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LAW OFFICES.

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SCOTT M. ZIMMERMAN

September 29, 1998

BY HAND

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

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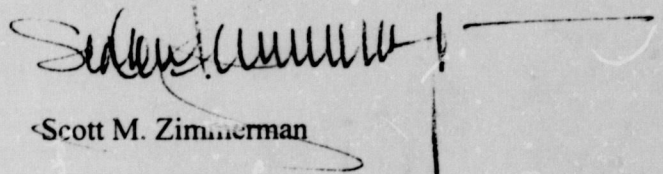
Re: Houston/Gulf Coast Oversight, Finance Docket No. 32760 (Sub-No. 26 et al.)

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding is the original and 25 copies of TM-19, "Errata to the Consensus Plan." Also enclosed is a computer disk containing the text of this pleading in WordPerfect 5.0.

Please date-stamp and return with our messenger the additional enclosed three copies of this pleading.

Sincerely,


Scott M. Zimmerman

Enclosures

ENTERED
Office of the Secretary

SEP 30 1998

Part of
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760 (Sub-Nos. 26-32)

ORIGINAL

TM-19



UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY

-- CONTROL AND MERGER --

SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC
TRANSPORTATION COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY
COMPANY, SPCSL CORP. AND THE DENVER
AND RIO GRANDE WESTERN RAILROAD COMPANY

HOUSTON/GULF COAST OVERSIGHT

ERRATA TO THE CONSENSUS PLAN

Tex Mex hereby submits the following errata to the Consensus Plan (TM-2, KCS-2, et al.) filed on July 8, 1998 by the Consensus Partners (the Chemical Manufacturers Association, the Society of the Plastics Industry, Inc., the Railroad Commission of Texas, the Texas Chemical Council, the Kansas City Southern Railway Company, and Tex Mex) in the Houston/Gulf Coast Oversight proceeding.

In preparing TM-17, Tex Mex's response and objections to the application for additional remedial conditions sought by the Burlington Northern and Santa Fe Railway Company, it was discovered that certain trackage rights car miles between Corpus Christi and Houston inadvertently were excluded from the rail traffic data from which the Base Case and Consensus Plan economic scenarios were derived. This omission caused a slight increase in the costs reflected under the Base Case, which in turn required a slight adjustment to the Consensus Plan economic evaluation. These adjustments were incorporated in the Base Case and Consensus

Plan economic data in the verified statement of Joseph J. Plaistow in TM-17, filed on September 18, 1998.¹

The following errata incorporate the same adjustments in the July 8, 1998 Consensus Plan filing.² These errata do not change, in any substantive way, the conclusions or analysis set forth in the Consensus Plan.

ERRATA

Page 257, Table 1

In the "1996 to Base Case" line, replace "\$4,389" with "\$4,863", and replace "\$4,384" with "\$3,910";

In the "Base Case to Consensus Plan" line, replace "39,551" with "39,083", and replace "15,793" with "15,325";

Page 259, Table 3

In the "1996 to Base Case" line, replace "\$4,389" with "\$4,863", and replace "\$4,384" with "\$3,910";

In the "Base Case to Consensus Plan" line, replace "39,551" with "39,083", and replace "15,793" with "15,325";

Page 274

Replace Exhibit No. JJP-3 with the attached revised Exhibit No. JJP-3;

Page 275

Replace Exhibit No. JJP-4 with the attached revised Exhibit No. JJP-4;

¹ See TM-17, Plaistow V.S. at 5, n.1. Hence, the exhibits to Mr. Plaistow's verified statement in TM-17 refer to the "revised" Base Case and Consensus Plan.

² Corresponding adjustments also would have been necessary to the Base Case economic data presented by Mr. Plaistow in TM-7/KCS-7, the Joint Petition of Tex Mex and KCS for the imposition of additional remedial conditions, filed on March 30, 1998 in Finance Docket No. 32760 (Sub-No. 21) (The "March 30 request"). However, formal errata to the Base Case numbers in Mr. Plaistow's testimony in that filing, and the recalculations that would be required to incorporate those revised Base Case numbers into Mr. Plaistow's economic analysis of the March 30 request, have been rendered moot, insofar as the economic analysis in the July 8 Consensus Plan supercedes that of the March 30 request.

