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Finance Docket No. 32760, VOLUME 5

16.

Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760

ENTERED
Office of the Secretary

NOV 30 1995

Part of
Public Record

FILED

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY
— CONTROL AND MERGER —

NOV 30 1995 SOUTHERN PACIFIC RAIL CORPORATION,
SOUTHERN PACIFIC TRANSPORTATION COMPANY, ST. LOUIS
SOUTHWESTERN RAILWAY COMPANY, SPCSL CORP. AND THE
INTERSTATE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY
COMMERCE COMMISSION

RAILROAD MERGER APPLICATION

VOLUME 5

RELATED APPLICATIONS, PETITIONS
FOR EXEMPTION, AND NOTICES OF EXEMPTION

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CANNON Y. HARVEY
LOUIS P. WARCHOT
CAROL A. HARRIS
GARY A. LAAKSO
Southern Pacific Transportation
Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

PAUL A. CUNNINGHAM
RICHARD B. HERZOG
JAMES M. GUINIVAN
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7600

*Attorneys for Southern Pacific
Rail Corporation, Southern
Pacific Transportation Company,
St. Louis Southwestern Railway
Company, SPCSL Corp. and The
Denver and Rio Grande Western
Railroad Company*

CARL W. VON BERNUTH
RICHARD J. RESSLER
Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, Pennsylvania 18018
(610) 861-3290

JAMES V. DOLAN
PAUL A. CONLEY, JR.
ROBERT T. OPAL
LOUISE A. RINN
JEANNA L. REGIER (Registered Practitioner)
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-5000

ARVID E. ROACH II
J. MICHAEL HEMMER
MICHAEL L. ROSENTHAL
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

*Attorneys for Union Pacific
Corporation, Union Pacific
Railroad Company and Missouri
Pacific Railroad Company*

November 30, 1995

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Before the
INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 32760 (SUB-NO. 1)

UNION PACIFIC RAILROAD COMPANY,
MISSOURI PACIFIC RAILROAD COMPANY,
SOUTHERN PACIFIC TRANSPORTATION COMPANY,
ST. LOUIS SOUTHWESTERN RAILWAY COMPANY, SPCSL CORP. AND
THE DENVER & RIO GRANDE WESTERN RAILROAD COMPANY
-- TRACKAGE RIGHTS EXEMPTION --
BURLINGTON NORTHERN RAILROAD COMPANY AND
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

NOTICE OF EXEMPTION FOR TRACKAGE RIGHTS

The exempt trackage rights in this proceeding are related to, and contingent upon, the UP/SP merger proposed in Finance Docket No. 32760.

On September 25, 1995, UP/SP reached an agreement with Burlington Northern Railroad Company and The Atchison, Topeka and Santa Fe Railway Company (collectively referred to as "BN/Santa Fe") under which BN/Santa Fe would receive overhead trackage rights and local trackage rights on UP and SP lines, in order, among other things, to access shippers at points in the states of Utah, Nevada, California, Texas, Louisiana and Arkansas receiving rail services from UP and SP and no other railroad. Also, UP/SP retained trackage rights on lines to be sold to BN/Santa Fe in California, Texas and Louisiana. BN/Santa Fe granted to UP/SP overhead and local trackage rights in Oregon, California and Wisconsin. The trackage rights will be effective when UP/SP receive and exercise control authority as requested in Finance Docket No. 32760.

BN/Santa Fe will not file a responsive application in Finance Docket No. 32760 with respect to the trackage rights involved herein.

This Notice of Exemption for Trackage Rights, with accompanying Verifications, is submitted for exempt trackage rights that involve UP grants to BN/Santa Fe, SP grants to BN/Santa Fe, and BN/Santa Fe grants to UP/SP. The trackage rights transactions are for bridge rights for movement of overhead traffic, with local access as specified.

The Commission's class exemption for trackage rights, 49 C.F.R. § 1180.2(d)(7), applies to trackage rights such as these if the class exemption criteria are met. Railroad Consolidation Procedures -- Trackage Rights Exemption, 1 I.C.C.2d 270, (1985), aff'd sub nom. Illinois Commission Comm'n v. ICC, 819 F.2d 311 (D.C. Cir. 1987). Because a written agreement forms the basis of these trackage rights and the trackage rights are not being filed or sought in a responsive application in a rail consolidation proceeding, the Commission's exemption criteria are met.

Pursuant to the Commission's regulations at 49 C.F.R. § 1180.4(g), in order to qualify for an exemption, a verified Notice of Exemption must be filed with the Commission containing the information in 49 C.F.R. § 1180.6(a)(1)(i)-(iii), (a)(5)-(6), and (a)(7)(ii), and indicating the level of labor protection to be imposed. Responses to the requirements are provided below.

Section 1180.6(a)(1) - Description of Proposed Transaction

Descriptions of the exempt trackage rights at station points are as follows:

Western Trackage Rights

UP Grants to BN/Santa Fe

- Salt Lake City, UT - Ogden, UT
- Salt Lake City, UT - Alazon, NV
- Alazon, NV - Weso, NV
- Weso, NV - Stockton, Ca
- Riverside, CA - Ontario, CA
- Basta, CA - Fullerton, CA -
La Habra, CA

SP Grants to BN/Santa Fe

- Denver, CO - Salt Lake City, UT
- Ogden, UT - Little Mountain, UT
- Alazon, NV - Weso, NV
- Weso, NV - Oakland, CA
(via Sacramento and Oakland, CA
via "Cal-P" line)
- Oakland, CA - San Jose, CA

The above trackage rights are bridge rights for the movement of overhead traffic only, except for local access to industries served by UP and SP and no other railroad at the points specified below:

- Provo, UT
- Salt Lake City, UT
- Ogden, UT
- Ironton, UT
- Gatex, UT
- Pioneer, UT
- Garfield/Smelter/Magna, UT
(access to Kennecott private railway)
- Geneva, UT
- Clearfield, UT
- Woods Cross, UT
- Relico, UT
- Evona, UT
- Little Mountain, UT
- Weber Industrial Park, UT
- Points on paired track from
Weso, NV - Alazon, NV
- Reno, NV (intermodal and
automotive only)
- Herlong, CA

- Johnson Industrial Park at
Sacramento, CA
- Farmers Rice at West
Sacramento, CA
- Port of Sacramento, CA
- Points between Oakland, CA and
San Jose, CA (including
Warm Springs, CA,
Fremont, CA,
Shirin, CA,
Elmhurst, CA,
Kohler, CA, and
Melrose, CA)
- San Jose, CA
- Ontario, CA
- La Habra, CA
- Fullerton, CA
- Access to the Oakland Joint
Intermodal Terminal ("JIT"),
or similar public intermodal
facility, at such time as the
JIT is built.

South Texas Trackage Rights

UP Grants to BN/Santa Fe

- Ajax, TX - San Antonio, TX
- Houston, (Algoa) TX - Brownsville, TX
- Odem, TX - Corpus Christi, TX
- Ajax, TX - Sealy, TX
- Kerr, TX - Taylor, TX
- Temple, TX - Waco, TX
- Temple, TX - Taylor, TX
- Taylor, TX - Smithville, TX

SP Grants to BN/Santa Fe

- San Antonio, TX - Eagle Pass, TX
- El Paso, TX - Sierra Blanca, TX

The above trackage rights are bridge rights for the movement of overhead traffic only, except for the local access to industries served by UP and SP and no other railroad at the points specified below:

- Brownsville, TX
- Port of Brownsville, TX
- Harlingen, TX
- Corpus Christi, TX
- Port of Corpus Christi, TX
- Sinton, TX
- San Antonio, TX
- Halsted, TX (LCRA plant)
- Waco, TX
- Points on Sierra Blanca, TX - El Paso, TX, line

Eastern Texas/Louisiana Trackage Rights

UP Grants to BN/Santa Fe

- Avondale, LA - West Bridge Jct., LA
- West Bridge Jct., LA (MP 10.2) - Westwego, LA intermodal facility (MP 9.2)

SP Grants to BN/Santa Fe

- Houston, TX - Iowa Jct., LA
- Dayton, TX - Baytown, TX
- Avondale, LA (milepost 16.9) - West Bridge Jct. (milepost 10.5), LA
- Bridge No. 5-A at Houston, TX

The above trackage rights are bridge rights for the movement of overhead traffic only, except for the local access to industries served by UP/SP and no other railroad at the points listed below:

- Baytown, TX
- Amelia, TX
- Orange, TX
- Mont Belvieu, TX (Amoco, Exxon and Chevron plants)
- Eldon, TX (Bayer plant)
- Harbor, LA

Houston, TX, to Memphis, TN, Trackage Rights

UP Grants to BN/Santa Fe

- Fair Oaks, AR - Bridge Jct., AR
- North Little Rock, AR - Pine Bluff, AR

SP Grants to BN/Santa Fe

- Houston, TX - Fair Oaks, AR via Cleveland, TX - Pine Bluff, AR
- Brinkley, AR - Briark, AR

The above trackage rights are bridge rights for the movement of overhead traffic only, except for the local access to industries served by UP/SP and no other railroad at the points listed below.

- Camden, AR
- Pine Bluff, AR
- Fair Oaks, AR
- Baldwin, AR
- Little Rock, AR
- North Little Rock, AR
- East Little Rock, AR
- Forrest City, AR

St. Louis Area Coordinations

UP Grant to BN/Santa Fe

- St. Louis, MO (Grand Avenue - Gratiot Street) (overhead rights only)

BN/Santa Fe Grants to UP/SP

- Chemult, OR - Bend, OR (overhead rights only)
- Barstow, CA - Mojave, CA (overhead rights only)
- Keddie, CA - UP MP 0 to MP 2 (to turn equipment) (UP/SP will retain trackage rights between these mileposts over the Bieber-Keddie line to be sold to BN/Santa Fe)^{1/}
- Dallas, TX - Waxahachie, TX (overhead rights and exclusive right to serve local industries) (UP/SP will retain trackage rights after sale of the line to BN/Santa Fe)^{1/}
- Iowa Jct., LA - Avondale, LA (overhead rights and the right to serve all local industries, with right for Louisiana and Delta Railroad to serve as UP/SP's agent between Iowa Jct. and points served by L&D) (UP/SP will retain trackage rights after sale of the line to BN/Santa Fe)^{1/}
- West Memphis-Presley Jct., AR (overhead rights only)
- Saunders, WI - Superior, WI (overhead rights only with access to MERC Dock in Superior)
- Pokegama connection at Saunders, WI (i.e., the southwest quadrant connection at Saunders, including the track between BN MP 10.43 and MP 11.14)

Section 1180.6(a)(1)(i) - Summary of the proposed transaction, the name of applicants, their business address and telephone number, and the name of counsel to whom questions can be addressed.

The trackage rights total approximately 1,727 miles on UP, 2,241 miles on SP and 376 miles on BN/Santa Fe in the states of California, Colorado, Arkansas, Louisiana, Missouri, Nevada, Oregon, Texas, Utah and Wisconsin.

The exact names and addresses of the parties are:

Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179

^{1/} Sales of these lines to BN/Santa Fe are the subject of a Petition For Exemption in Finance Docket No. 32760 (Sub-No.2).

Southern Pacific Transportation Company
St. Louis Southwestern Railway Company
SPCSL Corp.
The Denver & Rio Grande Western Railroad Company
Southern Pacific Building
One Market Plaza
San Francisco, California 94105

Burlington Northern Railroad Company
The Atchison, Topeka and Santa Fe Railway Company
6th Floor
1700 East Golf Road
Schaumburg, Illinois 60173-5860

Questions regarding this transaction are to be addressed to the
representatives named below:

Paul A. Conley, Jr.
Assistant Vice President-Law
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street, #830
Omaha, Nebraska 68179
Tel. (402) 271-4229

Louis P. Warchot
Associate General Counsel
Southern Pacific Transportation Company
St. Louis Southwestern Railway Company
SPCSL Corp.
The Denver & Rio Grande Western Railroad Company
One Market Plaza
San Francisco, California 94105
Tel. (415) 541-1754

Richard E. Weicher
Vice President and General Counsel
Burlington Northern Santa Fe Corporation
6th Floor
1700 East Golf Road
Schaumburg, Illinois 60173-5860
Tel. (708) 995-6887

Section 1180.6(a)(1)(ii) - Consummation Date

The transactions will be consummated as soon as possible upon the effectiveness of an order authorizing the merger and control being sought in Finance Docket No. 32760. Unless the Commission provides otherwise, the effective date of such an order is 30 days after service of the order. See 49 C.F.R. § 1115.3(f)(1).

Section 1180.6(a)(1)(iii) - Purpose of the Transaction

The principal purpose of the trackage rights granted to BN/Santa Fe by UP is to preserve rail competition for various shipper facilities which are presently served only by UP and SP, and which would otherwise go from two serving railroads to one upon merger of UP and SP. An additional purpose of such rights is to enhance the efficiency and competitiveness of the BN/Santa Fe system. The purpose of the trackage rights granted to UP/SP by BN/Santa Fe is to enhance the efficiency and competitiveness of the UP/SP system.

Section 1180.6(a)(5) - List of States

Following are the states in which any part of the real property of each railroad carrier is situated:

<u>State</u>	<u>Rail Carrier(s)</u>	<u>State</u>	<u>Rail Carrier(s)</u>
AL	BN/Santa Fe	MO	UP, SP, BN/Santa Fe
AR	UP, SP, BN/Santa Fe	MT	UP, BN/Santa Fe
AZ	SP, BN/Santa Fe	ND	BN/Santa Fe
CA	UP, SP, BN/Santa Fe	NE	UP, BN/Santa Fe
CO	UP, SP, BN/Santa Fe	NM	SP, BN/Santa Fe
FL	BN/Santa Fe	NV	UP, SP
ID	UP, BN/Santa Fe	OK	UP, SP, BN/Santa Fe
IL	UP, SP, BN/Santa Fe	OR	UP, SP, BN/Santa Fe
IA	UP, BN/Santa Fe	SD	UP, BN/Santa Fe

State Rail Carrier(s)

KS UP, SP, BN/Santa Fe
KY BN/Santa Fe
LA UP, SP, BN/Santa Fe
MI UP
MN UP, BN/Santa Fe
MS BN/Santa Fe

State Rail Carrier(s)

TN UP, SP, BN/Santa Fe
TX UP, SP, BN/Santa Fe
UT UP, SP
WA UP, BN/Santa Fe
WI UP, BN/Santa Fe
WY UP, BN/Santa Fe

Section 1180.6(a)(6) - Map (Exhibit 1)

Two maps are attached as Exhibit 1. One map depicts the rights granted to UP/SP together with the proposed UP/SP system. The other map depicts the rights granted to the BN/Santa Fe system.^{2/}

Section 1180.6(a)(7)(ii) - Agreement (Exhibit 2)

Attached as Exhibit 2 is the Agreement, including the Supplemental Agreement dated November 18, 1995, which governs the grants of trackage rights.

Section 1180.4(g)(1)(i) - Labor Protection

The parties are agreeable to the labor protection conditions generally imposed in trackage rights proceedings as found in Norfolk & Western Ry. -- Trackage Rights -- Burlington Northern R.R., 354 I.C.C. 605 (1978), as modified by Mendocino Coast Ry. -- Lease Operate -- California Western R.R., 360 I.C.C. 653 (1980).

^{2/} As required by 49 C.F.R. & 1180.6(a)(6), the parties are submitting 20 unbound copies of each of these maps. If additional unbound maps are needed, they are available upon request from the above-named counsel.

Section 1180.4(g)(2)(i) - Caption Summary

Environmental impacts associated with trackage rights proceedings generally are considered to be insignificant. Therefore, an environmental report and documentation normally need not be submitted for these types of transactions, pursuant to 49 C.F.R. § 1105.6(c)(4).

A proposed caption summary is submitted as Exhibit 3.

Respectfully submitted,

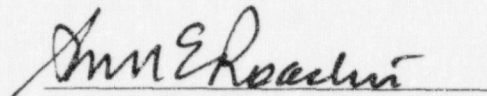
Jeffrey R. Moreland
Richard E. Weicher
Michael A. Smith
1700 East Golf Road
6th Floor
Schaumburg, IL 60173-5860
(708) 995-3887

Attorneys for Burlington Northern
Railroad Company and The Atchison,
Topeka & Santa Fe Railway Company

Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Gary A. Laakso
Southern Pacific Building
One Market Plaza, Room 846
San Francisco, CA 94105
(415) 541-1785

Attorneys for Southern Pacific Rail
Corporation, Southern Pacific
Transportation Company, St. Louis
Southwestern Railway Company,
SPCSL Corp. and The Denver and
Rio Grande Western Railroad Company

James V. Dolan
Paul A. Conley, Jr.
Joseph D. Anthofer
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, NE 68179
(402) 271-5000



Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for Union Pacific Railroad
Company and Missouri Pacific
Railroad Company

VERIFICATION

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

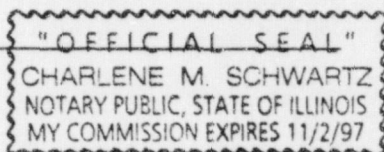
Richard E. Weicher, Vice President and General Counsel of Burlington Northern Santa Fe Corporation, being first duly sworn, deposes and says that he has read the foregoing Notice of Exemption in Finance Docket No 32760 (Sub-No. 1), knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.

Richard E. Weicher
Richard E. Weicher

Subscribed and sworn to before me this
13th day of November, 1995.

Charlene M. Schwartz
Notary Public

My Commission Expires:



VERIFICATION

STATE OF COLORADO)
COUNTY OF DENVER)

William F. Fowler, Managing Director Contracts and Joint Facilities of SP, being first duly sworn, deposes and says that he has read the foregoing Notice of Exemption in Finance Docket No. 32760 (Sub-No. 1) that he knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.

William E. Fowler
William E. Fowler

Subscribed and sworn to before me this 7th day of November 1995.

Norma J. Semerly
Notary Public

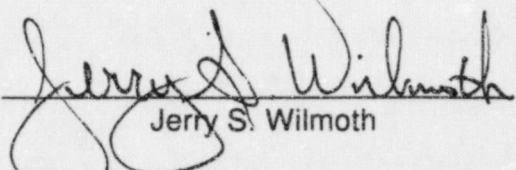
My Commission Expires:

November 20, 1999

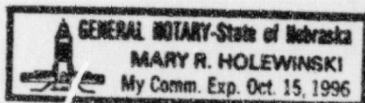
VERIFICATION

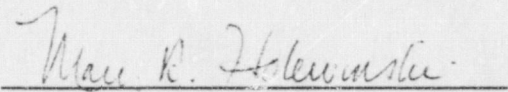
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

Jerry S. Wilmoth, Director Joint Facilities of UP, being first duly sworn, deposes and says that he has read the foregoing Notice of Exemption in Finance Docket No. 32760 (Sub-No. 1), knows the contents thereof, and that the same are true as stated to the best of this knowledge, information and belief.


Jerry S. Wilmoth

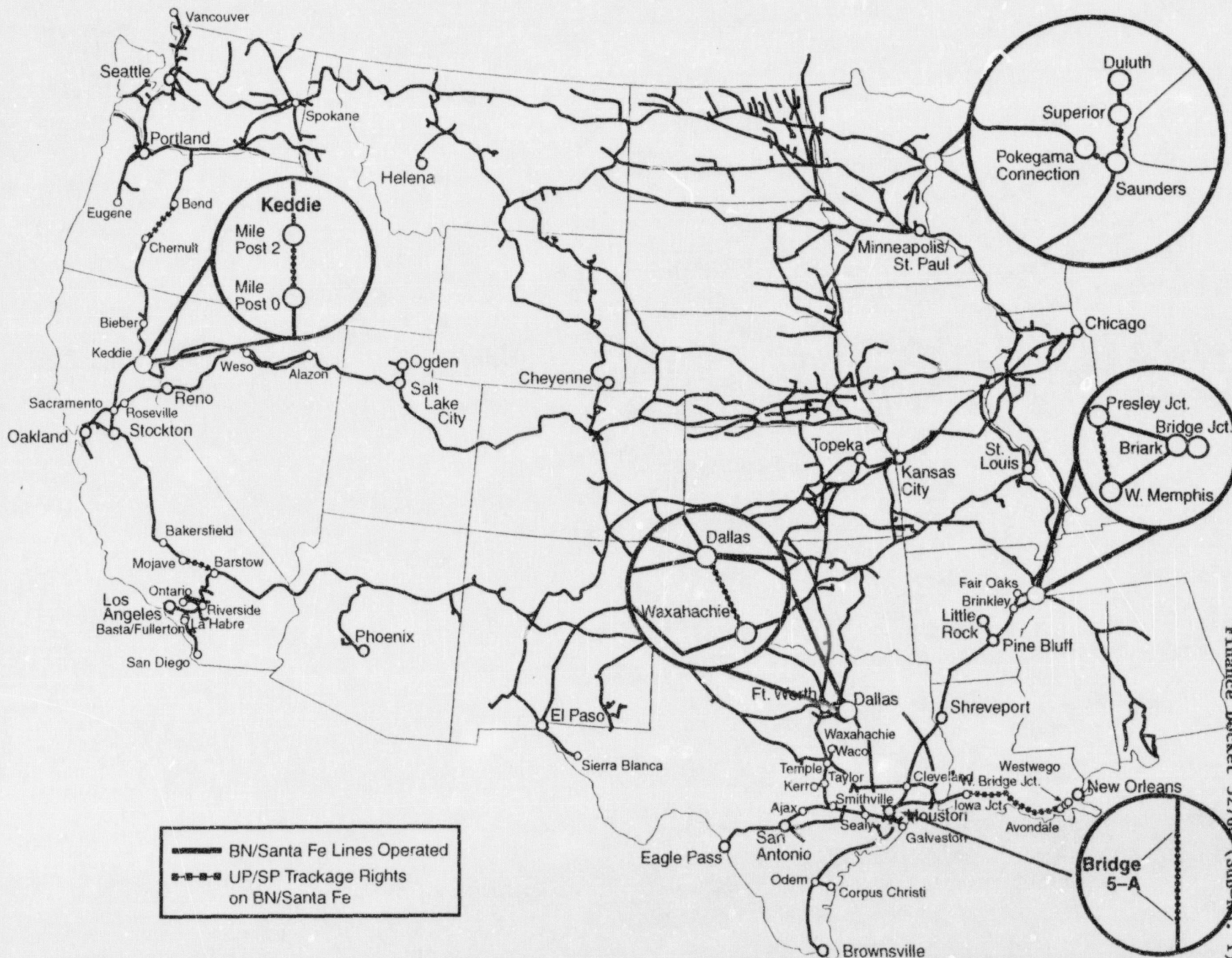
Subscribed and sworn to before me this 15TH day of November, 1995.

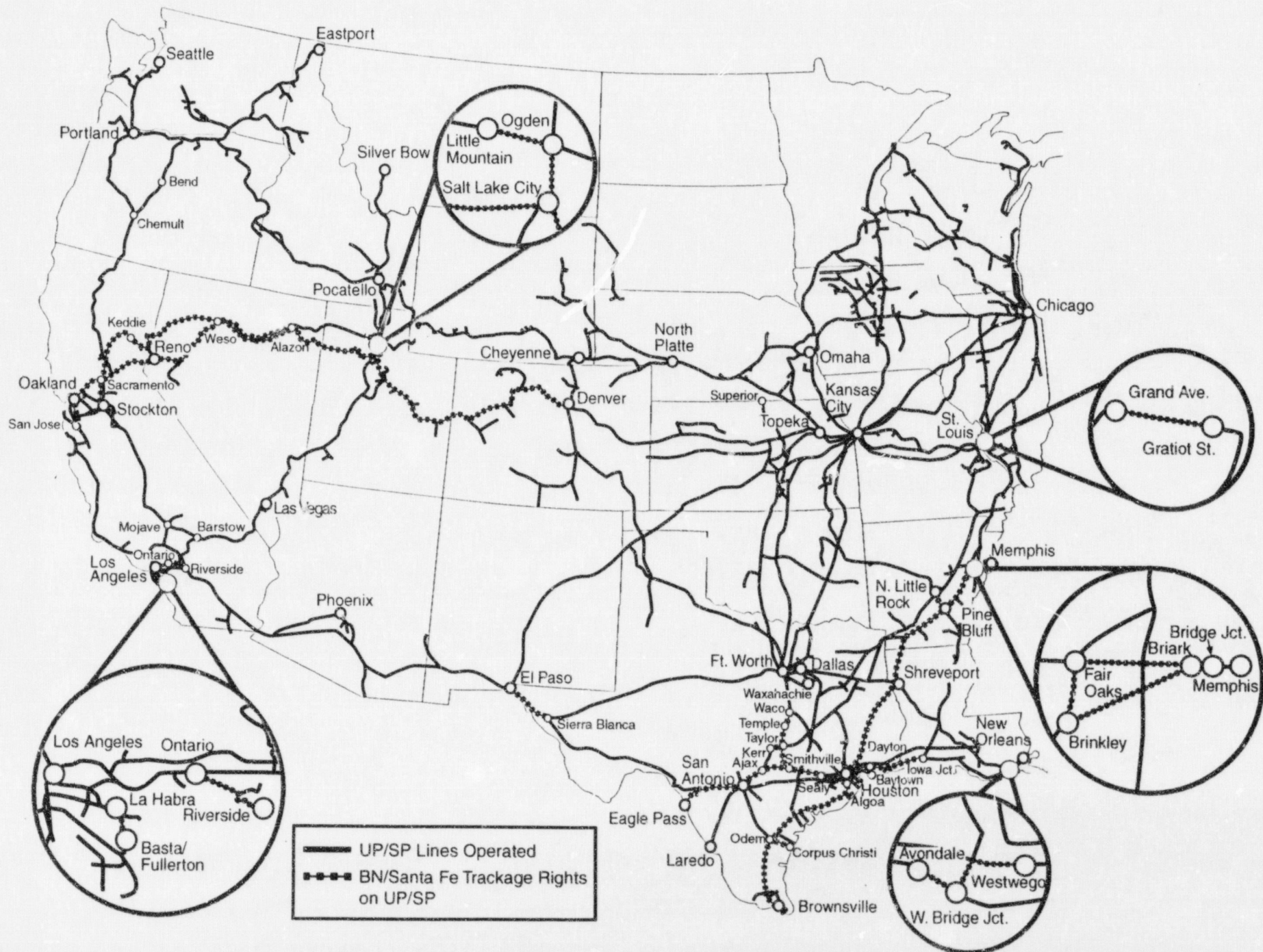



Notary Public

My Commission Expires:

October 15, 1996





AGREEMENT

This Agreement ("Agreement") is entered into this 25th day of September, 1995, between Union Pacific Corporation, Union Pacific Railroad Company, Missouri Pacific Railroad Company (collectively referred to as "UP"), and Southern Pacific Rail Corporation, Southern Pacific Transportation Company, The Denver & Rio Grande Western Railroad Company, St. Louis Southwestern Railway Company and SPCSL Corp. (collectively referred to as "SP", with both UP and SP also hereinafter referred to collectively as "UP/SP"), on the one hand, and Burlington Northern Railroad Company ("BN") and The Atchison, Topeka and Santa Fe Railway Company ("Santa Fe"), hereinafter collectively referred to as "BNSF", on the other hand, concerning the proposed acquisition of Southern Pacific Rail Corporation by UP Acquisition Corporation, and the resulting common control of UP and SP pursuant to the application pending before the Interstate Commerce Commission ("ICC") in Finance Docket No. 32760, 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.

NOW, THEREFORE, in consideration of their mutual promises, UP/SP and BNSF agree as follows:

1. Western Trackage Rights

- a) UP/SP shall grant to BNSF trackage rights on the following lines:
- SP's line between Denver, Colorado and Salt Lake City, Utah;
 - UP's line between Salt Lake City, Utah and Ogden, Utah;
 - SP's line between Ogden, Utah and Little Mountain Utah;
 - UP's line between Salt Lake City, Utah and Alazon, Nevada;
 - UP's and SP's lines between Alazon and Weso, Nevada;

- SP's line between Weso, Nevada and Oakland, California via SP's line between Sacramento and Oakland referred to as the "Cal-P" (subject to traffic restrictions as set forth in Section 1g);
- UP's line between Weso, Nevada and Stockton, California; and
- SP's line between Oakland and San Jose, California.

b) The trackage rights granted under this section herein shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to industries which are presently served (either directly or by reciprocal switch) only by both UP and SP and by no other railroad at points listed on Exhibit A to this Agreement. BNSF shall also receive the right to interchange with the Nevada Northern at Shafter, Nevada; with the Utah Railway Company at the Utah Railway Junction and Provo; and with the Salt Lake, Garfield and Western at Salt Lake City.

c) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which new industries shall be open to BNSF service shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP, either directly or through reciprocal switch. In negotiating the trackage rights agreements pursuant to Section 9f of this Agreement, the parties shall agree on the mileposts defining these geographic limitations. Where switching districts have been established they shall be presumed to establish these geographic limitations.

d) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads.

e) For Reno area intermodal traffic, BNSF may use SP's intermodal ramp at Sparks with UP/SP providing intermodal terminal services to BNSF for normal and customary charges. If expansion of this facility is required to accommodate the combined needs of UP/SP and BNSF, then the parties shall share in the cost of such expansion on a pro rata basis allocated on the basis of the relative number of lifts for each party in the 12-month period preceding the date construction begins.

f) Except as hereinafter provided, the trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

g) On SP's line between Weso and Oakland via the "Cal-P," BNSF shall be entitled to move only (i) intermodal trains moving between (x) Weso and points east or Keddie and points north and (y) Oakland and (ii) one manifest train/day in each direction. Intermodal trains are comprised of over ninety percent (90%) multi-level automobile equipment and/or flat cars carrying trailers and containers in single or double stack configuration. Manifest trains shall be carload business and shall be (a) operated without the use of helpers and (b) equipped with adequate motive power to achieve the same horsepower per trailing ton as comparable UP/SP trains. If UP/SP operates manifest trains requiring the use of helpers then BNSF's manifest trains may be operated in the same fashion provided that BNSF furnishes the necessary helper service. BNSF may also utilize the "Cal-P" for one manifest train per day moving to or from Oakland via Keddie and Bieber; provided, however, that BNSF may only operate one manifest train/day in each direction via the "Cal-P" regardless of where the train originates or terminates. The requirement to use helpers, does not apply to movement over the "Cal-P."

h) At BNSF's request, UP/SP shall provide train and engine crews and required support personnel and services in accordance with UP/SP's operating practices necessary to handle BNSF trains moving between Salt Lake City and Oakland. UP/SP shall be reimbursed for providing such employees on a cost plus reasonable additives basis and for any incremental cost associated with providing employees such as lodging or crew transportation expense. BNSF must also give UP/SP

reasonable advance notice of its need for employees in order to allow UP/SP time to have adequate trained crews available. All UP/SP employees engaged in or connected with the operation of BNSF's trains shall, solely for purposes of standard joint facility liability, be deemed to be "sole employees" of BNSF. If UP/SP adds to its labor force to comply with a request or requests from BNSF to provide employees, then BNSF shall be responsible for any labor protection, guarantees or reserve board payments for such incremental employees resulting from any change in BNSF operations or traffic levels.

i) UP/SP agree that their affiliate Central California Traction Company shall be managed and operated so as to provide non-discriminatory access to industries on its line on the same and no less favorable basis as provided UP and SP.

j) If BNSF desires to operate domestic high cube double stacks over Donner Pass, then BNSF shall be responsible to pay for the cost of achieving required clearances. UP/SP shall pay BNSF one-half of the original cost of any such work funded by BNSF if UP/SP subsequently decides to begin moving domestic high cube double stacks over this route. If UP/SP initiates and funds the clearance program, then BNSF shall pay one half of the original cost at such time as BNSF begins to use the line for domestic high cube double stacks.

k) BNSF agrees to waive its right under Section 9 of the Agreement dated April 13, 1995, and agreements implementing that agreement to renegotiate certain compensation terms of such agreement in the event of a merger, consolidation or common control of SP by UP. BNSF also agrees to waive any restrictions on assignment in the 1990 BN-SP agreement covering trackage rights between Kansas City and Chicago.

2. **I-5 Corridor**

- a) UP/SP shall sell to BNSF UP's line between Bieber and Keddie, California. UP/SP shall retain the right to use the portion of this line between MP 0 and MP 2 for the purpose of turning equipment. UP/SP shall pay BNSF a normal and customary trackage rights charge for this right.
- b) BNSF shall grant UP/SP overhead trackage rights on BN's line between Chemult and Bend, Oregon for rail traffic of all kinds, carload and intermodal, for all commodities.
- c) The parties will, under the procedures established in Section 9f of this Agreement, establish a proportional rate agreement incorporating the terms of the "Term Sheet for UP/SP-BNSF Proportional Rate Agreement Covering I-5 Corridor" attached hereto as Exhibit B.

3. **Southern California Access**

- a) UP/SP shall grant access to BNSF to serve industries at all stations in Southern California presently served (either directly or through reciprocal switch) only by both UP and SP and by no other railroad at points listed on Exhibit A to this Agreement.
- b) UP/SP shall grant BNSF overhead trackage rights on UP's line between Riverside and Ontario, California for the sole purpose of moving rail traffic of all kinds, carload and intermodal, for all commodities to industries at Ontario presently served (either directly or through reciprocal switch) only by both UP and SP and by no other railroad.
- c) UP/SP shall grant BNSF overhead trackage rights on UP's line from Basta, California to Fullerton and La Habra, California for the sole purpose of moving rail traffic of all kinds, carload and intermodal, for all commodities to industries at Fullerton and La Habra presently served (either directly or through reciprocal switch) only by both UP and SP and by no other railroad.

d) BNSF shall grant UP/SP overhead trackage rights on Santa Fe's line between Barstow and Mojave, California for rail traffic of all kinds, carload and intermodal for all commodities.

e) UP/SP shall work with BNSF to facilitate access by BNSF to the Ports of Los Angeles and Long Beach. Other than as legally precluded, UP/SP shall (a) extend the term of the present agreement dated November 21, 1981, to continue until completion of Alameda Corridor, (b) amend that agreement to apply to all carload and intermodal traffic, and (c) grant BNSF the right to invoke such agreement to provide loop service utilizing UP's and Santa Fe's lines to the Ports at BNSF's option to allow for additional operating capacity. UP/SP's commitment is subject to available capacity. Any incremental capacity related projects necessary to accommodate BNSF traffic shall be the sole responsibility of BNSF.

4. **South Texas Trackage Rights and Purchase**

a) UP/SP shall grant to BNSF trackage rights on the following lines:

- UP's line between Ajax and San Antonio;
- UP's line between Houston (Algoa) and Brownsville;
- UP's line between Odem and Corpus Christi;
- UP's line between Ajax and Sealy;
- SP's line between San Antonio and Eagle Pass (with parity and equal access to the Mexican border crossing at Eagle Pass);
- UP's line between Kerr (connection to Georgetown RR) and Taylor;
- UP's line between Temple and Waco;
- UP's line between Temple and Taylor;
- UP's line between Taylor and Smithville; and
- SP's line between El Paso and Sierra Blanca.

b) The trackage rights granted under this section shall be bridge rights for movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such

lines only to industries which are presently served (either directly or by reciprocal switch) only by both UP and SP and by no other railroad at points listed on Exhibit A to this Agreement. BNSF shall also have the right to interchange with (i) the Tex-Mex Railway at Corpus Christi and Robstown, (ii) the Georgetown RR at Kerr, and (iii) the FNM at Brownsville (Matamoros, Mexico).

c) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which new industries shall be open to BNSF service shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP, either directly or through reciprocal switch. In negotiating the trackage rights agreements pursuant to Section 9f of this Agreement the parties shall define mileposts defining these geographic limitations. Where switching districts have been established they shall be presumed to establish these geographic limitations.

d) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads.

e) The trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

f) In lieu of BNSF's conducting actual trackage rights operations between Houston, Corpus Christi, Harlingen and Brownsville (including FNM interchange) UP/SP agrees, upon request by BNSF, to handle BNSF's business on a haulage basis for a reasonable fee. UP/SP shall accept, handle, switch and deliver traffic moving under haulage without any discrimination in promptness, quality of service, or efficiency in favor of comparable traffic moving in UP/SP's account.

g) UP/SP shall sell to BNSF UP's line between Dallas and Waxahachie with UP retaining trackage rights to exclusively serve local industries on the Dallas-Waxahachie line.

h) Upon the effectiveness of the trackage rights to Eagle Pass under this section, BNSF's right to obtain haulage services from UP/SP to and from Eagle Pass pursuant to the agreement between BNSF and SP dated April 13, 1995 and subsequent haulage agreement between those parties shall no longer apply, provided BNSF shall continue to have the right to use trackage at or near Eagle Pass as specified in that agreement for use in connection with trackage rights under this Agreement.

5. **Eastern Texas - Louisiana Trackage Rights and Purchase**

a) UP/SP shall grant to BNSF trackage rights on the following lines:

- SP's line between Houston, Texas and Iowa Junction in Louisiana; and
- UP's and SP's lines near Avondale (SP MP 16.9) and West Bridge Junction (SP MP 10.5).

b) The trackage rights granted under this section shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to industries which are presently served (either directly or by reciprocal switch) only by both UP and SP and by no other railroad at points listed on Exhibit A to this Agreement.

c) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which new industries shall be open to BNSF service shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP, either directly or through reciprocal switch. In negotiating the trackage rights agreements pursuant to Section 9f of this Agreement the parties shall define mileposts defining these geographic limitations

where switching districts have been established they shall be presumed to establish these geographic limitations.

d) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switching, or (iii) with UP/SP's prior agreement, through use of a third party to perform switching for itself or both railroads.

e) UP/SP shall grant BNSF the right to use SP's Bridge 5A at Houston, Texas.

f) Trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

g) UP/SP shall sell to BNSF SP's line between Iowa Junction in Louisiana and near Avondale, Louisiana (SP MP 16.9). UP/SP shall retain full trackage rights including the right to serve all local industries on the line for the trackage rights charges set forth in Section 9a of this Agreement. UP/SP shall retain rights for the Louisiana and Delta Railroad (L&D) to serve as UP/SP's agent between Iowa Junction and points served by the L&D. BNSF agrees that the purchase of this line is subject to contracts between SP and the L&D. UP/SP shall cause L&D to pay BNSF compensation equal to that set forth in Table I in Section 9 of this Agreement for operations between Lafayette and Iowa Junction.

h) UP/SP shall sell to BNSF UP's Westwego, Louisiana intermodal terminal; a portion of SP's Avondale yard as shown on Exhibit C; and SP's Lafayette yard.

6. **Houston - Memphis Trackage Rights**

- a) UP/SP shall grant to BNSF overhead trackage rights on the following lines:
- SP's line between Houston, Texas and Fair Oaks, Arkansas via Cleveland and Pine Bluff.

- UP's line between Fair Oaks and Bridge Junction;
- SP's line between Brinkley and Briark, Arkansas; and
- UP's line between Pine Bluff and North Little Rock, Arkansas.

b) In lieu of conducting actual operations between Pine Bluff and North Little Rock, Arkansas, UP/SP agrees, upon request by BNSF, to handle BNSF's business on a haulage basis for a reasonable fee.

c) The trackage rights granted herein shall be bridge rights for the movement of overhead traffic only, except for the local access specified herein. BNSF shall receive access on such lines only to industries which are presently served (either directly or by reciprocal switch) only by both UP and SP and by no other railroad at points listed on Exhibit A to this Agreement. BNSF shall also have the right to interchange with the Little Rock and Western Railway at Little Rock.

d) Access to industries at points open to BNSF shall be direct or through reciprocal switch. New customers locating at points open to BNSF under this Agreement shall be open to both UP/SP and BNSF. The geographic limits within which new industries shall be open to BNSF service shall generally correspond to the territory within which, prior to the merger of UP and SP, a new customer could have constructed a facility that would have been open to service by both UP and SP, either directly or through reciprocal switch. In negotiating the trackage rights agreements pursuant to Section 9f of this Agreement the parties shall agree on the mileposts defining these geographic limitations. Where switching districts have been established they shall be presumed to establish these geographic limitations.

e) Forty-five (45) days before initiating service to a customer, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads.

f) The trackage rights and access rights granted pursuant to this section shall be for rail traffic of all kinds, carload and intermodal, for all commodities.

g) BNSF shall grant to UP/SP overhead trackage rights on BN's line between West Memphis and Presley Junction. UP/SP shall be responsible for upgrading this line as necessary for its use. If BNSF uses this line for overhead purposes to connect its line to the trackage rights lines, BNSF shall share in one-half of the upgrading cost.

7. **St. Louis Area Coordinations**

a) UP/SP agree to cooperate with BNSF to facilitate efficient access by BNSF to other carriers at and through St. Louis via The Alton & Southern Railway Company (A&S). If BNSF requests, UP/SP agree to construct or cause to be constructed for the use of both BNSF and UP/SP a faster connection between the BN and UP lines at Grand Avenue and a third track from Grand Avenue to near Gratiot Street Tower at the sole cost and expense of BNSF. Upon completion of such construction, UP/SP shall grant to BNSF overhead trackage rights on UP's line between Grand Avenue and Gratiot Street.

b) UP wishes to secure dispatching authority for the MacArthur Bridge across the Mississippi River at St. Louis. Dispatching is currently controlled by the Terminal Railroad Association of St. Louis (TRRA). BNSF agrees that it will cause its interest on the TRRA Board or any shares it owns in the TRRA, to be voted in favor of transferring dispatching control of the MacArthur Bridge to UP if such matter is presented to the TRRA Board or its shareholders for action. Such dispatching shall be performed in a manner to ensure that all users are treated equally.

c) If BNSF desires to use the A&S Gateway Yard, upon transfer of MacArthur Bridge dispatching to UP, UP/SP shall assure that charges assessed by the A&S to BNSF for use of Gateway Yard are equivalent to those assessed other non-owners of A&S.

d) UP/SP and BNSF agree to provide each other reciprocal detour rights between Bridge Junction-West Memphis and St. Louis in the event of flooding, subject to the availability of sufficient capacity to accommodate the detour.

8. **Additional Rights**

a) UP/SP shall grant BNSF overhead trackage rights on SP's line between Richmond and Oakland, California for rail traffic of all kinds, carload and intermodal, for all commodities to enable BNSF to connect via SP's line with the Oakland Terminal Railroad ("OTR") and to access the Oakland Joint Intermodal Terminal ("JIT"), or similar public intermodal facility, at such time as the JIT is built. BNSF shall pay 50% of the cost (up to \$2,000,000 maximum) for upgrading to mainline standards and reverse signaling of SP's No. 1 track between Emeryville (MP 8) and Stege (MP 13.1). Compensation for these trackage rights shall be at the rate of 3.48 mills per ton mile for business moving in the "I-5 Corridor" and 3.1 mills per ton mile on all other carload and intermodal business and 3.0 mills per ton mile for bulk business escalated in accordance with the provisions of Section 12 of this Agreement. UP/SP shall assess no additional charges against BNSF for access to the JIT and the OTR.

b) BNSF shall waive any payment by UP/SP of the Seattle Terminal 5 access charge.

c) BNSF shall grant to UP overhead trackage rights on BN's line between Saunders, Wisconsin and access to the MERC dock in Superior, Wisconsin.

d) BNSF shall grant UP the right to use the Pokegama connection at Saunders, Wisconsin (i.e., the southwest quadrant connection at Saunders).

e) BNSF shall waive SP's requirement to pay any portion of the Tebachapi tunnels clearance improvements pursuant to the 1993 Agreement between Santa Fe and SP.

f) BNSF shall allow UP to exercise its rights to use the Hyundai lead at Portland Terminal 6 without any contribution to the cost of constructing such lead.

g) BNSF shall allow UP/SP to enter or exit SP's Chicago-Kansas City-Hutchinson trackage rights at Buda, Earlville, and west of Edelstein, Illinois. UP/SP shall be responsible for the cost of any connections required.

h) BNSF will amend the agreement dated April 13, 1995, between BNSF and SP to allow SP to enter and exit Santa Fe's line solely for the purposes of permitting SP or its agent to pick up and set out interchange business, including reciprocal switch business at Newton, Kansas, and switching UP industry at that point.

i) It is the intent of the parties that this Agreement result in the preservation of service by two competing railroad companies for all customers listed on Exhibit A to this Agreement presently served by both UP and SP and no other railroad (2-to-1 customers).

