201906

MAYER, BROWN & PLATT

1909 K STREET, N.W.

WASHINGTON, D.C. 20006-1101

ERIKA Z. JONES
DIRECT DIAL (202) 263-3232
ejones@mayerbrown.com

MAIN TELEPHONE
202-263-3000
MAIN FAX
202-263-3300

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April 2, 2001

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VIA HAND DELIVERY

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

Re: Finance Docket No. 32760, Union Pacific Corporation, et al. – Control and Merger – Southern Pacific Rail Corporation, et al.

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are the original and twenty-five (25) copies of The Burlington Northern and Santa Fe Railway Company's Quarterly Progress Report (BNSF-PR-19). Also enclosed is a 3.5 inch disk containing the text of the Quarterly Progress Report in WordPerfect 9 format.

I would appreciate it if you would date-stamp the enclosed extra copy of this filing and return it to the messenger for our files.

Sincerely,

Erika Z. Jones

Erika Z. Jones

Enclosures

cc: All Parties of Record

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BEFORE THE
SURFACE TRANSPORTATION BOARD

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

THE BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY'S QUARTERLY PROGRESS REPORT

Jeffrey R. Moreland
Richard E. Weicher
Sidney L. Strickland, Jr.
Michael E. Roper
The Burlington Northern
and Santa Fe Railway Company
2500 Lou Menk Drive
Third Floor
Ft. Worth, Texas 76131-0039
(817) 352-2353 *or* (817) 352-2368

Erika Z. Jones
Adrian L. Steel, Jr.
Mayer, Brown & Platt
1909 K Street, NW
Washington, DC 20006
(202) 263-3000

Attorneys for The Burlington Northern and Santa Fe Railway Company

April 2, 2001

BNSF-PR-19

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THE BURLINGTON NORTHERN AND
SANTA FE RAILWAY COMPANY'S
QUARTERLY PROGRESS REPORT

Pursuant to the Surface Transportation Board's ("Board") Decision No. 44 in Finance Docket No. 32760, The Burlington Northern and Santa Fe Railway Company ("BNSF") hereby submits its nineteenth Quarterly Progress Report for the first quarter of 2001. Union Pacific Corp., et al. -- Control and Merger -- Southern Pacific Rail Corp., et al., Fin. Dkt. No. 32760, Decision No. 44 at 147 (served Aug. 12, 1996).

This Progress Report describes various changes that have occurred in BNSF's operations on its trackage rights lines and purchased lines (the "UP/SP lines") since the filing of BNSF's last Progress Report on January 2, 2001 (BNSF-PR-18). The Report will also address the marketing and business development efforts undertaken by BNSF since the January 2 Progress Report was filed.

As documented by this Report, BNSF continued its aggressive efforts over the past three months to compete with UP for available business with customers BNSF can access on the UP/SP lines. As described in Section I, while no significant revisions impacting service levels to meet customers' needs were made to BNSF's transportation service plan on the UP/SP lines during the first quarter, BNSF continues to adjust its operating and service plans as necessary to meet market conditions and customer needs.

Section II provides an update on BNSF's capital investments on the UP/SP lines. Section III discusses BNSF's marketing and industrial development initiatives during the first quarter of 2001 as they relate to the UP/SP lines. Significant developments during the quarter, which are described in further detail in Section III, include the reorganization of BNSF's Industrial Products Business Unit into two new groups focused on Sales and Marketing, access to several new facilities on the UP/SP lines, and announcement of an agreement with Union Carbide Corporation ("UCC"), now a wholly-owned subsidiary of Dow Chemical Company, to construct a build-in to UCC's petrochemicals plant at Seadrift, TX.

In Section IV, BNSF provides updates concerning recent developments and issues affecting the implementation of the Board's conditions on the UP/SP merger, including capacity-related issues in western Colorado; UP's announced termination of Transwood, Inc.'s track and property leases at Ogden, UT; status of new facility construction projects at Aragonite, UT and Dunphy, NV; cancellation of a track lease at Fernley, NV; service issues on the Kerr-Sealy and Temple-Eagle Pass trackage rights corridors in Texas; BNSF's access to the Joint Intermodal Terminal at Oakland, CA; an audit of the I-5 Proportional Rate Agreement; and BNSF's and UP's progress on the amended and restated Settlement Agreement.

I. CHANGES IN BNSF'S OPERATIONS SINCE ITS LAST PROGRESS REPORT

This section describes changes in BNSF's service over the UP/SP lines which have occurred during the period from January 1, 2001, through March 31, 2001.

A. Gulf Corridor

- ***Kerr-Sealy Corridor.*** BNSF reported in its prior two quarterly progress reports that it had elected to temporarily reroute loaded and empty unit rock trains that normally operate via Smithville, TX on trackage rights over UP between Kerr and Sealy, TX to a new routing via Temple, TX between Kerr and Sealy, TX in order to avoid congestion and train delay on UP between Waco and Smithville and between Smithville and Sealy. The rerouted trains operated over a longer but less congested route using BNSF's trackage rights between Kerr and Temple, then over BNSF's own line between Temple and Houston, thus avoiding the slow orders and congestion on the trackage rights between Taylor and Sealy. BNSF also reported that the temporary rerouting of these unit trains had continued through the end of November 2000, at which time normal operations resumed via the trackage rights through Smithville.

BNSF determined early in January 2001 that it would be necessary to resume the temporary rerouting of loaded and empty unit rock trains between Kerr and Sealy, taking these trains off of the trackage rights and operating via Temple due to slow orders on UP's line between Kerr and Sealy via Smithville. These reroutes, which affected shipments of aggregates received from the Georgetown Railroad at Kerr destined to BNSF customers in the Houston area, continued through mid-March 2001, at which time planned operations resumed over the trackage rights between Kerr and Sealy.

- ***Houston-Memphis Corridor.*** During March 2001, BNSF revised its train operations on the trackage rights corridor between Houston and Memphis to improve service consistency for customers whose shipments originate and terminate in the Gulf Coast region, including primarily at Houston, Baytown, Mont Belvieu, and Dayton, and at other origins and destinations east of Houston. Between March 15 and March 19, BNSF phased out the operation of high-priority merchandise trains H-MEMLGV from Memphis, TN to Longview, TX; H-MEMPTR from Memphis, TN to Houston, TX; and H-SSBMEM from Silsbee, TX to Memphis, TN; and commenced operation of two new merchandise trains including H-MEMDYT, a high-priority merchandise train operating from Memphis, TN to Dayton, TX; and H-DYTGAL, a new expedited merchandise train service operating six days per week from Dayton, TX to Galesburg, IL.

As a result of these changes, BNSF currently operates one northbound, high-priority merchandise train (H-HOUMEM, operating daily) and two southbound, high-priority merchandise trains (H-MEMDYT, operating daily, and H-MEMHOU, operating six days per week) on the trackage rights corridor between Houston and Memphis. These changes to BNSF's transportation service plan are expected to provide more efficient service to Gulf Coast chemicals shippers by avoiding capacity-constrained terminals on BNSF's route through East Texas and by placing service-sensitive traffic on BNSF's high-capacity route between Houston and Galesburg, IL. Customers at the "2-to-1" points of Pine Bluff, Little Rock, and Camden, AR will continue to be served by BNSF's daily high-priority merchandise train service operating between Houston and Memphis.

- ***BNSF's Service to Gulf Coast Region Utility Plants.*** BNSF continued during the first quarter to provide unit coal train service over its trackage rights to the Fayette Power Project at Halstead, TX, jointly owned by the Lower Colorado River Authority (LCRA) and the City of Austin, TX. BNSF operated 39 loaded unit coal trains over the trackage rights to the Fayette Power Project during the first quarter. BNSF also continued to provide unit coal train service over the UP/SP lines to Entergy Gulf States' Roy S. Nelson Generating Station at Sulphur, near Mossville, LA. BNSF operated 28 loaded unit coal trains to the Nelson plant during the first quarter.

B. Central Corridor

BNSF continues to operate daily scheduled, high-priority merchandise train service over the Central Corridor between Denver, CO and Stockton, CA. The eastbound train originates at Stockton, CA with train symbol H-STODEN. The westbound train operating between Denver, CO and Stockton, CA (train symbol H-DENSTO) originates daily at Denver. Generally, every other westbound H-DENSTO train terminates at Provo, UT. Also, as previously reported, BNSF operates regular scheduled service in conjunction with American Soda's new soda ash and sodium bicarbonate production facilities located on the Central Corridor trackage rights at Parachute, CO. This service is currently provided by a local train service operating between Grand Junction and

Parachute three days per week, which delivers inbound empty railcars to the plant for loading and returns to Grand Junction with outbound loaded cars for forwarding on BNSF's merchandise trains operating between Denver, CO and Stockton, CA. BNSF operated 33 local trains between Grand Junction and American Soda's production facilities at Parachute during the first quarter.

C. I-5 Corridor

BNSF currently operates three regularly-scheduled daily southbound merchandise trains, H-VBCBAR (Vancouver, BC to Barstow, CA), H-PASBAR (Pasco, WA to Barstow, CA), and M-PASSTO (Pasco, WA to Stockton, CA), as well as two regularly-scheduled, daily northbound merchandise trains, H-BARPAS (Barstow, CA to Pasco, WA) and M-RRBVAW (Riverbank, CA to Vancouver, WA), over the I-5 Corridor. Also, as previously reported, BNSF operates regularly-scheduled, twice weekly intermodal service for international steamship and commercial customers moving freight in the I-5 Corridor between Seattle, WA and Los Angeles, CA.

II. BNSF INVESTMENTS IN TRACKAGE RIGHTS AND PURCHASED LINES

The following is a summary of investments and improvements that BNSF has made during the first quarter on the UP/SP lines.

- ***Baytown Branch Interchange Tracks.*** BNSF previously reported concerning the construction of interchange tracks at Baytown, Eldon Junction, Cedar Bayou (Cove Road), and Mont Belvieu, TX, in the four switching zones south of the Dayton storage-in-transit facility on the Baytown Branch. As an update to the previous report, construction of the Baytown interchange track was completed, and the track was placed in service on December 31, 2000. Construction of the Eldon Junction interchange track was completed, and the track was placed in service on March 2, 2001. Construction of the Mont Belvieu interchange track was completed, and the track was placed in service on March 31, 2001. The Cedar Bayou track is now planned for completion by June 1, 2001; construction of this track has been delayed by difficulties encountered in acquiring the necessary right-of-way. The added capacity provided by these four tracks, which are designed to support BNSF's access to customers on the former SP Baytown and Cedar Bayou branches, will benefit all customers of both BNSF and UP on these lines by reducing BNSF's reliance on UP's infrastructure that supports UP's local switching operations.

- ***Fernley, NV Operating Track.*** UP completed the installation of switches for BNSF's new siding at Fernley, NV in December 2000, and the track was placed into service on December 19, 2000. BNSF has begun using this track to set out, pick up, and stage cars for its customers at Fernley and Sparks, NV including R.R. Donnelley, Quebecor, Paramount Asphalt, Valley Joist, and the BNSF Quality Distribution Center ("QDC") at Sparks.

III. BNSF'S MARKETING PLANS AND EFFORTS

A. Recent Activities

During the first quarter, BNSF continued its intensified marketing activities with respect to a number of points on the UP/SP lines and introduced several new marketing and growth initiatives designed to promote system-wide intramodal and intermodal competition.

- ***Plastics Express.*** BNSF's "Plastics Express" interactive information tool is one of BNSF's new and innovative marketing and sales strategies designed to attract new business to the rail mode and in the process to provide the benefits of strong, two-carrier rail competition to customers on the UP/SP lines. Plastics Express is available to BNSF's customers and the general public on BNSF's public internet web site. This informational tool is designed to promote ease of doing business with BNSF and allows BNSF's customers (and potential customers) to view information including:

  - Plastics producers located on the BNSF system, including BNSF's trackage rights lines, organized by location, commodity, and region;
  - Distribution centers and offloading tracks located on the BNSF system, including BNSF's trackage rights lines; and
  - Links to internet web sites for plastics producers, transload operators, warehouses, and packagers.

Plastics Express also includes an easy to use freight request form that allows users to contact a BNSF representative to obtain rate quotes and arrange for freight transportation on BNSF.

- ***Reorganization of Industrial Products Business Unit.*** BNSF announced on March 1, 2001, the reorganization of its Industrial Products marketing group, which serves the metals, minerals, forest products, and chemicals markets, into two new groups focused on Sales and Marketing, respectively. The Sales group, headed by a Vice President – Industrial Products Sales, will be focused on becoming more integrated into new and existing customers' supply chains. Customer coverage by the Sales group is planned to increase by 30 percent during the next 12 to 18 months. The Marketing group, led by a Vice President – Industrial Products Marketing, will focus on simplifying the way that customers use BNSF's carload network by streamlining rate structures and introducing new products. Industrial products represent slightly more than half of the total volume of business that BNSF originates or terminates at points on the UP/SP lines or handles via its UP/SP trackage rights.

B. Traffic Volumes

BNSF traffic volumes over the lines to which BNSF received access as a result of the UP/SP merger have continued to grow. See the chart attached hereto as Attachment 1. The charts attached hereto as Attachments 2 to 11 reflect the volumes of traffic for each of the major traffic lanes to which BNSF received access. Attachment 12 shows the breakdown by general commodity groups of this traffic.

Recent successes enjoyed by BNSF in marketing its services over the UP/SP lines include a contract to supply a minimum volume of 500 carloads of asphalt annually to Paramount Asphalt's new distribution facility at Fernley, NV. BNSF began handling this business during February 2001.

C. Customer Identification And Access Pursuant To Merger Conditions

BNSF has continued its efforts to identify all UP/SP customer facilities to which it received access as a result of the UP/SP merger. These facilities include access to "2-to-1" customers and transload facilities on its trackage rights lines and facilities which can be served by the seventeen "2-to-1" shortlines to which it received access. Current listings of all such known facilities are attached as Attachment 13.

- ***Access to "2-to-1" Customers.*** BNSF and UP verified BNSF's access to one additional "2-to-1" customer facility during the first quarter: Celotex Corporation, at 2943 West Southcross Boulevard, San Antonio, TX, confirmed by UP on February 7, 2001.
- ***Access to New Facilities.*** With respect to the development of new facilities along BNSF's trackage rights lines, BNSF is working with a number of customers and achieved several additional successes during

the first quarter. In its previous quarterly progress report, BNSF reported that there were four new facility access requests pending with UP, including access to: (i) International Paper, leasing warehouse space in a newly-constructed distribution center on BNSF's trackage rights at Ontario, CA; (ii) Staples, Inc., leasing warehouse space in a newly-constructed distribution center on BNSF's trackage rights at Ontario, CA; (iii) Green Waste Recovery, a new-to-rail customer on BNSF's trackage rights at San Jose, CA; and (iv) Unimast, Inc., a new customer located in the Cedar Crossing Industrial Park at Baytown, TX. In a letter dated January 19, 2001, UP confirmed that BNSF has access to International Paper, Staples, and Unimast. UP confirmed that BNSF has access to Green Waste Recovery in a letter dated February 1, 2001.

- ***PW Eagle, Inc. (d.b.a. PW Pipe), West Jordan UT.*** On January 22, BNSF transmitted a request to UP to confirm access to PW Eagle, Inc. (d.b.a. PW Pipe) at West Jordan, UT, on UP's Garfield Branch between Welby and Kearns, UT. (BNSF was granted trackage rights over this former SP/DRGW line pursuant to a June 1, 1996 trackage rights agreement.) UP responded on March 16 and confirmed that BNSF has access to PW Pipe's facility. BNSF will provide direct service to PW Pipe through its agent, Utah Railway, utilizing its existing local train service on the Garfield Branch.

- ***McClellan Park, Planehaven CA.*** On January 22, BNSF provided its proposed rail service plan to UP for access to McClellan Park at Planehaven, CA, and requested that UP confirm BNSF's access to this new facility. McClellan Park, located on BNSF's Central Corridor trackage rights between Sacramento and Roseville, CA, is a new business and industrial park that is being developed on the site of the former McClellan Air Force Base. McClellan Park will include rail-served public reload and warehouse facilities, which BNSF understands will be switched by the Yolo Short Line Railroad. BNSF will provide direct rail service to McClellan Park on an as-needed basis with its existing Stockton-Sacramento Local, which operates six days per week between Stockton and Sacramento.

UP responded to BNSF's request and proposal on February 14, and agreed that "...BNSF has the right to access any new industry that may eventually locate in the Park". UP also stated in its response that it understands that a third party switcher will operate within McClellan Park, and that it was in the process of confirming that Yolo Short Line would perform the industrial switching for McClellan Park. Furthermore, UP indicated in its response that an entering signal and double point derail must be installed before any rail service is provided to McClellan Park, and that these matters would be reviewed with BNSF after other issues are clarified. BNSF understands that several rail customers are contemplating locating their facilities at McClellan Park within the next six months, and in fact BNSF has received numerous inquiries from customers that wish to have access to BNSF at McClellan Park.

- ***Paramount Asphalt, Fernley NV.*** On February 2, BNSF transmitted a request to UP to confirm access to Paramount Asphalt's new asphalt distribution facility at Fernley, NV along with its proposed service plan for providing direct service to Paramount's facility using BNSF's existing Sparks-Fernley Local. As of the date of this Progress Report, UP had not officially confirmed in writing BNSF's access to this new facility. As reported elsewhere in this Report, BNSF commenced direct service to the Paramount facility during February 2001.
- ***Seadrift Build-In.*** BNSF announced on February 26, 2001, that it had entered into an agreement with UCC to provide competitive rail service to UCC's petrochemicals plant at Seadrift, TX. BNSF's access and service to UCC's Seadrift plant will be achieved through construction of a new, seven-mile rail line between Kamey and Seadrift, TX. BNSF's right to provide competitive service to the Seadrift plant was imposed as a condition to the UP/SP merger. Pursuant to the Board's condition, UP/SP is required to grant trackage rights to BNSF on SP's Port Lavaca Branch between Placedo and Port Lavaca, TX, to reach a point of build-in/build-

out to/from UCC's Seadrift facility. BNSF formally notified UP of its decision to exercise its right to construct a build-in to the Seadrift plant in a letter to UP dated February 13, 2001. BNSF's letter stated that BNSF will require a grant of additional trackage rights between Placedo and Kamey, TX, and also outlined preliminary details of BNSF's operating plans for service to the Seadrift plant. A Petition for Exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10901 to construct and operate the build-in line was filed in Finance Docket No. 34003 with the Board by BNSF on January 31, 2001.

IV. ISSUES AFFECTING BNSF'S IMPLEMENTATION OF TRACKAGE RIGHTS

The following summarizes issues that have affected BNSF's implementation of the merger conditions during the first quarter and updates the status or disposition of previously reported issues.

A. BNSF-UP Joint Service Committee

The BNSF-UP Joint Service Committee ("JSC") met on January 30, 2001, in Fort Worth, TX. Specific items discussed at the January 30 meeting included: revisions to UP's directional operations on its line between Fort Worth and Waxahachie, TX; BNSF train performance on trackage rights over UP between Temple and San Antonio, TX; UP train performance on trackage rights over BNSF between Tacoma and Vancouver, WA, between Daggett and Riverside, CA, and between Algoa and Houston, TX; development of switching standards and measurements for customers on BNSF and UP that are served by both carriers through reciprocal switching; the status of the 2001 Joint Capital Program; ongoing discussions among BNSF and UP to resolve disputes related to the construction of a second main track at Dayton, TX; and BNSF's capacity requirements in western Colorado.

B. Ameren UE – Labadie, MO

BNSF made further progress toward the construction of a new connecting track between the BNSF and UP main tracks at Pacific, MO. Final engineering plans for the new connecting track were provided to UP for review and approval in February. Upon completion and being placed into service, this track will allow BNSF's loaded and empty unit coal trains moving to and from Ameren UE's Labadie plant to access the plant via approximately nine miles of trackage rights over UP's main tracks between Pacific and West Labadie, MO. Until the new connecting track is completed and placed into service, BNSF will continue to utilize its temporary haulage rights over the UP between St. Louis (Grand Avenue) and Labadie to implement the Board's ruling providing for competitive access to Ameren UE's Labadie plant. During the first quarter of 2001, BNSF operated 15 loaded unit coal trains to the Labadie plant using the temporary haulage rights.

C. Track Capacity Issues at Grand Junction/Durham, CO

BNSF reported in its last quarterly progress report regarding capacity issues in western Colorado related to its recent and forecasted long-term business growth at Durham, CO (near Grand Junction) and at Parachute, CO. During the first quarter, BNSF moved forward on its plans to construct a new yard to support BNSF's service to American Soda's new facility at Parachute. This yard will be constructed on approximately 23 acres of property that were purchased by BNSF from the State of Colorado during the fourth quarter of 2000. The first phase of the yard construction is anticipated to be completed by mid- to late-summer 2001, and will include a wye and a support track with capacity for approximately 50 to 70 railcars. The facility is designed to allow additional capacity to be constructed on an as-needed basis as business demands dictate.

BNSF also reported in its fourth quarter 2000 report that it had reached agreement in principle with UP on a six-month lease of two tracks at Glenwood, CO to provide additional capacity to support BNSF's operations. This lease was finalized during January, and BNSF is now using the Glenwood tracks to support its service to American Soda at Parachute.

A separate dispute between BNSF and UP involving BNSF's use of a track at Durham, CO (the Railhead Industrial Spur) to stage cars for pickup by its merchandise trains has not been resolved. This track is used by BNSF and UP to access four rail-served customers in the Railhead Industrial Park which include Conoco, Total Petroleum, Steel Inc., and Colorado Bridge and Iron Company. BNSF handles practically all of the business handled by rail to or from these customers. BNSF desires to lease the Railhead Industrial Spur from UP to allow continued use of the track as an operating support track. BNSF has proposed to UP that it would lease the track and either switch UP cars to or from customers at the Railhead Industrial Park at no cost to UP, or otherwise ensure that BNSF's use of the track would in no way impair UP's ability to use the track to access the customers in the Park.

D. Transwood, Inc. Transload – Ogden, UT

Transwood operates a transload at Ogden, UT, a "2-to-1" point, on property that Transwood leases from UP. Transwood commenced operations at this Ogden facility in 1989 in conjunction with SP and had conducted transloading operations at this site continuously since that time. The principal commodity handled by Transwood at Ogden is soda ash produced in southwestern Wyoming, at points that are directly and exclusively served by UP, and for which SP provided a competitive alternative to UP prior to the UP/SP merger. BNSF has provided rail service to Transwood's Ogden transload, in competition with UP's direct service to the traffic origins as SP did prior to the UP/SP merger, since the commencement of BNSF's Central Corridor trackage rights operations.

As BNSF previously reported to the Board, UP has notified Transwood of its intent to terminate Transwood's track and property leases at Ogden in order to make more productive use of the Ogden property, but has agreed to allow

Transwood to remain on UP property and trackage at Ogden "for the time being" so that BNSF and Transwood can identify and evaluate alternate sites for the Ogden transload. BNSF and Transwood have identified an alternate site in the Ogden area that could allow Transwood to relocate its Ogden transload operation by mid-summer 2001 at the earliest. However, there are considerable expenses associated with the relocation, including but not limited to acquisition of the alternate property through lease or purchase; construction of new track; and dismantling, transport, and reassembly of the transload equipment. These expenses, necessitated solely by UP's decision to terminate Transwood's track and property leases at Ogden and UP's apparent refusal to ensure that Transwood incur no additional financial expense over and above what it would have otherwise incurred in the ongoing operation of the transload, may cause the relocation of the Ogden transload to be economically unfeasible, thereby effectively eliminating the Ogden transload as a source of competition.

E. Broken Arrow Environmental – Aragonite, UT

BNSF reported in its previous quarterly progress report that Broken Arrow Environmental ("BAE") and UP continued negotiations on an industry track agreement for UP to construct and install two mainline turnouts to BAE's new municipal solid waste transload facility on BNSF's Central Corridor trackage rights at Aragonite, UT. BNSF understood that this work would be completed by the end of the first quarter. BNSF conducted an on-site inspection of the BAE transload on March 28 and determined that BAE's contractor had completed track construction at the site, however, the two mainline turnouts, which must be installed and placed in service by UP, had not yet been installed as of that date.

F. Dunphy, NV Turnouts

BNSF reported in its previous quarterly progress report concerning the installation by UP of two mainline turnouts to serve Newmont Gold Company's new multi-commodity transload and distribution facility at Dunphy, NV. The first of the two mainline turnouts (the west turnout) was installed and placed into service by UP during the second quarter of 2000. BNSF anticipated that UP would complete the installation of the second turnout to this facility (the east turnout) by late July 2000, however, this date was postponed by UP on several occasions. BNSF conducted an on-site inspection of the Newmont transload facility on March 29 and determined that UP had completed the installation of the second mainline turnout (the east turnout) during the first quarter. BNSF has commenced service to the Newmont transload facility via UP haulage service between Elko and Dunphy, NV.

G. Track Lease at Fernley, NV

On March 9, UP formally notified BNSF of its decision to terminate BNSF's lease of the House Track at Fernley, NV. This lease, which was signed by BNSF and UP in April 2000, was understood by BNSF to be a long-term lease that would, in conjunction with BNSF's recently-constructed track at Fernley (as described elsewhere in this report), allow BNSF to serve the needs of its customers at Fernley and Sparks, NV. With the cancellation of this lease effective upon 90 days from the date of notification, the Fernley House Track will no longer be available to BNSF after June 7, 2001.

BNSF had originally planned and proposed to construct two tracks on property leased from UP at Fernley, but UP objected to this plan and restricted BNSF to constructing one track. In lieu of constructing two tracks, BNSF and UP agreed that BNSF would construct one track and lease one track. As reported in this and previous progress reports, BNSF has been very successful in growing its business with new customers at Fernley and Sparks, as well as at other locations on the Central Corridor trackage rights. UP's decision to terminate the Fernley lease will impair BNSF's service to its customers in this area and inhibit BNSF from being a viable competitor to UP at Fernley and Sparks.

H. Texas Service Issues

In its previous filings, BNSF has reported to the Board concerning a variety of service problems encountered on its UP/SP trackage rights in Texas, notably on the trackage rights between Houston and Brownsville, TX; between Kerr and Sealy, TX; and between Temple and the interchange with Ferrocarril Mexicano ("FXE") on the U.S.-Mexico border at Eagle Pass, TX.

- ***Kerr-Sealy, TX.*** Elsewhere in this Report, BNSF has described the rerouting of loaded and empty unit aggregates trains that normally operate over trackage rights on UP's line between Kerr and Sealy via Smithville, TX due to slow orders and chronic delays incurred on these trackage rights. Research by BNSF determined that on at least two prior occasions – on July 22, 1999, and again on October 27, 2000 – UP had issued General Orders reducing the maximum authorized train speed over significant portions of the trackage rights between Smithville and Sealy from 40 mph to 25 mph. This reduction in the speed limit over the trackage rights line is inconsistent with the provisions of the BNSF Settlement Agreement and associated agreements between BNSF and UP that require UP to maintain service standards that existed on the route at the time that the BNSF Settlement Agreement was signed. BNSF wrote to UP on March 9, 2001, raising the issue of maintaining the line to adequate standards. In its response on March 21, UP advised that BNSF's trackage rights lines in central Texas, specifically the Smithville and Waco subdivisions, currently have slow orders amounting to 63 miles of 25 mph track and 15 miles of 30 mph track. UP advised that its maintenance-of-way forces are currently completing required rail work on the trackage rights, primarily involving the replacement of rail on 15 curves, and that additional work would be performed by maintenance-of-way forces replacing ties on both the Smithville and Waco subdivisions during May and June 2001. UP informed BNSF that the completion of this work by June 30, 2001, will result in removal of the slow orders.

- ***Temple-Eagle Pass, TX.*** BNSF's train performance on this route continues to be adversely impacted by congestion in the San Antonio terminal. BNSF's trackage rights trains operating between Temple and Eagle Pass continue to experience unacceptably high recrew rates and consistently fail to meet the agreed upon transit time standards for this corridor.

  BNSF's service on this route also suffers from time to time as a result of apparent discriminatory handling by UP. (BNSF has reported to the Board in the past concerning this issue, most recently in its October 2, 2000 report concerning a situation during September 2000 in which BNSF's merchandise trains operating between Temple and Eagle Pass were twice refused permission by UP dispatchers to set out cars for customers at San Antonio, TX, at locations previously agreed to by BNSF and UP, resulting in delays, service failures, and additional operating expenses.) A recent example occurred during March 2001 when UP arbitrarily restricted BNSF's ability to interchange with FXE at Eagle Pass for nearly a week. Specifically, UP restricted BNSF's interchange delivery to the FXE to 115 cars per delivery and also imposed a limitation of only one train interchanged per day. On March 26, BNSF was allowed to deliver only 76 cars to FXE as a result of UP blocking the interchange tracks during the interchange window that had been mutually agreed upon. Subsequently, UP lifted its restrictions on BNSF's interchange at Eagle Pass, but only after repeated protests by BNSF's operating department. BNSF will continue to monitor this situation and, if the interchange restrictions reoccur, will pursue appropriate remedies.

I. Oakland Joint Intermodal Terminal ("JIT")

On January 12, BNSF formally notified UP of its intent to exercise its rights under the BNSF Settlement Agreement to access and serve the Joint Intermodal Terminal ("JIT") at Oakland, CA, and indicated its desire to meet with UP to discuss the operating plan for the JIT in anticipation of a June 1, 2001 start date for BNSF service to the JIT. UP responded on January 23 and concurred that both parties should meet to discuss the access to and operation of the facility. BNSF's and UP's operating and joint facilities officials met on February 27 to begin discussions. At this meeting, it was mutually agreed that BNSF's Warm Springs Local would deliver less-than-trainload volumes to the JIT, and that unit trains would operate directly to the JIT using Desert Yard and the JIT lead track.

UP's response on January 23 indicated that, per the Settlement Agreement, BNSF must pay $2 million to UP for upgrading and reverse signaling the No. 1 Main Track between Emeryville and Stege. (The Settlement Agreement requires that "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 at milepost 8 and Stege at milepost 13.1.) Based on BNSF's inspection of the UP line between Emeryville and Stege and consultation with the State of California, BNSF determined that the No. 1 track was upgraded to mainline standards and reverse signaled in 1998 using 100 percent state funding. BNSF has concluded that, because UP incurred no liability for these improvements, BNSF should incur no liability.

