

STB FD

32760

(Sub 29)

12-17-98

J

TROUTMAN SANDERS LLP

ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

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

INTERNET: william.mullins@troutmansanders.com

WILLIAM A. MULLINS

FILE IN DOCKET

FD-32760

(Sub-No 26-30)

202-274-2953

December 16, 1998

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

RECEIVED
SURFACE TRANSPORTATION
BOARD
DEC 17 9 45 AM '98

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

Dear Chairman Morgan:

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

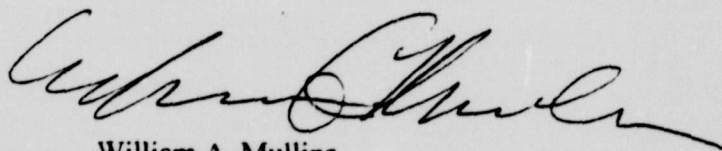
The attached letter from the principal executive officers of the parent companies of Tex Mex and KCS makes it abundantly clear that the only way to restore competition and add infrastructure is to lift the restriction placed on Tex Mex's trackage rights granted in the original UP/SP merger decision.

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

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

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

Sincerely,

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

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

Enclosure

cc: Vice Chairman Owen
Parties of Record

**Transportacion Maritima Mexicana
Kansas City Southern Industries**

Jose F. Serrano
Chairman and Chief Executive Officer
Transportacion Maritima Mexicana
Av. del la Cuspida 6735
Colonia Parque del Pedregal
Delegacion Tlalpam C.P.
Mexico 14040

London H. Rowland
Chairman, President and CEO
Kansas City Southern Industries
114 West 11th Street
Kansas City, MO 64105-1806

December 7, 1998

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

Dear Chairman Morgan:

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

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

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

Sincerely yours,

Jose F. Serrano

Sincerely yours,

London H. Rowland

STB FD 32760 • (Sub 29) 11-20-98 J MOCSS



Office of the Chairman

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

November 20, 1998

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

FD-32760 Sub 29

Re: Union Pacific Houston/Gulf Coast Oversight Proceeding

Dear Senator Roberts:

Thank you for your letter regarding the requests of a variety of interests to obtain additional access to customers served by the Union Pacific Railroad (UP) in the Houston/Gulf Coast area. In your letter, you note that there have been service problems in the recent past in the Houston area, and you suggest that the "Consensus Plan," under which UP's lines would be opened up to other railroads, would restore the competitive alignment that existed before the Union Pacific/Southern Pacific merger.

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

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

Sincerely,

Linda J. Morgan

Linda J. Morgan

PAT ROBERTS
KANSAS

302 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1805
202-224-4774

COMMITTEES:
ARMED SERVICES
AGRICULTURE
INTELLIGENCE
ETHICS

United States Senate

WASHINGTON, DC 20510-1605

November 2, 1998

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

OFFICE OF
LINDA J. MORGAN

NOV 5 2 10 PM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

Dear Ms. Morgan:

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

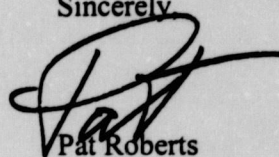
During our correspondence last year, I pointed out that Kansas relies upon railroads for the movement of agricultural commodities and manufactured goods in a timely and efficient manner. Last year, service problems in Houston greatly slowed down the ability to get Kansas grain to export facilities.

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

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

With every best wish,

Sincerely,



Pat Roberts

PR:ky

STB FD 32760 (Sub 29) 11-20-98 J MOCH



Office of the Chairman

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

November 20, 1998

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

FD-32760 Sub-29

Re: Union Pacific Texas/Gulf Coast Oversight Proceeding

Dear Congressman Green:

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

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

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

Sincerely,

Linda J. Morgan

Linda J. Morgan

GENE GREEN

29TH DISTRICT, TEXAS

- ☐ 2429 RAYBURN
WASHINGTON, DC 20515
(202) 225-1688
- ☐ 256 N. SAM HOUSTON PKWY. EAST
SUITE 29
HOUSTON, TEXAS 77060
(281) 999-5879
- ☐ 11811 I-10 EAST
SUITE 430
HOUSTON, TEXAS 77029
(713) 330-0761

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

November 2, 1998

COMMITTEE ON COMMERCE

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

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

Dear Ms. Morgan:

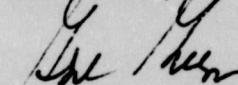
There is no doubt that the success of the petrochemical industry in Houston, one of the strongest in the world, relies on the strength of the railroad industry. After the merger of Union Pacific and Southern Pacific Railroads, the quality of rail service in Texas and the Gulf Coast deteriorated rapidly.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