Page 276

Replace Exhibit No. JJP-5 with the attached revised Exhibit JJP-5;

Page 277

Replace Exhibit No. JJP-6 with the attached revised Exhibit No. JJP-6;

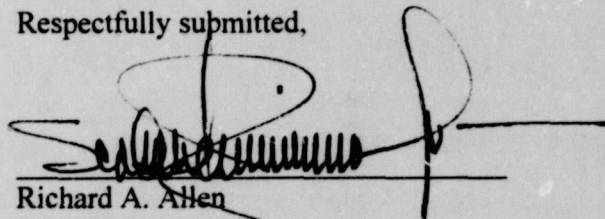
Page 278

Replace Exhibit No. JJP-7 with the attached revised Exhibit No. JJP-7;

Page 279

Replace Exhibit No. JJP-8 with the attached revised Exhibit No. JJP-8.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard A. Allen", is written over a horizontal line. The signature is stylized with a large, looped initial "R" and a long, horizontal stroke extending to the right.

Richard A. Allen

Scott M Zimmerman

ZUCKERT, SCOUTT & RASENBERGER, LLP

888 Seventeenth Street, NW

Suite 600

Washington, D.C. 20006

(202) 298-8660

Attorneys for the Texas Mexican Railway Company

Dated: September 29, 1998

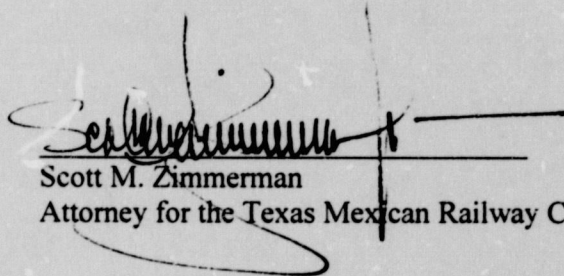
CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing "Errata to the Consensus Plan" was served this 29th day of September, 1998, by hand delivery upon The Honorable Stephen Grossman, by hand delivery upon the below-named counsel for Burlington Northern Santa Fe and Union Pacific, respectively:

Erika Z. Jones
Adrian L. Steel, Jr.
Kathryn A Kusske
Kelley E. O'Brien
Mayer, Brown & Platt
2000 Pennsylvania Avenue, N.W.
Washington, DC 20006

Arvid E. Roach II
J. Michael Hemmer
David L. Meyer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, DC 20044-7566

and by first class mail upon all other parties of record in the Houston/Gulf Coast Oversight proceeding, Finance Docket No. 32760 (Sub-No. 26 *et al.*).



Scott M. Zimmerman
Attorney for the Texas Mexican Railway Company

**Base Case
Balance Sheet
(Revised)**

Exhibit No. JJP-3
July 8, 1998

The Texas Mexican Railway Company

Description	December 31, 1996 Audited (000s) (a)	Adjustment Amount (000s) (b)	Adjusted Base Period Amount (000s) (c)
<u>Assets</u>			
Current Assets:			
1 Cash and cash equivalents	\$ 392	\$ 1,679	\$ 2,071
2 Investments	572		572
3 Net Accounts and Notes Receivable	6,663	168	6,831
4 Inventory	1,562		1,562
5 Due from Parent and Other related parties	912		912
6 Current deferred income taxes	984		984
7 Other	590		590
8 Total Current Assets	<u>\$ 11,675</u>	<u>\$ 1,847</u>	<u>\$ 13,522</u>
Properties:			
9 Equipment	23,481		23,481
10 Land, Buildings & improvements	18,931	13,643	32,574
11 Less accumulated depreciation	(17,870)	(222)	(18,092)
12 Net Properties	<u>\$ 24,542</u>	<u>\$ 13,421</u>	<u>\$ 37,963</u>
Other Assets:			
13 Investments in other partnership	3,889		3,889
14 Net other assets	1,099		1,099
15 Total Other Assets	<u>\$ 4,988</u>	<u>\$ -</u>	<u>\$ 4,988</u>
16 Total Assets	<u><u>\$ 41,205</u></u>	<u><u>\$ 15,268</u></u>	<u><u>\$ 56,473</u></u>
<u>Liabilities & Equities</u>			
17 Accounts Payable	\$ 1,912	\$ 487	\$ 2,399
18 Due to Parent and other related parties	410		410
19 Other accrued liabilities	4,344	1,034	5,378
20 Total current liabilities	<u>\$ 6,666</u>	<u>\$ 1,521</u>	<u>\$ 8,187</u>
21 Long Term Debt	3,800	11,524	15,324
22 Deferred Income Taxes	5,203		5,203
23 Total liabilities	<u>\$ 15,669</u>	<u>\$ 13,046</u>	<u>\$ 28,715</u>
Stockholder's equity:			
24 Common Stock	2,500		2,500
25 Additional paid in capital	981		981
26 Retained earnings	22,055	2,223	24,278
27 Total Stockholder's equity	<u>\$ 25,536</u>	<u>\$ 2,223</u>	<u>\$ 27,759</u>
28 Total Liabilities & Equity	<u><u>\$ 41,205</u></u>	<u><u>\$ 15,268</u></u>	<u><u>\$ 56,473</u></u>