BNSF and UP continue to discuss these issues and seek a resolution that will allow BNSF to commence direct service to the Oakland JIT, as contemplated by the Settlement Agreement, during June 2001.

J. Audit of the I-5 Proportional Rate Agreement

UP asserted in its January 2, 2001 progress report that the I-5 Proportional Rate Agreement ("PRA"), which was imposed by the Board as a condition of its decision approving the UP/SP merger, is not working as intended and that UP often cannot compete effectively with BNSF. UP alleged that BNSF rates in the proportional rate matrix are remaining steady or increasing, pricing UP out of markets, despite reports from customers that BNSF's rates are declining. UP also alleged that the matrix contains no rates for many types of movements. UP stated that BNSF had recently acknowledged to UP that it had not developed computer systems that it had agreed to provide, which are necessary to supply accurate rate information to an independent consultant that compiles the rate information to create the matrix of proportional rates.

Furthermore, UP claimed that the rate data contain frequent errors, virtually all of which competitively favor BNSF. Finally, UP alleged that BNSF had failed to cooperate with an informal audit of the I-5 PRA by ceasing its cooperation with the audit when the initial results suggested "serious questions" about BNSF's data and by failing to respond to UP's inquiry for additional information.

In response to the UP allegation that the I-5 PRA is not working as intended and that UP often cannot compete effectively, BNSF notes that the volume of BNSF-UP Portland interchange traffic moving under the PRA over the last two years does not support UP's position. In fact, BNSF's analysis of UP traffic volumes moving under the PRA during 1999 and 2000 shows that UP has enjoyed considerable success. On a year-over-year comparison basis, UP's annual traffic volumes moving on the proportional rate increased significantly, from 8,827 carloads per year (736 carloads per month, or about 24 carloads per day) in 1999 to 10,190 carloads per year (849 carloads per month, or about 28 carloads per day) in 2000. These increases reflect UP traffic growth exceeding 15 percent. On a same-month comparison basis versus 1999, UP's PRA traffic increased in nine of twelve months during 2000, with double-digit growth rates in seven of those nine months. If the PRA were not achieving its intended purpose, UP would not realize the level of success demonstrated by these numbers.

In response to UP's contention that the BNSF rates in the proportional rate matrix are remaining steady or are climbing while BNSF's rates in the marketplace decline, BNSF notes that UP offers no specific factual or quantitative evidence to support this claim in its January 2 report. In fact, a careful review of the actual changes in the proportional rate matrix on a same-cell, comparable-quarter comparison basis reveals that the predominant trend in the rates has been downward, as shown in Attachment 14. Comparing first quarter 1999 with first quarter 2001, the rate factors in nearly 63 percent of the 1,100 cells in the matrix decreased, and the rate factors in more than 39 percent of these 1,100 cells decreased by 10 percent or more. In contrast, the rate factors in about 32 percent of the cells increased. Clearly, the number of cells with decreasing rate factors was about twice as great as the number of cells with increasing rate factors.

Under the quarterly challenge process agreed to by UP and BNSF that is part of the I-5 PRA, UP has the option to challenge cells in the matrix that it believes should be adjusted and to suggest a revised cell value. During the last six quarters, UP has filed 141 challenges. Of this total, 50 challenges (35.5 percent) were accepted by BNSF (i.e., BNSF agreed to UP's proposed revised value) and an additional 31 challenges (22.0 percent) resulted in a recalculation of the cell value (i.e., using UP data together with BNSF data allowed a more accurate cell value to be calculated). The challenge process contemplated by the PRA is working as anticipated. BNSF has consistently acted in good faith to ensure that the proportional rate matrix is accurate and has worked with UP to make appropriate changes to the rate factors when specific factual evidence supports making such changes.

An examination of the evolution of the proportional rate matrix over the last four years does not support UP's assertion, for which no factual evidence was offered in UP's January 2 report, that the matrix contains no rates for many types of movements that BNSF is handling. The first proportional rate matrix created under the PRA was based on fourth quarter 1996 BNSF data and was populated almost entirely with joint line BN-SP movements. This original matrix was agreed to line by line by UP before the PRA was signed. UP had the opportunity to add data where it believed that BNSF had missed something and furthermore, UP was able to verify that the original matrix covered all traffic moving via pre-merger BN-SP routes.

UP furthermore stated that it had determined that the rate data contain frequent errors, virtually all of which competitively favor BNSF. Inevitably, there are and will continue to be situations where some input values used to calculate the proportional rate factors are estimates that deviate from actual values. Deviations will arise principally from three sources; revenue estimates, mileage payments for private-owned equipment, and contract allowances. However, when it is necessary to use estimates under the existing process, the estimates used are the best estimates available to BNSF. These estimates are the same values that are used to drive other business functions and decisions at BNSF.

UP also made the claim in its January 2 report that the BNSF audit team refused to cooperate with UP when the initial results of the informal joint audit conducted in 2000 raised questions about BNSF's data. This allegation is incorrect. UP's auditors sought to gain access to confidential rate documents that BNSF cannot legally make available without violating the confidential nature of those documents. Despite the fact that UP's auditors had accepted and signed a confidentiality agreement prepared by BNSF, the requested contract documents could not legally be made available to UP. BNSF's audit team cooperated to the extent that it was legally able. BNSF cannot and will not breach the terms of confidential contracts with its customers.

UP reported to the Board in its January 2 report that BNSF recently acknowledged that it has not developed the computer systems that it contracted to provide which are necessary to supply accurate rate information to the consultant. In fact, BNSF fully implemented the new computer system in January 1998, well within the two-year time frame required per the PRA.

The I-5 PRA is working as intended, a conclusion supported by UP's own growth in traffic moving under the Agreement. BNSF disagrees with UP's position that UP is being priced out of markets. Taken as a whole, the rates contained in the proportional rate matrices are not remaining steady or climbing, but in fact are declining. BNSF disagrees with UP's position that the matrix contains no data for many types of movements. As BNSF competes for and captures new business, these movements are reflected in the rate matrices that are issued each quarter, as indicated by the number of new cells added to the matrix since the inception of this process. BNSF disagrees with UP's assertion that BNSF has not fulfilled its obligations under the Agreement to develop and improve its systems that are used to provide the inputs to the rate factor calculation. BNSF has implemented the systems that it contemplated at the time of the Agreement, and it continues to refine its systems and processes in an ongoing effort to produce the most accurate data possible. BNSF rejects any assertion that it ceased cooperating with the informal joint audit because the audit process was discovering flawed or erroneous data. BNSF will protect the confidentiality of its contracts with customers, just as it expects UP would do in similar circumstances.

UP notified BNSF that it intends to conduct a formal, independent audit of BNSF's compliance using the audit process stipulated by the I-5 PRA. BNSF is fully cooperating with UP in the conduct of this audit. BNSF's and UP's audit teams communicated on several occasions during the first quarter to define and agree upon the audit program, the procedures that would be employed, and the selection of the independent accounting firm of KPMG to conduct the audit. Work is expected to commence as early as the second week of April.

K. Settlement Agreement Issues

As previously reported to the Board, in reviewing the BNSF Settlement Agreement and other conditions on the UP/SP merger, as well as subsequent Board decisions interpreting and clarifying those conditions, BNSF believes that a number of issues between BNSF and UP need to be defined and clarified, and specific processes put in place to eliminate differences of opinion which lead to delays in responding to the needs of their rail customers. The purpose of this effort is to update the BNSF Settlement Agreement, last updated as of June 27, 1996 with subsequent agreements, clarifications, and Board decisions and consolidate all of these into one updated document.

As BNSF and UP have made clear on previous occasions, the process which BNSF and UP have undertaken is focused on updating the original September 25, 1995 Settlement Agreement so that it incorporates the terms of the first and second supplemental agreements as well as the conditions imposed by the Board on the UP/SP merger in Decision No. 44 and subsequent Board decisions interpreting and clarifying those conditions. In fact, BNSF and UP have been directed by the Board to do so. It is not the intent of the two carriers to amend the Settlement Agreement more broadly, as some parties have implied.

On March 20, 2001, UP transmitted to BNSF a revised draft of the amended and restated Settlement Agreement in response to BNSF's proposed draft that was transmitted to UP on December 22, 2000. BNSF and UP have recently commenced negotiations concerning the differences in BNSF's and UP's drafts of the amended and restated Settlement Agreement. BNSF and UP will continue to work cooperatively to resolve any disputes in regards to the interpretation and application of the Settlement Agreement conditions, as amended and revised by the Board in its decision approving the UP/SP merger and through subsequent Board decisions. BNSF will further update the Board about the status of discussions between BNSF and UP that are intended to resolve these differences in interpretation and application of the Settlement Agreement conditions.

V. CONCLUSION

Throughout the first quarter, BNSF has continued its efforts to provide reliable, dependable and consistent service over its trackage rights lines. BNSF has introduced several initiatives designed to improve its service offerings on the UP/SP lines and has established several innovative marketing programs to improve BNSF's ability to provide fully competitive service. There are nonetheless certain issues which remain to be resolved with UP in order to ensure that BNSF can be fully responsive to customer needs and fully implement the Board's merger conditions on an ongoing basis and in the future. BNSF will continue to seek to resolve these issues and any other disputes as expeditiously as possible to ensure full implementation of the conditions imposed by the Board, and accepted by UP in order to secure approval of its merger with SP, to ensure the continuation of intended competition for rail customers afforded access to BNSF as a result of the UP/SP merger settlement agreements and Board decisions.

Respectfully submitted,

Erika Z. Jones

Erika Z. Jones
Adrian L. Steel, Jr.

Mayer, Brown & Platt
1909 K Street, NW
Washington, DC 20006
(202) 263-3000

Jeffrey R. Moreland
Richard E. Weicher
Sidney L. Strickland, Jr.
Michael E. Roper

The Burlington Northern
and Santa Fe Railway Company
2500 Lou Menk Drive
Third Floor
Ft. Worth, Texas 76131-0039
(817) 352-2353 *or* (817) 352-2368

Attorneys for The Burlington Northern and Santa Fe Railway Company

April 2, 2001

CERTIFICATE OF SERVICE

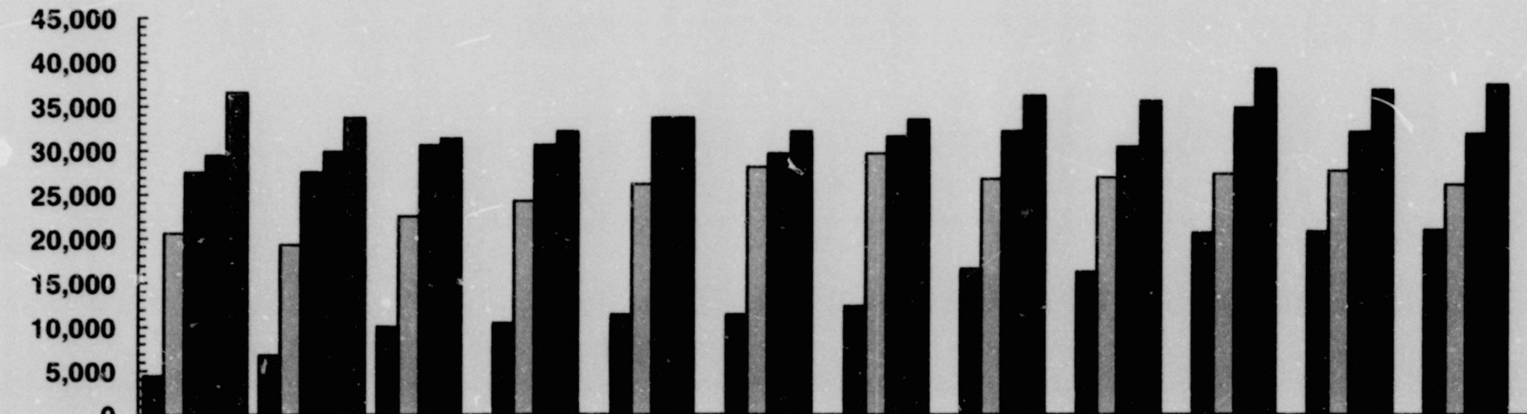
I do hereby certify that copies of The Burlington Northern and Santa Fe Railway Company's Quarterly Progress Report (BNSF-PR-19) are being served on all parties of record.

Adrian L. Steel, Jr.

ATTACHMENT 1

Total 1997-2001 BNSF Loaded Units On UPSP Merger Condition Lines

Loads



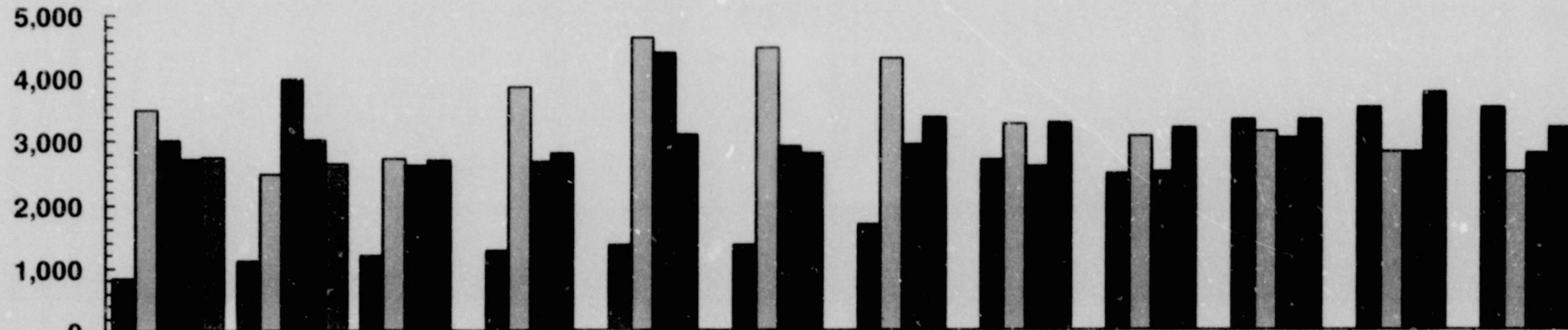
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	4,493	6,784	9,915	10,320	11,434	11,406	12,231	16,505	16,093	20,518	20,827	20,873
1998 Totals	20,623	19,300	22,451	24,160	26,226	28,088	29,650	26,745	27,011	27,350	27,670	26,161
1999 Totals	27,419	27,565	30,555	30,535	33,608	29,638	31,530	32,067	30,377	34,741	32,037	31,877
2000 Totals	29,438	29,869	31,421	32,163	33,653	32,186	33,549	36,222	35,589	39,165	36,829	37,414
2001 Totals	36,513	33,634										

03/30/2001

ATTACHMENT 2

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Central Corridor

Units



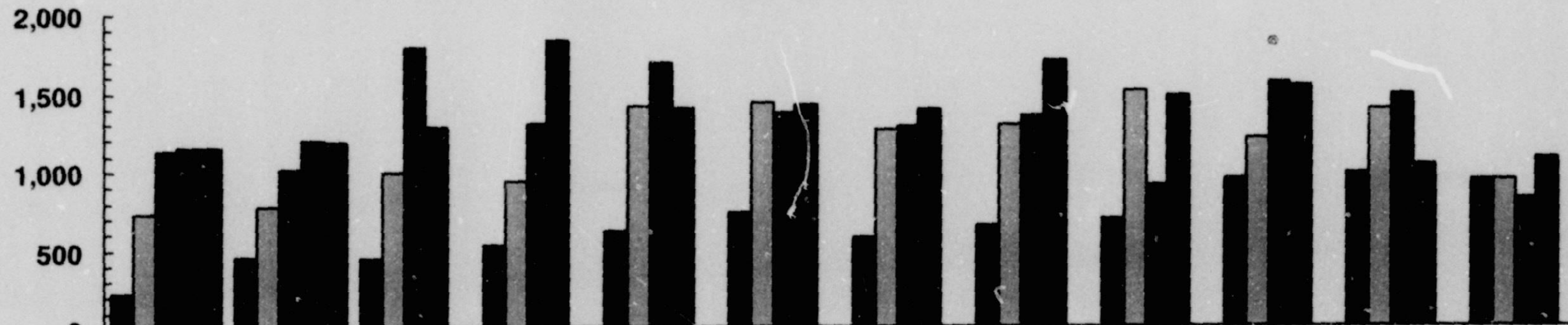
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	834	1,096	1,175	1,262	1,345	1,346	1,669	2,701	2,460	3,322	3,514	3,519
1998 Totals	3,495	2,474	2,720	3,838	4,635	4,473	4,306	3,261	3,074	3,136	2,832	2,511
1999 Totals	3,014	3,979	2,599	2,659	4,395	2,891	2,932	2,587	2,502	3,043	2,811	2,808
2000 Totals	2,727	3,019	2,687	2,789	3,099	2,803	3,365	3,275	3,193	3,326	3,775	3,194
2001 Totals	2,742	2,630										

03/30/2001

ATTACHMENT 3

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Central Texas Corridor

Units



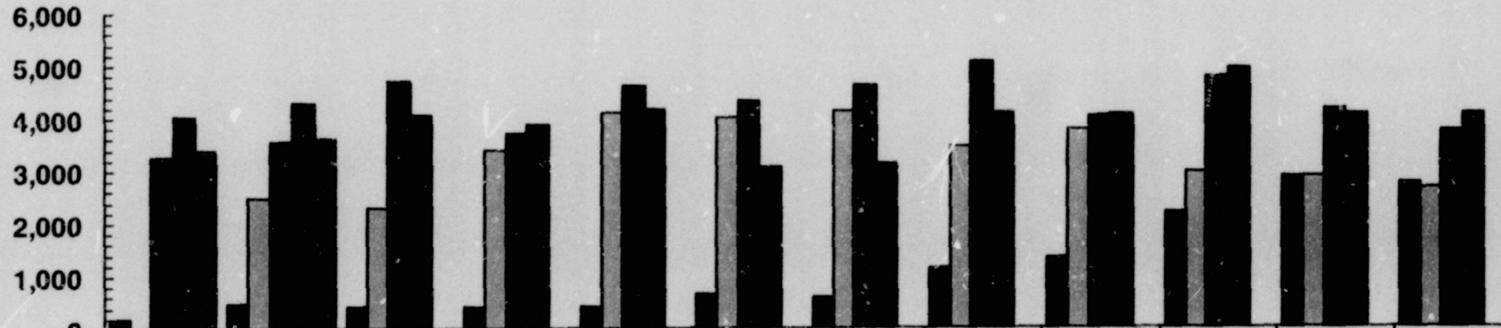
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	221	447	446	523	616	736	569	650	683	942	981	934
1998 Totals	733	769	991	936	1,410	1,425	1,257	1,288	1,501	1,207	1,390	937
1999 Totals	1,126	1,008	1,782	1,298	1,691	1,368	1,280	1,345	908	1,563	1,480	821
2000 Totals	1,153	1,195	1,275	1,828	1,400	1,420	1,391	1,694	1,476	1,540	1,033	1,078
2001 Totals	1,149	1,186										

03/30/2001

ATTACHMENT 4

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Eagle Pass Corridor

Units



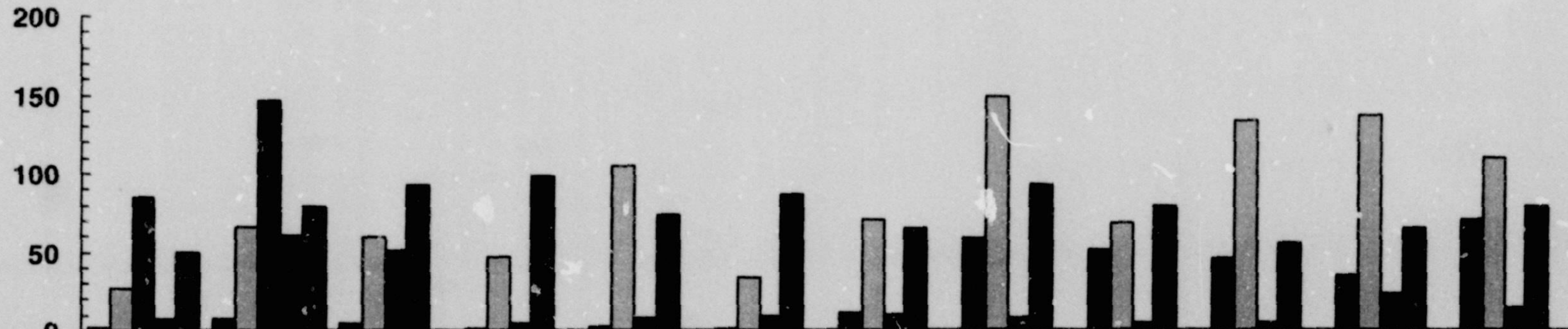
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	209	476	410	410	413	632	583	1,139	1,320	2,202	2,880	2,743
1998 Totals	6	2,475	2,275	3,392	4,094	3,990	4,120	3,466	3,790	2,966	2,862	2,644
1999 Totals	3,259	3,559	4,724	3,714	4,612	4,314	4,621	5,061	4,043	4,783	4,154	3,742
2000 Totals	4,039	4,290	4,054	3,866	4,173	3,065	3,120	4,090	4,075	4,945	4,054	4,078
2001 Totals	3,396	3,615										

03/30/2001

ATTACHMENT 5

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors El Paso Corridor

Units



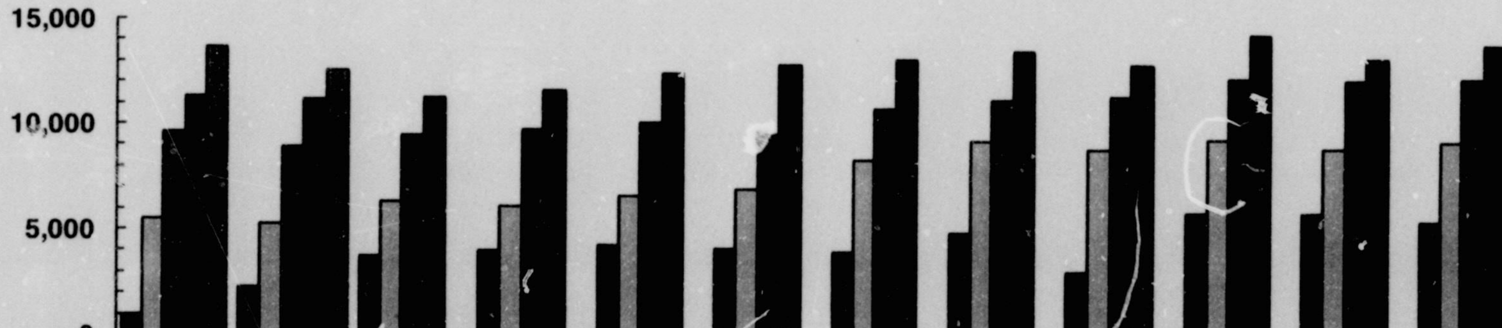
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	2	7	4	1	2	1	11	58	51	45	34	70
1998 Totals	27	66	59	46	104	33	70	148	68	133	137	110
1999 Totals	85	146	51	4	8	9	10	7	4	4	23	14
2000 Totals	7	60	92	98	73	86	65	92	78	55	64	78
2001 Totals	50	79										

03/30/2001

ATTACHMENT 6

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Gulf East Corridor

Units



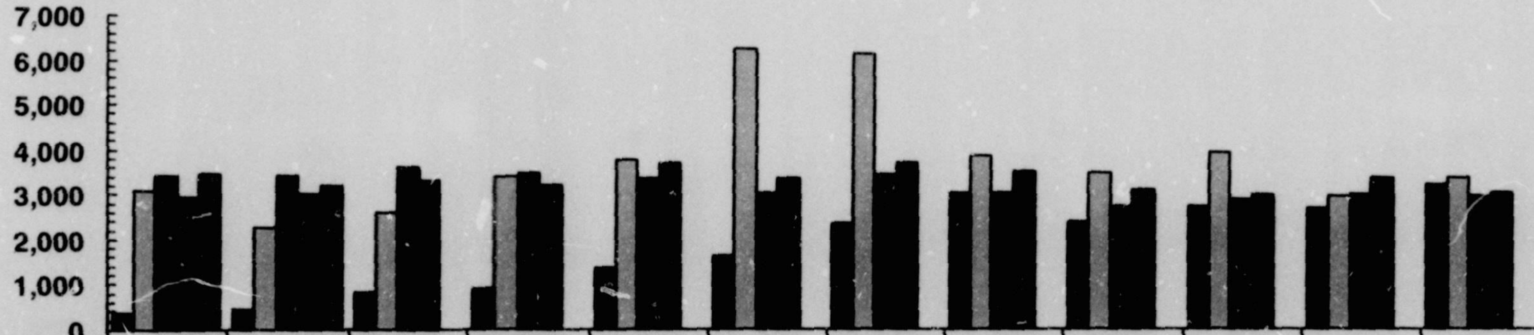
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	935	2,236	3,745	3,987	4,180	4,0[illegible]	3,850	4,742	2,866	5,742	5,757	5,347
1998 Totals	5,483	5,266	6,302	6,075	6,537	6,870	8,215	9,077	8,745	9,182	8,762	9,109
1999 Totals	[illegible]	8,832	9,401	9,665	10,040	9,437	10,612	11,033	11,243	12,076	12,017	12,063
2000 Totals	11,328	11,141	11,184	11,499	12,325	12,706	12,997	13,421	12,746	14,208	13,048	13,698
2001 Totals	13,599	12,513										

03/30/2001

ATTACHMENT 7

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Gulf North Corridor

Units



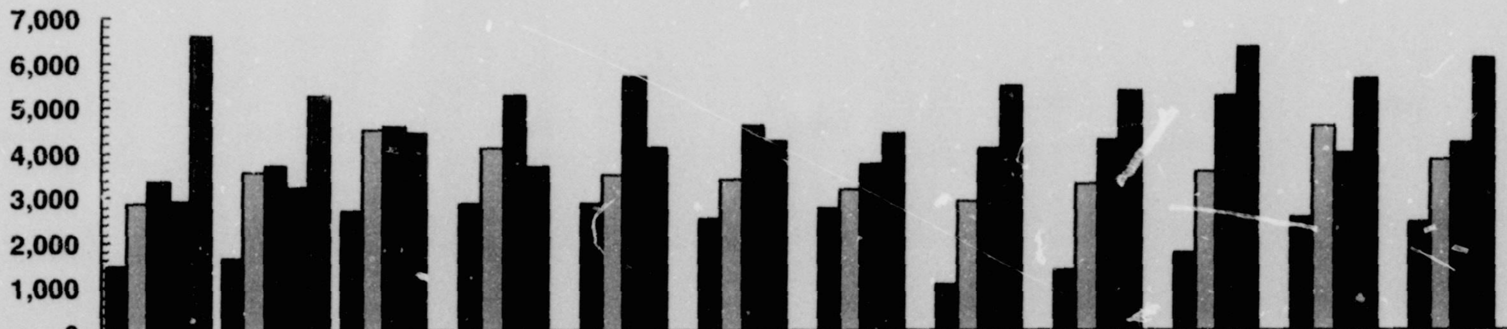
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	386	448	829	907	1,338	1,637	2,315	3,027	2,353	2,696	2,679	3,190
1998 Totals	3,087	2,268	2,588	3,391	3,775	6,191	6,088	3,848	3,481	3,909	2,952	3,350
1999 Totals	3,4[illegible]0	3,443	3,623	3,462	3,363	3,016	3,425	3,015	2,716	2,853	2,963	2,928
2000 Totals	2,9[illegible]8	2,995	3,309	3,201	3,681	3,364	3,693	3,498	3,081	2,979	3,367	3,007
2001 Totals	3,447	3,191										

03/30/2001

ATTACHMENT 8

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Gulf South Corridor

Units



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	1,480	1,630	2,684	2,833	2,835	2,502	2,727	1,021	1,317	1,680	2,483	2,380
1998 Totals	2,847	3,531	4,468	4,080	3,452	3,332	3,129	2,849	3,223	3,509	4,500	3,747
1999 Totals	3,331	3,696	4,540	5,233	5,661	4,561	3,698	4,043	4,208	5,206	3,917	4,154
2000 Totals	2,906	3,196	4,417	3,651	4,078	4,207	4,376	5,405	5,295	6,276	5,560	6,010
2001 Totals	6,587	5,235										

03/30/2001

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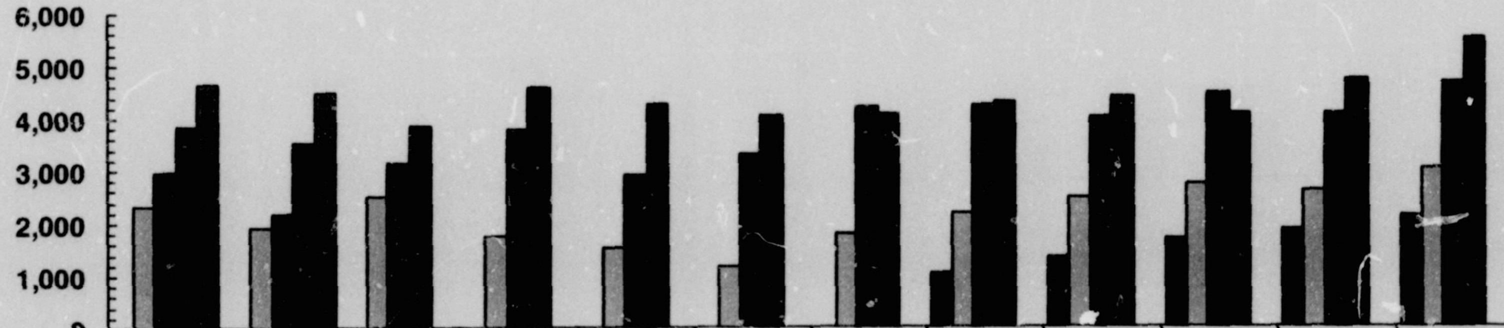
ATTACHMENT 9

