made in Texas that will adversely affect the Chicago region's status and UP's ability to grow and help our community.

Sincerely,
Kirk Dillard

STB FD-32760 (SUB26) 8-20-98 J ID-190634

DISTRICT OFFICE:

2203 EASTLAND DR., SUITE 3
BLOOMINGTON, ILLINOIS 61704
309-663-2455
FAX: 309-663-7055
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2126-O STRATTON BUILDING
SPRINGFIELD, ILLINOIS 62706
217-782-1118

STATE OF ILLINOIS
HOUSE OF REPRESENTATIVES

BILL BRADY
STATE REPRESENTATIVE • 88TH DISTRICT

COMMITTEES:

INSURANCE
REPUBLICAN SPOKESMAN
FINANCIAL
STATE GOVERNMENT ADMINISTRATION &
ELECTION REFORM
ENVIRONMENT & ENERGY
BANKS SELLING INSURANCE
ECONOMIC & FISCAL COMMISSION

August 18, 1998

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

ENTERED
Office of the Secretary

AUG 21 1998

Part of
Public Record

RECEIVED

AUG 20 1998

MAIL
MANAGEMENT
CTB

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

Dear Secretary Williams:

I am Bill Brady, a member of the Illinois General Assembly. I represent the area around Bloomington, Illinois, which is in the central part of the state. My District includes farm land and small industrial businesses. UP has been cooperating with Illinois DOT in providing a major grain load-out facility in Bloomington and Pontiac (among other places). These projects are funded by state loans, and with UP technological cooperation, in-kind donations and provision of mainline switches, will earn Illinois farmers up to 10 cents per bushel more for grain. The financial strength of the Union Pacific is vitally important to the State of Illinois. The Union Pacific is the largest railroad in Illinois. A sound Union Pacific which is able to make the necessary investment in their infrastructure is important to Illinois. Proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area could result in the delay or cancellation of infrastructure improvements. I do not feel my constituents should pay that price. In order to keep Illinois industries competitive in our global economy, I am opposed to the proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area.

The UP's service has improved markedly in recent months. This progress should not be hindered by the imposition of new conditions that will harm UP, our community and others around the country. UP has increased its hiring in Illinois, which provides an opportunity to my constituents, as well as the additional industrial base it supports. Illinois is the rail hub of America, and I don't want changes made in Texas that will adversely affect Illinois' status and UP's ability to grow and help our state.

Sincerely,

William E. Brady
State Representative

STB

FD-32760 (SUB26)

8-20-98

J

ID-190633

Wyoming State Legislature

213 State Capitol / Cheyenne, Wyoming 82002 / Telephone 307 / 777-7881
<http://legisweb.state.wy.us>

August 17, 1998

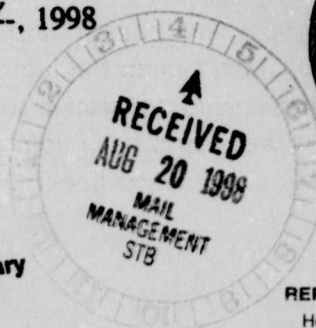


Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K. Street, NW
Washington, D.C. 20423

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Office of the Secretary

AUG 21 1998

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Public Record



House of Representatives

REPRESENTATIVE PEGGY L. ROUNDS
House District 19
Uinta County
56 County Road 152
Evanston, Wyoming 82930
Committee:
Labor, Health and Social Services

Dear Secretary Williams:

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

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

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

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

Thank you for the opportunity to comment.

Sincerely,

Peggy Rounds

STB

FD-32760 (SUB26)

8-20-98

J

ID-190632



New Mexico State Senate

State Capitol
Santa Fe

SENATOR ROMAN M. MAES, III
D-Santa Fe-25

402 Graham Avenue
Santa Fe, NM 87501

Office: 982-9508
Home: 982-0804

August 14, 1998

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

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

Dear Secretary Williams:

As a New Mexico State Senator heavily involved in economic development issues, I know how important our total transportation system is to the economic well being of our State. We have UP and Burlington Northern/Santa Fe competing head-to-head in our State and that is best for shippers and our economy.

I feel that if UP is allowed to continue to make progress in operating the merged railroad, without new conditions on UP's operations around the Houston and Gulf Coast area, the UP can drastically improve service and go forward with needed capital improvements. Such improvements would be throughout their system, including planned rail improvements in New Mexico. Effective rail competition depends on a strong UP/SP competing against a strong merged Burlington Northern/Santa Fe Railroad. New conditions proposed to the Surface Transportation Board, if approved, would go in the wrong direction, by weakening UP/SP at a time when it has already suffered large financial and traffic losses over the last year due to its service problems. Additionally, the North American Free Trade Agreement (NAFTA) and the latest version of the Intermodal Surface Transportation Efficiency Act (ISTEA) have opened up new possibilities for states like ours, wishing to



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The Honorable Vernon A. Williams
August 14, 1998
Page 2

promote international trade and commerce utilizing rail. A strong UP will assist us with our economic development goals in this regard.

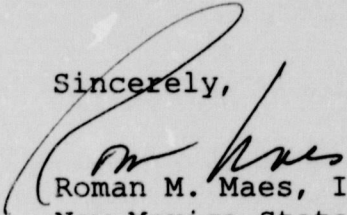
I do not believe that further conditions are needed to protect competition in Houston and the Gulf Coast. The conditions imposed by the Service Transportation Board on the UP/SP merger have worked well. The Houston and Gulf Coast has seen aggressive competition against UP, since the merger, by Burlington Northern/Santa Fe, Kansas Southern and Tex Mex railroads. While these railroads want still more opportunities, competition is working without imposing further conditions that would weaken UP.

The best answer to the service problems in Houston and the Gulf Coast, and throughout the West, is to let UP fight its way out of the problems.

In conclusion, I oppose the requests for conditions on UP's operations around Houston and the Gulf Coast and urge that the STB reject them.

Thank you for your consideration.

Sincerely,



Roman M. Maes, III
New Mexico State Senate

STB

FD-32760 (SUB26)

8-20-98

J

ID-190631



STATE OF LOUISIANA
HOUSE OF REPRESENTATIVES

BRYANT O. HAMMETT, JR.
District 21

Joint Legislative Committee on
Capital Outlay, Chairman

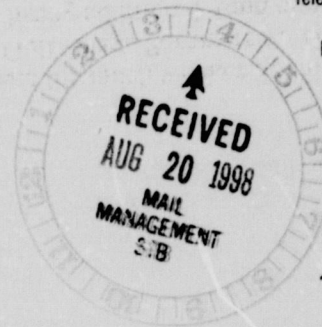
190631
P.O. Box 408
Ferryday, Louisiana 71334
Telephone: (318) 757-3665
(800) 259-3660
Fax: (318) 757-6563

Natural Resources
Ways & Means

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Office of the Secretary

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August 6, 1998

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

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

Dear Secretary Williams:

This letter is in response to the demands being made by Texas interests that they be given special operating rights over the Union Pacific Railroad in Texas. If granted, these demands could affect Union Pacific's capacity to effectively serve Louisiana and elsewhere.

I am aware that following the consolidation of the Union Pacific and the much weaker Southern Pacific Railroad, service problems and congestion occurred all along the Gulf Coast. Fortunately, Union Pacific help solve these problems by providing large capital investments, hiring additional train crews, and purchasing more equipment to eventually relieve the congestion. Union Pacific's service in the Gulf Coast is now near normal levels and complete recovery is well underway.

Union Pacific has been struggling with the effort to continue to integrate and merge the operations of the fragile Southern Pacific system. It has made great strides toward ending the service crisis, but to continue this progress, they must make additional investments in service and infrastructure throughout the system. The conditions proposed by certain Texas interests will make it extremely difficult for Union Pacific to continue the service improvements made in recent months. These additional conditions will only serve to erode revenues available to Union Pacific, jeopardize future investments, and perhaps, even hinder a full recovery of the company. Union Pacific is a major transportation provider in Louisiana and they do not need any additional obstacles to their efforts of improvement.

Union Pacific's service has improved markedly in recent months, and I see no reason that this progress should be hindered by the additional burden of new conditions. Thank you for your consideration of my view.

Sincerely,

Bryant O. Hammett, Jr.
BOHj/emd

STB

FD-32760 (SUB26)

8-20-98

J

ID-190630



Illinois House of Representatives

Cal Skinner, Jr.

State Representative • 64th District

7103 Manor Road, Suite 1 • Crystal Lake, Illinois 60014 • 815/477-0066 • FAX 815/477-0098
G-2 Stratton Building • Springfield, Illinois 62706 • 217/782-0432 • FAX 217/782-2289

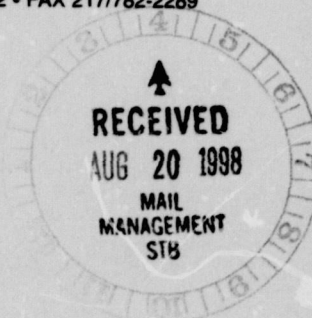
August 13, 1998

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

ENTERED
Office of the Secretary

AUG 21 1998

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Public Record



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

Dear Secretary Williams:

I am Cal Skinner, a member of the Illinois General Assembly. The district I represent is in the Chicago metropolitan area. Good rail transportation, and a sound Union Pacific, is important to the Chicago region's economy.

The financial strength of the Union Pacific is vitally important to the Chicago region. The Union Pacific Railroad has four major lines entering the Chicago region. The Union Pacific has plans to improve safety and efficiency on these lines. Proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area could result in the delay or cancellation of improvements to these lines. I do not feel my constituents should pay that price. In order to keep Illinois industries competitive in our global economy, I am opposed to the proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area.

The UP's service has improved markedly in recent months. This progress should not be hindered by the imposition of new conditions that will harm UP, our community and others around the country. UP has increased its hiring in the Chicago area, which provides an opportunity to my constituents, as well as the additional industrial base it supports. The Chicago region is the rail hub of America, and I don't want changes made in Texas that will adversely affect the Chicago region's status and UP's ability to grow and help our community.

Sincerely,

CAL SKINNER, JR.
State Representative

CS/ab

Minority Spokesman: Appropriations Committee for Public Safety, Corrections, Transportation
Member: Committees on Health Care Availability & Access, Labor & Commerce and Appropriations for Education
Prison Reform Committee, Roberto Clemente High School Investigating Committee

STB FD-32760 (SUB26) 8-20-98 J ID-190613

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

P.O. BOX 7566

WASHINGTON, D.C. 20044-7566

(202) 662-6000

FACSIMILE: (202) 662-6291

LECONFIELD HOUSE
CURZON STREET
LONDON W1Y 8AS
ENGLAND

TELEPHONE: 44-171-495-5655
FACSIMILE: 44-171-495-3101

BRUSSELS OFFICE
KUNSTLAAN 44 AVENUE DES ARTS
BRUSSELS 1040 BELGIUM
TELEPHONE: 32-2-549-5230
FACSIMILE: 32-2-502-1598

ARVID E. ROACH II

DIRECT DIAL NUMBER

(202) 662-5388

DIRECT FACSIMILE

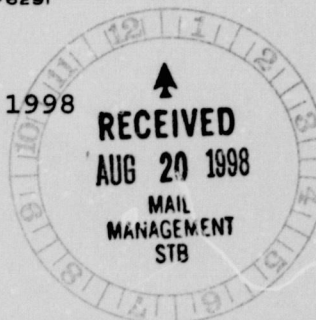
(202) 778-5398

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August 20, 1998



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BY HAND

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

Re: Finance Docket No. 32760 (Sub-Nos. 21 & 26)

Dear Secretary Williams:

This letter will reply to the Petition of the Western Coal Traffic League for a Modification to the Procedural Schedule, filed yesterday in the Sub-No. 21 docket.

WCTL's petition should be denied. The Board was clearly correct to note that WCTL's proposed condition is unrelated to the Houston/Gulf service issues that are the subject of the Sub-No. 26 proceeding, and to transfer the condition request to the Sub-No. 21 proceeding. For two decades, the unbroken practice of the Board and the Commission has been not to receive a rebuttal round of evidence with regard to conditions not requiring a full responsive application. A separate cycle of three rounds of evidence was provided for only for requests for such conditions as trackage rights, line sales, or approval of pooling arrangements. WCTL's proposed accounting condition is not of the sort requiring a full responsive application; rather, it is of the same type as hundreds of other condition requests whose proponents submitted a single round of evidence in prior merger proceedings. WCTL thus clearly has no right to rebuttal with regard to its condition.