**Base Case
Income Statement
(Revised)**

Exhibit No. JJP-4
July 8, 1998

The Texas Mexican Railway Company

<u>Description</u>	<u>December 31, 1996 Audited</u> (000s) (c)	<u>Adjustment Amount</u> (000s) (d)	<u>Adjusted Base Period Amount</u> (000s) (e)
Operating Revenues:			
1 Freight	\$ 18,107	9,032	\$ 27,139
2 Switching	554	276	830
3 Demurrage	550	274	824
4 Incidental	603	301	904
5 Uncollectible Accounts	(480)	(239)	(719)
6 Total Operating Revenues	<u>19,334</u>	<u>9,644</u>	<u>28,978</u>
Operating Expenses:			
7 Maintenance of Way & Structures	2,294	-	2,294
8 Maintenance of Equipment	1,720	931	2,651
9 Transportation	9,403	3,994	13,397
10 General & Administrative	3,343	388	3,731
11 Depreciation Expense	1,577	222	1,799
12 Loss (Gain) On Sale of Fixed Assets	25	(25)	-
13 Total Operating Expenses	<u>\$ 18,362</u>	<u>\$ 5,510</u>	<u>\$ 23,872</u>
14 Income (Loss) From Operations	\$ 972	\$ 4,135	\$ 5,107
15 Other Income & Expense Net	636	(878)	(242)
16 Income (Loss) before Income Taxes	<u>1,608</u>	<u>3,256</u>	<u>4,864</u>
17 Income Tax Rate			34%
18 Income Taxes	620	1,034	1,654
19 <u>Net Income (Loss)</u>	<u>\$ 988</u>	<u>\$ 2,223</u>	<u>\$ 3,210</u>

Base Case.
Sources and Applications of Funds
(Revised)

Exhibit No. JJP-5
 July 8, 1998

The Texas Mexican Railway Company

Description	December 31, 1996 Audited (000s) (a)	Adjustment Amount (000s) (b)	Base Period Adjusted (000s) (c)
<u>From Operating Activities:</u>			
1 Net Income (Loss)	\$ 988	2,223	3,210
2 Depreciation	1,577	222	1,799
3 Deferred Income Taxes	620	-	620
4 Equity Earnings - Partnership Investment	(477)		(477)
5 Dividend Distribution - Partnership Investment	556		556
6 Change in current assets - (Increase) or Decrease	(899)	(168)	(1,067)
7 Change in current liabilities - Increase or (Decrease)	(988)	1,521	533
8 Change in amounts due to/from parent and other related parties - Increase or (Decrease)	498		498
9 Net Cash Provided by Operating Activities	<u>1,875</u>	<u>3,797</u>	<u>\$ 5,672</u>
<u>From Investing Activities:</u>			
10 Purchases of Equipment & Improvements, net of gain or loss on disposition of fixed assets	(2,011)	(13,643)	\$ (15,654)
11 Proceeds from sale of investments	1,224		1,224
12 Investment in Long Term Assets	(1,099)		(1,099)
13 Net Cash Used by Investing Activities	<u>\$ (1,886)</u>	<u>\$ (13,643)</u>	<u>\$ (15,529)</u>
<u>From Financing Activities:</u>			
14 Long Term Debt Borrowings	-	11,524	11,524
15 Net Cash Provided by Financing Activities	<u>-</u>	<u>\$ 11,524</u>	<u>\$ 11,524</u>
16 Increase (Decrease) in Cash & Cash Equivalents	\$ (11)	\$ 1,679	\$ 1,668
17 Cash & Cash Equivalents at Beginning of Year	403		403
18 Cash & Cash Equivalents at End of Year	<u>\$ 392</u>	<u>\$ 1,679</u>	<u>\$ 2,071</u>