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors I-5 Corridor

Units



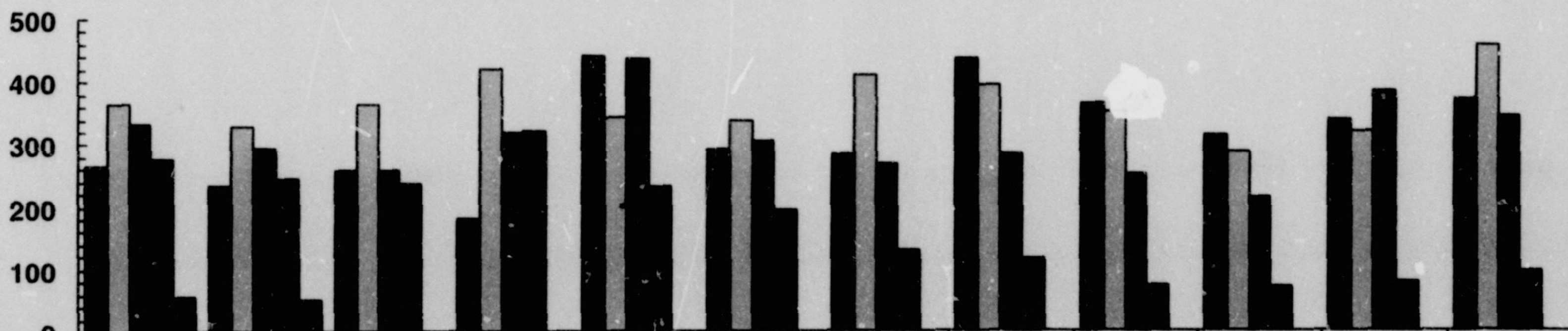
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	0	0	0	0	0	0	5	1,021	1,317	1,680	1,847	2,090
1998 Totals	2,310	1,911	2,476	1,741	1,504	1,165	1,762	2,152	2,464	2,705	2,572	3,001
1999 Totals	2,954	2,172	3,127	3,759	2,913	3,298	4,202	4,222	4,010	4,444	4,061	4,652
2000 Totals	3,830	3,518	3,852	4,567	4,272	4,029	4,073	4,300	4,393	4,059	4,714	5,487
2001 Totals	4,642	4,489										

03/30/2001

ATTACHMENT 10

1997-2001 BNSF Loaded Units On UP/SP Trackage Rights Corridors Southern California Corridor

Units

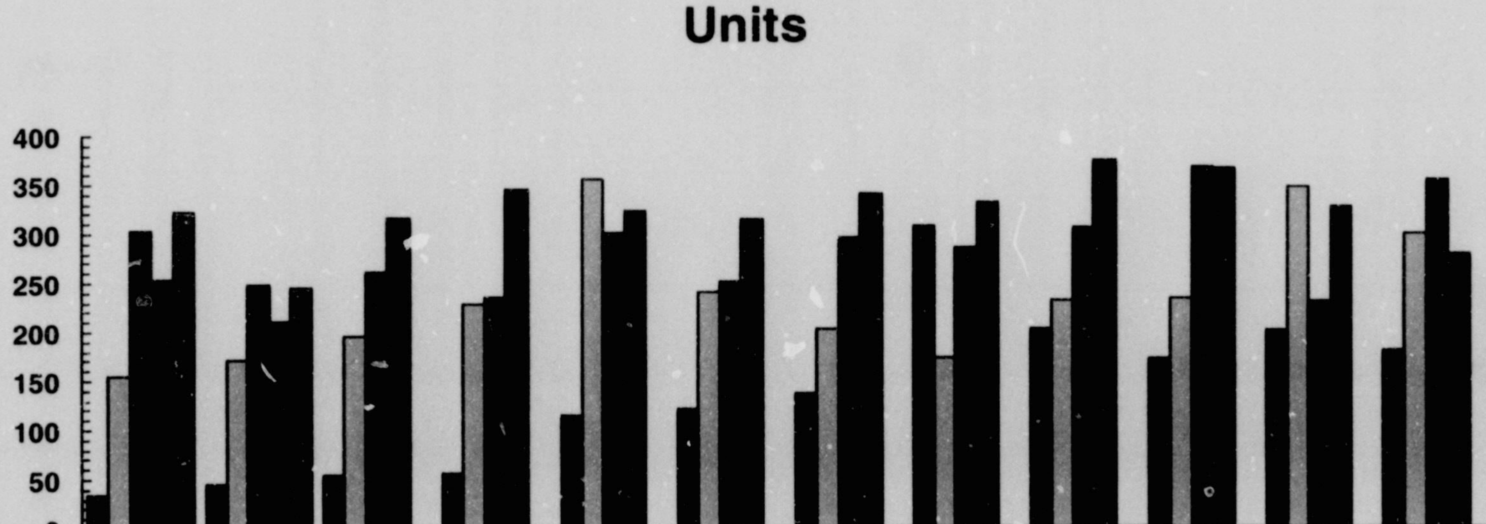


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	266	234	259	180	441	289	282	435	363	312	335	368
1998 Totals	366	328	364	419	341	335	408	392	3[illegible]9	286	316	453
1999 Totals	334	292	258	316	436	305	266	281	249	213	381	341
2000 Totals	276	245	236	320	230	193	130	116	73	71	79	95
2001 Totals	57	51										

03/30/2001

ATTACHMENT 11

1997-2001 BNSF Loaded Units On UP/SP Merger Condition Lines By Corridor
Bay Area Corridor

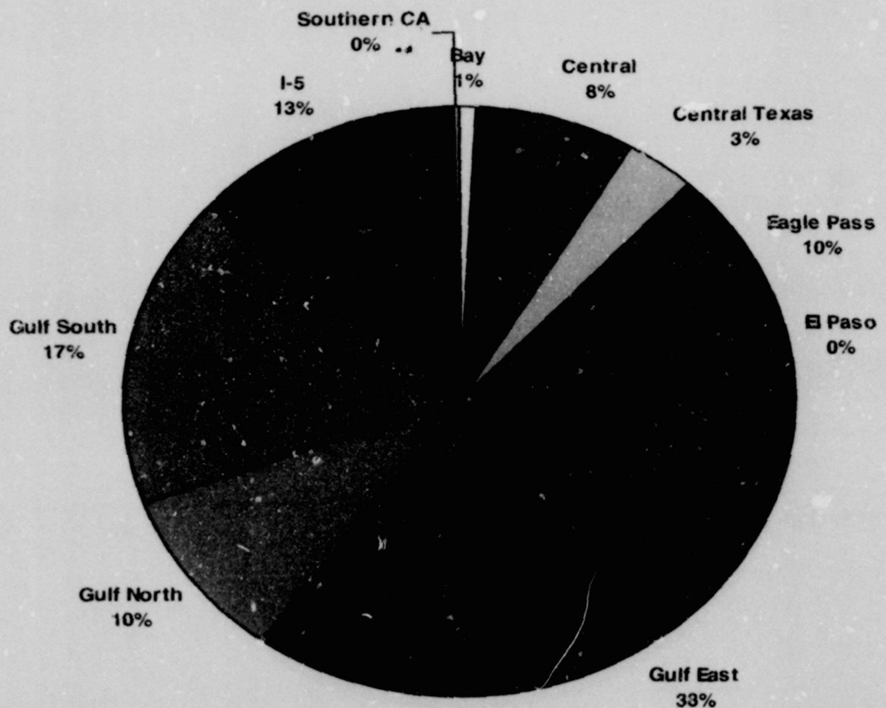


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1997 Totals	34	44	54	55	114	121	137	307	201	171	200	180
1998 Totals	156	171	194	227	356	240	201	173	231	232	346	299
1999 Totals	304	249	261	235	300	250	295	284	305	367	230	354
2000 Totals	254	210	315	344	322	313	339	331	375	365	325	278
2001 Totals	322	245										

03/30/2001

ATTACHMENT 12

Commodities Handled To/From and Via UP/SP Merger Condition Lines All Loaded Units By Corridor January - February 2001



03/30/2001

ATTACHMENT 13

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Gilchrist Bag Company Inc.	Camden	AR	2:1
International Paper Bag Pak	Camden	AR	2:1
International Paper Company, Southern Kraft	Camden	AR	2:1
Riceland Foods	Fair Oaks	AR	2:1
Planters Cotton Oil Mill Inc	Forrest City	AR	2:1
3M Industrial Mineral Prod (3M Arch St)	Little Rock	AR	2:1
3M Industrial Mineral Prod (3M Road)	Little Rock	AR	2:1
ADM Processing	Little Rock	AR	2:1
AFCO Steel Bond Street Plant	Little Rock	AR	2:1
AFCO Steel South Shop	Little Rock	AR	2:1
AFCO Steel Thomas Street Shop	Little Rock	AR	2:1
Alman, Sol Co	Little Rock	AR	2:1
Arkansas Power & Light	Little Rock	AR	2:1
Asphalt Products	Little Rock	AR	2:1
Barrett Hamilton	Little Rock	AR	2:1
Choctaw Inc	Little Rock	AR	2:1
Colonial Baking, Earth Grains Div	Little Rock	AR	2:1
Darragh Co	Little Rock	AR	2:1
Georgia Pacific Corp	Little Rock	AR	2:1
Goff Distribution Warehouse	Little Rock	AR	Transload
Grobmyer Lumber	Little Rock	AR	2:1
Harcros Chemical Inc.	Little Rock	AR	2:1
Kaufman Lumber Whse (7th St)	Little Rock	AR	2:1
Northwest Hardwoods	Little Rock	AR	2:1
Sears Roebuck & Co	Little Rock	AR	2:1
Smith Fiberglass Prod Inc	Little Rock	AR	2:1
Smurfit Stone Container Corp	Little Rock	AR	2:1
Sterling Paint Inc (6th St)	Little Rock	AR	2:1
Sysco Food Svcs of Arkansas	Little Rock	AR	2:1
Thibault Milling	Little Rock	AR	2:1
Unisource	Little Rock	AR	2:1
Winburn Tile Mfg Co	Little Rock	AR	2:1
Central Terminal Distributing Centers, Inc	North Little Rock	AR	2:1
Koppers Industries Inc.	North Little Rock	AR	2:1
Mid South Seeds	North Little Rock	AR	2:1
Mountaire Feeds Inc	North Little Rock	AR	2:1
Oakley Bruce Inc	North Little Rock	AR	2:1
Onesource Home Building Center	North Little Rock	AR	2:1
PGI Nonwovens Polymer Group, Inc. Chicopee Div, Plant 1	North Little Rock	AR	2:1
PGI Nonwovens Polymer Group, Inc. Chicopee Div, Plant 2	North Little Rock	AR	2:1
S F Services Inc	North Little Rock	AR	2:1
S F Services Inc (Cooperative Mills Inc)	North Little Rock	AR	2:1
S F Services inc (S F Svcs Fertilizer)	North Little Rock	AR	2:1
Southern Cotton Oil Co Div of ADM	North Little Rock	AR	2:1
Tenenbaum, A Co	North Little Rock	AR	2:1
Zeneca Agricultural Prod	North Little Rock	AR	2:1
ACF Industries	Paragould	AR	2:1
Ameri Steel (Florida Steel)	Paragould	AR	2:1
Century Tube Corporation	Pine Bluff	AR	2:1
Cloud Oak Flooring	Pine Bluff	AR	2:1
Gaylord Container Paper	Pine Bluff	AR	2:1
General Chemical Corp	Pine Bluff	AR	2:1
Global Materials Svcs LLC (GMSFOUR)	Pine Bluff	AR	2:1
Global Materials Svcs LLC (GMSMAIN)	Pine Bluff	AR	2:1
Global Materials Svcs LLC (GMSONE)	Pine Bluff	AR	2:1
Hixson Lumber Sales	Pine Bluff	AR	2:1
Hixson Lumber Sales	Pine Bluff	AR	2:1
Hoover Treated Wood Prod	Pine Bluff	AR	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
International Paper Mill	Pine Bluff	AR	2:1
Johnson Metal Recyclers	Pine Bluff	AR	2:1
Mid America Packaging Inc. - Div of Gaylord	Pine Bluff	AR	2:1
Pine Bluff Arsenal	Pine Bluff	AR	2:1
Planters Cotton Oil Mill	Pine Bluff	AR	2:1
Planters Cotton Seed	Pine Bluff	AR	2:1
Southern Bag	Pine Bluff	AR	2:1
Southern Compress Whse	Pine Bluff	AR	2:1
Strong Company Inc.	Pine Bluff	AR	2:1
Sun Grove Horticulture	Pine Bluff	AR	2:1
T W Pelton & Co	Pine Bluff	AR	2:1
Terra International Inc	Pine Bluff	AR	2:1
Tyson Foods Feedmill	Pine Bluff	AR	2:1
Tyson Foods Protein Blend Plant	Pine Bluff	AR	2:1
Viking Bag	Pine Bluff	AR	2:1
Commercial Stg & Distribution Corp	Texarkana	AR	Agreement
Cooper Tire & Rubber Corp	Texarkana	AR	Agreement
General Electric Railcar Repair	Texarkana	AR	Agreement
Tri State Iron & Metal Corp	Texarkana	AR	Agreement
Willamette Industries	Elk Grove	CA	New Facility
California Cereal (Nabisco Brands)	Elmhurst	CA	2:1
Fleenor Packing	Elmhurst	CA	2:1
Fleischman's Yeast	Elmhurst	CA	2:1
Longview Fibre Co	Elmhurst	CA	2:1
Pacific America Whse	Elmhurst	CA	2:1
General Motors	Fremont	CA	2:1
New United Motor Manufacturing	Fremont	CA	2:1
Toyota Logistics Svcs	Fremont	CA	2:1
Toyota Logistics Svcs	Fremont	CA	2:1
United States Gypsum	Fremont	CA	2:1
Cargill Inc. (Refinery)	Fullerton	CA	2:1
Hunt Wesson (Bldgs 18, 22 & 28)	Fullerton	CA	2:1
U S Army, Sierra Army Depot	Herlong	CA	2:1
Standard Iron & Metals Co	Kohler	CA	2:1
Sunshine Biscuit - Vacant Bldg	Kohler	CA	2:1
Christian Salveson Inc. (CSi)	La Habra	CA	2:1
Lucky Sav-On Distribution Center	La Habra	CA	2:1
Vacant (Lucky Food Stores)	La Habra	CA	2:1
U S Army, Sharpe Depot	Lathrop	CA	2:1
Brown Strauss Steel	Livermore	CA	2:1
G S Roofing Products	Livermore	CA	2:1
Gaylord Graphics	Livermore	CA	2:1
Livermore Whse	Livermore	CA	2:1
Salinas Reinforcing Inc	Livermore	CA	2:1
Mid-City Iron & Metal Corp	Los Angeles	CA	2:1
American Brass & Iron (ABI)	Melrose	CA	2:1
Armour Equipment Sales	Melrose	CA	2:1
Mother Cake & Cookies	Melrose	CA	2:1
Nabisco Brands	Oakland	CA	2:1
Kruse (O H) Grain & Milling Co	Ontario	CA	2:1
Intermod Industries	Ortega	CA	2:1
Kaiser Sand Gravel	Pleasanton	CA	2:1
California Builders Supply Co	Sacramento	CA	2:1
Capitol Plywood	Sacramento	CA	2:1
Continental Chemical Co	Sacramento	CA	2:1
Sacramento Bee (McClatchy Newspaper)	Sacramento	CA	2:1
Burke Flooring Products, Div Burke Industries	San Jose	CA	2:1
Coors Distributing Co of Santa Clara	San Jose	CA	2:1
Del Monte Corp, Plant #3	San Jose	CA	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Ecolab Inc	San Jose	CA	2:1
Floor Service Supply	San Jose	CA	2:1
Frank Lin Distillers Products Ltd	San Jose	CA	2:1
Frito Lay	San Jose	CA	2:1
International Paper Bag Pak Div	San Jose	CA	2:1
Markovits & Fox	San Jose	CA	2:1
Northern California Fertilizer	San Jose	CA	2:1
Red Wing Co Inc (National Preserve)	San Jose	CA	2:1
Safety Kleen Corp	San Jose	CA	2:1
San Jose Distribution Services	San Jose	CA	2:1
Stapleton-Spence Packing	San Jose	CA	2:1
Sun Garden Packing Co	San Jose	CA	2:1
U S Pollution Control	San Jose	CA	2:1
Western Beverage Co	San Jose	CA	2:1
Truck Rail Handling	Snoboy	CA	Transload
Chem-World Supply Inc	South Gate	CA	2:1
EKA Chemicals/EKA Nobel	South Gate	CA	2:1
Los Angeles Chemical Co (LACCO)	South Gate	CA	2:1
P Q Corporation	South Gate	CA	2:1
Titan Terminal & Transport	South Gate	CA	2:1
Hardwoods Inc	Trevarno	CA	2:1
Trans Western Polymers	Trevarno	CA	2:1
A L Gilbert	Turlock	CA	2:1
Americold Plant 1	Turlock	CA	2:1
Facility vacant/for lease (Snider Lbr)	Turlock	CA	2:1
Feedstuffs Processing Co.	Turlock	CA	2:1
International Paper	Turlock	CA	2:1
Purina Mills Inc	Turlock	CA	2:1
Rogers Food (Div Universal Foods)	Turlock	CA	2:1
Tab Products Co	Turlock	CA	2:1
Turlock Fruit	Turlock	CA	2:1
Truck Rail Handling	Warm Springs	CA	Transload
Capital City Warehouse	West Sacramento	CA	2:1
Capital Coors	West Sacramento	CA	2:1
Cargill	West Sacramento	CA	2:1
Crum & Crum Enterprises Inc	West Sacramento	CA	Transload
Farmers Rice Coop	West Sacramento	CA	2:1
Karrolton Envelope	West Sacramento	CA	2:1
Montgomery Ward & Co Distr Ctr	West Sacramento	CA	2:1
PFX Pet Supply	West Sacramento	CA	2:1
Port Of Sacramento (Yolo Port Dist)	West Sacramento	CA	2:1
The Ink Company	West Sacramento	CA	2:1
Treasure Chest	West Sacramento	CA	2:1
Unocal	West Sacramento	CA	2:1
American Metals Corp	Yolo Port	CA	2:1
California Distribution Center	Yolo Port	CA	2:1
Weyerhaeuser Lumber	Yolo Port	CA	2:1
Conoco Inc	Durham	CO	New Facility
Total Petroleum	Durham	CO	New Facility
American Soda, L.L.P.	Parachute	CO	New Facility
Agri Producers	Herington	KS	2:1
Cairo Coop Equity Exchange	Preston	KS	2:1
Crowley American Transport	Harbor	LA	2:1
Farmers Rice Milling Co Inc	Harbor	LA	2:1
Lake Charles Carbon Co, Div Reynolds Metals	Harbor	LA	2:1
Lake Charles Stevedores	Harbor	LA	2:1
M I Drilling Fluids	Harbor	LA	2:1
Calcasieu Steel & Pipe Inc	Lake Charles	LA	Agreement
Lake Charles American Press	Lake Charles	LA	Agreement

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Lake Charles Harbor Terminal	Lake Charles	LA	Agreement
Lake Charles Public Elevator	Lake Charles	LA	Agreement
Allen Millwork Inc	Shreveport	LA	Agreement
Bell Industries	Shreveport	LA	Agreement
Custom Bilt Cabinet & Supply #1	Shreveport	LA	Agreement
G S Roofing Products Co Inc	Shreveport	LA	Agreement
Georgia Pacific Corp	Shreveport	LA	Agreement
Hart Lumber Co Inc	Shreveport	LA	Agreement
Murphy Bonded Whse Inc	Shreveport	LA	Agreement
National Biscuit Co (Nabisco)	Shreveport	LA	Agreement
Purina Mills Inc	Shreveport	LA	Agreement
S F Services Inc	Shreveport	LA	Agreement
Sears Roebuck & Co	Shreveport	LA	Agreement
Southwestern Electric Power Co	Shreveport	LA	Agreement
Conoco (Gulf Coast Lube Plant)	Sulphur	LA	Agreement
Arco Chemical (Olin Corp)	West Lake	LA	Agreement
Condea Vista Co	West Lake	LA	Agreement
Conoco Inc	West Lake	LA	Agreement
Dunham Price Inc	West Lake	LA	Agreement
Excel Paralubes	West Lake	LA	Agreement
Holnam Inc	West Lake	LA	Agreement
Jupiter Chemicals/Jupiter Nash	West Lake	LA	Agreement
M I Drilling Fluids	West Lake	LA	Agreement
Martin Marietta Aggregates	West Lake	LA	Agreement
Montell USA	West Lake	LA	Agreement
PPG Industries Inc	West Lake	LA	Agreement
R E Heidt Construction	West Lake	LA	Agreement
Reagent Chemical & Research	West Lake	LA	Agreement
Tessenderlo Kerley Inc.	West Lake	LA	Agreement
Tetra Chemicals	West Lake	LA	Agreement
ABB Randall Corp	West Lake Charles	LA	Agreement
Baroid Drilling Fluids	West Lake Charles	LA	Agreement
Baroid Petroleum Services	West Lake Charles	LA	Agreement
Cit Con Oil	West Lake Charles	LA	Agreement
Citgo Petroleum Corp	West Lake Charles	LA	Agreement
Conoco Inc, Coke Terml	West Lake Charles	LA	Agreement
Equistar Chemicals LP	West Lake Charles	LA	Agreement
Firestone Synthetic Rubber & Latex	West Lake Charles	LA	Agreement
Grace Davison (W R Grace)	West Lake Charles	LA	Agreement
Kronos Inc.	West Lake Charles	LA	Agreement
Southern Ionics Inc	West Lake Charles	LA	Agreement
Venco Conoco, Calcining Plant	West Lake Charles	LA	Agreement
West Lake Petrochemicals	West Lake Charles	LA	Agreement
West Lake Polymers	West Lake Charles	LA	Agreement
West Lake Styrene	West Lake Charles	LA	Agreement
Ag Processing	Dexter	MO	2:1
Cargill	Dexter	MO	2:1
Hudson Foods	Dexter	MO	2:1
Monarch Feed Mills	Dexter	MO	2:1
Union Electric Company (dba Ameren UE)	Labadie	MO	2:1
Baker Hughes Inteq	Argenta	NV	2:1
Saga Exploration Co	Barth	NV	2:1
Atlas Towing Co	Battle Mountain	NV	New Facility
M I Drilling Fluids	Battle Mountain	NV	2:1
Sierra Chemical NV	Battle Mountain	NV	2:1
Cortez Gold Mines	Beowawe	NV	2:1
Duke Energy	Beowawe	NV	2:1
Fleischili Oil Corp	Beowawe	NV	2:1
SS Supply	Beowawe	NV	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Anschutz Marketing Transport	Carlin	NV	2:1
Continental Lime	Carlin	NV	2:1
Dust Chemical	Carlin	NV	2:1
Kilborn International	Carlin	NV	2:1
Thatcher Chemical Co - Nevada	Carlin	NV	2:1
Turner Gas	Carlin	NV	2:1
Baroid Drilling Fluids	Dunphy	NV	2:1
Kennecott Utah Copper	Dunphy	NV	2:1
Mine Service & Supply	Dunphy	NV	2:1
Newmont Gold Company Inc.	Dunphy	NV	New Facility
Alpark Petroleum	Elko	NV	2:1
Ash Grove Cement Co	Elko	NV	2:1
Blach Distributing	Elko	NV	2:1
Cashman Equipment	Elko	NV	2:1
Franklin Lumber Bldg Supply	Elko	NV	2:1
Nevada Freeport	Elko	NV	2:1
Nevada Ice & Cold Storage	Elko	NV	2:1
Par Gas	Elko	NV	2:1
Petro Source	Elko	NV	2:1
Petro Source Asphalt Terminal	Elko	NV	2:1
Tricon Metals & Services, Inc.	Elko	NV	2:1
Quebecor Printing Nevada Inc	Fernley	NV	New Facility
Valley Joist Corp	Fernley	NV	New Facility
Continental Lime	Golconda	NV	2:1
Diamond Plastics Co	Golconda	NV	2:1
U S Barium	Golconda	NV	2:1
Kennecott Utah Copper	Jayhawk	NV	2:1
Transwood Inc	Jayhawk	NV	2:1
Kennecott Utah Copper	Redhouse	NV	2:1
Transwood Inc	Redhouse	NV	2:1
Coastal Chemical	Rennox	NV	2:1
Sierra Chemical Of Nevada	Rennox	NV	2:1
BNSF Nevada Quality Distr Center (QDC)	Sparks	NV	New Facility
Crown Pacific Corporation dba Reno Lumber Co.	Sparks	NV	New Facility
Sierra Pacific Power	Valmy	NV	2:1
Dupont	Vivian	NV	2:1
Van Waters & Rogers	Vivian	NV	2:1
Mobil Chemical	Amelia	TX	2:1
Econo Rail Corp	Baytown	TX	2:1
Exxon Chemical Americas	Baytown	TX	Agreement
Exxon Chemical Plastics	Baytown	TX	Agreement
Exxon Company USA	Baytown	TX	Agreement
Jindal United Steel Corp	Baytown	TX	2:1
Rhodia	Baytown	TX	2:1
SAW Pipes USA Inc	Baytown	TX	2:1
Seapac Inc	Baytown	TX	2:1
United States Steel/USX	Baytown	TX	2:1
Thompson Consumer Electronics (RCA)	Belen	TX	New Facility
City Of Brownsville	Brownsville	TX	2:1
Milwhite	Brownsville	TX	2:1
Premier Services Corp	Brownsville	TX	2:1
Tex Mex Cold Storage	Brownsville	TX	2:1
Farstad Oil	Buford	TX	2:1
Lopez Scrap Metal	Buford	TX	2:1
El Paso Valley Cotton Assn	Clint	TX	2:1
T & R Chemicals Inc	Clint	TX	2:1
Valley Feed Mills	Clint	TX	2:1
Citgo Petroleum East Plant	Corpus Christi	TX	2:1
Citgo Petroleum West Plant	Corpus Christi	TX	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Coastal Refining & Marketing	Corpus Christi	TX	2:1
Elementis Chromium	Corpus Christi	TX	2:1
Encycle Texas Inc.	Corpus Christi	TX	2:1
ESCO Distributors Inc	Corpus Christi	TX	2:1
Koch Refining Company, East Plant	Corpus Christi	TX	2:1
Nueces Grain Company	Corpus Christi	TX	2:1
US Interstate Grain Corp., Port Terminal	Corpus Christi	TX	2:1
Zarsky Lumber Co.	Corpus Christi	TX	2:1
Defense Distribution Depot	Defense	TX	2:1
Penreco	Dickinson	TX	2:1
Gulf States Asphalt	Dumont	TX	2:1
Houston L&P #1	Dumont	TX	2:1
Houston L&P #3	Dumont	TX	2:1
South Houston Lumber	Dumont	TX	2:1
General Tire	East Waco	TX	2:1
Four Star Sugars	El Paso	TX	New Facility
Amoco Chemical	Eldon	TX	Agreement
Bayer Chemical	Eldon	TX	Agreement
Borden Chemical	Eldon	TX	2:1
Chevron Chemical	Eldon	TX	Agreement
City Public Service Board of San Antonio	Elmendorf	TX	2:1
Richard Bills Feedlot	Fabens	TX	2:1
Romney Implement	Fabens	TX	2:1
Swig Cotton Compress	Fabens	TX	2:1
Ashland Chemical	Genoa	TX	2:1
Pioneer Concrete Texas	Genoa	TX	2:1
Sunbelt Asphalt Materials	Genoa	TX	2:1
Amc Warehouses	Great Southwest	TX	2:1
Boise Cascade	Great Southwest	TX	2:1
Carry Companies	Great Southwest	TX	2:1
Carry Companies (Imperial Sugar)	Great Southwest	TX	2:1
Champion Recycling	Great Southwest	TX	2:1
Coors Brewing	Great Southwest	TX	2:1
D D Recycling	Great Southwest	TX	2:1
D S Plastics	Great Southwest	TX	2:1
DSC Logistics	Great Southwest	TX	Transload
DSC Logistics (Lever)	Great Southwest	TX	Transload
DSC Logistics (Pillsbury)	Great Southwest	TX	Transload
Frito Lay	Great Southwest	TX	2:1
G E Appliances	Great Southwest	TX	2:1
General Hardwoods	Great Southwest	TX	2:1
Ink	Great Southwest	TX	2:1
Intsel Southwest	Great Southwest	TX	2:1
LMD Warehouse Distribution	Great Southwest	TX	2:1
Mackie Automotive Southwest	Great Southwest	TX	2:1
Matlack Systems	Great Southwest	TX	2:1
McGregor Printing	Great Southwest	TX	2:1
National Distribution Center	Great Southwest	TX	2:1
National Gypsum Co	Great Southwest	TX	2:1
National Starch Chemical	Great Southwest	TX	2:1
Packaging Corp of America	Great Southwest	TX	2:1
Pennzoil Prod	Great Southwest	TX	2:1
Pepsi Cola	Great Southwest	TX	2:1
Porter Warner Ind	Great Southwest	TX	2:1
Professional Food Systems	Great Southwest	TX	2:1
Quality Logistics Services	Great Southwest	TX	2:1
Solvay Engineered Polymers (DS Plastics)	Great Southwest	TX	2:1
Sygma Network Inc.	Great Southwest	TX	2:1
Texas Plywood Lumber	Great Southwest	TX	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Tucker Housewares	Great Southwest	TX	2:1
Tulco Oil	Great Southwest	TX	2:1
Uvtec	Great Southwest	TX	2:1
Wainwright Ind	Great Southwest	TX	2:1
Western Reclamation	Great Southwest	TX	2:1
Weyerhaeuser	Great Southwest	TX	2:1
Willamette Industries Bag	Great Southwest	TX	2:1
Willamette Industries Corrug	Great Southwest	TX	2:1
LCRA Plant	Halsted	TX	2:1
Alamo Forest Products Inc.	Harlingen	TX	2:1
Cameron Ashley Building Products	Harlingen	TX	2:1
Earthgrains Co	Harlingen	TX	2:1
Georgia Pacific Corp	Harlingen	TX	2:1
Harlingen Valley Compress Co., Inc.	Harlingen	TX	2:1
Joiner Foodservice Inc.	Harlingen	TX	2:1
Rio Grande Oil Mill	Harlingen	TX	2:1
Valley Compress Co., Inc.	Harlingen	TX	2:1
Valley Coop Oil Mill (Valco Chemical)	Harlingen	TX	2:1
Valley Morning Star	Harlingen	TX	2:1
M G Building Materials	Heafer	TX	2:1
Wheelwright & Associates	League City	TX	2:1
Exxon Chemical Americas	Mont Belvieu	TX	Agreement
Allied Signal	Orange	TX	2:1
Bayer Fibers Additives/Rubber	Orange	TX	2:1
Chevron Chemical	Orange	TX	2:1
Dupont De Nemours, E I	Orange	TX	2:1
Equitable Bag	Orange	TX	2:1
Firestone Syn Rubber Latex	Orange	TX	2:1
Lewis Plastics	Orange	TX	2:1
Neches Inc	Orange	TX	2:1
Orange City Of	Orange	TX	2:1
Orange Port Of	Orange	TX	2:1
Orange Ship Building	Orange	TX	2:1
Precinct One Orange County	Orange	TX	2:1
PrintPak (James River)	Orange	TX	2:1
Rescar Inc	Orange	TX	2:1
Sabine Warehouse	Orange	TX	2:1
Schulman Plant (Burnett St)	Orange	TX	2:1
Schulman Plant (Thomas St)	Orange	TX	2:1
Texas Polymer Services	Orange	TX	2:1
West Orange City Of	Orange	TX	2:1
Wilson Warehouse	Orange	TX	2:1
Alamo Iron Works	San Antonio	TX	2:1
Allen & Allen Co	San Antonio	TX	2:1
BFI (Browning Ferris Industries)	San Antonio	TX	2:1
Big Tex Grain	San Antonio	TX	2:1
Block Distributing, Wine Div	San Antonio	TX	2:1
California Fruit Co	San Antonio	TX	2:1
Celotex Corporation	San Antonio	TX	2:1
Crystal Cold Storage	San Antonio	TX	2:1
Dittmar Lumber Corp	San Antonio	TX	2:1
Fiesta Warehousing Distribution	San Antonio	TX	Transload
Fite Distribution Services	San Antonio	TX	2:1
Georgia Pacific Corp	San Antonio	TX	2:1
GLI Distributing	San Antonio	TX	2:1
Halo Distributing	San Antonio	TX	2:1
Hart Lumber	San Antonio	TX	2:1
Hood Clays Vr	San Antonio	TX	2:1
Imperial Bedding	San Antonio	TX	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Lone Star Brewing	San Antonio	TX	2:1
Newell Industries Inc	San Antonio	TX	2:1
Newell Recycling of San Antonio, L.P.	San Antonio	TX	2:1
Pearl Brewing	San Antonio	TX	2:1
Pioneer Flour Mills	San Antonio	TX	2:1
Salt Exchange Inc	San Antonio	TX	2:1
Savage Industries, Industrial Rail Services	San Antonio	TX	Transload
South Texas Liquid Terminal	San Antonio	TX	Transload
Southern Merchandise Stge Co	San Antonio	TX	2:1
Star Seed & Grain	San Antonio	TX	2:1
Superior Tomato-Avacado Co Inc	San Antonio	TX	2:1
Trinity Industries Inc	San Antonio	TX	2:1
Westland Specialty Oil Company Inc	San Antonio	TX	2:1
Wright Oil	San Antonio	TX	2:1
Merco Joint Venture	Sierra Blanca	TX	2:1
San Patricio County Commissioner, Pricinct 1	Sinton	TX	2:1
A E Staley @ Imperial Holly facility	Sugar Land	TX	2:1
Imperial Holly	Sugar Land	TX	2:1
Nalco Exxon Energy Chemicals, L.P.	Sugar Land	TX	2:1
J J S Distributing	Texarkana	TX	Agreement
Kerr McGee Chemical Corp	Texarkana	TX	Agreement
Miller Bowie County Farmers (Willis St)	Texarkana	TX	Agreement
Texarkana Milling Supply	Texarkana	TX	Agreement
Amrail Services	Tornillo	TX	Transload
Drake Enterprises	Tornillo	TX	2:1
American Plant Food Co	Tyler	TX	2:1
Bonar Packaging	Tyler	TX	2:1
Cameron Ashley Building Products	Tyler	TX	2:1
Jewell Concrete Products	Tyler	TX	2:1
Kelly Springfield Tire	Tyler	TX	2:1
Sunbelt Cement	Tyler	TX	2:1
Transit Mix Concrete Material	Tyler	TX	2:1
Kamin Furniture	Victoria	TX	2:1
Cameron Ashley Building Products	Waco	TX	2:1
Central Forwarding Co	Waco	TX	2:1
Central Texas Iron Works	Waco	TX	2:1
Central Warehouse Co	Waco	TX	2:1
Certainteed	Waco	TX	2:1
Continental General Tire	Waco	TX	2:1
Equalizer	Waco	TX	Transload
Exporters & Traders Compress & Whse Co	Waco	TX	2:1
Fleetwood Homes	Waco	TX	2:1
Fleetwood Trailer Co	Waco	TX	2:1
Gross Yowell Lumber	Waco	TX	2:1
Gulf States Paper	Waco	TX	2:1
Jarvis Paris Murphy	Waco	TX	2:1
Jewell Concrete Products	Waco	TX	2:1
M Lipsitz	Waco	TX	2:1
M M Mars	Waco	TX	2:1
Metro Lumber Industries	Waco	TX	2:1
Mid State Beverage inc	Waco	TX	2:1
Owens Brockway	Waco	TX	2:1
Tejas Warehouse System	Waco	TX	2:1
Terra Nitrogen Corp (Terra Intl Inc)	Waco	TX	2:1
Vacant Facility (McCoys Bldg Supply Center)	Waco	TX	2:1
Veterans Administration	Waco	TX	2:1
Houston Shell & Concrete	Webster	TX	2:1
McCoys Bldg Supply Center	Webster	TX	2:1
Sunbelt Asphalt Materials	Webster	TX	2:1