If WCTL wishes to withdraw its request without prejudice, UP certainly will not oppose that step. However, we would urgently request that the Board resolve this matter immediately, as the Board's action, which had the effect of moving our reply date up by 18 days during a month when key

Hon. Vernon A. Williams
August 20, 1998
Page 2

personnel are away on vacation, has posed significant practical difficulties for us in arranging a timely reply.

Sincerely,

Arvid E. Roach II

Arvid E. Roach II

cc: All Parties of Record

STB FD-32760 (SUB26) 8-19-98 J ID-190611

Wyoming State Legislature

213 State Capitol / Cheyenne, Wyoming 82002 / Telephone 307 / 777-7400

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Office of the Secretary

AUG 20 1998

August 17, 1998

190611

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House of Representatives

REPRESENTATIVE MARLENE J. SIMONS

House District 1 - Crook/Western Counties
Windy Acres, Box 20
Beulah, Wyoming 82712

Committees:

Appropriations
Rules and Procedure

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

Dear Secretary Williams:

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

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

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

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

Thank you for the opportunity to comment.

Sincerely,


Representative Marlene Simons

STB FD-32760 (SUB26) 8-19-98 J ID-190610

Wyoming State Legislature

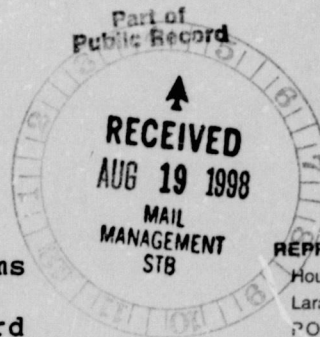
213 State Capitol / Cheyenne, Wyoming 82008 / Telephone 307 / 777-7881
<http://legisweb.state.wy.us>

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Office of the Secretary
AUG 20 1998

190610

August 17, 1998

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



House of Representatives

REPRESENTATIVE RODNEY "PETE" ANDERSON

House District 10
Laramie County
P.O. Box 338
Pine Bluffs, Wyoming 82082

Committees:

Education
Agriculture, Public Lands and Water Resources

Dear Secretary Williams:

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

ENTERED
Office of the Secretary

AUG 19 1998

Part of
Public Record

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

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

Wyoming State Legislature

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



House of Representatives

REPRESENTATIVE RODNEY "PETE" ANDERSON

House District 10
Laramie County
P.O. Box 338
Pine Bluffs, Wyoming 82082

Committees:

Education
Agriculture, Public Lands and Water Resources

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

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Rodney Anderson". The signature is written in dark ink and is positioned below the word "Sincerely,".

STB

FD-32760 (SUB26)

8-18-98

J

ID-190574

6143 N. NORTHWEST HIGHWAY
CHICAGO, ILLINOIS 60631
773/774-7717
FAX: 773/774-7877



Office of the Secretary

AUG 18 1998

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M114 STATE CAPITOL
SPRINGFIELD, ILLINOIS 62706
217/782-3650
FAX: 217/782-0650

190574

WALTER W. DUDYCZ

ASSISTANT MAJORITY LEADER
ILLINOIS STATE SENATE

August 14, 1998

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

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



Dear Secretary Williams:

I am Walter Dudycz, a member of the Illinois Senate and Senate Transportation Committee. The District I represent is in the Chicago metropolitan area. Good rail transportation, and a sound Union Pacific, is important to the Chicago region's economy.

The financial strength of the Union Pacific is Vitally important to the Chicago region. The Union Pacific Railroad has four major lines entering the Chicago region. The Union Pacific has plans to improve safety and efficiency on these lines. Proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area could result in the delay or cancellation of improvements to these lines. I do not feel my constituents should pay that price. In order to keep Illinois industries competitive in our global economy, I am opposed to the proposals to impose new conditions on Union Pacific operations in Texas and the Gulf Coast area.

The UP's service has improved markedly in recent months. This progress should not be hindered by the imposition of new conditions that will harm UP, our community and others around the country. UP has increased its hiring in the Chicago area, which provides an opportunity to my constituents, as well as the additional industrial base it supports. The Chicago region is the rail hub of America, and I do not want changes made in Texas that will adversely affect the Chicago region's status and UP's ability to grow and help our community.

Sincerely,

WALTER W. DUDYCZ
Assistant Majority Leader

STB FD-32760 (SUB26) 8-18-98 J ID-190573



190573

WEST BEND ELEVATOR COMPANY

Algona Ayrshire Dickens Hobarton Mallard West Bend

Honorable Vernon A. Williams
Secretary for the STB
1925 K St. N.W.,
Washington, D.C. 20423

ENTERED
Office of the Secretary

AUG 18 1998



Dear Secretary Williams:

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

VERIFIED STATEMENT OF THE WEST BEND ELEVATOR COMPANY

I am the Grain Merchandiser of the West Bend Elevator Co. We are a Northern Iowa farmer-owned cooperative serving grain and farm supply needs for over 2,300 members. WBEC handles over 20,000,000 bu of corn and 5,000,000 bu of soybeans each year. We have 3 locations that ship 75 to 100 car rail units on the UP along with 2 locations capable of shipping 25 to 50 car rail units on the IMRL (the old Soo Line). WBEC relies very heavily on the UP to move our members grain to market. In the past 2 years, the UP has been able to move our grain in a very timely manner. We are pleased with their service and the UP has exceeded our expectations.

West Bend Elevator Co is opposed to the new conditions proposed by competing rail lines for the UP's Houston Texas operations. We believe that the UP is very close to getting the service in the Houston area up to the acceptable level we have been experiencing in Iowa. It has been reported that the UP has lost \$ 230 million over the last 3 quarters. We feel allowing competing rail lines to run traffic on the UP's lines would weaken it's financial position, and further bottleneck service in the Houston corridor. The UP has complied with the conditions imposed by the STB and has worked aggressively to improve service in the Houston and Gulf Coast area.

For the above reasons, West Bend Elevator Co opposes the requests asked for by the competing rail lines in the UP's Houston area. We urge the STB to reject these requests.

I declare under penalty of perjury that the foregoing is true and correct and that I am authorized to file this verified statement. August 5, 1998.

Harry Bormann Grain Merchandiser
West Bend Elevator Co.

STB FD-32760 (SUB26) 8-18-98 J ID-190572

190572

CHICAGO DAIRY CORPORATION

INTERNATIONAL MARKETING OF DAIRY PRODUCTS

Wednesday, August 12, 1998

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

Houston Gulf Coast Oversight Proceeding
Finance Docket # 32760 (sub- no. 26)

ENTERED
Office of the Secretary

AUG 18 1998

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Public Record



Dear Sirs:

I am Reed Hoekstra, the President of Chicago Dairy Corporation. We are a major supplier of dairy products to food manufacturers throughout the U.S. and international markets. In the course of business we employ all means of shipment including significant volumes by rail.

It is our opinion that the proposal to impose new conditions on the Union Pacific's operations around Houston and the Gulf Coast area are counter to the best long term solution, which is to let the U.P. work through the problems and emerge a more able carrier of goods for our products. We have found the Union Pacific to be very responsive to our needs. Additionally, if allowed additional time the changes they have implemented will lead to the successful resolution of the issues of service and congestion in this area.

We strongly believe we do not need a weaker U.P., rather a stronger and more capable one to move forward. We are therefore opposing the request for conditions on the U.P.'s operations around Houston and the Gulf Coast and urge the STB to reject them also.

Thank you for this opportunity to state our views and we look forward to a decision which will be fair to all parties.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Reed J. Hoekstra'.

Reed J. Hoekstra
President

STB

FD-32760 (SUB26)

8-17-98

J

ID-190566

121B STATE CAPITOL
SPRINGFIELD, ILLINOIS 62706
217/782-6597

COMMITTEES:
CHAIRMAN:
INSURANCE & PENSIONS
AGRICULTURE &
CONSERVATION
LICENSED ACTIVITIES



ROBERT A. MADIGAN
ILLINOIS STATE SENATE
45TH DISTRICT

DISTRICT OFFICES:
618 NORTH CHICAGO ST.
LINCOLN, ILLINOIS 62656
217/732-1323
106 SOUTH MAIN
P.O. BOX 152
EUREKA, ILLINOIS 61530
309/467-5464

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Office of the Secretary

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August 13, 1998



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

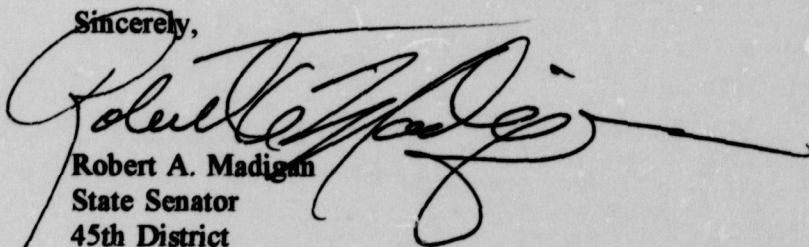
RE: Houston/Gulf Coast Oversight Proceeding
Finance Docket NO. 32760 (Sub-No. 26)

Dear Secretary Williams:

I am Robert Madigan, a member of the Illinois Senate. I represent the area around Lincoln, Illinois, which is in the central part of the state. My district includes farm land and small industrial businesses. Union Pacific (UP) has been cooperating with Illinois Department of Transportation in providing a major grain load-out facility in the state of Illinois. These projects are funded by state loans, and with UP technological cooperation, in kind donations and provision of mainline switches, will earn Illinois farmers up to 10 cents per bushel more for grain. The financial strength of the UP is vitally important to the state of Illinois. The UP is the largest railroad in Illinois. A sound UP, which is able to make the necessary investment in their infrastructure, is important to Illinois. Proposals to impose new conditions on UP operations in Texas and the Gulf Coast area could result in the delay or cancellation of infrastructure improvements. I do not feel my constituents should pay that price. In order to keep Illinois industries competitive in our global economy, I am opposed to the proposals to impose new conditions on UP operations in Texas and the Gulf Coast area.

The UP's service has improved markedly in recent months. This progress should not be hindered by the imposition of new conditions that will harm UP, our community and others around the country. UP has increased its hiring in Illinois, which provides an opportunity to my constituents, as well as the additional industrial base in supports. Illinois is the rail hub of America, and I don't want changes made in Texas that will adversely affect Illinois' status and UP's ability to grow and help our state.

Sincerely,

A large, stylized handwritten signature in black ink, likely belonging to Robert A. Madigan, is written over the typed name and title.

Robert A. Madigan
State Senator
45th District

STB FD-32760 (SUB26) 8-17-98 J ID-190565



190565
**CAPITOL
CEMENT**

P.O. BOX 33240, SAN ANTONIO, TEXAS 78265-3240, AREA CODE 210 655-3010

August 12, 1998

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

ENTERED
Office of the Secretary

AUG 18 1998

Part of
Public Record



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

Dear Secretary Williams:

We respectfully ask that this letter be made a part of the record in the above proceeding.

We are opposed to the proposals to impose new conditions on UP's operations around Houston and the Gulf Coast area. Even though service has not been restored to pre-merger level of service, we have seen great improvements. At the present time we are shipping cement clinker, which was imported, off the docks in Houston to our San Antonio cement plant without any service delays or problems. We will move some 100,000 + tons or approximately 1000 car loads by December of 1998 to our plant from (3) imported ship loads. We have a lot of dollars invested in this process and are very pleased with the way the UP is responding to our needs. It is my understanding that Booth yard, in Houston, is being used to stage our loaded and empty cement clinker cars.

Moreover, UP has advised us that they plan to invest over 1.4 billion dollars over the next five years in Houston and the Gulf Coast infrastructure. The proposed new conditions would probably undermine UP's ability to make these critical investments.

We believe the UP should be able to continue to work their plan to restore timely service to all shippers because they are making great progress toward this goal.

We believe it is appropriate that the Surface Transportation Board should continue to monitor the UP's actions. However, we do not believe that government intervention at this time would be of benefit to the UP or to us as a shipper.