**Consensus Plan
Balance Sheet
(Revised)**

Exhibit No. JJP-6
July 8, 1998

The Texas Mexican Railway Company

Description	Adjusted Base Period Amount (000s)	Adjustment Amount (000s)	Year 1 After Change in Operations (000s)	Adjustment Amount (000s)	Year 2 After Change in Operations (000s)	Adjustment Amount (000s)	Year 3 After Change in Operations (000s)	Adjustment Amount (000s)	Normal Year After Change in Operations (000s)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Assets									
Current Assets:									
1 Cash and cash equivalents	\$ 2,071	\$ (1,719)	\$ 353	\$ 13,454	\$ 13,807	\$ 9,770	\$ 23,577	\$ 12,749	\$ 36,325
2 Investments	572		572		572		572		572
3 Net Accounts and Notes Receivable	6,831	155	6,986	775	7,761	103	7,864	-	7,864
4 Inventory	1,562		1,562		1,562		1,562		1,562
5 Due from Parent and Other related parties	912		912		912		912		912
6 Current deferred income taxes	984		984		984		984		984
7 Other	590		590		590		590		590
8 Total Current Assets	\$ 13,522	\$ (1,564)	\$ 11,959	\$ 14,229	\$ 26,188	\$ 9,873	\$ 36,061	\$ 12,749	\$ 48,809
Properties:									
9 Equipment	23,481		23,481		23,481		23,481		23,481
10 Land, Buildings & improvements	32,574	129,462	162,036	-	162,036	-	162,036	-	162,036
11 Less accumulated depreciation	(18,092)	(3,772)	(21,863)	(5,744)	(27,608)	(5,744)	(33,352)	(5,744)	(39,096)
12 Net Properties	\$ 37,963	\$ 125,691	\$ 163,653	\$ (5,744)	\$ 157,909	\$ (5,744)	\$ 152,165	\$ (5,744)	\$ 146,421
Other Assets:									
13 Investments in other partnership	3,889		3,889		3,889		3,889		3,889
14 Net other assets	1,099		1,099		1,099		1,099		1,099
15 Total Other Assets	\$ 4,988	\$ -	\$ 4,988	\$ -	\$ 4,988	\$ -	\$ 4,988	\$ -	\$ 4,988
16 Total Assets	\$ 56,473	\$ 124,127	\$ 180,600	\$ 8,485	\$ 189,085	\$ 4,129	\$ 193,214	\$ 7,004	\$ 200,218
Liabilities & Equities									
17 Accounts Payable	\$ 2,399	\$ 610	\$ 3,009	\$ 2,881	\$ 5,891	\$ 376	\$ 6,266	\$ (282)	\$ 5,984
18 Due to Parent and other related parties	410	2,000	2,410	(1,000)	1,410	(1,000)	410		410
19 Other accrued liabilities	5,378	(3,371)	2,007	3,834	5,841	712	6,553	1,112	7,665
20 Total current liabilities	\$ 8,187	\$ (761)	\$ 7,426	\$ 5,716	\$ 13,142	\$ 87	\$ 13,230	\$ 830	\$ 14,059
21 Long Term Debt	15,324	128,221	143,546	(1,342)	142,204	(1,450)	140,753	(1,475)	132,278
22 Deferred Income Taxes	5,203		5,203		5,203		5,203		5,203
23 Total liabilities	\$ 28,715	\$ 127,460	\$ 156,175	\$ 4,374	\$ 160,549	\$ (1,363)	\$ 159,186	\$ (646)	\$ 158,540
Stockholder's equity:									
24 Common Stock	2,500		2,500		2,500		2,500		2,500
25 Additional paid in capital	981		981		981		981		981
26 Retained earnings	24,278	(3,333)	20,945	4,110	25,055	5,492	30,547	7,650	38,197
27 Total Stockholder's equity	\$ 27,759	\$ (3,333)	\$ 24,426	\$ 4,110	\$ 28,536	\$ 5,492	\$ 34,028	\$ 7,650	\$ 41,678
28 Total Liabilities & Equity	\$ 56,473	\$ 124,127	\$ 180,600	\$ 8,485	\$ 189,085	\$ 4,129	\$ 193,214	\$ 7,004	\$ 200,218