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Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Custom House Manuvering Svcs	Ysleta	TX	2:1
Featherlite Building Products Corp	Ysleta	TX	2:1
International Paper, Container Div	Ysleta	TX	2:1
Rhinehart Oil	American Fork	UT	2:1
Alpine Transfer	Clearfield	UT	2:1
Americold	Clearfield	UT	2:1
Ashland Chemical	Clearfield	UT	2:1
Birmingham Bolt	Clearfield	UT	2:1
Bulkmatic Transport	Clearfield	UT	2:1
Del Monte Foods	Clearfield	UT	2:1
DSC Logistics	Clearfield	UT	2:1
Excel Mining	Clearfield	UT	2:1
FABPRO Oriented Polymers Inc	Clearfield	UT	2:1
Freeport Center	Clearfield	UT	2:1
Freeport Cold Storage	Clearfield	UT	2:1
Gatx Logistics	Clearfield	UT	2:1
Lifetime Products	Clearfield	UT	2:1
Malnove	Clearfield	UT	2:1
Naptech Inc	Clearfield	UT	2:1
Oborn Transfer & Storage	Clearfield	UT	2:1
Poli Twine	Clearfield	UT	2:1
Quintex	Clearfield	UT	2:1
Ryerson Son J T	Clearfield	UT	2:1
Tech Steel	Clearfield	UT	2:1
Thiokol	Clearfield	UT	2:1
Watkins Shepard	Clearfield	UT	2:1
Geneva Steel	Geneva	UT	2:1
LaRoche Industries	Geneva	UT	2:1
Pioneer Pipe	Geneva	UT	2:1
Western Pipe Coaters (c/o Geneva Steel)	Geneva	UT	2:1
Reilly Industries	Ironton	UT	2:1
Great Salt Lake Minerals	Little Mountain	UT	2:1
Kennecott Utah Copper Corp	Magna	UT	2:1
Flying J Inc	North Salt Lake City	UT	2:1
Red Man Pipe & Supply Co	North Salt Lake City	UT	2:1
American Nutrition	Ogden	UT	2:1
Atlas Steel	Ogden	UT	2:1
Cache Commodities DRGW	Ogden	UT	2:1
Cargill Flour Milling	Ogden	UT	2:1
Cargill Nutrena Feeds	Ogden	UT	2:1
Cereal Food Processors	Ogden	UT	2:1
David Grant Trucking Inc	Ogden	UT	Transload
Defense Depot	Ogden	UT	2:1
Durbano Metals	Ogden	UT	2:1
Dyce Chemical Ind	Ogden	UT	2:1
Great Salt Lake Minerals	Ogden	UT	2:1
Harsac	Ogden	UT	2:1
Kimberly Clark	Ogden	UT	2:1
Koch Agri Services West	Ogden	UT	2:1
L Bloom & Sons	Ogden	UT	2:1
McNabb Grain	Ogden	UT	2:1
Nutrena Feed	Ogden	UT	2:1
Transwood Incorporated	Ogden	UT	Transload
Wasatch Distributing	Ogden	UT	2:1
Western Gateway Storage	Ogden	UT	2:1
Pipe Fabricating	Pioneer	UT	2:1
A Y Building Supply	Provo	UT	2:1
Atlas Steel	Provo	UT	2:1
Big Four Distributing	Provo	UT	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Pacific States Cast Iron Pipe	Provo	UT	2:1
Pitt Des Moines (PDM)	Provo	UT	2:1
A K Railroad Materials	Salt Lake City	UT	2:1
Alta Industries	Salt Lake City	UT	2:1
American Excelsior	Salt Lake City	UT	2:1
Amerigas Propane Lp	Salt Lake City	UT	2:1
Amoco Oil	Salt Lake City	UT	2:1
Asphalt Systems Inc	Salt Lake City	UT	2:1
Associated Food Stores	Salt Lake City	UT	2:1
Atlas Steel Inc	Salt Lake City	UT	2:1
Baker Hughes Inteq	Salt Lake City	UT	2:1
Bee Hive Brick	Salt Lake City	UT	2:1
Benergy dba Star Carbon Divn	Salt Lake City	UT	2:1
Border Steel	Salt Lake City	UT	2:1
Bruce Transfer & Storage	Salt Lake City	UT	2:1
Capitol Lumber	Salt Lake City	UT	2:1
Cenex Land O Lakes	Salt Lake City	UT	2:1
Cereal Food Processors	Salt Lake City	UT	2:1
Certified Warehouse Transfer	Salt Lake City	UT	2:1
Chevron Products	Salt Lake City	UT	2:1
Chris & Dicks Lbr & Hardware	Salt Lake City	UT	2:1
Church Of Jesus Christ LDS	Salt Lake City	UT	2:1
Conoco Inc	Salt Lake City	UT	2:1
Corp Of The President (LDS Church)	Salt Lake City	UT	2:1
Corporation Of The Presiding	Salt Lake City	UT	2:1
Crawford Door Sales	Salt Lake City	UT	2:1
Crus Distributing	Salt Lake City	UT	2:1
E F Mariani	Salt Lake City	UT	Transload
Eaton Metal Products	Salt Lake City	UT	2:1
Eimco Process Equipment	Salt Lake City	UT	2:1
Engelhard	Salt Lake City	UT	2:1
Farwest Steel	Salt Lake City	UT	2:1
General Distributing	Salt Lake City	UT	2:1
General Felt Industries	Salt Lake City	UT	2:1
Great Western Chemical	Salt Lake City	UT	2:1
Harrington Trucking Inc	Salt Lake City	UT	Transload
Hill Brothers Chemical	Salt Lake City	UT	2:1
Holnam	Salt Lake City	UT	2:1
Liquid Sugars	Salt Lake City	UT	2:1
Mark Steel (W 200)	Salt Lake City	UT	2:1
Marmon Keystone	Salt Lake City	UT	2:1
May Foundry	Salt Lake City	UT	2:1
Metro Group Inc	Salt Lake City	UT	2:1
Mountain Cement	Salt Lake City	UT	2:1
Nalco Chemical	Salt Lake City	UT	2:1
Newspaper Agency	Salt Lake City	UT	2:1
Pacific Steel	Salt Lake City	UT	2:1
Packaging Corp of America	Salt Lake City	UT	2:1
Pax	Salt Lake City	UT	2:1
Peerless Oil	Salt Lake City	UT	2:1
Petrolane	Salt Lake City	UT	2:1
Pioneer Wholesale Supply Inc	Salt Lake City	UT	2:1
Resource Net (aka Western Paper Co)	Salt Lake City	UT	2:1
Salt Lake Auto Auction	Salt Lake City	UT	2:1
Semling Menke	Salt Lake City	UT	2:1
Smurfit Stone Container Corp	Salt Lake City	UT	2:1
Specialized Rail Service	Salt Lake City	UT	Transload
Sport Court	Salt Lake City	UT	2:1
Steelco	Salt Lake City	UT	2:1

UP/SP Served Facilities Accessed By BNSF
Other Than As A Result Of "50/50 Line" Agreement

Customer	Station	State	Status
Sutherland Lumber	Salt Lake City	UT	2:1
Terminal Freight Handling	Salt Lake City	UT	2:1
Thatcher Company	Salt Lake City	UT	2:1
Transwood	Salt Lake City	UT	Transload
United States Postal Service	Salt Lake City	UT	2:1
United States Welding	Salt Lake City	UT	2:1
Utah Barrel	Salt Lake City	UT	2:1
Utah Metal Works	Salt Lake City	UT	2:1
Utah Paper Box	Salt Lake City	UT	2:1
Valley Steel Processing Inc	Salt Lake City	UT	2:1
Van Water Rogers	Salt Lake City	UT	2:1
Westinghouse Electric Co	Salt Lake City	UT	2:1
Weyerhaeuser (Matl Dist)	Salt Lake City	UT	2:1
Weyerhaeuser (Recycling)	Salt Lake City	UT	2:1
Wholesale Stationers Corp	Salt Lake City	UT	2:1
Wholesale Transfer & Whse	Salt Lake City	UT	2:1
Inland Refining Inc	Woods Cross	UT	2:1
Koch Performance Asphalt Co	Woods Cross	UT	2:1
Peak Profile	Woods Cross	UT	2:1
Phillips 66W	Woods Cross	UT	2:1

"2-To-1" Points Where UP Has Advised BNSF Has Access To "All Customers"

Customer	Station	State	Status
All Customers	Altamont	CA	2:1
All Customers	Hearst	CA	2:1
All Customers	Livermore	CA	2:1
All Customers	Midway	CA	2:1
All Customers	Niles Jct	CA	2:1
All Customers	Pleasanton	CA	2:1
All Customers	Radum	CA	2:1
All Customers	Trevarno	CA	2:1
All Customers	Alazon	NV	2:1
All Customers	Barth	NV	2:1
All Customers	Beowawe	NV	2:1
All Customers	Carlin	NV	2:1
All Customers	Coin	NV	2:1
All Customers	Deeth	NV	2:1
All Customers	Dunphy	NV	2:1
All Customers	Elburz	NV	2:1
All Customers	Elko	NV	2:1
All Customers	Ellison	NV	2:1
All Customers	Golconda	NV	2:1
All Customers	Hunter	NV	2:1
All Customers	Jayhawk	NV	2:1
All Customers	Kampos	NV	2:1
All Customers	Knight	NV	2:1
All Customers	Nardi	NV	2:1
All Customers	Pardo	NV	2:1
All Customers	Rasid	NV	2:1
All Customers	Redhouse	NV	2:1
All Customers	Rennox	NV	2:1
All Customers	Russells	NV	2:1
All Customers	Ryndon	NV	2:1
All Customers	Tulasco	NV	2:1
All Customers	Weso	NV	2:1
All Customers	Buford	TX	2:1
All Customers	Clint	TX	2:1
All Customers	Dickinson	TX	2:1
All Customers	Dumont	TX	2:1
All Customers	Fabens	TX	2:1
All Customers	Fondren	TX	2:1
All Customers	Ft Hancock	TX	2:1
All Customers	Genoa	TX	2:1
All Customers	Great Southwest	TX	2:1
All Customers	Gypsum Spur	TX	2:1
All Customers	Hulen Park	TX	2:1
All Customers	Iser	TX	2:1
All Customers	La Marque	TX	2:1
All Customers	League City	TX	2:1
All Customers	McDonough	TX	2:1
All Customers	McNary	TX	2:1
All Customers	Olcott	TX	2:1
All Customers	Sierra Blanca	TX	2:1
All Customers	Texas City Jct	TX	2:1
All Customers	Tornillo	TX	2:1
All Customers	Webster	TX	2:1
All Customers	Ysleta	TX	2:1

Customers Accessed By BNSF Directly
On Lines Purchased As A Result Of The UP/SP Merger

Customer	Station	State	Status
Baroid Corp	Berwick	LA	Direct
Ico Tubular	Boeuf	LA	Direct
J Ray McDermott	Boeuf	LA	Direct
M I Drilling Fluids	Boeuf	LA	Direct
Pipe Distributors	Boeuf	LA	Direct
Tuboscope Vetco International	Boeuf	LA	Direct
Monsanto Co	Boutte	LA	Direct
Anchor Drilling Fluids USA Inc	Cade	LA	Direct
J & L Cameco Honiron Div	Jeanerette	LA	Direct
Lafayette Power Plant	Lafayette	LA	Direct
Broussard Rice Mill Inc	Mermentau	LA	Direct
Environmental Treatment Team	Morgan City	LA	Direct
Patterson Truck Lines	Morgan City	LA	Direct
Port of Morgan City	Morgan City	LA	Direct
Tenneco	Morgan City	LA	Direct
Tuboscope	Morgan City	LA	Direct
Texaco Inc	Paradis	LA	Direct

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Continental Grain Corp	Danville	AR	LRWN	2:1 SL
Green Bay Pkg Inc Ark Kraft Div	Danville	AR	LRWN	2:1 SL
Wayne Poultry & Feed (Div Continental Grain)	Danville	AR	LRWN	2:1 SL
American Fiber Industries	Little Rock	AR	LRPA	2:1 SL
Ben E Keith of Arkansas	Little Rock	AR	LRPA	2:1 SL
Best Foods Div CPC Intl Inc	Little Rock	AR	LRPA	2:1 SL
Democrat Printing & Lithographing Co	Little Rock	AR	LRPA	2:1 SL
G E Appliances	Little Rock	AR	LRPA	2:1 SL
Interstate Highway Sign Co	Little Rock	AR	LRPA	2:1 SL
Little Rock Distributing	Little Rock	AR	LRPA	2:1 SL
Logistics Services Inc. (LSI)	Little Rock	AR	LRPA	2:1 SL
Logistics Svcs Inc (LSI) (Ryan Walsh Inc)	Little Rock	AR	LRPA	2:1 SL
National By Products	Little Rock	AR	LRPA	2:1 SL
Oneal Steel Inc.	Little Rock	AR	LRPA	2:1 SL
Pind Supply Inc	Little Rock	AR	LRPA	2:1 SL
Recycle America	Little Rock	AR	LRPA	2:1 SL
River Cement	Little Rock	AR	LRPA	2:1 SL
Safety Kleen	Little Rock	AR	LRPA	2:1 SL
Schick Steel	Little Rock	AR	LRPA	2:1 SL
Schueck Steel	Little Rock	AR	LRPA	2:1 SL
Sloane, George Fischer Mfg Co Inc	Little Rock	AR	LRPA	2:1 SL
Southern Bldg Products	Little Rock	AR	LRPA	2:1 SL
Southern Scrap	Little Rock	AR	LRPA	2:1 SL
Southland Products	Little Rock	AR	LRPA	2:1 SL
Vincent Metals Div Rio Algom Inc	Little Rock	AR	LRPA	2:1 SL
Vinyl Building Products	Little Rock	AR	LRPA	2:1 SL
Wheatland Tube - Omega Div	Little Rock	AR	LRPA	2:1 SL
Deltic Timber Corp	Ola	AR	LRWN	2:1 SL
Ameri Gas	Perry	AR	LRWN	2:1 SL
Green Bay Packaging Inc Arkansas Kraft Div	Perry	AR	LRWN	2:1 SL
Collins Pine	Chester	CA	AL	2:1 SL
Riviana Food Inc	Abbeville	LA	LDRR	2:1 SL
Cargill Salt	Baldwin	LA	LDRR	2:1 SL
Morton Salt	Baldwin	LA	LDRR	2:1 SL
Twin Bros Marine	Baldwin	LA	LDRR	2:1 SL
Cabot Corp	Bayou Sale	LA	LDRR	2:1 SL
Columbian Chemicals Co	Bayou Sale	LA	LDRR	2:1 SL
Enterprise Products	Breaux Bridge	LA	LDRR	2:1 SL
Helena Chemical Co	Bunkie	LA	AKDN	2:1 SL
Acadiana Scrap Salvage	Crowley	LA	AKDN	2:1 SL
Falcon Rice Mill	Crowley	LA	AKDN	2:1 SL
Francis Drilling Fluids Ltd	Crowley	LA	AKDN	2:1 SL
G & H Seed	Crowley	LA	AKDN	2:1 SL
Helena Chemical	Crowley	LA	AKDN	2:1 SL
Krielow Bros	Crowley	LA	AKDN	2:1 SL
Liq Quick Fertilizer	Crowley	LA	AKDN	2:1 SL
Riceland Foods (ADM)	Crowley	LA	AKDN	2:1 SL
Southwest Rice Mill	Crowley	LA	AKDN	2:1 SL
Southwest Rice Mill	Crowley	LA	AKDN	2:1 SL
Supreme Rice Mill Inc	Crowley	LA	AKDN	2:1 SL
International Paper Co	Elks	LA	LDRR	2:1 SL
C & E Supply	Eunice	LA	AKDN	2:1 SL
Mowata Farm Supply	Eunice	LA	AKDN	2:1 SL
Rice Co of Eunice	Eunice	LA	AKDN	2:1 SL
Miller Brands	Harahan	LA	NOPB	2:1 SL
Ribelin Distribution Inc	Harahan	LA	NOPB	2:1 SL
Lincoln Big Three	Harvey	LA	NOPB	2:1 SL
M I Drilling Fluids Co	Harvey	LA	NOPB	2:1 SL
Shield Coat Inc	Houma	LA	LDRR	2:1 SL
Cajun Distributing	Jefferson	LA	NOPB	2:1 SL
Distron	Jefferson	LA	NOPB	2:1 SL

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Liberty Rice	Kaplan	LA	LDRR	2:1 SL
Transoceanic Shipping/ Intl Export Packers of La	Kenner	LA	NOPB	2:1 SL
A & E Scrap Materials Inc	Lafayette	LA	LDRR	2:1 SL
American Manufacturing	Lafayette	LA	LDRR	2:1 SL
Branch Warehouse	Lafayette	LA	LDRR	2:1 SL
Catalyst Recovery	Lafayette	LA	LDRR	2:1 SL
Chastant Brothers Inc	Lafayette	LA	LDRR	2:1 SL
Elks Concrete Products	Lafayette	LA	LDRR	2:1 SL
Halliburton	Lafayette	LA	LDRR	2:1 SL
Lafayette Distributors	Lafayette	LA	LDRR	2:1 SL
Louisiana Sw Scrap & Salvage	Lafayette	LA	LDRR	2:1 SL
Mike Baker Brick Co	Lafayette	LA	LDRR	2:1 SL
Northpark Industrial Park	Lafayette	LA	LDRR	2:1 SL
Oneal Steel Inc	Lafayette	LA	LDRR	2:1 SL
OSCA Inc	Lafayette	LA	LDRR	2:1 SL
Quality Brands Inc	Lafayette	LA	LDRR	2:1 SL
Schilling Distributing Co Inc	Lafayette	LA	LDRR	2:1 SL
Lockport Thermostats	Lockport	LA	LDRR	2:1 SL
Nicolas Paper	Lockport	LA	LDRR	2:1 SL
Olin	Lockport	LA	LDRR	2:1 SL
Raceland Sugar	Lockport	LA	LDRR	2:1 SL
Allen Tank	New Iberia	LA	LDRR	2:1 SL
Ambar Inc	New Iberia	LA	LDRR	2:1 SL
Bayou Pipe Coating	New Iberia	LA	LDRR	2:1 SL
Carbo Ceramics	New Iberia	LA	LDRR	2:1 SL
Coastal Chemical	New Iberia	LA	LDRR	2:1 SL
Coastal Timbers	New Iberia	LA	LDRR	2:1 SL
Creole Fermentation	New Iberia	LA	LDRR	2:1 SL
Degussa Carbon Black Corp	New Iberia	LA	LDRR	2:1 SL
Iberia Sugar	New Iberia	LA	LDRR	2:1 SL
Iberia Threading	New Iberia	LA	LDRR	2:1 SL
Liberty Connell	New Iberia	LA	LDRR	2:1 SL
Olin	New Iberia	LA	LDRR	2:1 SL
Premiere Casing	New Iberia	LA	LDRR	2:1 SL
A To Z Paper Co	New Orleans	LA	NOPB	2:1 SL
Advance Paper Co Janitorial	New Orleans	LA	NOPB	2:1 SL
Baroid Sales Co (Nl Ind)	New Orleans	LA	NOPB	2:1 SL
Barriere Construction Co	New Orleans	LA	NOPB	2:1 SL
Better Boxing	New Orleans	LA	NOPB	2:1 SL
Bourg Wilson Lbr & Bldg Inc	New Orleans	LA	NOPB	2:1 SL
Bubbas Produce	New Orleans	LA	NOPB	2:1 SL
Bulk Materials Transfer	New Orleans	LA	NOPB	2:1 SL
Cargill	New Orleans	LA	NOPB	2:1 SL
Citadel Cement/ Laforest Co	New Orleans	LA	NOPB	2:1 SL
Crown Oil Chemical	New Orleans	LA	NOPB	2:1 SL
Dbi R Equine Feed Supply	New Orleans	LA	NOPB	2:1 SL
Deavo Lime Pellican Divn	New Orleans	LA	NOPB	2:1 SL
Depuy Stg & Fwd	New Orleans	LA	NOPB	2:1 SL
Dravo Basic Materials	New Orleans	LA	NOPB	2:1 SL
Equitable Shipyards	New Orleans	LA	NOPB	2:1 SL
Gats Masonry	New Orleans	LA	NOPB	2:1 SL
Glazer Steel and Aluminum	New Orleans	LA	NOPB	2:1 SL
Halter Marine	New Orleans	LA	NOPB	2:1 SL
Holnam	New Orleans	LA	NOPB	2:1 SL
Horizon Intl	New Orleans	LA	NOPB	2:1 SL
Hug Condon & Mayflower Moving & Storing	New Orleans	LA	NOPB	2:1 SL
Lane & Co	New Orleans	LA	NOPB	2:1 SL
Lengsfield Bros - Lengsfield Pkg	New Orleans	LA	NOPB	2:1 SL
Levitz Furniture	New Orleans	LA	NOPB	2:1 SL
Liquid Sugars Inc	New Orleans	LA	NOPB	2:1 SL
Marzoni & Associates	New Orleans	LA	NOPB	2:1 SL
Missionary Expediters Inc	New Orleans	LA	NOPB	2:1 SL

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Namasco	New Orleans	LA	NOPB	2:1 SL
Neeb Kearney Inc	New Orleans	LA	NOPB	2:1 SL
New Orleans Cold Storage	New Orleans	LA	NOPB	2:1 SL
New Orleans Distribution	New Orleans	LA	NOPB	2:1 SL
New Orleans Marine Cont	New Orleans	LA	NOPB	2:1 SL
New Orleans Metal Works	New Orleans	LA	NOPB	2:1 SL
North Star Steel Co	New Orleans	LA	NOPB	2:1 SL
Orleans Matls Equiptment Co	New Orleans	LA	NOPB	2:1 SL
Patent Scaffolding	New Orleans	LA	NOPB	2:1 SL
Paulsen-Weber	New Orleans	LA	NOPB	2:1 SL
Pelican Paper	New Orleans	LA	NOPB	2:1 SL
Pelican Tomato Co	New Orleans	LA	NOPB	2:1 SL
Pennzoil Products	New Orleans	LA	NOPB	2:1 SL
Plymouth Cordage	New Orleans	LA	NOPB	2:1 SL
Plywood Panels	New Orleans	LA	NOPB	2:1 SL
Pontchartrain Matl Corp	New Orleans	LA	NOPB	2:1 SL
Port Cargo Service	New Orleans	LA	NOPB	2:1 SL
Public Bulk Terminal	New Orleans	LA	NOPB	2:1 SL
Puerto Rican Marine Mgt	New Orleans	LA	NOPB	2:1 SL
Reily Chemical Co	New Orleans	LA	NOPB	2:1 SL
Reily Wm B - Blue Plate Fine Foods	New Orleans	LA	NOPB	2:1 SL
Ribelen Sales Inc	New Orleans	LA	NOPB	2:1 SL
Rippner Inc	New Orleans	LA	NOPB	2:1 SL
Ryan Timber Co	New Orleans	LA	NOPB	2:1 SL
Sealand	New Orleans	LA	NOPB	2:1 SL
Second Harvester	New Orleans	LA	NOPB	2:1 SL
Sequoia Supply Inc	New Orleans	LA	NOPB	2:1 SL
Sewerage & Water Board of New Orleans	New Orleans	LA	NOPB	2:1 SL
Southeast Recycling	New Orleans	LA	NOPB	2:1 SL
Southern Scrap Matl Co	New Orleans	LA	NOPB	2:1 SL
Southern Steel & Aluminum	New Orleans	LA	NOPB	2:1 SL
Standard Coffee	New Orleans	LA	NOPB	2:1 SL
Tri Ro Pa Mills	New Orleans	LA	NOPB	2:1 SL
Triple E Transport Inc	New Orleans	LA	NOPB	2:1 SL
Turner Marine Bulk Inc	New Orleans	LA	NOPB	2:1 SL
US Army Corp of Engineering	New Orleans	LA	NOPB	2:1 SL
US Gypsum Co	New Orleans	LA	NOPB	2:1 SL
W R Grace	New Orleans	LA	NOPB	2:1 SL
Benhard Warehouse	Opelousas	LA	AKDN	2:1 SL
Cal-Chlor Inc	Opelousas	LA	AKDN	2:1 SL
Emick Prejean & Son Inc	Opelousas	LA	AKDN	2:1 SL
FMC	Opelousas	LA	AKDN	2:1 SL
Gaiennie Lumber	Opelousas	LA	AKDN	2:1 SL
James Corp of Opelousas	Opelousas	LA	AKDN	2:1 SL
Lou Ana Foods	Opelousas	LA	AKDN	2:1 SL
PMG Inc	Opelousas	LA	AKDN	2:1 SL
Prairie Construction Co	Opelousas	LA	AKDN	2:1 SL
Southwest Feed & Farm Supply	Opelousas	LA	AKDN	2:1 SL
Southwest Feed Farm	Opelousas	LA	AKDN	2:1 SL
Patout M A & Son Ltd	Patoutville	LA	LDRR	2:1 SL
Dufrene Building Materials Inc	Raceland	LA	LDRR	2:1 SL
Krielow Brothers	Roanoke	LA	AKDN	2:1 SL
Tri-State Delta Inc	Schriever	LA	LDRR	2:1 SL
Cabot Corp	Tate Cove	LA	AKDN	2:1 SL
National Beverage	Thibodaux	LA	LDRR	2:1 SL
Evangeline Farmers Coop	Ville Platte	LA	AKDN	2:1 SL
Union Tank Car	Ville Platte	LA	AKDN	2:1 SL
BHP Copper	Riepetown	NV	BHP	2:1 SL
Agua Dulce Grain Co	Agua Dulce	TX	TM	2:1 SL
Agua Dulce Co-op	Agua Dulce	TX	TM	2:1 SL
Barr Iron & Metal	Alice	TX	TM	2:1 SL
Bell Processing	Alice	TX	TM	2:1 SL