Sincerely,

Leonard Neeper
Traffic Manager

LN/ca



STB

FD-32760 (SUB26)

6-23-98

J

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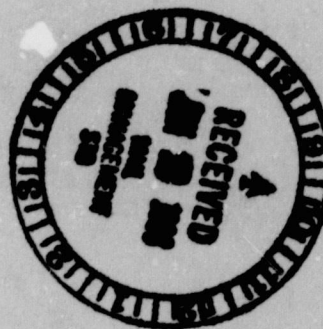
TELEPHONE: 32-2-549 5230

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June 22, 1998

BY HAND

Hon. 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:

We are writing on behalf of Union Pacific Railroad Company ("UP") regarding the status of KCS/Tex Mex's responses to UP's First Set of Requests for the Production of Documents in the above-referenced docket, which were served on May 13, 1998. Although UP does not wish to schedule a hearing for Thursday of this week,^{1/} it is increasingly likely that UP will soon have to bring before you issues relating to the adequacy of KCS/Tex Mex's responses to those discovery requests.

In their responses to UP's requests (served May 28) and at a subsequent meeting among counsel held on June 8, KCS/Tex Mex responded to all but three of UP's document requests by indicating that, notwithstanding the assertion of various objections, all responsive non privileged documents would be produced. Only a handful of disputed issues (albeit potentially significant ones) have yet crystallized. See Letter from David L. Meyer to Sandra Brown and Scott Zimmerman, June 10, 1998, p. 3 (Exh. 1 hereto) (describing issues regarding Document Requests Nos. 8 & 19). UP intends to raise those issues with Your Honor but has thus far deferred

^{1/} See Hearing Before Hon. Stephen Grossman, June 1, 1998, Tr., pp. 73-74.

Hon. Stephen Grossman
June 22, 1998
Page 2

Nodoing so in order to avoid a piecemeal review of shortcomings in KCS/Tex Mex's responses. For example, we had wanted to review the documents produced by KCS/Tex Mex and KCS/Tex Mex's identification of any documents withheld based on claims of privilege before coming before Your Honor to address the completeness of KCS/Tex Mex's responses.

Although more than five weeks have passed since UP's discovery requests were served, UP still has not been able to assess the adequacy of KCS/Tex Mex's responses. KCS/Tex Mex have been very slow in producing the responsive material that they promised. Only three discrete categories of documents have been produced: (1) a subset of KCS/Tex Mex's witness workpapers relating to their March 30 "Evidentiary Submission;" (2) Tex Mex "train delay reports," which are standard forms filled out by Tex Mex train crews and have been produced in bulk; and (3) Tex Mex traffic data. Not a single document has been produced in response to UP's other requests, despite promises to produce all responsive non-privileged documents. In response to UP's inquiries, KCS/Tex Mex have not provided any information on the anticipated timing of their production of additional documents. Nor has KCS/Tex Mex supplied any information about the nature of documents or categories of documents withheld as privileged, making it impossible for us to determine whether KCS/Tex Mex's application of the various privileges asserted in their objections has been appropriate. KCS/Tex Mex have also failed to provide UP with promised information explaining how they have chosen to limit their response to Request No. 7(c). See Exh. A, pp. 2-3.

UP will very soon have no choice but to bring before Your Honor the disputes that have crystallized to date, and also seek an order compelling the prompt production of all of the documents KCS/Tex Mex have said they will be producing, an identification of documents and information withheld as privileged, and the other information about KCS/Tex Mex's responses that has been promised. We intend to bring the matter before Your Honor during the week of July 6 unless all of these

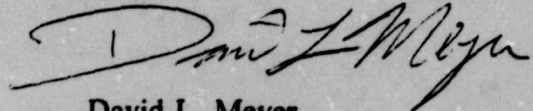
Hon. Stephen Grossman

June 22, 1998

Page 3

issues have previously been resolved between the parties. We would encourage KCS/Tex Mex to take steps to obviate the need for UP to come before Your Honor with these matters.

Respectfully submitted,



David L. Meyer

*Attorney for Union Pacific
Railroad Company*

Attachment

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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June 10, 1998

BY FACSIMILE & FIRST CLASS MAIL

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1300 I Street, N.W.
Suite 500 East
Washington, D.C. 20005-3314

Scott M. Zimmerman, Esq.
Zuckert, Scoutt & Rasenberger, L.L.P.
Suite 600
888 Seventeenth Street, N.W.
Washington, D.C. 20006-3939

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

Dear Sandra and Scott:

This memorializes our discussion on Monday afternoon, June 8, of KCS/Tex Mex's Responses and Objections to UP's First Requests for the Production of Documents (TM-4/KCS-4).

With regard to several of UP's requests -- including Request Nos. 1, 2, 3, 5, 6, 9, 10, 13, 14, 16, 17, 18, 20, 21, 23, 24, 25 -- you explained that, notwithstanding your general and specific objections, KCS and Tex Mex are searching for all responsive documents and will be producing all such documents that are not privileged. In other words, your objections will not affect the scope of your search and you will only withhold privileged documents. For example:

Request No. 2: You explained that KCS and Tex Mex will be producing all workpapers. You noted that none exist for Larry Fields.

Sandra L. Brown, Esq.
Scott M. Zimmerman, Esq.
June 10, 1998
Page 2

Request No. 3: You explained that your response to this request should have referred to KCS/Tex Mex filings in Ex Parte No. 573, in addition to the March 30 joint filing in this proceeding. Further, you explained that KCS and Tex Mex are searching for all responsive documents other than the materials referred to in your response and will produce any that exist and are not privileged.

Request No. 6: You explained that, even though your response did not indicate that anything would be produced in response to this request, KCS and Tex Mex are searching for all responsive documents and will produce any that are not privileged.

Request No. 23: You explained that KCS and Tex Mex are searching for all responsive documents and will produce any that are not privileged. In particular, you stated that KCS and Tex Mex would not withhold as privileged any responsive studies performed by KCS or Tex Mex businesspeople outside the context of KCS/Tex Mex's preparation of submissions to the Board in this proceeding.

The following memorializes our discussion of UP's other requests:

Request No. 4: You explained that, notwithstanding your response, which denied the existence of a "KCS-Tex Mex joint venture relationship" and referred to the relationship between KCSI and TMM, KCS and Tex Mex have searched or are searching for documents pertaining to any KCS-Tex Mex joint venture relationship, including the specific materials referenced in the request, and will produce any that are not privileged. You stated that Tex Mex has already conducted such a search and has determined that it does not have any implementing agreements, divisions agreements relating to traffic interchanged between Tex Mex and KCS or other responsive documents.

Request No. 7: You explained that you will be producing all non-privileged documents responsive to Request No. 7, not just train delay reports. The only limitation on your production is that, with respect to those responsive documents that are Tex Mex Train Delay Reports, you would only be producing reports for delays in the "Houston area." You agreed to provide a definition of the "Houston

Sandra L. Brown, Esq.
Scott M. Zimmerman, Esq.
June 10, 1998
Page 3

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Request No. 11: You explained that you believe that this request calls for categories of documents that are presumptively privileged. I explained that, whether or not some of the documents within the scope of this request might be privileged, the request also calls for documents that are not privileged, including communications between Tex Mex and KCS businesspeople about the commercial rights -- e.g., access to Booth Yard -- that are the subject of KCS/Tex Mex's condition requests. You agreed to inquire whether KCS or Tex Mex have any responsive documents that are not privileged. You will also inform us of any documents withheld on the basis of a privilege claim, as set forth below.

Request No. 12: You indicated that KCS and Tex Mex are searching for all documents responsive to this request and will be producing any that are not privileged, but will withhold all such documents until July 8, even if the documents relate to conditions that KCS/Tex Mex requested in their joint filing herein on March 30, 1998.

Request No. 15: You indicated that KCS and Tex Mex are searching for all responsive documents relating to KCS/Tex Mex's service to Corpus Christi since the UP/SP merger, and will be producing any that are not privileged. I agreed to limit this request to documents relating to KCS/Tex Mex's service to Corpus Christi.

Request Nos. 8 & 19: You explained that KCS and Tex Mex are searching for all documents responsive to these requests, including documents that pertain to "potential" cooperation. However, KCS and Tex Mex will be producing only those documents that relate to cooperation that has already been agreed to between the parties and will withhold any documents that relate to "potential" cooperation. Thus, for example, if there exists a KCS business plan analyzing the benefits to KCS and Tex Mex of future initiatives between the two railroads to develop Mexican (or other) traffic (which would be responsive to Request No. 19), you will withhold that document from production unless KCS and Tex Mex have already formally agreed to undertake the cooperation.

Sandra L. Brown, Esq.
Scott M. Zimmerman, Esq.
June 10, 1998
Page 4

Request No. 22: You stated that the only responsive documents thus far are BNSF's traffic tapes, which have been supplied to KCS/Tex Mex. I indicated that UP would informally request a copy of these tapes from BNSF directly, and would look to you for a copy only if that effort proves unsuccessful.

With regard to any documents that KCS and Tex Mex withhold on grounds of privilege, you agreed that you would either (1) provide UP with a log identifying the document and the basis on which it was withheld or (2) notify us that you have withheld categories of responsive documents and provide a description of such categories sufficient to allow us to assess (and dispute, if necessary) the appropriateness of the privilege claim.

UP reserves the right to challenge (1) KCS/Tex Mex's refusal to produce all documents responsive to UP's requests, (2) the adequacy of your descriptions of documents withheld on grounds of privilege and the validity of any of KCS's or Tex Mex's privilege claims, and (3), based on our review of the documents produced by KCS/Tex Mex, the adequacy of your search for and/or production of responsive documents.

Sincerely,

A handwritten signature in dark ink, appearing to read "David L. Meyer", with a stylized flourish at the end.

David L. Meyer

STB

FD-32760 (SUB26)

6-22-98

J

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FACSIMILE: 32-2-502-1598

June 22, 1998

BY HAND

Hon. 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:

We are writing on behalf of Union Pacific Railroad Company ("UP") regarding the status of KCS/Tex Mex's responses to UP's First Set of Requests for the Production of Documents in the above-referenced docket, which were served on May 13, 1998. Although UP does not wish to schedule a hearing for Thursday of this week,^{1/} it is increasingly likely that UP will soon have to bring before you issues relating to the adequacy of KCS/Tex Mex's responses to those discovery requests.

In their responses to UP's requests (served May 28) and at a subsequent meeting among counsel held on June 8, KCS/Tex Mex responded to all but three of UP's document requests by indicating that, notwithstanding the assertion of various objections, all responsive non-privileged documents would be produced. Only a handful of disputed issues (albeit potentially significant ones) have yet crystallized. See Letter from David L. Meyer to Sandra Brown and Scott Zimmermar, June 10, 1998, p. 3 (Exh. 1 hereto) (describing issues regarding Document Requests Nos. 8 & 19). UP intends to raise those issues with Your Honor but has thus far deferred

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Hon. Stephen Grossman
June 22, 1998
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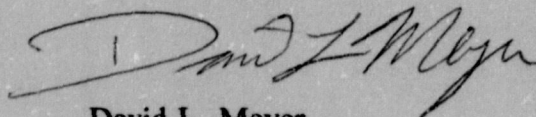
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Hon. Stephen Grossman
June 22, 1998
Page 3

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Respectfully submitted,

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David L. Meyer

*Attorney for Union Pacific
Railroad Company*

Attachment

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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June 10, 1998

BY FACSIMILE & FIRST CLASS MAIL

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Scott M. Zimmerman, Esq.
Zuckert, Scutt & Rasenberger, L.L.P.
Suite 600
888 Seventeenth Street, N.W.
Washington, D.C. 20006-3939

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

Dear Sandra and Scott:

This memorializes our discussion on Monday afternoon, June 8, of KCS/Tex Mex's Responses and Objections to UP's First Requests for the Production of Documents (TM-4/KCS-4).

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Scott M. Zimmerman, Esq.
June 10, 1998
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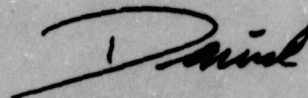
Sandra L. Brown, Esq.
Scott M. Zimmerman, Esq.
June 10, 1998
Page 4

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Sincerely,

A handwritten signature in dark ink, appearing to read "David L. Meyer", with a stylized flourish at the end.

David L. Meyer

STB

FD-32760 (SUB26)

6-19-98

J

LAW OFFICES
ZUCKERT, SCOUTT & RASENBERGER, L.L.P.
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(202) 342-1316

RICHARD A. ALLEN

DIRECT DIAL
(202) 973-7902

June 17, 1998

BY FACSIMILE AND FIRST CLASS MAIL

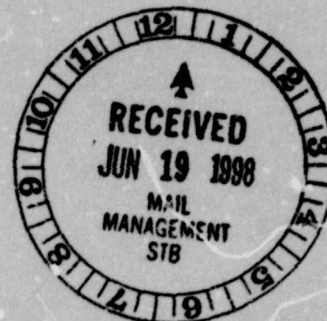
Arvid E. Roach II, Esquire
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7655
Washington, DC 20044-7566

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

Dear Arvid:

We are in receipt of your June 10, 1998 letter in which you address a dispatching incident that was previously discussed at the June 1 discovery conference before Judge Grossman. Tex Mex/KCS believe that the Digicon tapes will be the ultimate determiner of the facts regarding this incident. Nevertheless, we appreciate the time you have taken to express UP's view with respect to the incident in question.