The parties recognize that some 2-to-1 customers will not be able to avail themselves of BNSF service by virtue of the trackage rights and line sales contemplated by this Agreement. For example, 2-to-1 customers located at Herlong, CA, Turlock, CA, Tyler, TX, Defense, TX, College Station, TX, Great Southwest, TX, Victoria, TX, Sugarland, TX, Sinton, TX, points on the former Galveston, Houston & Henderson Railroad served only by UP and SP, Harbor, LA, Paragould, AR, Forrest City, AR, Dexter Jct., MO, Preston, KS and Herington, KS, are not accessible under the trackage rights and line sales covered by this Agreement. Accordingly, UP/SP agree to enter into arrangements with BNSF under which, through trackage rights, haulage, ratemaking authority or other mutually acceptable means, BNSF will be able to provide competitive service to 2-to-1 customers at the foregoing points and to any 2-to-1 customers who are not located at points expressly referred to in this Agreement or Exhibit A to this Agreement.

j) In the event, for any reason, any of the trackage rights granted under this Agreement cannot be implemented because of the lack of sufficient legal authority to carry out such grant, then UP/SP shall be obligated to provide an alternative route routes, or means of access of commercially equivalent utility at the same level of cost to BNSF as would have been provided by the originally contemplated rights.

9. **Trackage Rights - General Provisions**

a) The compensation for operations under this Agreement shall be set at the levels shown in the following table:

Table I
Trackage Rights Compensation
(mills per ton-mile)

	<u>Keddie-Stockton/Richmond</u>	<u>All Other Lines</u>
Intermodal and Carload	3.48	3.1
Bulk (67 cars or more of one commodity in one car type)	3.0	3.0

These rates shall apply to all equipment moving in a train consist including locomotives. The rates shall be escalated in accordance with the procedures described in Section 12 of this Agreement. The owning line shall be responsible for maintenance of its line in the ordinary course including rail relay and tie replacement. The compensation for such maintenance shall be included in the mills per ton mile rates received by such owning line under this Agreement.

b) BNSF and UP/SP will conduct a joint inspection to determine necessary connections and sidings or siding extensions associated with connections, necessary to implement the trackage rights granted under this Agreement. The cost of such facilities shall be borne by the party receiving the trackage rights which such facilities are required to implement. Either party shall have the right to cause the other party to construct such facilities. If the owning carrier decides to utilize such

facilities constructed by it for the other party, it shall have the right to do so upon payment to the other party of one-half (1/2) the original cost of constructing such facilities.

c) Capital expenditures on the lines over which BNSF has been granted trackage rights pursuant to this Agreement (the trackage rights lines) will be handled as follows:

- i) UP/SP shall bear the cost of all capacity improvements that are necessary to achieve the benefits of its merger as outlined in the application filed with the ICC for authority for UP to control SP. The operating plan filed by UP/SP in support of the application shall be given presumptive weight in determining what capacity improvements are necessary to achieve these benefits.
- ii) Any capacity improvements other than those covered by subparagraph (i) above shall be shared by the parties based upon their respective usage of the line in question, except as otherwise provided in subparagraph (iii) below. That respective usage shall be determined by the 12 month period prior to the making of the improvement on a gross ton mile basis.
- (iii) For 18 months following UP's acquisition of control of SP, BNSF shall not be required to share in the cost of any capital improvements under the provision of subparagraph (ii) above.
- (iv) BNSF and UP/SP agree that a capital reserve fund of \$25 million, funded out of the purchase price listed in Section 10 of this Agreement, shall be established. This capital reserve fund shall, with BNSF's prior consent which will not unreasonably be withheld, be drawn down to pay for capital projects on the trackage rights lines that are required to accommodate the operations of both UP/SP and BNSF on those lines, but in any event shall not be used for expenditures covered by subparagraph (i) above. Any disputes over whether a project is required to accommodate the operation of both parties shall be referred to binding arbitration under Section 15 of this Agreement.

d) The management and operation of the trackage rights line shall be under the exclusive direction and control of the owning carrier. The owning carrier shall have the unrestricted power to change the management and operations on and over joint trackage as in its judgement may be necessary, expedient or proper for the operations thereof intended. Trains of the parties utilizing joint trackage shall be given equal dispatch without any discrimination in promptness, quality of service, or efficiency in favor of comparable UP/SP traffic.

Owner shall keep and maintain the trackage rights lines at no less than the track standard designated in the current timetable for the applicable lines subject to the separate trackage rights agreement. The parties agree to establish a joint service committee to regularly review operations over the trackage rights lines.

e) Each party shall be responsible for any and all costs relating to providing employee protection benefits, if any, to its employees prescribed by law, governmental authority or employee protective agreements where such costs and expenses are attributable to or arise by reason of that party's operation of trains over joint trackage. To the extent that it does not violate existing agreements, for a period of three years following acquisition of control of SP by UP, BNSF and UP/SP shall give preference to each other's employees when hiring employees needed to carry out trackage rights operations or operate lines being purchased. The parties shall provide each other with lists of available employees by craft or class to whom such preference shall be granted. Nothing in this Section 9.e) is intended to create an obligation to hire any specific employee.

f) The trackage rights grants described in this Agreement, and the purchase and sale of line segments shall be included in separate trackage rights and line sale agreement documents respectively of the kind and containing such provisions as are normally and customarily utilized by the parties, including exhibits depicting specific rail line segments, and other provisions dealing with maintenance, improvements, and liability, subject to more specific provisions described for each grant and sale contained in this Agreement and the general provisions described in this section. BNSF and UP/SP shall elect which of their constituent railroads shall be a party to each such trackage rights

agreement and line sale and shall have the right to assign the agreement among their constituent railroads. The parties shall use their best efforts to complete such agreements by June 1, 1996. If agreement is not reached by June 1, 1996 either party may request that any outstanding matters be resolved by binding arbitration with the arbitration proceeding to be completed within sixty (60) days of its institution. In the event such agreements are not completed by the date the grants of such trackage rights are to be effective, it is intended that operations under such grants shall be commenced and governed by this Agreement.

g) All locations referenced herein shall be deemed to include all areas within the present designated switching limits of the location, and access to such locations shall include the right to locate and serve new auto and intermodal facilities at such locations and to build yards or other facilities to support trackage rights operations.

h) If requested by BNSF, UP/SP will provide to BNSF reciprocal switching services at the 2-to-1 points covered in this Agreement at rates which will fully reimburse UP/SP for its costs plus a reasonable return.

i) It is the intent of the parties that BNSF shall, where sufficient volume exists, be able to utilize its own terminal facilities to handle such local traffic. These locations include Salt Lake City, Ogden, Brownsville and San Antonio, and other locations where such volume develops. Facilities or portions thereof presently utilized by UP or SP at such locations shall be acquired from UP/SP by lease or purchase at normal and customary charges. Upon request of BNSF and subject to availability and capacity, UP/SP shall provide BNSF with terminal support services including fueling, running repairs and switching. UP/SP shall also provide intermodal terminal services at Salt Lake City, Reno, and San Antonio. UP/SP shall be reimbursed for such services at UP's normal and customary charges. Where terminal support services are not required, BNSF shall not be assessed additional charges for train movements through a terminal.

j) BNSF may, subject to UP/SP's consent, use agents for limited feeder service on the trackage rights lines.

k) BNSF shall have the right to inspect the UP and SP lines over which it obtains trackage rights under this agreement and require UP/SP to make such improvements under this section as BNSF deems necessary to facilitate its operations at BNSF's sole expense. Any such inspection must be completed and improvements identified to UP/SP within one year of the effectiveness of the trackage rights.

l) BNSF shall have the right to connect for movement in all directions with the trackage rights lines where its present lines (including existing trackage rights), lines to be purchased under this Agreement, and the trackage rights lines intersect.

10. Compensation for Sale of Line Segments

a) BNSF shall pay UP/SP the following amounts for the lines it is purchasing pursuant to this Agreement:

<u>Line Segment</u>	<u>Purchase Price</u>
Keddie-Bieber	\$ 30 million
Dallas-Waxahachie	20 million
Iowa Jct.-Avondale MP 16.9 (includes UP's Westwego intermodal yard; SP's Avondale "New" yard; and SP's Lafayette yard)	100 million

b) The purchase shall be subject to the following terms:

- (i) the condition of the lines at closing shall be at least as good as their current conditions as reflected in the current timetable and slow orders (slow orders to be measured by total mileage at each level of speed restrictions).
- (ii) includes track and associated structures together with right-of-way and facilities needed for operations.

- (iii) indemnity for environmental liabilities attributable to UP/SP's prior operations.
- (iv) standard provisions for sales of this nature involving title, liens, encumbrances other than those specifically reserved or provided for by this Agreement.
- (v) assignment of associated operating agreements (road crossings, crossings for wire and pipelines, etc.). Non-operating agreements shall not be assigned.
- (vi) removal by Seller, from a conveyance, within 60 days of the closing of any sale, of any non-operating real property without any reduction in the agreed upon purchase price.
- (vii) the purchase will be subject to easements or other agreements involving telecommunications, fibre optics or pipeline rights or operations in effect at the time of sale.

BNSF shall have the right to inspect the line segments and associated property to be sold and records associated therewith for a period of ninety days from the date of this Agreement to determine the condition and title of such property. At the end of such period, BNSF shall have the right to decline to purchase any specific line segment or segments. In such event UP/SP shall grant BNSF overhead trackage rights on any such segment with compensation to be paid, in the case of Avondale-Iowa Junction on the basis of the charges set forth in Section 9a of this Agreement, and in the case of Keddie-Bieber on a typical joint facility basis with maintenance and operating costs to be shared on a usage basis (gross ton miles used to allocate usage) and annual interest rental equal to the depreciated book value times the then current cost of capital as determined by the ICC times a usage basis (gross ton miles). In the case of Dallas-Waxahachie, operation would continue under the existing trackage rights agreement.

11. Term

This Agreement shall be effective upon execution for a term of ninety-nine years, provided, however, that the grants of rights under Section 1 through 8 shall be effective only upon UP's acquisition of control of SP, and provided further that BNSF may terminate this Agreement by notice to UP/SP given before the close of business on September 26, 1995, in which case this Agreement

shall have no further force or effect. This Agreement and all agreements entered into pursuant or in relation hereto shall terminate, and all rights conferred pursuant thereto shall be cancelled and deemed void ab initio, if, in a Final Order, the application for authority for UP to control SP has been denied or has been approved on terms unacceptable to the applicants, provided, however, that if this Agreement becomes effective and is later terminated, any liabilities arising from the exercise of rights under Sections 1 through 8 during the period of its effectiveness shall survive such termination. For purposes of this Section 11, "Final Order" shall mean an order of the Interstate Commerce Commission, any successor agency, or a court with lawful jurisdiction over the matter which is no longer subject to any further direct judicial review (including a petition for writ of certiorari) and has not been stayed or enjoined.

12. **Adjustment of Charges**

All trackage rights charges under this Agreement shall be subject to adjustment annually beginning as of the effective date of this Agreement to reflect seventy percent (70%) of increases or decreases in Rail Cost Adjustment Factor, not adjusted for changes in productivity ("RCAF-U") published by the ICC or successor agency or other organizations. In the event the RCAF-U is no longer maintained, the parties shall select a substantially similar index and failing to agree on such an index, the matter shall be referred to binding arbitration under Section 15 of this Agreement. The parties will agree on an appropriate adjustment factor for switching, haulage and other charges.

Upon every fifth anniversary of the effective date of this Agreement, either party may request on ninety (90) days notice that the parties jointly review the operations of the adjustment mechanism and renegotiate its application. If the parties do not agree on the need for or extent of adjustment to be made upon such renegotiation, either party may request binding arbitration under Section 15 of this Agreement. It is the intention of the parties that rates and charges for trackage rights and services under this Agreement reflect the same basic relationship to operating costs as upon execution of this Agreement.

13. **Assignability**

This Agreement and any rights granted hereunder may not be assigned in whole or in part without the prior consent of the other parties except as provided in this Section. No party may permit or admit any third party to the use of all or any of the trackage to which it has obtained rights under this Agreement, nor under the guise of doing its own business, contract or make any arrangement to handle as its own trains, locomotives, cabooses or cars of any such third party which in the normal course of business would not be considered the trains, locomotives, cabooses or cars of that party. In the event of an authorized assignment, this Agreement and the operating rights hereunder shall be binding upon the successors and assigns of the parties. This Agreement may be assigned by either party without the consent of the other only as a result of a merger, corporate reorganization, consolidation, change of control or sale of substantially all of its assets.

14. **Government Approvals**

The parties agree to cooperate with each other and make whatever filings or applications, if any, are necessary to implement the provisions of this Agreement or of any separate agreements made pursuant to Section 9f and whatever filings or applications may be necessary to obtain any approval that may be required by applicable law for the provisions of such agreements. BNSF agrees not to oppose the primary application or any related applications in Finance Docket No. 32760 (collectively the "control case"), and not to seek any conditions in the control case, not to support any requests for conditions filed by others, and not to assist others in pursuing their requests. BNSF shall remain a party in the control case, but shall not participate further in the control case other than to support this Agreement, to protect the commercial value of the rights granted to BNSF by this Agreement, and to oppose requests for conditions by other parties which adversely affect BNSF; provided, however, that BNSF agrees to reasonably cooperate with UP/SP in providing testimony to the ICC necessary to demonstrate that this Agreement and the operations to be conducted thereunder shall provide effective competition at the locations covered by the Agreement. UP/SP agree to support this Agreement and its implementation and warrant that it has not entered into agreements with other parties granting rights to other parties granted to BNSF under this Agreement. UP/SP agree to ask

the ICC to impose this Agreement as a condition to approval of the control case. During the pendency of the control case, UP and SP shall not, without BNSF's written consent, enter into agreements with other parties which would grant rights to other parties granted to BNSF or inconsistent with those granted to BNSF under this Agreement which would substantially impair the overall economic value of rights to BNSF under this Agreement.

15. **Arbitration**

Unresolved disputes and controversies concerning any of the terms and provisions of this Agreement or the application of charges hereunder shall be submitted for binding arbitration under Commercial Arbitration Rules of the American Arbitration Association which shall be the exclusive remedy of the parties.

16. **Further Assurances**

The parties agree to execute such other and further documents and to undertake such acts as shall be reasonable and necessary to carry out the intent and purposes of this Agreement.

17. **No Third Party Beneficiaries**

This Agreement is intended for the sole benefit of the signatories to this Agreement. Nothing in this Agreement is intended or may be construed to give any person, firm, corporation or other entity, other than the signatories hereto, their permitted successors and permitted assigns, and their affiliates any legal or equitable right, remedy or claim under this Agreement.

18. **Confidentiality**

The parties may make all other terms of this Agreement known to the public through a press release previously reviewed and approved by the other parties, and may address it in subsequent communications to the ICC or others. The parties agree, however, that the financial terms of this Agreement are confidential and shall not be disclosed, without the consent of the other party, to individuals not employed by or acting as counsel for or consultants to UP/SP or BNSF, except as

required by law, provided the parties may make appropriate disclosure of such terms to government entities or as required in connection with the process of seeking government approval of the control case, or of this Agreement under applicable ICC confidentiality procedures.

UNION PACIFIC CORPORATION

By: *D K Davidson*
Title: _____

**UNION PACIFIC RAILROAD
COMPANY**

By: *D K Davidson*
Title: _____

**SOUTHERN PACIFIC RAIL
CORPORATION**

By: *John D. Gray*
Title: _____

**MISSOURI PACIFIC
RAILROAD COMPANY**

By: *D K Davidson*
Title: _____

**SOUTHERN PACIFIC
TRANSPORTATION COMPANY**

By: *John D. Gray*
Title: _____

**THE DENVER & RIO GRANDE
WESTERN RAILROAD COMPANY**

By: *John D. Gray*
Title: _____

SPCSL CORP.

By: *John D. Gray*
Title: _____

**ST. LOUIS SOUTHWESTERN
RAILWAY COMPANY**

By: *John D. Gray*
Title: _____

**BURLINGTON NORTHERN
RAILROAD COMPANY**

By: *Carl Rice*
Title: _____

**THE ATCHISON, TOPEKA AND
SANTA FE RAILWAY COMPANY**

By: *Carl Rice*
Title: _____

EXHIBIT A

Points Referred to in Section 1b

Provo UT
Salt Lake City UT
Ogden UT
Ironton UT
Gatex UT
Pioneer UT
Garfield/Smelter/Magna UT (access to Kennecott private railway)
Geneva UT
Clearfield UT
Woods Cross UT
Relico UT
Evona UT
Little Mountain UT
Weber Industrial Park UT
Points on paired track from Weso NV to Alazon NV
Reno NV (intermodal and automotive only -
 BNSF must establish its own automotive facility)
Points between Oakland CA and San Jose CA
San Jose CA
Warm Springs CA
Fremont CA
Points in the Livermore CA area (including Pleasanton CA,
 Radium CA, and Trevarno CA)
West Sacramento CA
Melrose Drill Track near Oakland CA

Points Referred to in Section 3a

Ontario CA
La Habra CA
Fullerton CA

Points Referred to in Section 4b

Brownsville TX
Port of Brownsville TX
Harlingen TX
Corpus Christi TX
Victoria TX
San Antonio TX
Halsted TX (LCRA plant)
Waco TX
Points on Sierra Blanca-El Paso line

Points Referred to in Section 5b

Baytown TX
Amelia TX
Orange TX
Mont Belvieu TX

Points Referred to in Section 6c

Camden AR
Pine Bluff AR
Fair Oaks AR
Baldwin AR
Little Rock AR
North Little Rock AR
East Little Rock AR
Paragould AR

EXHIBIT B

TERM SHEET FOR UP/SP-BNSF PROPORTIONAL RATE AGREEMENT COVERING I-5 CORRIDOR

Concept

BNSF trackage rights in the "I-5" corridor will allow BNSF to handle traffic on a single line basis that currently moves via joint BN-SP routes. This Agreement will enable UPSP to compete with BNSF for that traffic and to make rates, using the proportional rates, to and from all points UP/SP serves in the covered territory described below.

Covered Territory

Traffic moving between the following areas north of Portland, Oregon and west of Billings and Havre, Montana:

- Canadian interchanges in Vancouver area
- Points north of Seattle and west of Cascades
- Points south of and including Seattle and west of Cascades
- Washington points east of Cascades and west of and including Spokane
- Points east of Spokane and west of Billings and Havre

and points in

- Arizona,
- California,
- Colorado,
- New Mexico,
- Nevada,
- Oregon,
- Utah,
- Texas west of Monahans and Sanderson, and
- connections to Mexico at El Paso and to the west.

Traffic Covered

Traffic covered will be all commodities (carload, intermodal and bulk) moving both southbound and northbound. All cars loaded or made empty on BNSF lines in the Covered Territory (including reloads) and cars received in interchange.

Proportional Rates

A third party, such as a major accounting firm or other established transportation consultant (the "consultant"), will be employed to compute the proportional rates. The mileage prorate shall be the ratio of (a) BNSF miles between areas north of Portland or interchange north of Portland and SP interchange at Portland to (b) BNSF single-line miles from BNSF origin or interchange to BNSF destination or interchange.

The consultant will develop a table of net ton mile rates (net of refunds, allowances, and rebates). This table will be in matrix form based on commodity, car type, and area north of Portland, Oregon. The rates shown in the matrix will be by commodity at the 3-digit STCC level and by car type for movement between each of the areas north of Portland, Oregon, and the Portland interchange. The net ton mile rates will be based on movements between each of the areas north of Portland and the group of states (including connections to Mexico) listed above. The initial rates will be derived based on the BN-SP portion of BN-SP interline rates (net of refunds, allowances, and rebates) in effect in the quarter preceding acquisition of SP by UP.

The net ton mile rate for each commodity/car type shall be a weighted average of the rates applicable to movements of each such commodity/car type between the points listed above. An example of this computation is attached.

New rates will be derived each subsequent quarter. In subsequent quarters, the rates will include a prorate of both SP-BNSF interline rates (net of refunds, allowances, and rebates) and BNSF single-line rates (net of refunds, allowances, and rebates). At such time as a rate can be developed for a particular commodity/car type on the basis of a BNSF single-line rate then future rate adjustments for such commodity/car type shall be based solely on BNSF single-line rates. All computations of net ton mile rates will be based on rates that actually moved traffic.

UP/SP agree that any rate it publishes will reflect the proportional rate from the latest quarterly study and BNSF's division shall be that amount. Movements using proportional rates shall be interline BNSF-UP/SP movements and will be billed accordingly. Proportional rates used by UP/SP in contracts will be escalated on the same basis as UP/SP's rates are escalated. BNSF and UP/SP will establish procedures to ensure that in settling interline accounts UP/SP's and BNSF's revenue south of Portland is not disclosed to the other.

Application

The net ton mile rates in each cell of the matrix will be applied to the BN mileage and the associated net tons from areas north of Portland to Portland interchange to develop the proportional rate to the Portland interchange.

Service

BNSF shall accept, handle, switch and deliver traffic moving under this Agreement without any discrimination in promptness, quality of service, or efficiency in favor of comparable traffic moving in BNSF's account. UP/SP has the right to provide equipment. BNSF will work with UP/SP to establish and provide trackage for strategically located car distribution points in BN territory. To the extent justified by business volumes, BNSF will continue operating Vancouver, BC-Portland (SP interchange) trains comparable to BN Nos. 111 and 112. BNSF will cooperate with UP/SP to establish necessary blocks to provide efficient and competitive service on traffic moving under the proportional rate.

Third Party Consultant

The third party consultant shall be jointly employed by UP/SP and BNSF. The parties will share equally in the expense of employing such third party consultant. Both UP/SP and BNSF shall have the right to audit the work of the third party consultant and agree to share in any irregularities found in this work and cooperate to work with the third party consultant to establish procedures to promptly correct those deficiencies. The third party consultant shall be required to remain impartial between UP/SP and BNSF. Any breach of the impartiality requirement shall result in the termination of such third party consultant and the selection of a new consultant by the parties.

Example of Revenue Per Ton Mile
Calculation by Origin-Destination Cell
Cell Includes Car Type and Commodity

Assumption:	<u>Move 1</u>	<u>Move 2</u>
1. BNSF Revenue Per Car From O/D Areas North of Portland to Destination States	\$5000	\$2000
2. BNSF Miles From O/D Areas North of Portland to Destination States	1000	500
3. BNSF Net Tons From O/D Areas North of Portland to Destination States	100	50
4. BNSF Number of Carloads From O/D Areas North of Portland to Destination States	10	5
5. BNSF Miles Between Actual Point of Origin to Interchange and Portland	300	200

A. Revenue/NTM Factor (Computed by Consultant for Each Cell in Matrix)

$$\frac{\sum (1) \times (4)}{\frac{(2) \times (3)}{\sum (4)}} \text{ (for all moves)}$$

$$\frac{\frac{5000 \times 10}{1000 \times 100} + \frac{2000 \times 5}{500 \times 50}}{10 + 5} = \$0.06/\text{NTM}$$

B. Compute BNSF Division on a Specific Move

$$\begin{aligned} & (A) \times (5) \times (3) \\ & \$0.06 \times 300 \times 100 = \$1800 \\ & \$0.06 \times 200 \times 50 = \$ 600 \end{aligned}$$

660-8882

392-2280

S.P. Avondale Yard

9/24/01

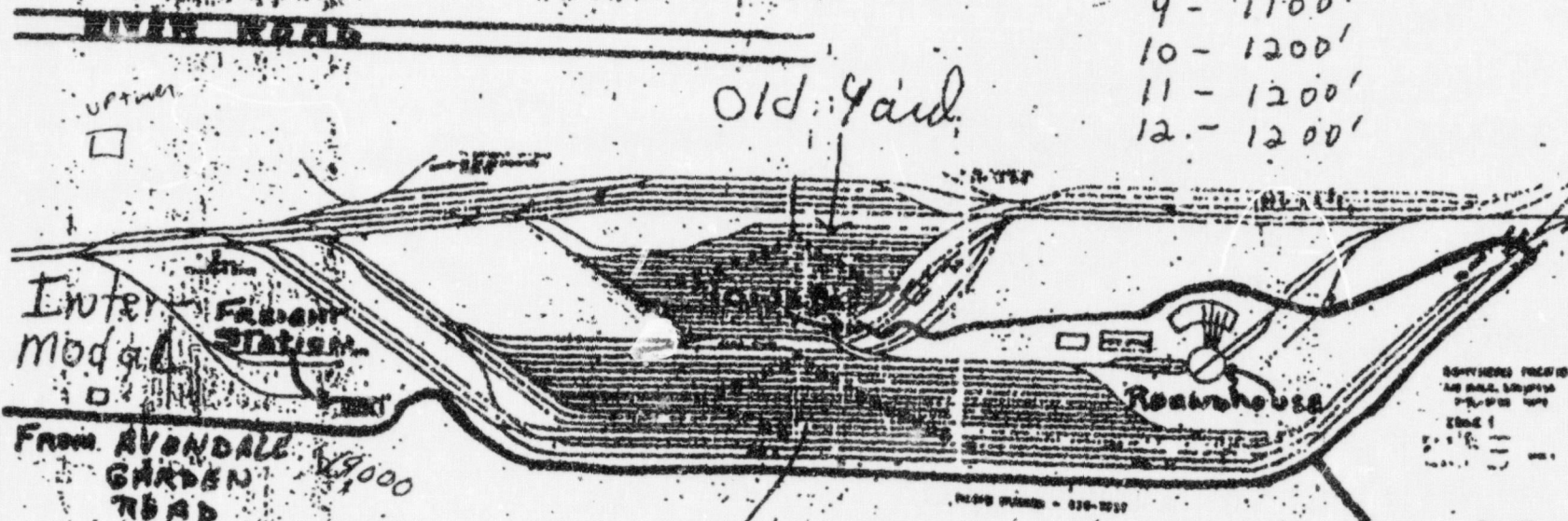
Cran

350-711

P.01/01
PAGE.001

3 TO 82715955

045

SEP 24 '95 11:21 FR UP SPRING
SEP 24 '95 9:22 FROM UN1From AVONDALE
GARDEN
ROAD2 intermodal
1640' each

New Yard

Trk 40 - 5300'
37-39 - 4000'
30-36 - 2000'
29 - 1500'
28 - 1200'
27 - 1150'
26 - 1100'
25 - 900'

Old Yard ^{needs Rehab} Capacity

4 - 7900' (Thru X-over)
5 - 7800' " " "
6 - 1900'
7 - 2500'
8 - 2100'
9 - 1100'
10 - 1200'
11 - 1200'
12 - 1200'

Old Yard

13. 1300'
14. 1400'
15. 1800'
16. 1700' 23.) 1000'
17. 1600' 24.) 900'
18. 1500'
19. 1400'
20. 1300'
21. 1200'
22. 1100'

Not to scale
not entirely
accurate

** TOTAL PAGE.001 **

** TOTAL PAGE.001 **

EXHIBIT C

11/18/95

SUPPLEMENTAL AGREEMENT

This Supplemental Agreement ("Supplemental Agreement") is entered into this 18 day of November, 1995, between Union Pacific Corporation, Union Pacific Railroad Company, Missouri Pacific Railroad Company (collectively referred to as "UP"), and Southern Pacific Rail Corporation, Southern Pacific Transportation Company, The Denver & Rio Grande Western Railroad Company, St. Louis Southwestern Railway Company and SPCSL Corp. (collectively referred to as "SP", with both UP and SP also hereinafter referred to collectively as "UP/SP"), on the one hand, and Burlington Northern Railroad Company ("BN") and The Atchison, Topeka and Santa Fe Railway Company ("Santa Fe"), hereinafter collectively referred to as "BNSF", on the other hand, concerning the proposed acquisition of Southern Pacific Rail Corporation by UP Acquisition Corporation, and the resulting common control of UP and SP pursuant to the application pending before the Interstate Commerce Commission ("ICC") in Finance Docket No. 32760, 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.

Pursuant to an Agreement between UP/SP and BNSF dated September 25, 1995 (the "Agreement"), UP/SP and BNSF agreed to various trackage rights, line sales, and other related transactions.

In order to (a) realize the intent of the parties that the Agreement result in the preservation of service by two competing railroad companies for all 2-to-1 customers as described in Section 8i of the Agreement and (b) correct various errata to the Agreement that have been identified since it was signed, the parties agree to amend the Agreement as follows:

1. **Amendment to Section 1.**

a) Section 1b is amended by (i) inserting the phrase "with the Utah Central Railway Company at Ogden" between the phrases "Provo;" and "and with the Salt" in the second to last line, and (ii) adding at its conclusion the following language:

"BNSF shall also receive the right to utilize in common with UP/SP, for normal and customary charges, SP's soda ash transload facilities in Ogden and Salt Lake City. BNSF shall also have the right to access any shipper-owned soda ash transload facilities in Ogden and Salt Lake City and to establish its own soda ash transload facilities along the trackage rights granted under this section."

b) Section 1d is amended by adding at its conclusion the following language:

"BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election."

c) Section 1g is amended by (i) revising the third and fourth sentences to read as follows:

"Manifest trains shall be carload business and shall be equipped with adequate motive power to achieve the same horsepower per trailing ton as comparable UP/SP trains. Helpers shall not be used unless comparable UP/SP manifest trains use helpers in which case BNSF trains may be operated in the same fashion provided that BNSF furnishes the necessary helper service."

and (ii) by deleting the comma in the last sentence after the word "helpers."

d) Section 1i is amended by inserting the term "BNSF" between the words "provide" and "non-discriminatory" in the second line.

2. **Amendment to Section 3.** Section 3 is amended by adding a new Section 3f to the Agreement. New Section 3f shall read as follows:

"f) Forty-five (45) days before initiating service to a customer pursuant to Sections 3a and 3b, BNSF must elect whether its service shall be (i) direct, (ii) through reciprocal switch, or (iii) with UP/SP's prior agreement, using a third party contractor to perform switching for itself or both railroads. BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election."

3. **Amendment to Section 4.**

a) Section 4a is amended by adding the phrase "(with parity and equal access to the Mexican border crossing at Brownsville)" at the conclusion of the second sub-paragraph which reads "UP's line between Houston (Algoa) and Brownsville."

b) Section 4b is amended by adding at its conclusion the phrase "and Eagle Pass."

c) Section 4d is amended by adding at its conclusion the following language:

"BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election."

d) The first sentence of Section 4f is amended by inserting a comma between the phrase "(including FNM interchange)" and the term "UP/SP."

4. Amendment to Section 5.

- a) Section 5a is amended as follows in order to add an additional grant of trackage rights:
- "a) UP/SP shall grant to BNSF trackage rights on the following lines:
- SP's line between Houston, Texas and Iowa Junction in Louisiana;
 - SP's line between Dayton, Texas and Baytown, Texas;
 - UP's and SP's lines near Avondale (SP MP 16.9) and West Bridge Junction (SP MP 10.5); and
 - UP's line between West Bridge Junction (UP MP 10.2) and UP's Westwego, Louisiana intermodal facility (approximately UP MP 9.2)."
- b) Section 5b is amended by adding at its conclusion the following sentence:
- "BNSF shall also have the right to interchange with and have access over the New Orleans Public Belt Railroad at West Bridge Junction."
- c) The last sentence in Section 5c is amended by inserting a period after the word "limitations" and by beginning a new sentence immediately thereafter with the word "where."
- d) Section 5d is amended by adding at its conclusion the following language:
- "BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election."

5. **Amendment to Section 6.**

a) Section 6c is amended by adding at its conclusion the following language: "and the Little Rock Port Authority at Little Rock."

b) Section 6e is amended by adding at its conclusion the following language:
"BNSF shall have the right, upon 180 days prior written notice to UP/SP, to change its election; provided, however, that BNSF shall (x) not change its election more often than once every five years and (y) shall reimburse UP/SP for any costs incurred by UP/SP in connection with such changed election."

6. **Amendment to Section 8.**

a) The parenthetical clause in Section 8d is amended to read as follows:
"(i.e., the southwest quadrant connection at Saunders including the track between BN MP 10.43 and MP 11.14.)"

b) The second line in Section 8h is amended by substituting "UP/SP" for "SP" in the two places "SP" appears in that line.

c) Section 8i is amended in its entirety to read as follows:

"i) It is the intent of the parties that this Agreement result in the preservation of service by two competing railroad companies for all customers listed on Exhibit A to this Agreement presently served by both UP and SP and no other railroad (2-to-1 customers).

The parties recognize that some 2-to-1 customers will not be able to avail themselves of BNSF service by virtue of the

trackage rights and line sales contemplated by this Agreement. For example, 2-to-1 customers located at points between Niles Junction and the end of the joint track near Midway (including Livermore, CA, Pleasanton, CA, Radum, CA, and Trevarno, CA), Turlock, CA, South Gate, CA, Tyler, TX, Defense, TX, College Station, TX, Great Southwest, TX, Victoria, TX, Sugar Land, TX, points on the former Galveston, Houston & Henderson Railroad served only by UP and SP, Opelousas, LA, Paragould, AR, Dexter, MO, and Herington, KS, are not accessible under the trackage rights and line sales covered by this Agreement. Accordingly, UP/SP and BNSF agree to enter into arrangements under which, through trackage rights, haulage, ratemaking authority or other mutually acceptable means, BNSF will be able to provide competitive service to 2-to-1 customers at the foregoing points and to any 2-to-1 customers who are not located at points expressly referred to in this Agreement or Exhibit A to this Agreement.

BNSF shall have the right to interchange with any short-line railroad which, prior to the date of this Agreement could interchange with both UP and SP and no other railroad."

d) Section 8j, is modified by adding the word "or" between the words "route" and "routes."

7. Amendment to Section 9.

a) The third sentence of Section 9d is amended by deleting the phrase "UP/SP traffic" and inserting the phrase in place thereof "traffic of the owning carrier."

- b) Section 9h is amended in its entirety to read as follows:
 - "h) The rates for reciprocal switching services provided by UP/SP to BNSF pursuant to the terms of the Agreement shall fully reimburse UP/SP for its costs plus a reasonable return."
- c) Section 9l is amended in its entirety to read as follows:
 - "l) BNSF shall have the right to connect, for movement in all directions, with its present lines (including existing trackage rights) at points where its present lines (including existing trackage rights) intersect with lines it will purchase or be granted trackage rights over pursuant to this Agreement. UP/SP shall have the right to connect, for movement in any direction, with its present lines (including trackage rights) at points where its present lines (including trackage rights) intersect with lines it will be granted trackage rights over pursuant to this Agreement."

8. **Deletion of Section 18.** Section 18 of the Agreement captioned "Confidentiality" is hereby deleted.

9. **Amendment of Exhibit A.**

a) In the section captioned "Points Referred to in Section 1b" make the following deletions and insertions: (i) insert before "Points between Oakland, CA and San Jose, CA: the following points: "Herlong, CA; Johnson Industrial Park at Sacramento, CA; Farmers Rice at West Sacramento, CA; Port of Sacramento, CA:" (ii) add the following language after "Points between Oakland, CA and San Jose, CA": "(including Warm Springs CA, Fremont CA, Elmhurst CA, Shinn CA, Kohler CA, and Melrose CA) and (iii) delete "Points in the Livermore, CA area (including Pleasanton, CA, Radum, CA, and Trevarno, CA); West Sacramento, CA; Melrose Drill Track near Oakland, CA".

b) Delete the reference to "Victoria, TX" in the section captioned "Points Referred to in Section 4b." Add "Sinton, TX" in place thereof.

c) Add the phrase "(Amoco, Exxon and Chevron plants)" after the reference to Mont Belvieu, TX in the section captioned "Points Referred to in Section 5b." Add the points "Eldon, TX (Bayer plant)" and "Harbor, LA" at the end of this section.

d) Delete the reference to "Paragould, AR" in the section captioned "Points Referred to in Section 6c." Add "Forrest City, AR" in place thereof.

For ease of reference, a revised Exhibit A incorporating the foregoing changes is attached.

10. **Amendment to Exhibit B.** The third sentence in the last section (captioned "Third Party Consultant") of Exhibit B shall be modified by amending the phrase "share in any" to "share any."

This Supplemental Agreement makes no other changes to the Agreement and the Agreement's terms shall remain in full force and effect except as modified above.

IN WITNESS WHEREOF, the parties have caused this Supplemental Agreement to be fully executed as of the date first above written.

UNION PACIFIC CORPORATION

By: [Signature]
Title: _____

**UNION PACIFIC RAILROAD
COMPANY**

By: [Signature]
Title: _____

**SOUTHERN PACIFIC RAIL
CORPORATION**

By: [Signature]
Title: _____

**MISSOURI PACIFIC
RAILROAD COMPANY**

By: [Signature]
Title: _____

**SOUTHERN PACIFIC
TRANSPORTATION COMPANY**

By: [Signature]
Title: _____

**THE DENVER & RIO GRANDE
WESTERN RAILROAD COMPANY**

By: [Signature]
Title: _____

SPCSL CORP.

By: [Signature]
Title: _____

**ST. LOUIS SOUTHWESTERN
RAILWAY COMPANY**

By: [Signature]
Title: _____

**BURLINGTON NORTHERN
RAILROAD COMPANY**

By: 
Title: VP

**THE ATCHISON, TOPEKA AND
SANTA FE RAILWAY COMPANY**

By: 
Title: _____

STB FD

32760

11-30-95

A

1648V16

2/5

EXHIBIT A

Points Referred to in Section 1b

Provo UT
Salt Lake City UT
Ogden UT
Ironton UT
Gatex UT
Pioneer UT
Garfield/Smelter/Magna UT (access to Kennecott private railway)
Geneva UT
Clearfield UT
Woods Cross UT
Relico UT
Evona UT
Little Mountain UT
Weber Industrial Park UT
Points on paired track from Weso NV to Alazon NV
Reno NV (intermodal and automotive only -
 BNSF must establish its own automotive facility)
Herlong CA
Johnson Industrial Park at Sacramento CA
West Sacramento CA (Farmers Rice)
Port of Sacramento CA
Points between Oakland CA and San Jose CA (including Warm Springs CA,
 Fremont CA, Elmhurst CA, Shinn CA, Kohler CA, and Melrose CA)
San Jose CA

Points Referred to in Section 3a

Ontario CA
La Habra CA
Fullerton CA

Points Referred to in Section 4b

Brownsville TX
Port of Brownsville TX
Port of Corpus Christi
Harlingen TX
Corpus Christi TX
Sinton, TX
San Antonio TX
Halsted TX (LCRA plant)
Waco TX
Points on Sierra Blanca-El Paso line

Points Referred to in Section 5b

Baytown TX
Amelia TX
Orange TX
Mont Belvieu TX (Amoco, Exxon, Chevron plants)
Eldon, TX (Bayer plant)
Harbor, LA

Points Referred to in Section 6c

Camden AR
Pine Bluff AR
Fair Oaks AR
Baldwin AR
Little Rock AR
North Little Rock AR
East Little Rock AR
Forrest City, AR

(Caption Summary)

INTERSTATE COMMERCE COMMISSION
NOTICE OF EXEMPTION
FINANCE DOCKET NO. 32760 (SUB-NO. 1)

UNION PACIFIC RAILROAD COMPANY,
MISSOURI PACIFIC RAILROAD COMPANY,
SOUTHERN PACIFIC TRANSPORTATION COMPANY,
ST. LOUIS SOUTHWESTERN RAILWAY COMPANY, SPCSL CORP. AND
THE DENVER & RIO GRANDE WESTERN RAILROAD COMPANY
-- TRACKAGE RIGHTS EXEMPTIONS --
BURLINGTON NORTHERN RAILROAD COMPANY,
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

Union Pacific Railroad Company and affiliate Missouri Pacific Railroad Company (collectively referred to as "UP"), and Southern Pacific Transportation Company and its rail affiliates St. Louis Southwestern Railway Company, SPCSL Corp. and The Denver & Rio Grande Western Railroad Company (collectively referred to as "SP") (UP and SP collectively, "UP/SP"), have agreed with Burlington Northern Railroad Company ("BN") and The Atchison, Topeka and Santa Fe Railway Company ("Santa Fe") (BN and Santa Fe collectively, "BN/Santa Fe") on the following grants of overhead and local trackage rights:

Western Trackage Rights

UP Grants to BN/Santa Fe

- Salt Lake City, UT - Ogden, UT
- Salt Lake City, UT - Alazon, NV
- Alazon, NV - Weso, NV
- Weso, NV - Stockton, CA
- Riverside, CA - Ontario, CA
- Basta, CA-Fullerton, CA--La Habra, CA

SP Grants to BN/Santa Fe

- Denver, CO - Salt Lake City, UT
- Ogden, UT - Little Mountain, UT
- Alazon, NV - Weso, NV
- Weso, NV - Oakland, CA
(via Sacramento and Oakland, CA)
("Cai-P" line)
- Oakland, CA - San Jose, CA

The above trackage rights are bridge rights for the movement of overhead traffic only, except for local access to industries served by UP and SP and no other railroad at the points specified below:

- Provo, UT
- Salt Lake City UT
- Ogden, UT
- Ironton, UT
- Gatex, UT
- Pioneer, UT
- Garfield/Smelter/Magna, UT
(access to Kennecott private railway)
- Geneva, UT
- Clearfield, UT
- Woods Cross, UT
- Relico, UT
- Evona, UT
- Little Mountain, UT
- Weber Industrial Park, UT
- Points on paired track from
Weso, NV - Alazon, NV
- Reno, NV (intermodal and
automotive only)
- Herlong, CA

- Johnson Industrial Park at
Sacramento, CA
- Farmers Rice at West Sacramento,
CA
- Port of Sacramento, CA
- San Jose, CA
- Warm Springs, CA
- Fremont, CA
- Shinn, CA
- Elmhurst, CA
- Kohler, CA
- Melrose, CA
- Ontario, CA
- La Habra, CA
- Fullerton, CA
- Access to the Oakland Joint
Intermodal Terminal ("JIT"), or
similar public intermodal facility,
at such time as the JIT is built.

South Texas Trackage Rights

UP Grants To BN/Santa Fe

- Ajax, TX - San Antonio, TX
- Houston (Algoa), TX - Brownsville, TX
- Odem, TX - Corpus Christi, TX
- Ajax, TX - Sealy, TX
- Kerr, TX - Taylor, TX
- Temple, TX - Waco, TX
- Temple, TX - Taylor, TX
- Taylor, TX - Smithville, TX

SP Grants To BN/Santa Fe

- San Antonio, TX - Eagle Pass, TX
- El Paso, TX - Sierra Blanca, TX

The above trackage rights are bridge rights for the movement of overhead traffic only, except for the local access to industries served by UP and SP and no other railroad at the points specified below:

- Brownsville, TX
- Port of Brownsville, TX
- Harlingen, TX
- Corpus Christi, TX
- Port of Corpus Christi, TX
- Sinton, TX
- San Antonio, TX
- Halsted, TX (LCRA plant)
- Waco, TX
- Points on Sierra Blanca, TX -
El Paso, TX, line

Eastern Texas/Louisiana Trackage Rights

UP Grants to BN/Santa Fe

- Avondale, LA - West Bridge Jct., LA
- West Bridge Jct., LA (MP 10.2) -
Westwego, LA intermodal
facility (MP 9.2)

SP Grants to BN/Santa Fe

- Houston, TX - Iowa Jct., LA
- Dayton, TX - Baytown, TX
- Avondale, LA (milepost 16.9) - West
Bridge Jct. (milepost 10.5), LA
- Bridge No. 5-A at Houston, TX

The above trackage rights are bridge rights for the movement of overhead traffic only, except for the local access to industries served by UP/SP and no other railroad at the points listed below.