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

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

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

Best Wishes,



Gene Green
Member of Congress

GG:krt

ORIGINAL FOR FILE

Nov 6 2 10 PM '98

RECEIVED
SURFACE TRANSPORTATION
BOARD

STB FD 32760 (Sub 29) 11-12-98 J 192277

The Rice Company

1624 Santa Clara Street, Suite 230
Roseville, California 95661
U.S.A.

Telephone (916) 784-7745
Telex 6730750 BLC UJW
Fax (916) 784-7681

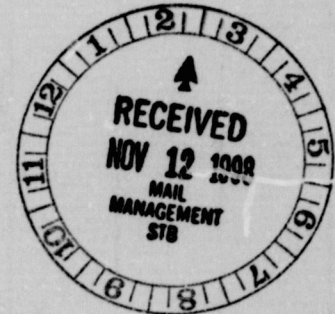


WHITE RICE • BROWN RICE • ROUGH RICE

November 3, 1998

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

F032760- SUB 29



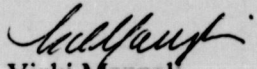
Dear Honorable Vernon A. Williams:

This letter is to lend support to the proposals being made by the Burlington Northern Santa Fe Railroad (BNSF) to reduce the rail congestion in the Gulf Coast area.

We, The Rice Company, believe that BNSF's proposed structural realignment proposal will restore the competitive situation at Laredo as it existed prior to the Union Pacific-Southern Pacific merger. We agree that BNSF should be allowed to seek overhead trackage rights on Union Pacific's line between San Antonio and Laredo. We believe if BNSF is allowed these trackage rights, it will reduce the rail congestion that has persisted in the Gulf Coast area for over a year.

Please feel free to contact us at Tel (916) 784-7745 if you have any questions.

Sincerely,


Vicki Manzoli
Operations Manager

ENTERED
Office of the Secretary

NOV 19 1998

Part of
Public Record

STB FD

32760

(Sub 29)

9-4-98

J

191010

191010

WRIGHT MATERIALS INC.

ENTERED
Office of the Secretary

ROUTE 1 - BOX 143
ROBSTOWN, TEXAS 78380

SEP - 9 1998

Part of
Public Record



August 28, 1998

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

FD 32760-SUB 29

RE: BNSF Trackage Rights request over UP San Antonio to
Laredo line

Dear Secretary Williams:

My name is Milus Wright and I am General Manager of Wright Materials, Inc. Wright Materials is a family business started in 1939 by my grandfather, M. P. Wright, Jr., to supply sand, gravel, and base materials to Corpus Christi, Laredo, and surrounding areas in South Texas. Since 1939 the demand for aggregate has doubled many times. In 1962, to meet this demand, Wright Materials located a materials deposit 90 miles west of Corpus Christi near The Texas Mexican Railway. In 1963 and 1964 we built a rail spur and processing plant on location. Since that time we have depended entirely on the Tex Mex Railway to furnish rail cars and move the loaded cars to Laredo, Corpus Christi, and points in between. During extreme shortages we have also sent material to the Houston area. Without the rail service to this plant we could not compete in our market. The 90 mile distance makes trucking a much more expensive and much less safe method of transportation. I feel, in the decision effecting the well being of The Tex Mex Railway, you should consider our already over crowded highway systems and the effect it would have should The Tex Mex Railway be forced to discontinue or even reduce the service they now afford our company. In the last six months Wright Materials has moved two thousand one hundred cars over the Texas Mexican Railway.

I, therefore, feel it is extremely important that in the ongoing oversight proceeding being conducted by the Surface Transportation board with respect to the Houston and Gulf Coast region, the Board not take any action that would impair Tex Mex's ability to continue to provide us with the rail service we rely on.

Sincerely,

Milus Wright
Milus Wright

I, Milus Wright, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

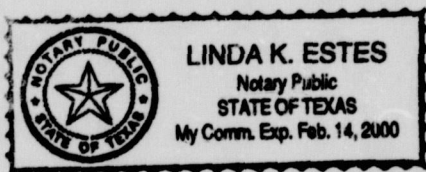
Executed on August 28, 1998.

Milus Wright
signature

Milus Wright
General Manager Wright Materials, Inc.
Rt. 1, Box 143
Robstown, TX 78380

STATE OF TEXAS

This instrument was acknowledged before me on August 28, 1998 by Milus Wright as General Manager of Wright Materials, Inc., a Texas corporation, on behalf of said corporation.



Linda K. Estes
Notary

My commission expires:
2-14-00

STB FD

32760

(Sub 29)

9-2-98

J

190986

ENTERED
Office of the Secretary

SEP - 9 1998

Part of
Public Record



FRANK BAILEY GRAIN CO., INC.