With respect to the last paragraph in your letter, we believe that the record should be clarified regarding your offer that Tex Mex become a "full participant" in the Joint Dispatching Center. Tex Mex has employed a neutral observer to monitor the situation in the Joint Dispatching Center. However, Tex Mex has no say in the way the lines around Houston are dispatched, nor does Tex Mex have a say in the selection of the actual dispatchers. As you pointed out during the discovery conference, UP is the one to actually make the dispatching decisions, and Tex Mex may not fire or even reprimand dispatchers who discriminate against Tex Mex trains. See Tr., p. 59. All that Tex Mex can do, in either the Spring or Harriman centers, is sit there and watch its trains be discriminated against, and even as to that function, UP has recently stated that it will be placing "limitations on Tex Mex's access" in the Joint Dispatching Center. Letter of David Meyer dated June 15, 1998 to Hon. Vernon A. Williams in STB Service Order No. 1518. Being able to sit and watch does not amount to being a "full participant."



ZUCKERT, SCOUTT & RASENBERGER, L.L.P.

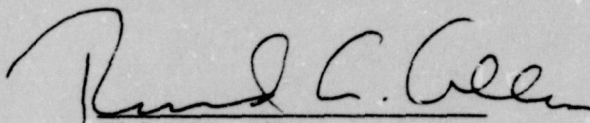
Arvid E. Roach II, Esquire

June 17, 1998

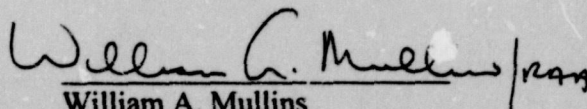
Page 2

These concerns regarding how Tex Mex's participation is defined, as well as other clarifications, have recently been addressed to UP in a letter from Larry Fields, President of Tex Mex to UP's Vice President of Transportation, Steve Barkley dated June 5, 1998 (attached).

Sincerely yours,



Richard A. Allen
Counsel for The Texas Mexican
Railway Company



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

cc: Hon. Stephen Grossman
Hon. Vernon A. Williams ✓



THE TEXAS MEXICAN RAILWAY COMPANY

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LARRY D. FIELDS
President & Chief Executive Officer

TEL: 956-728-6700
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June 5, 1998

Mr. S. R. Barkley, Vice President-Transportation
Union Pacific Railroad
24125 Aldine Westfield Road
Spring, Texas 77373

RE: Your letter dated May 29, 1998

Dear Steve,

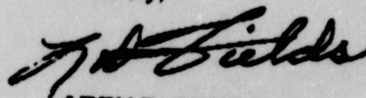
I appreciated and find promising your letter offering to extend to The Texas Mexican Railway Company the opportunity to join Union Pacific and Burlington Northern Santa Fe Railway in the new Centralized Dispatching Center in Spring, Texas. As you know, Tex Mex' Vice President-Transportation, Pat Watts, has attended approximately three meetings with various UP and BNSF personnel discussing the concept of Tex Mex's level of participation in this new center.

In your letter you state that Tex Mex previously had been invited "to participate as a member of the Joint Service Standards Committee." Pat Watts advised me that he had requested such participation, but UP or BNSF never extended such an offer to me or otherwise responded to Mr. Watts' request to participate on the Joint Standards Committee. However while your offer is a step in the right direction, I do have the following questions regarding the functions and authority of the Joint Service Standards Committee:

- 1) What is the specific role of the Committee in overseeing dispatching of all of its lines?
- 2) What authorities does a member of the Committee have in settling disputes over dispatching?
- 3) What do you envision the Tex Mex' role in "co-equal responsibility for overseeing dispatching on all Gulf Coast lines that Tex Mex uses in and beyond Houston?"
- 4) Would you please elaborate on exactly what rights Tex Mex would have "to exercise oversight and exert direct influence over the handling of its trains as a working participant at the CDC?"

Your clarification on the foregoing issues will assist me in better understanding the Tex Mex' role, responsibilities, and authority in the new command center and whether to accept your offer. I look forward to your response.

Sincerely,



LARRY D. FIELDS

STB

FD-32760 (SUB26)

6-18-98

J



Office of the Chairman

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

FILE IN DOCKET

FD-32760
(Sub-26)

June 18, 1998

Mr. Ing. Arnolando Rodriguez Nevarez
Transport Manager, Copamex Industrias, S.A. de C.V.
Calle Pinguinos #101
Col. Cuauhternoc
San Nicolas de los Garza, N.L., Mexico

Re: UP Embargo at Laredo

Dear Mr. Nevarez:

Thank you for your letter expressing your concern over the embargo that Union Pacific Railroad (UP) recently imposed on traffic moving between Laredo, TX and Mexico. In your letter, you note that the embargo created difficulties for your business.

The embargo was the product of a variety of factors. Ultimately, the railroad decided to impose it because delays at the border bridge were producing traffic backups as far north as Kansas, and the railroad was of the view that unrestricted shipments through the area would only serve to aggravate the backups. However, shortly after the embargo was imposed, as a result of cooperation between railroads on both sides of the border, and Federal officials from the United States and Mexico, traffic began moving more smoothly, and the embargo was lifted.

In your letter, you also ask that we take action to improve the movement of freight cars within the United States; to improve infrastructure on the UP system; and to expedite cross-border traffic in general. We are acting in each of these areas, to the extent that we can.

First, expediting cross-border traffic requires the cooperation of several parties. When the UP embargoed the crossing at Laredo, cooperation between railroads on both sides of the border, and among Federal officials from the United States and Mexico, facilitated the smooth movement of traffic so that the embargo could be lifted. In my view, this type of cooperation can go a long way toward resolving many of the issues that railroads and their shippers face, and we must all do our part to ensure that it continues.

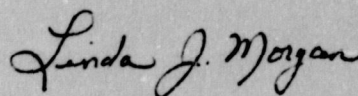
Second, you ask that we facilitate the movement of traffic throughout the United States, and, I presume, especially in Texas, so that your company will be able to obtain and move its product quickly. In that regard, over the past several months, the Board has taken several steps

to address both the immediate service emergency and the longer-term questions about how best to ensure quality service at reasonable rates in the western United States, principally by focusing on Houston and the surrounding areas, which were the original source of UP's service problems. Our orders in the emergency service proceeding have sought to provide additional service options for the area, but in a way that would enhance carrier cooperation in order to relieve congestion without interfering with UP's own service recovery efforts, and also in a way that would not harm service to shippers in other areas of the country already being provided by carriers enlisted to assist with the emergency. Looking to the longer term, our most recent decision in the service order proceeding directed UP and other parties to meet to address infrastructure concerns, and to report back to the Board during May and June of this year. With respect to service involving Texas, on April 1, 1998, the Board initiated a proceeding to consider proposals, including the proposal suggested by the Texas Mexican Railway (Tex Mex), for permanently altering the rail landscape in the Houston/Gulf Coast area.

Finally, regarding your request that we ensure that UP's infrastructure and other facilities are upgraded, I should note that U.S. railroads are private businesses, and investment in rail infrastructure comes primarily from the private sector. Thus, the railroads generally decide themselves, based on their own business judgment, whether and where to invest. In response to the Board's order that I described earlier, UP recently reported that it would need to make approximately \$1.4 billion in infrastructure improvements over the next few years in the Houston/Gulf Coast area in order to have the kind of improved infrastructure that is necessary to adequately meet the service demands of that area, and that it was willing to make these investments provided that Board or Congressional action did not interfere with its opportunity to earn a return on its investment.

I hope that this letter has been responsive to your concerns. 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

GRUPO COPAMEX

Calle Pingüinos # 101
Col. Cuauhtemoc
San Nicolas de los Garza, N.L., México



FILE IN DOCKET

Surface Transportation Board
1925 K Street., N.W.
Washington, D.C.
Z.C. 20423-0001

Attention: Linda J. Morgan
Chairman Surface Transportation Board.

April 7th, 1998.

Subject: Union Pacific Railroad Distrain.

Dear Sirs:

These lines are in order to present you, the actual position that we are suffering due to the Union Pacific Railroad distrain, and besides, to present a formal protest against them, due to the lack of raw material we are living during these moments. Our Group, COPAMEX, is actually under a high risk in some of our manufacturing operations plants. Just to mention some of them, we are:

Papeles Higiénicos de México, S.A. de C.V., Industrial Papelera Mexicana, S.A. de C.V., Papeles Higiénicos del Centro, S.A. de C.V., Pondercel S.A. de C.V. Compañía Papelera Maldonado, S.A. de C.V. and Papelera Cihhuahua, S.A. de C.V.

All of them are dedicated to the manufacture of Plain papers, Kraft paper, tissue papers, among others. Most of our raw materials are imported from the United States and are transported, mainly using the Union Pacific Railroad Systems due to transportation costs and container capacities. We are frequent users of the United States' railroad systems as well as Mexico's, and the volumes that we normally handle are around 50,000 metric tons per month.

However, recently we have had serious problems in order to obtain the proper supply of our raw materials from the United States because, as I mention it before, our main carrier is Union Pacific Railroad and they decretal by their own way, a distrain since last march 28th this year.

The mentioned attachment they took, put in a high risk position the whole operation in our manufacturing plants, those installations in people, consist in more than 6,000 employees, that conforms the COPAMEX group. Therefore, besides the economical losses that we are having due to the raw materials suppliers substitution, we are also having problems because differences on its prices.

If we should continue in this position for an undefined time, we will have a great impact in our finances, all of this due to Union Pacific Railroad seize.

According with U.P., this congestion problem at Laredo's border in TX., is due to Transportación Ferroviaria Mexicana (TFM), operations problems. On the other hand TFM informed us, that this problems are caused due to the fact that U.P. is actually crossing a very hard operation and has labor problems because they were affected by their integration with South Pacific Railroad.

We were making some contacts with our customers and suppliers, which are also using the same services that U.P. provides, and their opinion is exactly the same, they said that the original problem relays inside the Union Pacific Railroad administration.

CHAIRMAN MORGAN

APR 15 5 22 11 PM

SURFACE TRANSPORTATION BOARD

In any way, these seize puts under the same high risk conditions to several Mexican enterprises and this status affects the commercial relationships among countries as Mexico, Canada and even the United States in some treaties.

We have been taking alternative actions in order to reduce these impacts, utilizing different options for materials crossing, but we have been informed that these problems are going to continue and furthermore, that they are going to increase in some other crossing areas due to U.P. paralyzed operation. We consider important to let you know that actually we have more than 280 freight-cars loaded with raw material in the U.S. side, which are very important to cross into Mexico. Another important consideration is that in the near future the freight-cars disposition will be zero because this equipment will be required by our suppliers in order to send our shipments with raw material.

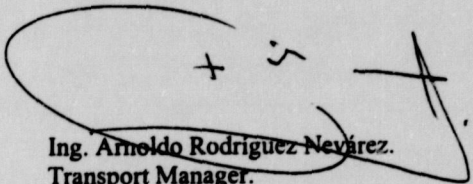
According with the U.S. National press, we have been informed that some U.S. enterprises say that due to the U.P. problems they are losing more than One hundred million dollars per month since last year.

Due to all these facts, we, COPAMEX GROUP, claim for your help in order to obtain that U.P. Railroad Co. will implement immediately some actions and strategies in order to:

- a).- Improve freight-cars movement on the U.S. side (To accomplish the standard transit table times from origin point to destiny point) (Laredo, Tx.)
- b).- Expedite the freight-cars cross loaded with raw material until Mexico final destination through Laredo TX..
- c).- Reinforce the whole additional infra-structure that is required by U.P. in a brief time in order to accomplish all the operations in a 100% of their tracks.
- d).- We ask you for a final solution to solve this problem with U.P. in order to assure that in the near future we will not have these kind of problems that finally affects in a deep manner to all the users that utilize this kind of transportation.
- e).- We also ask for your help, in order to obtain that the Union Pacific Railroad, desist on their unilateral distrain and to attain the relieving of congestion at Laredo's crossing border, if you can obtain that they do so, we will be in a position to continue with our normal operations with our U.S. suppliers.