- Baytown, TX
- Amelia, TX
- Orange, TX
- Mont Belvieu, TX (Amoco, Exxon and Chevron plants)
- Eldon, TX (Bayer plant)
- Harbor, LA

Houston, TX, to Memphis, TN, Trackage Rights

UP Grants to BN/Santa Fe

- Fair Oaks, AR - Bridge Jct., AR
- North Little Rock, AR - Pine Bluff, AR

SP Grants to BN/Santa Fe

- Houston, TX - Fair Oaks, AR via Cleveland, TX - Pine Bluff, AR
- Brinkley, AR - Briark, AR

The above trackage rights are bridge rights for the movement of overhead traffic only, except for the local access to industries served by UP/SP and no other railroad at the points listed below.

- Camden, AR
- Pine Bluff, AR
- Fair Oaks, AR
- Baldwin, AR
- Little Rock, AR
- North Little Rock, AR
- East Little Rock, AR
- Forrest City, AR

St. Louis Area Coordinations

UP Grant to BN/Santa Fe

- St. Louis, MO (Grand Avenue - Gratiot Street) (overhead rights only)

BN/Santa Fe Grants to UP/SP

- Chemult, OR - Bend, OR (overhead rights only)
- Barstow, CA - Mojave, CA (overhead rights only)
- Keddie, CA - UP MP 0 to MP 2 (to turn equipment) (UP/SP will retain trackage rights between these mileposts over the Bieber-Keddie line to be sold to BN/Santa Fe)¹
- Dallas, TX - Waxahachie, TX (overhead rights and exclusive right to serve local industries) (UP/SP will retain trackage rights after sale of the line to BN/Santa Fe)¹
- Iowa Jct., LA - Avondale, LA (overhead rights and the right to serve all local industries, with right for Louisiana and Delta Railroad to serve as UP/SP's agent between Iowa Jct. and points served by L&D). (UP/SP will retain trackage rights after sale of the line to BN/Santa Fe)¹
- West Memphis-Presley Jct., AR (overhead rights only)
- Saunders, WI - Superior, WI (overhead rights only with access to MERC Dock in Superior)
- Pokegama connection at Saunders, WI (i.e., the southwest quadrant connection at Saunders, including the track between BN MP 10.43 and MP 11.14)

The trackage rights will be effective when UP/SP receive and exercise control authority as requested in Finance Docket No. 32760.

This Notice is filed under 49 C.F.R. § 1180.2(d)(7). Petitions to revoke the exemption under 49 U.S.C. § 10505(d) may be filed at any time. The filing of a petition to revoke will not stay the transaction.

Dated: _____

By the Commission,

Vernon A. Williams
Secretary

¹ Sales of these lines to BN/Santa Fe are the subject of a Petition For Exemption in Finance Docket No. 32760 (Sub-No. 2).

Before the
INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 32760 (SUB-NO. 2)

BURLINGTON NORTHERN RAILROAD COMPANY AND
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY --
PETITION FOR EXEMPTION -- ACQUISITION AND OPERATION OF
TRackage IN CALIFORNIA, TEXAS AND LOUISIANA

PETITION FOR EXEMPTION

The acquisitions and operation of trackage for which an exemption is requested in this proceeding are related to and contingent upon the UP/SP merger proposed in Finance Docket No. 32760.

In this petition, the primary applicants in Finance Docket No. 32760, joined by Burlington Northern Railroad Company and The Atchison, Topeka and Santa Fe Railway Company (collectively "BN/Santa Fe"), request that the Commission, pursuant to 49 U.S.C. § 10505, exempt from 49 U.S.C. §§ 11343, et seq., the proposed acquisition and operation of three rail lines presently owned and operated by UP and SP, as follows:

- (1) UP's line from Keddie at Milepost 0 to Bieber at Milepost 111.8 in the state of California, including both legs of the wye at Keddie ("Keddie Line");
- (2) UP's line from Dallas at Milepost 768.9 to Waxahachie at Milepost 798.03 in the State of Texas ("Dallas Line"); and
- (3) SP's line from Avondale at Milepost 16.9 to Iowa Junction at Milepost 205.3 in the State of Louisiana ("Avondale Line"). (These three segments of trackage are referred to hereinafter collectively as the "Lines.") The Lines are shown on the attached maps.

I. INTRODUCTION

In a settlement agreement dated September 25, 1995, as supplemented in an agreement dated November 18, 1995, UP/SP and BN/Santa Fe agreed on trackage rights and line sale transactions which, after merger of UP and SP, will facilitate BN/Santa Fe's access to shipper facilities that are presently served only by UP and SP and would receive service from only one railroad in the event of an unconditioned merger of UP and SP. The agreed-upon trackage rights and line sales also will enhance the efficiency and competitiveness of both the UP/SP and BN/Santa Fe systems. This petition requests that the Commission exempt from the prior approval requirements of 49 U.S.C. §§ 11343, et seq., the sales of the Lines, because those sales fall within the parameters of 49 U.S.C. § 10505.

Exemption from the requirements of Sections 11343, et seq., is mandated under Section 10505(a) when regulation under those sections is not necessary to carry out the goals of the Rail Transportation Policy, and the transactions either (1) are of limited scope, or (2) regulation under Section 11343 is not necessary to protect shippers from an abuse of market power. The goals of the Rail Transportation Policy will be furthered by exempting BN/Santa Fe's acquisitions and operation over the Lines. Those transactions will promote significant provisions of the Rail Transportation Policy, while not running counter to any other such provisions. Far from there being any need for regulation to protect shippers from an abuse of market power, exempting the proposed transactions will enhance competition by resulting in substantial new single-line service by BN/Santa Fe. The considerable benefits to affected shippers and to the public interest require exemption of the transactions under 49 U.S.C. § 10505.

II. BACKGROUND

A. The Keddie Line.

This line is located in Northern California and is presently operated by UP. (See Exhibit 1.) There are no active shippers located on this Line other than lumber traffic originating at Chester, California, which is interchanged to UP from Almanor Railroad Company at Clear Creek Junction^{1/}. After consummation of the sale, BN/Santa Fe will provide service over the Keddie Line, and Almanor Railroad will have the right to interchange with BN/Santa Fe. UP/SP will retain the right to operate over the Line between Mileposts 0 and 2 to turn equipment.

BN/Santa Fe's purchase of this Line will result in new BN/Santa Fe single-line service from Canadian border crossings and the states of Washington, Oregon, Idaho and Montana to points in the states of California, Arizona and New Mexico, as well as Mexican gateways. BN/Santa Fe's purchase of the Keddie Line, together with trackage rights to be granted by UP/SP to BN/Santa Fe between Keddie and Stockton, California, will link BN's trackage in the Pacific Northwest with Santa Fe's network of lines in the Southwest. This purchase will give BN/Santa Fe a single-line route along the West Coast and will fill a significant gap in BN/Santa Fe's system. This link will improve BN/Santa Fe's efficiency and greatly enhance competition.

B. The Avondale Line.

BN/Santa Fe will acquire approximately 189 miles of SP's line between Avondale and Iowa Junction, Louisiana, with UP/SP retaining trackage rights including the

^{1/} There is a lumber shipper at Bieber located adjacent to BN trackage which currently is jointly served by UP and BN and which is switched by BN.

right to serve all local industries. (See Exhibit 2.) Louisiana & Delta Railroad ("LDR") will be entitled to serve as UP/SP's agent for local traffic between Iowa Junction and points served by LDR.

When used in conjunction with trackage rights granted to BN/SF by UP/SP between Houston and Iowa Junction, and between Avondale and Westwego, Louisiana, BN/Santa Fe's acquisition of this line will give it a new through route from Houston to New Orleans. This new through route will improve BN/Santa Fe's efficiency and greatly enhance competition, not only in the Houston-New Orleans corridor, but also, in conjunction with trackage rights to be granted by UP/SP to BN/Santa Fe between Houston and Memphis, in the corridor between New Orleans and Memphis, St. Louis and Chicago. Access to New Orleans will give BN/Santa Fe service to the last significant midcontinent gateway it does not reach, and will provide new single-line service between New Orleans (and Southeast connections with NS and CSX) and a wide constellation of routes served by BN/Santa Fe throughout the West, including routes to California.

C. The Dallas Line.

BN/Santa Fe will purchase UP's approximately 29-mile line between Dallas and Waxahachie, Texas, with UP/SP retaining exclusive rights to serve local shippers on the line. (See Exhibit 2.) BN/Santa Fe presently has the right to operate over this line, which is part of BN/Santa Fe's mainline between Houston and Dallas, Texas. This purchase will consolidate BN/Santa Fe's maintenance and operating responsibility for the trackage.

III. THE REQUESTED EXEMPTIONS SHOULD BE GRANTED

Section 10505(a) of Title 49 requires the Commission to exempt from regulation transactions for which regulation is not necessary to carry out the Rail Transportation Policy set forth in 49 U.S.C. § 10101a, and that are either limited in scope or do not threaten shippers with a potential abuse of market power. There is no doubt that the exemption provision was intended to give the Commission very broad authority to eliminate unnecessary regulation. Coal Exporters Association v. United States, 745 F.2d 76, 82 (D.C. Cir. 1984), cert. denied 471 U.S. 1072 (1985). When measured against this congressional mandate, the proposed exemptions clearly should be granted.

Regulation of the Proposed Acquisitions is not Necessary to Carry Out the Rail Transportation Policy.

The acquisitions will promote significant provisions of the Rail Transportation Policy and will not run counter to any of the Policy goals. Detailed scrutiny under Sections 11343, et seq., is not necessary.

Exempting the proposed acquisitions of UP and SP trackage will advance important provisions of the Rail Transportation Policy as set forth in Section 10101a. BN/Santa Fe's acquisition of the Lines, with the resulting enhanced efficiency and competitiveness, is fully consistent with and will promote development and continuation of a sound and competitive rail transportation system. See Section 10101a, (1), (4), (5) and (10). By minimizing the administrative expense associated with these initiatives, the exemption will expedite regulatory decisions and reduce regulatory barriers to entry. See Section 10101a (2) and (7). In addition, the overall UP/SP merger transaction, on which these line sales are contingent, will provide in-depth scrutiny of the pertinent competitive and other issues associated with these line sales, and a separate proceeding under

Sections 11343, et seq., with respect to the line sales would therefore be unnecessary and wasteful.

The proposed projects are straightforward and simple, involving BN/Santa Fe's acquisition of trackage at an agreed price. Because of BN/Santa Fe's financial stability, the transactions raise no concerns regarding the purchaser's ability to acquire or operate over the Lines.

IV. LABOR PROTECTION

Under 49 U.S.C. § 10505(g)(2), the Commission may not use its exemption power to relieve a rail carrier of its statutory obligation to protect the interests of employees. Therefore, as a condition to granting the exemption, petitioners have no objection to imposition of the labor protective conditions normally imposed in Section 11343 transactions. See New York Dock Ry. - Control - Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

V. ENVIRONMENTAL - HISTORIC CONSIDERATIONS

No environmental documentation is necessary because the proposed acquisitions will not result in significant changes in carrier operations within the exception at 49 C.F.R. § 1105.6(c)(2). See Section 1105.7(a). No historic documentation is required because the acquisitions will not result in any action identified in 49 C.F.R. § 1105.6(a) or (b). See Section 1105.8(a). There are no plans to alter properties subject to Commission jurisdiction which are 50 years old or older.

VI. CONCLUSION

For the foregoing reasons, UP/SP and BN/Santa Fe request the Commission to grant an exemption from the provisions of 49 U.S.C. §§ 11343 et seq. for acquisition of the Keddie, Dallas and Avondale Lines.

Respectfully submitted,

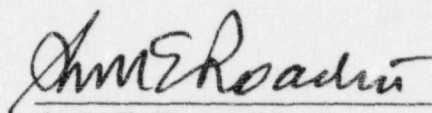
Jeffrey R. Moreland
Richard E. Weicher
Michael A. Smith
1700 East Golf Road
6th Floor
Schaumburg, IL 60173-5860
(708) 995-6887

Attorneys for Burlington Northern
Railroad Company and The Atchison,
Topeka & Santa Fe Railway Company

Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Gary A. Laakso
Southern Pacific Building
One Market Plaza, Room 846
San Francisco, CA 94105
(415) 541-1785

Attorneys for Southern Pacific Rail
Corporation, Southern Pacific
Transportation Company, St. Louis
Southwestern Railway Company,
SPCSL Corp. and The Denver and
Rio Grande Western Railroad Company

James V. Dolan
Paul A. Conley, Jr.
Joseph D. Anthofer
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, NE 68179
(402) 271-5000



Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for Union Pacific Railroad
Company and Missouri Pacific
Railroad Company

VERIFICATION

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

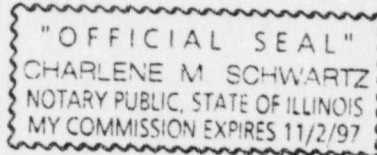
Richard E. Weicher, Vice President and General Counsel of Burlington Northern Santa Fe Corporation, being first duly sworn, deposes and says that he has read the foregoing Petition for Exemption, knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.

Richard E. Weicher
Richard E. Weicher

Subscribed and sworn to before me this
14th day of November, 1995.

Charlene M. Schwartz
Notary Public

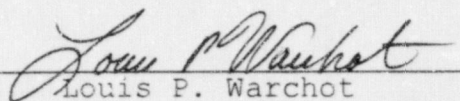
My Commission Expires:



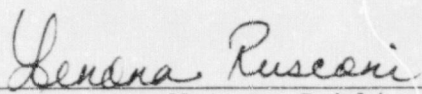
VERIFICATION

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN FRANCISCO)

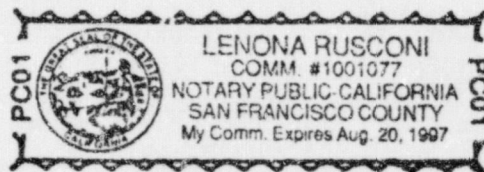
Louis P. Warchot, Associate General Counsel of Southern Pacific Transportation Company, being first duly sworn, deposes and says that he has read the foregoing Petition for Exemption, knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.


Louis P. Warchot

Subscribed and sworn to before me
this 17th day of November, 1995.



Notary Public

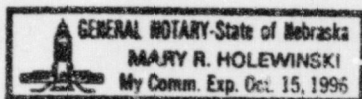


My Commission Expires: August 20, 1997

VERIFICATION

STATE OF NEBRASKA)
) ss:
COUNTY OF DOUGLAS)

PAUL A. CONLEY, JR., Assistant Vice President-Law of Union Pacific Railroad Company, being first duly sworn, deposes and says that he has read the foregoing Petition for Exemption, knows the contents thereof, and that the same are true as stated to the best of his knowledge, information and belief.



Paul A. Conley Jr.

Paul A. Conley, Jr.

Subscribed and sworn to before me this
17th day of November, 1995.

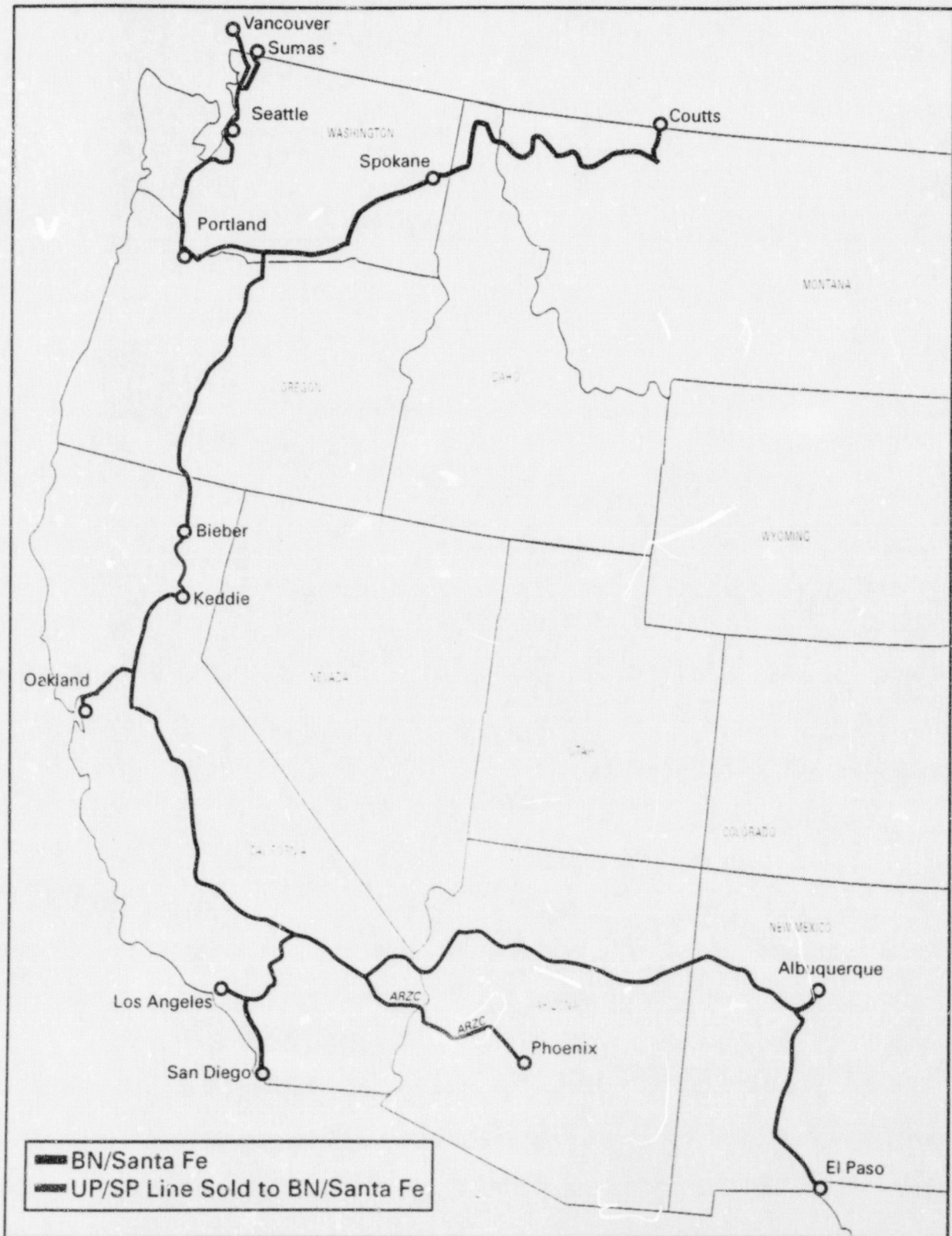
Mary R. Holewinski

Notary Public

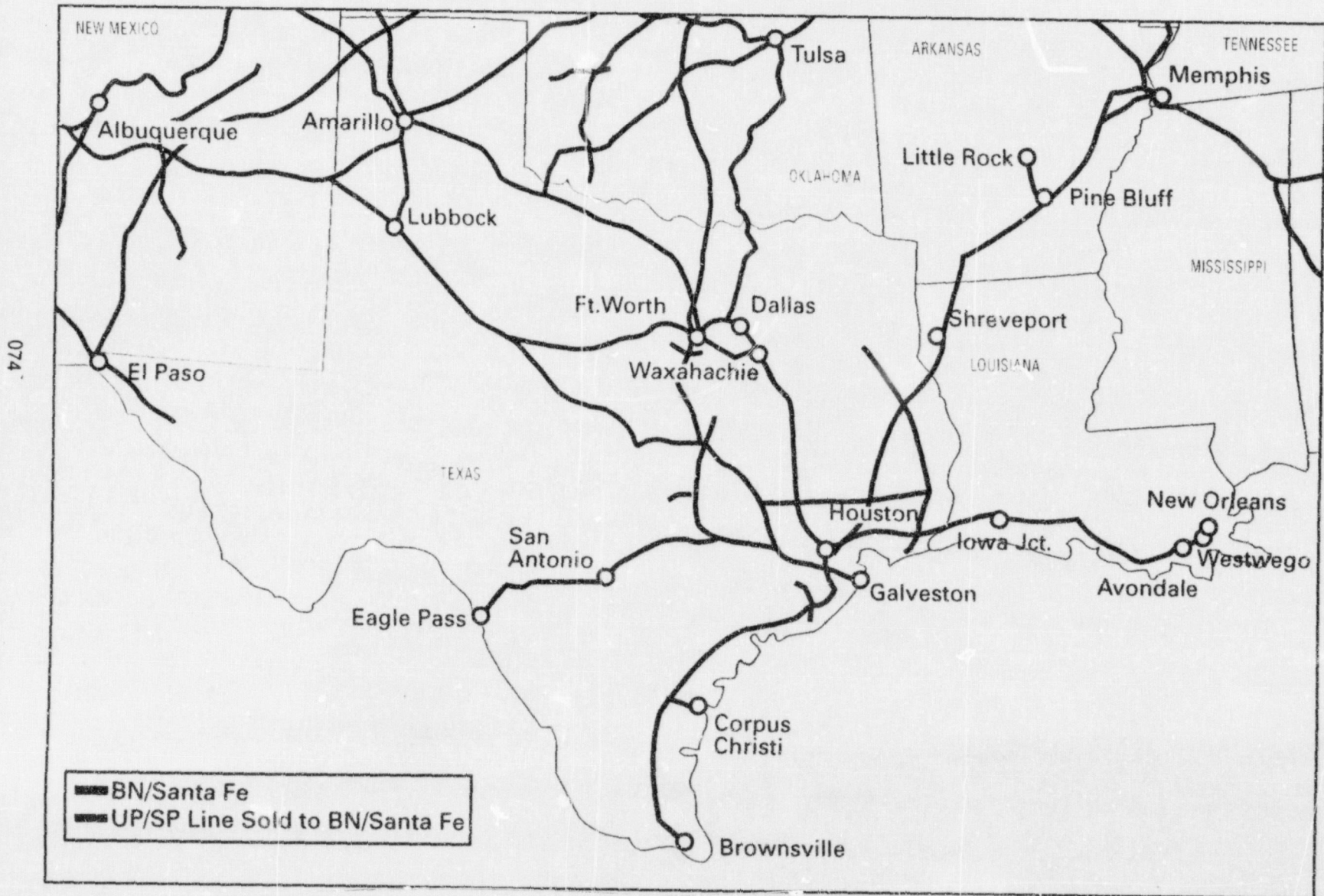
My Commission expires:

October 15, 1996

Keddie-Bieber Line Sale



Iowa Jct., LA-Avondale, LA & Dallas, TX-Waxahachie, TX Line Sales



Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 3)

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

PETITION FOR EXEMPTION

Pursuant to 49 U.S.C. § 10505, Petitioners UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW hereby seek exemption from regulation under 49 U.S.C. §§ 11343-45 for the acquisition of control of A&S as a result of the acquisition of control of SPR by Acquisition, the merger of SPR into UPRR, and the resulting common control of UP and SP by UPC pursuant to the primary application herein. As set forth more fully below, the control of A&S by UPC through UP and SP will further the national rail transportation policy (49 U.S.C. § 10101a), is limited in scope, and will not subject shippers to any abuse of market power. Exemption should accordingly be granted.

BACKGROUND

Upon approval of the primary application, UPRR will merge with SPR after Acquisition acquires the stock of SPR. UPC will then control both UP and SP, whose operations will be consolidated and fully integrated. MPRR and SSW each hold a 50% stock interest in A&S. As a result of acquisition of control of SPR by Acquisition and the UPRR-SPR merger, UPC will indirectly hold a 100% stock interest in A&S. The proposed

transaction accordingly requires Petitioners to obtain approval under, or exemption from, Sections 11343-45, for the control of A&S.

A&S is a terminal and switching carrier that owns approximately 33 miles of mainline track and 108 miles of yard track in the St. Louis area. Its business address is 1000 South 22nd Street, East St. Louis, Illinois 62207, and its telephone number is (618) 482-3239. A&S owns real property located in the State of Illinois. A&S also operates over trackage rights on the TRRA across the McArthur Bridge east to the 23rd Street Yard in St. Louis, Missouri. A map showing A&S lines and their relations to the lines of UP and SP is attached as Exhibit A.

A&S provides two types of services. First, A&S serves as an intermediate carrier for traffic moving between Class I railroads in the St. Louis area, operating Gateway Yard in East St. Louis, one of the two large classification yards in the area. Second, A&S provides industry switching services for a small number of shippers on its lines; these shippers, which are open to all railroads serving St. Louis, moved a total of 897 carloads in 1994. A&S has its own employees and uses its own equipment to perform services at its facilities.

A&S competes for the principal component of its business -- the intermediate handling and classification of through business moving via St. Louis -- with TRRA, which operates the Madison Yard at East St. Louis. Also, St. Louis competes with a variety of other junctions for the interchange of traffic moving between the East and the West. Carriers have increasingly developed efficient direct connections via rural junctions that bypass the major gateways such as St. Louis. For example, Conrail and UP interchange traffic at St. Elmo, Illinois, east of St. Louis; they classify this traffic at points on their own systems rather than at the A&S or TRRA classification yards in East St. Louis. Similarly,

CSX and UP interchange traffic at Salem, Illinois, and Conrail and IC interchange traffic at Effingham, Illinois. Also, Gateway Western has a connection that allows it to interchange directly with CSX and Conrail at East St. Louis without using a terminal railroad.

A&S facilities are available to all rail carriers on equal terms. Under a 1972 ICC order, A&S is bound to operate on a neutral, non-discriminatory basis. See St. Louis Southwestern Ry. -- Purchase -- Alton & Southern R.R., 342 I.C.C. 498, 525 (1972) (conditions 2 and 4).

Petitioners' control of A&S will not affect A&S operations or service over its lines, except insofar as Petitioners expect to make more efficient use of A&S yard facilities. All carriers that currently have access to A&S facilities and locally served industries will continue to have access, and Petitioners' control of A&S will not impair these other carriers' ability to obtain service from A&S on equal terms.

ARGUMENT

Under Section 10505, the Commission must grant an exemption from regulation if an otherwise applicable provision of the statute:

"(1) is not necessary to carry out the transportation policy of section 10101a of [Title 49]; and

(2) either (A) the transaction or service is of limited scope, or (B) the application of a provision of this subtitle is not needed to protect shippers from the abuse of market power."

49 U.S.C. § 10505(a). Petitioners' proposed control of A&S meets all of the statutory tests.^{1/}

^{1/} Petitioners do not anticipate that their control of A&S will have any effect on employees. However, Petitioners acknowledge that under Section 10505(g)(2), the control of A&S will be subject to the employee protective conditions adopted in New York Dock Ry. -- Control -- Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

As the primary application explains in detail, the consolidation of UP and SP railroad operations will provide very substantial public benefits, including extensive new single-line service, new services that neither UP nor SP can offer on its own, dramatic mileage savings in many corridors, faster and more reliable service, elimination of capacity bottlenecks, much more effective application of capital dollars to add capacity and improve operations, and major improvements in equipment supply. Petitioners' acquisition of control of A&S is a result of that larger transaction, but it is purely incidental to the transaction. As explained above, control of A&S by Petitioners will not affect existing A&S operations, except insofar as the merged railroad will make more efficient use of A&S yard facilities.

Regulation of Petitioners' acquisition and exercise of control over A&S is not necessary to carry out any aspect of the rail transportation policy of 49 U.S.C. § 10101a. To the contrary, an exemption of this control transaction would further the statutory policy in favor of eliminating unnecessary regulation. See 49 U.S.C. § 10101a(2).

Petitioners' proposed control of A&S also meets the other criteria for exemption. It is plainly limited in scope, as it merely involves the acquisition of stock control of a company which provides services in a limited geographical area, and whose operations are not expected to change significantly as a consequence of that control. It likewise does not present a situation in which regulation is necessary to protect shippers from the abuse of market power. Apart from changes to make more efficient use of A&S yard facilities, A&S operations will not change as a consequence of Petitioners' control of A&S. A&S will continue to provide equal treatment to all connecting railroads. All shippers that A&S serves today will continue to receive rail service and will continue to have access to the wide range of carriers that use A&S facilities and services.

CONCLUSION

For the reasons set forth above, the acquisition and exercise of control of A&S by Petitioners meets all of the criteria for exemption from regulation under Section 10505. Petitioners accordingly ask that the Commission grant the exemption for control of A&S sought hereby.

Respectfully submitted,

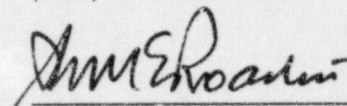
Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

Paul A. Cunningham
Richard B. Herzog
James M. Guinivan
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7600

Attorneys for
Southern Pacific Rail Corporation,
Southern Pacific Transportation
Company, St. Louis Southwestern
Railway Company, SPCSL Corp.,
and The Denver and Rio Grande
Western Railroad Company

Carl W. von Bernuth
Richard J. Ressler
Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, Pennsylvania 18018
(610) 861-3290

James V. Dolan
Paul A. Conley, Jr.
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-5000



Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for
Union Pacific Corporation,
Union Pacific Railroad Company and
Missouri Pacific Railroad Company

November 30, 1995

VERIFICATION

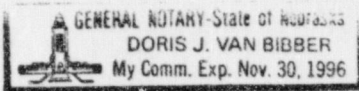
STATE OF NEBRASKA)
) SS.
COUNTY OF DOUGLAS)

I, Richard B. Peterson, being duly sworn, state that I have read the foregoing document, that I know its contents and that those contents are true as stated.

Richard B. Peterson

RICHARD B. PETERSON

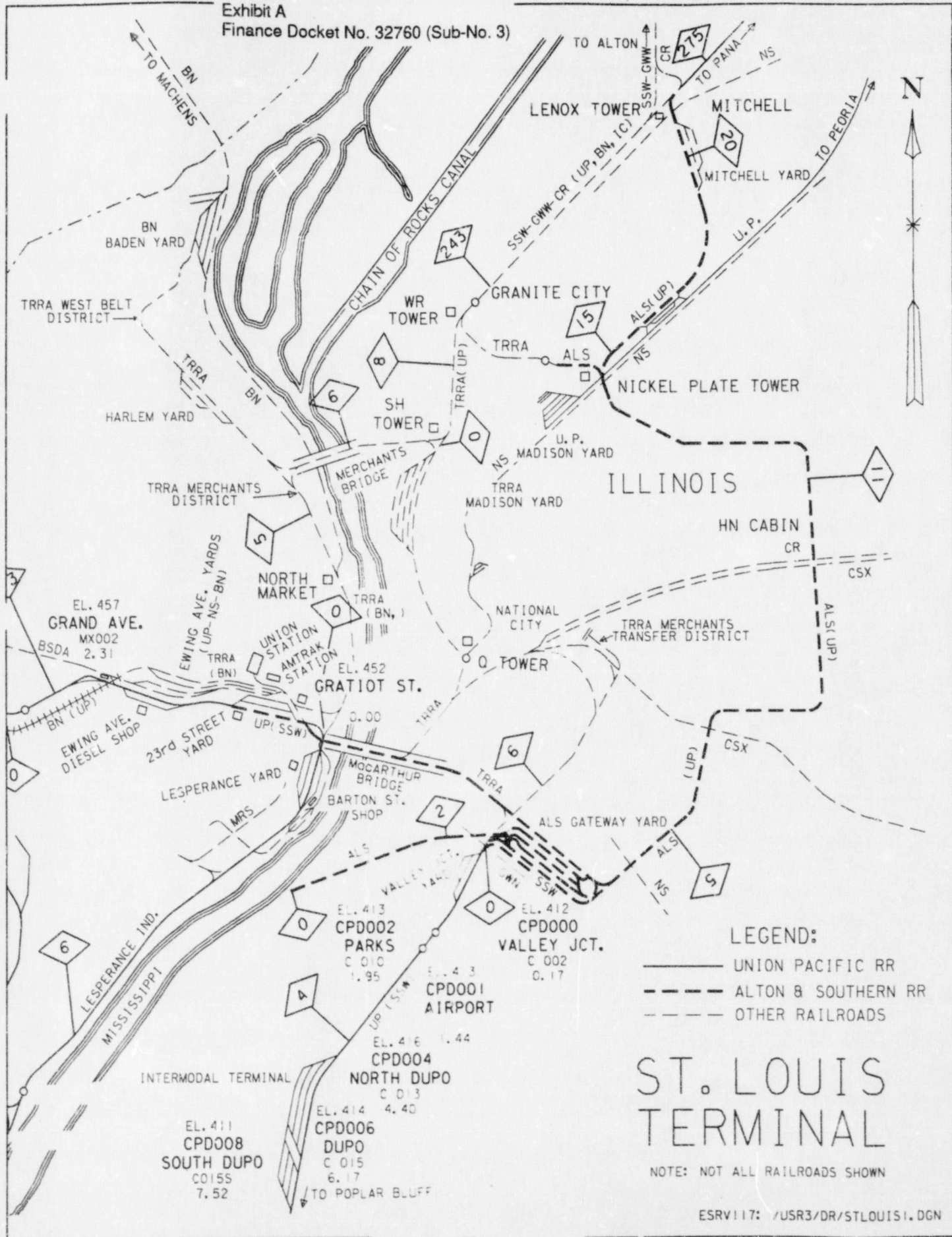
Subscribed and sworn to before me this 17th day of November, 1995.



Doris J. Van Bibber
NOTARY PUBLIC

My Commission Expires:

Nov. 30, 1996



Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 4)

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

PETITION FOR EXEMPTION

Pursuant to 49 U.S.C. § 10505, Petitioners UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW hereby seek exemption from regulation under 49 U.S.C. §§ 11343-45 for the acquisition of control of CCT as a result of the acquisition of control of SPR by Acquisition, the merger of SPR into UPRR, and the resulting common control of UP and SP by UPC pursuant to the primary application herein. As set forth more fully below, the control of CCT by UPC through UP and SP will further the national rail transportation policy (49 U.S.C. § 10101a), is limited in scope, and will not subject shippers to any abuse of market power. Exemption should accordingly be granted.

BACKGROUND

Upon approval of the primary application, UPRR will merge with SPR after Acquisition acquires the stock of SPR. UPC will then control both UP and SP, whose operations will be consolidated and fully integrated. UPRR and SPT each hold a 1/3 stock interest in CCT; the remaining 1/3 stock interest is held by BN/Santa Fe. Each of the three owners of CCT has two representatives on CCT's six-member Board of Directors. As a

result of the UPRR-SPR merger, UPC will indirectly hold a 2/3 stock interest in CCT. The proposed merger of UPRR and SPRR accordingly requires Petitioners to obtain approval under, or exemption from, Sections 11343-45, for the control of CCT.

CCT is a terminal railroad that owns approximately 45 miles of track running between Stockton and Polk, California, and between Lodi and Lodi Junction, California. It also has trackage rights over SP between Polk and Sacramento, California. Its business address is 1645 Cherokee Road, Stockton, California, and its telephone number is (209) 466-6927. CCT owns real property located in the State of California. A map showing CCT's lines and their relations to the lines of UP and SP is attached as Exhibit A.

CCT provides freight service to a number of industries along its lines using its own equipment and crews. CCT connects with UP and SP at Sacramento, with SP at Polk, with SP at Lodi, and with BN/Santa Fe, UP and SP at Stockton. Major CCT industries, such as Pacific Coast Producers and General Mills at Lodi and Procter & Gamble at Polk, are served directly by SP, which handles most of their traffic. In 1994, CCT's owners eliminated CCT as a line-haul carrier by each adopting CCT stations as their own and arranging for CCT to be paid a fixed schedule of charges for each movement via CCT. Petitioners' control of CCT will not affect CCT's operations or service over its lines. BN/Santa Fe will continue to participate in CCT's management, and Petitioners' control of CCT will not impair BN/Santa Fe's ability to interchange with CCT and provide competitive service to customers located on CCT.

As a further guarantee that BN/Santa Fe's ability to access CCT shippers will not be affected by the UP/SP merger, Petitioners have provided in Section 1i of their settlement agreement with BN/Santa Fe that CCT "shall be managed and operated so as

to provide non-discriminatory access to industries on its line on the same and no less favorable basis as provided UP or SP."^{1/}

ARGUMENT

Under Section 10505, the Commission must grant an exemption from regulation if an otherwise applicable provision of the statute:

"(1) is not necessary to carry out the transportation policy of section 10101a of [Title 49]; and

(2) either (A) the transaction or service is of limited scope, or (B) the application of a provision of this subtitle is not needed to protect shippers from the abuse of market power."

49 U.S.C. § 10505(a). Petitioners' proposed control of CCT meets all of the statutory tests.^{2/}

As the primary application explains in detail, the consolidation of UP and SP railroad operations will provide very substantial public benefits, including extensive new single-line service, new services that neither UP nor SP can offer on its own, dramatic mileage savings in many corridors, faster and more reliable service, elimination of capacity bottlenecks, much more effective application of capital dollars to add capacity and improve operations, and major improvements in equipment supply. Petitioners' acquisition of control of CCT is a result of that larger transaction, but it is purely incidental to the transaction. As explained above, control of CCT by Petitioners will have no effect on existing CCT operations.

^{1/} The Settlement Agreement is Exhibit 2 to Finance Docket No. 32760 (Sub-No. 1) in this volume.

^{2/} Petitioners do not anticipate that their control of CCT will have any effect on employees. However, Petitioners acknowledge that under Section 10505(g)(2), the control of CCT will be subject to the employee protective conditions adopted in New York Dock Ry. -- Control -- Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

Regulation of Petitioners' acquisition and exercise of control over CCT is not necessary to carry out any aspect of the rail transportation policy of 49 U.S.C. § 10101a. To the contrary, an exemption of this control transaction would further the statutory policy in favor of eliminating unnecessary regulation. See 49 U.S.C. § 10101a(2).

Petitioners' proposed control of CCT also meets the other criteria for exemption. It is plainly limited in scope, as it merely involves the acquisition of stock control of a carrier which operates over only 55 miles of track, and whose operations are not expected to change as a consequence of that control.

Petitioners proposed control likewise does not present a situation in which regulation is necessary to protect shippers from the abuse of market power. CCT will continue to provide neutral access to shippers along its lines, and as explained above, this neutral access is guaranteed by Petitioners' agreement with BN/Santa Fe. Petitioners' entry into a non-discrimination agreement with BN/Santa Fe is consistent with the Commission's resolution of a similar situation in the UP/MKT proceeding involving TCT. See Union Pacific Corp., Union Pacific R.R. & Missouri Pacific R.R. -- Control -- Missouri-Kansas-Texas R.R., 4 I.C.C.2d 409 (1988). Prior to the UP/MKT merger, UP, MKT and Santa Fe owned equal shares of TCT. After the merger, UP owned a 2/3 interest. Although the Commission initially conditioned the merger on UP's sale of a 1/6 interest in TCT to Santa Fe, the Commission ultimately found that a non-discrimination condition negotiated between UP and Santa Fe would serve the same purpose as the sale. See id. at 479; Finance Docket No. 30800, Decision served Oct. 21, 1988, pp. 1-2. Applicants' agreement with BN/Santa Fe will, in the same way, remedy any concern that Petitioners' merger may indirectly result in harm to CCT shippers.

CONCLUSION

For the reasons set forth above, the acquisition and exercise of control of CCT by Petitioners meets all of the criteria for exemption from regulation under Section 10505. Petitioners accordingly ask that the Commission grant the exemption for control of CCT sought hereby.

Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Southern Pacific Transportation
Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

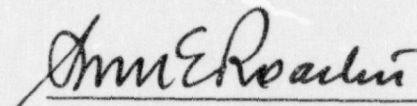
Paul A. Cunningham
Richard B. Herzog
James M. Guinivan
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7600

Attorneys for
Southern Pacific Rail Corporation,
Southern Pacific Transportation
Company, St. Louis Southwestern
Railway Company, SPCSL Corp.,
and The Denver and Rio Grande
Western Railroad Company

Respectfully submitted,

Carl W. von Bernuth
Richard J. Ressler
Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, Pennsylvania 18018
(610) 861-3290

James V. Dolan
Paul A. Conley, Jr.
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-5000



Arvid E. Reach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for
Union Pacific Corporation,
Union Pacific Railroad Company and
Missouri Pacific Railroad Company

November 30, 1995

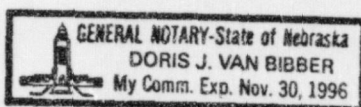
VERIFICATION

STATE OF NEBRASKA)
) SS.
COUNTY OF DOUGLAS)

I, Richard B. Peterson, being duly sworn, state that I have read the foregoing document, that I know its contents and that those contents are true as stated.

Richard B. Peterson
RICHARD B. PETERSON

Subscribed and sworn to before me this 17th day of November, 1995.

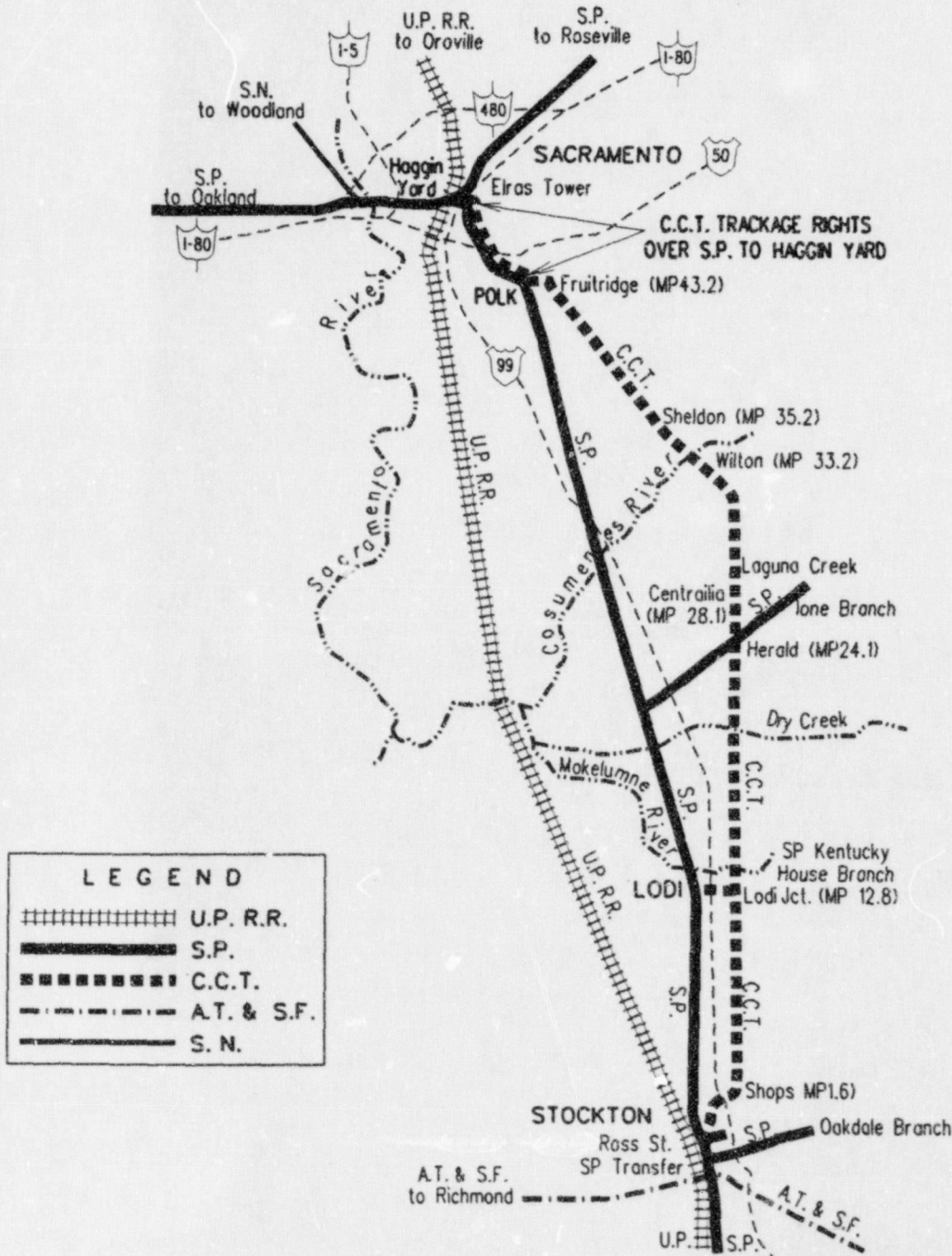


Doris J. Van Bibber
NOTARY PUBLIC

My Commission Expires:

Nov. 30, 1996

The Central California Traction Company



Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 5)

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

PETITION FOR EXEMPTION

Pursuant to 49 U.S.C. § 10505, Petitioners UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW hereby seek exemption from regulation under 49 U.S.C. §§ 11343-45 for the acquisition of control of OURD as a result of the acquisition of control of SPR by Acquisition, the merger of SPR into UPRR, and the resulting common control of UP and SP by UPC pursuant to the primary application herein. As set forth more fully below, the control of OURD by UPC through UP and SP will further the national rail transportation policy (49 U.S.C. § 10101a), is limited in scope, and will not subject shippers to any abuse of market power. Exemption should accordingly be granted.