**Consensus Plan
Income Statement
(Revised)**

Exhibit No. JJP-7
July 8, 1998

The Texas Mexican Railway Company

Description	Adjusted Base Period Amount (000s) (a)	Adjustment Amount (000s) (b)	Year 1 After Change in Operations (000s) (c)	Adjustment Amount (000s) (d)	Year 2 After Change in Operations (000s) (e)	Adjustment Amount (000s) (f)	Year 3 After Change in Operations (000s) (g)	Adjustment Amount (000s) (h)	Normal Year After Change in Operations (000s) (i)
Operating Revenues:									
1 Freight	\$ 27,139	\$ 8,302	\$ 35,441	\$ 41,508	\$ 76,948	\$ 5,534	\$ 82,483	\$ -	\$ 82,483
2 Switching	830	254	1,084	1,270	2,354	169	2,524	-	2,524
3 Demurrage	824	252	1,077	1,261	2,337	168	2,505	-	2,505
4 Incidental	904	276	1,180	1,382	2,563	184	2,747	-	2,747
5 Uncollectible Accounts	(719)	(201)	(921)	(1,006)	(1,926)	(134)	(2,060)	-	(2,060)
6 Total Operating Revenues	28,978	8,883	37,861	44,415	82,277	5,922	88,199	-	88,199
Operating Expenses:									
7 Maintenance of Way & Structures	2,294	384	2,678	491	3,169	-	3,169	-	3,169
8 Maintenance of Equipment	2,651	931	3,581	4,654	8,235	621	8,856	-	8,856
9 Transportation	13,397	5,204	18,601	25,460	44,061	3,347	47,407	(3,075)	44,332
10 General & Administrative	3,731	129	3,861	809	4,670	129	4,799	-	4,799
11 Depreciation Expense	1,799	1,973	3,772	1,973	5,744	-	5,744	-	5,744
12 Loss (Gain) On Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
13 Total Operating Expenses	\$ 23,872	\$ 8,621	\$ 32,493	\$ 33,386	\$ 65,879	\$ 4,096	\$ 69,975	\$ (3,075)	\$ 66,900
14 Income (Loss) From Operations	\$ 5,107	\$ 262	\$ 5,369	\$ 11,029	\$ 16,398	\$ 1,826	\$ 18,223	\$ 3,075	\$ 21,298
15 Other Income & Expense Net	\$ (242)	\$ (10,176)	\$ (10,419)	\$ 249	\$ (10,170)	\$ 267	\$ (9,902)	\$ 195	\$ (9,707)
16 Income (Loss) before Income Taxes	4,864	(9,914)	(5,050)	11,278	6,228	2,093	8,321	3,270	11,591
17 Income Tax Rate	34%		34%		34%		34%		34%
18 Income Taxes	1,654	(3,371)	(1,717)	3,834	2,117	712	2,829	1,112	3,941
19 Net Income (Loss)	\$ 3,210	\$ (6,543)	\$ (3,333)	\$ 7,443	\$ 4,110	\$ 1,381	\$ 5,492	\$ 2,158	\$ 7,650