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Dowell Schlumberger Inc	Alice	TX	TM	2:1 SL
Halliburton Energy Svc	Alice	TX	TM	2:1 SL
Hammock Distribution	Alice	TX	TM	2:1 SL
Milchem	Alice	TX	TM	2:1 SL
Santrol	Alice	TX	TM	2:1 SL
Tetra Oil & Gas Svc	Alice	TX	TM	2:1 SL
Tetra Services Inc	Alice	TX	TM	2:1 SL
Titan Services	Alice	TX	TM	2:1 SL
Western	Alice	TX	TM	2:1 SL
ABC Supply	Austin	TX	AUAR	2:1 SL
Acco Waste Paper	Austin	TX	AUAR	2:1 SL
Alar Distribution	Austin	TX	AUAR	2:1 SL
Alliant Foodservice	Austin	TX	AUAR	2:1 SL
Austin Steam Train Assn	Austin	TX	AUAR	2:1 SL
Bison Warehouse & Distribution	Austin	TX	AUAR	2:1 SL
Boonesborough Inc	Austin	TX	AUAR	2:1 SL
Brown Dist	Austin	TX	AUAR	2:1 SL
Capital Beverage	Austin	TX	AUAR	2:1 SL
Foxworth - Galbraith	Austin	TX	AUAR	2:1 SL
Huntsman Chemical Corp	Austin	TX	AUAR	2:1 SL
J Pinelli Corp	Austin	TX	AUAR	2:1 SL
Kraft Food Service	Austin	TX	AUAR	2:1 SL
Quartermaster Logistics, LLP	Austin	TX	AUAR	2:1 SL
Shiner	Austin	TX	AUAR	2:1 SL
Warren Furniture	Austin	TX	AUAR	2:1 SL
Banquete Co-op	Banquete	TX	TM	2:1 SL
Banquete Grain & Elevator	Banquete	TX	TM	2:1 SL
McCoy Building Supply Center	Belton	TX	GRR	2:1 SL
Amfelt Inc	Brownsville	TX	BRG	2:1 SL
Anbel Corporation	Brownsville	TX	BRG	2:1 SL
Best Group Marine	Brownsville	TX	BRG	2:1 SL
Brownsville Navigation	Brownsville	TX	BRG	2:1 SL
Brownsville Refining	Brownsville	TX	BRG	2:1 SL
Carl & Carol Meyer	Brownsville	TX	BRG	2:1 SL
Chem USA Corp	Brownsville	TX	BRG	2:1 SL
Columbia Western Clay	Brownsville	TX	BRG	2:1 SL
Comercializadora Lajunta	Brownsville	TX	BRG	2:1 SL
Dix Industries Inc	Brownsville	TX	BRG	2:1 SL
Duropaper Bag Mfg	Brownsville	TX	BRG	2:1 SL
Elgo Internacional	Brownsville	TX	BRG	2:1 SL
Frontier Services	Brownsville	TX	BRG	2:1 SL
Galbreath Inc	Brownsville	TX	BRG	2:1 SL
Garva Corp	Brownsville	TX	BRG	2:1 SL
Global Stone Lc	Brownsville	TX	BRG	2:1 SL
Groendyke Transport	Brownsville	TX	BRG	2:1 SL
Gulf Facilities Inc	Brownsville	TX	BRG	2:1 SL
Gulf Stream Marine Of Brownsville	Brownsville	TX	BRG	2:1 SL
Gulmar Inc	Brownsville	TX	BRG	2:1 SL
Inter Transfer	Brownsville	TX	BRG	2:1 SL
Interlube Terminals	Brownsville	TX	BRG	2:1 SL
International Shipbreaking	Brownsville	TX	BRG	2:1 SL
International Stainless Steel	Brownsville	TX	BRG	2:1 SL
Itapco Border Terml	Brownsville	TX	BRG	2:1 SL
Itapco Bville Terml	Brownsville	TX	BRG	2:1 SL
Itapco Tejano Terml	Brownsville	TX	BRG	2:1 SL
John Houlihan	Brownsville	TX	BRG	2:1 SL
Liberty Engr Inc	Brownsville	TX	BRG	2:1 SL
Lower Valley Trans	Brownsville	TX	BRG	2:1 SL
Marine Scrap Corp	Brownsville	TX	BRG	2:1 SL
Oglebay Norton	Brownsville	TX	BRG	2:1 SL
Open Sesame Commodity	Brownsville	TX	BRG	2:1 SL
Penn Octane Corp	Brownsville	TX	BRG	2:1 SL

Customers Accessed By BNSF Located On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Petroliquids Terminal	Brownsville	TX	BRG	2:1 SL
Plitt Crane & Equipment Inc	Brownsville	TX	BRG	2:1 SL
Port Elevator-Brownsville	Brownsville	TX	BRG	2:1 SL
Port Of Brownsville	Brownsville	TX	BRG	2:1 SL
Quimica Fluor Sa	Brownsville	TX	BRG	2:1 SL
R M Walsdorf Co	Brownsville	TX	BRG	2:1 SL
Rio Plastics Inc	Brownsville	TX	BRG	2:1 SL
Roll & Hold	Brownsville	TX	BRG	2:1 SL
RR Maintenance & Constru	Brownsville	TX	BRG	2:1 SL
Sanco International Inc	Brownsville	TX	BRG	2:1 SL
Satellite I Inc	Brownsville	TX	BRG	2:1 SL
South Pacific Plywood Lumber	Brownsville	TX	BRG	2:1 SL
South Texas Grain	Brownsville	TX	BRG	2:1 SL
South Texas Grain (Tip O Tex Elevator)	Brownsville	TX	BRG	2:1 SL
Southwest Grain	Brownsville	TX	BRG	2:1 SL
STG Leasing Co	Brownsville	TX	BRG	2:1 SL
Texas International Ry	Brownsville	TX	BRG	2:1 SL
Transforma Marine	Brownsville	TX	BRG	2:1 SL
TransMontaigne Terminaling Inc	Brownsville	TX	BRG	2:1 SL
Trico Technologies Corp	Brownsville	TX	BRG	2:1 SL
Valley Warehousing	Brownsville	TX	BRG	2:1 SL
Hoover Building Supply	Burnet	TX	AUAR	2:1 SL
Pioneer Concrete of Tx Inc	Burnet	TX	AUAR	2:1 SL
Aimcor (Applied Industrial Materials)	Corpus Christi	TX	CCTR	2:1 SL
Alamo Concrete Products Limited	Corpus Christi	TX	TM	2:1 SL
Alford Refrigerated Whse	Corpus Christi	TX	TM	2:1 SL
Andrews Distributing Company Inc	Corpus Christi	TX	TM	2:1 SL
Atlas Iron & Metal Company	Corpus Christi	TX	TM	2:1 SL
Auto Warehousing Co	Corpus Christi	TX	CCTR	2:1 SL
Baker Hughes Inteq	Corpus Christi	TX	TM	2:1 SL
Barnup & Simms of Texas Inc	Corpus Christi	TX	TM	2:1 SL
BFI Waste Systems	Corpus Christi	TX	TM	2:1 SL
Big Three Welding Co	Corpus Christi	TX	TM	2:1 SL
Block Distributing Company	Corpus Christi	TX	TM	2:1 SL
Butt H E Grocery	Corpus Christi	TX	TM	2:1 SL
City Delivery Service & Storage	Corpus Christi	TX	TM	2:1 SL
Clemtex Inc	Corpus Christi	TX	TM	2:1 SL
Coastal Storage Inc	Corpus Christi	TX	TM	2:1 SL
Commercial Metals Company	Corpus Christi	TX	TM	2:1 SL
Coors Distributing Co of Corpus Christi	Corpus Christi	TX	TM	2:1 SL
Corpus Christi Disposal Service	Corpus Christi	TX	TM	2:1 SL
Corpus Christi Grain Co	Corpus Christi	TX	TM	2:1 SL
Corpus Christi Produce Co Inc	Corpus Christi	TX	TM	2:1 SL
Corpus Christi Public Compress	Corpus Christi	TX	CCTR	2:1 SL
Corpus Christi Public Elevator	Corpus Christi	TX	CCTR	2:1 SL
Corpus Christi Wholesale Mart	Corpus Christi	TX	TM	2:1 SL
Delta Steel Inc	Corpus Christi	TX	TM	2:1 SL
Dix-Fairway Terminals	Corpus Christi	TX	CCTR	2:1 SL
Farrell Cooper Mining	Corpus Christi	TX	CCTR	2:1 SL
Featherlite Building Products	Corpus Christi	TX	TM	2:1 SL
G N I Group (Disposal System)	Corpus Christi	TX	TM	2:1 SL
Griffin Industries	Corpus Christi	TX	TM	2:1 SL
Gulf Coast Bearing & Supply Co	Corpus Christi	TX	TM	2:1 SL
Gulf Compress	Corpus Christi	TX	UP/TM	2:1 SL
Gulf Concrete	Corpus Christi	TX	TM	2:1 SL
Gulf Iron Works	Corpus Christi	TX	TM	2:1 SL
Haas Anderson Construction Inc	Corpus Christi	TX	TM	2:1 SL
Hausman, Sam Meat Packer	Corpus Christi	TX	TM	2:1 SL
Hitox Corp	Corpus Christi	TX	CCTR	2:1 SL
Industrial Stainless & Alloys	Corpus Christi	TX	TM	2:1 SL
Ingram Readymix Inc	Corpus Christi	TX	TM	2:1 SL
Koch Material Co	Corpus Christi	TX	CCTR	2:1 SL

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
M G Building Materials Inc.	Corpus Christi	TX	TM	2:1 SL
Milwhite Company Inc	Corpus Christi	TX	CCTR	2:1 SL
Mineral Processing & Marketing	Corpus Christi	TX	TM	2:1 SL
National Sanitary Supply Company (Century Paper)	Corpus Christi	TX	TM	2:1 SL
Naylor Farm & Ranch Supply	Corpus Christi	TX	TM	2:1 SL
Omni Fluids Co	Corpus Christi	TX	TM	2:1 SL
Penland Distributing Co	Corpus Christi	TX	TM	2:1 SL
Port of Corpus Christi Authority	Corpus Christi	TX	CCTR	2:1 SL
Port of Corpus Christi Authority - Bulkmaterials Dock	Corpus Christi	TX	CCTR	2:1 SL
Ray West Warehouses Inc	Corpus Christi	TX	TM	2:1 SL
Safety Kleen Corporation	Corpus Christi	TX	TM	2:1 SL
Scholl Forest Industry Inc.	Corpus Christi	TX	CCTR	2:1 SL
Sears Roebuck & Co	Corpus Christi	TX	TM	2:1 SL
Skips Industrial Salvage	Corpus Christi	TX	TM	2:1 SL
South Texas Recycling Co	Corpus Christi	TX	TM	2:1 SL
Southeastern Public Service Co	Corpus Christi	TX	TM	2:1 SL
Star Fire Port Services Inc	Corpus Christi	TX	CCTR	2:1 SL
Sterett Supply Co	Corpus Christi	TX	TM	2:1 SL
Suniland Furniture Co	Corpus Christi	TX	TM	2:1 SL
Swiff-Train Company	Corpus Christi	TX	TM	2:1 SL
Texas Industries Inc. (TXI)	Corpus Christi	TX	TM	2:1 SL
Texas Lehigh Cement	Corpus Christi	TX	CCTR	2:1 SL
Thorpe Insulation Co (J. T. Thorpe Company)	Corpus Christi	TX	TM	2:1 SL
Timet	Corpus Christi	TX	CCTR	2:1 SL
United Masonry Supply Inc.	Corpus Christi	TX	TM	2:1 SL
Valls Shipping Company	Corpus Christi	TX	CCTR	2:1 SL
Van Waters & Rogers	Corpus Christi	TX	TM	2:1 SL
Vista Trading	Corpus Christi	TX	CCTR	2:1 SL
Wallace Co Inc	Corpus Christi	TX	TM	2:1 SL
Western Steel Co	Corpus Christi	TX	TM	2:1 SL
Wholesalers, Inc.	Corpus Christi	TX	TM	2:1 SL
Wuenche Grain & Elevator	Corpus Christi	TX	TM	2:1 SL
84 Lumber	Decker	TX	AUAR	2:1 SL
Acme Brick	Elgin	TX	AUAR	2:1 SL
Elgin Butler Brick	Elgin	TX	AUAR	2:1 SL
Elgin Warehousing Corp	Elgin	TX	AUAR	2:1 SL
Greenline Chemical Co	Elgin	TX	AUAR	2:1 SL
U S Brick	Elgin	TX	AUAR	2:1 SL
Valcones Recycling	Elgin	TX	AUAR	2:1 SL
Austin Powder Corp	Feld	TX	GRR	2:1 SL
Calcasieu Lumber Co	Feld	TX	GRR	2:1 SL
Dyno Nobel Mid America	Feld	TX	GRR	2:1 SL
Team Track Feld	Feld	TX	GRR	2:1 SL
Austin Marble	Georgetown	TX	GRR	2:1 SL
Hope Lumber Co	Georgetown	TX	GRR	2:1 SL
McCoy Lumber	Georgetown	TX	GRR	2:1 SL
Transit Mix Inc	Georgetown	TX	GRR	2:1 SL
Ambar Inc	Hebbronville	TX	TM	2:1 SL
Baker Hughes Inteq	Hebbronville	TX	TM	2:1 SL
M I Drilling Fluids Co	Hebbronville	TX	TM	2:1 SL
Brennan & Co	Laredo	TX	TM	2:1 SL
Caseo Guerra	Laredo	TX	TM	2:1 SL
Chemical Leaman	Laredo	TX	TM	2:1 SL
Continental Exim (G Bolano)	Laredo	TX	TM	2:1 SL
Despachos del Norte	Laredo	TX	TM	2:1 SL
Fernando Garcia Whse	Laredo	TX	TM	2:1 SL
Flores R L	Laredo	TX	TM	2:1 SL
Galveston Paper Inc	Laredo	TX	TM	2:1 SL
Gateway Transfer	Laredo	TX	TM	2:1 SL
J O Alvarez CHB	Laredo	TX	TM	2:1 SL
Laredo Moving & Storage	Laredo	TX	TM	2:1 SL
MB Forwarding	Laredo	TX	TM	2:1 SL

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Mesa Processing	Laredo	TX	TM	2:1 SL
Milwhite Inc	Laredo	TX	TM	2:1 SL
Pasquel Hermanos	Laredo	TX	TM	2:1 SL
Texas Intl Forwarding	Laredo	TX	TM	2:1 SL
Cactus Canyon Quarries Inc	Marble Falls	TX	LHRR	2:1 SL
Capitol Aggregates (Delta)	Marble Falls	TX	LHRR	2:1 SL
Chemical Lime	Marble Falls	TX	LHRR	2:1 SL
J M Huber	Marble Falls	TX	LHRR	2:1 SL
Texas Granite	Marble Falls	TX	LHRR	2:1 SL
Abbott Labs	McNeil	TX	AUAR	2:1 SL
Austin White Lime Company	McNeil	TX	AUAR	2:1 SL
Guthrie Lumber	McNeil	TX	AUAR	2:1 SL
J H Supply	McNeil	TX	AUAR	2:1 SL
Anglo Iron & Metal	Port of Brownsville	TX	BRG	2:1 SL
Brownsville Gulfside Warehouse	Port of Brownsville	TX	BRG	2:1 SL
Duro Bag	Port of Brownsville	TX	BRG	2:1 SL
Garva Corp	Port of Brownsville	TX	BRG	2:1 SL
Gulf Facilities Inc	Port of Brownsville	TX	BRG	2:1 SL
Gulmar Inc	Port of Brownsville	TX	BRG	2:1 SL
Schaefer Stevedoring	Port of Brownsville	TX	BRG	2:1 SL
STF Inc	Port of Brownsville	TX	BRG	2:1 SL
Texas Intl Rwy (Rail Transport Svcs)	Port of Brownsville	TX	BRG	2:1 SL
Union Carbide	Port of Brownsville	TX	BRG	2:1 SL
Westway Terminal (Trading)	Port of Brownsville	TX	BRG	2:1 SL
Wright Materials Inc	Robstown	TX	TM	2:1 SL
Calcasieu Lumber Company	Round Rock	TX	GRR	2:1 SL
Alar Distribution	Scobee	TX	AUAR	2:1 SL
Capital Beverage	Scobee	TX	AUAR	2:1 SL
Foxworth - Galbraith	Scobee	TX	AUAR	2:1 SL
McCoy Corp	Scobee	TX	AUAR	2:1 SL
Top Dollar Cement	Weir	TX	GRR	2:1 SL
Boise Cascade	City Limits	UT	SLGW	2:1 SL
Certified Warehouse	City Limits	UT	SLGW	2:1 SL
Comstar International	City Limits	UT	SLGW	2:1 SL
National Distribution	City Limits	UT	SLGW	2:1 SL
Pacific Cold Storage	City Limits	UT	SLGW	2:1 SL
Sauder Woodworking	City Limits	UT	SLGW	2:1 SL
Pacificorp	Gadsby	UT	SLGW	2:1 SL
Butterfield Bldg Matl (Lumber)	Midvale	UT	SL	2:1 SL
Amalgamated Sugar Co LLC	Ogden	UT	UCRY	2:1 SL
BMC West	Ogden	UT	UCRY	2:1 SL
Infiltrator Systems	Ogden	UT	UCRY	2:1 SL
Intermountain Grain	Ogden	UT	UCRY	2:1 SL
Pioneer Door Sales	Ogden	UT	UCRY	2:1 SL
Centennial Gas Liquids	Ogden Sugar Works	UT	UCRY	2:1 SL
Larkin Cattle Co	Ogden Sugar Works	UT	UCRY	2:1 SL
McFarland Cascade Corp	Ogden Sugar Works	UT	UCRY	2:1 SL
Northwest Trading Co	Ogden Sugar Works	UT	UCRY	2:1 SL
Round Butte Products	Ogden Sugar Works	UT	UCRY	2:1 SL
Trinity Industries inc	Ogden Sugar Works	UT	UCRY	2:1 SL
Constar International	Salt Lake City	UT	SLGW	2:1 SL
Dunn Oil Company	Salt Lake City	UT	SL	2:1 SL
Georgia Pacific Corp	Salt Lake City	UT	SL	2:1 SL
Henderson Wheel & Whse Supply	Salt Lake City	UT	SL	2:1 SL
Hudson Printing Blaire	Salt Lake City	UT	SL	2:1 SL
Intermountain Furniture	Salt Lake City	UT	SL	2:1 SL
Intermountain Lumber Co	Salt Lake City	UT	SL	2:1 SL
Mountain Fuel Supply	Salt Lake City	UT	SLGW	2:1 SL
Pacific Cold Storage	Salt Lake City	UT	SLGW	2:1 SL
Pacificorp	Salt Lake City	UT	SLGW	2:1 SL
Sears Roebuck & Co	Salt Lake City	UT	SL	2:1 SL
Standard Builders Supply	Salt Lake City	UT	SL	2:1 SL

Customers Accessed By BNSF Located
On "2-To-1" Shortlines/Regional Carriers

Customer	Station	State	Serving Carrier	Status
Utah State Board Education	Salt Lake City	UT	SLGW	2:1 SL
Valley Oil Transportation	Salt Lake City	UT	SLGW	2:1 SL
Wasatch Metal Salvage	Salt Lake City	UT	SL	2:1 SL
Wasatch Shippers	Salt Lake City	UT	SL	2:1 SL

UP/SP Customers Accessed By BNSF
As A Result Of The '98 "50/50 Line Agreement"

Customer	Station	State	Status
Trailer Marine Transport Corp	Harbor	LA	98 Agreement
City of Lafayette	Lafayette	LA	98 Agreement
Conco Food Distributors	Lafayette	LA	98 Agreement
Butcher Distributors Inc	Lake Charles	LA	98 Agreement
East Lake Oil Inc/Eastlake Oils	Lake Charles	LA	98 Agreement
Milpark Drilling Fluids (Baker Hughes)	Lake Charles	LA	98 Agreement
Spartech Polycom	Lake Charles	LA	98 Agreement
Transit Mix Concrete & Matl Co of LA	Lake Charles	LA	98 Agreement
Century Steps Inc, Sulphur Div	Sulphur	LA	98 Agreement
Entergy Inc/Gulf States Utilities	Sulphur	LA	98 Agreement
B W Services	West Lake	LA	98 Agreement
Certainteed Corp	West Lake	LA	98 Agreement
Port of Lake Charles Bulk Terminal 1	West Lake Charles	LA	98 Agreement
Betz Dearborn Hydrocarbon	Amelia	TX	98 Agreement
Doguet Rice Milling Co	Amelia	TX	98 Agreement
Koppers Ind	Amelia	TX	98 Agreement
Pipe Distributors	Amelia	TX	98 Agreement
Huntsman Petrochemical Corp	Audrey	TX	98 Agreement
Sunbelt Works Inc	Audrey	TX	98 Agreement
Inman Service Co	Baytown	TX	98 Agreement
International Group Inc	Baytown	TX	98 Agreement
Baxter Oil Co	Beaumont	TX	98 Agreement
Beaumont Brick & Stone	Beaumont	TX	98 Agreement
Beaumont Rice Mills Inc	Beaumont	TX	98 Agreement
Burris Transfer & Storage	Beaumont	TX	98 Agreement
Cargill Steel & Wire	Beaumont	TX	98 Agreement
Chevron Chemical	Beaumont	TX	98 Agreement
Continental Grain Co	Beaumont	TX	98 Agreement
Cowboy Concrete	Beaumont	TX	98 Agreement
Eastex Farm & Home	Beaumont	TX	98 Agreement
Equistar Chemicals LP	Beaumont	TX	98 Agreement
Giglio Distributing Co	Beaumont	TX	98 Agreement
Gilchrist Polymer Center	Beaumont	TX	98 Agreement
L D Construction	Beaumont	TX	98 Agreement
Mobil Chemical, Petrochemical Div	Beaumont	TX	98 Agreement
National Concrete Products Inc	Beaumont	TX	98 Agreement
Port of Beaumont	Beaumont	TX	98 Agreement
Ritter Lumber Co	Beaumont	TX	98 Agreement
Sampson Steel Corp	Beaumont	TX	98 Agreement
Southern Iron & Metal Co	Beaumont	TX	98 Agreement
Transit Mix Concrete & Matl (Dollinger)	Beaumont	TX	98 Agreement
Transit Mix Concrete & Matl (Longhorn Rd)	Beaumont	TX	98 Agreement
Wilson Warehouse Co	Beaumont	TX	98 Agreement
Gulf States Utilities	Bobsher	TX	98 Agreement
A & A Fertilizer	Chaison	TX	98 Agreement
Chemical Waste Management	Chaison	TX	98 Agreement
Econo Rail Corp	Chaison	TX	98 Agreement
Elf Atochem North America	Chaison	TX	98 Agreement
Martin Gas Sales Inc	Chaison	TX	98 Agreement
Mobil Chemical Specialty (Mobil Oil Corp)	Chaison	TX	98 Agreement
Neches Industrial Park	Chaison	TX	98 Agreement
Olin Corp	Chaison	TX	98 Agreement
Poly Glycol (Oxychem)	Chaison	TX	98 Agreement
R J Gallagher Co	Chaison	TX	98 Agreement
Transit Mix Concrete & Matl (South Plant)	Chaison	TX	98 Agreement
Entergy Services	China	TX	98 Agreement
Wedco Inc	China	TX	98 Agreement
Trinity Industries Inc	Connell	TX	98 Agreement

UP/SP Customers Accessed By BNSF
As A Result Of The '98 "50/50 Line Agreement"

Customer	Station	State	Status
A to Z Terminal Corp	Crosby	TX	98 Agreement
Enfab Industries Inc	Crosby	TX	98 Agreement
KMCO Inc	Crosby	TX	98 Agreement
Seaberg Rice Co	Dayton	TX	98 Agreement
Trevor Boyce	Dayton	TX	98 Agreement
Amoco Chemical Co	Dayton SIT	TX	98 Agreement
Chevron Chemical Co	Dayton SIT	TX	98 Agreement
Dayton Plastic Storage	Dayton SIT	TX	98 Agreement
Exxon Chemical Americas	Dayton SIT	TX	98 Agreement
Fina Oil & Chemical Co	Dayton SIT	TX	98 Agreement
Millennium Petrochemicals Inc	Dayton SIT	TX	98 Agreement
Montell USA Inc	Dayton SIT	TX	98 Agreement
Phillips Chemical	Dayton SIT	TX	98 Agreement
Redland Stone Prod	Dayton SIT	TX	98 Agreement
Engineered Carbons (Div of Ameripol Synpol)	Echo	TX	98 Agreement
River Cement Co	Echo	TX	98 Agreement
Baychem International	Eldon	TX	98 Agreement
Engineered Carbons (Div of Ameripol Synpol)	Eldon	TX	98 Agreement
Houston Light & Power Co	Eldon	TX	98 Agreement
Progress Rail Service	Eldon	TX	98 Agreement
U S Ink	Eldon	TX	98 Agreement
G & G Enterprise	Francis	TX	98 Agreement
Transit Mix Concrete & Materials	Francis	TX	98 Agreement
Wilson Warehouse Co of Texas	Francis	TX	98 Agreement
X L Systems	Guffey	TX	98 Agreement
Houston Brick & Tile	Houston	TX	98 Agreement
Texas Steel Compressor	Houston	TX	98 Agreement
Tuboscope Vetco Intl	Houston	TX	98 Agreement
A & R Logistics	Houston (Fauna)	TX	98 Agreement
BMA / Sunrise Plastics	Houston (Fauna)	TX	98 Agreement
Tek Rap Inc	Houston (Fauna)	TX	98 Agreement
Horsehead Resource Development	Korf	TX	98 Agreement
North Star Steel Co	Korf	TX	98 Agreement
Liberty Forge Inc	Liberty	TX	98 Agreement
Mississippi Chemical	Liberty	TX	98 Agreement
Dynegy Inc	Mont Belvieu	TX	98 Agreement
Enterprise Products	Mont Belvieu	TX	98 Agreement
Ferrell North America	Mont Belvieu	TX	98 Agreement
Pol-Tex International	Mont Belvieu	TX	98 Agreement
Texas Eastern	Mont Belvieu	TX	98 Agreement
Ultramar Diamond Shamrock (Martin Gas)	Mont Belvieu	TX	98 Agreement
Dupont de Nemours, E I (marked whse)	Orange	TX	98 Agreement
Offshore Pipeline	Orange	TX	98 Agreement
Trinity Industries	Orange	TX	98 Agreement
Chevron	Port Arthur	TX	98 Agreement
City of Port Arthur	Port Arthur	TX	98 Agreement
Motiva Enterprises LLC	Port Arthur	TX	98 Agreement
Star Enterprise	Port Arthur	TX	98 Agreement
Transit Mix Concrete & Materials	Port Arthur	TX	98 Agreement
A & A Tubular Services Inc	Sheldon	TX	98 Agreement
Abitibi Consolidated, Inc.	Sheldon	TX	98 Agreement
Arrow Trucking Co	Sheldon	TX	98 Agreement
Baker Hughes Inteq	Sheldon	TX	98 Agreement
Champion Pipe & Supply	Sheldon	TX	98 Agreement
Cypress Creek Pipe	Sheldon	TX	98 Agreement
Delta Tubular Processing	Sheldon	TX	98 Agreement
Donohue Recycling Corp	Sheldon	TX	98 Agreement
E L Farmer & Co	Sheldon	TX	98 Agreement
Evans Cooperage Co Inc	Sheldon	TX	98 Agreement

UP/SP Customers Accessed By BNSF
As A Result Of The '98 "50/50 Line Agreement"

Customer	Station	State	Status
Five Star Transportation	Sheldon	TX	98 Agreement
ICO Tubular Services	Sheldon	TX	98 Agreement
J D Fields & Co	Sheldon	TX	98 Agreement
LA Utilities	Sheldon	TX	98 Agreement
Luzenac America	Sheldon	TX	98 Agreement
Mandel Kahn Industries	Sheldon	TX	98 Agreement
North Star Steel of Houston	Sheldon	TX	98 Agreement
Premier Pipe Inc	Sheldon	TX	98 Agreement
Quality Trucking Inc	Sheldon	TX	98 Agreement
Quality Tubing Inc	Sheldon	TX	98 Agreement
Sheldon Pipe Yard	Sheldon	TX	98 Agreement
T K Pipe & Rail Inc	Sheldon	TX	98 Agreement
Tex Fab Inc	Sheldon	TX	98 Agreement
Texas Oilfield Pipe Svcs	Sheldon	TX	98 Agreement
Total Pipe Service Inc	Sheldon	TX	98 Agreement
Triad Transport Inc	Sheldon	TX	98 Agreement
Tuboscope Vetco Intl Inc	Sheldon	TX	98 Agreement
Turner Brothers Trucking Co	Sheldon	TX	98 Agreement
Uni Form Components	Sheldon	TX	98 Agreement
Union Tank Car	Sheldon	TX	98 Agreement
Venture Trucking	Sheldon	TX	98 Agreement
W M Dewey & Son Inc	Sheldon	TX	98 Agreement
Woodard Transportation	Sheldon	TX	98 Agreement
BASF Corp Ag Prod Div	Viterbo	TX	98 Agreement
County of Jefferson	Viterbo	TX	98 Agreement
Chevron Chemical Co	West Port Arthur	TX	98 Agreement
Clark Refining & Mktg	West Port Arthur	TX	98 Agreement
Gulf Maritime Whse Co	West Port Arthur	TX	98 Agreement
KM Tex/KM Co	West Port Arthur	TX	98 Agreement
L & L Oil Co Inc	West Port Arthur	TX	98 Agreement
Port of Port Arthur	West Port Arthur	TX	98 Agreement
Equistar (Millennium Petrochemical)	Williams	TX	98 Agreement

ATTACHMENT 14

Change in Revenue Per Ton-Mile (RTM) Values: Current Matrix Compared to Same Period Matrices of Prior Years

	First Quarter, 1999 Matrix to First Quarter, 2001 Matrix		First Quarter, 2000 Matrix to First Quarter, 2001 Matrix	
Cells with Decreasing RTM				
>10% Decrease	430	39.1%	252	19.9%
5-10% Decrease	86	7.8%	212	16.8%
<5% Decrease	173	15.7%	309	24.4%
Decreasing Cell Total	689	62.6%	773	61.1%
Cells with No Change in RTM	55	5.0%	41	3.2%
Cells with Increasing RTM	356	32.4%	451	35.7%
Total Number of Cells	1,100		1,265	

STB FD 32760 3-29-96 D. 62347

Item No.