BACKGROUND

Upon approval of the primary application, UPRR will merge with SPR after Acquisition acquires the stock of SPR. UPC will then control both UP and SP, whose operations will be consolidated and fully integrated. UPRR and SPT each hold a 50% stock interest in OURD. As a result of the acquisition of control of SPR by Acquisition and

the UPRR-SPR merger, UPRR will directly hold, and UPC will indirectly hold, a 100% stock interest in OURD. The proposed transaction accordingly requires Petitioners to obtain approval under, or exemption from, Sections 11343-45, for the control of OURD.

OURD is a terminal carrier located in Ogden, Utah. Its business address is 406 West 100 South, Salt Lake City, Utah 84101, and its telephone number is (801) 595-3226. OURD owns or leases several segments of track in and near the Ogden terminal, and it has leased some of its owned track to UP and SP. A map showing OURD's track and its relation to the lines of UP and SP is attached as Exhibit A.

All operations over OURD-owned or leased track are performed by UP or SP. OURD is in the process of being phased out as an independent entity. OURD originally was formed by UPRR and SPT to provide passenger services and freight switching at Ogden. Passenger services terminated many years ago. In 1987-89, UP and SP arranged to handle most functions related to freight switching in Ogden themselves, and since then UP and SP have eliminated separate OURD operations.

OURD will likely be dissolved at some point in the future. The merger will facilitate this process as it will eliminate the need for UP and SP to reach agreement as to the disposition of OURD's property and the winding up of its legal existence.

Petitioners' control of OURD will have no effect on rail operations, which are minimal and are in the process of being phased out. UP/SP are directly obligated, under Section 9i of the Applicants' settlement agreement with BN/Santa Fe^{1/}, to provide terminal

^{1/} The Settlement Agreement is Exhibit 2 to Finance Docket No. 32760 (Sub-No. 1) in this volume.

support services to BN/Santa Fe at Ogden, and joint UP/SP control of OURD will have no effect on this obligation.

ARGUMENT

Under Section 10505, the Commission must grant an exemption from regulation if an otherwise applicable provision of the statute:

"(1) is not necessary to carry out the transportation policy of section 10101a of [Title 49]; and

(2) either (A) the transaction or service is of limited scope, or (B) the application of a provision of this subtitle is not needed to protect shippers from the abuse of market power."

49 U.S.C. § 10505(a). Petitioners' proposed control of OURD meets all of the statutory tests.^{2/}

As the primary application explains in detail, the consolidation of UP and SP railroad operations will provide very substantial public benefits, including extensive new single-line service, new services that neither UP nor SP can offer on its own, dramatic mileage savings in many corridors, faster and more reliable service, elimination of capacity bottlenecks, much more effective application of capital dollars to add capacity and improve operations, and major improvements in equipment supply. The resulting control of OURD is purely incidental to that larger transaction. As explained above, control of OURD by Petitioners will have no effect on rail operations.

^{2/} Petitioners do not anticipate that their control of OURD will have any effect on employees. However, Petitioners acknowledge that under Section 10505(g)(2), the control of OURD will be subject to the employee protective conditions adopted in New York Dock Ry. -- Control -- Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

Regulation of Petitioners' acquisition and exercise of control over OURD is not necessary to carry out any aspect of the national rail transportation policy of 49 U.S.C. § 10101a. To the contrary, an exemption of this control transaction from regulation would further the statutory policy in favor of eliminating unnecessary regulation. See 49 U.S.C. § 10101a(2).

Petitioners' proposed control of OURD also meets the other criteria for exemption. It is plainly limited in scope, as it merely involves the acquisition of stock control of a corporation that has minimal operations, and whose status will not change as a consequence of that control. It likewise does not present a situation in which regulation is necessary to protect shippers from the abuse of market power. Separate OURD operations have been phased out. OURD's status will not change as a consequence of Petitioners' control of OURD, and there will be no effect on shippers as a result of that control.

CONCLUSION

For the reasons set forth above, the acquisition and exercise of control of OURD by Petitioners meets all of the criteria for exemption from regulation under Section

10505. Petitioners accordingly ask that the Commission grant the exemption for control of OURD sought hereby.

Respectfully submitted,

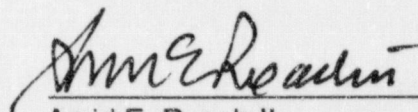
Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

Carl W. von Bernuth
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Union Pacific Corporation
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Bethlehem, Pennsylvania 18018
(610) 861-3290

Paul A. Cunningham
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Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7600

James V. Dolan
Paul A. Conley, Jr.
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-5000

Attorneys for
Southern Pacific Rail Corporation,
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Company, St. Louis Southwestern
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Western Railroad Company



Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for
Union Pacific Corporation,
Union Pacific Railroad Company and
Missouri Pacific Railroad Company

November 30, 1995

VERIFICATION

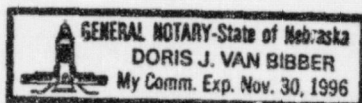
STATE OF NEBRASKA)
) SS.
COUNTY OF DOUGLAS)

I, Richard B. Peterson, being duly sworn, state that I have read the foregoing document, that I know its contents and that those contents are true as stated.

Richard B. Peterson

RICHARD B. PETERSON

Subscribed and sworn to before me this 17th day of November, 1995.



Doris J. Van Bibber
NOTARY PUBLIC

My Commission Expires:

Nov. 30, 1996

Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 6)

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

PETITION FOR EXEMPTION

Pursuant to 49 U.S.C. § 10505, Petitioners UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW hereby seek exemption from regulation under 49 U.S.C. §§ 11343-45 for the acquisition of control of PTRR as a result of the acquisition of control of SPR by Acquisition, the merger of SPR into UPRR, and the resulting common control of UP and SP by UPC pursuant to the primary application herein. As set forth more fully below, the control of PTRR by UPC through UP and SP will further the national rail transportation policy (49 U.S.C. § 10101a), is limited in scope, and will not subject shippers to any abuse of market power. Exemption should accordingly be granted.

BACKGROUND

Upon approval of the primary application, UPRR will merge with SPR after Acquisition acquires the stock of SPR. UPC will then control both UP and SP, whose operations will be consolidated and fully integrated. UPRR holds a 40% stock interest and SPT holds a 20% stock interest in PTRR; the remaining 40% stock interest is held by BN/Santa Fe. UPRR, BN/Santa Fe and SP each have two representatives on PTRR's six-member Board of Directors. As a result of the UPRR-SPR merger, UPC will indirectly hold a 60% stock interest in PTRR. The proposed merger of UPRR and SPR accordingly

requires Petitioners to obtain approval under, or exemption from, Sections 11343-45, for the control of PTRR.

PTRR is a terminal and switching carrier that operates over fewer than 58 miles of track in Portland, Oregon. Its business address is 3500 N.W. Yen Avenue, Portland, Oregon 97210, and its telephone number is (503) 241-9898. PTRR owns real property located in the State of Oregon. A map showing PTRR's lines and their relations to the lines of UP and SP is attached as Exhibit A.

PTRR's primary operation is at the Guilds Lake Yard, where it conducts industry switching for a number of customers served by its three proprietary carriers. PTRR owns a 75% interest in the yard and its facilities; BN/Santa Fe owns the remaining 25% interest. BN/Santa Fe also leases part of the yard for its TOFC/COFC facility; PTRR handles the switching at this facility. PTRR also owns property at the Union Station Depot yard, which is used by BN/Santa Fe, SP, UP and Amtrak. At Union Station, PTRR connects on the west end with BN/Santa Fe's mainline and on the east end with UP's and SP's mainlines.

Petitioners' control of PTRR will not affect PTRR's operations or service over its lines. BN/Santa Fe will continue to participate in PTRR's management, and Petitioners' control of PTRR will not impair BN/Santa Fe's ability to obtain service from PTRR.

Under the PTRR operating agreement, the company is obligated to serve its proprietary carriers impartially and without discrimination. See The Portland Terminal Railroad Company of Oregon, Basic Operating Contract of December 31, 1932, as Amended, Supplemented and Revised, dated July 3, 1989, art. I, § 2 ("The control, management and administration of the terminal properties owned or leased by the

Terminal Company, except freight houses and the undivided three-fourths interest of the Terminal Company in the Guilds Lake terminal shall during the life of this contract be vested in the Terminal Company which shall conduct the operations and work therein impartially for all the Railway Companies without discrimination.") (excerpt attached as Exhibit B). See also Burlington Northern, Inc. -- Control & Merger -- St. Louis-San Francisco Ry., 366 I.C.C. 862, 869-70 (1983).^{1/}

ARGUMENT

Under Section 10505, the Commission must grant an exemption from regulation if an otherwise applicable provision of the statute:

"(1) is not necessary to carry out the transportation policy of section 10101a of [Title 49]; and

(2) either (A) the transaction or service is of limited scope, or (B) the application of a provision of this subtitle is not needed to protect shippers from the abuse of market power."

49 U.S.C. § 10505(a). Petitioners' proposed control of PTRR meets all of the statutory tests.^{2/}

As the primary application explains in detail, the consolidation of UP and SP railroad operations will provide very substantial public benefits, including extensive new

^{1/} Given the clear contractual nondiscrimination obligation, there is no need for a condition requiring that BN/Santa Fe be sold enough stock in PTRR to have ownership equal to UP/SP's. In UP/MKT, where such a stock-sale condition was imposed in regard to TCT, the Commission ultimately approved a joint request by UP and Santa Fe that the Commission approve a negotiated non-discrimination condition in lieu of the stock purchase condition. See Finance Docket No. 30800, Union Pacific Corp., Union Pacific R.R. & Missouri Pacific R.R. -- Control -- Missouri-Kansas-Texas R.R., Decision served Oct. 21, 1988, pp. 1-2.

^{2/} Petitioners do not anticipate that their control of PTRR will have any effect on employees. However, Petitioners acknowledge that under Section 10505(g)(2), the control of PTRR will be subject to the employee protective conditions adopted in New York Dock Ry. -- Control -- Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

single-line service, new services that neither UP nor SP can offer on its own, dramatic mileage savings in many corridors, faster and more reliable service, elimination of capacity bottlenecks, much more effective application of capital dollars to add capacity and improve operations, and major improvements in equipment supply. Petitioners' acquisition of control of PTRR is a result of that transaction, but it is purely incidental to the larger transaction. As explained above, control of PTRR by Petitioners will have no effect on existing PTRR operations.

Regulation of Petitioners' acquisition and exercise of control over PTRR is not necessary to carry out any aspect of the rail transportation policy of 49 U.S.C. § 10101a. To the contrary, exemption of this control transaction from regulation would further the statutory policy in favor of eliminating unnecessary regulation. See 49 U.S.C. § 10101a(2).

Petitioners' proposed control of PTRR also meets the other criteria for exemption. It is plainly limited in scope, as it merely involves the acquisition of stock control of a carrier which operates in a limited geographical area, and whose operations will not change as a consequence of that control. It likewise does not present a situation in which regulation is necessary to protect shippers from the abuse of market power. The shippers that PTRR serves today will continue to receive competitive rail service following approval of the above-described transaction, because PTRR's operations will not change as a consequence of Petitioners' control of PTRR. As explained above, PTRR is legally bound to provide BN/Santa Fe with nondiscriminatory treatment.

CONCLUSION

For the reasons set forth above, the acquisition and exercise of control of PTRR by Petitioners meets all of the criteria for exemption from regulation under Section 10505. Petitioners accordingly ask that the Commission grant the exemption for control of PTRR sought hereby.

Respectfully submitted,

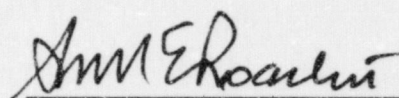
Cannon Y. Harvey
Louis P. Warchot
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Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

Paul A. Cunningham
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James M. Guinivan
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7600

Attorneys for
Southern Pacific Rail Corporation,
Southern Pacific Transportation
Company, St. Louis Southwestern
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Carl W. von Bernuth
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Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, Pennsylvania 18018
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Union Pacific Railroad Company
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1416 Dodge Street
Omaha, Nebraska 68179
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Arvid E. Roach II
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Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
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(202) 662-5338

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Union Pacific Corporation,
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November 30, 1995

VERIFICATION

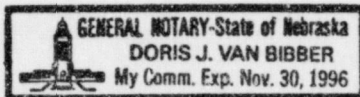
STATE OF NEBRASKA)
) SS.
COUNTY OF DOUGLAS)

I, Richard B. Peterson, being duly sworn, state that I have read the foregoing document, that I know its contents and that those contents are true as stated.

Richard B. Peterson

RICHARD B. PETERSON

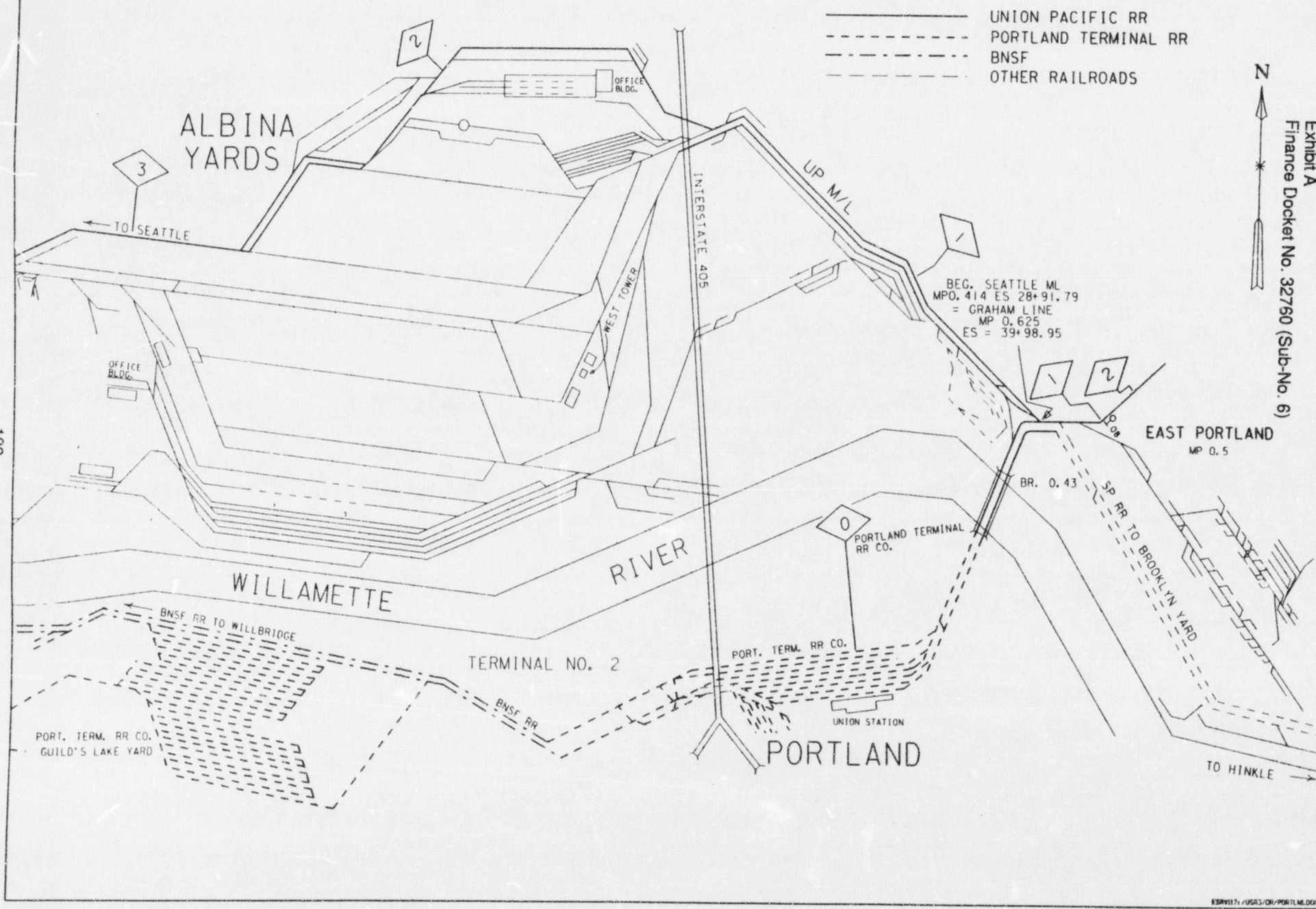
Subscribed and sworn to before me this 17th day of November, 1995.



Doris J. Van Bibber
NOTARY PUBLIC

My Commission Expires:

Nov. 30, 1996



PTRR CONTRACT NO. 597

REVISED EDITION OF

THE PORTLAND TERMINAL RAILROAD COMPANY
OF OREGON

BASIC OPERATING CONTRACT
OF DECEMBER 31, 1932

RELATING TO MAINTENANCE AND OPERATION OF
TERMINAL PROPERTIES AT PORTLAND, OREGON

AS AMENDED, SUPPLEMENTED AND REVISED BY ALL
SUBSEQUENT AGREEMENTS AS OF JULY 3, 1989

property owned by the Terminal Company and which may not be required for the uses and purposes set forth in said contract may be sold, it is agreed that in each and every case in which the Board of Directors of the Northern Pacific Terminal Company of Oregon shall by a majority vote determine that any of the properties owned by it are not required for the uses and purposes set forth in said contract and shall by a majority vote approve the sale thereof, the Terminal Company shall sell such property upon such terms and conditions as may be approved by a majority vote of said Board of Directors, and the undersigned companies shall join with the Northern Pacific Terminal Company of Oregon in the execution of such conveyances or other documents or shall execute such separate conveyances or other documents and take such other action, steps or proceedings as may be required or advisable to convey such property free and clear of any rights, titles or interests which may be vested in the undersigned companies or any of them under and by virtue of the terms and provisions of said contract."

* * *

Section 2. The control, management and administration of the terminal properties owned or leased by the Terminal Company, except freight houses, and the undivided three-fourths interest of the Terminal Company in the Guilds Lake terminal shall during the life of this contract be vested in the Terminal Company which shall conduct the operations and work therein impartially for all the Railway Companies without discrimination.

Section 3. The Board of Directors of the Terminal Company shall consist of nine members, and each of the parties of the second part shall be represented on said Board by three members. If in the future the number of directors shall be increased or decreased, the change shall be effected in such a manner that each of the three Railway Companies, parties of the second part, shall have equal representation on the Board.

COMMENT D

- (1) The number of Directors was reduced from nine to six by the December 5, 1956 Amendment to the By-Laws of the Terminal Company.

* * *

Section 4. Monies to the extent necessary to provide a working fund and to create additions and betterments, including local improvement assessments chargeable to Capital Account, shall be provided by the Railway Companies in proportion to their stock ownership and the Terminal Company shall pay interest thereon at the rate of five per cent (5%) per annum, but if for any reason the Terminal Company finds it desirable to borrow from other sources moneys for this purpose, such loans may be arranged for upon unanimous

Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 7)

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

PETITION FOR EXEMPTION

Pursuant to 49 U.S.C. § 10505, Petitioners UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW hereby seek exemption from regulation under 49 U.S.C. §§ 11343-45 for the acquisition of control of PTRC as a result of the acquisition of control of SPR by Acquisition, the merger of SPR into UPRR, and the resulting common control of UP and SP by UPC pursuant to the primary application herein. As set forth more fully below, the control of PTRC by UPC through UP and SP will further the national rail transportation policy (49 U.S.C. § 10101a), is limited in scope, and will not subject shippers to any abuse of market power. Exemption should accordingly be granted.

BACKGROUND

Upon approval of the primary application, UPRR will merge with SPR after Acquisition acquires the stock of SPR. UPC will then control both UP and SP, whose operations will be consolidated and fully integrated. UPRR and SPT each hold a 50% stock interest in PTRC. As a result of the acquisition of control by Acquisition and the

UPRR-SPR merger, UPC will indirectly hold a 100% stock interest in PTRC. The proposed transaction accordingly requires Petitioners to obtain approval under, or exemption from, Sections 11343-45, for the control of PTRC.

PTRC is an inactive corporation. It has no employees. Its business address is 520 S.W. Yamhill, Suite 800, Portland, Oregon 97204, and its telephone number is (503) 233-5481. PTRC owns real property located in the State of Oregon, and it is a party to an inactive trackage rights and haulage agreement with SP that applies to 16 miles of SP mainline track between East Portland and Oregon City, Oregon. A map showing rail lines in the area in which PTRC formerly operated is attached as Exhibit A.

Control by UP/SP of PTRC will not have any effect on shippers. PTRC has not engaged in any rail operations since 1991. PTRC originally operated over two lines, one that ran from East Portland to Oregon City via Milwaukie, Oregon, and one that ran between Milwaukie and Estacada, Oregon, via Boring, Oregon, with a branch to East Gresham. PTRC abandoned its Milwaukie-Oregon City trackage in 1967. PTRC retained the right to serve Oregon City shippers through a trackage rights and haulage agreement with SP, but has not exercised this right for a substantial period of time, if ever. As a result, shippers at Oregon City have long been served exclusively by SP. In 1990, several years after abandoning its Boring-Estacada track and its East Gresham branch, PTRC abandoned its Milwaukie-Boring segment. See Docket No. AB-225 (Sub-No. 2X), Portland Traction Co. -- Abandonment Exemption -- In Multnomah & Clackamas Counties, OR, decision served Jan. 10, 1990. PTRC sold its last trackage, the East Portland-Milwaukie segment, to East Portland Traction Company the next year. See Unanimous Action of

Directors Without a Meeting, dated Feb. 1, 1991 (copy attached hereto as Exhibit B). Thus, PTRC no longer has any rail facilities, and there is no prospect that it will ever recommence rail operations.

PTRC will likely be dissolved at some point in the future. The merger will facilitate this process as it will eliminate the need for UP and SP to reach agreement as to the disposition of PTRC's property and the winding up of its legal existence.

ARGUMENT

Under Section 10505, the Commission must grant an exemption from regulation if an otherwise applicable provision of the statute:

"(1) is not necessary to carry out the transportation policy of section 10101a of [Title 49]; and

(2) either (A) the transaction or service is of limited scope, or (B) the application of a provision of this subtitle is not needed to protect shippers from the abuse of market power."

49 U.S.C. § 10505(a). Petitioners' proposed control of PTRC meets all of the statutory tests.^{1/}

As the primary application explains in detail, the consolidation of UP and SP railroad operations will provide very substantial public benefits, including extensive new single-line service, new services that neither UP nor SP can offer on its own, dramatic mileage savings in many corridors, faster and more reliable service, elimination of capacity

^{1/} Petitioners do not anticipate that their control of PTRC will have any effect on employees. As noted above, PTRC has no employees. Petitioners acknowledge, however, that under Section 10505(g)(2), the control of PTRC will be subject to the employee protective conditions adopted in New York Dock Ry. -- Control -- Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

bottlenecks, much more effective application of capital dollars to add capacity and improve operations, and major improvements in equipment supply. The resulting control of PTRC is purely incidental to that larger transaction. As explained above, control of PTRC by Petitioners will have no effect at all on PTRC, which is inactive.

Regulation of Petitioners' acquisition and exercise of control over PTRC is not necessary to carry out any aspect of the rail transportation policy of 49 U.S.C. § 10101a. To the contrary, an exemption of this control transaction would further the statutory policy in favor of eliminating unnecessary regulation. See 49 U.S.C. § 10101a(2).

Petitioners' proposed control of PTRC also meets the other criteria for exemption. It is plainly limited in scope, as it merely involves the acquisition of stock control of a corporation that has no rail operations, and whose inactive status will not change as a consequence of that control. It likewise does not present a situation in which regulation is necessary to protect shippers from the abuse of market power. As explained above, PTRC has no active operations and does not provide a competitive alternative for any shipper. Oregon City shippers have been served exclusively by SP for at least the past half decade. PTRC's operations will not change as a consequence of Petitioners' control of PTRC.

CONCLUSION

For the reasons set forth above, the acquisition and exercise of control of PTRC by Petitioners meets all of the criteria for exemption from regulation under Section

10505. Petitioners accordingly ask that the Commission grant the exemption for control of PTRC sought hereby.

Respectfully submitted,

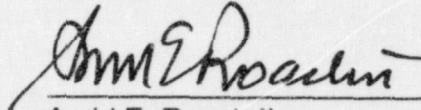
Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Southern Pacific Transportation Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

Paul A. Cunningham
Richard B. Herzog
James M. Guinivan
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7600

Attorneys for
Southern Pacific Rail Corporation,
Southern Pacific Transportation
Company, St. Louis Southwestern
Railway Company, SPCSL Corp.,
and The Denver and Rio Grande
Western Railroad Company

Carl W. von Bernuth
Richard J. Ressler
Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, Pennsylvania 18018
(610) 861-3290

James V. Dolan
Paul A. Conley, Jr.
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-5000



Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for
Union Pacific Corporation,
Union Pacific Railroad Company and
Missouri Pacific Railroad Company

November 30, 1995

VERIFICATION

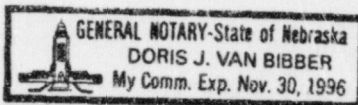
STATE OF NEBRASKA)
) SS.
COUNTY OF DOUGLAS)

I, Richard B. Peterson, being duly sworn, state that I have read the foregoing document, that I know its contents and that those contents are true as stated.

Richard B. Peterson

RICHARD B. PETERSON

Subscribed and sworn to before me this 17th day of November, 1995.

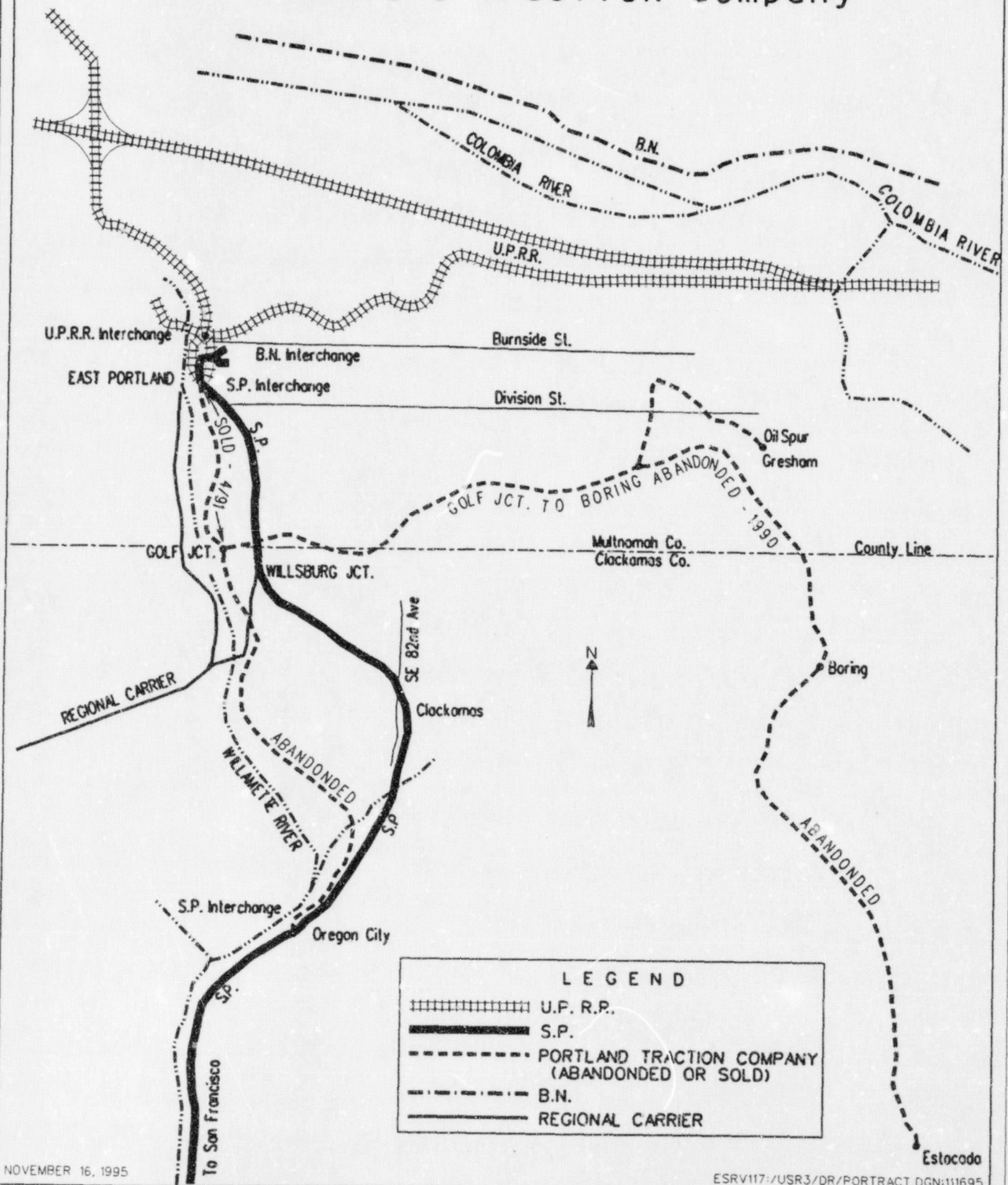


Doris J. Van Bibber
NOTARY PUBLIC

My Commission Expires:

Nov. 30, 1996

The Portland Traction Company



NOVEMBER 16, 1995

ESRV117:/USR3/DR/PORTRACT.DGN:111695

PORTLAND TRACTION COMPANY

Unanimous Action of Directors Without a Meeting

February 1, 1991

The undersigned, being all of the Directors of the Portland Traction Company, pursuant to the provisions of ORS 60.341 and Article VII, Section 3 of the Bylaws, by unanimous consent without a meeting do hereby take the following action:

I. Sale of Rail Line from MP 0.296 to MP 4.54;
Termination of Employees.

RESOLVED, that, subject to approval by the shareholders, and subject to ICC approval or exemption authority, Portland Traction Company be authorized to:

(1) transfer to a new corporation, East Portland Traction Company, the obligation to provide common carrier freight service over its line from MP 0.296 at East Portland to the Milwaukie Industrial Park at MP 4.54; and

(2) convey to East Portland Traction Company its trackage between MP 0.296 and MP 4.54, a freight easement and assignment of franchise rights between those points, and miscellaneous equipment and materials. The conveyance is not to include the right to use the right of way for light rail transit purposes. Those rights are to be retained by Portland Traction Company for potential future sale.

The purchase price is to be \$34,000, less a \$10,000 credit for relocating a turnout at East Portland. Closing will be contingent upon Portland Traction Company's delivery to the buyer of:

(1) an agreement with SP covering interchange of traffic at East Portland;

(2) commercial agreements with SP and UP; and

(3) commitments from Portland Traction Company to enter into salvage contracts with an affiliate of the buyer, Hill Vista Investment Company, covering Hill Vista's purchase and removal of trackage at East Portland Yard and between MP 4.54 and MP 8.15.

FURTHER RESOLVED, that, effective no later than the closing of the sale to East Portland Traction Company, Portland Traction Company be authorized and directed to terminate employees and arrange for paying the benefits and purchasing the annuities authorized by the Board on March 8, 1988. Since Portland Traction Company has no pension plan, the cost of the annuities will be taxable as income to W. A. Condon and J. J. McDonald in the year of the annuities' purchase. Portland

Traction Company is authorized to pay to Messrs. Condon and McDonald an additional sum to offset this added tax burden.

II. SALVAGE OF EAST PORTLAND YARD TRACKAGE.

RESOLVED, that, subject to approval by the shareholders, Portland Traction Company be authorized to enter into an agreement with Hill Vista Investment Company, covering Hill Vista's purchase and removal of trackage at East Portland Yard for \$16,600, subject to adjustment based on the amount of trackage finally determined to be excluded from the salvage contract in order to serve RCR, Inc.

III. SALVAGE OF TRACKAGE BETWEEN MP 4.54 AND MP 8.15.

RESOLVED, that, subject to approval by the shareholders, Portland Traction Company be authorized to enter into a contract with Hill Vista Investment Company, covering Hill Vista's purchase and removal of trackage between MP 4.54 and MP 8.15 for \$45,000.

IV. SALE OF INTERCHANGE TRACKAGE TO SP.

RESOLVED, that, subject to approval by the shareholders, Portland Traction Company be authorized to convey to SP at net liquidation value sufficient trackage north of MP 0.296 at East Portland to facilitate an interchange between traffic of the East Portland Traction Company, SP, and other railroad companies with bridge trackage rights to that point.

V. SUBMISSION TO SHAREHOLDERS: AUTHORITY TO IMPLEMENT.

RESOLVED, that the above four transactions be submitted to a vote of the shareholders and, if approved by the shareholders, that the appropriate officers of Portland Traction Company be authorized and directed to prepare and execute any and all documents necessary to carry out the foregoing transactions.

This action is taken effective the first day of February, 1991 by the execution of this document by the respective directors in separate counterparts. The execution of this document by each director is conditioned upon the execution of the same or an identical counterpart by all directors.

K. A. Moore
K. A. Moore

G. A. Greblo
G. A. Greblo

L. D. Wood
L. D. Wood

O. H. Young
O. H. Young

S. A. Goodsell
S. A. Goodsell

R. L. Jones
R. L. Jones

G. L. Riney
G. L. Riney

G. H. Wagner
G. H. Wagner

Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 8)

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

-- CONTROL EXEMPTION --

OVERNITE TRANSPORTATION COMPANY, SOUTHERN PACIFIC MOTOR
TRUCKING COMPANY & PACIFIC MOTOR TRANSPORT COMPANY

PETITION FOR EXEMPTION

Pursuant to 49 U.S.C. § 10505, Petitioners UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW hereby seek exemption from the prior approval requirements of 49 U.S.C. §§ 11343-44 for the common control of SP and Overnite, and of UP and SPMT and PMT, respectively, as a result of the acquisition of control of SPR by Acquisition, the merger of SPR into UPRR, and the resulting common control of UP and SP by UPC pursuant to the primary application herein. As set forth more fully below, the control exemption sought herein will further the national rail transportation policy (49 U.S.C. § 10101a), is limited in scope, and will not subject shippers to any abuse of market power. Exemption should accordingly be granted.

BACKGROUND

Upon approval of the primary application, UPRR will merge with SPR after Acquisition acquires the stock of SPR. UPC will then control both UP and SP, whose operations will be consolidated and fully integrated. UPC currently holds a 100% percent

stock interest in Overnite. SPT currently holds a 100% percent stock interest in both PMT and SPMT. The proposed transaction, accordingly, requires the Petitioners to obtain approval under, or exemption under, Section 11343-44, for the common control of SP and Overnite, and of UP and PMT and SPMT, respectively.

Overnite is a wholly owned subsidiary of UPC, and is operated entirely independently of UP. Its business address is 1000 Semmes Avenue, P.O. Box 1216, Richmond, Virginia 23209, and its telephone number is (804) 231-8000. Overnite holds 49-state (excluding Alaska) irregular route, common and contract carrier authority. Overnite provides both LTL and truckload service on a nationwide basis. Acquisition of control Overnite by UPC was approved by the Commission in Union Pacific Corp. & BTMC Corp. -- Control -- Overnite Transportation Co., 4 I.C.C.2d 36 (1987).

The common control of SP and Overnite will not alter Overnite's operations and service. As stated, Overnite operates entirely independently of UP, and Petitioners have no plans to eliminate that independence or otherwise incorporate Overnite into their operations.

PMT is an independently managed, wholly-owned subsidiary of SPT that provides nationwide general commodity trucking service. Its business address is Southern Pacific Building, One Market Plaza, San Francisco, California 94105, and its telephone number is (415) 541-1713. PMT holds general commodity authority as a common carrier between points in the United States (except Alaska and Hawaii). It also holds 48-state motor carrier brokerage authority, as well as inactive authority to transport passengers, express and baggage between points in several Western states. PMT specializes in truckload freight movement, both over-the-highway and via TOFC. The over-the-highway

service is marketed as PACER, and the TOFC service is marketed as ABL-TRANS. In Rio Grande Industries, Inc., SPTC Holding, Inc., & Denver & Rio Grande Western R.R. -- Control -- Southern Pacific Transportation Co., 4 I.C.C.2d 834, 949-51 (1988) ("SP/DRGW"), the Commission exempted the common control of DRGW and PMT, incident to the acquisition of SPT by RGI.

The common control of UP and PMT will not alter PMT's operations and service. PMT currently operates independently of SP, and Petitioners have no plans to eliminate that independence or otherwise incorporate PMT into their operations.

SPMT is a wholly-owned subsidiary of SPT. Its business address is Southern Pacific Building, One Market Plaza, San Francisco, California 94105, and its telephone number is (415) 541-1713. SPMT has no present operations. SPMT holds common carrier authority to transport general commodities between points in the United States. Before it ceased operations, SPMT operated an Auto Transport Division that transported new and used motor vehicles of all types under contract carrier permits. In 1988, SPMT sold all of the assets used in connection with its motor vehicle transport activities, including its ICC operating authorities for motor vehicle transport, to a subsidiary of Jack Cooper Transport Company, Inc. SPMT also operated an Intermodal Division that specialized in the ramping and deramping of TOFC and COFC for SPT. However, effective April 1, 1994, the Intermodal Division ceased all operations. SPMT was also the subject of an exemption in SP/DRGW, 4 I.C.C.2d at 949-51, at a time when it was still an active shipper of automobiles.

The common control of UP and SPMT will not affect SPMT's operations and service. SPMT has ceased operations, and Petitioners have no plans to resume those operations.

ARGUMENT

Under Section 10505, the Commission must grant an exemption from regulation if an otherwise applicable provision of the statute:

"(1) is not necessary to carry out the transportation policy of section 10101a of [Title 49]; and

(2) either (A) the transaction or service is of limited scope, or (B) the application of a provision of this subtitle is not needed to protect shippers from the abuse of market power."

49 U.S.C. § 10505(a). The proposed common control of SP and Overnite, and of UP and PMT and SPMT, respectively, meets all of the statutory tests.^{1/}

As the primary application explains in detail, the consolidation of UP and SP railroad operations will provide very substantial public benefits, including extensive new single-line service, new services that neither UP nor SP can offer on its own, dramatic mileage savings in many corridors, faster and more reliable service, elimination of capacity bottlenecks, much more effective application of capital dollars to add capacity and improve operations, and major improvements of equipment supply. The common control of SP and Overnite, and of UP and PMT and SPMT, respectively, is a result of the larger transaction,

^{1/} Petitioners do not anticipate that the exemptions sought herein will have any effect on employees. In any event, the motor carrier employees not engaged in rail operations are not entitled to labor protection under 49 U.S.C. § 11347. See Union Pacific Corp. & BTMC Corp. -- Control -- Overnite Transportation Co., 4 I.C.C.2d at 59 n.29. Overnite, PMT and SPMT have no employees engaged in rail operations.

but it is purely incidental to the transaction. As explained, common control will not alter the operations of any of the three motor carriers.

Regulation of the acquisition of common control of SP and Overnite, and of UP and PMT and SPMT, respectively, is not necessary to carry out any aspect of the rail transportation policy of 49 U.S.C. § 10101a. To the contrary, an exemption of these transactions would further the statutory policy in favor of eliminating unnecessary regulation. See 49 U.S.C. § 10101a(2).

The transactions described in this Petition also meet the other criteria for exemption. They are plainly limited in scope, as they involve merely changes in formal ownership and control, rather than substantive changes that will affect the operations and service provided by the motor carriers. They likewise do not present a situation in which regulation is necessary to protect shippers from the abuse of market power. The operations of Overnite and PMT will not change as a consequence of the common control for which this exemption is sought, and SPMT has no operations. Shippers today have numerous motor carriage services available to them at all locations served by Overnite and PMT.

Finally, under Section 10505(g), the Commission may not use its exemption power to authorize intermodal ownership that is otherwise prohibited by 49 U.S.C. Subtitle IV. The only statutory limitations that are even arguably pertinent are those regarding rail-motor consolidations in the forth sentence of Section 11344(c). However, the Commission has determined that these limitations are not applicable when a transaction involves only a change of form, not of substance, in transportation service. See SP/DRGW, 4 I.C.C.2d at 949-51; Union Pacific Corp. Union Pacific R.R. & Missouri Pacific R.R. -- Control --

Missouri-Kansas-Texas R.R., 4 I.C.C.2d 409, 485 (1988), petition for review dismissed, 883 F.2d 1079 (D.C. Cir. 1989); Union Pacific Corp., Pacific Rail System, Inc., & Union Pacific R.R. -- Control -- Missouri Pacific Corp. & Missouri Pacific R.R., 366 I.C.C. 462, 641 (1982), aff'd in part & remanded in part sub nom. Southern Pacific Transportation Co. v. ICC, 736 F.2d 708 (D.C. Cir. 1984), cert. denied, 469 U.S. 1208 (1985); Chicago, Milwaukee, St. Paul & Pacific R.R. -- Reorganization -- Acquisition by Grand Truck Corp., 2 I.C.C.2d 161, 263 (1984); Burlington Northern, Inc. -- Control & Merger -- St. Louis-San Francisco Ry., 360 I.C.C. 784, 958 (1980), aff'd sub nom. Missouri-Kansas Texas R.R. v. United States, 632 F.2d 392 (5th Cir. 1980), cert. denied, 451 U.S. 1017 (1981). In this case, the common control of SP and Overnite, and of UP and PMT and SPMT, respectively, is merely an incidental change in ownership resulting from the primary transaction. Each of the motor carriers is today commonly controlled with a rail company, so this transaction will not create intermodal ownership where there was none. Furthermore, as discussed above, motor carrier operations will not change as a result of the common control. The instant transactions will merely serve to bring the motor carriers under a broader corporate umbrella.

CONCLUSION

For the reasons set forth above, the acquisition and exercise of common control of SP and Overnite, and of UP and PMT and SPMT, respectively, meets all of the criteria for exemption from regulation under Section 10505. Petitioners accordingly ask that the Commission grant the exemptions for control sought hereby.