P.O. Box 510, Fort Worth, Texas 76101-0510 • (817) 731-6341 • Established 1924

SEPTEMBER 1, 1998

FD3760-SUB29



VERIFIED STATEMENT OF WILLIAM E. BAILEY, SECRETARY TREASURER

FRANK BAILEY GRAIN CO., INC.

The Burlington Northern - Santa Fe (BN-SF) has requested trackage rights over the Union Pacific (U.P.) from San Antonio, Texas to Laredo, Texas. Our company is strongly opposed to this request.

Frank Bailey Grain Co., Inc. buys milo and corn from the farmer and sells it into Mexico by rail. We have been exporting to Mexico by rail since 1980, so our business depends heavily on reliable and efficient rail service.

Generally, we export over 100,000 M.T. of milo and corn into Mexico per year and we rely entirely on the Tex-Mex Railway. The Tex-Mex is the only rail carrier serving our facilities and truck shipments are not feasible because of the distance between the origin and the destination.

The Tex-Mex Railway Co. has been in business for 123 years and has done a wonderful job of operating a class 3 railroad and taking care of their customers. They have competed admirably with the Union Pacific for Laredo bound traffic for over 100 years and have survived some tough times.

Before the STB approved the UP-SP merger, a large part of the Tex-Mex revenues came from the S.P. traffic to Laredo. For the past 1½ years (since the UP-SP merger), the Tex-Mex finally has been in a position where the BN-SF needs to move traffic across their line. This has been good for the Tex-Mex, but the BN-SF would rather have trackage rights from San Antonio to Laredo, Texas. If the STB approves these trackage

rights, you will take away another revenue source from the Tex-Mex. My concern is that if the STB continues to weaken the Tex-Mex, Frank Bailey Grain Co., Inc. will not have viable transportation to our Mexican Markets, thus causing us large financial loss.

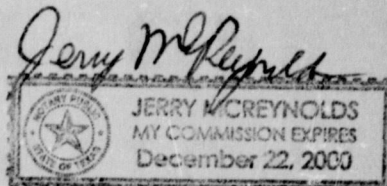
Currently Laredo Texas is a very competitive border crossing with the UP - SP and the Tex-Mex competing for the business. Only the BN - SF will profit from San Antonio - Laredo trackage rights.

Also BN - SF has Texas border crossings at Brownsville, Eagle Pass and El Paso. BN - SF is the only railroad serving the El Paso crossing.

Please deny BN - SF request for trackage rights from San Antonio to Laredo, Texas.

FRANK BAILEY GRAIN CO., INC.

William E. Bailey
by William E. Bailey



STB FD-32760 (SUB29) 8-7-98 J ID-190438

Mabe

ENTERED
Office of the Secretary

AUG 10 1998

Part of
Public Record



**DIRECCION DE DISTRIBUCION Y TECNOLOGIA DE INFORMACION
GERENCIA DE TRAFICO**

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

FD 32760 - SUB 29
July 24th, 1998.

Grupo Mabe, a holding company that gathers a group of plants in Mexico, dedicated to manufacture white appliances, stoves and refrigerators, requires different modes of transportation services. In fact, we use truck, rail, air and water services. But rail transportation plays a key roll for us to be able to have all our raw materials imported from both USA & Canada, and to ship our finished products too. The NAFTA has made our business grow dramatically and thus, the quality on transportation service has been very important for our company.

Since the merger of UP/SP in September of 1996, we started looking for new alternatives in order to receive our raw materials in time and in the most competitive market conditions. It is well known for you the fact the UP/SP merger has not brought ot us the competitive efficiencies, nor the improved service they promised to all the industries. On the contrary their service has been deteriorated since last summer, to the point that we have jeopardized our international business due to delays incurred in rail traffic via Union Pacific.

BSNF has been railroad alternative with good results. But they have not been able either to perform 100% on time, as their operations has been impacted by the UP service problems, mostly in the Texas area. As you have requested all interested parties to submit new proposals and file new conditions focused to remedy the service problem, we kindly request that BSNF obtains overhead trackage rights on UP's San Antonio - Laredo line, and that also obtain permanent bi-directional trackage right on Up's Cadwell - Flatonia - San Antonio and Cadwell - Flatonia Placedo Lines, in place of temporary trackage rights at present.

We believe that by approving these trackage rights, all parties involved, even the UP/SP will benefit from it, since they will hardly incur in congestion again, as there will be other company that will compete with them and will enforce that both companies become competitive and efficient if they participate in the market.