Page Count 6

Mar #844

62347 119

States Transportation Board

Finance Docket No. 32760

APPLICATION OF UNION PACIFIC RAILROAD ,ET AL.

NOTICE OF INTENT OF ALAMEDA HISTORIC COMPLEX TO PARTICIPATE IN PROCEEDINGS AND REQUEST CONDITIONS

" Alameda Historic Complex" is a Business in Alameda Calif. whose purpose is to Facilitate a Museum ,Tourist Facility in Alameda.

A.H.C. is requesting certain and general Trackage Rights and/or reciprocal switching trackage rights whithin California and other States on behalf of rail carriers unaffiliated with applicants and/or the Acquisition of certain rail spurs now mostly abandoned.

A.H.C. is also requesting that Union Pacific shall grant a Right of Way under their Rail Yards and Trackage in the Area of Oakland for the underground construction of a Large Tunnel which will carry Autos,Trucks and the probability of a Trolley or other Rail Vehicle
A.H.C. requests that any Rail Tracks within the Described Tunnel shall have reasonable connections to the Union Pacifics Trackage in anticipation of future integrated operations between them and that reasonable rail Access be given to assist Tunnel the Construction.

A.H.C. requests that in Anticipation of increased road traffic and delays in travel in the Oakland area that Union Pacific be asked to Cooperate and participate in the construction of a (Truck,Bus) roadway which would utilize the Rail Shoulders of Urban Trackage.

As established in Decision # 11 New Responsive Applications and/or requests for Conditions have until March 29th 1996 to file and in the spirit of Decision # 16 this Document is only a Summery of the Total Application but is requested to be sufficient notification.

CERTIFICATE OF SERVICE

Pursuant to 49 C.F.R.,1104.12,I certify that I have this day served copies of the foregoing "NOTICE OF INTENT OF A.H.C. TO PARTICIPATE IN PROCEEDINGS AND REQUEST CONDITIONS upon all Parties Of Record in this proceeding by firstclass postage pre-paid U.S Mail,3-25-96.

ALAMEDA HISTORIC COMPLEX
Gary McAfee (Proprietor)
2614 Bayview Dr.
Alameda Calif. 94501
(510) 522-5617

3-25-96 Signature: Gary McAfee

1

Before the United States Transportation Board

Finance Docket No. 32760

APPLICATION OF UNION PACIFIC RAILROAD ,ET AL.

NOTICE OF INTENT OF ALAMEDA HISTORIC COMPLEX TO PARTICIPATE IN PROCEEDINGS AND REQUEST CONDITIONS

" Alameda Historic Complex" is a Business in Alameda Calif. whose purpose is to Facilitate a Museum ,Tourist Facility in Alameda.

A.H.C. is requesting certain and general Trackage Rights and/or reciprocal switching trackage rights whithin California and other States on behalf of rail carriers unaffiliated with applicants and/or the Acquisition of certain rail spurs now mostly abandoned.

A.H.C. is also requesting that Union Pacific shall grant a Right of Way under their Rail Yards and Trackage in the Area of Oakland for the underground construction of a Large Tunnel which will carry Autos,Trucks and the probability of a Trolley or other Rail Vehicle
A.H.C. requests that any Rail Tracks within the Described Tunnel shall have reasonable connections to the Union Pacifics Trackage in anticipation of future integrated operations between them and that reasonable rail Access be given to assist Tunnel the Construction.

A.H.C. requests that in Anticipation of increased road traffic and delays in travel in the Oakland area that Union Pacific be asked to Cooperate and participate in the construction of a (Truck,Bus) roadway which would utilize the Rail Shoulders of Urban Trackage.

As established in Decision # 11 New Responsive Applications and/or requests for Conditions have until March 29th 1996 to file and in the spirit of Decision # 16 this Document is only a Summery of the Total Application but is requested to be sufficient notification.

CERTIFICATE OF SERVICE

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2

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Finance Docket No. 32760

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Before the United States Transportation Board

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2614 Bayview Dr.
Alameda Calif. 94501
(510) 522-5617

3-25-96 Signature: Gary McAfee

STB FD 32760 3-29-96 D 62233

HARRY REID
NEVADA

Item No.______________

Page Count 11

Mar #713 United States Senate

WASHINGTON, DC 20510-2803

62233

March 29, 1996

Surface Transportation Board
Office of the Secretary
Case Control Branch
Washington, D.C. 20423

RE: Finance Docket No. 32760 / Union Pacific Railroad Merger Application

To Whom It May Concern:

Please find attached Comments submitted regarding the merger application of Union Pacific Railroad and Southern Pacific Railroad.

Sincerely,

Harry Reid

Harry Reid
United States Senator

HR:gsd

ADVISE OF ALL PROCEEDINGS

ENTERED
Office of the Secretary
APR 2 1996
5 Part of Public Record

RECEIVED
MAR 29 1996
MAIL MANAGEMENT
I.C.C.

HARRY REID
NEVADA

United States Senate

WASHINGTON, DC 20510-2803

BEFORE THE
SURFACE TRANSPORTATION BOARD

Union Pacific Corporation, Union Pacific Railroad Company, and Missouri Pacific Railroad Company -- Control and Merger -- Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp., and the Denver and Rio Grande Western Railroad Company	)	Finance Docket No. 32760

COMMENT AND REQUEST FOR CONDITIONS

TABLE OF CONTENTS

HARRY REID
NEVADA

United States Senate

WASHINGTON, DC 20510-2803

BEFORE THE SURFACE TRANSPORTATION BOARD

Union Pacific Corporation, Union Pacific Railroad Company, and Missouri Pacific Railroad Company -- Control and Merger -- Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp., and the Denver and Rio Grande Western Railroad Company	)	Finance Docket No. 32760

COMMENT AND REQUEST FOR CONDITIONS

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COMMENT AND REQUEST FOR CONDITIONS

SUMMARY

INTRODUCTION. As the senior United States Senator from Nevada, I submit these comments to oppose the merger of Union Pacific Railroad with Southern Pacific Railroad because of the merger's implication for the City of Reno. Reno functions as a regional nucleus for all of northern Nevada and northeastern California. The railroad tracks of Southern Pacific Railroad run directly through the center of the city and has historically been both a positive and negative influence on the downtown area. Since the proposal of the merger, the City of Reno has studied the impacts of the merger on the community and found severe negative consequences, discussed below.

ISSUES. The merger of Union Pacific Railroad and Southern Pacific Railroad, as proposed, will create a substantial hardship on the City of Reno. The significance of the merger's proposal and the negative implications to the City of Reno cannot be underestimated. Adverse safety, environmental, and economic effects have all been substantiated by the city.

Because the merger will expand the number of trains per day from 14 to 38 on the railroad tracks that extend through the downtown area, there will be an increase in the air pollution from motor vehicle and train pollution, emergency and public safety vehicle responses will be significantly hindered; and the risk to the environment will be notably escalated. Consequently, as the new Union Pacific - Southern Pacific corporation enjoy annual benefits of approximately $750 million annually, Reno and adjoining communities will see marked diminishment of the local and area economy. The railroad tracks lay through the middle of the city and consequently this merger will distinctly and permanently mar the very character of Reno. For these reasons, discussed further herein, the merger of Union Pacific Railroads and Southern Pacific Railroads is opposed.

MITIGATION DIALOGUE. Union Pacific Railroad management has agreed to meet with the city officials to find agreement on mitigation measures to the problems that the merger will create. There are options that are being jointly reviewed in relation to engineering possibilities, city infrastructure compatibility, and financial feasibility. However, since these talks have not yet produced any definite mitigation proposal, I must oppose the merger until the outstanding issues are resolved by Union Pacific and the City of Reno.

DISCUSSION OF ISSUES

PUBLIC SAFETY PROBLEMS. There are a number of reasons which lead to the conclusion that the public safety of Reno is jeopardized by the post-merger railroad traffic. First, because of the location of the tracks through the center of the city, the ability of the public service vehicles to respond to emergencies is severely limited. In recent years, train traffic has increasingly become a hindrance to responding police vehicles, fire units and paramedics. While population growth, increased requests for police assistance, and a declining number of officers all create stress for public safety personnel, it is the avoidance of trains that often requires the time consuming rerouting of public safety units and personnel to efficiently react to citizens' needs. The post-merger increase in train traffic, length, delays in movement will significantly compromise the effectiveness of public safety personnel. Indeed, it is estimated that fire and ambulance response calls are increased by approximately 25% per call due to railroad blockages, which undermines the preferred goal of four minute responses. As emergency response units can attest that even a minute lost in the reaction to an emergency can be life-threatening. The city anticipates that response to traffic accidents, fellow officers needing backup assistance, and other citizen injury calls will all suffer serious delays.

Second, there will be an increase in the traffic violations and railroad crossing injuries and death. Historically there have been impatient motor vehicle drivers who, anxious to avoid the delays of the trains, will try to beat oncoming trains across the tracks, make u-turns, or proceed in the opposite direction of one way streets in anticipation of finding a route that avoids the hindrance of train traffic. Also, due to the location of the railroad tracks pedestrians are bound to congregate in precariously close proximity to the tracks. Post-merger enlargement of the number of trains, the amount of train cars and the duration of motor vehicle delay in the city will simply intensify circumstances that ought to be alleviated.

Third, another consequence of the merger that puts the safety of Reno's citizens at risk is the criminal population that find haven by and on the railroad tracks. The crossing arms, underpasses and train cars, when they have paused long enough, are gathering sites for criminals and are made temporary shelters by homeless persons and panhandlers. Downtown property owners have justifiably prohibited loitering on their property making the railroad property a refuge area for drifters, unruly crowds and drug dealers. Because the railroad does not monitor the tracks, this atmosphere is both unsafe and deteriorating for downtown Reno. In a community that relies upon tourism and recreation industries, the inevitability of violent crimes striking visitors increases as the circumstances continue unabated or train lengths and delays swell due to the merger.

In sum, the safety problems for the citizens of Reno that arise due to the proposed post-merger activity of Union Pacific Railroads and Southern Pacific Railroad compels opposition to the merger. There is no justification for proceeding with a merger whose activities will inherently place an undue burden on the community to provide for the health and safety of its citizens. Moreover, a merger that creates hazardous conditions in an otherwise prosperous, cultural, and tourist community is unwarranted and should be rejected

ENVIRONMENTAL RISKS. The implications of the merger of Union Pacific and Southern Pacific dramatically increase the environmental risks and concerns to the City of Reno. Air and noise pollution will both increase significantly in the downtown area because of the post-merger railroad activities.

The city's efforts to shed it's "non-attainment status" and comply with EPA standards will be frustrated if the vehicular delay caused by trains compels idling motor vehicles to emit approximately 11,000 additional tons of carbon monoxide into the air. This estimation of new air pollution are premised on the conclusion that the merger will delay motor vehicle traffic up to 339%. Furthermore, the engineers have found that the additional trains incorporated by the post-merger activity will add approximately 247 tons of pollution per year to the air. To subject a city to this environmental affliction for the sake of a corporate merger is unreasonable.

Noise pollution from the railroad track traffic is also expected to increase considerably if the proposed post-merger activity progresses. While the railroad noise levels of the increased amount and length of trains cannot be specifically quantified; within 1,500 feet of the railroad tracks are approximately 9,000 hospitals, hotels, churches, schools and growing number of residences all currently affected by the noise of railroad traffic. Railroad traffic at night will also produce agitation for the many hospital and hotel tenants, as well as residences along the track.

Finally, an environmental risk of the increased railroad traffic is the exposure of the principle water supply of the city to any railroad accident, spill, or leakage. The current railroad tracks subject the Truckee River to jeopardy from any railroad-connected accident, which would deprive Reno of potable drinking water for an indefinite period of time. Of the services of local government, providing drinking water is considered a fundamental utility of the municipality. To place in peril such an essential need for the purposes of a corporate merger is untenable.

ECONOMIC IMPACT. The economy of Reno is rooted in the tourism-recreation industry. The studies made of the economic impact of the post-merger activity conclude that the consequences of the negative impacts of the merger, discussed above, would depreciate property values, undermine special events and impair recreational enjoyment.

If the merger is implemented, the downtown area will be subjected to public safety concerns and environmental risks that are a direct result of the railroad tracks extending through the middle of Reno. The increased public safety anxieties will inevitably lead to less economic activity in the downtown areas, as the histories of modern urban cities clearly demonstrate. Moreover, the city has projected that the impact of pollution will devalue businesses and property while simultaneously the new merged railroad corporation will realize approximately $750 million in annual benefits. No redevelopment effort of any city can withstand the assault of both public safety and environmental risks as this merger would produce and the City of Reno should not be required to do so now.

Special events have been a major component of the city's economic revitalization program. To yield to merger activity that will significantly handicap that program would be irresponsible. Post-merger activity would obstruct special event management as the trains would bisect parades, static display street closures, and major events. Further, as discussed above under **PUBLIC SAFETY CONCERNS**, any accidents or violence resulting from the post-merger conditions will seriously hurt the appeal of such special events. Spotlighting the special events that could be most devastatingly harmed by the post-merger conditions is "*Hot August Nights*," a city sponsored celebration which attracts approximately 40-50,000 residents and visitors to the downtown area. The discontinuation of such special events would acutely alter the city's downtown economy.

The city's recreational and convention industries with unavoidable interaction with the downtown area and the current railroad tracks will be decisively undermined if the City of Reno must accommodate the public safety concerns and environmental deterioration due to the post-merger activities. Such conditions would critically affect the city's convention facilities, the recent infusion of private and public investment of approximately $450 million into entertainment resorts and enterprises, and the hotel trade which, in the downtown venues, have occupancy rates of an average of 83% over the past three years. Reno's economic and cultural growth in recent years, which include the relocation of businesses to the area and the development of a philharmonic orchestra, ballet and opera companies, have made it a hub of northern Nevada and northeastern California. The trauma to Reno's economic efforts resulting from the merger should not be allowed by the Surface Transportation Board.

CONCLUSION

The merger of Union Pacific Railroad with Southern Pacific Railroad is the largest railroad transactions in modern railroad history. There may be some who would argue that the effects on a single city in northern Nevada should not impede such a prominent event and the many corporate benefits of the merger. On the contrary, the fact that the City of Reno is confronting such negative ramifications as direct consequences of the merger is evidence that the merger must be reexamined in light of the communities so impacted.

The public safety, environmental health, and economic state of a community should not be sacrificed in the cause of the railroad marketplace. The current location of the railroad tracks already greatly influence the tourism and trade patterns of the city. With the proposed merger Reno's citizens will unquestionably face significant unfavorable changes to their lifestyles, commerce, and standard of living if the merger proceeds without mitigating measures being taken by Union Pacific Railroad.

As noted in the SUMMARY, Reno's issues are currently being studied jointly by city representatives and Union Pacific management. The mitigation agreement to which they assent should be made a qualifying condition for approval of the merger application. Consequently, if no such accord is reached, then the application should be denied.

Dated this 28th day of March 1996.

Respectfully submitted,

Harry Reid

Harry Reid
United States Senator

STB FD 32760 3-29-96 D. 62212

Item No. 62212

Page Count 2

Mar #692

ADVISE OF ALL PROCEEDINGS

Office of the Secretary

MAR 30 1996

4 Part of Public Record

René O. Oliveira
Texas House of Representatives
District 37

P. O. Box 2910
Austin, Texas 78768-2910
(512) 463-0640
FAX: (512) 463-8186

855 W. Price Rd., Suite 22
Brownsville, Texas 78520
(210) 542-1828
FAX: (210) 542-1618

RECEIVED MAR 29 1996 MAIL MANAGEMENT I.C.C.

March 25, 1996

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
12th Street and Constitution Avenue
Washington, D.C. 20423

RE: Finance Docket 32760

I am very concerned that the proposed merger between Union Pacific Railroad (UP) and Southern Pacific Lines (SP) will significantly reduce rail competition in Texas. Such a reduction would seriously and negatively impact Texas businesses and our State's economy.

As proposed, the merger would grant UP control over a reported 90 percent of rail traffic into and out of Mexico, 70 percent of the petrochemical shipments from the Texas Gulf Coast, and 86 percent of the plastics storage capacity in the Texas/Louisiana Gulf Region. UP acknowledges that the merger would greatly reduce rail competition and has proposed a trackage rights agreement with Burlington Northern-Santa Fe (BSNF) as the solution.

A trackage rights agreement, however, simply does not solve the problem. Owners of rail lines have incentives to invest in the track and to work with local communities to attract economic development. Owners have control over the service they provide--its frequency, its reliability, its timeliness. None of these things can be said about railroads that operate on someone else's tracks, subject to someone else's control.

Texas needs another owning railroad, not another merger, to ensure effective rail competition. An owning railroad willing to provide quality service and investment is the best solution for shippers, communities, and economic development officials. An owning railroad also offers the best opportunity to retain employment for railroad workers who would otherwise be displaced by the proposed merger.

As chairman of the Committee on Economic Development for the Texas House of Representatives, I am keenly aware of how important transportation infrastructure and affordable access is to our economy. As a representative elected from a district which has several major international border crossing points, I am well aware of how international trade benefits American workers and consumers. Monopolizing access to the rest of Texas and the United States from the Mexican border will only serve to harm the economy of the border area, Texas and the United States.

For all these reasons I urge the Board to carefully review the proposed UP/SP merger and to recommend an owning railroad as the only means to ensure adequate rail competition in Texas.

Sincerely,

René O. Oliveira

Representative René O. Oliveira
Chairman,
House Economic Development Committee

cc: Carole Keeton Rylander, Chairman
Railroad Commission of Texas
1701 North Congress Avenue
P.O. Box 12967
Austin, Texas 78711-2967

STB FD 32760 3-29-96 D 62211

62211

CITY OF HARLINGEN

Item No. ___

Page Count 1

Mar #691

CAPITAL OF THE LOWER RIO GRANDE VALLEY

"QUALITY SERVICE WITH RESPECT AND FAIRNESS TO ALL CITIZENS"

RECEIVED MAR 29 1996 MAIL MANAGEMENT I.C.C.

March 27, 1996

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
12th Street and Constitution Avenue
Washington, DC 20423

RE: Finance Docket 32760

Dear Secretary Williams:

I am writing in regard to an application pending before you that seeks approval of a merger between the Union Pacific Railroad Company (UP) and Southern Pacific Lines (SP). In cooperation with the wishes of the City of Brownsville, Texas, we fully support the proposed merger for the following reasons:

We are encouraged by the Union Pacific proposed trackage rights agreement to extend service from Robstown to Brownsville. We are also encouraged by the willingness of Union Pacific to negotiate with BRG of the Port of Brownsville for operating rights from Port of Brownsville to B&M Railroad Bridge which will give them direct route to Mexico. This will provide a positive economic effect to the area and eliminate the problem of over weight trucks to Mexico.

For all the above reasons we urge the Board to accept the proposed UP - SP merger.

Sincerely,

H. Wm. Card Jr., Chairman
Harlingen-San Benito
Metropolitan Planning Organization (MPO)

ADVISE OF ALL PROCEEDINGS

cc: Mayor Henry Gonzales, Brownsville
Andy Vega, City Managr, Brownsville
Ed Weeks, Brownsville Chamber
Jim Kruse, Port of Brownsville

STB FD 32760 3-29-96 D 62208

Item No.________________

ge Count 2

Mar #688

62208

U.S. DEPARTMENT OF LABOR
SECRETARY OF LABOR
WASHINGTON, D.C.

RECEIVED
MAR 29 1996
MAIL MANAGEMENT I.C.C.

MAR 29 1996

Mr. Vernon A. Williams
Secretary, Surface Transportation Board
Room 2215
1201 Constitution Ave., N.W.
Washington, D. C. 20423

Re: Finance Docket 32760

Dear Mr. Williams:

I write to express the views of the Department of Labor concerning the proposed merger between the Union Pacific and Southern Pacific railroads ("UP/SP"), a transaction which is pending before the Surface Transportation Board ("STB"). From the Labor Department's perspective, the UP/SP merger raises serious concerns regarding the effects this major transaction may have on the American economy and working men and women.

While this Administration is deeply committed to job creation and growth in the high-wage employment sector, the economy continues to experience significant corporate downsizing that is having a long-term detrimental effect on working families and their communities. Unfortunately, the recent round of corporate downsizing, restructuring and merging that has cost thousands of workers their jobs is beyond government's immediate control. But if a railroad merger is found to be anticompetitive or harmful to many important elements of the public interest, including transportation employees, the government is empowered to act through the independent STB. Preserving competition in the already concentrated rail industry is vital to businesses and communities, and it ensures continued job opportunities for railroad employees who have seen their workforce cut by more than half since the later 1970s.

There is no debate that consummation of this merger will put at least 4,000 railroad employees out of a job and another 2,000 will be given transfer assignments. Serious attention must also be given to the impact that this transaction will have on motor carrier employees, a workforce already reeling from tremendous job elimination in this high wage sector. The Labor Department is concerned that UP and SP may have underestimated potential job loss in their application to merge. Some have predicted additional line sales and abandonments which, experience shows, may result in additional job loss.

ENTERED
Office of the Secretary
MAR 30 1996
4 Part of Public Record

ADVISE OF ALL PROCEEDINGS

I strongly encourage the STB to fully examine the impact that this merger will have on rail, motor carrier and other employees and their communities before it approves the proposed UP/SP merger.

Sincerely,

Robert B. Reich

Robert B. Reich

STB FD 32760 3-29-96 D 62207

SCOTT McINNIS Item No. ____________
3D DISTRICT, COLORADO

COMMITTEE Page Count ___1___

Mar #687 Congress of the United States
House of Representatives
Washington, DC 20515-0603

62207

WASHINGTON OFFICE:
215 CANNON BUILDING
WASHINGTON, DC 20515-0603
(202) 225-4761
FAX: (202) 226-0622

DISTRICT OFFICES:
134 WEST B STREET
PUEBLO, CO 81003
(719) 543-8200
FAX: (719) 543-8204

327 NORTH 7TH STREET
GRAND JUNCTION, CO 81501
(303) 245-7107
FAX: (303) 245-2194

1060 MAIN AVENUE
102
DURANGO, CO 81301
(303) 259-2754
FAX: (303) 259-2762

526 PINE STREET
SUITE 111
GLENWOOD SPRINGS, CO 81601
(303) 928-0637
FAX: (303) 928-0630

March 29, 1996

RECEIVED
MAR 29 1996
MAIL MANAGEMENT
I.C.C.

Vernon Williams
Secretary of Surface
  Transportation Board
400 Seventh St. S.W.
Washington, D.C. 20590

ADVISE OF ALL PROCEEDINGS

Dear Secretary Williams:

I am writing to you today regarding the merger application submitted to the Interstate Commerce Commission by the Union Pacific and Southern Pacific railroads.

As you know, the merger of Union Pacific and Southern Pacific railroads will effect my district. My concern is what the impact will be as a result of this merger on the district and ask that this be carefully considered.

Regarding the railroad employees, I am encouraged that Union Pacific and Southern Pacific have committed to retaining at least 1,400 railroad employees in Colorado. However, I am concerned about those who will not be retained after the merger and would hope the employment issues will also be carefully reviewed.

It would be appropriate that these issues be adequately dealt with through the approval process.

Sincerely,

Scott McInnis

Scott McInnis
Member of Congress

ENTERED
Office of the Secretary
MAR 30 1996
4 Part of Public Record

STB FD 32760 3-29-96 D 62206

Item No.

Page Count 1

Mail #686

62206

FD 32760

March 24, 1996

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MAR 29 1996
MAIL MANAGEMENT
I.C.C.

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
12th Street and Constitution Avenue
Washington, D.C. 20423
RE: Finance Docket 32760

Dear Mr Williams:

I would like to take this opportunity to voice my support for the proposed merger of the UP/SP railroads. I do not believe there will any reduction in competition as stated by Mr James B. Sharp, Treasurer, "Arkansans For Competitive Rail Service."

As a business person and an Arkansan I am convinced that the merger can only benefit our economy. I sincerely hope that you will not be unduly influenced by the negative campaign against this merger. I speak, not as a part of an organized effort, but as a concerned individual. I am sure there are many others who feel as I do, but choose to remain silent. Hopefully, I speak in their behalf so that our voices may be heard too.

Thanks for your consideration.

SINCERELY,

Johnnie H Travis

JOHNNIE H. TRAVIS
D.B.A.
TRAVIS MAINT & REPAIR
305 W. PINE ST.
WARREN, ARK. 71671

ENTERED
Office of the Secretary
MAR 30 1996
4 Part of Public Record

ADVISE OF ALL PROCEEDINGS

STB FD 32760 3-29-96 D 62204

62204

Item No.________________

Page Count 2

Mar # 684

TRIPP LUMBER CO., INC.

MONTANA 59807

95 • FAX 406/728-4749

FD-32760

RECEIVED MAR 29 1996 MAIL MANAGEMENT I.C.C.

March 26,1996

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Office of the Secretary
MAR 30 1996
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The Honorable Vernon A. Williams
Secretary Surface Transportation Board
Case Control Branch
12th St. and Constitution Ave. NW
Washington, DC 20423

Tripp Lumber has learned that an entity controlled by the majority shareholder of Montana Rail Link will be filing with the Surface Transportation Board an inconsistent or responsive application in which that entity will propose acquiring one of the Union Pacific or Southern Pacific routes between California and Kansas City (the "MRL Proposal"). In our opinion, without the MRL proposal or a comparable solution, the UP/SP proposal eliminates rail competition in the Central Corridor of the United States. The trackage rights UP/SP have agreed to grant to BNSF are unlikely to result in BNSF's providing meaningful competition in the Central Corridor. It will cost BNSF nothing if it elects not to use those rights. Competition can only be assured with an independent third party owner/operator acquiring one of the Union Pacific or Southern Pacific routes between California and the Kansas City area. We, therefore, condition our support of themerger on sale of a Central Corridor route to an independent party that would provide competitive service in order to justify its investment in that rail line.

Tripp Lumber strongly supports the proposed acquisition of the Union Pacific line between Silver Bow, Montana and Pocatello, Idaho as a strategic element of the Central Corridor solution. The Silver Bow Pocatello line ties together the present MRL system with the Central Corridor route at Ogden, Utah, providing important traffic to support the new Central Corridor system and affording the economic synergies of tying both systems together. The ("MRL Proposal") will provide routing options on both Union Pacific and Burlington Northern Santa Fe as well as direct routing via the new MRL proposed system.

Tripp Lumber's annual volume of rail service consists of about twenty to forty car loads of lumber and landscape timbers. Our major origin/destination for rail service is Missoula and Bonner, Mt with the service provided by MRL.

PROCEEDINGS

TRIPP LUMBER CO., INC.
P.O. BOX 7069
MISSOULA, MONTANA 59807
406/549-0195 • FAX 406/728-4749

There are many benefits to the Union Pacific's proposed merger with Southern Pacific. The MRL proposal maintains the benefits of both the UP/SP merger including the proposed trackage rights agreement with Burlington Northern Santa Fe, and at the same time ensures true competition in the Central Corridor through sale of one of the routes to an independent operator.

Our company conditions its support of the UP/SP merger application on sale of a Central Corridor route as described in the MRL Proposal.

Tripp Lumber Co.,Inc.

Dave Tripp

Dave Tripp, President

STB FD 32760 3-29-96 D 62203

Item No. ________________

Page Count 1

Mar #683

62203

RECEIVED
MAR 20 1996
MAIL MANAGEMENT
I.C.C.

The Honorable Vernon A. Williams, Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue
Washington DC 20423

Re: Finance Docket 32760

Dear Secretary Williams:

The Town of Avon, Indiana is extremely concerned about the competitive aspects on area organizations which would result from the prposed acquisition of the Souther Pacific (SP) by the Union Pacific (UP). While we are familiar with the proposed agreement between UP and the Burlington Norther-Santa Fe (BNSF), intended to remedy those effects, we are not convinced that this arrangement will produce effective competition for rail traffic originating or terminating in the Mid-South region of the United States. This is of concern to the Town of Avon.

We also have reviewed Conrail's proposal to acquire the SP lines running from Chicago and St. Louis to Arkansas, Texas and Louisiana in connection with the merger. We find this proposal far more effective in addressing the above stated concerns. The Conrail proposal calls for ownership of the lines whereas the UP-BNSF agreement mainly involves trackage rights. We believe that trackage rights provide only limited benefits and limited guarantees which can easily be lost if railroads disagree over whose traffic has priority and who is in charge of the operations of the line. Further we believe an owning railroad is in a far better position than a renter to encourage economic development activities on its lines.

Another reason the Town of Avon favors Conrail's proposal is that it would provide efficient service for rail customers in our area for movement of goods and raw materials to and from the Texas Gulf. Conrail's proposed one-line service to these markets would be the fastest; most direct and involve the fewest car handlings.

We are also concerned about the recent railroad merger trend in this country. This trend seems to be leading toward a few giant railroads. Clearly, mega-railroads will further limit competition and reduce productivity.

For all of the above reasons The Town of Avon is actively opposing the UP-SP merger unless it is conditioned upon acceptance of Conrail's proposal.

Sincerely,

William H. Bailey, Jr.
President Town Council
Town of Avon, Indiana

CT: David M. Levan
President and Chief Executive Officer
Conrail

ENTERED
Office of the Secretary
MAR 30 1996
4 Part of Public Record

ADVISE OF ALL PROCEEDINGS

STB FD 32760 3-29-96 D 62168

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Page Count 5

Mur #648

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.NS & SUTTER

(A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS)

888 SIXTEENTH STREET, N.W., WASHINGTON, D.C. 20006 (202) 835-8000
FACSIMILE (202) 835-8136

CHICAGO OFFICE THREE FIRST NATIONAL PLAZA 60602
DALLAS OFFICE 3700 BANK ONE CENTER 1717 MAIN STREET 75201

RECEIVED MAR 29 1996 MAIL MANAGEMENT I.C.C.