Thank you in advance for your prompt attention and help in this matter, We remain.

Yours Truly,



Ing. Arnoldo Rodríguez Nevárez.
Transport Manager.
COPAMEX INDUSTRIAS, S. A. de C. V.
Tel. (8) 352-1940, 352-1947
Fax. (8) 376-4264

Copy to:

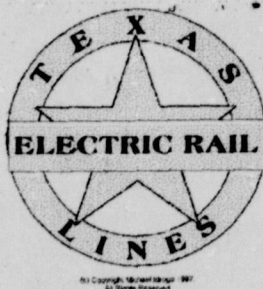
Ing. Juan Rangel (Director de Logística)
Ing. Armando Fernández (Director de Relaciones Gubernamentales)
Ing. Oscar Castillo (Director de División Kraft)
Lic. Carlos Grave (Director de Abastecimientos)
Lic. Patricio Bichara (Director Jurídico)
Secretaría de Comunicación y Transporte (México)
Secretaría de Comercio y Fomento Industrial (México)

STB FD-32760 (SUB26) 6-12-98 J ID-188484

ENTERED
Office of the Secretary

JUN 15 1998

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Public Record



188484

**PETITION REQUESTING ADDITIONAL CONDITIONS TO THE UP/SP MERGER
FOR THE HOUSTON, TEXAS/GULF COAST AREA**

Saturday 6 June 1998

Office of the Secretary
Case Control Unit

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

Surface Transportation Board

1925 K Street, N.W.

Washington, DC 20423-0001



Dear Surface Transportation Board,

In the last turn of the century, we had many more rail lines moving freight to/from the coast of Texas. Today, you have a log-jam trying to get into/out the Houston coastal area. I strongly believe that our great grandparents' generation was on the right track, (while they had even far fewer commercial freight needs to serve); we must get back to 'the basics' before we are able to serve the region's rail transportation needs (especially those that are coming as we enter into a new century of growth and development).

I, Michael Idrogo, on behalf of Texas Electric Rail Lines, Inc. petition for **(PROPRIETARY)**:

- (1) for the abandoned west most rail line on the Walnut Street right-of-way in San Antonio, Texas as an electric rail line [for light rail to AMTRAK-- feeder to the national rail passenger transportation system][This is a "must have" -- electric rail line now operating in place. Desire to extend the electric overhead catenary by 3/4 of a mile for connecting service with the AMTRAK];
- (2) for the Katy spur between Main Street and Laredo Street in San Antonio, Texas leading up into where the old Katy Depot was [with desire to rebuild the Katy Depot][feeder for inter-city transportation to the "Kerville spur"];
- (3) for the "Kerrville spur" (formerly S.A.A.P.) heading out northwest from downtown San Antonio for inter-city/commuter transportation needs [with desire to rebuild to Kerrville, Texas][including the old spur right-of-way to Fredericksburg, Texas];
- (4) for the (former San Antonio & Aransas Pass railroad) right-of-way (that is currently being pulled up) from San Antonio-Floresville-Kenedy-Beeville-Skidmore-Sinton-Ingleside-Rockport [with rail line inclusion of Sinton-Corpus Christi, Texas][hinterland to coastal ports];

(5) to rehabilitate and reactivate the (former S.A.A.P.) right-of-way San Antonio-Adkins-Stockdale-Cuero-Victoria-Port Lavaca, [hinterland to coastal ports];

(6) to rehabilitate and reactivate the (former S.A.A.P.) right-of-way Skidmore-Mathis-Alice-Encino-Edinburg-McAllen [for relief to NAFTA bottleneck on San Antonio-Laredo];

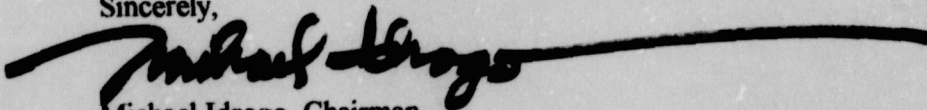
(7) to rehabilitate and reactivate the (former S.A.A.P.) right-of-way Kenedy-Cuero-Yoakum-Hallettsville-Eagle Lake-East Bernard-Rosenberg[for relief to NAFTA bottleneck on Laredo-Houston].

(8) Austin-San Antonio, another track in the former MP right-of-way, for passenger (and freight rail relief) usage [connecting to points south and to points on the coast],

(9) for a new right-of-way from Hebbronville, Texas to Rio Grande city, Texas [for relief to NAFTA bottlenecks][with international crossing at Rio Grande city, Texas].

[Note: many of the old, former rights-of-way still have railroad lands in them -- they were never sold off -- their status was never resolved.]

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Idrogo", with a long horizontal line extending to the right.

Michael Idrogo, Chairman
Texas ELECTRIC RAIL Lines, Inc.
317 West Rosewood Avenue
San Antonio, Texas 78212
FAX (210) 733-9555
e-mail: Michael_Idrogo@yahoo.com

STB : FD-32760 (SUB26) 6-10-98 J

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

P.O. BOX 7566

WASHINGTON, D.C. 20044-7566

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ARVID E. ROACH II

DIRECT DIAL NUMBER

(202) 662-5388

DIRECT FACSIMILE

(202) 778-5388

June 10, 1998

LECONFIELD HOUSE

CURZON STREET

LONDON W1Y 8AS

ENGLAND

TELEPHONE: 44-171-495-8885

FACSIMILE: 44-171-495-3101

BRUSSELS OFFICE

KUNSTLAAN 44 AVENUE DES ARTS

BRUSSELS 1040 BELGIUM

TELEPHONE: 32-2-549-5230

FACSIMILE: 32-2-502-1598

BY FACSIMILE & FIRST CLASS MAIL

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

Richard A. Allen, Esq.
Zuckert, Scutt & Rasenberger, L.L.P.
Suite 600
888 Seventeenth Street, N.W.
Washington, D.C. 20006-3939



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

Dear Bill and Dick:

At the June 1 hearing before ALJ Grossman, Tex Mex's Vice President-Operations, Patrick Watts, described an incident witnessed by Tex Mex's observer in the Spring Dispatching Center that was asserted to reflect "discrimination" against Tex Mex's trains on the part of joint UP-BNSF dispatchers. We have carefully investigated this alleged incident and determined that no act of discrimination occurred.

Mr. Watts asserted that Tex Mex's eastbound/northbound train was held at Houston for over two hours on Thursday, May 28, because two UP trains were routed against-the-flow on UP's Beaumont Subdivision. See Tr., pp. 52-55. In fact, Tex Mex's train was not delayed at all by these trains. It would be more accurate to state that UP's trains were kept waiting by Tex Mex's train.

The facts are as follows:

Tex Mex's northbound/eastbound train, MMXSH-27, passed Houston's New South Yard at 12:25 pm and arrived at Houston's Basin Yard at 1:31 pm on

William A. Mullins, Esq.
Richard A. Allen, Esq.
June 10, 1998
Page 2

May 28. The train spent two hours and 16 minutes switching at Basin Yard. During that period, the HBT East Belt was quite busy. A different Tex Mex train, this one southbound, finished its work at Basin Yard and departed, a BNSF train arrived from the east and entered PTRAs North Yard (adjacent to Basin), and a UP westbound train passed Basin.

After it left Basin Yard at 3:47 p.m., the northbound/eastbound Tex Mex train (MMXSH-27) encountered no delay as it proceeded east toward Beaumont. From Basin Yard, it proceeded along the East Belt, crossed the former-SP mainline at Tower 87, and operated through Settegast Yard without stopping, reaching Settegast Junction, on the north end of Settegast Yard, at 4:16 pm. Tex Mex's train then proceeded east on UP's Beaumont Subdivision. It was the first train in a fleet of UP and BNSF eastbound trains out of Houston.

Long before Tex Mex's train arrived at Houston, the joint UP-BNSF dispatchers had decided to route two UP westbound trains -- MALMX-27 and MAVHO-26 -- against the flow on UP's Beaumont Subdivision. This decision was made because, at the time UP's trains were approaching Beaumont, there were no eastbound trains called at Houston and westbound trains holding at Beaumont had already caused congestion there. The two UP trains were therefore allowed to continue west toward Houston, using their existing crews, rather than tying up at Beaumont and awaiting re-crews later that day. Both UP trains departed Beaumont hours before Tex Mex's train had arrived at Houston: the MALMX-27 departed Beaumont at 6:54 am, and the MAVHO-26 departed at 9:45 am.

At 4:19 pm, Tex Mex's MMXSH-27 met the first of these two westbound trains -- MALMX-27 -- at Dyersdale, the first siding east of Settegast Junction. The UP train had been holding in the siding at Dyersdale waiting for the arrival of MMXSH-27, which operated past Dyersdale on the mainline without delay. UP's train, not Tex Mex's, incurred all the delay.

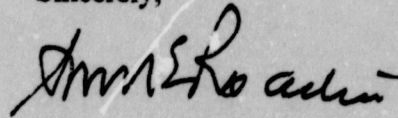
At 4:41 pm, MMXSH-27 met the second of the two UP westbound trains -- MAVHO-26 -- at Huffman. MAVHO-26 had been holding between the switches at the siding at Huffman for over four hours (since before the MMXSH-27 arrived at Basin Yard). Tex Mex's train operated through the siding at Huffman

William A. Mullins, Esq.
Richard A. Allen, Esq.
June 10, 1998
Page 3

without stopping and departed Huffman by 4:46 pm. Again, the UP train incurred all of the delay.

UP is committed to treating Tex Mex trains fairly. KCS/Tex Mex is apparently equally committed to arguing that Tex Mex's trains are not being treated fairly regardless of the facts. In light of the divergence between the facts and Mr. Watts' characterization of this incident, we strongly urge you to make better use of the rights KCS/Tex Mex have at the Spring Dispatching Center. Tex Mex's neutral observer at Spring could have easily cleared up this misunderstanding of the facts were KCS/Tex Mex not bent on mischaracterizing dispatching decisions in order to further the strategy of seeking additional Board-imposed rights. We also urge you to encourage Tex Mex officials to accept UP's invitation for Tex Mex to become a full participant in the Dispatching Center, which would further strengthen Tex Mex's ability to oversee the dispatching of Tex Mex trains.

Sincerely,



Arvid E. Roach II

cc: Hon. Stephen Grossman (by hand)
Hon. Vernon A. Williams (by hand)

STB FD-32760 (SUB26) 6-8-98 J ID-188483

JUN 15 1998

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DESPACHOS DEL NORTE, INC.

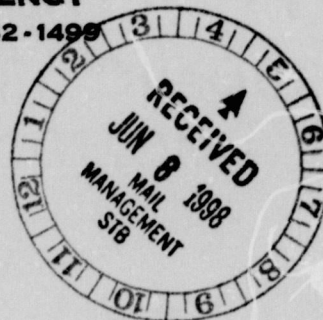
FORWARDING AGENCY
LAREDO, TEXAS 78042-1499

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

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

MAY 27, 1998

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



RE: FINANCE DOCKET NO. 32760(SUB-NO. ³⁴), UNION PACIFIC CORP.,
ET AL.- CONTROL & MERGER - SOUTHERN PACIFIC CORP., ET AL.
OVERSIGHT PROCEEDING.

DEAR MR. WILLIAMS:

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

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

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

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

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

SINCERELY YOURS
Rosenda Martinez
ROSENDA MARTINEZ
TRAFFIC DEPT.

STB

FD-32760 (SUB26)

6-8-98

J

ID-188482



Basic Equipment Co.

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

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



ENTERED
Office of the Secretary

JUN 15 1998

Part of
Public Record

RE: Finance Docket No. 32760 (Sub-No. ²⁶21), Union Pacific Corp., et al – Control & Merger –
Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

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

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

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

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

Sincerely,

Kenneth L. Berry

STB

FD-32760 (SUB26)

6-8-98

J

ID-188481

ABELL
CORPORATION

Quachita Fertilizer Company
Texas Liquid Fertilizer
Poly Processing Company

ENTERED
Office of the Secretary

JUN 15 1998

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June 3, 1998

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

RE: Finance Docket No. 32760 (Sub No. ²⁶~~31~~)

Dear Sir:

We support the effort of the Arkansas Louisiana & Mississippi Railroad to secure interchange access to the BNSF at Fordyce, Arkansas.

The nature of our business demands effective rail service. We remain concerned about the inbound rail shipments of raw materials to meet our peak season demand. We are competent that with the interchange access, Arkansas Louisiana & Mississippi Railroad will be better positioned to provide the service we have come to expect.