Sincerely, Yours

Arturo Chavez Rico

67247

Av. Insurgentes Sur 617 3er piso Col. Napoles C.P. 03180

STB FD_32760 (SUB29) 8-7-98 J ID-190437

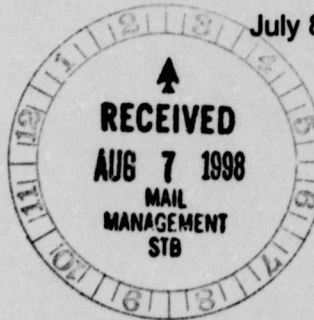


Kimberly-Clark de México, S.A. de C.V.

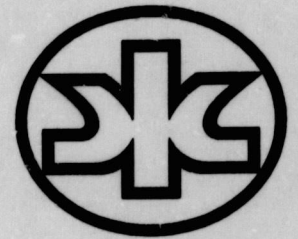
J 190 437

FO 32760-SUB 29

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



July 8th, 1998



Kimberly-Clark de México, S.A. de C.V. is a company dedicated to the manufacture of consumer and paper products which is located in the country of Mexico. In the course of our business we import into Mexico materials from the US and Canada which are transported via rail, truck and air services.

To handle our rail traffic into Mexico, we utilize a number of railroad companies which provide services to Laredo, Eagle Pass and other points in the US/Mexico border, these companies include the Burlington Northern Santa Fe (BNSF) railroad company.

The BNSF has requested us to evaluate and make a recommendation on a request presented to your office for overhead trackage rights on UP's San Antonio - Laredo line, and permanent bi-directional trackage rights on UP's Caldwell-Flatonia-San Antonio and Caldwell-Flatonia-Placedo line in place of temporary trackage rights.

We understand that the BNSF's request will promote healthy competition between the different railroad companies, providing customers with additional transportation options, increasing the available equipment to haul goods on the above mentioned tracks and increasing the overall efficiency and availability of railroad services.

Based on the above, we support BNSF's request to obtain the previously mentioned trackage rights.

I thank you in advance for your kind attention to this letter.

Sincerely Yours,

ENTERED
Office of the Secretary

AUG 10 1998

Part of
Public Record

c.c. P. Desdier

José M. Robles
Imported Raw Materials
Purchasing Manager

Oficinas Administrativas

José Luis LaGrange 103, Polanco, 11510 México D.F.
Tels: (915) 282-7300 Apdo. Postal 10-1003.
Telefax (915) 282 7272

STB FD

32760

(Sub 29)

8-7-98

J



VOLKSWAGEN DE MEXICO, S.A. DE C.V.



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

FD 32760 - SUB 29

Puebla, Pue. July 23, 1998.

Dear Mr. Vernon,

Since the merge of UP/SP we have experienced a lot of delays on our railroad business between the USA and Mexico, mainly because of the lack of competitiveness on rail transportation over the border of Laredo Tx./ Nuevo Laredo, Tamaulipas.

We believe that the UP/SP merger has not given us the opportunity to an "alternate competition" on rail transportation services to perform the traffic through the mentioned border as the STB envisioned when it approved the UP/SP merger.

Therefore, we support the idea that the BNSF obtains overhead trackage rights on UP's San Antonio - Laredo line, and also a permanent bi-directional trackage rights on UP's Caldwell - Flatonia - San Antonio and Caldwell - Flatonia Placedo lines, instead of the temporary trackage rights that the BNSF currently has.

We think that by approving these trackage rights, all parties involved, even the UP/SP, will benefit, since they will hardly incur in congestion again, having another company to compete with, and forcing both parties to become more efficient in order to remain strong in the market.

We thank you in advance for your attention to our request

Best regards

Francisco Torres
Transport Planning

STB FD 32760 (Sub 29) 8-7-98 J



VOLKSWAGEN DE MEXICO, S.A. DE C.V.



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

FD 32760 - SUB 29

Puebla, Pue. July 23, 1998.

Dear Mr. Vernon,

Since the merge of UP/SP we have experienced a lot of delays on our railroad business between the USA and Mexico, mainly because of the lack of competitiveness on rail transportation over the border of Laredo Tx./ Nuevo Laredo, Tamaulipas.

We believe that the UP/SP merger has not given us the opportunity to an "alternate competition" on rail transportation services to perform the traffic through the mentioned border as the STB envisioned when it approved the UP/SP merger.

Therefore, we support the idea that the BNSF obtains overhead trackage rights on UP's San Antonio - Laredo line, and also a permanent bi-directional trackage rights on UP's Caldwell - Flatonia - San Antonio and Caldwell - Flatonia Placedo lines, instead of the temporary trackage rights that the BNSF currently has.

We think that by approving these trackage rights, all parties involved, even the UP/SP, will benefit, since they will hardly incur in congestion again, having another company to compete with, and forcing both parties to become more efficient in order to remain strong in the market.

We thank you in advance for your attention to our request

Best regards

Francisco Torres
Transport Planning