ALICIA M. SERFATY
(202) 835-8049

March 29, 1996

BY HAND DELIVERY

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Room 1324
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

Re: *Union Pacific Corp. et al. -- Control & Merger --*
Southern Pacific Rail Corp., et al., Finance Docket No. 32760

Dear Mr. Williams:

Enclosed please find an original and 20 copies of the Comments Of The Intermountain Power Agency ("IPA") (IPA-2) for filing in the above-referenced action. Also enclosed is a 3.5 inch disk containing the text of this pleading in WordPerfect 5.1 format.

Please date-stamp the extra copy provided and return it with our messenger. Thank you.

ENTERED
Office of the Secretary
MAR 3 0 1996
4 Part of Public Record

Sincerely,

Alicia M. Serfaty

AMS/llb
Enclosures
cc: All Parties of Record

P46619-1

IPA-2

RECEIVED
MAR 29 1996
MAIL
MANAGEMENT

BEFORE THE
SURFACE TRANSPORTATION BOARD
Washington, D.C.

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

**COMMENTS OF THE
INTERMOUNTAIN POWER AGENCY**

The Intermountain Power Agency ("IPA"), by its undersigned counsel, hereby submits its comments on the proposed merger application filed by the Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company ("UP") and the Southern Pacific Rail Corporation, Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp. and the Denver and Rio Grande Western Railroad Company (the "SP") (collectively referred to herein as the "Applicants") in this docket on November 30, 1995.

IPA is a political subdivision of the State of Utah, with thirty-six members located primarily in Utah and California.[1] In the early 1980's, IPA was created

---

[1] The members of IPA are: (1) six municipal purchasers from California, including the Los Angeles Department of Water and Power (the operating agent for the Intermountain Power Project); (2) twenty-three municipal purchasers from Utah; (3) six rural electric cooperative purchasers; and (4) Utah Power & Light/Pacific Corp., which is an investor owned purchaser.

to build and operate a power generating plant located at Lynndyl, Utah. IPA required coal to operate the plant and entered into agreements with various coal suppliers in Utah to satisfy that need. IPA also entered into agreements with three railroad carriers to transport the coal to Lynndyl: (1) with the Denver & Rio Grande Western Railroad Company ("DRGW") (which was acquired subsequently by the SP) to transport coal from sources served by DRGW to Provo, Utah; (2) with the Utah Railway Company ("Utah") to transport coal from sources served by Utah to Provo, Utah; and (3) with UP, which connected with DRGW and Utah at Provo, to transport the coal from Provo to the power generating plant at Lynndyl.

The proposed UP-SP merger will directly affect the transportation of coal under the agreements with UP, DRGW and Utah. Subsequent to the merger, UP will have a distinct advantage over the Utah Railway because it will be able to provide single line service directly from the coal sources it serves to Lynndyl. As a result, UP would have the incentive to price transportation services from coal sources served directly by it -- a longer haul -- more favorably than transportation from coal sources served by the Utah and interchanged with UP at Provo. Moreover, the strength and market power of the combined UP-SP could seriously jeopardize the competitive balance in the area.

IPA is aware of the settlement agreement executed by Utah and the Applicants on January 17, 1996 and filed with this Board on February 2, 1996. The agreement appears to resolve some of the competitive concerns that IPA has relating to the proposed merger. Under the agreement, Utah will have access to additional sources of coal not heretofore served, although not as many as the DRGW/SP currently has access to. This additional access will reduce some, though not all, of the adverse competitive impacts that will likely result from the proposed merger. Because of this agreement, IPA will not make any specific objections to the merger proceeding at this time. However, should: (1) the settlement agreement be challenged during the comment process; (2) the rights granted to the Utah thereunder be adversely affected by a grant of one or more of the proposed inconsistent or responsive applications; or (3) the settlement agreement fail to ameliorate competitive concerns as anticipated, IPA reserves the right to file rebuttal comments on April 29, 1996 or return to the Board at a later date and reopen the merger proceeding to request conditions if and when it determines that impact of the merger transaction is adversely impacting competition for transportation services in the area.

Dated: March 29, 1996

Respectfully submitted,

Charles A. Spitulnik
Alicia M. Serfaty

HOPKINS & SUTTER
888 Sixteenth Street, NW
Washington, D.C. 20006
(202) 835-8000

Counsel for Intermountain
Power Agency

CERTIFICATE OF SERVICE

I hereby certify that on March 29, 1996, a copy of the foregoing Comments Of The Intermountain Power Agency (IPA-2) was served by first-class U.S. mail, postage prepaid upon all parties of record in this proceeding.

I further certify that two copies of the aforementioned pleading were served by Federal Express, unless otherwise indicated, upon the following:

Erika Z. Jones (by Hand)
Adrian L. Steel, Jr.
Roy T. Englert, Jr.
Kathryn A. Kusske
Mayer, Brown & Platt
2000 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Jeffrey R. Moreland
Richard E. Weicher
The Atchison, Topeka and Santa Fe Railway Company
1700 East Golf Road
Schaumburg, IL 60173

Janice G. Barber
Michael E. Roper
Burlington Northern Railroad Company
3800 Continental Plaza
777 Main Street
Ft. Worth, TX 76102-5384

James V. Dolan
Paul A. Conley
Louise A. Rinn
Union Pacific Railroad Company
Missouri Pacific Railroad Company
1416 Dodge Street
Omaha, NE 68179

Cannon Y. Harvey
Southern Pacific Transportation Company
18609 Lincoln Street, 14th Floor
Denver, CO 80295

Cannon Y. Harvey
Louis P. Warchot
Carol A. Harris
Southern Pacific Railroad COmpany
One Market Plaza
San Francisco, CA 94105

I also certify that three copies of the aforementioned pleading were served by hand upon the following:

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

Paul A. Cunningham
Richard B. Herzog
James M. Guinivan
Harkins, Cunningham
Suite 600
1300 Nineteenth Street, N.W.
Washington, D.C. 20036

Alicia M. Serfaty

Alicia M. Serfaty

STB FD 32760 3-29-96 D 62163

Item No. ______________

Page Count 1

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62163

...ation

Washington Office
201 Massachusetts Ave., N.E., Suite C-4
Washington, D.C. 20002
202/546-7611

March 28, 1996

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1201 Constitution Avenue, NW
Washington, DC 20426

RECEIVED
MAR 29 5 37 PM '96
OFFICE OF SECRETARY
ICC

RE: Finance Docket 32760

Dear Mr. Secretary:

On behalf of nearly 28,500 members, and twenty-five state affiliates, the National Corn Growers Association (NCGA) submits the following comments regarding the proposed merger of Union Pacific (UP) and Southern Pacific filed by UP on November 30, 1995:

The NCGA is concerned that the increasing consolidation of our nation's railroads has and will continue to result in higher shipping prices and decreased availability of adequate service to grain producing areas. Since 1982, the three largest railroads have experienced a 16 percent increase in grain traffic. Due to market dominance and abandonment of lines, these figures translate to decreased service and higher transportation rates to farmers. As well, product quality has suffered due to the inability to transport the product in a timely manner. If the proposed merger proceeds, only two rail carriers will service the entire United States west of the Mississippi, a direct route to profitable markets in China and Pacific Rim countries. The reduced level of competition has already had serious economic impact on corn farmers through lower corn prices on a regional level, and an inability to deliver products to a demand market.

Railroad mergers and abandonments have left many areas of the country underserved and farmers vulnerable to unfair pricing practices. The proposed Union Pacific - Southern Pacific merger will restrict marketing options at a time when farmers need to expand markets. The recently passed farm bill reduces federal income support to the grain sector by over $12 billion. Grain producers are directed to market-oriented production that is dependent upon access to expanding individual marketing opportunities and a greatly reduced role of the federal government. If producers are to individually seek profits from expanded marketing opportunities, we must have fair access to all marketing avenues at reasonable cost.

The NCGA urges the Surface Transportation Board to carefully consider all implications of the proposed merger. While we do not oppose the merger, we urge you to closely examine the repercussions that this and future rail consolidation will have on the economics of the agricultural sector and the nation's opportunity to meet global market demands for high-quality U.S. agricultural products.

Thank you for consideration of our views.

Sincerely,

Wm. H. Northey

Bill Northey
President

OFFICE OF SECRETARY
ICC
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STB FD 32760 3-29-96 D 62160

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Item No. ____________

Page Count 2

Mar #640

RLES H. MONTANGE
ATTORNEY AT LAW
6 NW 162ND STREET
SEATTLE, WASHINGTON 98177

(206) 546-1936
FAX: (206) 546-3739

MAR 30 1996

Part of Public Record

28 March 1996

Hon. Vernon Williams
Secretary
Surface Transportation Board
12th & Constitution Ave., N.W.
Washington, D.C. 20423

Re: Finance Dkt. 32760; Union Pacific Corp. -- Merger and Control -- Southern Pacific Rail Corp.;
AB-33 (Sub-no. 97X) -- Union Pacific -- Exemption -- DeCamp-Edwardsville Line, Madison Co., ILL;
AB-33 (Sub-no. 98X) -- Union Pacific -- Exemption -- Edwardsville-Madison Line, Madison Co., ILL

Sirs:

This comment letter is on behalf of Madison County Transit MCT), a local government agency in Madison County, Illinois. MCT is charged, inter alia, with developing a system of alternative transportation in the County, including a county-wide bicycle commuting system. To this end, MCT Transit supports the preservation of otherwise-to-be abandoned railroad corridors for possible future rail reactivation ("railbanking") and for interim use as bicycle trails.

There are two merger-related abandonments within Madison County involved in Finance Dkt. 32760. These two merger-related abandonments are AB-33 (Sub-no. 97X) and AB-33 (Sub-no. 98X). MCT hereby seeks to become a party to both these merger-related abandonment proceedings. MCT supports preservation of the line embodied in these two merger-related abandonment proceedings for railbanking and trail purposes. By separate cover, MCT is filing (and serving upon the railroad) "statements of willingness" invoking the application of section 8(d) of the Trails Act, 16 U.S.C. § 1247(d), as to each of these lines. Because MCT's interest in the merger proceeding is limited to the two merger-related abandonment proceedings, and because service of pleadings related only to those proceedings upon all parties in the merger proceeding is both cumbersome and likely of no interest to the vast majority of parties to the overall merger, Madison County Transit hereby moves, pursuant to 49 C.F.R. § 1110.9, that 49 C.F.R. §1104.12 (service on all parties to the proceeding) be waived for purposes of the "statements of willingness," and instead that MCT be granted leave to file the "statements" with STB (a) with service at this time only on representatives of UP and SP so long as (b) MCT makes the statements available promptly to any other party to this merger proceeding requesting them. For purposes of pleading identification, we designate this comment letter MCT-1, and the statements of willingness for Sub-no. 97X and Sub-no. 98X MCT-2 and MCT-3 respectively.

MCT further supports the first two public interest conditions requested by Rails to Trails Conservancy in its Comments in this proceeding; to wit:

1. Preserve Surface Transportation Board (STB) jurisdiction to issue "railbanking" or other appropriate orders over all merger-related abandonments for a period of 180 days following the date UP actually ceases to use the line in question, and otherwise consummates any abandonment authority received from STB.
2. Bar UP from disposing or otherwise transferring (other than for public use) any real estate interests, bridges, culverts, or similar structures for a period of 180 days following the date UP actually ceases to use the line in question, and otherwise consummates any abandonment authority received from STB.

These conditions are necessary and appropriate to ensure adequate provision and time for negotiations to secure these lines for railbanking and trail purposes. The conditions should be adopted with respect to the two merger-related abandonments affecting Madison County. MCT reserves the right to make further comments upon review of the environmental assessment (EA) being prepared by STB, and hereby requests a copy of said EA be provided directly to Madison County Transit, Att: Mr. Jerry Kane, P.O. Box 7500, One Transit Way, Granite City, ILL 62040-7500.

In conclusion, MCT supports and encourages preservation of the line in Madison County, Illinois for railbanking and trail purposes. MCT requests that Notices of Interim Trail Use (NITU's) be issued in AB-33 (Sub-nos. 97X & 98X), and that appropriate conditions be issued to ensure non-disruption of real estate interests and trail-useful structures pending negotiations.

By my signature below, I certify service by U.S. Mail, postage pre-paid, first class on or before March 29, 1996 of this comment letter upon all parties as provided in this Board's Decision No. 15, as modified by this Board's Decision No. 17.

Respectfully submitted,

Charles H. Montange
for Madison County Transit

cc. Mr. J. Kane (MCT)

STB FD 32760 3-29-98 D 62158

62158 .55

Item No. ______________

Page Count ____4________
Mar #639

One James Center
Richmond, Virginia 23219
(804) 783-1343

Peter J. Shudtz
General Counsel

March 29, 1996

RECEIVED
MAR 29 1996
MAIL
MANAGEMENT
I.C.C.

Office of the Secretary
Case Control Branch
Surface Transportation Board
1201 Constitution Ave., N.W.
Washington, DC 20423

RE: Finance Docket Nol 32760
Union Pacific - Control & Merger - Southern Pacific

Written Comments

Dear Secretary Williams:

Enclosed for filing is an original and twenty copies of our Written Comments in the above-captioned proceeding. Kindly acknowledge receipt of the filing by date stamping the duplicate of this letter. Thank you.

Very truly yours,

Peter J. Shudtz

cc: The Honorable Jerome Nelson
Administrative Law Judge
Arvid E. Roach II, Esquire
Paul A. Cunningham, Esquire

ENTERED
Office of the Secretary
MAR 30 1996
4 Part of
Public Record

• Post Office Box 85629, Richmond, Virginia 23285-5629 •
• FAX (804) 783-1355 •

ORIGINAL

CSX-2

BEFORE THE
SURFACE TRANSPORTATION BOARD

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

WRITTEN COMMENTS

On January 16, 1996, CSX Corporation and its subsidiaries, (hereinafter collectively "CSX") filed its Notice of Intent to Participate in this proceeding as a party of record. In its subsequent Notice with respect to Inconsistent or Responsive Applications filed January 29, 1996, CSX indicated that it intended to actively participate in this proceeding as necessary to ensure the maintenance of effective competition in those territories affecting CSX and its patrons.

CSX and the primary applicants have reached general understandings with respect to matters affecting CSX. Based on their understandings, CSX is now in a position to express its strong support for the UP/SP consolidation as set forth in the primary and related applications. CSX believes that, as demonstrated by UP/SP, the proposed consolidation will produce substantial economies and efficiencies in the provision of effective, competitive transportation services by the merged entities. However, CSX's support for the proposed merger ultimately will depend upon the treatment afforded the divestiture proposals involving the Gulf Coast and Eastern Regions. CSX is opposed to the divestiture proposals for such Regions as outlined in preliminary filings with the Board and described in the media. CSX intends to analyze carefully the divestiture proposals that are now being filed with the Board by other parties and, to the extent necessary to protect its interests, CSX will make responsive filings with the Board by April 29, 1996.

Respectfully submitted,

Peter J Shudtz

Peter J. Shudtz
CSX Corporation
One James Center
901 E. Cary Street
Richmond, Virginia 23219

Attorney for CSX Corporation and its subsidiaries, including CSX Transportation, Inc.

March 29, 1996

Certificate of Service

I hereby certify that on this 29th day of March, 1996, I served a copy of the foregoing Written Comments by first-class mail, postage prepaid upon each party of record in Finance Docket No. 32760.

Peter J. Shudtz

Peter J. Shudtz
CSX Corporation
One James Center
901 E. Cary Street
Richmond, Virginia 23219
(804) 783-1343

STB FD 32760 3-29-96 D 62157

.UNA TO 92029275984 P.01

Item No. . .

Page Count 1

Mar #638

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AUSTIN OFFICE:
P.O. BOX 12068
AUSTIN, TEXAS 78711
512-463-0126
TDD 512-475-3758
FAX 512-463-2114

GREGORY LUNA
STATE SENATOR

DISTRICT OFFICE:
318 W. HOUSTON, SUITE 302
SAN ANTONIO, TEXAS 78205
210-226-2626
FAX 210-226-0144

ENTERED
Office of the Secretary
MAR 29 1996
8 Part of Public Record

RECEIVED MAR 29 1996 MAIL MANAGEMENT

March 28, 1996

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
12 Street and Constitution Avenue
Washington, D.C. 20423

Re: Finance Docket 32760

Dear Secretary Williams:

I am writing in regard to the application that would allow the merger between the Union Pacific Railroad Company (UP) and Southern Pacific Lines (SP). I am concerned that this proposed merger would seriously reduce competition in the rail industry, and as a consequence, adversely affect businesses in Texas, especially businesses in major cities like San Antonio that pay millions of dollars in shipments.

The merger would grant UP control of over 90% of rail traffic into and out of Mexico . With NAFTA in effect, it is vital that competition for transporting goods remain sound. In addition, UP would control 70% of the petrochemical shipments from the Texas Gulf Coast, and 86% of the plastics storage capacity in the Texas/Louisiana Gulf Region.

Union Pacific's remedy to such phenomenal control of the market in the rail industry is to grant trackage rights to the Burlington Northern-Santa Fe railroad. A trackage rights agreement does not solve the problem. Owners clearly have more incentive to invest in the track and to work with local communities to attract economic development. Owners also have total control over the services they provide, such as frequency, reliability, and timeliness. A railroad that operates on another company's tracks would not have these same advantages.

The key to competition is allowing other players to enter the market to provide a service. This proposed merger would not only hinder the ability to allow a new owning railroad into the market, but could eventually drive existing railroads out of the business. A study conducted at the *Center for Economic Development and Research* at the University of North Texas, known as the Weinstein report, concludes that the merger is likely to have a detrimental effect on the State of Texas by reducing competition. UP would be the single owner of numerous parallel tracks that would give them monopolistic shipping rights.

For these reasons, I urge the Board to consider that the merger be conditioned upon UP's divestiture of most of the parallel tracks. A new owning railroad is the only means of keeping competition alive in Texas.

Sincerely,

GREGORY LUNA

COMMITTEES:
EDUCATION, Vice Chair, JURISPRUDENCE, STATE AFFAIRS

STB FD 32760 3-29-96 D 62156

62156

Item No.________

Page Count 9

Mar #637

BEFORE THE

SURFACE TRANSPORTATION BOARD

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

COMMENTS OF THE

UNITED STATES DEPARTMENT OF AGRICULTURE

Lon Hatamiya
Administrator

Agricultural Marketing Service

U.S. Department of Agriculture
Washington, D.C. 20250

Date: March 29, 1996

BEFORE THE

SURFACE TRANSPORTATION BOARD

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

COMMENTS OF THE

UNITED STATES DEPARTMENT OF AGRICULTURE

These comments are filed on behalf of the United States Department of Agriculture (USDA) and are in response to the former Interstate Commerce Commission's (Commission) decision served December 27, 1995, setting forth the procedural schedule for this control and merger proceeding.

AUTHORITY AND INTEREST

Through the Agricultural Adjustment Act of 1938 (7 U.S.C. 1291) and the Agricultural Marketing Act of 1946 (7 U.S.C. 1622 (j)), Congress has directed and authorized the Secretary of Agriculture to participate in proceedings before the Commission to "assist in improving transportation services and facilities...for agricultural products and farm supplies" and to make "complaint or petition to the Commission...with respect to rates, charges, tariffs, practices, and services..." In addition, USDA, through the operations of the Commodity Credit Corporation, is a major participant in the markets for agricultural products.

Rail service is critical to the economic well-being of this Nation's agricultural and rural economies. Reliable, cost-effective transportation of agricultural products is essential in order for U.S. agricultural products and shippers to maintain competitive viability in domestic and export markets. Nearly half of all grain produced in the U.S. moves to market by rail.[1] In 1995, grain, grain mill products, and other farm products accounted for more than 2,140,898 rail car loadings.[2] This amounts to an 8.8 percent increase over 1994 car loadings. These figures indicate that an adequate and efficient rail infrastructure is essential for the marketing of the huge volumes of U.S. agricultural products.

A Union Pacific (UP)-Southern Pacific (SP) Railroad merger would surpass the 1995 merger between the Burlington Northern (BN) and the Atchison, Topeka and Santa Fe Railroads (Santa Fe) as the largest ever consolidation of rail systems. Together a UP-SP system would operate over 31,000 miles of track extending from Canada to Mexico and from the Midwest to the Pacific Ocean. During calendar year 1995, the UP and its Chicago and North Western Railroad affiliate hauled 599, 469 carloads of grain, grain mill and other farm products, ranking them among the top two Class I Railroads. The SP carried 84,000 carloads

---

[1]Jerry D. Norton, Paul J. Bertels, and Freeman K. Buxton, *Transportation of U.S. Grain: A Modal Share Analysis*, (Washington, DC: U.S. Department of Agriculture, Agricultural Marketing Service), July 1992.

[2]Association of American Railroads, *Weekly Railroad Traffic: Revenue Freight Traffic Statistics of Major Railroads,* (Washington, DC: Association of American Railroads; Economics, Policy, and Statistics Department), 1996.

of grain, grain mill and farm products. Together, the UP and SP rail systems would have ranked number one among Class I railroads in carloadings of grain, grain mill and other farm products in 1995 with 683,469 carloads compared to 618,903 carloadings for the combined BNSF.

A significant amount of grain is transported by rail to Gulf Ports for export to other countries. Rail is also an important mode of transport for grain exported overland to Mexico. Mexico is expected to become the largest U.S. market for grain. A combining of the UP and SP systems would reduce the number of independent railroads available to transport grain and other agricultural products and commodities to this large and expanding market, thus affecting the rail service, carrier options, and rates or prices agricultural shippers must pay.

EFFECTS OF CONTINUING RAIL CONSOLIDATION AND CONCENTRATION

The continuing consolidation and concentration of major railroads is dramatically altering the U.S freight railroad network. Only 9 Class I railroads are operating today, compared to 33 in 1982. In April of 1995, the Commission approved the merger of two major grain hauling railroads, the UP and the Chicago and North Western. Also in 1995, the (BN) acquired the Santa Fe Railway. The BN consistently ranks as the number one railroad in grain transportation annually. In addition to creating the largest rail system in the U.S., the BN-Santa Fe merger reduced the number of Class I railroads operating in the western half of the United States to three. If the UP-SP merger is approved, there will be only two Class I or major freight railroads operating in the vast grain and oilseed production area between the Mississippi River and the Pacific Ocean.

As major railroads continue to restructure through mergers, consolidations and abandonments, rural rail service has been preserved in many instances by the formation of small or short line railroads. Throughout the 1980's and continuing today, local and regional railroads have become increasingly important to agricultural and rural communities by assuming service which had been discontinued, or which was about to be discontinued by Class I railroads. Today, over 500 small railroads play a vital role in supplying farm communities with raw materials and farm inputs and in facilitating the marketing of agricultural production. With estimates of 10,000 or more miles of track to be sold, leased, or abandoned within the next several years by Class I railroads, small railroads will become even more important to the viability of rural agricultural regions and communities.

Because of their heavy dependence on Class I carriers for car supply and service, small railroads and the small agricultural businesses they serve are concerned over mergers and consolidations between large railroads. Common concerns with increased consolidation include a growing number of captive shippers who are only served by one railroad, reduced service, noncompetitive rates, and car ordering systems that cannot be used effectively by small businesses, most of which are country grain elevators. For example, USDA is aware of complaints from some shippers who have waited two months and longer for rail cars. Not having the resources or marketing power to purchase rail transportation far in advance of their sales, small grain elevators are unable to participate in the advanced car ordering systems offered by major railroads which guarantee car service. The inability to load and ship grain in a timely manner can be economically ruinous to these small rural businesses.

RAIL MOVEMENTS OF SOUTHERN PLAINS STATES WHEAT TO GULF PORTS FOR EXPORT

The limited access to feasible alternative transportation renders wheat shipments from Lower Plains States to the Gulf very dependent on rail. Because two of the Nation's largest wheat hauling railroads were to be consolidated, USDA told the Commission during the BN-Santa Fe merger proceedings last year that our greatest concern with the merger was the further reduction in the level of competition that existed between the two carriers in the transportation of wheat. The Lower Plains States of Kansas, Oklahoma, and Texas, combined with Colorado, produce more than three-fourths of all U.S. Hard Red Winter wheat. The combined BNSF is a major carrier in the movement of wheat to Gulf Ports for export from the Lower Plains States.[3]

The UP is the other major railroad transporting large volumes of Lower Plains States wheat to Gulf Ports and Mexican Gateways. While the SP is not currently a significant carrier in this market, it does have routes to major Gulf Port cities. A combined UP-SP would result in the control of this important rail-dependent market by the only two major railroads operating in the Western half of the U.S.

THE NEED FOR A THIRD CLASS ONE RAILROAD ALTERNATIVE

The absence of a feasible alternative transportation mode requires movement by rail for the tremendous volumes of wheat produced in the Plains States. This wheat must move

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[3]The Lower Plains, for the purpose of this discussion, include Kansas, Oklahoma, and Texas.

long distances to reach domestic markets, coastal ports and Mexican Gateways for export. USDA believes a third Class I Railroad alternative in the important corridor between the Lower Plains States and the Gulf and Mexican wheat markets would enhance competition and provide a measure of assurance to grain and other agricultural shippers concerned over the dominance in this market by two giant rail systems. A third Class I Railroad operating in this corridor may be needed to satisfy the service concerns and provide a competitive balance for shippers in the Nation's main winter wheat region which includes Kansas, Oklahoma, and Texas.

USDA also believes that gains in trade, expected as a result of the North American Free Trade Agreement, largely depend on maintaining competitive transportation options and gateway access into Mexico. A third Class I Railroad serving strategic gateways to Mexico would be beneficial for American wheat and other agricultural shippers, as well as for the Nation.

CONCLUSIONS

USDA does not oppose this proposed merger between the UP and SP railroads. However, continuing consolidation and concentration of the Nation's Class I railroads concerns USDA and agriculture in general because much of agricultural production moves to market by rail. A UP-SP combination, along with the recently merged BNSF, would result in control of movements of wheat from the Lower Plains States to Gulf Ports and Mexican Gateways for export by two huge rail systems. USDA believes a third Class I rail carrier operating between the wheat producing Lower Plains States and the Gulf and Mexican markets would enhance competition and provide rate and service alternatives for agricultural shippers.

The UP-SP merger request is the largest major railroad consolidation proposal to date. Approval of this merger will result in only two rail systems controlling the entire Western half of the Nation. This merger could have substantial impacts on grain production and marketing in the Midwest and West, particularly the Lower Plains States where a majority of the wheat grown is destined to Gulf Ports and Mexican Gateways for export. In its analysis and decision in this merger proposal, USDA urges the STB to consider the far-reaching competitive implications of a combined UP-SP rail system.

USDA believes STB should require, as a condition of the merger, that trackage rights and or line sales be used to ensure competition, and that alternative service by a third Class I Railroad be considered in the Kansas City, Wichita, and Fort Worth, Texas corridor to Gulf Ports and to Mexico. USDA believes the transportation interests of agriculture and the Nation would be best served by retaining as many transportation options as possible in the vast areas that would be served by a consolidated UP-SP rail system.

Respectively submitted,

Lon Hatamiya

Lon Hatamiya
Administrator

Agricultural Marketing Service

U.S. Department of Agriculture
Washington, D.C. 20250

CERTIFICATE OF SERVICE

I, Paul E. Kepler, certify that, on this 29th day of March, 1996, I caused a copy of the forgoing document to be served by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties of record in Finance Docket No. 32760, and on

Director of Operations
Antitrust Division
Room 9104-TEA
Department of Justice
Washington, D.C. 20530

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

Paul E. Kepler

Paul E. Kepler

STB FD 32760 3-29-96 D 62150

Item No. ____________

Page Count 8

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

ATTORNEYS AND COUNSELORS AT LAW
SUITE 750
1100 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-3934

OFFICE: (202) 371-9500 TELECOPIER: (202) 371-0900

March 29, 1996

RECEIVED
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MAIL MANAGEMENT
I.C.C.

Via Hand Delivery
Honorable Vernon A. Williams, Secretary
Surface Transportation Board
Department of Transportation
Room 1324
12th Street & Constitution Avenue, NW
Washington, DC 20423

Re: 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*

Dear Secretary Williams:

Enclosed for filing in the above-captioned case are an original and twenty (20) copies of a Public Version of Cargill, Incorporated's COMMENTS, designated CARG-4. A 3.5-inch diskette containing this pleading in Word Perfect 5.1 is also enclosed. Additionally, an extra copy of this pleading is enclosed for the purpose of date stamping and returning to our office.

Respectfully submitted,

J.K. Maser

John K. Maser III
Attorney for Cargill, Incorporated

ORIGINAL

CARG- 4

BEFORE THE
SURFACE TRANSPORTATION BOARD

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

COMMENTS BY CARGILL, INCORPORATED

William J. Burns
Vice President - Transportation
Cargill Grain Division
Cargill, Incorporated

Ronald E. Hunter, Esquire
Senior Attorney
Law Department
Cargill, Incorporated
15407 McGinty Road West
Wayzata, Minnesota 55391

March 28, 1996

INTRODUCTION

Cargill, Incorporated ("Cargill"), an interested shipper in this proceeding, through its Vice President of Transportation, Grain Division, William J. Burns, submits the following comments regarding the proposed merger of the Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company ("UP") and the Southern Pacific Rail Corporation, Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp. and the Denver and Rio Grande Western Railroad Company ("SP"), Surface Transportation Board ("STB") Finance Docket No. 32760.

Cargill is a privately held company, in continuous operation for more than 130 years, with its base in the merchandising and handling of agricultural commodities. Over the years, the company has expanded into a world trading and processing company. Currently, Cargill's major businesses include merchandising of a wide range of agricultural and other bulk commodities; processing oilseeds, corn, wheat, fruits and vegetables; processing poultry and red meats; the production and sale of farm inputs, including seeds, feeds and fertilizer; financial trading; financial services; and agricultural consulting services. Cargill's annual world-wide sales have exceeded $50 billion and the company employs 73,000 people in 66 countries. Cargill's transportation assets include more than 14,000 railcars of various types, numerous ocean vessels and a barge line with more than 900 barges.

In 1995, which is reflective of a continuous upward trend over the past years, Cargill purchased more than $700 million of rail transportation services, including more than $125 million of services provided by UP and SP. Thus, Cargill has a very substantial interest in the future competitive viability of rail services in the regions served by UP and SP.

THE MERGER

It is axiomatic that the continuous reduction of the number of competitors in a market place at some point significantly reduces competition. Our national transportation policy seeks to preserve competition among carriers. It is the STB's obligation to protect the public interest and consider, among five major factors, whether the proposed UP/SP merger would have an adverse effect on competition among rail carriers in the affected region, per 49 U.S.C. Section 11344(b)(1). It is with this goal in mind that Cargill offers the following comments.