Thanks for your consideration of our needs.

Sincerely,

Dixon W. Abell
President & CEO

STB FD-32760 (Ser 26) 6-8-98 J 188480

188480

BARR IRON & METAL COMPANYENTERED
Office of the Secretary

DEMPSEY BARR, OWNER

STRUCTURAL STEEL AND PIPE

JUN 15 1998

1500 WEST FRONT
ALICE, TEXAS 78333Part of
Public Record

MAY 28, 1998



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

RE: FINANCE DOCKET#32760 (SUB-NO. ²⁶27), UNION PACIFIC CORP.,
ET AL.-- CONTROL & MERGER -- SOUTHERN PACIFIC RAIL CORP.,
ET AL. OVERSIGHT PROCEEDING

DEAR SECRETARY WILLIAMS:

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

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

THE RAIL SERVICE CRISIS IN SOUTH TEXAS IS MONUMENTAL. THE
SURFACE TRANSPORTATION BOARD (BOARD") HAS RIGHTFULLY RECOGNIZED
UP'S INABILITY TO SOLVE THE PROBLEM, AT LEAST IN THE SHORT TERM,
THROUGH THE BOARD'S IMPLEMENTATION OF THEIR EMERGENCY SERVICE
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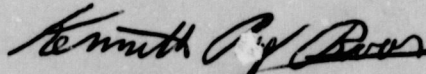
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IN SOUTH TEXAS. WE AT BARR IRON & METAL BELIEVE THAT THE IMPLE-
MENTATION OF NEUTRAL SWITCHING AND NEUTRAL DISPATCHING IN HOUSTON
IS ESSENTIAL TO A LONG TERM SOLUTION. IN ADDITION, COMPETING
RAILROADS MUST BE PERMITTED TO INCREASE THEIR INFRASTRUCTURE IN
THE HOUSTON AREA IN ORDER TO PROVIDE MORE EFFICIENT AND COMPETITIVE
RAIL SERVICE FOR OUR TRAFFIC.

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

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

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

SINCERELY YOURS,

A handwritten signature in dark ink, appearing to read "Kenneth R. Barr", written in a cursive style.

KENNETH RAY BARR
PRESIDENT

STB

FD-32760 (SUB26)

6-8-98

J

ID-188479



Commercial Metals Company

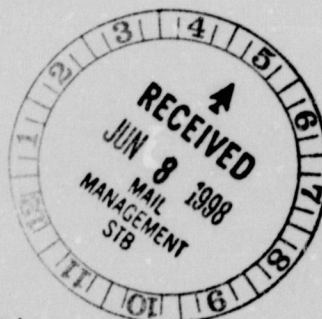
P.O. Box 1046

Dallas, Texas 75221-1046

188479

May 28, 1998

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



ENTERED
Office of the Secretary

JUN 15 1998

Part of
Public Record

RE: Finance Docket No. 32760 (Sub-No. ²⁶21), *Union Pacific Corp., et al. - Control & Merger - Southern Pacific Railroad Corp., et al. Oversight Proceeding*

Dear Secretary Williams:

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

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

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

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

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

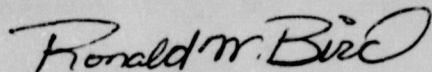
Our company has been and continues to be hurt by UP's problems. We need more than a short-term fix. We need a long-term solution to the service problems in south Texas. Commercial Metals Company believes that the implementation of the Tex Mex/KCS proposed plan for south Texas, which includes neutral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

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

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

Sincerely yours,

COMMERCIAL METALS COMPANY



Ronald W. Bird
Transportation Manager

RWB:jhm

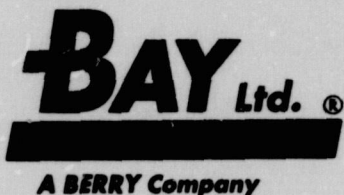
STB

FD-32760 (SUB26)

6-5-98

J

ID-188478



188478

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

May 28, 1998

ENTERED
Office of the Secretary

JUN 15 1998

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Public Record



Phone: (512) 693-2100

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

RE: Finance Docket No. 32760 (Sub-No. ³⁶~~34~~), Union Pacific Corp., et al - Control & Merger --
Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

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

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

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

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

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

Sincerely,

Kenneth L. Berry
Vice President

Klb/tes:nexkcs

STB

FD-32760 (SUB26)

6-5-98

J

ID-188477

188477

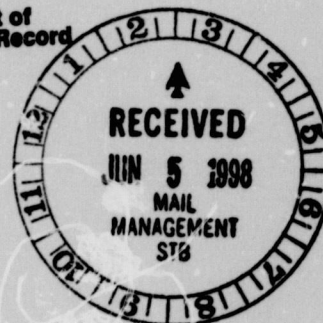


**Redfish Bay
Terminal, Inc.**

**ENTERED
Office of the Secretary**

JUN 15 1998

**Part of
Public Record**



May 28, 1998

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

RE: Finance Docket No. 32760 (Sub-No. ³⁶~~24~~), Union Pacific Corp., et al – Control & Merger –
Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

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

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

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

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

Sincerely,

Kenneth L. Berry
Director

Box 1235 Aransas Pass, Texas 78336 • 512/753-3201

STB FD-32760 (SUB26) 6-5-98 J ID-188476

BERRY®

Contracting, Inc.

May 28, 1998

188476
P.O. Box 4858
1414 Corr Products Road
Corpus Christi, Texas
78469-4858

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

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

ENTERED
Office of the Secretary

JUN 15 1998

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Public Record



RE: Finance Docket No. 32760 (Sub-No. ³⁶~~34~~), Union Pacific Corp., et al - Control & Merger -
Southern Pacific Rail Corp., et al Oversight Proceeding

Dear Secretary Williams:

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

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

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

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

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

Sincerely,

Kenneth L. Berry
Director

Klb\texmexkes

Safety ■ Quality ■ Productivity
The Winning Combination

STB

FD-32760 (SUB26)

6-4-98

J

ID-188475



SERVING NORTH LOUISIANA & SOUTH ARKANSAS SINCE 1945



PHONE (318) 322-4444
WATS (800) 732-3969
FAX (318) 322-7299

ENTERED
Office of the Secretary

JUN 15 1998

POST OFFICE BOX 4420
3250 ARMAND STREET
MONROE, LOUISIANA 71211

May 28, 1998

Part of
Public Record

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



Re: Finance Docket No. 32760 (Sub No. ³⁶~~35~~), Union Pacific Corporation, et al. --
Control and Merger -- Southern Pacific Rail Corporation et al. -- Oversight Proceeding

Dear Secretary Williams:

At this time we, at Century Ready-Mix, would like to add our support to the Arkansas Louisiana & Mississippi Railroad's effort in obtaining interchange access to the BNSF at Fordyce, Arkansas.

Following the merger of the Union Pacific and Southern Pacific railroads, we have experienced a reduction in our former flexibility in scheduling shipments of materials. In addition to increased shipping costs. This, on occasion, has presented real problems in supplying materials to our customers within the time frame that they expected us to meet. We have been informed that this was the result of the current limited service available from the Kansas City Southern railroad.

As a service supplier of construction materials, our customers are under contractual time limits, and they do not willingly accept the additional penalties that have occurred.

Century Ready-Mix would like a return to our former rail car service, which did meet the time constraints demanded by our customers. To this end, we are supporting Georgia Pacific's request to the Surface Transportation Board to have the Union Pacific grant interchange rights to the BNSF in Fordyce, Arkansas.

Sincerely,
Century Ready-Mix Corporation

Robert Q. Humble
President

STB

FD-32760 (SUB26)

6-4-98

J

ID-188474

188474

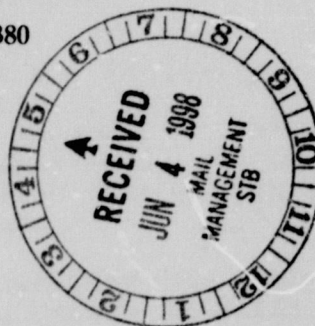
ENTERED
Office of the Secretary

WRIGHT MATERIALS, INC.

Route 1, Box 143
Robstown, Texas 78380

JUN 15 1998

Part of
Public Record



May 21, 1998

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

Re: Finance Docket No. 32760 (Sub-No. ²⁶~~24~~), Union
Pacific Corp., et al.--Control & Merger--Southern
Pacific Rail Corp., et al. Oversight Proceeding

Dear Secretary Williams:

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

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

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

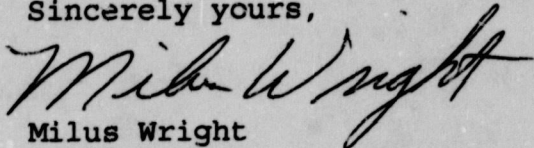
Our company has been and continues to be hurt by UP's problems. We need more than a short term fix. We need a long term solution to the service problems in south Texas.

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

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

I, Milus Wright, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Wright Materials, Inc., executed on May 21, 1998.

Sincerely yours,

A handwritten signature in cursive script that reads "Milus Wright".

Milus Wright
Manager

copy to: The Texas Mexican Railroad

STB

FD-32760 (SUB26)

6-4-98

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: sandra.brown@troutmansanders.com

Sandra L. Brown

202-274-2950

June 4, 1998

VIA HAND DELIVERY

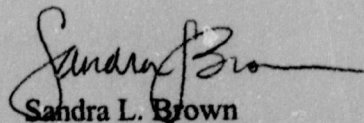
The Honorable Stephen Grossman
Administrative Law Judge
Federal Energy Regulatory Commission
888 First Street, N.E., Suite 11F
Washington, D.C. 20426

RE: STB Finance Docket No. 32760 (Sub-No. 26), *Union Pacific Corp., et al. --
Conrail And Merger -- Southern Pacific Rail Corp., et al.* [Houston/Gulf Coast
Oversight Proceeding]

Dear Judge Grossman:

On May 26, 1998, Tex Mex/KCS filed a motion to compel discovery from Burlington Northern and Santa Fe Railway ("BNSF") (TM-3/KCS-3). Tex Mex/KCS and BNSF have been negotiating in an effort to resolve the issue addressed in said motion. On June 3, 1998, Tex Mex/KCS received a letter from BNSF which Tex Mex/KCS believe now moots their motion to compel. Therefore, Tex Mex/KCS are withdrawing the motion.

Sincerely yours,



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

cc: Kathryn A. Kusske, Esquire
Secretary Vernon A. Williams
Parties of Record

STB

FD-32760 (SUB26)

6-2-98

J

ID-188061

(8866)

PORT OF HOUSTON AUTHORITY

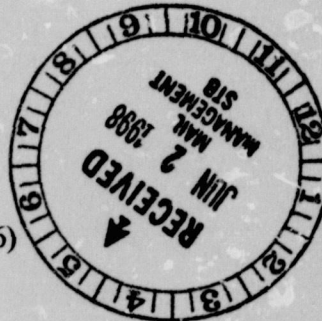
EXECUTIVE OFFICES: 111 EAST LOOP NORTH • HOUSTON, TEXAS 77029-4727
MAILING ADDRESS: P.O. BOX 2562 • HOUSTON, TEXAS 77252-2562
TELEPHONE: (713) 670-2400 • FAX: (713) 670-2429



[Handwritten signature]

May 27, 1998

Honorable Vernon A. Williams
Case Control Unit
Attn: STB Finance Docket No. 32760 (Sub-No. 26)
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423



ENTERED
Office of the Secretary

JUN 04 1998

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Public Record

Via Fax - Original Letter to Follow

Re: Finance Docket No. 32760 (Sub-No. 26)
Union Pacific - Control and Merger - Southern Pacific
Houston/Gulf Coast Oversight Proceeding

Dear Secretary Williams:

The Port of Houston Authority is aware of the Motion for Extension of Time filed on May 20, 1998 by the Chemical Manufacturers Association, the Railroad Commission of Texas, the Texas Mexican Railway, the Society of the Plastics Industry, the Texas Chemical Council, and the Kansas City Southern Railway.

The Port Authority believes the matter of rail service in the Houston/Gulf Coast region is of such importance that the Board should have the best available evidence before it when it addresses potential conditions that might be placed on the merger of the Union Pacific and the Southern Pacific. The parties filing the motion for an extension of time include most of the parties which have proposed a plan or have recommended that conditions be placed on the merged railroad. It does not appear that any party would be disadvantaged by the grant of a 30 day extension.

The Port of Houston Authority has no objection to the Board's granting the requested 30 day extension.