**Consensus Plan
Sources and Applications of Funds
(Revised)**

Exhibit No. JJP-8
July 8, 1998

The Texas Mexican Railway Company

Description	Base Period Adjusted (000s) (a)	Year 1 After Change in Operations (000s) (b)	Year 2 After Change in Operations (000s) (c)	Year 3 After Change in Operations (000s) (d)	Normal Year After Change in Operations (000s) (e)
From Operating Activities:					
1 Net Income (Loss)	3,210	(3,333)	4,110	5,492	7,650
2 Depreciation	1,799	3,772	5,744	5,744	5,744
3 Deferred Income Taxes	620	-	-	-	-
4 Equity Earnings - Partnership Investment	(477)	-	-	-	-
5 Dividend Distribution - Partnership Investment	556	-	-	-	-
6 Change in current assets - (Increase) or Decrease	(1,067)	(155)	(775)	(103)	-
7 Change in current liabilities - Increase or (Decrease)	533	(2,761)	6,716	1,087	830
8 Change in amounts due to/from parent and other related parties - Increase or (Decrease)	498	2,000	(1,000)	(1,000)	-
9 Net Cash Provided by Operating Activities	\$ 5,672	\$ (477)	\$ 14,796	\$ 11,220	\$ 14,224
From Investing Activities:					
10 Purchases of Equipment & Improvements, net of gain or loss on disposition of fixed assets	\$ (15,654)	\$ (129,462)	\$ -	\$ -	\$ -
11 Proceeds from sale of investments	1,224	-	-	-	-
12 Investment in Long Term Assets	(1,099)	-	-	-	-
13 Net Cash Used by Investing Activities	\$ (15,529)	\$ (129,462)	\$ -	\$ -	\$ -
From Financing Activities:					
14 Long Term Debt Borrowings	11,524	128,221	(1,342)	(1,450)	(1,475)
15 Net Cash Provided by Financing Activities	\$ 11,524	\$ 128,221	\$ (1,342)	\$ (1,450)	\$ (1,475)
16 Increase (Decrease) in Cash & Cash Equivalents	\$ 1,668	\$ (1,719)	\$ 13,454	\$ 9,770	\$ 12,749
17 Cash & Cash Equivalents at Beginning of Year	403	2,071	352	13,807	23,576
18 Cash & Cash Equivalents at End of Year	\$ 2,071	\$ 352	\$ 13,807	\$ 23,576	\$ 36,325

STB FD 32760 (Sub 31) 9-16-98 A 191162

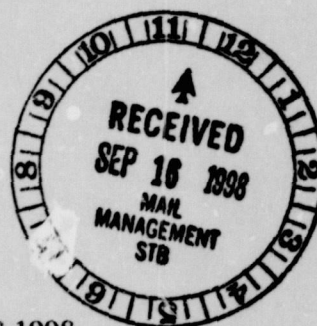
191162

HOUSTON AND GULF COAST RAILROAD
3203 AREBA
HOUSTON, TEXAS 77091

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

Re: Finance docket No.32760(sub No.31)

Sept. 8, 1998



Dear Secretary Williams:

Enclosed for filing are additions to the proposal for trackage rights and forced line sales for the Houston and Gulf Coast Railroad, totaling one original and twenty- six copies.

Sincerely,

Kenneth B. Cotton

ENTERED
Office of the Secretary

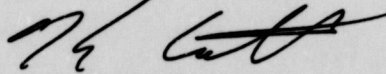
SEP 16 1998

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CERTIFICATE OF SERVICE

I verify that to the best of my knowledge and belief that the facts presented herein are true to the best of my knowledge and belief.

KENNETH B. COTTON

A handwritten signature in black ink, appearing to read 'K. B. Cotton', written over the printed name.

SEPTEMBER 8, 1998



BAY CITY - ALGOA TRACKAGE RIGHTS

The H & GC requests trackage and switching rights over the Union Pacific to give the H&GC a "back door Connection to the BNSF at Algoa,as well as provide SIT shippers in Angleton and Freeport with a more cost- effective option to store their cars than the Union Pacific can currently provide. Angleton Yard continues to be beyond capacity,impeding through traffic on this line. Union Pacific's nearest storage site is at Lloyd Yard in Spring,potentially a two to three day trip over the Union Pacific. Those same cars would be clear of the U.P. yards and stored the same day. Once the cars have been released by the shipper after being stored in Wharton, the cars will be enroute within eight hours after being requested by the shipper to the connecting railroad of their choice.

The H&GC requests that the STB to set the trackage rights fees at 3.84 mills per car-mile.

This line is run,with the exception of locals,run directionally northbound; the H&GC would seek to operate with the current of traffic,and operating against it when necessary.

The H&GC anticipates operating one round trip per day Bay City- Algoa.

With these trackage rights in place,SIT traffic is moved to storage quicker,and available sooner to any railroad the shipper wishes to route his traffic. These are options currently not available under the oppressive boot of the Union Pacific.

VICTORIA-ROSENBERG (CONDITIONAL)

Should the STB force the UP to sell its Victoria-Rosenberg line, the H&GC requests trackage rights on this line, with the ability to serve all local customers.