STB

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Respectfully submitted,

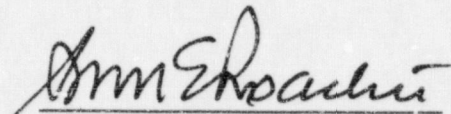
Cannon Y. Harvey
Carol A. Harris
Louis P. Warchot
Southern Pacific
Transportation Company
One Market Plaza
San Francisco, California 94105
(415) 541-1000

Paul A. Cunningham
Richard B. Herzog
James M. Guinivan
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 973-7601

Attorneys for Southern
Pacific Rail Corporation, Southern Pacific
Transportation Company, St. Louis
Southwestern Railway Company, SPCSL
Corp., and The Denver and Rio Grande
Western Railroad Company

Carl W. von Bernuth
Richard J. Ressler
Union Pacific Corporation
Martin Tower
Eighth and Eaton Avenues
Bethlehem, Pennsylvania 18018
(610) 861-3290

James V. Dolan
Paul A. Conley, Jr.
Louise A. Rinn
Law Department
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-5000


Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044
(202) 662-5388

Attorneys for Union Pacific
Corporation, Union Pacific
Railroad Company and Missouri
Pacific Railroad Company

November 30, 1995

VERIFICATION

STATE OF NEBRASKA

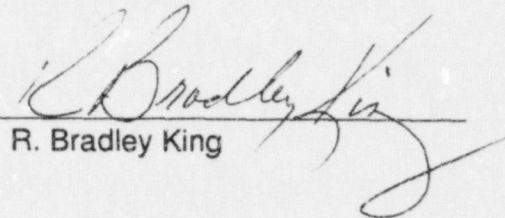
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COUNTY OF DOUGLAS

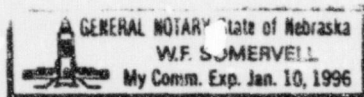
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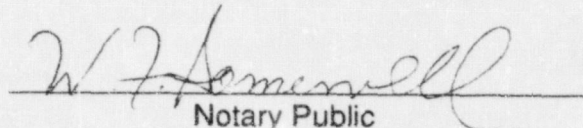
)

R. Bradley King, being duly sworn, deposes and says that he is the Vice President of Transportation of Union Pacific Railroad Company and Missouri Pacific Railroad Company, and has read the foregoing Petition for Exemption, knows the contents thereof, and that the same is true and correct.


R. Bradley King

Subscribed and sworn to before me by R. Bradley King this 16th day of November, 1995.




Notary Public

Before the
INTERSTATE COMMERCE COMMISSION

Finance Docket No. 32760 (Sub-No. 9)

BURLINGTON NORTHERN RAILROAD COMPANY AND
THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY
-- TERMINAL TRACKAGE RIGHTS --
KANSAS CITY SOUTHERN RAILWAY COMPANY

APPLICATION FOR TERMINAL RIGHTS

I

INTRODUCTION

The terminal trackage rights sought in this proceeding are related to and contingent upon the UP/SP merger proposed in Finance Docket No. 32760.

In this Application, the primary applicants in the UP/SP merger proceeding, Finance Docket No. 32760, joined by Burlington Northern Railroad Company and The Atchison, Topeka and Santa Fe Railway Company (collectively referred to as "BN/Santa Fe"), respectfully request that the Commission enter an order under 49 U.S.C. §11103 permitting BN/Santa Fe to use two short segments of KCS terminal trackage in Shreveport, Louisiana, and Beaumont, Texas. Use of these segments by BN/Santa Fe is necessary in order for BN/Santa Fe to promote stronger rail competition to the merged UP/SP system in the Houston-Memphis and Houston-New Orleans corridors, pursuant to a settlement agreement between BN/Santa Fe and UP/SP in the merger proceeding. SP already has trackage rights over both terminal trackage segments, and MPRR also has trackage rights over the Beaumont segment. However, Commission authority under 49 U.S.C. § 11103 is

being invoked because the underlying trackage rights agreements arguably require KCS' consent to the use of the trackage by BN/Santa Fe.^{1/}

Commission approval of the primary application, conditioned, as the primary Applicants have requested, by the UP/SP-BN/Santa Fe settlement agreement, should constitute sufficient authority to permit BN/Santa Fe to use the subject trackage, regardless of whether KCS consents to such use. The Interstate Commerce Act, in 49 U.S.C. §11341(a), expressly provides that a person participating in an approved railroad merger transaction is exempt from the antitrust laws and from all other law . . . as necessary to let that person carry out the transaction." In Norfolk & Western Ry. v. ATDA, 499 U.S. 117, 127-30 (1991), the Court held that Section 11341(a) overrides contractual obligations. Any consent requirements in the underlying trackage rights agreements that would prevent a Commission merger condition from being carried out would thus be overridden by Section 11341(a), and the Commission should so hold. Nonetheless, because of some pre- Norfolk & Western Commission precedent suggesting that Section 11341(a) might not override a consent requirement in a joint facility agreement,^{2/} applicants herein are also requesting

^{1/} While Petitioners would prefer to negotiate a voluntary agreement with KCS, such an agreement may be difficult to achieve given the expected opposition of KCS to the primary merger application.

^{2/} E.g., Finance Docket No. 31505, Rio Grande Industries, Inc. - Purchase & Related Trackage Rights - Soo Line R.R. Line between Kansas City, MO. & Chicago, IL. Decision served Nov. 15, 1989, p. 8, and cases cited.

terminal rights under Section 11103 to eliminate any possibility of KCS' blocking implementation of the UP/SP merger and the UP/SP-BN/Santa Fe settlement agreement, which are strongly pro-competitive and in the public interest.

II

DESCRIPTION OF THE TERMINAL TRACKAGE AND APPLICABLE AGREEMENTS

Shreveport - The trackage in Shreveport consists of two segments totaling 3.52 miles in length which serve as an integral portion of SP's through route between Houston and Memphis. The trackage is also used for interchange with connecting railroads at Shreveport and for access to a nearby industrial area jointly served by SP, UP and KCS. SP has rights to use this trackage under agreements with KCS and a predecessor dated May 8, 1933 and December 17, 1980. The 1933 agreement covers a 1.32-mile segment of track between engineering stations 8872+81 and 8941+24 (no mileposts have been assigned). Operation under the agreement was approved by the Commission in Finance Docket No. 9956, Texas & New Orleans Ry. Operation, 193 I.C.C. 245 (1933). The 1980 agreement covers approximately 2.2 miles of track between KCS mileposts 559 and 671.2. The agreement was exempted by the Commission (as a relocation) in Finance Docket No. 29565, Southern Pacific Transportation & St. Louis Southwestern Ry. Co. - Exemption, decision dated April 3, 1981.

Beaumont - The trackage in Beaumont consists of approximately 1.8 miles between KCS mileposts 764.9 and 766.7. Both SP and UP have trackage rights over this trackage, which serves as an integral part of separate UP and SP through routes between

Houston and New Orleans. The trackage is also used for switching and interchange purposes and for access to facilities of the Port of Beaumont. MPRR and SP obtained rights to use this trackage pursuant to an agreement dated July 1, 1965 among KCS, MPRR, SP, Santa Fe and the City of Beaumont.^{3/} The agreement provided for a series of reciprocal grants of trackage rights and related abandonments to rearrange rail facilities in and near Beaumont. It was approved by the Commission in Finance Docket No. 24199 and embraced proceedings, Kansas City Southern Ry., Trackage Rights Agreement In & Near Beaumont, TX, decision served Oct. 11, 1966.^{4/}

III

**THE REQUESTED TERMINAL
RIGHTS SATISFY THE CRITERIA
OF 49 U.S.C. §11103
AND SHOULD BE GRANTED**

Under 49 U.S.C. §11103(a), the Commission may require use of "terminal facilities, including main line track for a reasonable distance outside of a terminal," if the Commission finds that use to be "practicable and in the public interest without substantially impairing the ability of the rail carrier owning the facilities or entitled to use the facilities to handle its own business." The requested terminal rights satisfy each of these criteria.

^{3/} Santa Fe did not acquire the rights sought in the present application under the 1965 Agreement.

^{4/} Applicants herein are not requesting the Commission to interpret the underlying trackage rights agreements. The Commission's authority to preempt contractual limitations under Section 11341(a) and to require joint use of terminals under Section 11103 is not dependent upon resolving any contract issues.

First, as shown in the attached Verified Statement of E. H. Hord and accompanying maps, the short segments of track subject to this application are classic terminal facilities. All of the trackage is in built up metropolitan or industrial areas. Train operations are a combination of through train and switching. The Commission decision approving the Shreveport trackage rights agreement expressly recognized that a terminal was involved:

"The record shows that the proposed trackage operation is expected to be justified by the substitution of direct interchange between the applicant's and St. Louis Southwestern's lines in lieu of the existing interchange through intermediate switching lines and will result in material savings in time and expense, besides being profitable by rendering practical unification of terminals of both companies at Shreveport."

193 I.C.C. at 246-47 (emphasis supplied).

While the Commission decision approving the Beaumont trackage rights does not use the word "terminal," it is clear from the description of the trackage, the use being made of it, and the purpose of the transaction that those trackage rights were established unify and rearrange of railroad terminal facilities. See Finance Docket No. 24199, decision served October 11, 1966, pp. 2-3 (use of track, purpose of transaction), pp. 6-7 (use of tracks being abandoned in favor of new arrangement).

Second, the requested terminal rights are clearly in the public interest. The purpose of the terminal rights is to permit BN/Santa Fe to provide the competitive rail services contemplated by the settlement agreement. The Beaumont and Shreveport terminal segments are integral parts of two through routes over which BN/Santa Fe will operate --

Houston-New Orleans and Houston-Memphis. These operations will preserve -- and indeed increase -- the competition now provided by SP and UP in these corridors.

In each case, the terminal segment is roughly in the center of the SP route in question -- Beaumont on the Houston-New Orleans route, and Shreveport on the Houston-Memphis route. Unless BN/Santa Fe obtains rights to enter and exit the Beaumont and Shreveport terminals by operating over the subject terminal segments, BN/Santa Fe will be unable to provide single-line service over these two important through routes, and a pro-competitive condition that facilitates approval of a merger that is clearly in the public interest will be frustrated. The situation here closely parallels Southern Pacific Transportation Co. v. ICC, 736 F.2d 708, 722-23 (D.C. Cir., 1984), cert. denied, 469 U.S. 1208 (1985), aff'g Union Pacific Corp., Union Pacific R.R. & Pacific Rail System, Inc.-- Control -- Missouri Pacific Corp. & Missouri Pacific R. R. ("UP/MP/WP"), 366 I.C.C. 459, 574-76 (1982) in which the court upheld Commission imposition of terminal trackage rights under Section 11103 which were necessary to create a competitive alternative to merging railroads.^{5/}

Third, BN/Santa Fe's use of the Beaumont and Shreveport terminal facilities is practicable without substantially interfering with the ability of KCS to handle its own business. SP already has trackage rights over the Shreveport terminal trackage and (along with UP) over the Beaumont terminal trackage. As discussed in the accompanying Verified

^{5/} The court also held that Section 11103 terminal rights could properly be granted to "bridge the gap" in a carrier's line, and that the carrier did not have to use the segment for terminal purposes. 736 F.2d at 723.

Statement of E. H. Hord, UP/SP has projected that new BN/Santa Fe trains will largely replace existing SP operations.

Finally, 49 U.S.C. § 11103(a) provides that compensation for joint use of terminal facilities is to be established by the parties thereto or, if the parties are unable to agree, by the Commission. The section further provides that the compensation be "paid or adequately secured before a carrier may begin to use the facilities of another carrier under this section." BN/Santa Fe is prepared to negotiate compensation terms with KCS as provided in Section 11103(a). However, the Commission should not require that the compensation be established before BN/Santa Fe begin use of the KCS terminal facilities, since this will simply delay the public benefits of the BN/Santa Fe settlement agreement. In UP/MP/WP, the Commission gave the parties an opportunity to negotiate compensation terms. If no agreement were reached, the Commission would set compensation terms under the statutory condemnation standard. See 366 I.C.C. at 576. n.114. However, the parties were permitted to commence trackage rights operations immediately upon consummation of the consolidation. The compensation terms to be later established were required to accrue from the start of trackage rights operations, and be payable after terms were determined. This approach was specifically affirmed and held to satisfy Section 11103(a) compensation requirements in Southern Pacific Transportation Co. v. ICC, 736 F.2d at 723-24.

This same approach should clearly be followed in this proceeding, so that the public benefits of the BN/Santa Fe settlement agreement can be achieved immediately upon consummation of the UP/SP consolidation.

IV

CONCLUSION

For the reasons stated above, applicants herein respectfully request that the Commission order that the Beaumont and Shreveport terminal trackage described herein may be used by BN/Santa Fe.

Respectfully submitted,

Jeffrey R. Moreland
Richard E. Weicher
Michael A. Smith
Burlington Northern Railroad Company
and The Atchison, Topeka & Santa Fe
Railway
1700 East Golf Road
6th Floor
Schaumburg, IL 60173-5860
(708) 995-6887

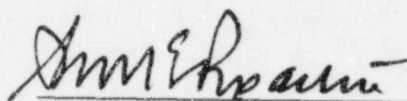
Attorneys for Burlington Northern
Railroad Company and The Atchison,
Topeka & Santa Fe Railway Company

Cannon Y. Harvey
Louis P. Warchot
John McDonald Smith
Southern Pacific Transportation
One Market Plaza, Room 846
San Francisco, CA 94105
(415) 541-1785

Attorneys for Southern Pacific Rail
Corporation, Southern Pacific
Transportation Company, St. Louis
Southwestern Railway Company,
SPCSL Corp. and The Denver and
Rio Grande Western Railroad Company

Carl W. von Bernuth
Richard J. Ressler
Union Pacific Corporation
Eighth and Eaton Avenues
Bethlehem, PA 18018

James V. Dolan
Paul A. Conley, Jr.
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, NE 68179
(402) 271-5000



Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P.O. Box 7566
Washington, D.C. 20044-7566
(202) 662-5388

Attorneys for Union Pacific Corporation,
Union Pacific Railroad Company and
Missouri Pacific Railroad Company

**VERIFIED STATEMENT
OF
E. L. HORD**

My name is E. L. "Buck" Hord, and my business address is 1860 Lincoln St., Denver, Colorado. I am Assistant to Executive Vice President-Operations for Southern Pacific Rail Corporation and its operating railroad subsidiaries ("SP").

I have over 30 years' experience in train operations and management for SP, and was General Manager-Transportation prior to my present appointment. I am generally familiar with SP's operations system wide, including those at Shreveport, Louisiana and Beaumont, Texas.

The purposes of this statement are (1) to describe the Shreveport and Beaumont terminal trackage and operations involved in the application for terminal rights in Finance Docket No. 32760 (Sub-No.9), and (2) to describe UP/SP's expectations about the proposed operations of BN/Santa Fe and how they would be integrated into other rail operations in the terminal.

**I
Shreveport**

A. Description of Trackage and Rail Operations

Attached to this statement as Exhibit ELH-1 is a diagram of the terminal trackage in Shreveport. The trackage involved in this application is all in a built up, metropolitan area and consists of two KCS segments totaling 3.52 miles as follows:

- "Old IC Main" - This segment is double track and extends approximately 1.32 miles between the points designated "A" and "B" on Exhibit ELH-1, IC

engineering stations 8872+81 and 8941+24, respectively (no mileposts have been assigned). By agreement dated May 8, 1933, the trackage rights were originally granted to the Texas and New Orleans Railway Company (an SP predecessor) by the Yazoo and Mississippi Valley Railroad, which later became part of IC. IC later transferred the track to MidSouth Corporation, which in turn was acquired by KCS.

- KCS Main - This segment extends approximately 2.2 miles between the points designated "C" and "D" on Exhibit ELH-1. Point C corresponds to the SP-KCS connection in the vicinity of Jordan Street, KCS milepost 559 (SP milepost 230.79). Point D corresponds to Red River Junction, KCS milepost 671.2 (SSW milepost 450.67). These trackage rights were granted by KCS to SPT and SSW by agreement dated December 17, 1980. The purpose of these trackage rights was to give SPT/SSW a second route through Shreveport in addition to the route over the Old IC Main described above.^{1/}

The trackage rights arrangements described above are integral parts of the SPT/SSW mainline between Houston, Texas and Memphis/St. Louis. Without these trackage rights, the SPT mainline south of Shreveport would have no connection with the SSW mainline north of Shreveport. The trackage is also used for interchange with connecting railroads at Shreveport and for access to a nearby industrial area jointly served by UP, SP and KCS. The trackage rights arrangements are the product of a long history

^{1/} The agreements for both the "Old IC Main" and the "KCS Main" referred to above have been amended from time to time. A complete set of the agreements is contained in my workpapers.

of mutual cooperation by the railroads serving Shreveport to use trackage efficiently in common so as to serve and traverse the Shreveport terminal without unnecessary duplication of tracks and facilities within the city's urban area. I am advised that this cooperation goes back at least as far as 1909. As a result of this cooperation, and subsequent acquisitions of IC trackage by KCS, SP's operation in and through the Shreveport terminal is completely dependent upon the use of KCS trackage.

Operations over both segments are controlled by the KCS Shreveport Terminal Yardmaster. SP's Shreveport Yardmaster contacts the KCS Yardmaster when an SP train needs to operate over the track, and the train proceeds when permitted by KCS. In general, SP trains which have switching or other work to do in Shreveport will use the Old IC Main, while through trains will use the KCS Main. However, the KCS Yardmaster alters this pattern from time to time.

SP's current train operations over the trackage rights segments range from 8-10 trains per day (an average of 8.8 in the 1994 Base Year). The distribution between the two routes varies from day to day, but tends to balance over time. SP also operates two local switch engine assignments at Shreveport which use the "Old IC Main" twice daily to access SP served industries in the Shreveport terminal.

B. Anticipated BN/Santa Fe Operations

Under the UP/SP-BN/Santa Fe agreement, BN/Santa Fe will be granted overhead trackage rights on "SP's line between Houston, Texas and Fair Oaks, Arkansas via Cleveland and Pine Bluff"^{2/} In order to operate its trains between Houston and Fair

^{2/} Agreement, §6(a).

Oaks, BN/Santa Fe will need to operate over the same KCS trackage at Shreveport that SP is using. No changes in the existing arrangements for controlling use of the trackage are anticipated. As shown in the King/Ongerth Verified Statement in Volume 3 of the Application, UP/SP projects that an average of 3.7 BN/Santa Fe trains would operate through the terminal per day.

The BN/Santa Fe traffic should be readily accommodated on the KCS terminal trackage, as UP/SP's projections show that BN/Santa Fe will essentially be using capacity that is freed up by UP/SP. While the UP/SP Operating Plan contemplates that UP/SP will run roughly the same number of trains through the terminal as SP (an average of 9.1 UP/SP trains daily in a normal year after full merger implementation vs. 8.8 SP trains daily in 1994), it also contemplates a substantial reduction in the use of the KCS trackage. First, the SP Shreveport Yard, which is accessed via the KCS "Old IC Main", will be closed, and yard operations will be consolidated at UP's Shreveport Yard, to be accessed via a new connection southwest of Shreveport at La Rosen, where UP and SP lines now cross (this location can be seen from the Exhibit ELH-1 map just south of the UP Yard), which will cut UP/SP use of the Old IC Main approximately in half. Further reductions in UP/SP use will result from elimination of the daily local to and from Tenaha, Texas, and elimination of the twice daily SP switch engine. Their functions will be taken over by assignments operating from the UP yard. These reductions will directly affect the Old IC Main. Freeing up capacity on this route will also indirectly free up capacity on the KCS Main, due to KCS's ability to allocate train movement between the two routes. According

to UP/SP's projections, the added BN/Santa Fe trains should not even use all of the capacity that is being freed up by the UP/SP operating changes.

There is no alternate way to get through the Shreveport terminal other than by using the KCS trackage. If KCS insisted on moving the traffic across the trackage itself, this would severely disrupt BN/Santa Fe service, and could easily use more capacity, depending on the way the interchanges were arranged. Operation of BN/Santa Fe trains through the terminal is clearly the only feasible alternative.

II BEAUMONT

A. Description of Trackage and Rail Operations

Attached to this statement as Exhibit ELH-2 is a diagram of the terminal trackage in Beaumont. The trackage involved in this application is in a built up metropolitan and industrial area. It extends approximately 1.8 miles between KCS milepost 764.9 and KCS milepost 766.7, designated, respectively, as "E" and "C" on the Exhibit, and includes the KCS bridge over the Neches River. The rights were originally granted to SP by KCS in an agreement dated July 1, 1965.^{3/}

Prior to the 1965 Agreement, SP operated its own line parallel to KCS, had its own bridge over the Neches River, and its own railroad yard in downtown Beaumont. The 1965 agreement was a cooperative undertaking by the City of Beaumont and the four railroads serving the city (KCS, MPRR, SP, and Santa Fe) to rationalize and consolidate the railroad terminal facilities in the city, thereby reducing railroad space requirements

^{3/} A copy of the agreement is contained in my workpapers.

within the central city and improving the flow of highway traffic. This was accomplished by a series of abandonments and exchanges of trackage rights by the four railroads to consolidate their operations on a corridor between the points designated "A" and "C" on the Exhibit ELH-2 map. As a result, SP moved its downtown yard west of the city, abandoned its Neches River Bridge and downtown trackage, and moved onto the KCS for approximately 1.8 miles. This made SP completely dependent upon use of KCS trackage to operate in and through the Beaumont terminal. MPRR (which became part of the UP system in 1983) also obtained trackage rights over the KCS trackage under the 1965 agreement. The joint track is double track west of the Neches River Bridge (located approximately in the middle of the 1.8 mile segment) and single track to the east. Train operations are controlled by the KCS Tower Operator at the Neches River Bridge.

The 1.8 miles of trackage rights at Beaumont are an integral part of SPT's mainline between Houston, Texas and New Orleans, Louisiana. Without these rights, SPT would have no connection between its mainline west of Beaumont and its mainline east of the city. Similarly, they are an essential part of UP's mainline between Houston and New Orleans. KCS will continue to have control over all UP/SP operations in the Southern Corridor after merger, as UP/SP has no economically reasonable alternative route.

SP currently uses the KCS trackage through the Beaumont terminal for approximately 14-15 through freight trains and 3 local moves a day. UP operates about 13 trains per day. An industry switch assignment also uses the track. Combined SP and UP use of the KCS trackage averaged 27.4 trains per day in 1994.

B. Anticipated BN/Santa Fe Operations

Under the BN/Santa Fe Settlement Agreement,^{4/} BN/Santa Fe will be granted overhead trackage rights on "SP's line between Houston, Texas and Iowa Junction in Louisiana." In order to operate trains between these two points, BN/Santa Fe will need to operate over the same KCS trackage at Beaumont that SP and UP are now using. No changes in existing arrangements for controlling use of the trackage are anticipated.

As shown in the King/Ongerth Verified Statement, UP/SP project that an average of four BN/Santa Fe trains will operate through the terminal per day. The BN/Santa Fe trains would simply operate over the KCS trackage and do no work on it, since the trackage rights from UP/SP are overhead rights only at Beaumont. The addition of this small number of BN/Santa Fe trains projected by UP/SP over this short, 1.8-mile track segment, half of which is double track, can readily be accommodated.

As at Shreveport, UP/SP anticipates that the BN/Santa Fe trains would be mostly using capacity freed up by UP/SP. The UP/SP Operating Plan projects an average 25.8 trains per day through the terminal, a reduction of 1.6 trains per day from the average 27.4 trains per day that UP and SP moved through the terminal in 1994. Thus, according to the UP/SP projections, the net increase represented by BN/Santa Fe is only an average of 2.4 trains a day, which is insignificant. In addition, the UP/SP Operating Plan calls for a shift of seven or eight trains per day from the KCS Beaumont-DeQuincy line to the SP line east of Beaumont, improving the flow of KCS traffic to and from Beaumont.

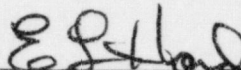
^{4/} Agreement, §5(a).

There is no way to get through the Beaumont terminal other than by use of the short KCS track segment.

VERIFICATION

STATE OF COLORADO)
CITY AND)
COUNTY OF DENVER) ss.

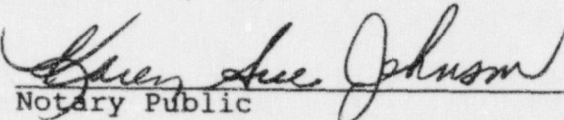
E. L. Hord, being duly sworn, deposes and says that he has read the foregoing document, knows the facts asserted therein, and that the same are true as stated.



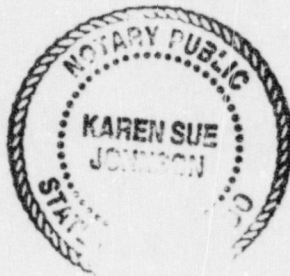
E. L. HORD

Subscribed and sworn to before me by E. L. Hord this 15th day of November, 1995.

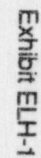
My commission expires: October 14, 1998.



Notary Public



UNION PACIFIC RR
KANSAS CITY SOUTHERN RWAY
SOUTHERN PACIFIC RR
ST. LOUIS-SOUTHWESTERN RWAY
MID-SOUTH RAIL CORP.
LOUISIANA & ARKANSAS RWAY
UP-KCS JOINT TRACKS



BEAUMONT, TEXAS

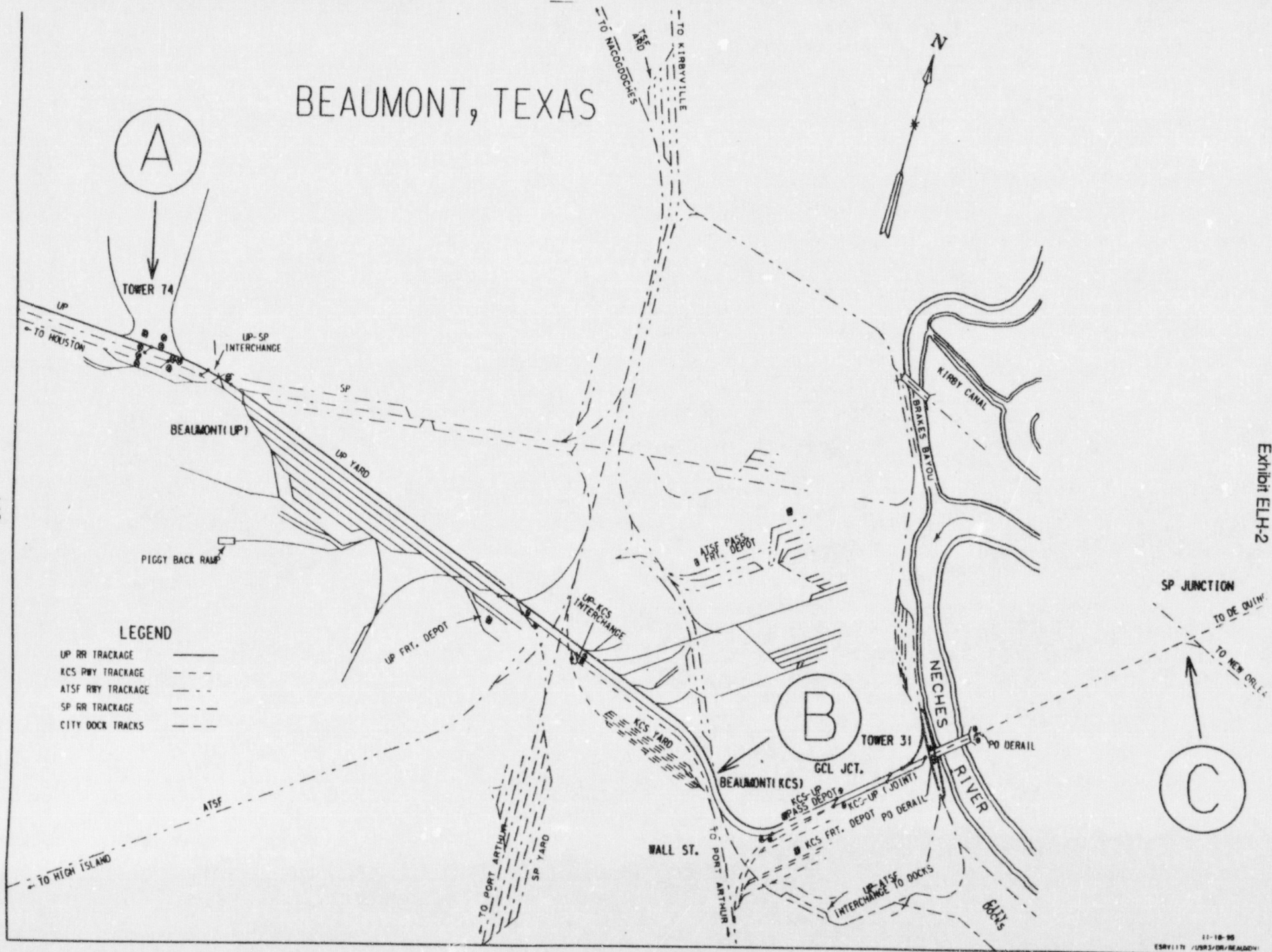


Exhibit ELH-2

Before the
INTERSTATE COMMERCE COMMISSION

Docket No. AB-3 (Sub-No. 129X)

MISSOURI PACIFIC RAILROAD COMPANY
-- ABANDONMENT EXEMPTION --
GURDON-CAMDEN LINE
IN CLARK, NEVADA AND OUACHITA COUNTIES, ARKANSAS

PETITION FOR EXEMPTION

I.
Introduction

Missouri Pacific Railroad Company ("MPRR") submits this Petition pursuant to 49 U.S.C. § 10505 for an exemption from the statutory provisions of 49 U.S.C. §§ 10903, et seq., for an abandonment of the Gurdon-Camden Line from milepost 428.3 near Gurdon to milepost 457.0 near Camden, a distance of approximately 28.7 miles in Clark, Nevada and Ouachita Counties, Arkansas. The abandonment does not include active industries at Gurdon or Camden, Arkansas.

The abandonment of this line is related to, and contingent upon, the proposed UP/SP consolidation, approval for which is being sought in Finance Docket No. 32760.

An abandonment of rail lines requires authorization and approval of this Commission pursuant to 49 U.S.C. § 10903. However, 49 U.S.C. § 10505 requires the Commission to exempt a transaction when it finds: (1) continued regulation is not necessary to carry out the Rail Transportation Policy of 49 U.S.C. § 10101(a); and (2)

either the transaction is of limited scope or Commission regulation is not necessary to protect shippers from an abuse of market power. Petitioner's proposed abandonment satisfies the standards for an exemption.

II.

Petitioner's Representatives

Petitioner's representatives in this abandonment proceeding are:

Robert T. Opal, General Attorney
Jeanna L. Regier, Registered ICC Practitioner
1416 Dodge Street, Room 830
Omaha, NE 68179-0830
(402) 271-3072
(402) 271-4835

III.

Description of the Line, Maintenance and Service

Petitioner's Gurdon-Camden line extends from MP 428.3 near Gurdon to MP 457.0 near Camden (approximately 28.7 miles) in Clark, Nevada and Ouachita Counties, Arkansas. It is used almost exclusively for overhead traffic moving to and from MPRR customers in the Camden-Eldorado area. After a UP/SP consolidation, the overhead traffic would be rerouted over an existing SP mainline through Camden. The line is constructed primarily of 112 pound track material and has a maximum operating speed of 40 mph. There is virtually no local traffic generated on the line--only 1 car in the 33-month period from January 1, 1993 through September 30, 1995.

IV.
Exhibit 1 - Map

The Gurdon-Camden line proposed for abandonment is shown on the map identified as Appendix A and attached to this Petition. Other rail lines in the area and major highways are shown on the map.

V.
Shipper Information

Shipping history is shown below:

<u>Commodity</u>	<u>RevenueTraffic</u> <u>1993 - 1995 (9 Months)</u>		
	<u>1993</u>	<u>1994</u>	<u>Jan.-Sept.</u> <u>1995</u>
37-Transportation Equipment	0	0	1

The 1 car of traffic in 1995 was a steam locomotive being transported on a flatcar for a non-common carrier tourist railroad, Reader Railroad, whose address is 308 Ouachita Avenue, Hot Springs, Arkansas 71901.

VI.
The Line Is Not Viable

There is no possibility that this line could ever be viably operated for local traffic. Local revenue traffic was only 1 car in the 33-month period January 1, 1993 - September 30, 1995. Petitioner is not aware of any prospects that other rail shippers would locate on this line.

VII.

The Standards For An Exemption Have Been Met

Detailed scrutiny of the abandonment by the Commission under 49 U.S.C. § 10903 is not necessary to carry out the Rail Transportation Policy of 49 U.S.C. § 10101a. An exemption will minimize the administrative expenses in the preparation and review associated with a formal abandonment application, will expedite regulatory action and will reduce regulatory barriers for exit consistent with 49 U.S.C. §§ 10101a(2) and (7). There is no prospect the line could be operated viably once overhead traffic is rerouted, given the minimal local traffic on the line. An exemption will thus "foster sound economic conditions in transportation" consistent with § 10101a(5).

The proposed abandonment is clearly a transaction of "limited scope" given the short (28.7 miles) length of the line and the virtual absence of local traffic (1 car in 33 months) handled by it. In addition, regulation of this abandonment is not needed to protect shippers from an abuse of market power, since there are no regular shippers.

VIII.

Land Area, Public Use and Federal Grant Information

The land area of the abandonment totals approximately 404.786 acres. Tentatively, of 402.4639 acres are considered to be reversionary, and 2.3221 acres are considered to be non-reversionary.

The property is probably not suitable for public purposes in the form of roads or highways, other forms of mass transportation, conservation, energy production or transmission, because the area appears to be adequately served by existing roads and utility lines. The property could be suitable for trails use.

Based on information in Petitioner's possession, the line does not contain federally granted right-of-way.

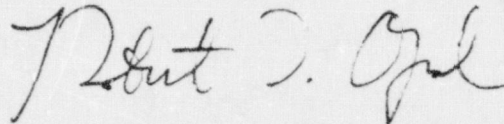
IX.

Environmental/Historic Report

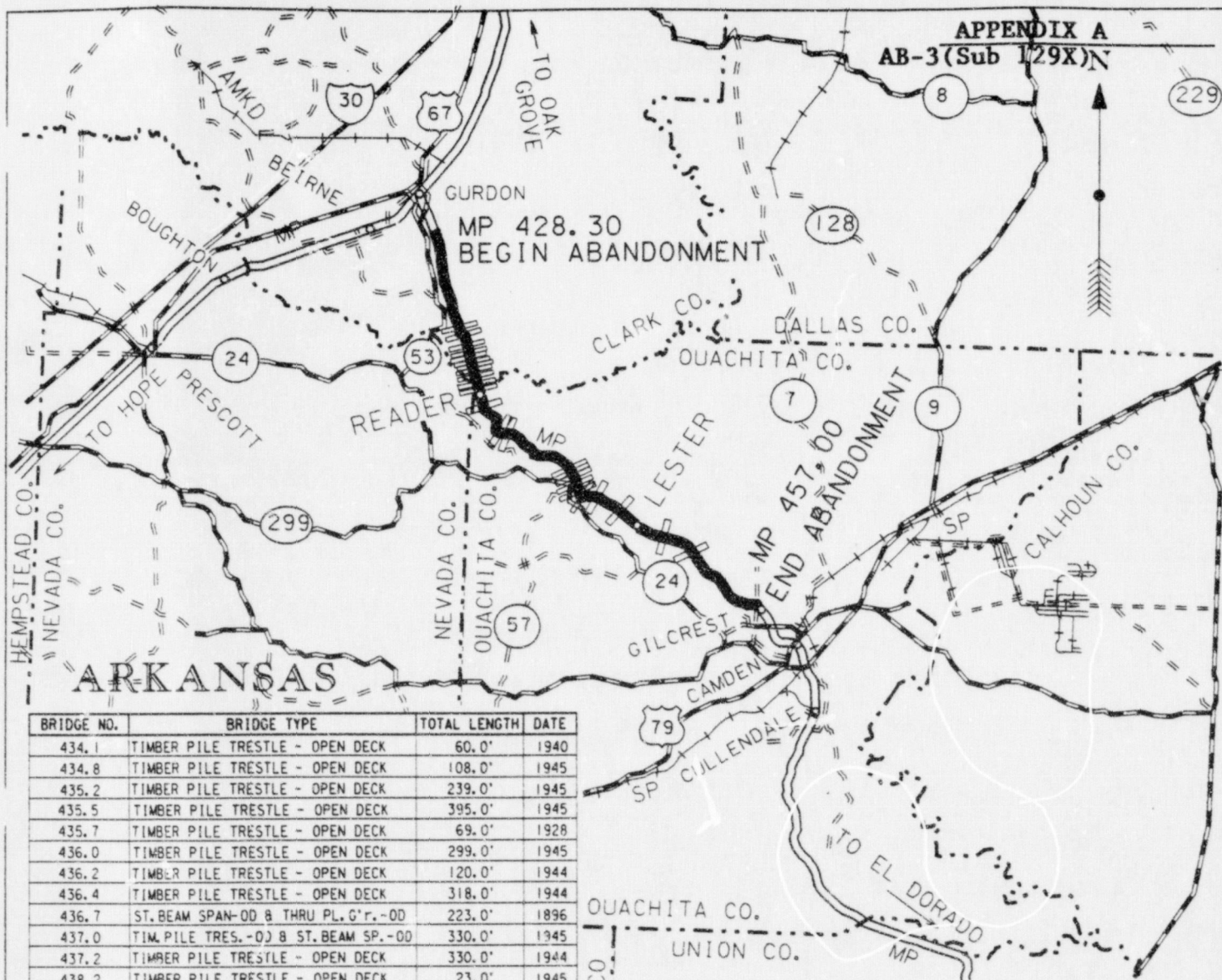
Required environmental and historic information is contained in the Environmental Report being filed in ICC Finance Docket No. 32760.

WHEREFORE, Petitioner respectfully requests that this Commission issue a decision to exempt from the provisions of 49 U.S.C. §§ 10903 et seq., the abandonment of its Edwardsville-Madison line extending from milepost 428.3 near Gurdon to milepost 457.0, near Camden, a distance of 28.7 miles in Clark, Nevada and Ouachita Counties, Arkansas.

MISSOURI PACIFIC RAILROAD COMPANY



Robert T. Opal, General Attorney
Jeanna J. Regier, Registered ICC Practitioner
1416 Dodge Street, Room 830
Omaha, NE 68179-0830
(402) 271-3072
(402) 271-4835



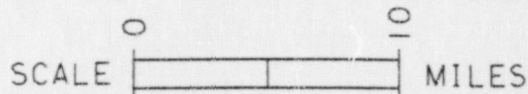
BRIDGE NO.	BRIDGE TYPE	TOTAL LENGTH	DATE
434.1	TIMBER PILE TRESTLE - OPEN DECK	60.0'	1940
434.8	TIMBER PILE TRESTLE - OPEN DECK	108.0'	1945
435.2	TIMBER PILE TRESTLE - OPEN DECK	239.0'	1945
435.5	TIMBER PILE TRESTLE - OPEN DECK	395.0'	1945
435.7	TIMBER PILE TRESTLE - OPEN DECK	69.0'	1928
436.0	TIMBER PILE TRESTLE - OPEN DECK	299.0'	1945
436.2	TIMBER PILE TRESTLE - OPEN DECK	120.0'	1944
436.4	TIMBER PILE TRESTLE - OPEN DECK	318.0'	1944
436.7	ST. BEAM SPAN-OD & THRU PL. G'r.-OD	223.0'	1896
437.0	TIM. PILE TRES.-OD & ST. BEAM SP.-OD	330.0'	1945
437.2	TIMBER PILE TRESTLE - OPEN DECK	330.0'	1944
438.2	TIMBER PILE TRESTLE - OPEN DECK	23.0'	1945
439.9	TIMBER PILE TRESTLE - OPEN DECK	308.0'	1941
440.5	TIMBER PILE TRESTLE - OPEN DECK	84.0'	1945
447.2	TIMBER PILE TRESTLE - OPEN DECK	36.0'	1945
447.8	TIMBER PILE TRESTLE - OPEN DECK	35.0'	1930
448.1	TIMBER PILE TRESTLE - OPEN DECK	35.0'	1930
448.4	TIMBER PILE TRESTLE - OPEN DECK	13.0'	1944
448.8	TIMBER PILE TRESTLE - OPEN DECK	80.0'	1930
449.3	TIMBER PILE TRESTLE - OPEN DECK	47.0'	1930
450.1	TIMBER PILE TRESTLE - OPEN DECK	35.0'	1930
451.4	TIMBER PILE TRESTLE - OPEN DECK	36.0'	1930
451.4	TIMBER PILE TRESTLE - OPEN DECK	35.0'	1930
454.6	TIMBER PILE TRESTLE - OPEN DECK	46.0'	1930

LEGEND

- MPRR LINES TO BE ABANDONED
- OTHER MPRR LINES
- OTHER RAILROADS
- 50+ YEAR OLD STRUCTURES
- PRINCIPAL HIGHWAYS
- OTHER ROADS

MISSOURI PACIFIC RAILROAD CO.
GURDON BRANCH

INCL. 50+ YEAR OLD STRUCTURES



GURDON BRANCH
MP 428.30 TO MP 457.
GURDON BRANCH A TOTAL OF 28.7 MILES
CLARK, NEVADA AND OUACHITA COUNTIES, ARKANSAS

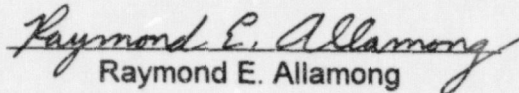
STATION	MILE POST	AGENCY
READER	437.6	NO
LESTER	452.4	NO

ab0144

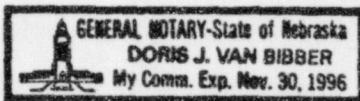
VERIFICATION
Docket No. AB-3 (Sub-No. 129X)

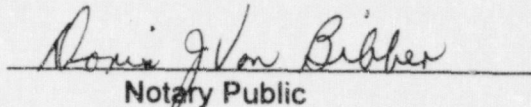
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

Raymond E. Allamong makes oath and says that he is Manager-Rail Line Planning for UP; that he has examined all of the statements in the foregoing Petition For Exemption in Docket No. AB-3 (Sub-No. 129X), Gurdon-Camden Line (portion of Gurdon Branch); that he has knowledge of the facts and matters relied upon in the Petition; and that all representations set forth therein are true to the best of his knowledge, information and belief.


Raymond E. Allamong

Subscribed and sworn to before me a Notary Public in and for the State and County above named, this 17 day of November, 1995.




Notary Public

My Commission Expires:

Nov. 30, 1996

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Petition For Exemption in Docket No. AB-3 (Sub-No. 129X), Gurdon-Camden Line (portion of Gurdon Branch), was served on November 29, 1995, by mailing a copy, first class mail postage prepaid to the following:

MTMCTEA
Attn: Railroads for National Defense
720 Thimble Shoals Blvd., Suite 130
Newport News, VA 23606-2574

U.S. Department of the Interior
National Park Service
Recreation Resources Assistance
Division
P.O. Box 37127
Washington, D.C. 20013-7127

U.S. Department of the Interior
National Park Service
Land Resources Division
1100 L Street, N.W.
Room 3135
Washington, D.C. 20240

U.S. Department of Agriculture
Chief of the Forest Service
4th Floor NW, Auditors Building
14th Street & Independence Ave., S.W.
Washington, D.C. 20250

Sam I. Bretton, Jr., Chairman
Arkansas Public Service Comm
P.O. Box 400
Little Rock, AR 72003

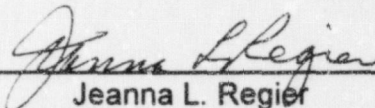
Ms. Lyne Bassett
Arkansas Highway and
Transportation Commission
10324 Interstate 30
Little Rock, AR 72209

The Honorable Jim Guy Tucker
Governor - State of Arkansas
State Capitol
Little Rock, AR 72201

Reader Railroad
308 Ouachita Avenue
Hot Springs, AR 71901

The undersigned further certifies that a notice of the abandonment, pursuant to 49 C.F.R. § 1105.12, was published as follows:

<u>County</u>	<u>Newspaper</u>	<u>Date</u>
Clark	Daily Siftings Herald (Arkadelphia)	November 24, 1995
Ouachita	Camden News	November 22, 1995
Nevada	Nevada County Picayune (Prescott)	November 23, 1995



Jeanna L. Regier

Before the
INTERSTATE COMMERCE COMMISSION

Docket No. AB-3 (Sub-No. 130)

MISSOURI PACIFIC RAILROAD COMPANY
-- ABANDONMENT --
TOWNER - NA JUNCTION LINE
IN KIOWA, CROWLEY AND PUEBLO COUNTIES, COLORADO

AND

Docket No. AB-8 (Sub-No. 38)

THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY
-- DISCONTINUANCE OF TRackage RIGHTS --
TOWNER - NA JUNCTION LINE
IN KIOWA, CROWLEY AND PUEBLO COUNTIES, COLORADO

APPLICATION

Applicants Missouri Pacific Railroad Company ("MPRR"), a rail affiliate of Union Pacific Railroad Company ("UPRR"), and The Denver and Rio Grande Western Railroad Company ("DRGW"), a rail affiliate of Southern Pacific Transportation Company ("SPT"), submit this Application pursuant to 49 C.F.R. § 1152.22 for a certificate of public convenience and necessity to permit abandonment of, and discontinuance of trackage rights on, a railroad line known as the Towner-NA Junction Line (portion of Hoisington Subdivision) in Kiowa, Crowley and Pueblo Counties, Colorado. The abandonment and discontinuance do not include active industries at Towner or NA Junction.