Sincerely,

[Handwritten signature of Richard V. Schiefelbein]

Richard V. Schiefelbein
Railroad Coordinator
Port of Houston Authority
817-236-6841

cc: The Honorable Linda Morgan
The Honorable Gus Owen
Arvid Roach II, Covington & Burling

STB FD-32760 (SUB26) 5-27-98 J ID-187833

187833

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

P.O. BOX 7566

WASHINGTON, D.C. 20044-7566

(202) 662-6000

FACSIMILE: (202) 662-6291

ARVID E. ROACH II

DIRECT DIAL NUMBER

(202) 662-5388

DIRECT FACSIMILE

(202) 778-5388

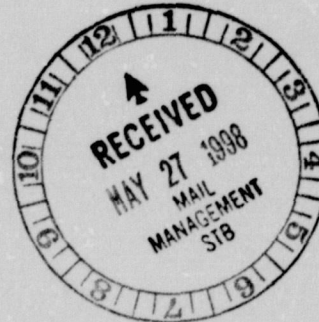
ENTERED
Office of the Secretary May 27, 1998

MAY 28 1998

**Part of
Public Record**

BY HAND

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



LECONFIELD HOUSE
CURZON STREET
LONDON W1Y 8AS
ENGLAND

TELEPHONE: 44-171-495-5655
FACSIMILE: 44-171-495-3101

BRUSSELS OFFICE
KUNSTLAAN 44 AVENUE DES ARTS
BRUSSELS 1040 BELGIUM
TELEPHONE: 32-2-549-5111
FACSIMILE: 32-2-502-1528

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

Dear Secretary Williams:

By motion dated May 20, 1998, Kansas City Southern Railway Company, Texas Mexican Railway Company and various other parties have requested a 30-day extension in the schedule that the Board established for this proceeding in its Decision served March 31, 1998. While the scheduling of oversight proceedings is a matter committed to the Board's sound discretion, Union Pacific submits that these parties have failed to justify the extension they seek.

These parties were given ten weeks' notice of the June 8 date that the Board set for opening submissions, and none of them objected to that schedule when it was promulgated. They do not even attempt to explain why ten weeks was not more than enough time to coordinate among themselves and prepare their filings. The Board has more than once addressed substantially the same conditions that KCS/Tex Mex have requested in the "Evidentiary Submission" herein dated March 30, 1998 -- most recently, in its decision in Service Order No. 1518 served Feb. 17, 1998 -- and the parties requesting the extension do not suggest that their discussions contemplate any major change in the scope of those proposals.

Lengthening this proceeding risks multiplying discovery burdens and further diverting railroad personnel from the vital business of service recovery and improvement. Thus, while we recognize that the Board has very broad latitude in setting a procedural schedule, we believe there is great value in moving

COVINGTON & BURLING

Hon. Vernon A. Williams
May 27, 1998
Page 2



this proceeding forward and bringing the issues to resolution,
and we respectfully urge the Board to adhere to the present
schedule.

Sincerely,

Arvid E. Roach II

cc: Hon. Stephen L. Grossman (with
courtesy copy of cited Decision
in Service Order No. 1518)

STB

FD-32760 (SUB26)

5-22-98

J

ID-187698

187698
ENTERED
Office of the Secretary

MAY 26 1998
OFFICE: (202) 371-9500

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Public Record

DONELAN, CLEARY, WOOD & MASER, P.C.

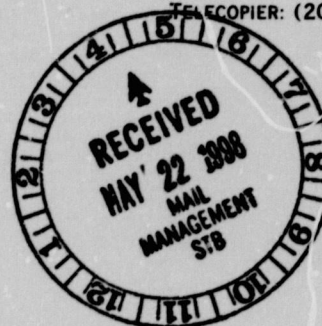
ATTORNEYS AND COUNSELORS AT LAW

SUITE 750
1100 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-3934

May 22, 1998

TELECOPIER: (202) 371-0900

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



Re: Finance Docket No. 32760 (Sub-No. 26), *Union Pacific Corp. et al.*
-- Control and Merger -- *Southern Pacific Rail Corp., et al.*

Dear Secretary Williams:

As counsel for The National Industrial Transportation League ("NITL"), we have received a copy of the Motion for Extension of Time filed on May 20, 1998, on behalf of The Chemical Manufacturers Association, The Society of Plastics Industry, Inc., The Railroad Commission of Texas, The Texas Chemical Council, The Texas Mexican Railway, and The Kansas City Southern Railway Company in this proceeding. NITL has no objection to the requested extension of time until July 8, 1998, for the filing in this proceeding of requests for, and evidence supporting, the imposition of additional remedial conditions to the UP/SP merger. Indeed, the League believes that an extension could facilitate the development of a sound record before the agency.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

Nicholas J. DiMichael

cc: The Honorable Stephen J. Grossman
All Parties of Record

STB

FD-32760 (SUB26)

5-21-98

J

ID-187672

187672

MAYER, BROWN & PLATT

2000 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20006-1882

ERIKA Z. JONES

DIRECT DIAL (202) 778-0642

ejones@mayerbrown.co **Office of the Secretary**

ENTERED

MAY 22 1998

May 21, 1998

**Part of
Public Record**

By Hand

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



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

Dear Secretary Williams:

As counsel for The Burlington Northern and Santa Fe Railway Company ("BNSF"), we have received a copy of the Motion for Extension of Time filed on May 20, 1998, on behalf of The Chemical Manufacturers Association, The Society of Plastics Industry, Inc., The Railroad Commission of Texas, The Texas Chemical Council, The Texas Mexican Railway, and The Kansas City Southern Railway Company in this proceeding. BNSF has no objection to the requested extension of time until July 8, 1998, for the filing in this proceeding of requests for, and evidence supporting, the imposition of additional remedial conditions to the UP/SP merger, and believes that such an extension could facilitate discussions among the interested parties. BNSF believes, however, that, if any such extension of time is to be granted to the parties which filed the Motion, the due date for the filing of such requests and evidence should be similarly extended for all parties to this proceeding and that the remainder of the procedural schedule should be adjusted accordingly for all parties.

If you have any questions, please contact me at (202) 778-0642. Thank you.

Sincerely,

Erika Z. Jones/dls

Erika Z. Jones

cc: The Honorable Stephen J. Grossman
All Parties of Record

CHICAGO BERLIN COLOGNE HOUSTON LONDON LOS ANGELES NEW YORK WASHINGTON
INDEPENDENT MEXICO CITY CORRESPONDENT: JAUREGUI, NAVARRETE, NADER Y ROJAS
INDEPENDENT PARIS CORRESPONDENT: LAMBERT ARMENIADES & LEE

STB

FD-32760 (SUB26)

✓ 5-15-~~68~~ *ef* J

ID-187571

187571

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

P.O. BOX 7566

WASHINGTON, D.C. 20044-7566

(202) 662-6000

FACSIMILE: (202) 662-6291

LECONFIELD HOUSE

CURZON STREET

LONDON W1Y 8AS

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FACSIMILE 44-171-495-3101

BRUSSELS OFFICE

KUNSTLAAN 44 AVENUE DES ARTS

BRUSSELS 1040 BELGIUM

TELEPHONE 32-2-549-5230

FACSIMILE 32-2-502-1598

ARVID E. ROACH II

DIRECT DIAL NUMBER

(202) 662-5388

DIRECT FACSIMILE

(202) 778-5388

ENTERED
Office of the Secretary

May 15, 1998

MAY 18 1998

Part of
Public Record

BY HAND

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



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

Dear Secretary Williams:

We have received a copy of a May 14, 1998, letter from William A. Mullins to the Board in which Mr. Mullins reiterates KCS/Tex Mex's request for the imposition of discovery guidelines and the appointment of an ALJ to adjudicate disputes in the recently established oversight proceeding. UP continues to believe that the full-blown discovery process that KCS/Tex Mex have proposed is inappropriate and unnecessary.

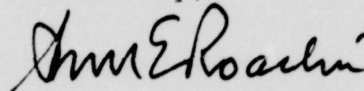
Mr. Mullins appears to be inventing discovery disputes where none exist in order to advance his argument. He refers to "growing discovery disputes," but only one disagreement exists, and it is being resolved without the need for discovery guidelines or an ALJ. KCS/Tex Mex has filed motion to compel, and UP will be responding to that motion next Friday. There is no need for discovery guidelines or an ALJ to resolve this dispute.

Mr. Mullins also refers to UP's responses to KCS/Tex Mex's second set of discovery requests, which were served yesterday, as a source of "growing discovery disputes." But Mr. Mullins had not even seen the responses when he sent his letter. In fact, UP provided much of the information KCS/Tex Mex requested, objecting, principally, to allowing KCS/Tex Mex to end-run the negotiation process and misuse discovery to assist in its efforts to purchase UP's Wharton Branch.

Hon. Vernon A. Williams
May 15, 1998
Page 2

Finally, Mr. Mullins refers to discovery requests that UP served on KCS/Tex Mex two days ago, which he describes as "far-reaching" and "properly the subject of objections." Again, this is nothing more than an effort to create the appearance of disputes where none exist. UP filed discovery (copy attached hereto) specifically tailored to obtain information in order to respond to KCS/Tex Mex's submission (TM-7/KCS-7, filed Mar. 30, 1998) in the oversight proceeding. UP expects KCS/Tex Mex to respond appropriately, and we will work with KCS/Tex Mex to resolve any objections that they raise. We do not understand why Mr. Mullins believes that elaborate discovery procedures will be required in connection with these requests: there will be no need for Board involvement unless KCS/Tex Mex refuse to respond in an appropriate way.

Sincerely,



Arvid E. Roach II

cc: William A. Mullins, Esq.
Richard A. Allen, Esq.

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No. ²⁶~~21~~)

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 -- OVERSIGHT

APPLICANTS' FIRST REQUESTS FOR THE PRODUCTION OF DOCUMENTS
TO KANSAS CITY SOUTHERN RAILWAY COMPANY AND
THE TEXAS MEXICAN RAILWAY COMPANY

CARL W. VON BERNUTH
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Suite 5900
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Dallas, Texas 75201
(214) 743-5640

JAMES V. DOLAN
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ARVID E. ROACH II
J. MICHAEL HEMMER
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Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for Union Pacific
Corporation, Union Pacific
Railroad Company and Southern
Pacific Rail Corporation

May 13, 1998

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760 (Sub-No. ²⁶~~21~~)

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 -- OVERSIGHT

APPLICANTS' FIRST REQUESTS FOR THE PRODUCTION OF DOCUMENTS
TO KANSAS CITY SOUTHERN RAILWAY COMPANY AND
THE TEXAS MEXICAN RAILWAY COMPANY

Pursuant to 49 C.F.R. §§ 1114.21 through 1114.31,
Union Pacific Corporation, Union Pacific Railroad Company and
Southern Pacific Rail Corporation request that Kansas City
Southern Railway Company ("KCS") and Texas Mexican Railway
Company ("Tex Mex") (jointly referred to as "KCS/Tex Mex")
produce the following documents in accordance with the discovery
rules of the Surface Transportation Board and the definitions and
instructions set forth below.

Responses should be served as soon as possible, and in
no event later than 15 days from the date of service hereof.
KCS/Tex Mex are requested to contact the undersigned promptly to
discuss any objections or questions regarding these requests with
a view to resolving any disputes or issues of interpretation
informally and expeditiously.

DEFINITIONS AND INSTRUCTIONS

I. "Applicants" means Union Pacific Corporation, Union Pacific Railroad Company and Southern Pacific Rail Corporation.

II. "BNSF" means the Burlington Northern and Santa Fe Railway Company.

III. "Document" means any writing or other compilation of information, whether printed, typed, handwritten, recorded, or produced or reproduced by any other process, including but not limited to intra-company communications, correspondence, telegrams, memoranda, contracts, instruments, studies, projections, forecasts, summaries or records of conversations or interviews, minutes or records of conferences or meetings, records or reports of negotiations, diaries, calendars, photographs, maps, tape recordings, computer tapes, computer disks, other computer storage devices, computer programs, computer printouts, models, statistical statements, graphs, charts, diagrams, plans, drawings, brochures, pamphlets, advertisements, circulars, trade letters, press releases, invoices, receipts, financial statements, accounting records, worksheets, drafts, revisions of drafts, and original or preliminary notes. Further, the term "document" includes

- (a) both basic records and summaries of such records (including computer runs);
- (b) both original versions and copies that differ in any respect from original versions; and

(c) both documents in the possession, custody or control of KCS/Tex Mex and documents in the possession, custody or control of consultants or others who have assisted KCS/Tex Mex in connection with this proceeding.