This line is of interest to Tex Mex primarily to route its through traffic from Houston and points east down to Mexico. Currently, there is no track on the right-of-way south of Wharton, and it must be reconstructed to provide service there.

Local traffic will be the focus of the H&GC, and providing short-haul service to shippers to Houston and Galveston, as well as provide SIT capacity for UP customers at Bloomington and Seadrift by taking these cars from Victoria and storing them at Wharton.

One round trip per day would operate Victoria-Rosenberg; as traffic grows, a Victoria to Houston train would be added that would terminate at PTR's Manchester Yard. This would provide a lower-cost competitor to bring traffic between Victoria and Houston, and to provide necessary options for all rail customers.

The H&GC also requests that the STB set trackage rights compensation at 3.84 mills per car-mile

SIT STORAGE AND TRANSPORTATION

The Gulf Coast plastics and chemicals industry rely heavily on the ability to "warehouse" its products before they are sold; this ability allows them to maintain full production while having enough product to sell to its clients.

Storage-in-transit(SIT) facilities allow companies to keep products,usually plastic resins and some chemicals,ready to go as soon as the shipment is billed to its destination.

This system under the UP/SP merger has suffered from its inability to move loaded cars out to storage or destination,and spot the facilities with empty cars.These resultant failures have forced the plastic and chemical manufacturers to shut down and have cost the plastics industry hundreds of millions of dollars since the merger.

To add insult to injury,the UP controls all but one of the major SIT storage yards in the Houston/Gulf Coast area.During the implosion,moving plastic cars from plants to storage was measured in weeks,not days.The system congealed and collapsed under the weight.

In UP's week 40 report,the railroad admitted that there were more than 1,500 cars on its system destined for storage that they had no room for at its facilities.These cars are thereby taking up valuable yard space,causing delays to customers and setting up the recipe for continued disaster for its customers.

Also,plastic shipper are restricted from using what may be their carrier of choice because of a lack of neutral SIT facilities and the lack of room at rail-owned facilities.

The H&GC proposes a solution to this problem.The H&GC proposes to set up two sites for SIT storage: one near Bay City,Texas,to serve customers in the Bloomington,Angleton,and Victoria areas and one in Galveston to serve the Houston/Texas City area.The H&GC would pick up cars from the Class Ones at Victoria,Algoa,Rosenberg,and the PTRA in Houston and store them at the nearest facility.Plastic shippers could then bill and route their traffic on the carrier of their choice and not be bound by UP restraints on routing of cars.H&GC's neutral SIT yards would provide needed capacity in the Gulf Coast area,while providing plastic companies latitude in routing and pricing their products,while while providing accessibility to all rail carriers in the area.

Also with the institution of this plan,Tex Mex has no need to build its own storage and classification yard between Rosenberg and El Campo;it is already in existence and ready to serve in its described function.

Should the STB adopt the H&GC's plan,H&GC would immediately provide room for 300 cars near Bay City,and another 500 in Galveston,Texas.The Galveston and Bay City yards have the room to expand to cover another 2,000 cars,reaching a capacity of more than 3,000 cars.

The cost of providing these cars these extra two thousand cars of room in estimated at \$2.5 million dollars.In contrast,the UP wishes to construct a new SIT yard with 1,000 car capacity for \$23 million.This yard would be constructed in the already woefully congested Strang/Bayport area.This would cause wo other readily apparent problems;one,the yard would still be under UP control,and two,this enourmous cost would be passed on to the shipper,then down to the customer.

Providing a smooth link between producers and consumers is what a railroad is supposed to be about,and the H&GC is committed to that end.

To make that smooth link happen,the H&GC would make up the cars released by the customers and block them in the manner requested by the customer.Since much of this traffic moves to eastern connections,the H&GC would move cars to either Congress Yard

or PTRAs Manchester Yard to be picked up by the Class Ones. Occasionally, these trains may operate to other PTRAs yards or to the Class One facility. This would be determined by yard capacity and traffic patterns.

In using H&GC's operating plan, these cars stay out of Houston's busy yards and congestion, while providing a neutral facility so that shippers have a choice in the carrier that they use, and faster car cycle times to return empty cars faster and move loads through to their respective destinations..