The abandonment and discontinuance are related to, and contingent upon, the proposed UP/SP consolidation, approval for which is being sought in ICC Finance Docket No. 32760.

The abandonment includes discontinuance of overhead trackage rights of DRGW. The trackage rights for the movement of through freight trains will be rendered unnecessary by the UP/SP consolidation.

This abandonment application includes data for the years 1993, 1994, and the first 6 months of 1995. The Base Year is July 1, 1994 - June 30, 1995. The Forecast Year is November 1, 1995 - October 31, 1996.

49 C.F.R. § 1152.22 -- Contents of Application.

(a) General.

(a)(1) Exact name.

Applicants exact names are:

- Missouri Pacific Railroad Company
- The Denver and Rio Grande Western Railroad Company

(a)(2) Whether applicant is a common carrier subject to the Interstate Commerce Act.

Applicants are Class I common carriers by railroad subject to the Interstate Commerce Act.

(a)(3) Whether the carrier is a part of any railroad system.

MPRR is a railroad affiliate in the UP rail system and is operated under common management and control with UPRR.

DRGW is a railroad affiliate in the SP rail system and is operated under common management and control with SPT and its other railroad affiliates, St. Louis Southwestern Railway Company and SPCSL Corp.

(a)(4) Relief sought.

Applicants seek authority to physically abandon MPRR's Towner-NA Junction Line extending from milepost 747.0 near Towner to milepost 869.4 near NA Junction, a distance of approximately 122.4 miles in Kiowa, Crowley and Pueblo Counties, Colorado, and to discontinue DRGW's trackage rights operations over this line.

(a)(5) Detailed map of the subject line.

Attached as Appendix A is a map drawn to scale which shows the rail line of the proposed abandonment in solid black. Other railroad trackage in the area and the major highways are shown on the map.

(a)(6) Reference to inclusion of the line on the System Diagram Map, date first listed in Category 1, and description accompanying the system diagram map.

The Towner-NA Junction line of railroad has appeared on both MPRR's and DRGW's system diagram maps in Category 1 since September 18, 1995. In Decision No. 3, served September 5, 1995 in Finance Docket No. 32760 (the control proceeding), the Commission granted an exemption from the requirement for a line to appear in Category 1 for four months before filing an application (49 U.S.C. §10904(e)(3) and 49 C.F.R. § 1152.13). The Towner-NA Junction line descriptions accompanying the system diagram maps appear below:

STATE OF COLORADO

CATEGORY 1 LINES (RED)

MISSOURI PACIFIC RAILROAD COMPANY (AB-3)

- a. Designation of Line: Towner - NA Jct. (Portion of Hoisington Subdivision)
- b. State(s) in which located: Colorado
- c. County(ies) in which located: Kiowa, Crowley, Pueblo
- d. Mileposts locations: M.P. 747.0 near Towner to M.P. 869.4 near NA Jct.
- e. There are no agency or terminal stations located on the line. The abandonment does not include active industries at Towner and NA Jct. The abandonment includes discontinuance of trackage rights of The Denver and Rio Grande Western Railroad Company.

THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY (AB-8)

- a. NA Jct. to Towner (Discontinuance of trackage rights on the Missouri Pacific Railroad Company)
- b. State of Colorado
- c. Counties of Pueblo, Crowley, Kiowa
- d. M.P. 869.4 near NA Jct. to M.P. 747.0 near Towner
- e. No agency stations. The discontinuance does not include active industries located at NA Jct. and Towner.

(a)(7) Reasons for filing the application.

Applicants propose to abandon the line and discontinue trackage rights operations because: (1) the line will not be needed for overhead traffic by UP/SP after the UP/SP consolidation, (2) revenues from the local traffic on the line are insufficient to cover the costs of operation and maintenance, and to provide a reasonable return on the value of the assets tied up in the line, and (3) there are no reasonable prospects that traffic would increase sufficiently in the foreseeable future to justify continued operations.

- (a)(8) Name, title, and address of representative to whom correspondence should be sent.

Correspondence regarding this matter should be addressed to Applicants' representatives:

Robert T. Opal, General Attorney
Jeanna L. Regier, Registered ICC Practitioner
Missouri Pacific Railroad Company
1416 Dodge Street, #830
Omaha, NE 68179
(402) 271-3072
271-4835

Gary A. Laakso, General Attorney
The Denver and Rio Grande Western Railroad Company
One Market Plaza, Room 846
San Francisco, CA 94105
(415) 541-1785

- (b) Condition of Properties.

- (b)(1) The present physical condition of the line including operating restrictions and estimate of deferred maintenance and rehabilitation costs to upgrade the line to minimum FRA Class 1 safety standards.

The Towner-NA Junction Line proposed to be abandoned is classified at FRA Class 2, Class 3, and Class 4 standards. The track is maintained at these levels because the line is used for overhead traffic. If operated only for the local traffic on the line, the track would not need to be maintained at levels higher than FRA Class 1. Rehabilitation of the line is not required to meet FRA Class 1 standards.

Maintenance expenditures for the line in the Forecast Year are based on maintenance-of-way and structures costs to maintain the line at Federal Railroad Administration ("FRA") Class 1 standards on a "normalized" basis (i.e., the annualized cost over the long-term). The normalized maintenance expenses were calculated for the

proposed abandonment by Lynn K. Deek, UP's Manager Asset Utilization-Engineering Services, and are explained in his accompanying Verified Statement. The Forecast Year normalized maintenance costs for the Towner-NA Junction Line are \$5,013 per mile, for a total annual cost of \$613,650.

- (b)(2) Statement whether the line or any portion could be operated profitably if necessary deferred maintenance and rehabilitation were performed.

There is no rehabilitation required to meet FRA Class 1 standards. Based on the past local traffic volumes and the traffic anticipated to be moved in the Forecast Year, the line cannot be operated profitably.

- (c) Service Provided. Description of the service performed on the line during each of the 2 calendar years immediately preceding the filing of the application, for that part of the current year for which information is available and for the base year, if different, including the actual.

In Decision No. 3, served September 5, 1995 in Finance Docket No. 32760 (p.11), the Commission waived this requirement to the extent that it called for information on other than local train service for traffic originating and/or terminating on the line. Accordingly, the information provided below relates only to such local train service by MPRR. DRGW does not originate or terminate traffic on the line.

During the last two years, local train service on the Towner-NA Junction Line has been provided by local trains that operate three cycles (six one-way trips) per week. The trains originate at Pueblo, Colorado (eastbound), operate over the subject line and continue to Horace, Kansas. The trains then return westbound to Pueblo, Colorado, the following day.

(c)(1) Number of trains operated.

See (c) above.

Due to the very low volume of traffic generated by the line, a service frequency averaging one cycle a week over the course of a year would be sufficient if the line were operated solely for local traffic (52 cycles per year). This is the service pattern that is projected for the November 1, 1995 - October 31, 1996 Forecast Year. Decision No. 3 permits costs for historical periods to be developed on a pro forma basis. Accordingly, costs for 1993, 1994, January 1 - June 30, 1995 and the Base Year (July 1, 1994 - June 30, 1995) have been developed based on a service frequency averaging one cycle per week.

(c)(2) Miles of track operated.

The line proposed for abandonment extends from milepost 747.0 near Towner to milepost 869.4 near NA Junction. It consists of approximately 122.4 miles of mainline track and 9.92 track miles of sidings.

(c)(3) The average number of locomotives units operated.

Trains providing local service are usually operated with one locomotive that is 4-axle, 1500 or 2000 hp. In the Forecast Year, use of the same type of locomotive is anticipated.

(c)(4) Carload commodity group tonnage.

The number of carloads and the tonnages are listed below:

<u>Commodity Group</u>	<u>1993</u>		<u>1994</u>		<u>Jan.-June 1995</u>	
	<u>Cars</u>	<u>Tons</u>	<u>Cars</u>	<u>Tons</u>	<u>Cars</u>	<u>Tons</u>
01 - Farm Products	164	16,313	138	13,255	30	3,563
02 - Food or Kindred Products	--	--	4	400	--	--
TOTAL	<u>164</u>	<u>16,313</u>	<u>142</u>	<u>13,655</u>	<u>30</u>	<u>3,563</u>

(c)(5) Overhead or bridge traffic.

The requirement for data on overhead or bridge traffic which has moved on the line segment proposed for abandonment was waived by the Commission in Decision No. 3, served September 5, 1995, in Finance Docket No. 32760 (p.11). Accordingly, data on MPRR and DRGW overhead or bridge traffic are not provided.

(c)(6) Average crew size.

The crew for the local train assignment is based in Pueblo, Colorado, and consists of three persons: an engineer, brakeman and conductor. The crew size in the Forecast Year would include the same three positions.

(c)(7) Level of maintenance.

The Towner-NA Junction Line is classified FRA Class 2, Class 3, and Class 4. The track is maintained at these levels because the line is used for overhead traffic. If operated only for the local traffic on the line, the track would not need to be maintained at levels higher than FRA Class 1.

(c)(8) Any important change in train service undertaken in the five calendar years immediately preceding the filing of this application.

There have been no changes in local train service for traffic originating and/or terminating on the line.

(c)(9) Reasons for decline in traffic.

Local traffic volumes on the line fluctuate based on harvest conditions and agricultural markets but are consistently low. The projected Forecast Year traffic of 238 cars, for example, represents less than 2 carloads per mile annually ($238 \text{ cars} \div 122 \text{ miles}$). UP believes that the reason for the low local traffic volume is that area shippers prefer trucks for most of their transportation requirements. The principal commodity handled on the line is wheat, which originates from stations in Kiowa County, Colorado. The amount of wheat originated on the line in 1993 and 1994 was only 6% of the wheat produced in the county. See accompanying Verified Statement of Daniel J. McGregor.

(d) Revenue and Cost Data.

(d)(1)-(3) Computation of the revenues attributable and avoidable costs for the line to be abandoned for the base year; the same calculation for the two calendar years immediately preceding the filing of the application and for the part of the current year available; and, an estimate of the future revenues attributable, avoidable costs and reasonable return on value for the "Forecast Year".

In Decision No. 3 served September 5, 1995 in Finance Docket No. 32760 (p.11), the Commission granted a waiver permitting revenues and costs associated with overhead traffic to be excluded. The decision also permitted costs for historical periods to be developed on a pro forma basis reflecting the exclusion of overhead traffic.

In accordance with the waivers granted by Decision No. 3, revenue/cost information provided below and in the attached exhibits has been developed in the following manner:

- All revenues from overhead traffic (including DRGW's trackage rights operations, which are exclusively for overhead traffic) have been excluded.
- All income to MPRR from DRGW's trackage rights operations have been excluded.

- All transportation costs and equipment maintenance (locomotives) associated with overhead traffic (including DRGW) have been excluded. This was accomplished by developing a pro forma operating plan for how train service would have been provided in the absence of overhead traffic, and then developing costs based on the pro forma operating plan.
- All maintenance costs associated with the movement of overhead traffic (including DRGW) have been excluded. This was accomplished by determining the "normalized" maintenance costs needed to maintain the line at FRA Class I (which is all that would be required for local traffic) and then using these costs instead of the actual costs incurred in maintaining the line to the higher FRA Class levels required for overhead traffic.

Exhibit 1 to this Application is the revenue and cost exhibit required by 49 C.F.R. §§ 1152.22(d) and 1152.36. Exhibit 2 to this Application details the computation of opportunity costs. Exhibit 3 shows the effect of the abandonment on net railway operating income as required by 49 C.F.R. § 1152.22(d)(5)-(6). The accompanying Verified Statement of Hans Matthiessen explains how the revenue and cost data contained in Exhibits 1-3 were developed.

A summary of the revenues and costs of this line as operated for local traffic (derived from Exhibit 1) is shown in Table 1 below:

Table 1

	<u>1993</u>	<u>1994</u>	<u>Base Year</u>	<u>Forecast Year</u>
Total Revenue (Exhibit 1, Line 4)	\$181,555	\$178,120	\$184,053	\$237,676
Total On & Off Branch Avoidable Costs (Exhibit 1, Line 7)	<u>\$973,767</u>	<u>\$976,874</u>	<u>\$975,981</u>	<u>\$1,049,080</u>
Avoidable Gain (Loss) from Operations	(\$792,212)	(\$798,754)	(\$791,928)	(\$811,404)
Total Return on Value (Exhibit 1, Line 16)	NA	NA	\$1,858,584	\$1,867,795
Total Avoidable Gain (Loss) (Exhibit 1, Line 18)	NA	NA	(\$2,650,512)	(\$2,679,200)

(d)(4) Computations of "Estimated Subsidy Payment".

Exhibit 1, Page 2, contains an estimated subsidy payment that would be required if the line were kept in operation.

(d)(5)-(6) Detailed statement showing the effect of the proposed abandonment on the net railway operating income and of the other individual railroads in the System.

Exhibit 3 shows the effect of the proposed abandonment on net railway operating income.

(e) Rural and Community Impact.

(e)(1) Name and population of each community in which a station is located on the line.

Below are the stations and population information on the line proposed to be abandoned. The stations are non-agency. The population information was obtained from the Rand McNally 1995 Commercial Atlas and Marketing Guide, 126th Edition.

<u>Station</u>	<u>Milepost</u>	<u>Population</u>
Stuart	752.2	0
Sheridan Lake	758.1	95
Brandon	766.2	60
Chivington	771.8	40
Eads	785.8	780
Galatea	799.1	0
Haswell	807.7	62
Arlington	821.4	40
Adobe Creek	830.5	*
Sugar City	841.2	252
Ordway	846.4	1,025
Crowley	851.9	4,700
Olney Springs	857.3	340
Pultney	863.1	*

* Not listed.

(e)(2) Significant users, the principal commodity shipped and the number of carloads.

Shipper-receiver information is provided below:

<u>Shipper</u>	<u>Principal Commodity</u>	<u>1993</u>	<u>1994</u>	<u>Jan.-June 1995</u>
Bartlett Grain	Wheat	11	43	30
1401 Main St.	Barley	--	4	--
Eads, CO 81036				
Eads Consumer Supply	Wheat	71	95	--
Highway 96				
Haswell, CO 81045				
Foxley Cattle	Corn	62	--	--
229 Main	Wheat	2		
Sugar City, CO 81063-1404				
Tempel Grain	Wheat	--	--	--
Highway 96				
Sheridan Lake, CO 81071				

<u>Shipper</u>	<u>Principal Commodity</u>	<u>1993</u>	<u>1994</u>	<u>Jan.-June 1995</u>
Grain Marketing	Wheat	9	--	--
Highway 96	Milo	9	--	--
Brandon, CO 81026				
	TOTAL	164	142	30

These were the only shippers having local traffic on the line since January 1, 1993.

Forecast Year Traffic

The Forecast Year traffic totals 238 carloads of grain. Details of the Forecast Year traffic projections are given in the accompanying Verified Statement of Daniel J. McGregor.

(e)(3) Alternate sources of transportation. Rail and Highway Network

Eads, Colorado, is located on State Highway 96 and U. S. Highway 287. There is one shipper. The nearest alternate rail stations are Kit Carson, Colorado (UP), which is located 21 miles to the north on U. S. Highway 287, or Lamar, Colorado (BN/Santa Fe), which is located 36 miles to the south on U. S. Highway 287.

Haswell, Colorado, is located on State Highway 96. There is one shipper. The nearest alternate rail stations are Boone, Colorado (UP), which is 70 miles to the west on State Highway 96, and La Junta, Colorado (BN/Santa Fe), which is 63 miles to the south on U. S. Highway 50.

Sugar City, Colorado, is located on State Highway 96. There is one shipper. The nearest alternate rail station is Boone, Colorado (UP), which is 36 miles to the west on U. S. Highway 96.

Brandon, Colorado, is located on State Highway 96. There is one shipper. The nearest alternate rail station is Cheyenne Wells, Colorado (UP), which is located 40 miles to the northeast on U. S. Highway 40.

Sheridan Lake, Colorado, is located on State Highway 96 and U. S. Highway 385. There is one shipper. The nearest alternate rail station after abandonment is Cheyenne Wells, Colorado (UP), which is located 27 miles to the north on U. S. Highway 287.

Water. Barge service is not an alternative in the immediate area.

Air. Air service is not an alternative in the immediate area.

See accompanying Verified Statement of Daniel J. McGregor for shipper specific information on alternate transportation.

(e)(4) Statement of efforts made to continue service on the line.

UP's customer service and sales representatives have maintained contact with customers on the line. To the best of UP's knowledge, no new shippers plan to locate on the line. Sale of the line to another rail operator does not appear feasible due to the low volume of local traffic and the lack of new traffic potential.

(e)(5) Statement of ownership of the property of the abandonment and whether the property is suitable for other public purposes.

The right-of-way for this line totals 2,673.3197 acres, of which 1,561.7925 acres are considered non-reversionary, and 1,111.5272 acres are considered reversionary. UP's estimate of current fair market value of the non-reversionary property, based on highest and best use for other than rail transportation purposes, is \$450,955 (an average of about \$289 per acre). There is no measurable change anticipated in the

property value in the Forecast Year, which begins November 1, 1995. The estimated property value is explained in the accompanying Verified Statement of Penny Rechtenbach.

It is Applicants' opinion that the property proposed for abandonment is not generally suitable for public purposes such as roads or highways, or other forms of mass transportation, conservation, energy production or transmission, as this area is adequately served at present by existing Highway 96 and utility lines. The property may be suitable for recreational and trail use.

(f) Environmental/Historic Report

Required environmental and historic information is contained in the Environmental Report being filed in Finance Docket No. 32760.

(g) Passenger Service. No passenger service is conducted over the line proposed to be abandoned.

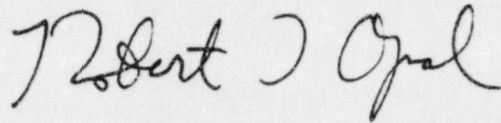
(h) Financial Statements.

General balance sheets and income statements are included as exhibits to the primary application in Finance Docket No. 32760.

(i) Additional Information. Not applicable.

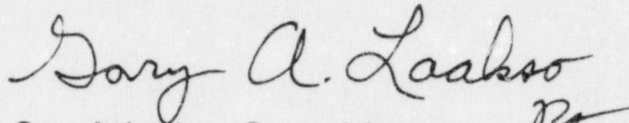
(j) Signed Verification. Attached.

MISSOURI PACIFIC RAILROAD COMPANY



Robert T. Opal, General Attorney
Jeanna L. Regier, Registered ICC Practitioner
1416 Dodge Street, #830
Omaha, NE 68179
(402) 271-3072
(402) 271-4835

THE DENVER AND RIO GRANDE
WESTERN RAILROAD COMPANY

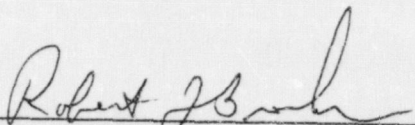


Gary A. Laakso, General Attorney
One Market Plaza, Room 846
San Francisco, CA 94105
(415) 541-1785

VERIFICATION

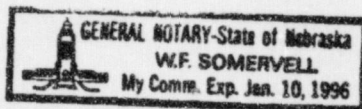
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

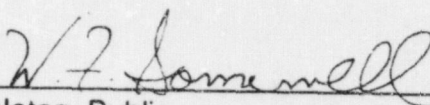
Robert J. Brocker makes oath and says that he is UP's Senior Assistant Vice President-Operations Administration; that he has been authorized by UP to verify and file with the Interstate Commerce Commission the foregoing Application in Docket No. AB-3 (Sub-No. 130); that he has carefully examined the statements in the application as well as the exhibits attached thereto and made a part hereof; that he has knowledge of the facts and matters relied upon in the application; and that all representations set forth therein are true and correct to the best of his knowledge, information and belief.



Robert J. Brocker

SUBSCRIBED AND SWORN to before me a Notary Public in and for the State and County above named, this 13th day of November, 1995.





Notary Public

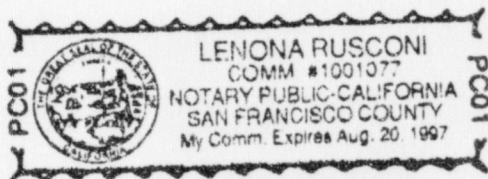
VERIFICATION

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

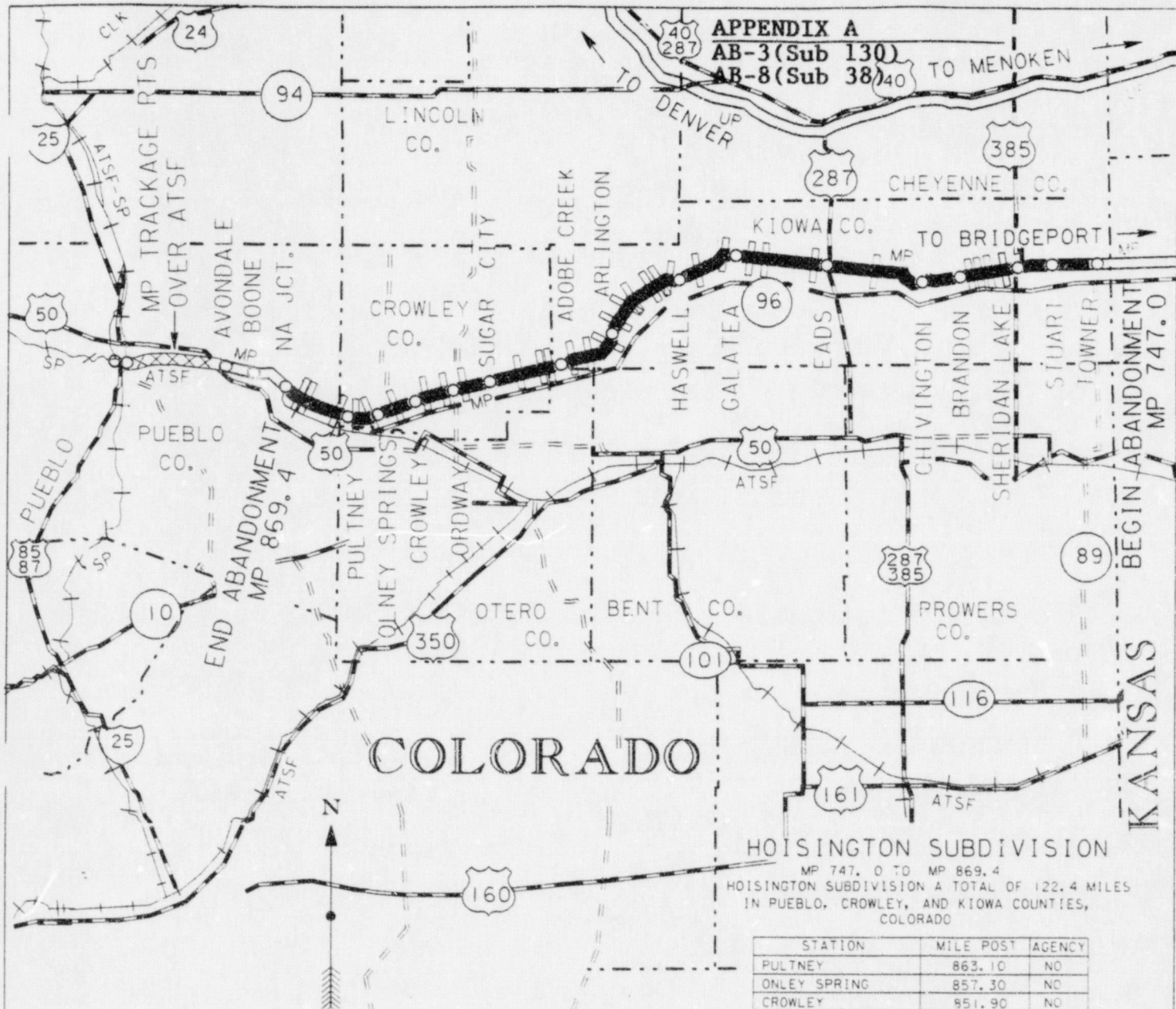
W. G. CLAYTOR, III makes oath and says that he is SP's Managing Director-Plant Rationalization; that he has been authorized by SP to verify and file with the Interstate Commerce Commission the foregoing Application in Docket No. AB-8 (Sub-No. 38); that he has carefully examined the statements in the application as well as the exhibits attached thereto and made a part hereof; that he has knowledge of the facts and matters relied upon in the application insofar as they pertain to SP and DRGW; and that all representations set forth therein are true and correct to the best of his knowledge, information and belief.

W. G. CLAYTOR, III

SUBSCRIBED AND SWORN to before me a Notary Public in and for the State
and County above named, this 10th day of November, 1995.



Lucina Rusconi
Notary Public



APPENDIX A
AB-3(Sub 130)
AB-8(Sub 38)

COLORADO

KANSAS

HOISINGTON SUBDIVISION

MP 747.0 TO MP 869.4
 HOISINGTON SUBDIVISION A TOTAL OF 122.4 MILES
 IN PUEBLO, CROWLEY, AND KIOWA COUNTIES,
 COLORADO

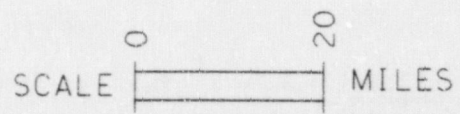
STATION	MILE POST	AGENCY
PULTNEY	863.10	NO
ONLEY SPRING	857.30	NO
CROWLEY	851.90	NO
ORDWAY	846.40	NO
SUGAR CITY	841.20	NO
ADOBE CREEK	830.50	NO
ARLINGTON	821.4	NO
HASWELL	807.70	NO
GALATEA	799.10	NO
EADS	785.80	NO
CHIVINGTON	771.80	NO
BRANDON	766.20	NO
SHERIDAN LAKE	758.10	NO
STUART	752.50	NO

SHEET 1 OF 2

LEGEND

- MPRR LINES TO BE ABANDONED
- OTHER MPRR & UPRR LINES
- OTHER RAILROADS
- MP TRackage RIGHTS OVER ATSF
- 50+ YEAR OLD STRUCTURES
- PRINCIPAL HIGHWAYS
- OTHER ROADS

MISSOURI PACIFIC RAILROAD CO.
HOISINGTON SUBDIVISION
 INCL. 50+ YEAR OLD STRUCTURES



AB0140
 REVISED 10/25/95

MISSOURI PACIFIC RAILROAD COMPANY -
 COMPUTATION OF REVENUE ATTRIBUTABLE TO THE LINE, AVOIDABLE COSTS,
 AND REASONABLE RETURN ON THE VALUE OF THE LINE TO BE ABANDONED FOR:
 Towner - NA Jct, CO Line
 From (M.P. 747.0) near Towner to (M.P. 869.4) near NA Jct., Colorado

EXHIBIT-1
 Page 1
 AB-3(SUB-No.130)

Base Year: July 1, 1994 thru June 30, 1995
 Forecast Year: November 1, 1995 thru October 31, 1996
 (ASSUMING NORMALIZED MAINTENANCE)

	<u>1993</u>	<u>1994</u>	<u>Base</u>	<u>Forecast</u>
Revenue for:				
1. Freight Originated and/or Terminated On-Branch	\$163,555	\$160,120	\$166,053	\$219,676
2. Bridge Traffic	0	0	0	0
3. All Other Revenue and Income	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>
4. Total Revenue Attributable (L. 1+L. 2+L. 3)	\$181,555	\$178,120	\$184,053	\$237,676
Avoidable Costs for :				
5. On-Branch Costs (Lines 5a-5k)				
a. Maintenance of Way & Structures Costs	\$587,946	\$606,130	\$608,564	\$613,650
b. Maintenance of Equipment	13,222	11,807	11,927	12,140
c. Transportation	75,176	71,335	72,337	73,318
d. General Administrative	0	0	0	0
e. Deadheading, Taxi and Hotel	0	0	0	0
f. Overhead Movement/Other	0	0	0	0
g. Freight Car Cost - Non ROI	4,638	4,485	3,803	7,961
h. ROI Expense Freight Cars	8,368	5,400	4,750	8,368
i. ROI Expense Locomotives	12,880	11,046	10,997	10,997
j. Revenue Taxes	0	0	0	0
k. Property Taxes	197,732	186,265	190,922	195,578
	\$899,962	\$896,468	\$903,300	\$922,012
6. a. Off-Branch Costs Excluding Freight Car ROI	\$57,695	\$61,687	\$56,038	\$99,441
b. Off-Branch Freight Car ROI Costs	<u>16,110</u>	<u>18,719</u>	<u>16,643</u>	<u>27,627</u>
Total Off-Branch Costs (L. 6a+6b)	\$73,805	\$80,406	\$72,681	\$127,068
7. Total On & Off-Branch Avoidable Costs (L. 5+L. 6)	<u>\$973,767</u>	<u>\$976,874</u>	<u>\$975,981</u>	<u>\$1,049,080</u>
Avoidable Gain or (Loss) from Operations (L. 4-L. 7)	(\$792,212)	(\$798,754)	(\$791,928)	(\$811,404)

MISSOURI PACIFIC RAILROAD COMPANY -
COMPUTATION OF REVENUE ATTRIBUTABLE TO THE LINE, AVOIDABLE COSTS,
AND REASONABLE RETURN ON THE VALUE OF THE LINE TO BE ABANDONED FOR:
Towner - NA Jct, CO Line
From (M.P. 747.0) near Towner to (M.P. 869.4) near NA Jct., Colorado

EXHIBIT-1
PAGE 2
AB-3(SUB-No.130)

Base Year: July 1, 1994 thru June 30, 1995
Forecast Year: November 1, 1995 thru October 31, 1996
(ASSUMING NORMALIZED MAINTENANCE)
Subsidization Costs For:

	Base Subsidy	Forecast Subsidy
8. Rehabilitation	\$0	\$0
9. Administrative Costs (Subsidy Year only)	1,841	2,377
10. Casualty Reserve Account	0	0
11. Total Subsidization Cost (L.8+L.9+L.10)	\$1,841	\$2,377
Return on Value:		
12. Valuation of Road Property		
a. Working Capital	\$30,674	\$31,295
b. Income Tax Consequences (Ex.2 L.5)	(141,990)	(116,377)
c. Net Liquidation Value (Ex.2 L.1+L.2+L.3)	<u>10,267,520</u>	<u>10,262,124</u>
Total Valuation of Property (L.12 a+b+c)	\$10,156,198	\$10,177,042
13. Nominal Rate of Return	<u>0.183</u>	<u>0.163</u>
14. Nominal Return on Value (L.12*L.13)	\$1,858,584	\$1,862,399
15. Holding Gain or (Loss) (L12.c Col.a - Col.b)	\$0	(\$5,396)
16. Total Return on Value (L.14-L.15)	\$1,858,584	\$1,867,795
17. Avoidable Gain or (Loss) from Operations (L.4-L.7)	(\$791,928)	(\$811,405)
18. Estimated Forecast Year Loss from Operations (L.4-L.7-L.16)	<u>(\$2,650,512)</u>	<u>(\$2,679,200)</u>
19. Estimated Subsidy Payment (L.4-L.7-L.11-L.16)	(\$2,652,353)	(\$2,681,577)

MISSOURI PACIFIC RAILROAD COMPANY -
 OPPORTUNITY COST OF OPERATING THE LINE FOR:
 Towner - NA Jct, CO Line
 From (M.P. 747.0) near Towner to (M.P. 869.4) near NA Jct., Colorado

Base Year: July 1, 1994 thru June 30, 1995

Forecast Year: November 1, 1995 thru October 31, 1996

EXHIBIT-2
 PAGE 1
 AB-3(SUB-No. 130)

	<u>Base Subsidy</u>	<u>Forecast Subsidy</u>
1. Market Value of Non-Reversionary Land	\$450,955	\$450,955
2. Value of Salvageable Scrap & Secondhand Materials	12,817,996	12,934,406
3. Cost of Removal	(3,001,431)	(3,123,237)
4. Working Capital	30,674	31,295
5. Income Tax Benefits	<u>(141,996)</u>	<u>(116,377)</u>
6. Valuation of Road Property (L.1 through L.5)	\$10,156,198	\$10,177,042
7. Current Nominal Cost of Capital	<u>0.183</u>	<u>0.183</u>
8. Opportunity Cost (L.6*L.7)	\$1,858,584	\$1,862,399

MISSOURI PACIFIC RAILROAD COMPANY -
 EFFECT ON NET RAILWAY OPERATING INCOME FOR:
 Towner - NA Jct, CO Line
 From (M.P. 747.0) near Towner to (M.P. 869.4) near NA Jct., Colorado
 Base Year: July 1, 1994 thru June 30, 1995
 Forecast Year: November 1, 1995 thru October 31, 1996
 (ASSUMING NORMALIZED MAINTENANCE)
 (\$ = 000's) Actual 1993 (R-1)

EXHIBIT-3
 PAGE 1
 AB-3(SUB-No.130)

	<u>UP/SP</u>	Impact on <u>UP/SP</u> <u>NROI</u>	<u>Pro Forma</u>
1. Railway Operating Revenue	\$8,437,540	(\$182)	\$8,437,358
2. Railway Operating Expenses	(7,387,275)	974	(7,386,301)
3. Net Revenue from Railway Operations	1,050,265	792	1,051,057
4. Accrued & Deferred Income Taxes	(380,943)	(293)	(381,236)
5. Leased Road & Equipment (Net)	<u>4,375</u>	<u>0</u>	<u>4,375</u>
Net Railway Operating Income	\$673,697	\$499	\$674,196
1994 - Base Year (Pro Forma)			
1. Railway Operating Revenue	\$9,326,048	(\$178)	\$9,325,870
2. Railway Operating Expenses	(7,764,088)	977	(7,763,111)
3. Net Revenue from Railway Operations	1,561,960	799	1,562,759
4. Accrued & Deferred Income Taxes	(441,551)	(296)	(441,847)
5. Leased Road & Equipment (Net)	<u>4,744</u>	<u>0</u>	<u>4,744</u>
Net Railway Operating Income	\$1,125,153	\$503	\$1,125,656
Forecast			
1. Railway Operating Revenue	\$9,326,048	(\$238)	\$9,325,810
2. Railway Operating Expenses	(7,764,088)	1,049	(7,763,039)
3. Net Revenue from Railway Operations	1,561,960	811	1,562,771
4. Accrued & Deferred Income Taxes	(441,551)	(300)	(441,851)
5. Leased Road & Equipment (Net)	<u>4,744</u>	<u>0</u>	<u>4,744</u>
Net Railway Operating Income	\$1,125,153	\$511	\$1,125,664

Towner-NA Junction, Colorado

**VERIFIED STATEMENT
OF
HANS MATTHIESSEN**

My name is Hans Matthiessen. I am a Senior Project Manager-Economic Research for UP at 1416 Dodge Street, Omaha, Nebraska 68179. I hold a Bachelor of Science degree in Business Administration from Iowa State University. I was employed by CNW from 1969 to 1995. I began my employment with UP in 1995. My present responsibilities include regulatory planning and analysis. I held a similar position at CNW during 1989-1995.

I developed the financial exhibits included in the Abandonment Application Docket Number AB-3 (Sub-No. 130), filed November 30, 1995. The purpose of this statement is to provide information regarding the financial results of operation over the Hoisington Subdivision between Towner and NA Junction, Colorado, and to explain how revenues and on-branch cost components included in the financial exhibits were developed.

EXHIBIT 1 - REVENUE AND COST DATA

Exhibit 1 to the abandonment application is an exhibit reflecting the revenue, cost and subsidy data for this line for the years 1993, 1994, the Base Year ended June 30, 1995 and the Forecast Year from November 1, 1995 through October 31, 1996. Exhibit 1 is prepared in accordance with 49 C.F.R. § 1152.31-.34. Revenue and costs are based on a combined UP/CNW/SP operation (CNW was acquired by UP during 1995). I utilized the 1993 and 1994 ICC Annual Reports (R1) from UP, CNW and SP as well as the 1994

Uniform Railroad Costing System (URCS) which represented a combination of all three railroad. The Forecast Year's on-branch and off-branch expenses reflect the use of DRI (Data Resources, Inc.) indices.

A. Revenues

Line 1 on page 1 represents the total system revenues earned by UP/SP for hauling traffic that originates or terminates on this line. The revenues shown are net of payments to any short line carriers who are not shown in the routing but who may receive a set amount per car out of UP/SP's portion of the line haul revenue.

Line 2 on page 1 represents revenue earned from bridge traffic on the line. Since the UP/SP received a waiver concerning bridge traffic, it is blank.

Line 3 on page 1 represents all other revenue earned by UP on this line.

Line 4 on page 1 is the total revenue attributable to this line and is the sum of lines 1 through 3.

B. Avoidable Costs (Operations)

Lines 5(a) through 5(k) on page 1 represent the on-branch costs for operating this line. Maintenance of Way & Structures costs are based on normalized maintenance levels necessary to keep the line at FRA Class I for the long term, and are explained in the accompanying Verified Statement of Lynn K. Beck. Maintenance of Equipment costs include locomotive repair and maintenance, and depreciation cost allocated to the line by on-branch locomotive hours and miles. The locomotive on-branch hours and miles are based on a pro forma operation providing one round trip per week using one low horsepower locomotive. On-branch locomotive hours are based on a two

day cycle, but a three day cycle would be needed when the line deteriorates to FRA Class I standards. For the Forecast Year, locomotive repair and maintenance is \$8,192 and locomotive depreciation is \$3,948. Transportation costs are crew wages, locomotive fuel, train inspection and supplies, and locomotive servicing. These costs are allocated to the line based on the pro forma operation. Avoidable crew wages represent the excess mileage payments over the basic 100 miles per day. The avoidable savings equate to 67 miles per day times 6 days a week times 52 weeks for the 3-person crew. The accompanying Verified Statement of Kenneth C. Packard explains the labor agreements requiring crews on this line to be paid for 6 days service, even if they do not actually work for 6 days. The following is the breakdown of the on-branch transportation costs of \$73,318 for the Forecast Year.

Avoidable Crew Wages	\$29,902
Train Inspection Lubrication	10,493
Train Fuel	30,515
Locomotive Servicing	<u>2,408</u>
On-Branch Transportation Costs	\$73,318

Freight Car costs are calculated using unit costs developed in accordance with ICC regulations and URCS costing methodology. Return on Value - Locomotives is based on the replacement cost of a rebuilt low horsepower locomotive. Return on Value - Freight Cars is based on the replacement cost for railroad-owned cars. Property Taxes represent the avoidable portion of property taxes if the line is abandoned. The avoidable property taxes for the Forecast Year are \$195,578.

Lines 6(a) and 6(b) on page 1 represent the off-line costs related to traffic which either originates or terminates on this line and was computed using the Uniform

Railroad Costing System (URCS), and excludes mileage, statistics and costs associated with any short line carrier whose revenues were netted against UP's resources.

Line 7 on page 1 is the total avoidable costs incurred in operating this line and is the sum of line 5 and line 6.

C. Avoidable Gain (Loss) from Operations

The total appearing immediately below line 7 on page 1 is the gain (loss) resulting from the operation of the line for local traffic, excluding return on value for road property. It is line 4 minus line 7.

D. Subsidy Related Costs

Page 2 of Exhibit 1 shows estimated subsidy costs for Base Year and Forecast Year.

Line 8 on page 2 shows the rehabilitation expenditure necessary for the line. Since no rehabilitation is forecasted, this line is blank.

Line 9 on page 2 is the administrative costs that would be incurred by the UP/SP if the line were subsidized. It is computed by taking one percent of the total annual revenues attributable to the line in the estimated subsidy years. This method is prescribed in 49 C.F.R. § 1152.32(k).

Line 10 on page 2 shows the amount which would be necessary to obtain insurance equal to UP/SP's uninsured liability and to pay for a proportionate share of system insurance costs. Since the cost of such an insurance policy depends on many factors which would not be known until a subsidy agreement has been reached, Applicants are unable to provide an estimated cost at this time, and the line is therefore blank.

Line 11 on page 2 shows the total subsidization costs for items listed on lines 8, 9 and 10. This total is included in the calculation of the Estimated Subsidy Payment (Line 19, page 2) discussed below.

E. Return on Value - Road Properties

Line 12 on page 2 represents the valuation of road properties to which the return element shall be applied. It is computed as prescribed in 49 C.F.R. § 1152.34(c). Allowable working capital is computed by taking 15/365 of the on-branch costs less depreciation and return. Income Tax Consequences are from Exhibit 2, Line 5. Net Liquidation Value is from Exhibit 2, Lines 1, 2 and 3.

Line 13 on page 2 is the nominal rate of return which is applied to the valuation of road property. The current rate is 18.3%.

Line 14 on page 2 is the return on value for road properties and is computed by multiplying line 12 times line 13.

Line 15 on page 2 is the holding gain for road properties. It is the difference between the Base Year's Net Liquidation Value (NLV) and the Forecast Year's NLV.

Line 16 on page 2 is the Total Return on Value and is line 14 minus line 15.

Line 17 on page 2 is the Avoidable Loss From Operations for the Base Year ended June 30, 1995, and for the Forecast Year.

Line 18 on page 2 is the projected Total Avoidable Loss for the Forecast Year and is the total of the Avoidable Loss from Operations as shown on line 17 and the Total Return on Value as shown on line 16 and reflects the full economic cost to the UP/SP of operating this line.

F. Estimated Subsidy Payment

Line 19 on page 2 is the Estimated Subsidy Payment needed for the subsidy year and is the total of the Avoidable Loss from Operations as shown on line 17, the Total Return on Value as shown on line 16 and the Total Subsidization Cost as shown on line 11.

EXHIBIT 2 - OPPORTUNITY COST

Exhibit 2 details the computation of the opportunity cost of operating the Towner-NA Junction line for the Base Year and Forecast Year which is included in Exhibit 1, Lines 12-16.

Line 1 is the current market value of the non-reversionary land and is derived from the accompanying Verified Statement of Penny L. Rechtenbach.

Line 2 is the value of both salvageable scrap and secondhand materials to be retained by UP/SP or sold on the open market and is derived from the accompanying Verified Statement of Lynn Beck.

Line 3 is the cost of removal of all track material including bridges, and is also derived from the Beck verified statement.

Line 4 is the working capital required to operate this line.

Line 5 shows the income tax consequences. It is based on market value of non-reversionary land (\$450,995) less book value of corresponding land (\$198,446) plus scrap and secondhand material sold (\$2,388,641) minus removal cost of material sold (\$2,326,618) times an income tax rate of 37%.

Line 6 is the total of lines 1 through 5.