IV. "KCS" means Kansas City Southern Railway Company.

V. "Produce" means to make legible, complete and exact copies of responsive documents and send them by expedited delivery to the undersigned counsel. The originals of responsive documents should be retained in the files of KCS/Tex Mex, its counsel, or the consultants or others who have assisted KCS/Tex Mex in connection with this proceeding and have documents in their possession, and made available if requested. Applicants will pay all reasonable costs for duplication and expedited delivery of documents to their attorneys.

VI. "PTRA" means the Port Terminal Railway Association.

VII. "Relating to" a subject means referring to, discussing, describing, dealing with, consisting of, or constituting, in whole or in part, the subject.

VIII. "Tex Mex" means Texas Mexican Railway Company

IX. "This proceeding" means Finance Docket No. 32760 and all subdockets and related dockets.

X. "UP" means Union Pacific Railroad Company and its predecessors, including but not limited to Missouri Pacific

Railroad Company and Southern Pacific Transportation Company, individually and collectively.

XI. "The UP/SP merger" means the transactions proposed in this proceeding, including all related applications.

XII. Discovery responses should be supplemented when a supplemental response is required pursuant to 49 C.F.R. § 1114.29.

XIII. If any information or document is withheld on the ground that it is privileged or otherwise not discoverable

- (a) identify the type of document (e.g., letter, memorandum, report, chart); identify the author, each addressee and each recipient; state the number of pages, title and date of the document; and
- (b) state the basis for the claim that it is privileged or otherwise not discoverable.

XIV. References to railroads, shippers, consultants or companies (including KCS/Tex Mex) include affiliates, subsidiaries, officers, directors, employees, attorneys, agents and representatives thereof.

XV. All uses of the conjunctive include the disjunctive and vice versa. Words in the singular include the plural and vice versa.

XVI. Unless otherwise specified, these requests cover the period January 1, 1996 and thereafter.

DOCUMENT REQUESTS

1. Computerized data for Tex Mex traffic for 1996, 1997 and 1998 through the latest month available, containing the fields listed in Attachment A.

2. All workpapers underlying TM-7/KCS-7.

3. All documents referring to or evidencing any traffic to or from Mexico that:

(a) Tex Mex believes it did not handle by virtue of its inability to originate northbound traffic at Houston:

(b) Tex Mex believes it has been able to handle only because of its ability to originate northbound traffic at Houston under STB Service Order No. 1518.

4. All documents pertaining to the KCS-Tex Mex joint venture relationship, including but not limited to (a) the "implementing agreements" referred to in the letter from Mr. Haverty to Mr. Krebs dated March 9, 1998; and (b) KCS-Tex Mex divisions agreements.

5. All documents reflecting communications between Tex Mex and KCS regarding Tex Mex's dealings with BNSF with respect to interline traffic.

6. All documents reflecting communications between Tex Mex and KCS regarding Tex Mex's dealings with UP.

7. For all trains using Tex Mex trackage rights over any UP line segment:

- (a) Schedules;
- (b) Transportation plans; and
- (c) Documents reflecting reports, studies, analyses, or notes of delays incurred by Tex Mex trackage rights trains on any part of their route (including lines owned by Tex Mex) and reasons for such delays.

8. All documents relating to actual or proposed cooperation between Tex Mex and BNSF for traffic to or from Mexico.

9. All documents describing, or discussing or analyzing reasons for, any changes in Tex Mex's costs since implementation of the UP/SP merger.

10. All documents analyzing or comparing the costs incurred or revenues obtained by Tex Mex in handling traffic to or from Mexico:

- (a) Interlined with BNSF via Robstown and/or Corpus Christi;
- (b) Interlined with UP or SP via Robstown or Corpus Christi;
- (c) Interlined with BNSF via Houston; and
- (d) Interlined with KCS via Beaumont.

11. All documents reflecting communications between Tex Mex and KCS concerning requests for conditions in this proceeding.

12. All documents reflecting communications between Tex Mex or KCS and any other party to this proceeding concerning requests for conditions in this proceeding.

13. All documents reflecting communications between Tex Mex or KCS and the Texas Railroad Commission, any member thereof or staff thereof concerning service problems in Texas and possible actions the Board might take in response.

14. All documents discussing or evaluating possible KCS access to Houston traffic via expansion of Tex Mex rights.

15. All documents discussing service to the Port of Corpus Christi since the merger.

16. Tex Mex capital budgets and plans.

17. KCS capital budgets and plans concerning projects designed in part to facilitate, or justified in part by their effect of facilitating, the handling of traffic interchanged with Tex Mex.

18. Tex Mex business plans.

19. KCS business plans relating to traffic handled by Tex Mex or other actual or potential cooperation between Tex Mex and KCS.

20. All documents relating to the economic justification for:

- (a) Tex Mex's planned yard construction in Laredo;
- (b) Tex Mex's proposed Wharton Branch acquisition.

21. All communications between Tex Mex or KCS and PTR A regarding:

- (a) The quality of PTR A service;
- (b) Interchange between Tex Mex and PTR A;
- (c) Delays to traffic interchanged; or
- (d) Rights or responsibilities that PTR A might receive in this proceeding or the proceedings in Ex Parte No. 573 and Service Order No. 1518.

22. All materials produced by BNSF to KCS or Tex Mex in response to TM-12/KCS-13.

23. All studies, reports, analyses or evaluations of:

- (a) Existing rail yards for use by Tex Mex;
- (b) Additional yards or trackage that Tex Mex might construct; or
- (c) Routes for Tex Mex trains through Houston.

24. All documents relating to the effects on Tex Mex operations and service of directional operations on lines used by Tex Mex.

25. All correspondence between Houston-area shippers and Tex Mex or KCS concerning service problems or complaints.

Respectfully submitted,

CARL W. VON BERNUTH
RICHARD J. RESSLER
Union Pacific Corporation
Suite 5900
1717 Main Street
Dallas, Texas 75201
(214) 743-5640

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Arvid E. Roach II, per

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Washington, D.C. 20044-7566
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Attorneys for Union Pacific
Corporation, Union Pacific
Railroad Company and Southern
Pacific Rail Corporation

May 13, 1998

CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 13th day of May, 1998, I caused a copy of the foregoing document to be served by hand on:

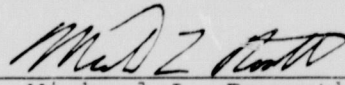
Richard A. Allen
John V. Edwards
Zuckert, Scoutt & Rasenberger, LLP
888 17th Street, N.W.
Suite 600
Washington, D.C. 20006-3939

William A. Mullins
Sandra L. Brown
David C. Reeves
Troutman Sanders LLP
1300 I Street, N.W.
Suite 500 East
Washington, D.C. 20005-3314

and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all other parties of record in Finance Docket No. 32760 (Sub-No. 21), and on:

Director of Operations
Antitrust Division
Suite 500
Department of Justice
Washington, D.C. 20530

Premarmer Notification Office
Bureau of Competition
Room 303
Federal Trade Commission
Washington, D.C. 20580



Michael L. Rosenthal

ATTACHMENT A

The traffic data produced should contain the following fields. Traffic may be reported by individual waybill number or for groups of waybills for which all of the characteristics listed below are identical.

Field number	Data	Description
1	Waybill Year	The year the originating railroad prepared the waybill.
2	Waybill month	The month the originating railroad prepared the waybill.
3	Seven-digit Commodity Code (STCC)	The Standard Transportation Commodity code (STCC) identifies the product designation for the product being transported. The hazardous codes (49xxxxx) and bulk codes (50xxxxx) are translated, when possible, to the actual product commodity code.
4	Hazardous Commodity Code	The non-translated commodity code defined in item 3.
5	Origin State	The two character abbreviation of the waybilled origin.
6	Origin City	The waybilled origin.
7	Shipper Name	The customer at waybilled origin.
8	Origin Railroad	The alpha abbreviation for the origin railroad.
9	Origin SPLC	The Standard Point Location Code of the origin station.
10	Origin FSAC	The Freight Station Accounting Code of the origin station.
11	Origin BEA	The Business Economic Area of the origin station.
12	Destination State	The two character abbreviation of the waybilled termination.
13	Destination City	The waybilled termination.
14	Receiver Name	The customer at waybilled termination.
15	Destination Railroad	The alpha abbreviation of the terminating railroad.
16	Destination SPLC	The Standard Point Location Code of the terminating station.
17	Destination FSAC	The Freight Station Accounting Code of the terminating station.

Field number	Data	Description
18	Destination BEA	The Business Economic Area of the terminating station.
19	Car Ownership Code	Whether owned by this railroad, owned by other railroad or private ownership.
20	AAR Car Type	Code identifying the general physical description of the type of equipment.
21	Type Move Indicator	Identifies the type of movement for the railroad. Code Values are: F - Forwarding or originating carrier B - Bridge or intermediate carrier R - Received or terminating carrier L - Local or only carrier
22	Railroad From	The alpha abbreviation of the railroad that the car was interchanged from.
23	Railroad To	The alpha abbreviation of the railroad that the car was interchanged to.
24	On Junction	The abbreviation of the junction of the interchange receipt.
25	Off Junction	The abbreviation of the junction of the interchange delivery.
26	Unit Count	The total number of units, which may be cars, trailers or containers associated with this record.
27	Net Tons	Actual, billed as, or estimated net tons associated with the record.
28	Railroad System Revenue	The estimated or actual revenue for the railroad.
29	Freight Revenue	The total freight linehaul revenue from origin to destination.
30	Railroad System Miles	The miles for the railroad.
31	Railroad Ton Miles	The ton miles for the railroad.

STB

FD

32760

(Sub ~~2~~)

26

2-17-98

J

185691

185691

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

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KUNSTLAAN 44 AVENUE DES ARTS

BRUSSELS 1040 BELGIUM

TELEPHONE: 32-2-549-5230

FACSIMILE: 32-2-502-1598

ARVID E. ROACH II

DIRECT DIAL NUMBER

(202) 662-5388

DIRECT FACSIMILE

(202) 778-5388

February 17, 1998

HAND DELIVERY

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



Re: Finance Docket No. 32760 (Sub-No. 21)

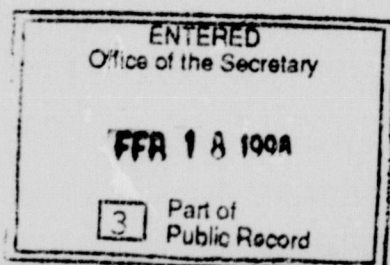
Dear Secretary Williams:

Applicants Union Pacific Corporation, Union Pacific Railroad Company and Southern Pacific Rail Corporation are in receipt of a paper, dated February 12, 1998, entitled "Joint Petition of the Texas Mexican Railway Company and the Kansas City Southern Railway Company for Imposition of Additional Remedial Conditions Pursuant to the Board's Retained Oversight Jurisdiction" (TM-5/KCS-5). Applicants intend to oppose this Petition, and hope to file their reply in advance of the 20-day deadline under 12 C.F.R. § 1104.13(a). We presently expect to have our reply on file by no later than February 27.

Sincerely,

Arvid E. Roach II

cc: All Parties of Record



STB

FD

30760 Sub 26

2-1-99

J

AD 30760
Sub 26



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).

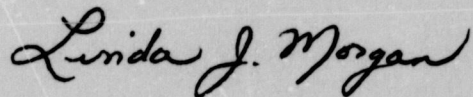
As you know, rail rates are not filed with the Board, and thus, we can not verify the extent to which rates to the Port of Brownsville are different from rates to other points or ports on the Gulf Coast. What we can say, however, is that any rate differential experienced by the Port of Brownsville *vis 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".

Linda J. Morgan

Phil Gramm
Texas

United States Senate

MEMORANDUM

Date: 12-1-98

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 Saverio

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 28 days as compared to 2 or 3 days for an ocean going vessel.

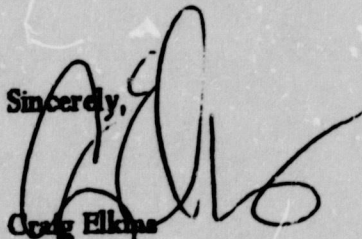
There are many Mexican flagged bulk carriers that would be happy to load in NOLA and unload at Brownsville if they could obtain an exemption or waiver to the Jones Act. Is there anything in the NAFTA agreement that would permit such an exemption or waiver?

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 Saverano

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