STB FD-32760 (SUB31) 8-3-98 A ID-190342

FILING FEE WAIVED

190342

HOUSTON AND GULF COAST RAILROAD
3203 AREBA
HOUSTON, TEXAS 77091

PERSONAL AND CONFIDENTIAL

Vernon Williams
Secretary, Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 24023



~~FD 32760-5~~
FD 32760-SUB 31

LETTER FOR PETITION AND WAIVER OF FILING FEES

Dear Secretary Williams:

The Houston and Gulf Coast Railroad is requesting a waiver of filing fees for the relief sought in the accompanying letter. The Houston and Gulf Coast is requesting this waiver of filing fees because such fees would create an undue burden to our operations and severely restrict our ability to conduct business.

The H&GC is also requesting permission to late file this application to the STB to provide relief to the congestion in the Gulf Coast area.

ENTERED
Office of the Secretary

AUG - 3 1998

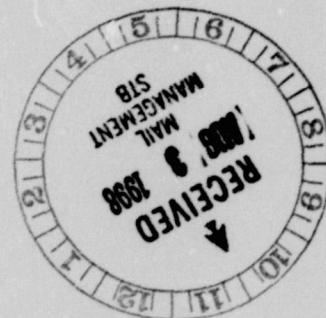
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Public Record

FILED

AUG - 3 1998

SURFACE
TRANSPORTATION BOARD

HOUSTON AND GULF COAST RAILROAD
3203 AREBA
HOUSTON, TEXAS 77091



PERSONAL AND CONFIDENTIAL

Vernon Williams
Secretary, Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20023

FD 33645

APPLICATION FOR TRACKAGE RIGHTS AND FORCED LINE SALES

The Houston and Gulf Coast Railroad is asking the Surface Transportation Board for the following relief to help alleviate congestion and provide competition on the Gulf Coast as a result of the Union Pacific-Southern Pacific merger:


1. Grant Houston and Gulf Coast Railroad trackage rights on the Union Pacific between Wharton, Texas and Rosenberg, Texas and to allow interchange with the BNSF at Rosenberg, Texas.
2. If the Wharton-Rosenberg section and the Wharton-Victoria section is sold to Tex-Mex, the H&GC is requesting trackage rights from Victoria to Rosenberg on Tex-Mex, with switching rights between Victoria and Rosenberg, Texas and to interchange with the Tex-Mex, BNSF, and UP at Victoria:
3. Grant H&GC trackage rights on the Union Pacific between Rosenberg, Texas and Houston, Texas via West Junction with access to PTR, New South Yard, Englewood and Settegast Yards:
4. Grant trackage rights to the H&GC on the Union Pacific between Bay City, Texas and Alcoa, Texas to interchange with the BNSF at Alcoa:
5. Compel the Union Pacific to sell its trackage from Congress Yard in Houston, Texas to M.P. 233.0 in Galveston, Texas to the Houston and Gulf Coast Railroad. This would also include rights over the lift bridge at Galveston, Texas. The H&GC is also requesting that the STB compel the Union Pacific to interchange all Galveston bound grain trains at Congress Yard in Houston, Texas or Rosenberg, Texas to the Houston and Gulf Coast Railroad. The H&GC also requests access to the Texas City Terminal Railway at Texas City, Texas.
6. Compel the Union Pacific to sell its trackage on the former Southern Pacific Galveston Subdivision from M.P. 38.8 to M.P. 55.6 with trackage rights over the lift bridge at Galveston, Texas

Should the STB grant the H&GC's request, these measures would allow:

- A. True competition on the Gulf Coast:
- B. Give the Houston and Gulf Coast access to the ports of Houston, Galveston, and Texas City to provide its shippers more cost-effective and timely service that can be currently provided:
- C. Provide crucial SIT facilities for the plastic manufacturers in the Gulf Coast area, as well as provide facilities closer to the sites that need them. Given the economies of short-line railroad operation, including relaxed work-rules which blur craft distinctions and more responsive customer relations, service would markedly improve in the Gulf Coast area, allowing the BNSF, UP, and Tex-Mex to do what they do best - handle freight long distances while leaving local haulage and switching to small railroads which gives closer links to customers and better co-ordination to optimize traffic flows into, and out of, the Gulf Coast area.

Should you have any questions, please feel free to contact me at any time. My phone number is 713-682-8458.

Sincerely,



Kenneth B. Cotton