Line 7 is the current nominal rate of return 18.3%.

Line 8 is the current opportunity cost, line 6 times line 7.

EXHIBIT 3 - EFFECT ON NET RAILWAY OPERATING INCOME

Exhibit 3 shows the effect the Towner-NA Junction Line has on the Net Railway Operating Income for the years 1993 and 1994 and Forecast Year, assuming the line was operated solely for local traffic

SUMMARY

The post-merger operation of the Towner-NA Junction Line will result in an avoidable loss from operations of \$811,404 and a total avoidable loss (including return on value) of \$2,679,200 in the Forecast Year as indicated by Exhibit 1. It is quite clear from the financial exhibits that this line cannot be operated profitably after overhead traffic is rerouted to other UP/SP lines.

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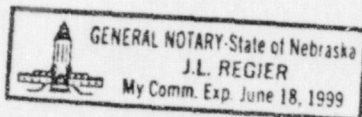
VERIFICATION

STATE OF NEBRASKA)
) ss:
COUNTY OF DOUGLAS)

HANS MATTHIESSEN, being first duly sworn, deposes and states that he has read the above document, knows the facts asserted therein, and that the same are true as stated.

Hans Matthiessen
Hans Matthiessen

SUBSCRIBED and sworn to before me this 13th day of
November, 1995.



J. Regier
Notary Public

My Commission expires: June 18, 1999

Towner - NA Junction, Colorado

VERIFIED STATEMENT

OF

LYNN K. BECK

My name is Lynn K. Beck. I am Manager Asset Utilization in Engineering Services at UP. My office address is 1416 Dodge Street, Omaha, Nebraska 68179. I hold a Bachelor of Science Degree from Boise State University. I have been employed by UP in the Engineering Department continuously since 1969. I have held various maintenance-of-way jobs and worked as an Assistant Engineer (1976), Inventory and Cost Control Supervisor (1978), Project Planning Engineer (1986), Construction Planning Engineer (1987), Track Planning Engineer (1989), and Manager Asset Utilization (1995). In my current position, I have responsibility throughout the 23-state UP system for the preparation of estimates for net liquidation values on various different types of track structures and for determining the costs of engineering programs and projects.

I am very familiar with the Towner - NA Jct. Line (portion of the Hoisington Subdivision) that is the subject of this abandonment application. I personally inspected the line in a hy-rail trip on September 6, 1995. I walked various segments of the line at intervals of approximately three to five miles for approximately 200 feet. The main track (122.40 track miles, mile posts 747.0 - 869.4) is constructed with 136 pound continuous welded rail for a total of 49.40 miles, 112 pound rail (jointed) for 16.50 miles, and 115 pound rail (jointed) for 56.50 track miles. There is an additional 9.92 track miles of sidings. The line has maximum operating speeds ranging from 25 to 40 mph. The track is

classified at FRA Class 2, Class 3 and Class 4 standards. The track is maintained at these levels because the line is used for overhead traffic. If operated only for local traffic, the track would not need to be maintained at levels higher than FRA Class 1. Therefore, the costs used in the abandonment application for maintenance-of-way and structures (1993, 1994, Base Year and Forecast Year) include estimated annual costs to maintain the track to FRA Class I standards on a "normalized" basis. The rail line does not require any track rehabilitation to meet FRA Class 1 standards.

DESCRIPTION OF ENGINEERING EXHIBITS

Exhibit LB-1 - Normalized Maintenance Costs - This exhibit details the costs which are included in my estimate of annual costs to maintain the Towner-NA Junction line over the long term to FRA Class I standards. It is based on my inspection of the line and on costs incurred by UP for the various categories of work and materials shown. The exhibit calls for annual maintenance costs of \$613,650, which works out to an average of \$5,013 per main track mile. For comparison, combined UP/CNW/SP system average expenditure for maintenance of way and structure accounts in 1994 was \$21,822 per track mile (includes main, side and yard tracks).

The maintenance expenditures contained in Exhibit LB-1 fall into two broad categories -- "Program" and "Non-Program" track maintenance. "Program" maintenance is work that would be done on a regular cycle, and consists of tie replacement, surfacing and alignment of track, and road crossing work. A brief discussion of each of these areas follows.

The tie replacement costs assume replacement of crossties on an eight-year cycle of approximately 160 crossties per mile, an average of 20 crossties per mile per year. The annual replacement rate for crossties would be 0.62 per cent, based on 2708 crossties in a mile. Similarly, switch ties would be replaced at a 20 percent rate every eight years, which works out to an annual replacement rate of 2.5 percent. The costs associated with tie replacement consist of the cost of the materials themselves and the costs associated with installing them. The cost to purchase an ordinary crosstie and four spikes is \$25.90 and the cost to purchase each switch tie and spikes (the number of spikes per tie varies, depending on the location of the tie in the switch) is \$52.54. The installation costs include crew costs, work train service, tie unloading (contract forces), picking up and disposing of scrap ties (contract forces), material store expense (MSE) and sales tax. The cumulative cost for tie replacement in the Forecast Year is \$936 per track mile.

Surfacing and lining track is the second group of programmed maintenance costs. I have assumed that any needed surfacing and lining would be done in conjunction with programmed tie replacement on an eight-year cycle. The work would consist of what we call a "skin lift" (approximately $\frac{1}{2}$ to 1 inch, when required), and would require about five carloads of ballast per mile. On an annual basis, this works out to 0.625 cars per mile per year. Other related expenses include ballast unloading, the actual surfacing and alignment of the track after the ballast is dumped, crew cost, work train expense and sales tax. The cumulative expenditure for surfacing and lining track on an annualized basis is \$809 per main track mile.

The third group of programmed maintenance costs consists of expenditures associated with public road crossings. These include periodic replacement of the crossing surfaces themselves, as well as warning devices and other appliances associated with the crossings. There are 66 crossings on this line, 13 of which are signalized with a pair of flashing lights. On an annualized basis, total programmed maintenance cost for road crossings for the Forecast Year is an average of \$511 per main track mile.

The remaining maintenance expenditures are for "Non Program" track and structure maintenance. This consists of the work needed to keep the line in service between program maintenance cycles. It includes a 3-person section gang, the services of a track inspector to inspect the line once per week as required by FRA track rules (40 miles per day), labor for signal maintenance (including grade crossing signals), signal material, rail replacement for damaged rails (1 rail every 3 miles), vegetation control, bridge inspection, bridge maintenance and material, material store expense and sales tax. The cumulative expenditure for non-program maintenance in the Forecast Year is \$2,757 per main track mile.

As can be seen from the Exhibit, costs for the Forecast Year have been developed by applying an index value called the "DRI Rate" to the amounts shown in the column entitled "Ave Cost Per Mile". The values shown in the latter column are actual costs for the materials and associated work as of October, 1995. The values shown in the "DRI Rate" column are derived from the DRI Forecast, a publication of DRI/McGraw Hill's Transportation Consulting Practice which publishes rail costs and projections on a

quarterly basis. The details of how the DRI rates were applied to the various cost items are listed in Exhibit 1 are shown in my workpapers.

Exhibit LB-2 - Net Liquidation Value (Material) - This exhibit details my estimate of the value of the materials in the line (primarily track materials) that UP/SP could expect to realize if the line were abandoned. The exhibit shows current prices for the various types of material as of October, 1995, and are the values used for the Forecast Year (which begins November 1, 1995). The value of track materials may fluctuate, depending on market requirements for specific materials at the time of release. The values shown were obtained from recent UP sales and from telephone contacts with dealers of track materials. DRI rates were applied to the current values to arrive at a Base Year value as of December, 1994 (the Base Year for this application is July 1, 1994 - June 30, 1995).

Rail from abandoned lines is classified as scrap, reroll, or No. 1 - No. 2 quality. The No.1 - No. 2 quality rail is suitable for use elsewhere on the UP/SP system in secondhand rail replacement and construction projects. Reroll rail is one classification grade better than scrap. This rail would be sold to reroll mills for making fence posts or "rebar" (used to reinforce concrete). Rail not suitable for reuse or for reroll is scrap rail that would be sold to a salvage dealer.

The Towner - NA Jct. Line contains reroll rail which is valued at \$192.07 per net ton, scrap rail which is valued at \$155 per net ton, No. 1 quality continuous welded relay rail which is valued at \$395 per net ton, and No. 2 quality rail which is valued at \$351.20 per net ton. Scrap material other than rail is valued at \$120 per net ton. The

reusable crossties have a value of \$6.25 each and the landscape ties have a value of \$4 each.

The Towner - NA Jct. Line consists of 122.40 miles of branch line trackage and 9.92 miles of miscellaneous sidings. Exhibit LB-2 shows that the line contains 36,471.72 net tons of rail, other track material and switches. The track (main track and sidings) consists predominately of 115 pound and 136 pound rail with some segments of 112 pound and 85 pound rail (sidings). There are a total of 429,938 crossties and switch ties, of which 150,478 ties are reusable. The current market value (based on fourth quarter 1995 values) for the track materials is \$12,796,307. When bridge values are added, the total value is \$12,934,406. Removal costs for track, switch and crossties, and bridges are \$3,123,237, for a current net liquidation value of \$9,811,169. The current net liquidation value of the track material to be retained by the railroad is \$9,749,146 (gross liquidation value of \$10,545,765 less \$796,619 removal costs).

The Net Liquidation Values shown in Exhibit LB-2 are for materials only and do not include the value of the underlying real estate. The real estate value is not discussed in this statement.

122.40

ESTIMATED ANNUAL MAINTENANCE COST PER MILE FOR THE SEGMENT OF THE
between M.P. 747.00 and M.P. 869.40 (Towner to NA Jct., CO).

CLASS 1 STANDARD

ROADWAY MAINTENANCE	QUANT.	UNIT	COST/UNIT	CYCLE OR LIFE	AVE. COST PER MILE	FORECAST YEAR % DRI RATE	THE FORECAST TOTAL
PROGRAMMED TRACK MAINTENANCE:							
Replace Ties 160/mi ea 8 yrs	160	per mile					
Cross Ties 7 x 9 x 8' & Spikes	19,584	Each	\$25.90	8 yrs	\$518	2.30	\$530
Switch Ties (20% replacement)	502	Each	\$52.54	8 yrs	\$27	2.30	\$28
Replace cross ties	16.32	Days	\$15,959	8 yrs	\$266	0.10	\$166
Replace switch ties	25.10	Days	\$1,446	8 yrs	\$37	0.10	\$37
Company Service	812	Crew/Miles	\$8.18	8 yrs	\$7	0.10	\$7
Work Train Service	5.02	Days	\$856.84	8 yrs	\$4	0.10	\$4
Unload ties (Contract)	20,086	Each	\$0.45	8 yrs	\$9	2.20	\$9
Pick up & dispose of scrap ties (Contract)	20,086	Each	\$1.35	8 yrs	\$28	2.20	\$29
MSE	0.80	%			\$4		\$4
Sales Tax	4.00	%			\$22		\$22
					\$922		\$936
Surface and Line Track							
Ballast (5 cars/mile)	61,200	Ton	\$5.27	8 yrs	\$329	2.30	\$337
Unload Ballast	24	Days	\$1,983	8 yrs	\$50	0.10	\$50
Surface & Line Track	41	Days	\$9,105	8 yrs	\$379	0.10	\$379
Company Service	1,125	Crew/Miles	\$8.18	8 yrs	\$9	0.10	\$9
Work Train	24	Days	\$856.84	8 yrs	\$21	0.10	\$21
Sales Tax	4.00	%			\$13		\$13
					\$801		\$809
Road Crossings (66)							
Prefab crossings	1752	Ft.	\$55.36	15 yrs	\$53	2.30	\$54
Asphalt Crossings	344	Ft.	\$51.50	15 yrs	\$10	2.30	\$10
Gravel Crossing	32	Ft.	\$7.75	20 yrs	\$0	2.30	\$0
Replace Road crossing material	177	Days	\$1,162	15 yrs	\$112	0.10	\$112
Flashing Lights	13	Pair	\$59,175	30 yrs	\$209	2.30	\$214
Install Flashing Lights	13	Pair	\$31,858	30 yrs	\$113	0.10	\$113
Crossbuck Signs	53	Each	\$108.70	20 yrs	\$2	2.30	\$2
Install Crossing Signs(X-bucks)	53	Each	\$66	20 yrs	\$1	0.10	\$1
Whistle Posts	66	Each	\$15.13	20 yrs	\$0	2.30	\$0
Install Whistle Post Signs	66	Each	\$66	20 yrs	\$2	0.10	\$2
MSE	0.80	%			\$1		\$1
Sales Tax	4.00	%			\$3		\$3
					\$506		\$511

NON-PROGRAM TRACK MAINTENANCE:	COST	UNIT	QUANTITY	AVE. COST PER MILE	FORECAST YEAR % DRI RATE	THE FORECAST TOTAL
3 man Section Gang (Foreman & 2 Sectionmen)	\$723	/Day	205	\$1,210	0.10	\$1,211
Track Inspector (Inspect Weekly) (40 miles/day)	\$335	/Day	159	\$436	0.10	\$436
Signal Maintenance - Crossing Protection-Labor	\$1,577	/Each	13	\$167	0.10	\$168
Signal Material	\$394	/Each	13	\$42	2.30	\$43
Rail Replacement 1 rail/3 miles	\$7.76	/LF	1,591	\$101	2.30	\$103
Vegetation Control	\$394.46	/Mile	122	\$394	2.20	\$403
Bridge Inspection	\$0.61	/LF	5,037	\$25	0.10	\$25
Bridge Maintenance	\$4.25	/LF	5,037	\$175	0.10	\$175
Bridge Material	\$4.30	/LF	5,037	\$177	0.10	\$177
MSE				0.80 %	\$3	\$3
Sales Tax				4.00 %	\$13	\$13
				\$2,743		\$2,757

NORMALIZED MAINTENANCE COST PER MILE PER YEAR = \$4,972 \$5,013

11/8/95

TOTAL NORMALIZED MAINTENANCE COST PER YEAR = \$608,564 \$613,650

NET LIQUIDATION VALUE OF TRACK & BRIDGES HOISINGTON SUBDIVISION

8-Nov-95

M.P. 747.00 TO 869.40 = 122.40 TRACK MILES NA Jct. to Towner
 MISCELLANEOUS SIDINGS = 9.92 TRACK MILES
 132.32 TOTAL T.M.S

TRACK COMPONENTS -

Rail Weight	RAIL		OTM	SWITCHES			Net Tons	NET TONS		
	Track Miles	Net Tons	Net Tons	No. 7	No. 8.5 & No. 9	No. 10				
136#	49.40	11824.38	3321.70			13	74.48	15220.56		
133#		0.00	0.00				0.00	0.00		
132#		0.00	0.00				0.00	0.00		
131#		0.00	0.00				0.00	0.00		
119#		0.00	0.00				0.00	0.00		
115#	57.65	11668.36	3534.75			14	80.21	15283.32		
112#	19.08	3761.05	1096.73			4	18.50	4876.29		
110#		0.00	0.00				0.00	0.00		
100#		0.00	0.00				0.00	0.00		
90#		0.00	0.00				0.00	0.00		
85#	6.19	926.02	165.52				0.00	1091.55		
80#		0.00	0.00				0.00	0.00		
75#		0.00	0.00				0.00	0.00		
Total:	132.32	28179.82	8118.70				173.19	36471.72		

TIES			CURRENT MARKET VALUE 4th Qtr 1995	BASE YEAR VALUE Dec - 1994
SWITCH TIES	2511	EA		
CROSS TIES	427427	EA		
TOTAL TIES	429938	EA		

VALUE OF TRACK COMPONENTS				DRI RATE	VALUE
MAIN & SIDE TRACKS:	4,628.82	N.T. x	\$192.07 /N.T. =	\$889,058	Reroll Rail 0.991 \$881,056
MAIN & SIDE TRACKS:	1,517.24	N.T. x	\$155.00 /N.T. =	\$235,173	Scrap Rail 0.991 \$233,056
MAIN & SIDE TRACKS:	11,233.16	N.T. x	\$395.00 /N.T. =	\$4,437,100	No 1 SH CWR Rail 0.991 \$4,397,166
MAIN & SIDE TRACKS:	10,800.59	N.T. x	\$351.20 /N.T. =	\$3,793,166	No 2 Qual Rail 0.991 \$3,759,028
O.T.M. & Turnouts:	3,653.42	N.T. x	\$120.00 /N.T. =	\$438,410	Scrap Material 0.991 \$434,464
Tie Plates	321,100	ea. x	\$3.50 ea. =	\$1,123,850	Tie Plates 8x14 0.991 \$1,113,735
Tie Plates	74,750	ea. x	\$3.36 ea. =	\$251,160	Tie Plates 8x13 0.991 \$248,900
SWITCH & CROSS TIES :	150,478	ea. x	\$6.25 ea. =	\$940,489	Reusable Ties 0.991 \$932,025
SWITCH & CROSS TIES :	171,975	ea. x	\$4.00 ea. =	\$687,901	Landscape Ties 0.991 \$681,710
SWITCH & CROSS TIES :	107,485	ea. x	\$0.00 ea. =	\$0	Scrap Ties \$0

TOTAL TRACK VALUE	\$12,796,307	\$12,681,140
BRIDGE VALUE	\$138,099	\$136,856
TOTAL VALUE	\$12,934,406	\$12,817,996

REMOVAL COSTS					
TRACK REMOVAL	132.32 T.M.s @	\$8,555 Per Mile	\$1,131,998	0.961	\$1,087,850
SWITCH & CROSSTIES	429938 Ea. @	\$1.35 Ea.	\$580,416	0.961	\$557,780
BRIDGE REMOVAL COSTS			\$1,410,823	0.961	\$1,355,801
TOTAL REMOVAL			\$3,123,237		\$3,001,431

NET LIQUIDATION VALUE

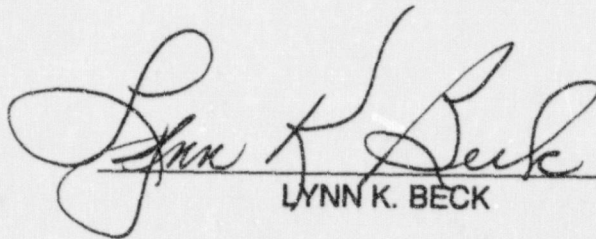
\$9,811,169

\$9,816,566

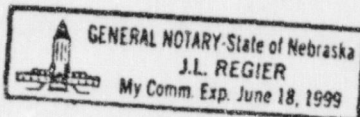
VERIFICATION

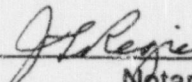
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

LYNN K. BECK, being first duly sworn, deposes and states that he has read the above document, knows the facts asserted therein, and that the same are true as stated.


LYNN K. BECK

SUBSCRIBED AND SWORN to before me this 14 day of
November, 1995.




Notary Public

My Commission expires:

Towner-NA Junction, Colorado

**VERIFIED STATEMENT
OF
PENNY L. RECHTENBACH**

My name is Penny L. Rechtenbach. I am employed by UP as Manager-Real Estate. In my present position, I am responsible for sales, acquisitions and leasing of real property assets for UP. I have a Nebraska Real Estate Sales License. I have attended continuing educational courses in the field of real estate, including appraisal courses.

From July 1, 1984 through the present, I have had the primary responsibility for selling, acquiring and leasing UP-owned real estate assets in Kansas, Oklahoma, Nebraska, and Texas, and I have had responsibility in Colorado for the last three (3) years.

I am familiar with UP's property on the Hoisington Subdivision between Towner, at milepost 747, and NA Junction, at milepost 869.40, and I have studied the nature of UP's real property holdings and their relation to surrounding property uses. It is my opinion that the real estate market in this area has been stable for the past few years, and I have no reason to believe it will either increase or decrease significantly in the near future.

The right-of-way for this line totals approximately 2,673.3197 acres. I examined UP real estate maps and title documents for the line and determined that 1,111.5272 acres appear to be reversionary. The remaining 1,561.7925 is non-reversionary.

I physically inspected the right of way for the line on August 29, 1995, and also discussed market conditions with local real estate professionals in the area to establish a value for the 1,561.7925 acres of non-reversionary property.

The right of way between milepost 747 and milepost 869.40 varies in width, generally from 100 feet to 250 feet. Unimproved county roads traverse, and State Highway 96 parallels, the right of way on the south, as do intermittent dust berms located at the northerly limits of the right of way. The line follows level land contours and the adjacent properties consist predominantly of pasture/grazing land, interspersed with agricultural land planted with crops such as wheat and corn. Exceptions to pasture/grazing use were found in the small communities en route where residential, light industrial, small-town commercial and agri-business related concerns are intermixed in relative proximity to the right of way.

Taking all matters into consideration, it is my opinion that the total value of the non-reversionary property is \$450,955, or approximately \$289 per acre.

VERIFICATION

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

Penny L. Rechtenbach, being first duly sworn, deposes and says that she has read the foregoing document, knows the facts asserted therein, and that the same are true as stated.

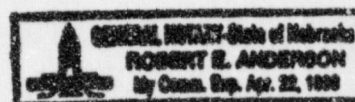
Penny L. Rechtenbach
Penny L. Rechtenbach

Subscribed and sworn to before me this 14 day of Nov, 1995.

Robert E. Anderson
Notary Public

My Commission Expires:

April 22, 1995



Towner-NA Junction, Colorado

VERIFIED STATEMENT

OF

KENNETH C. PACKARD

My name is Kenneth C. Packard. I am employed by UP as Superintendent-Transportation Services with offices at 2801 Rock Creek Parkway, Kansas City, Missouri 64117. I have been employed by UP and its predecessors since 1969. I have held my current position since 1990. I am responsible for train operations on various UP lines in the States of Colorado, Kansas, Oklahoma, Arkansas, Missouri, and Texas. This includes the line between Pueblo, Colorado, and Herington, Kansas. This line includes the Towner-NA Junction, Colorado, segment which is being proposed for abandonment in connection with the UP/SP merger.

Operations On The Line

I am the person responsible for the information on train operations contained in the abandonment application. The Towner-NA Junction line is used primarily for overhead traffic. The principal user is SP which has trackage rights (through one of its affiliates) over the entire Pueblo-Herington line. The amount of SP traffic varies from day to day, but it averages around 25 trains. Following a UP/SP merger, all overhead traffic would be rerouted either to a UP line running from Denver, Colorado, east through Salina, Kansas (sometimes called the "Kansas Pacific" or "KP" line), or to UP's main line through Wyoming and Nebraska. Local traffic on the Towner-NA Junction line is handled by a

local train assignment that operates three cycles (six one-way trips) per week between Pueblo, Colorado, and Horace, Kansas (eastbound Train LVW 50 on Sunday, Tuesday and Thursday; westbound Train LVW 51 on Monday, Wednesday and Friday). The assignments originate at Pueblo and operate east over the Towner-NA Junction line to Horace and then return the following day. These trains also handle local traffic on the Horace-Towner, Kansas, segment to the east and the NA Junction-Pueblo segment to the west, and some overhead traffic moving between Pueblo and points in eastern Kansas, (which will also be rerouted after merger).

Pro Forma Operations

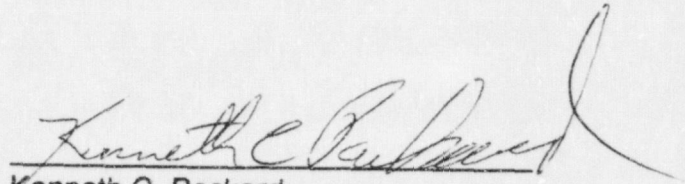
For purposes of the abandonment application, I was requested to develop a plan for how the Towner-NA Junction line would be operated if all overhead traffic were rerouted and the line was run solely for local traffic at FRA Class I track speeds (10 mph). This line is subject to a 1946 Missouri Pacific labor agreement which requires us to operate lines covered by the agreement 6 days per week (unless abandoned). If not so operated, the crews working the line must be paid for this time anyway. Due to the very low levels of local traffic handled by this line (the projection for the forecast year is 238 cars, which is less than 2 cars per mile) an average service frequency of one cycle per week should be adequate to serve the line (the frequency would likely be greater than this during and after the harvest, and less at other times of the year). We would not operate more than this just to utilize the crews (even though they must be paid for 6 days) because this additional service would simply generate other costs. The trains providing this service would operate in the same manner as local services presently provided, beginning at

Pueblo, Colorado, operating to Horace, Kansas, and then returning to Pueblo. Such a cycle currently takes 2 days, but it would probably take 3 days were the Towner-IVA Junction line maintained only to FRA Class I. This train service could be handled by one low-horsepower locomotive (4 axle, 1,500-2000 H.P.) and a crew of 3 persons as at present.

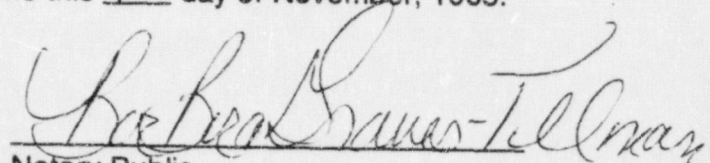
VERIFICATION

STATE OF MISSOURI)
COUNTY OF Clay) ss.

Kenneth C. Packard, being first duly sworn, deposes and says that he has read the foregoing document, knows the facts asserted therein, and that the same are true as stated.


Kenneth C. Packard

Subscribed and sworn to before me this 13 day of November, 1995.


Notary Public

My Commission Expires:

BARBARA GRAVES-TILLMAN
Notary Public - State of Missouri
Commissioned in Jackson County
My Commission Expires Oct. 6, 1997

19__

Towner-NA Junction, Colorado

**VERIFIED STATEMENT
OF
DANIEL J. MCGREGOR**

My name is Daniel J. McGregor. I am Product Manager-Food Grains in UP's Marketing and Sales Department. I have held my current position for five years. Prior duties included thirteen years in various transportation positions with Continental Grain Company.

I am familiar with the application to abandon UP's line between Towner and NA Junction, Colorado and to discontinue SP's trackage rights (technically held by DRGW) over the line. In this statement, I will discuss the active customers on the line, their historic traffic activity, and the transportation alternatives available to them if abandonment were approved. I have also projected traffic activity and revenues for the Forecast Year (November 1, 1995 through October 31, 1996). The projection for each shipper is explained below. In general, the projections are based on an average of 2 shipping seasons of traffic (either 1993-1994 or 1994-eight months 1995, whichever was greater) for specific origin-destination pairs.¹ This process tends to even out the year-to-year fluctuations that can occur on lines that handle predominantly agricultural traffic.

1. Tempel Grain, Sheridan Lake, CO. (Milepost 758.1). Tempel Grain did not generate any rail traffic in 1993, 1994, or the first six months of 1995, but did load 8 cars of wheat in August, 1995. It appears unlikely that there will be further shipping activity this

¹ Because the averaging was by origin-destination county pairs, with all partial numbers rounded up, projections may differ from a simple average of total shipments.

year. The forecast is 4 cars for this customer, based on an average of 1994 and 1995 activity. The Forecast Year revenue for this traffic is \$4,304 and is based on rates from UP Tariff 4050-A. The extensive period without rail usage indicates that this shipper has alternatives to rail service at Sheridan Lake. A UP station at Cheyenne Wells, Colorado, is 27 miles north of Sheridan Lake and has capabilities to load unit trains of 100 cars. Trucking cost to Cheyenne Wells makes this a viable alternative to loading by rail at Sheridan Lake.

2. Grain Marketing, Brandon, CO. (Milepost 766.2). This customer shipped 9 cars of milo and 9 cars of wheat in 1993. There was no rail activity in 1994 or the first eight months of 1995. No traffic is forecast for this customer.

3. Bartlett Grain, Eads, CO. (Milepost 785.8). Bartlett Grain shipped 11 cars of wheat in 1993 and shipped 42 cars of wheat, 4 cars of malt flour and received 1 car of wheat for a total of 47 cars in 1994. During the first six months of 1995 (the portion of the year included in the Base Year), Bartlett shipped 30 cars of wheat. It shipped an additional 62 cars of wheat in July and August for a total of 92.² In addition, Bartlett placed confirmed orders for 73 cars in September that UP was not able to fill. If the confirmed car orders are included, Bartlett's shipping potential for 1995 likely totaled 165 cars.

Bartlett personnel informed our Sales Representative that the 1995 shipping activity at Eads was unusually high because this year's poor harvest in eastern Kansas

² The carloads shown in this statement for the first six months of 1995 are the same as the carloads shown for this period in the abandonment application. I have also shown carloads for July and August because I took this traffic into account in making my projection for the Forecast Year.

made it desirable to draw down western Kansas grain stocks that were partly left over from the good 1994 harvest. It is considered unlikely that these conditions will recur in the near future. Nevertheless, for purposes of forecasting, the Forecast Year projection is based on an average of the 1994 and unusually high 1995 activity. The additional 73 confirmed order cars not supplied were apportioned between the two destinations to which the majority of Bartlett's actual shipments went. The total projection for the Forecast Year is 108 cars. Forecast Year revenue (based on UP Tariff 4050A rates) is \$114,388.

Bartlett has made significant use of trucks in the past and can continue to do so after abandonment. UP's station at Cheyenne Wells, Colorado, is 45 miles north and east of Eads, which is within competitive trucking distance, and it has facilities to load 100 car unit trains. Bartlett also uses long distance trucks moving between Denver and Kansas City for grain backhauls to terminals in eastern Kansas and Kansas City.

4. Eads Consumer Supply, Haswell, CO. (Milepost 807.7). This customer, a grain elevator, shipped 71 cars of wheat in 1993, 95 cars of wheat in 1994, and 91 cars of wheat in the first eight months of 1995 (all of the 1995 cars moved after June 30). Accordingly, the basis for the Forecast Year traffic projection is an averaging of 1994 and 1995 (through August) activity by origin/destination, leading to a projection of 93 cars. Forecast Year revenue (based on UP Tariff 4050A rates) is \$88,629.

Haswell is 70 miles from Cheyenne Wells, Colorado, and 160 miles from Denver. In the past, trucking to these destinations as well as long haul trucking using grain as a backhaul to Kansas City have been viable alternatives to loading rail at Haswell.

5. Foxley Cattle, Sugar City, CO. (Milepost 841.2). This customer, which operates a feedlot, received 62 cars of corn and shipped 2 cars of wheat in 1993, generated no rail business in 1994, and received 25 cars of corn in the first eight months of 1995, all of which moved after June 30. The forecast for this firm based on an average of full year 1993 and 1994 activity by origin/destination leads to a projection of 33 cars. Forecast Year revenue (based on UP Tariff 4050A rates) is projected to be \$12,355.

The fact that Foxley went an entire calendar year (1994) without utilizing rail service is a clear indication that it has used trucks for its feed transportation needs and can do so in the future.

6. Summary. The total number of cars projected for the Forecast Year is 238, which is higher than the total carloads in either 1993 or 1994. It represents an annual volume of less than two carloads per mile. Most of the traffic is wheat.

The loaded wheat traffic along this portion of railroad is from stations in Kiowa County, Colorado, with the Towner-NA Junction line bisecting the county and being the only railroad in the county. Wheat production in Kiowa County³ was 4,535,000 bushels in 1993 and 5,275,000 bushels in 1994. The average load in a grain covered hopped car is 3,300 bushels. The line originated 91 carloads of wheat in 1993 and 138 cars of wheat in 1994. In other words, the percentage of wheat produced in Kiowa County that was

³ The line traverses two other counties (Crowley and Pueblo) but does not originate any traffic in them. I have not included these counties in my example because their wheat production is very low (usually around 200,000 bushels annually per county).

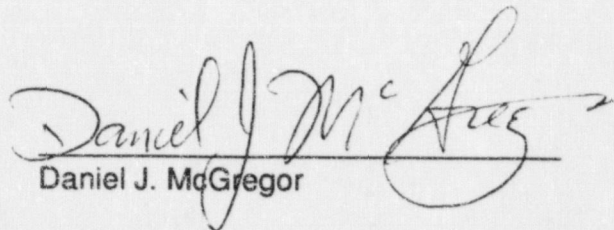
moved on this line was only 6% in both 1993 and 1994. These numbers indicate that 94% of the grain produced in this County moves by truck or by other rail lines.

Finally, the application in this proceeding proposes to discontinue trackage rights held by SP (technically by DRGW) over this line. SP uses these trackage rights solely for overhead traffic. It does not originate or terminate traffic on the Towner-NA Junction line.

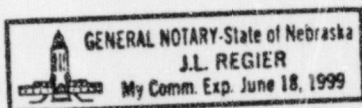
VERIFICATION

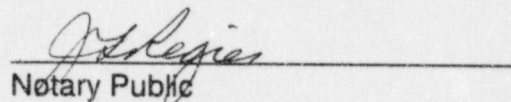
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

Daniel J. McGregor, being first duly sworn, deposes and says that he has read the foregoing document, knows the facts asserted therein, and that the same are true as stated.


Daniel J. McGregor

Subscribed and sworn to before me this 16 day of November, 1995.




Notary Public

My Commission Expires:

_____, 19____

Docket No. AB-3 (Sub-No. 130)
Docket No. AB-8 (Sub-No. 38)

AFFIDAVIT
(49 C.F.R. § 1152.24(b))

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

Jeanna L. Regier, being first duly sworn upon oath, deposes and says that the notice requirements of 49 C.F.R. § 1152.20 have been satisfied as follows:

(1) On November 3, 1995, the original and 10 copies of the "Notice of Intent To Abandon and Discontinue Service" of the Towner-NA Junction Line (portion of Hoisington Subdivision) in Docket Nos. AB-3 (Sub-No. 130) and AB-8 (Sub-No. 38) were mailed by Certified Mail, Return Receipt Requested, to Mr. Vernon Williams, Secretary, Interstate Commerce Commission, 12th & Constitution Avenue, N.W., Washington, DC 20423. A copy of the "Notice of Intent To Abandon and Discontinue Service" is attached.

(2) On November 3, 1995, the "Notice of Intent To Abandon and Discontinue Service" was mailed by Certified Mail, Return Receipt Requested, to the Honorable Roy Romer, Governor -- State of Colorado, and a copy was mailed by first class mail to the State of Colorado offices as follows:

Division of Transportation Development
Transportation Department
4201 E. Arkansas Avenue, Room 262
Denver, CO 80222

Gale A. Norton, Esq.
Colorado Attorney General
1525 Sherman Street, 5th Floor
Denver, CO 80203

Regulatory Agencies Department
Public Utilities Division
1560 Broadway, Suite 1550
Denver, CO 80202

The "Notice of Intent To Abandon and Discontinue Service" was mailed also by first-class mail on November 3, 1995, to the following:

U.S. Department of Transportation
Federal Railroad Administration
400 Seventh Street S.W.
Washington, D.C. 20590

U.S. Department of Interior
Recreation Resources Assistance Div
National Park Service
1100 L Street, N.W. #2321
Washington, D.C. 20240

U.S. Department of the Interior
National Park Service
Recreation Resources Assistance Div
P.O. Box 37127
Washington, D.C. 20013-7127

U.S. Department of Interior
Land Resources Division
National Park Service
1100 L Street, N.W.
Room 3135
Washington, D.C. 20240

U.S. Department of Agriculture
Chief of the Forest Service
4th Floor NW, Auditors Building
14th Street & Independence Ave., S.W.
Washington, D.C. 20250

U.S. Railroad Retirement Board
844 Rush Street
Chicago, IL 60611

MTMCTEA
Attn: Railroads for National Defense
720 Thimble Shoals Blvd., Suite 130
Newport News, VA 23606-2574

Office of the Special Counsel
Interstate Commerce Commission
12th & Constitution Ave., N.W.
Washington, D.C. 20423

Headquarters - Railway Labor
Executive Association
400 North Capitol Street, Suite 850
Washington, D.C. 20001

Section of Rail Service Planning
Interstate Commerce Commission
12th & Constitution Avenue, NW
Washington, D.C. 20423

Director
State Extension Service
201 Administration Building
Colorado State University
Fort Collins, CO 80523

(3) The "Notice of Intent To Abandon and Discontinue Service" was mailed to the shippers-receivers on the line on November 3, 1995.

(4) The "Notice of Intent To Abandon and Discontinue Service" was published once each week for three consecutive weeks in newspapers generally circulated in the counties where the rail line is located, as follows:

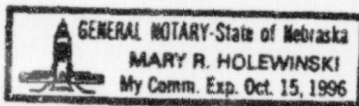
<u>Newspaper</u>	<u>County</u>	<u>Dates Published</u>
Kiowa County Press	Kiowa	November 10, 17 and 24 1995
Ordway New Era	Crowley	November 7, 14 and 21, 1995
Pueblo Chieftain	Pueblo	November 8, 15, and 22, 1995

(5) The "Notice of Intent To Abandon and Discontinue Service" was posted in a conspicuous place on the bulletin boards at the stations which handle business for the line, as follows:

<u>Date Posted:</u>	<u>Station</u>
November 15, 1995	UP's National Customer Service Center 210 N. 13th Street St. Louis, MO 63103
November 8, 1995	DRGW Rail Station 400 West B Street Pueblo, CO 81003

SIGNED: Jeanna L. Regier
Jeanna L. Regier
Registered ICC Practitioner

SUBSCRIBED AND SWORN to before me a Notary Public this 17TH day of November, 1995.



Mary R. Holewinski
Notary Public

My Commission Expires:

October 15, 1996

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Application in Docket Nos. AB-3 (Sub-No. 130) and AB-8 (Sub-No. 38) was served on those parties listed at 49 C.F.R. § 1152.24(c) by mailing a copy first-class mail on November 29, 1995, to the following:

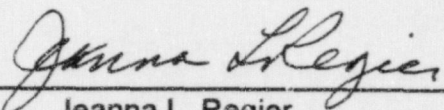
Section of Rail Services Planning
Interstate Commerce Commission
12th & Constitution Ave., N.W.
Washington, D.C. 20423

Honorable Roy Romer
Governor - State of Colorado
200 East Colfax Avenue
Denver, CO 80203

Division of Transportation Development
Transportation Department
4201 E. Arkansas Avenue, Room 262
Denver, CO 80222

Regulatory Agencies Department
Public Utilities Division
1560 Broadway, Suite 1550
Denver, CO 80202

Gale A. Norton, Esq.
Colorado Attorney General
1525 Sherman Street, 5th Floor
Denver, CO 80203



Jeanna L. Regier

Before the
INTERSTATE COMMERCE COMMISSION

Docket No. AB-3 (Sub-No. 131)

MISSOURI PACIFIC RAILROAD COMPANY
-- ABANDONMENT --
HOPE-BRIDGEPORT LINE
IN DICKINSON AND SALINE COUNTIES, KANSAS

AND

Docket No. AB-8 (Sub-No. 37)

THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY
-- DISCONTINUANCE OF TRackage RIGHTS --
HOPE-BRIDGEPORT LINE
IN DICKINSON AND SALINE COUNTIES, KANSAS

APPLICATION

Applicants Missouri Pacific Railroad Company ("MPRR"), a rail affiliate of Union Pacific Railroad Company ("UPRR"), and The Denver and Rio Grande Western Railroad Company ("DRGW"), a rail affiliate of Southern Pacific Transportation Company ("SPT"), submit this Application pursuant to 49 C.F.R. § 1152.22 for a certificate of public convenience and necessity to permit abandonment of, and discontinuance of trackage rights on, a railroad line known as the Hope - Bridgeport Line (portion of MPRR's Hoisington Subdivision) in Dickinson and Saline Counties, Kansas. The abandonment and discontinuance do not include active industries located at Hope and Bridgeport.

The abandonment and discontinuance are related to, and contingent upon, the proposed UP/SP consolidation, approval for which is being sought in ICC Finance Docket No. 32760.

The abandonment includes discontinuance of overhead trackage rights of DRGW. The use of the trackage rights for the movement of through freight trains will be rendered unnecessary by the UP/SP consolidation.

This abandonment application includes data for the years 1993, 1994, and the first 6 months of 1995. The Base Year is July 1, 1994 - June 30, 1995. The Forecast Year is November 1, 1995 - October 31, 1996.

49 C.F.R. § 1152.22 -- Contents of Application.

(a) General.

(a)(1) Exact name.

Applicants' exact names are:

- Missouri Pacific Railroad Company
- The Denver and Rio Grande Western Railroad Company

(a)(2) Whether applicant is a common carrier subject to the Interstate Commerce Act.

Applicants are Class I common carriers by railroad subject to the Interstate Commerce Act.

(a)(3) Whether the carrier is a part of any railroad system.

MPRR is a railroad affiliate in the UP rail system and is operated under common control and management with UPRR.

DRGW is a railroad affiliate in the SP rail system and is operated under common control and management with SPT and its other railroad affiliates, St. Louis Southwestern Railway Company and SPCSL Corp.

(a)(4) Relief sought.

Applicants seek authority to abandon MPRR's Hope-Bridgeport line extending from milepost 459.20 near Hope to milepost 491.20 near Bridgeport, a distance of approximately 31.24 miles (an equation at MP 478.05 = MP 478.81) in Dickinson and Saline Counties, Kansas, and to discontinue DRGW's trackage rights over this line.

(a)(5) Detailed map of the subject line.

Attached as Appendix A is a map drawn to scale which shows the rail line of the proposed abandonment/discontinuance in solid black. Other railroad trackage in the area and the major highways are shown on the map.

(a)(6) Reference to inclusion of the line on the System Diagram Map, date first listed in Category 1, and description accompanying the system diagram map.

The Hope-Bridgeport line of railroad has appeared on both MPRR's and DRGW's system diagram maps in Category 1 since September 18, 1995, as part of a longer line between Herington and Bridgeport, Kansas¹. In Decision No. 3, served September 5, 1995 in Finance Docket No. 32760 (the control proceeding), the Commission granted an exemption from the requirement for a line to appear in Category 1 for four months before filing an application (49 U.S.C. §§10904(e)(3) and 49 C.F.R. § 1152.13). The Herington-Bridgeport Line descriptions accompanying Applicants' system diagram map appear below:

¹ The segment between Herington and Hope (MP 451.57-459.2) included in the System Diagram Map line description is not proposed to be abandoned in the present application, or in the other abandonment filings related to the UP/SP consolidation.

STATE OF KANSAS

CATEGORY 1 LINES (RED)

Missouri Pacific Railroad Company (AB-3)

- a. Designation of Line: Herington - Bridgeport (Portion of Hoisington Subdivision)
- b. State(s) in which located: Kansas
- c. County(ies) in which located: Dickinson, Saline
- d. Mileposts locations: M.P. 451.57 near Herington to M.P. 491.20 near Bridgeport
- e. There are no agency or terminal stations located on the line. The abandonment does not include active industries located at Herington and Bridgeport. The abandonment includes discontinuance of trackage rights of The Denver and Rio Grande Western Railroad Company.

The Denver and Rio Grande Western Railroad Company (AB-8)

- a. Bridgeport to Herington (Discontinuance of trackage rights on the Missouri Pacific Railroad Company)
- b. State of Kansas
- c. Counties of Saline, Dickinson
- d. M.P. 491.2 near Bridgeport to M.P. 451.6 near Herington
- e. No agency stations. The discontinuance does not include active industries located at Bridgeport or Herington.

(a)(7) Reasons for filing the application.

Applicants propose to abandon the line and discontinue trackage rights operations because: (1) the line will not be needed for overhead traffic by either UP/SP after the UP/SP consolidation, (2) revenues from the local traffic on the line are insufficient to cover the costs of operation and maintenance, and to provide a reasonable return on the value of the assets tied up in the line, and (3) there are no reasonable prospects that traffic would increase sufficiently in the foreseeable future to justify continued operations.

- (a)(8) Name, title, and address of representative to whom correspondence should be sent.

Correspondence regarding this matter should be addressed to Applicants' representatives:

Robert T. Opal, General Attorney
Jeanna L. Regier, Registered ICC Practitioner
Missouri Pacific Railroad Company
1416 Dodge Street, #830
Omaha, Nebraska 68179
Tel. (402) 271-3072
271-4835

Gary A. Laakso, General Attorney
The Denver and Rio Grande Western Railroad Company
One Market Plaze, Room 846
San Francisco, CA 94105
Tel. (415) 541-1785

- (b) Condition of Properties.

- (b)(1) The present physical condition of the line including operating restrictions and estimate of deferred maintenance and rehabilitation costs to upgrade the line to minimum FRA Class 1 safety standards.

The Hope-Bridgeport Line (portion of the Hoisington Subdivision) proposed to be abandoned is classified at FRA Class 2, Class 3, and Class 4 standards. The track is maintained at these levels because the line is used for overhead traffic. If operated only for the local traffic on the line, the track would not need to be maintained at levels higher than FRA Class 1. Rehabilitation of the line is not required to meet FRA Class 1 standards.

Maintenance expenditures on the line in the Forecast Year are based on maintenance-of-way and structures costs to maintain the line at Federal Railroad Administration ("FRA") Class 1 standards on a "normalized" basis (i.e. the annualized cost over the long term). Normalized maintenance is the annual cost required to maintain the

track and road crossings over the long term in a suitable condition. The normalized maintenance expenses were calculated for the proposed abandonment by Lynn K. Beck, Manager Asset Utilization - Engineering Services, and are explained in his accompanying Verified Statement. The Forecast Year normalized maintenance costs for the proposed abandonment are \$5,950 per mile, for a total annual cost of \$185,890.

- (b)(2) Statement whether the line or any portion could be operated profitably if necessary deferred maintenance and rehabilitation were performed.

There is no rehabilitation required to meet FRA Class 1 standards. Based on the past traffic volumes and the traffic anticipated to be moved in the Forecast Year, the line cannot be operated profitably.

- (c) Service Provided. Description of the service performed on the line during each of the 2 calendar years immediately preceding the filing of the application, for that part of the current year for which information is available and for the base year, if different, including the actual.

In Decision No. 3, served September 5, 1995, in Finance Docket No. 32760 (p.11), the Commission waived this requirement to the extent that it called for information on other than local train service for traffic originating and/or terminating on the line. Accordingly, the information provided below relates only to local train service by MPRR. DRGW does not originate or terminate traffic on the line.

Prior to October 16, 1995, local train service on the Hope-Bridgeport line was provided by a train assignment that operated 3 cycles per week (6 one-way trips). The train originated at Herington, Kansas, operated over the subject line and continued to Hoisington, Kansas. The train then returned to Herington on the following day.

Effective October 16, 1995, this operation was replaced by a local train assignment that operates three cycles a week, Hoisington-Bridgeport-Salina and return, with Bridgeport-Hope side trips as required.

(c)(1) Number of trains operated.

See (c) above.

Prior to October 16, 1995, local train service on the line proposed to be abandoned was provided by a train assignment that operated 3 cycles (6 one-way trips) per week between Herrington and Hoisington, Kansas. With the service changes which became effective October 16, 1995, it is anticipated that the line will be served an average of 1 cycle per week over the course of a year.

Due to the very low volume of traffic generated by the line, a service frequency averaging one cycle a week over the course of a year would be sufficient if the line were operated solely for local traffic (52 cycles per year). This is the service pattern that is projected for the November 1, 1995 - October 31, 1996 Forecast Year. Decision No. 3 permits costs for historical periods to be developed on a pro forma basis. Accordingly, costs for 1993, 1994, January 1 - June 30, 1995 and the base year (July 1, 1994 - June 30, 1995) have been developed based on an average service frequency of one cycle per week.

(c)(2) Miles of track operated.

The line proposed for abandonment extends from milepost 459.20 near Hope to milepost 491.20 near Bridgeport. It consists of approximately 31.24 miles of main line track (an equation at milepost 478.05 = 478.81) and 2.45 miles of sidings.

(c)(3) The average number of locomotives units operated.

The train is operated with 1 locomotive that is 4-axle, 1,500-2,000 hp. In the Forecast Year, use of the same type of locomotive is anticipated.

(c)(4) Carload commodity group tonnage.

The number of carloads and the tonnages are listed below:

Commodity Group	<u>1994</u>		<u>1995</u>		<u>Jan.-June 1995</u>	
	<u>Cars</u>	<u>Tons</u>	<u>Cars</u>	<u>Tons</u>	<u>Cars</u>	<u>Tons</u>
01 - Farm Products	76	7,480	216	20,095	5	490
28 - Chemicals	1	98	4	395	-	-
TOTAL	<u>77</u>	<u>7,578</u>	<u>220</u>	<u>20,490</u>	<u>5</u>	<u>490</u>

(c)(5) Overhead or bridge traffic.

The requirement for data on overhead or bridge traffic which has moved on the line segment proposed for abandonment was waived by the Commission in Decision No. 3, served September 5, 1995, in Finance Docket No. 32760 (p.11). Accordingly, data on overhead or bridge traffic is not provided.

(c)(6) Average crew size.

The crew that currently provides local service on the line (as of October 16, 1995) is based in Hoisington, Kansas, and consists of 3 persons: an engineer, conductor and brakeman. The crew size in the Forecast Year would include the same 3 positions.

(c)(7) Level of maintenance.

The Hope - Bridgeport line is classified FRA Class 2, Class 3, and Class 4. The track is maintained at these levels because the line is used for overhead traffic. If

operated only for the local traffic on the line, the track would not need to be maintained at levels higher than FRA Class 1.

- (c)(8) Any important change in train service undertaken in the five calendar years immediately preceding the filing of this application.

Effective October 16, 1995, local train service previously provided from Herington, Kansas was replaced by local train service provided from Hoisington, Kansas. See response to § 1152.22(c) above. There have been no other changes in local train service for traffic originating and/or terminating on the line.

- (c)(9) Reasons for decline in traffic.

Local traffic volumes on the line fluctuate based on harvest conditions and agricultural markets, but are consistently low. The projected Forecast Year traffic of cars, for example, represents about 6 carloads per mile annually (190 cars ÷ 31 miles). UP believes that the reason for the low level of traffic is that area shippers prefer trucks or other rail lines for most of their transportation requirements. The principal commodity handled on the line is wheat. The amount of wheat which originated on this line was only 4% of the wheat produced in the counties served by the line in 1993 and 5% in 1994. See accompanying Verified Statement of Daniel J. McGregor.

- (d) Revenue and Cost Data.

- (d)(1)-(3) Computation of the revenues attributable and avoidable costs for the line to be abandoned for the base year labeled Exhibit 1; the same calculation for the two calendar years immediately preceding the filing of the application and for the part of the current year available; and, an estimate of the future revenues attributable, avoidable costs and reasonable return on value for the "Forecast Year".

In Decision No. 3 served September 5, 1995 in Finance Docket No. 32760 (p.11), the Commission granted a waiver permitting revenues and costs associated with

overhead traffic to be excluded. The decision also permitted costs for historical periods to be developed on a pro forma basis reflecting the exclusion of overhead traffic. (Id.).

In accordance with the waivers granted by Decision No. 3, revenue/cost information provided below and in the attached exhibits and verified statements has been developed in the following manner:

- All revenues from overhead traffic (including DRGW's trackage rights operations, which are exclusively for overhead traffic) have been excluded.
- All income to MPRR from DRGW's trackage rights operations have been excluded.
- All transportation costs and equipment maintenance (locomotives) associated with overhead traffic (including DRGW) have been excluded. This was accomplished by developing a pro forma operating plan for how train service would have been provided in the absence of overhead traffic, and then developing costs based on the pro forma operating plan.
- All maintenance costs associated with the movement of overhead traffic (including DRGW) have been excluded. This was accomplished by determining the "normalized" maintenance costs needed to maintain the line at FRA Class I (which is all that would be required for local traffic) and then using these costs instead of the actual costs incurred in maintaining the line to the higher FRA Class levels required for overhead traffic.

Exhibit 1 to this Application is the revenue and cost exhibit required by 49 C.F.R. §§ 1152.22(d) and 1152.36. Exhibit 2 to this Application details the computation of opportunity costs. Exhibit 3 shows the effect of the abandonment on net railway operating income as required by 49 C.F.R. § 1152.22(d)(5)-(6). The accompanying Verified Statement of Hans Matthiessen explains how the revenue and cost data contained in Exhibits 1-3 were developed.

A summary of the revenues and costs of this line as operated for local traffic (derived from Exhibit 1) is shown in Table 1 below:

Table 1

	<u>1993</u>	<u>1994</u>	<u>Base Year</u>	<u>Forecast Year</u>
Total Revenue (Exhibit 1, Line 4)	\$ 68,909	\$209,180	\$164,870	\$187,384
Total On & Off Branch Avoidable Costs (Exhibit 1, Line 7)	<u>\$235,876</u>	<u>\$345,693</u>	<u>\$312,781</u>	<u>\$330,410</u>
Avoidable Gain (Loss) from Operations	(\$166,967)	(\$136,513)	(\$147,911)	(\$143,026)
Total Return on Value (Exhibit 1, Line 16)	NA	NA	<u>\$558,196</u>	<u>\$581,921</u>
Total Avoidable Gain (Loss) (Exhibit 1, Line 18)	NA	NA	<u>(\$706,107)</u>	<u>(\$724,947)</u>

(d)(4) Computations of "Estimated Subsidy Payment" for the base year in the Exhibit 1 form.

Exhibit 1, Page 2, contains an estimated subsidy payment that would be required if the line were kept in operation.

(d)(5)-(6) Detailed statement showing the effect of the proposed abandonment on the net railway operating income and of the other individual railroads in the System.

Exhibit 3 shows the effect of the proposed abandonment on net railway operating income (data for DRGW relates exclusively to overhead or bridge traffic and is not shown).

(e) Rural and Community Impact.

(e)(1) Name and population of each community in which a station is located on the line.

Below are the stations and population information on the line proposed to be abandoned. The stations are non-agency. The population information was obtained from the Rand McNally 1995 Commercial Atlas and Marketing Guide, 126th Edition.

<u>Station</u>	<u>Milepost</u>	<u>Population</u>
Dillon	462.9	no population
Elmo	468.0	35
Carlton	470.9	39
Cody	476.1	(not listed)
Gypsum	478.0	365

(e)(2) Significant users, the principal commodity shipped and the number of carloads.

The shipper-receiver information is provided below:

<u>Shipper</u>	<u>Principal Commodity</u>	<u>1993</u>	<u>1994</u>	<u>Jan.-June 1995</u>
Agri-Products	Wheat	27	73	--
R.R. 1	Fertilizer	1	4	--
Carlton, KS 67429-9801				
North Central Kan. Coop	Wheat	24	20	--
R.R. 2, Box 19		--	--	--
Dillon, KS 67451-8909				
Agri-Products	Wheat	25	123	5
515 E. 6th Street				
Gypsum, KS 67448				
	TOTAL	77	220	5

These were the only shippers having local traffic on the line between January 1, 1993 and June 30, 1995.

Forecast Year Traffic and Revenues

The Forecast Year traffic totals 185 carloads of grain and 5 carloads of fertilizer. Details of the Forecast Year traffic projections are given in the accompanying Verified Statement of Daniel J. McGregor.

(e)(3) Alternate sources of transportation.

Rail and Highway Network

Carlton, Kansas, is located on a local, hard surfaced road. There is one shipper. After abandonment, the nearest alternate rail station is Hope, Kansas (UP and BN/Santa Fe), which is located 13 miles to the east on Highway 4.

Dillon, Kansas, is located on a local, hard surfaced road. There is one shipper. The nearest alternate rail station is Hope, Kansas (UP and BN/Santa Fe), which is located 4 miles to the east on Highway 4.

Gypsum, Kansas, is located on Highway 4. There is one shipper. The nearest alternate rail station is Bridgeport, Kansas (UP), which is located 16 miles to the west on a local road.

Water. Barge service is not an alternative in the immediate area.

Air. Air service is not an alternative in the immediate area.

See accompanying Verified Statement of Daniel J. McGregor for shipper specific information on alternate transportation.

(e)(4) Statement of efforts made to continue service on the line.

UP's customer service and sales representatives have maintained contact with customers on the line. To the best of UP's knowledge, no new shippers plan to locate on

the line. Sale of the line to another rail operator does not appear feasible due to the low volume of local traffic and the lack of new traffic prospects.

(e)(5) Statement of ownership of the property of the abandonment and whether the property is suitable for other public purposes.

The right-of-way for this line totals 753.5362 acres, of which 197.0451 acres are considered non-reversionary, and 556.4911 acres are considered to be reversionary. UP's estimate of current fair market value of the non-reversionary property, based on highest and best use for other than rail transportation purposes, is \$75,500 (an average of about \$383 per acre). There is no measurable change anticipated in the property value in the forecast year, which begins November 1, 1995. The estimated property value is explained in the attached Verified Statement of Linda Baburek (Real Estate).

The property proposed for abandonment does not generally appear to be suitable for public purposes such as roads or highways, or other forms of mass transportation, conservation, energy production, or transmission, as this area is adequately served by existing roads and utility lines at the present. The property may be suitable for recreational as an extension of a trail.

(f) Environmental/Historic Report

Required environmental and historic information is contained in the Environmental Report being filed in ICC Finance Docket No. 32760.

(g) Passenger Service. No passenger service is conducted over the line proposed to be abandoned.

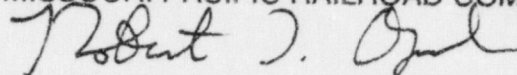
(h) Financial Statements.

Applicants' latest general balance sheets and income statements are included as exhibits to the primary application in Finance Docket No. 32760.

(i) Additional Information. Not applicable.

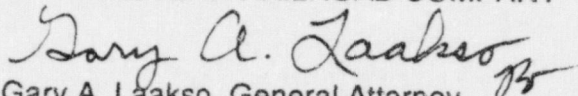
(j) Signed Verification. Attached.

MISSOURI PACIFIC RAILROAD COMPANY



Robert T. Opal, General Attorney
Jeanna L. Regier, Registered ICC Practitioner
1416 Dodge Street, #830
Omaha, NE 68179
(402) 271-3072
(402) 271-4835

THE DENVER AND RIO GRANDE
WESTERN RAILROAD COMPANY

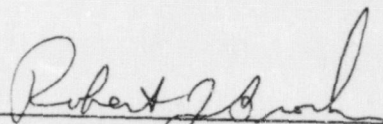


Gary A. Laakso, General Attorney
One Market Plaza, Room 846
San Francisco, CA 94105
(415) 541-1785

VERIFICATION

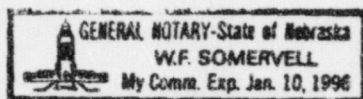
STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

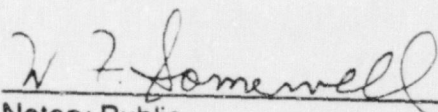
Robert J. Brocker makes oath and says that he is UP's Senior Assistant Vice President-Operations Administration; that he has been authorized by UP to verify and file with the Interstate Commerce Commission the foregoing Application in Docket No. AB-3 (Sub-No. 131); that he has carefully examined the statements in the application as well as the exhibits attached thereto and made a part hereof; that he has knowledge of the facts and matters relied upon in the application; and that all representations set forth therein are true and correct to the best of his knowledge, information and belief.



Robert J. Brocker

SUBSCRIBED AND SWORN to before me a Notary Public in and for the State and County above named, this 13th day of November, 1995.





Notary Public

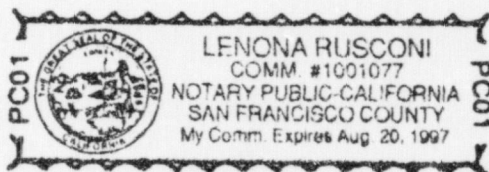
VERIFICATION

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

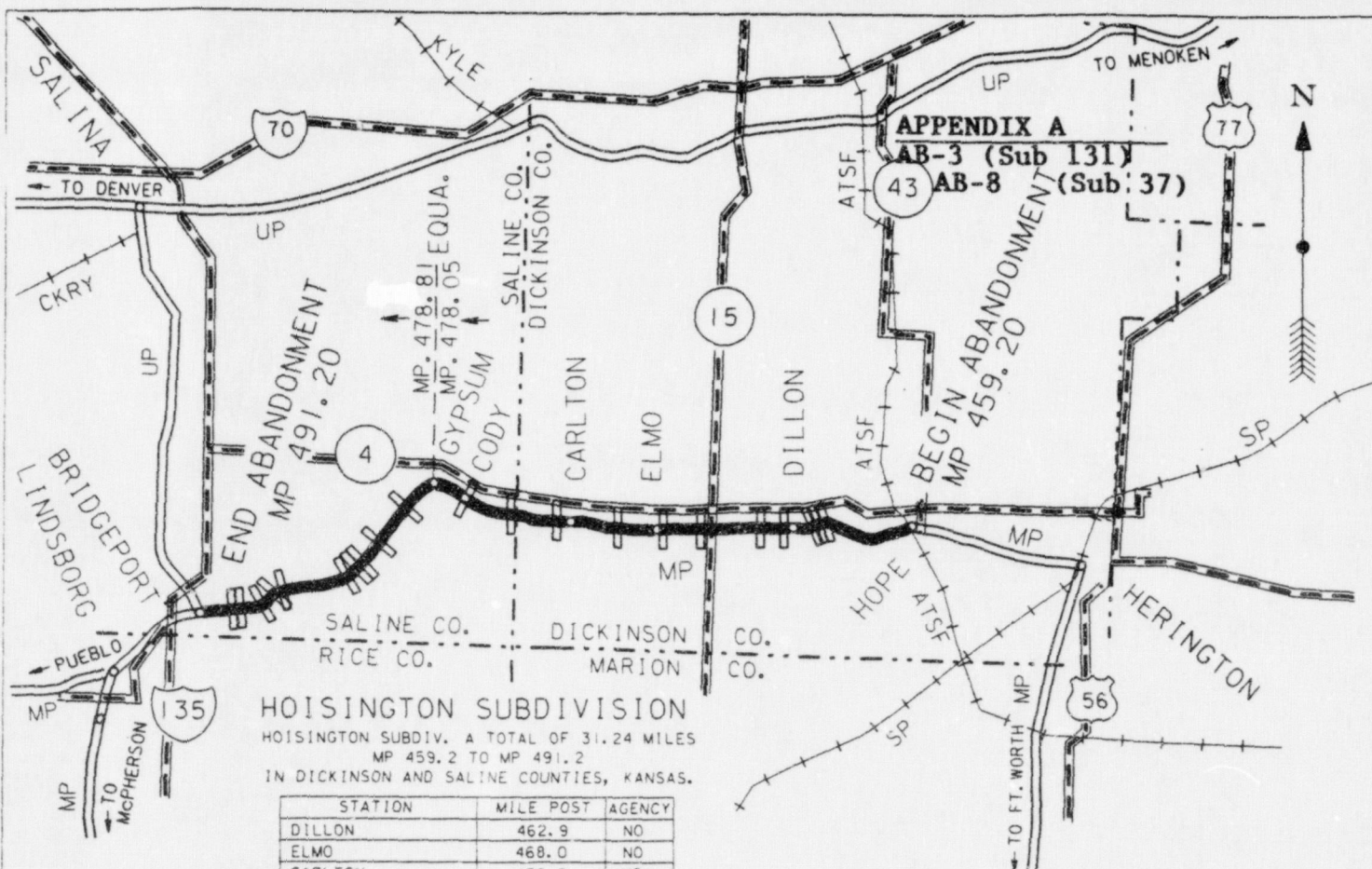
W. G. CLAYTOR, III makes oath and says that he is SP's Managing Director-Plant Rationalization; that he has been authorized by SP to verify and file with the Interstate Commerce Commission the foregoing Application in Docket No. AB-8 (Sub-No. 37); that he has carefully examined the statements in the application as well as the exhibits attached thereto and made a part hereof; that he has knowledge of the facts and matters relied upon in the application insofar as they pertain to SP and DRGW; and that all representations set forth therein are true and correct to the best of his knowledge, information and belief.

W. G. CLAYTOR, III

SUBSCRIBED AND SWORN to before me a Notary Public in and for the State
and County above named, this 10th day of November, 1995.



Lena Russo
Notary Public



KANSAS

BRIDGE NO.	BRIDGE TYPE	TOTAL LENGTH	DATE
463.10	reinf. conc. tee span-bal. dk.	150.00	1930
	dk. pl. girder span-open deck		
463.70	steel beam span-ballast dk.	120.00	1931
463.80	reinf. conc. tee span-bal. dk.	172.00	1931
	dk. plate girder span-bal. dk.		
463.90	steel beam span-ballast dk.	120.00	1931
464.00	reinf. conc. tee span-bal. dk.	87.00	1931
	steel beam span-open dk.		
464.90	timber pile tres.-ballast dk.	130.00	1931
465.80	timber pile tres.-ballast dk.	146.00	1931
468.30 SIDE	timber pile tres.-open dk.	103.00	1919
468.30 M.L.	reinf. conc. tee span-bal. dk.	144.00	1931
469.80	reinf. conc. tee span-bal. dk.	171.00	1931
	dk. plate girder span-bal. dk.		
471.40	reinf. conc. tee span-bal. dk.	129.00	1931
471.70	reinf. conc. tee span-bal. dk.	146.00	1931
	dk. plate girder span-open dk.		

BRIDGE NO.	BRIDGE TYPE	TOTAL LENGTH	DATE
474.20	reinf. conc. tee span-bal. dk.	104.00	1931
	steel beam span-open dk.		
476.10	timber pile tresie-open dk.	46.00	1921
479.10	timber pile tresie-open dk.	57.00	1919
480.50	steel beam span-open dk.	69.20	1938
483.50	timber pile tresie-ballast dk.	78.00	1937
483.60	timber pile tresie-ballast dk.	110.00	1937
	steel beam span-open dk.		
484.30	timber pile tresie-ballast dk.	141.00	1939
487.90	reinf. conc. tee span-bal. dk.	150.00	1931
	dk. plate girder span-open dk.		
488.90	reinf. conc. tee span-bal. dk.	126.00	1930
	dk. plate girder span-open dk.		
489.20	timber pile tresie-ballast dk.	143.00	1930
489.40	timber pile tresie-ballast dk.	157.00	1930
489.70	dk. plate girder span-open dk.	202.00	1940

LEGEND

- MP LINES TO BE ABANDONED
- OTHER MP/UP RR LINES
- OTHER RAILROADS
- 50+ YEAR OLD STRUCTURES
- PRINCIPAL HIGHWAYS
- OTHER ROADS

MISSOURI PACIFIC RAILROAD CO.
 HOISINGTON SUBDIVISION
 INCL. 50+ YEAR OLD STRUCTURES

SCALE MILES

ab0120
 REVISED 10/17/95

MISSOURI PACIFIC RAILROAD COMPANY -
 COMPUTATION OF REVENUE ATTRIBUTABLE TO THE LINE, AVOIDABLE COSTS,
 AND REASONABLE RETURN ON THE VALUE OF THE LINE TO BE ABANDONED FOR:
 Hope - Bridgeport, KS. Line
 From (M.P. 459.2) near Hope to (M.P. 491.2) near Bridgeport, Kansas

EXHIBIT-1
 PAGE 1
 AB-3 (SUB-No.131)

Base Year: July 1, 1994 thru June 30, 1995
 Forecast Year: November 1, 1995 thru October 31, 1996
 (ASSUMING NORMALIZED MAINTENANCE)

	<u>1993</u>	<u>1994</u>	<u>Base</u>	<u>Forecast</u>
Revenue for:				
1. Freight Originated and/or Terminated				
On-Branch	\$64,353	\$204,624	\$160,314	\$182,828
2. Bridge Traffic	0	0	0	0
3. All Other Revenue and Income	<u>4,556</u>	<u>4,556</u>	<u>4,556</u>	<u>4,556</u>
4. Total Revenue Attributable (L.1+L.2+L.3)	\$68,909	\$209,180	\$164,870	\$187,384
Avoidable Costs for :				
5. On-Branch Costs (Lines 5a-5k)				
a. Maintenance of Way & Structures Costs	\$177,975	\$183,741	\$184,479	\$185,890
b. Maintenance of Equipment	1,260	1,970	1,638	2,023
c. Transportation	10,013	16,792	14,041	17,344
d. General Administrative	0	0	0	0
e. Deadheading, Taxi and Hotel	0	0	0	0
f. Overhead Movement/Other	0	0	0	0
g. Freight Car Cost - Non ROI	2,181	6,060	4,557	5,471
h. ROI Expense Freight Cars	6,537	8,799	6,499	6,537
i. ROI Expense Locomotives	1,724	2,649	2,168	2,650
j. Revenue Taxes	0	0	0	0
k. Property Taxes	0	0	0	0
	\$199,690	\$220,011	\$213,382	\$219,915
6. a. Off-Branch Costs Excluding Freight Car ROI	\$27,094	\$95,834	\$76,705	\$87,075
b. Off-Branch Freight Car ROI Costs	<u>9,092</u>	<u>29,848</u>	<u>22,694</u>	<u>23,420</u>
Total Off-Branch Costs (L.6a+6b)	\$36,186	\$125,682	\$99,399	\$110,495
7. Total On & Off-Branch Avoidable Costs (L.5+L.6)	<u>\$235,876</u>	<u>\$345,693</u>	<u>\$312,781</u>	<u>\$330,410</u>
Avoidable Gain or (Loss) from Operations (L.4-L.7)	(\$166,967)	(\$136,513)	(\$147,911)	(\$143,026)

MISSOURI PACIFIC RAILROAD COMPANY -
COMPUTATION OF REVENUE ATTRIBUTABLE TO THE LINE, AVOIDABLE COSTS,
AND REASONABLE RETURN ON THE VALUE OF THE LINE TO BE ABANDONED FOR:
Hope - Bridgeport, KS. Line
From (M.P. 459.2) near Hope to (M.P. 491.2) near Bridgeport, Kansas

EXHIBIT-1
PAGE 2
AB-3 (SUB-No.131)

Base Year: July 1, 1994 thru June 30, 1995
Forecast Year: November 1, 1995 thru October 31, 1996
(ASSUMING NORMALIZED MAINTENANCE)
Subsidization Costs For:

	<u>Base</u>	<u>Forecast</u>
8. Rehabilitation	\$0	\$0
9. Administrative Costs (Subsidy Year only)	1,649	1,874
10. Casualty Reserve Account	0	0
11. Total Subsidization Cost (L.8+L.9+L.10)	\$1,649	\$1,874
Return on Value:		
12. Valuation of Road Property		
a. Working Capital	\$2,743	\$2,983
b. Income Tax Consequences (Ex.2 L.5)	312,762	331,586
c. Net Liquidation Value (Ex.2 L.1+L.2+L.3)	<u>2,734,744</u>	<u>2,709,975</u>
Total Valuation of Property (L.12 a+b+c)	\$3,050,249	\$3,044,544
13. Nominal Rate of Return	<u>0.183</u>	<u>0.183</u>
14. Nominal Return on Value (L.12*L.13)	\$558,196	\$557,152
15. Holding Gain or (Loss) (L.12.c Col.a - Col.b)	\$0	(\$24,769)
16. Total Return on Value (L.14-L.15)	\$558,196	\$581,921
17. Avoidable Gain or (Loss) from Operations (L.4-L.7)	(147,911)	(\$143,026)
18. Estimated Forecast Year Loss from Operations (L.4-L.7-L.16)	<u>(\$706,107)</u>	<u>(\$724,947)</u>
19. Estimated Subsidy Payment (L.4-L.7-L.11-L.16)	(\$707,756)	(\$726,821)

MISSOURI PACIFIC RAILROAD COMPANY -
 OPPORTUNITY COST OF OPERATING THE LINE FOR:
 Hope - Bridgeport, KS. Line
 From (M.P. 459.2) near Hope to (M.P. 491.2) near Bridgeport, Kansas

Base Year: July 1, 1994 thru June 30, 1995
 Forecast Year: November 1, 1995 thru October 31, 1996

EXHIBIT-2
 PAGE 1
 AB-3 (SUB-No.131)

	<u>Base</u>	<u>Forecast</u>
1. Market Value of Non-Reversionary Land	\$75,500	\$75,500
2. Value of Salvageable Scrap & Secondhand Materials	4,212,194	4,250,448
3. Cost of Removal	(1,552,950)	(1,615,973)
4. Working Capital	2,743	2,983
5. Income Tax Benefits	<u>312,762</u>	<u>331,586</u>
6. Valuation of Road Property (L.1 through L.5)	\$3,050,249	\$3,044,544
7. Current Nominal Cost of Capital	<u>0.183</u>	<u>0.183</u>
8. Opportunity Cost (L.6*L.7)	\$558,196	\$557,152

MISSOURI PACIFIC RAILROAD COMPANY -
EFFECT ON NET RAILWAY OPERATING INCOME FOR:
Hope - Bridgeport, KS. Line
From (M.P. 459.2) near Hope to (M.P. 491.2) near Bridgeport, Kansas
Base Year: July 1, 1994 thru June 30, 1995
Forecast Year: November 1, 1995 thru October 31, 1996
(ASSUMING NORMALIZED MAINTENANCE)
(\$ = 000's) Actual 1993 (R-1)

EXHIBIT-3
PAGE 1
AB-3 (SUB-No.131)

	UP/SP	Impact on UP/SP NROI	Pro Forma
1. Railway Operating Revenue	\$8,437,540	(\$69)	\$8,437,471
2. Railway Operating Expenses	(7,387,275)	236	(7,387,039)
3. Net Revenue from Railway Operations	1,050,265	167	1,050,432
4. Accrued & Deferred Income Taxes	(380,943)	(62)	(381,005)
5. Leased Road & Equipment (Net)	<u>4,375</u>	<u>0</u>	<u>4,375</u>
Net Railway Operating Income	\$673,697	\$105	\$673,802
1994 - Base Year (Pro Forma)			
1. Railway Operating Revenue	\$9,326,048	(\$209)	\$9,325,839
2. Railway Operating Expenses	(7,764,088)	346	(7,763,742)
3. Net Revenue from Railway Operations	1,561,960	137	1,562,097
4. Accrued & Deferred Income Taxes	(441,551)	(51)	(441,602)
5. Leased Road & Equipment (Net)	<u>4,744</u>	<u>0</u>	<u>4,744</u>
Net Railway Operating Income	\$1,125,153	\$86	\$1,125,239
Forecast			
1. Railway Operating Revenue	\$9,326,048	(\$187)	\$9,325,861
2. Railway Operating Expenses	(7,764,088)	330	(7,763,758)
3. Net Revenue from Railway Operations	1,561,960	143	1,562,103
4. Accrued & Deferred Income Taxes	(441,551)	(53)	(441,604)
5. Leased Road & Equipment (Net)	<u>4,744</u>	<u>0</u>	<u>4,744</u>
Net Railway Operating Income	\$1,125,153	\$90	\$1,125,243

Hope-Bridgeport, Kansas

**VERIFIED STATEMENT
OF
HANS MATTHIESSEN**

My name is Hans Matthiessen. I am a Senior Project Manager-Economic Research for UP at 1416 Dodge Street, Omaha, Nebraska 68179. I hold a Bachelor of Science degree in Business Administration from Iowa State University. I was employed by CNW from 1969 to 1995. I began my employment with UP in 1995. My present responsibilities include regulatory planning and analysis. I held a similar position at CNW during 1989-1995.

I developed the financial exhibits included in the Abandonment Application Docket Number AB-3 (Sub-No. 131), filed November 30, 1995. The purpose of this statement is to provide information regarding the financial results of operation over the Hoisington Subdivision between Hope and Bridgeport, Kansas and to explain how revenues and on-branch cost components included in the financial exhibits were developed.

EXHIBIT 1 - SUMMARY - REVENUE AND COST DATA

Exhibit 1 to the abandonment application is an exhibit reflecting the revenue, cost and subsidy data for this line for the years 1993, 1994, the Base Year ended June 30, 1995 and the Forecast Year from November 1, 1995 through October 31, 1996. Exhibit 1 is prepared in accordance with 49 C.F.R., §§ 1152.31 -.34. Revenue and costs are based on a combined UP/CNW/SP operation (CNW was acquired by UP during 1995).

I utilized 1993 and 1994 ICC Annual Reports (R1) from UP, CNW and SP as well as the 1994 Uniform Railroad Costing System (URCS) which represented a combination of all three railroads. The Forecast Year's on-branch and off-branch expenses reflect the use of Data Resources, Inc. ("DRI") indices.

A. Revenues

Line 1 on page 1 represents the total system revenues earned by UP/SP for hauling traffic that originates or terminates on this line. The revenues shown are net of payments to any short line carriers who are not shown in the routing but which may receive a set amount per car out of UP/SP's portion of the line haul revenue.

Line 2 on page 1 represents revenue earned from bridge traffic on the line. Since the UP/SP received a waiver concerning bridge traffic, it is blank.

Line 3 on page 1 represents all other revenue earned by UP on this line.

Line 4 on page 1 is the total revenue attributable to this line and is the sum of lines 1 through 3.

B. Avoidable Costs (Operations)

Lines 5(a) through 5(k) on page 1 represent the on-branch costs for operating this line. Maintenance of Way & Structures costs are based on normalized maintenance levels necessary to keep the line at FRA Class I for the long term, and are explained in the accompanying Verified Statement of Lynn K. Beck. Maintenance of Equipment costs include locomotive repair and maintenance, and depreciation costs allocated to the line by on-branch locomotive hours and miles. The locomotive on-branch hours and miles are based on a pro forma operation providing one cycle a week as needed

using one low horsepower locomotive. For the Forecast Year, locomotive repair and maintenance is \$1,072 and locomotive depreciation is \$951. Transportation costs are crew wages, locomotive fuel, train inspection and supplies, and locomotive servicing. These costs are allocated to the line based on the pro forma operation. Avoidable crew wages represent the mileage payments the 3 person crew receive when they actually operate on the line. The following is the breakdown of the on-branch transportation costs of \$17,344 for the Forecast Year.

Avoidable Crew Wages	\$ 7,146
Train Inspection Lubrication	2,529
Train Fuel	7,354
Locomotive Servicing	<u>315</u>
On-Branch Transportation Costs	\$17,344

Freight Car costs are calculated using unit costs developed in accordance with ICC regulations and URCS costing methodology. Return on Value - Locomotives is based on the replacement cost of a rebuilt low horsepower locomotive. Return on Value - Freight Cars is based on the replacement cost for railroad-owned cars.

Lines 6(a) and 6(b) on page 1 represent the off-branch costs related to traffic which either originates or terminates on this line and was computed using the Uniform Railroad Costing System (URCS), and excludes mileage, statistics and costs associated with any short line carrier whose revenues were netted against UP revenue.

Line 7 on page 1 is the total avoidable costs incurred in operating this line and is the sum of lines 5 and 6.

C. Avoidable Gain (Loss) from Operations

The total appearing immediately below line 7 on page 1 is the gain (loss) resulting from the operation of the line for local traffic, excluding return on value for road property. It is line 4 minus line 7.

D. Subsidy Related Costs

Page 2 of Exhibit 1 shows estimated subsidy costs for the Base Year and Forecast Year.

Line 8 on page 2 is the rehabilitation expenditure necessary for the line. Since no rehabilitation is forecasted, this line is blank.

Line 9 on page 2 are the administrative costs that would be incurred by UP/SP if the line were subsidized. It is computed by taking one percent of the total annual revenues attributable to the line in the estimated subsidy years. This method is prescribed in 49 C.F.R. § 1152.32(k).

Line 10 on page 2 is the amount which would be necessary to obtain insurance equal to UP/SP's uninsured liability and to pay for a proportionate share of system insurance costs. Since the cost of such an insurance policy depends on many factors which would not be known until a subsidy agreement has been reached, Applicants are unable to provide an estimated cost at this time, and the line is therefore blank.

Line 11 on page 2 is the total subsidization costs for items listed on lines 8, 9 and 10. This total is included in the calculation of Estimated Subsidy Payment (Line 19, page 2) discussed below.

E. Return on Value - Road Properties

Line 12 on page 2 represents the valuation of road properties to which the return element shall be applied. It is computed as prescribed in 49 C.F.R. § 1152.34(c). Allowable working capital is computed by taking 15/365 of the on branch costs less depreciation and return. Income Tax Consequences are from Exhibit 2, line 5. Net Liquidation Value is from Exhibit 2, lines 1, 2 and 3.

Line 13 on page 2 is the nominal rate of return which is applied to the valuation of road property. The current rate is 18.3%.

Line 14 on page 2 is the return on value for road properties and is computed by multiplying line 12 times line 13.

Line 15 on page 2 is the holding gain for road properties. It is the difference between the Base Year's Net Liquidation Value (NLV) and the Forecast Year's NLV.

Line 16 on page 2 is the Total Return on Value and is line 14 minus line 15.

Line 17 on page 2 is the Avoidable Loss From Operations for the Base Year ended June 30, 1995, and the Forecast Year.

Line 18 on page 2 is the projected Total Avoidable Loss for the Forecast Year and is the total of the Avoidable Loss from Operations as shown on line 17 and the Total Return on Value as shown on line 16 and reflects the full economic cost to UP/SP of operating this line.

F. Estimated Subsidy Payment

Line 19 on page 2 is the Estimated Subsidy Payment needed for the subsidy year and is the total of the Avoidable Loss from Operations as shown on line 17, the Total

Return on Value as shown on line 16 and the Total Subsidization Cost as shown on line 11.

EXHIBIT 2 - OPPORTUNITY COST

Exhibit 2 details the computation of the opportunity costs of operating the Hope-Bridgeport Line for the Base Year and Forecast Year which are included in Exhibit 1, lines 12-16.

Line 1 is the current market value of the non-reversionary land and is derived from the accompanying Verified Statement of Linda B. Baburek.

Line 2 is the value of both salvageable scrap and secondhand materials to be retained by the UP/SP or sold on the open market, and is derived from the accompanying Verified Statement of Lynn K. Beck.

Line 3 is the cost of removal of all track material including bridges, and is also derived from the Beck Verified Statement.

Line 4 is the working capital required to operate this line.

Line 5 shows the income tax consequences. It is based on market value of non-reversionary land (\$75,500) less book value of corresponding land (\$4,817) plus scrap and secondhand material sold (\$438,869) minus removal cost of material sold (\$1,405,730) times an income tax rate of 37%.

Line 6 is the total of lines 1 through 5.

Line 7 is the current nominal rate of return 18.3%.

Line 8 is the current opportunity cost, line 6 times line 7.

EXHIBIT 3 - EFFECT ON NET RAILWAY OPERATING INCOME

Exhibit 3 shows the effect the Hope-Bridgeport Line has on the Net Railway Operating Income for the years 1993 and 1994 and Forecast Year.

SUMMARY

The post-merger operation of the Hope-Bridgeport Line will result in an annual loss from operation of \$143,026 and a total avoidable loss (including return on value) of \$724,947 in the Forecast Year as indicated by my Exhibit 1. It is quite clear from the financial exhibits that this line cannot be operated profitably, after overhead traffic is rerouted to other UP/SP lines.

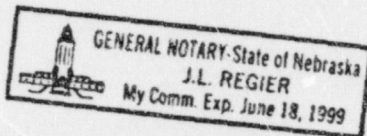
VERIFICATION

STATE OF NEBRASKA)
) ss:
COUNTY OF DOUGLAS)

HANS MATTHIESSEN, being first duly sworn, deposes and states that he has read the above document, knows the facts asserted therein, and that the same are true as stated.

Hans Matthiessen
Hans Matthiessen

SUBSCRIBED and sworn to before me this 13th day of
November, 1995.



J.L. Regier
Notary Public

My Commission expires: June 18, 1999

Hope - Bridgeport, Kansas

VERIFIED STATEMENT

OF

LYNN K. BECK

My name is Lynn K. Beck. I am Manager Asset Utilization in Engineering Services at UP. My office address is 1416 Dodge Street, Omaha, Nebraska 68179. I hold a Bachelor of Science Degree from Boise State University. I have been employed by UP in the Engineering Department continuously since 1969. I have held various maintenance-of-way jobs and worked as an Assistant Engineer (1976), Inventory and Cost Control Supervisor (1978), Project Planning Engineer (1986), Construction Planning Engineer (1987), Track Planning Engineer (1989), and Manager Asset Utilization (1995). In my current position, I have responsibility throughout the 23-state UP system for the preparation of estimates for net liquidation values on various different types of track structures and for determining the costs of engineering programs and projects.

I am very familiar with the Hope-Bridgeport Line (portion of the Hoisington Subdivision) that is the subject of this abandonment application. I personally inspected the line in a hy-rail trip on September 7, 1995. I walked various segments of the line at intervals of approximately three to five miles for approximately 200 feet. The main track (31.24 track miles, mileposts 459.2 - 491.2)¹ is constructed with 3.45 track miles of 133 pound continuous welded rail, and 27.79 track miles of 132 pound continuous welded rail.

¹ The line is slightly shorter than indicated by the milepost limits, because Mile 478 is "short" by 0.76 mile (equation: milepost 478.05 = 478.81).

There is an additional 2.45 track miles of sidings. The line has a maximum operating speed of 30 mph, except for the segment between mileposts 477.8 and 479.0 where the maximum speed is 40 mph. The track is classified at FRA Class 2, Class 3 and Class 4 standards. The track is maintained at these levels because the line is used for overhead traffic. If operated only for local traffic, the track would not need to be maintained at levels higher than FRA Class 1. Therefore, the costs used in the abandonment application for maintenance-of-way and structures (1993, 1994, Base Year and Forecast Year) include estimated annual costs to maintain the track to FRA Class I standards on a "normalized" basis. The rail line does not require any track rehabilitation to meet FRA Class 1 standards.

DESCRIPTION OF ENGINEERING EXHIBITS

Exhibit LB-1 - Normalized Maintenance Costs - This exhibit details the costs which are included in my estimate of annual costs to maintain the Hope-Bridgeport line to FRA Class I standards. It is based on my inspection of the line and on costs incurred by UP for the various categories of work and materials shown. The exhibit calls for annual maintenance costs of \$185,890, which works out to an average of \$5,950 per main track mile. For comparison, combined UP/CNW/SP system average expenditure for maintenance of way and structure accounts in 1994 was \$21,822 per track mile (includes main, side and yard tracks).

The maintenance expenditures contained in Exhibit LB-1 fall into two broad categories -- "Program" and "Non-Program" track maintenance. "Program" maintenance is work that would be done on a regular cycle, and consists of tie replacement, surfacing

and alignment of track, and road crossing work. A brief discussion of each of these areas follows.

The tie replacement costs assume replacement of crossties on an eight-year cycle of approximately 160 crossties per mile, an average of 20 crossties per mile per year. The annual replacement rate for crossties would be 0.62 per cent based on 2708 crossties in a mile. Similarly, switch ties would be replaced at a 20 percent rate every eight years, which works out to an annual replacement rate of 2.5 percent.

The costs associated with tie replacement consist of the cost of the materials themselves and the costs associated with installing them. The cost to purchase an ordinary crosstie and four spikes is \$25.90 and the cost to purchase each switch tie and spikes (the number of spikes per tie varies, depending on the location of the tie in the switch) is \$52.54. The installation costs include crew costs, work train service, tie unloading (contract forces), picking up and disposing of scrap ties (contract forces), material store expense (MSE) and sales tax. The cumulative cost for tie replacement in the Forecast Year is \$928 per track mile.

Surfacing and lining track is the second group of programmed maintenance costs. I have assumed that any needed surfacing and lining would be done in conjunction with programmed tie replacement on an eight-year cycle. The work would consist of what we call a "skin lift" (approximately 1/2 to 1 inch where required), and would require about five carloads of ballast per mile every eight years. On an annual basis, this works out to 0.625 cars per mile per year. Other related expenses include ballast unloading, the actual surfacing and alignment of the track after the ballast is dumped, crew cost, work train