Cargill does not support the merger. However, Cargill does not oppose the merger, if certain conditions are included in the approval of this merger to ensure meaningful competition remains in the vast area west of the Mississippi River.

1. Trackage Rights

In their application, the UP and SP have recognized the anticompetitive impact of the proposed merger. Substantial trackage rights over UP/SP lines have been arranged for the Burlington Northern Santa Fe Railroad ("BNSF"). Although the costs of trackage rights are not equal to the costs of track ownership, trackage rights, if appropriately priced, are capable of providing a competitive alternative. Trackage rights should be a condition to approval of this merger; however, the STB must carefully examine the cost of the trackage rights assessed on BNSF to ensure that the trackage rights are priced economically and will allow effective competition.

2. Reciprocal Switching

All stations/junctions on the merged UP/SP railroad lines should be open to reciprocal switching. This is necessary to ensure the public has reasonable access to rail services offered by competing railroads. Without reasonably priced switching opportunities, monopoly control of long-haul traffic in many markets can be achieved, as a practical matter, by closing a facility to switching services or pricing switching services prohibitively high. If access to switching is not required when this merger is approved, the shipping public will eventually lose, or never see, much of the benefit potentially contained in this merger.

3. Set a Presumptively Unreasonable Rate Standard for Segments of Two Rail Carrier Movements

The single line haul opportunities that will result from the proposed merger could benefit UP/SP and shippers alike. The increased efficiencies should lower UP/SP's costs and attract more shippers. However, shippers will see precious few of these benefits if nothing is put in place to preserve the competition that is currently provided by rail carriers that perform part of an alternative joint movement. UP/SP should not be permitted to render a joint movement inaccessible, as a practical matter, by setting an excessive price for the UP/SP segment.

To adequately preserve pre-merger joint movements, a rate guideline should be included in the merger approval which establishes, as presumptively unreasonable, the increase of any UP/SP segment of a joint movement to a rate (revenue-variable cost) exceeding 180%. This presumption is appropriate in this special case (to preserve competition) and is both easily determined and understood by carriers and shippers alike.

4. Maintain Open Gateways

The STB should ensure that no gateways are closed by UP/SP following this merger. Preserving the current multi-line options through the various gateways (for example, Kansas City, St. Louis, Denver, Omaha, Dallas and California's Bay Area) will serve the public interest by maintaining reasonable transportation costs which directly affect the ultimate price consumers pay for products. It should be noted that this will merely preserve competition, not enhance it. After the merger, when UP and SP cease to be competitors at some gateways, closing those gateways to other rail carriers will become more attractive to UP/SP. If unchecked, the harm to the public interest is obvious. Under these circumstances, it is appropriate for the STB to take action to maintain the status quo.

5. Private Car Access

Non-railroad owned cars are a vital part of the rail industry. While railroads have the right to refuse private access today -- and normally they should have the right to refuse access -- there needs to be some way to clearly and efficiently determine in advance when a refusal is unreasonable.

The present status of private cars on the UP and SP railroads should be maintained on the merged railroad. Shippers have made substantial investments in private cars as required by railroads and in reliance upon the railroad's acceptance of use of those cars.

The preceding five points demonstrate that, overall, the merger of the UP and SP represents some significant competitive pitfalls which the STB must take into account and avoid. In considering the proposed merger of the UP and SP, the STB should not summarily dismiss comments such as those made here. These comments reflect very real and practical concerns which, like all the debate surrounding this and any other merger, are somewhat speculative projections of the future. This is inherent in these proceedings. Indeed, the statute governing the STB's review of this merger requires a reasonable attempt to view and assess the future effects the merger "would have" (Section 11344) in order to protect the public interest and promote US rail transportation policy. The preceding comments reflect many years of experience in the real world of day-to-day rail carrier and shipper interaction.

W J Burns

William J. Burns

Certificate of Service

I hereby certify that a copy of Cargill, Incorporated's COMMENTS has been served by first class mail, postage prepaid, on all parties of record in this proceeding on this 29th day of March, 1996.

Jacqueline A. Spence

Jacqueline A. Spence

STB FD 32760 3-29-96 D 62367 1/14

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Page Count 337

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...AN SANDERS LLP
...NEYS AT LAW
...TED LIABILITY PARTNERSHIP

601 PENNSYLVANIA AVENUE, N.W.
SUITE 640
NORTH BUILDING
WASHINGTON, D.C. 20004
TELEPHONE: 202-274-2950
FACSIMILE: 202-274-2994

WILLIAM A. MULLINS

DIRECT: 202-274-2953

March 29, 1996

HAND DELIVERED

Mr. Vernon A. Williams
Surface Transportation Board
Case Control Branch
Room 2215
1201 Constitution Avenue, N.W.
Washington, D.C. 20423

RECEIVED
MAR 29 1996
I.C.C. BUILDING
GUARD DESK

Re: Finance Docket No. 32760, *Union Pacific Corporation, et al. -- Control & Merger -- Southern Pacific Rail Corporation, et al.*

Dear Secretary Williams:

Enclosed for filing in the above-captioned case are an original and twenty copies of the Comments of The Kansas City Southern Railway Company and Request for Conditions ("KCS-33"). The filing appears in three volumes. Volume I is red and is being filed in a Highly Confidential and Public (redacted) version. Volume II is in blue and is Public. Volume III is in green and is the Highly Confidential Appendix.

We are enclosing one disk containing the Highly Confidential version of Volume I and a second disk containing Volume II. Also enclosed are disks containing the documents in section II of the Highly Confidential Appendix and various charts, tables and graphs in Lotus format.

Sincerely yours,

William A. Mullins
Attorney for Kansas City Southern
Railway Company

Enclosures

cc: Arvid Roach, Esquire
Paul Cunningham, Esquire

159

KCS-33

PUBLIC VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

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

COMMENTS OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY AND REQUEST FOR CONDITIONS

VOLUME I

Richard P. Bruening
Robert K. Dreiling
The Kansas City Southern
Railway Company
114 West 11th Street
Kansas City, Missouri 64105
Tel: (816) 556-0392
Fax: (816) 556-0227

James F. Rill
Sean F.X. Boland
Virginia R. Metallo
Collier, Shannon, Rill & Scott
3050 K Street, N.W.
Suite 400
Washington, D.C. 20007
Tel: (202) 342-8400
Fax: (202) 338-5534

John R. Molm
Alan E. Lubel
William A. Mullins
David B. Foshee
Troutman Sanders LLP
601 Pennsylvania Avenue, N.W.
Suite 640 - North Building
Washington, D.C. 20004-2609
Tel: (202) 274-2950
Fax: (202) 274-2994

Attorneys for The Kansas City Southern
Railway Company

March 29, 1996

KCS-33

PUBLIC VERSION

BEFORE THE
SURFACE TRANSPORTATION BOARD

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
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Richard P. Bruening
Robert K. Dreiling
The Kansas City Southern
Railway Company
114 West 11th Street
Kansas City, Missouri 64105
Tel: (816) 556-0392
Fax: (816) 556-0227

James F. Rill
Sean F.X. Boland
Virginia R. Metallo
Collier, Shannon, Rill & Scott
3050 K Street, N.W.
Suite 400
Washington, D.C. 20007
Tel: (202) 342-8400
Fax: (202) 338-5534

John R. Molm
Alan E. Lubel
William A. Mullins
David B. Foshee
Troutman Sanders LLP
601 Pennsylvania Avenue, N.W.
Suite 640 - North Building
Washington, D.C. 20004-2609
Tel: (202) 274-2950
Fax: (202) 274-2994

Attorneys for The Kansas City Southern
Railway Company

March 29, 1996

TABLE OF CONTENTS

VOLUME I
HIGHLY CONFIDENTIAL
OUTSIDE COUNSEL AND CONSULTANTS ONLY

VOLUME II

VOLUME III
HIGHLY CONFIDENTIAL
OUTSIDE COUNSEL & CONSULTANTS ONLY

TABLE OF CONTENTS
COMMENTS

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 32760

COMMENTS OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY AND REQUEST FOR CONDITIONS

By application filed November 30, 1995 in Finance Docket No. 32760, Union Pacific Railroad Corporation (UPC), Union Pacific Railroad Company (UPRR), Missouri Pacific Railroad Company (MPRR),[1] and Southern Pacific Rail Corporation (SPR), Southern Pacific Transportation Company (SPT), St. Louis Southwestern Railway Company (SSW), SPCSL Corp. (SPCSL), and The Denver and Rio Grande Western Railroad Company (DRGW)[2] (collectively, Applicants) seek approval and authorization under 49 U.S.C. § 11343-11345 from the Interstate Commerce Commission (ICC)[3] for: (1) the acquisition of control of SPR by UP Acquisition Corporation, an indirect wholly owned subsidiary of UPC; (2) the merger of SPR into UPRR; and (3) the resulting common control of UP and SP by UPC. Pursuant

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[1] UPRR and MPRR are referred to collectively as UP.

[2] SPT, SSW, SPCSL, and DRGW are referred to collectively as SP.

[3] The ICC Termination Act of 1995, Pub. L. No. 104-88, 109 Stat. 803, took effect on January 1, 1996 (the "Act"). The Act abolished the ICC and transferred certain functions and proceedings, including this proceeding, to the Surface Transportation Board ("STB"). Except as otherwise noted, all citations contained in these comments are to the former section of the Interstate Commerce Act. It is also assumed for purposes of the filing, that all references to the "Commission" or the "Interstate Commerce Commission" are interchangeable with references to the "Board" or the "STB."

to the procedural schedule issued by the Interstate Commerce Commission in Decision No. 6[4] and the procedural regulations contained at 49 C.F.R. § 1180.4(d)(4), The Kansas City Southern Railway Company (KCS) provides the following comments and request for conditions.

I. SUMMARY OF THE RELIEF REQUESTED

As currently structured, the proposed transaction is not consistent with the public interest. Using either UP/SP or KCS evidence, the proposed UP/SP merger will cause unprecedented competitive harm (see V.S. Grimm, Figures 1.1, 2.1 and 4.1). To address some of this competitive harm, Applicants propose the "BNSF Agreement" relying on 4,000 miles of trackage rights.[5] To address most, if not all, of the competitive harm, KCS proposes the "Comprehensive Solution" calling for divestiture, through sale by Applicants, of one of two parallel and duplicate lines and facilities, where sale is feasible. Where UP/SP currently share lines and facilities and there are no duplicate lines or facilities to be sold, divestiture should consist of the grant to an independent rail carrier of trackage rights over

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[4] *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*, Finance Docket No. 32760 (ICC served Oct. 19, 1995).

[5] When you consider the cumulative effects of the agreements between BNSF and UP and SP that were entered into during the merger of the BNSF merger, UP, SP, BN, and SF will, in less than two years, have agreed to swap over 7,000 miles of trackage.

such lines.[6] Among the areas that should be subject to divestiture: lines between St. Louis and Memphis, on the one hand, and Houston, on the other hand; the SP line from Houston to New Orleans; and the SP line from Houston to Brownsville via Flatonia and Victoria.

KCS also believes that a third carrier should be given access to the rights granted to SP in the Burlington Northern/Santa Fe merger[7] in the Central Kansas grain areas, including access to Wichita, Topeka, Hutchinson, and the trackage rights over BNSF from those areas to Ft. Worth, TX.[8] Such a substitution of a qualified third carrier for the rights gained by SP in the BNSF proceeding will restore the competitive balance for Kansas grain shippers that will be lost as a result of the cumulative effects of the BNSF merger and the proposed UP/SP merger.

Furthermore, one or more of the responsive applications filed by those parties interested in the Central Corridor, especially the proposal put forth by the Joint Filing of Montana Rail Link, the Western Shipper's Coalition, and the Mountain-Plains Communities

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[6] For example, KCS supports the request of the Texas Mexican Railway Company ("Tex Mex") for trackage rights from Robstown, TX to a connection with KCS. Trackage rights for this segment are necessary, rather than divestiture, because both SP and UP operate over portions of this track. Thus, while UP and SP operate over parallel routes, they do not own parallel tracks over a portion of this segment.

[7] *See Burlington Northern Inc. & Burlington Northern R.R. -- Control and Merger -- Santa Fe Pacific Corp. & Atchison, Topeka & Santa Fe Ry.*, Finance Docket No. 32549 (ICC served Mar. 7, 1995). The merged entity resulting from this transaction will be herein referred to as "BNSF."

[8] These rights were granted to SP in Section 3 of the Agreement dated April 13, 1995, between Burlington Northern Railroad Company and The Atchison, Topeka and Santa Fe Railway Company, on the one hand, and Southern Pacific Transportation Company, The Denver & Rio Grande Western Railroad Company, St. Louis Southwestern Railway Company and SPCSL Corp., on the other hand, which hereinafter is referred to as the "Agreement."

and Shippers Coalition, should also be granted in order to alieviate the anticompetitive effects of the proposed transaction in that Corridor. Wisconsin Central would provide another alternative.

KCS believes these lines should be divested to a qualified buyer in a market driven process, subject to the approval of the Surface Transportation Board. All lines proposed for divestiture are parallel and duplicative, and some of the lines are already scheduled to be downgraded by UP/SP. By allowing a market driven process to determine which carrier is allowed to acquire parallel lines in the Houston to St. Louis Corridor, Houston to New Orleans Corridor, Houston to Brownsville Corridor, and the Central Corridor, shareholders will receive adequate compensation, and all shippers on a line will gain access to an alternative carrier. Jobs will be saved rather than eliminated, and Applicants will be able to maintain the preponderance of their benefits. The map on the next page reflects one version of the "Comprehensive Solution."[9]

Unlike Applicants' proposal, KCS's proposal is the true free market solution that both benefits shareholders and preserves the public interest. The Comprehensive Solution ameliorates competitive harms, retains all service benefits, and provides UP/SP the vast majority of the benefits they project for their merger. The BNSF Agreement mitigates only some of the worst, but, nevertheless, a minority portion of competitive harms, substitutes

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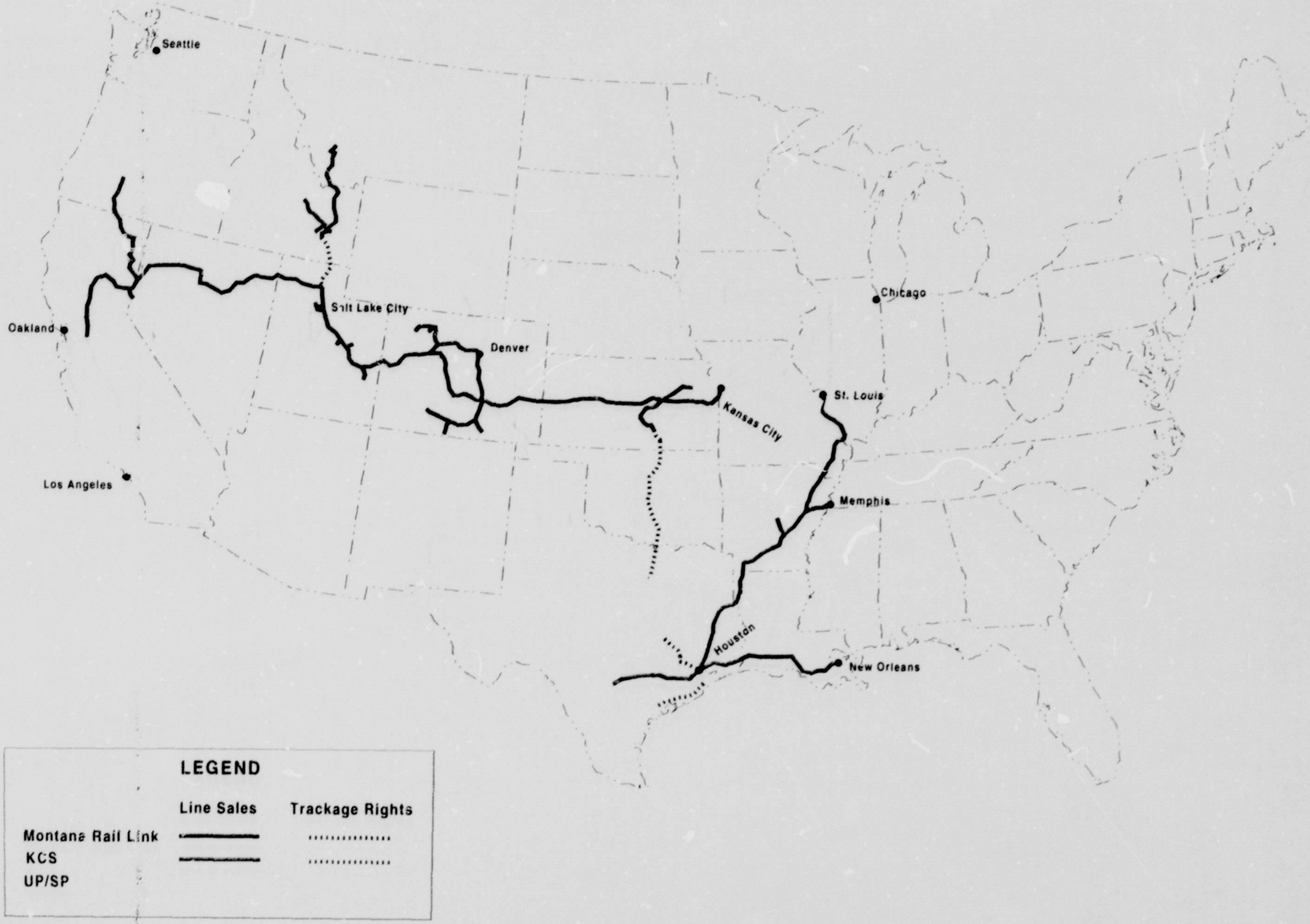
[9] The use of the Montana Rail Link as a representative carrier for the many interests in the Central Corridor is intended to reflect one of the many possible scenarios. As noted, KCS stands willing and able to cooperate with any of the other parties that have expressed an interest in the Central Corridor. Of significance, however, is that the map clearly shows the Applicants will be able to maintain all of the single-line benefits so relied upon as justification for the transaction.

The Comprehensive Solution



March 26, 1996

constrained BNSF service for unconstrained SP service and price competition, and provides UP/SP all the benefits they project for their merger.

While Applicants concede, as they must, that the combining of their two largely parallel systems results in a reduction of competition in many areas, the attempt by Applicants to define these areas narrowly minimizes and underestimates the scope of the competitive harm that would result from an unconditional merger. Applicants' rigidly narrow definition of competitive impact--shippers currently served by both carriers and no others--excludes situations where the proximity of the other carrier provides a competitive check, either through source competition, transloading, build-outs, build-ins and other types of competitive pressures. Applicants' narrow definition ignores the reality of how shippers benefit from the presence of competing lines.

The testimony of Dr. Curtis Grimm which appears herein at Vol 1, pp. 163-80, 192-205, shows that UP/SP's agreement with BNSF, premised on Applicants' narrow definition of competitive harm, addresses less than half of the points where competition will be reduced from 2-to-1, none of the 3-to-2 points, and none of the other competitive harms. Other KCS witnesses and the deposition testimony of veteran railroad officials show that the Agreement, because of its reliance on trackage rights, will be wholly ineffective in its efforts to ameliorate even the limited portion of competitive harms it claims to address. BNSF will not be an effective competitor over the UP/SP trackage rights because it must compete as a tenant with the UP/SP landlord controlling all aspects of operations -- including scheduling and dispatching BNSF's service over the UP/SP trackage rights. The Agreement's rate structure will prohibit BNSF from being able to offer rate packages sufficiently attractive to divert traffic to the BNSF trackage rights.

By analyzing the anticompetitive effects of the transaction, examining whether or not the Agreement resolves those effects, closely evaluating Applicants' claimed public benefits, and presenting an accurate picture of SP's financial condition, KCS will establish that the transaction, as proposed, should be denied. However, by imposing the conditions requested by KCS and others, the anticompetitive effects of the transaction will be sufficiently resolved, Applicants will still be able to maintain the preponderance of their claimed public benefits, shareholders will be adequately compensated, and jobs will be saved, rather than eliminated.

II. THE BOARD'S MANDATE IS TO CONSIDER THE POTENTIALLY HARMFUL COMPETITIVE EFFECTS OF THE MERGER AND TO MITIGATE THOSE EFFECTS WHEREVER POSSIBLE

The applicable statutory provisions that govern this transaction are codified at 49 U.S.C. 11341-51. "The Act's single and essential standard of approval is that the Commission find the [transaction] to be 'consistent with the public interest.' 49 U.S.C. § 11344(c)." *Missouri-Kansas-Texas R. Co. v. United States*, 632 F.2d 392, 395 (5th Cir. 1980), *cert. denied*, 451 U.S. 1017 (1981). *See also Penn Central Merger Cases*, 389 U.S. 486, 498-499 (1968). However, in determining whether a transaction is in the public interest, the legislative history of the statute, prior precedents, and the Commission's own policy statement for proposed railroad consolidations all indicate that the Board should give considerable weight to the competitive effects of a proposed merger. 49 U.S.C.

§ 11344(b)(1)(E); *McLean Trucking Co. v. United States*, 321 U.S. 67, 87-88 (1944); and *Northern Lines Merger Cases*, 396 U.S. 491, 510-513 (1970).

A. The Legislative History Makes It Clear That Competition Is The Critical Factor The Board Must Consider

Section 11344(b)(1)(E) was added to the Interstate Commerce Act by the Staggers Rail Act of 1980. Pub. L. 96-448, 94 Stat. 1931 (Oct. 14, 1980) (Staggers Act). This section originated as a floor amendment in the House of Representatives, the sponsor of which described the purpose and effect of the amendment as follows:

> I am offering an amendment...to specifically direct the Interstate Commerce Commission to consider the question of rail competition whenever making a determination of a railroad merger transaction.
>
> * * * *
>
> I think it is important, therefore, that the ICC consider the question of competition as a regular part of the process of evaluating whether to allow mergers.

126 Con. Rec. H8604 (daily ed. September 9, 1980) (remarks of Representative Leon Panetta).

A review of the legislative history of the amendment, which was accepted and approved by the Congress, indicates that the legislature was well aware that the Staggers Act was intended to place increased reliance on the forces of competition. The legislative history to the amendment to Section 11344 plainly demonstrates that Congress added section 11344(b)(1)(E) in order to ensure that, whenever the Commission was called upon to review a proposed rail merger, sufficient marketplace forces would be available after the consolidation to replace the strict regulation previously used to protect shippers from effects of monopoly power.

This same concern for the role that competition should play during the consideration of a rail merger was again stressed in the ICC Termination Act of 1995, Pub. L. No. 104-88, 109 Stat. 803 (1995). Congress amended section 1344(b)(1)(E) to broaden the role of competition by requiring the Board to consider the competitive effects of the transaction on the entire national rail system, not just "in the affected region." H. Rep. No. 104-422, 104th Cong., 1st Sess. 191 (1995). The Staggers Act and the ICC Termination Act thus reflect an explicit directive to the ICC (Board) to emphasize the need to preserve competition when considering a major rail merger.

B. Prior Precedents Require The Consideration Of The Loss Of Competition

In addition to these explicit statutory considerations, the Commission is also required by *McLean Trucking Co. v. United States*, 321 U.S. 67 (1944) and the *Northern Lines Merger Cases*, 396 U.S. 491, 510-513 (1970) to weigh the policy of the antitrust laws disfavoring diminution in competition resulting from a proposed rail merger against the national transportation policy favoring improvements in efficiency. In fact the Commission itself has noted that the antitrust laws provide guidance on the public interest considerations and give "understandable content to the broad statutory concept of the public interest." *Union Pacific Corporation, Pacific Rail System, Inc. and Union Pacific Railroad Company-Control-Missouri Pacific Corporation and Missouri Pacific Railroad Company*, 366 I.C.C. 462, 484 (1982) (*UP/MP*); and *Burlington Northern Inc. & Burlington Northern R.R. -- Control and Merger -- Santa Fe Pacific Corp. & Atchison, Topeka & Santa Fe Ry.*, Finance Docket No. 32549, slip op. at 52 (ICC served Mar. 7, 1995)(*BNSF*) *quoting FMC v. Aktiebolaget Svenska Amerika Linien*, 390 U.S. 338, 244 (1968).

In *McLean Trucking Co. v. United States*, 321 U.S. 67, 87-88 (1944), the Supreme Court noted the proper weight to be accorded to antitrust policy in carrier control proceedings:

> In short, the Commission must estimate the scope and appraise the effects of the curtailment of competition which will result from the proposed consolidation and consider them along with the advantages of improved service, safer operations, lower costs, etc., to determine whether the consolidation will assist in effectuating the overall transportation policy.

Accord, Bowman Transportation v. Arkansas-Best Freight, 419 U.S. 281, 298 (1974); *Port of Portland v. United States*, 408 U.S. 811, 841 (1972); *Northern Lines Merger Cases*, 396 U.S. 491, 514 (1970); *Denver & R. G. W. R. Co. v. United States*, 387 U.S. 485.

This balancing approach was premised on the view expressed by the Court that Congress had decided to allow the ICC to authorize rail mergers because Congress took "into account the fact that the business affected is subject to strict regulation and supervision, particularly with respect to rates charged the public --- an effective safeguard against the evils attending monopoly, at which the Sherman Act is directed." *Northern Lines Merger Cases*, 396 U.S. at 512 (1970).

Since the passage of the Staggers Act, the Commission has consistently applied the principles established in the above cited cases by emphasizing the need to protect the public from any harmful effects on competition resulting from a proposed rail merger. In its decision in *UP/MP*, the Commission noted that:

> [o]ur analysis of the potential harm from a proposed consolidation focuses on two impacts highlighted by the statutes and policies discussed above: *any reduction in either intra- or intermodal competition which would likely result from the consolidation;* and any harm to essential services provided by competing carriers.

366 I.C.C. at 486 (1982) (emphasis added). In *Santa Fe Southern Pacific Corporation-Control-Southern Pacific Transportation Company*, 2 I.C.C. 2d 709 (1986) (*SFSP*), the Commission emphasized that "the effect of a transaction on competition is a *critical factor* in our consideration of the public interest" *Id.* at 726 (emphasis added).

C. The Commission's Policy Guidelines Focus On Competition

The Commission's general policy statement on rail consolidations was issued in *Railroad Consolidation Procedures*, 363 I.C.C. 784 (1981), and codified at 49 C.F.R. 1180.1. This statement was issued a result of the changes brought by the Staggers Act and represented a modification of its previous merger policy. Significantly, the Commission noted that its earlier proposed statement could have left the impression that "our concern was solely with the possible 'elimination' of competition." *Id.* at 786. In light of the changes wrought by the Staggers Act, however, the Commission emphasized that "we are necessarily also concerned about any significant 'lessening' or 'reduction' in competition caused by a consolidation." *See* 363 I.C.C. at 786-87.

Thus, while recognizing that operating efficiencies and new marketing opportunities may result from the elimination of duplicative facilities and the use of more direct routings, the policy statement explicitly stated that the Commission was concerned about the loss of competition:

> If two carriers serving the same market consolidate, the result would be the elimination of the competition between the two. Even if the consolidating carriers do not serve the same market, there may be a lessening of potential competition in other markets. While the reduction in the number of competitors serving a market is not in itself harmful, a lessening of competition resulting from the elimination of a competitor may be contrary to the public interest...In some markets the Commission's focus will be on the preservation of effective intermodal competition, *while in other markets (such*

as long-haul movements of bulk commodities) effective intramodal competition may also be important.

49 C.F.R. § 1180.1(c) (emphasis added). This was further emphasized in the regulations through the statement that a "consolidation of two carriers serving the same market might be contrary to the public interest despite the potential efficiencies that may be gained." 49 C.F.R. 1180.1(c)(2).

Accordingly, it is clear that the legislative history, prior precedents, and the Commission's own policy statements establish that competition, and not efficiency, should be afforded the greater weight in performing its balancing test under the public interest standard. Because the Commission is authorized to approve a transaction even though that transaction may otherwise violate the antitrust laws, *Northern Lines Merger Cases*, 396 U.S. at 511-514, it is of critical importance that the Commission give significant consideration to whether or not this proposed consolidation would result in the reduction of competition. In performing its balancing test under the public interest standard, the effect on competition should be the "critical" factor that the Board considers.

D. Unlike Previous Mergers, The Proposed UP/SP Merger Is Parallel In Nature And Such Parallel Mergers Are Not Favored

As noted, merger policy plays a vital role in the maintenance of competition. The 4-R Act and The Staggers Act, along with ICC administrative actions, have encouraged end-to-end consolidations. As a result, the U.S. railroad system went through a major restructuring in the early 1980's, leaving three large railroad systems dominant in the East and four major railroads dominant in the West. It is critical to note that the major consolidations since Staggers have been primarily end-to-end. The following pages contain color maps of each of the major mergers approved in the past twenty years. It also includes a map of the proposed SF/SP merger and of the UP/SP merger.

As is graphically illustrated, all of the prior mergers that were approved have been primarily end-to-end.[10] In contrast, the maps clearly show that the proposed SF/SP and the proposed UP/SP merger are parallel in nature. The ICC denied the largely parallel *SF/SP* proposed consolidation, and it should similarly deny this merger as it is currently proposed.

The proposed merger of the UP and SP is, like the proposed SF/SP merger, a largely parallel merger. As shown by the Commission's decision in *SF/SP*, parallel mergers should not be favored:

> [A]s the Commission warned over five years ago in its Merger Policy Statement, parallel mergers are not favored where there are no other competing railroads. See *Merger Policy Statement*, 363 I.C.C. 784, 791 (1981). The burden of demonstrating that such a merger is in the public interest is a heavy one, and must be borne on the shoulders of substantial evidence, not *in terrorem* legal argument.

SFSP, 2 I.C.C. 2d at 833 (1986). In this light, Commentors, such as KCS, do not have the burden of establishing that the merger is not in the public interest. Instead, the presumption is that such mergers are highly disfavored, and it is for Applicants to establish that the merger is in the public interest. Applicants have failed to meet this burden. Indeed, in a February 1995 presentation to the Board of Directors of the Union Pacific Corporation, Mr. White Matthews, UPC's Chief Financial Officer, stated that one of the objectives of the merger was REDACTED (Rebensdorf Deposition, Exhibit 14, HC33-000004).

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[10] The UP/MKT merger did contain some parallel elements; however, most affected markets had three or four competing railroads after the merger.

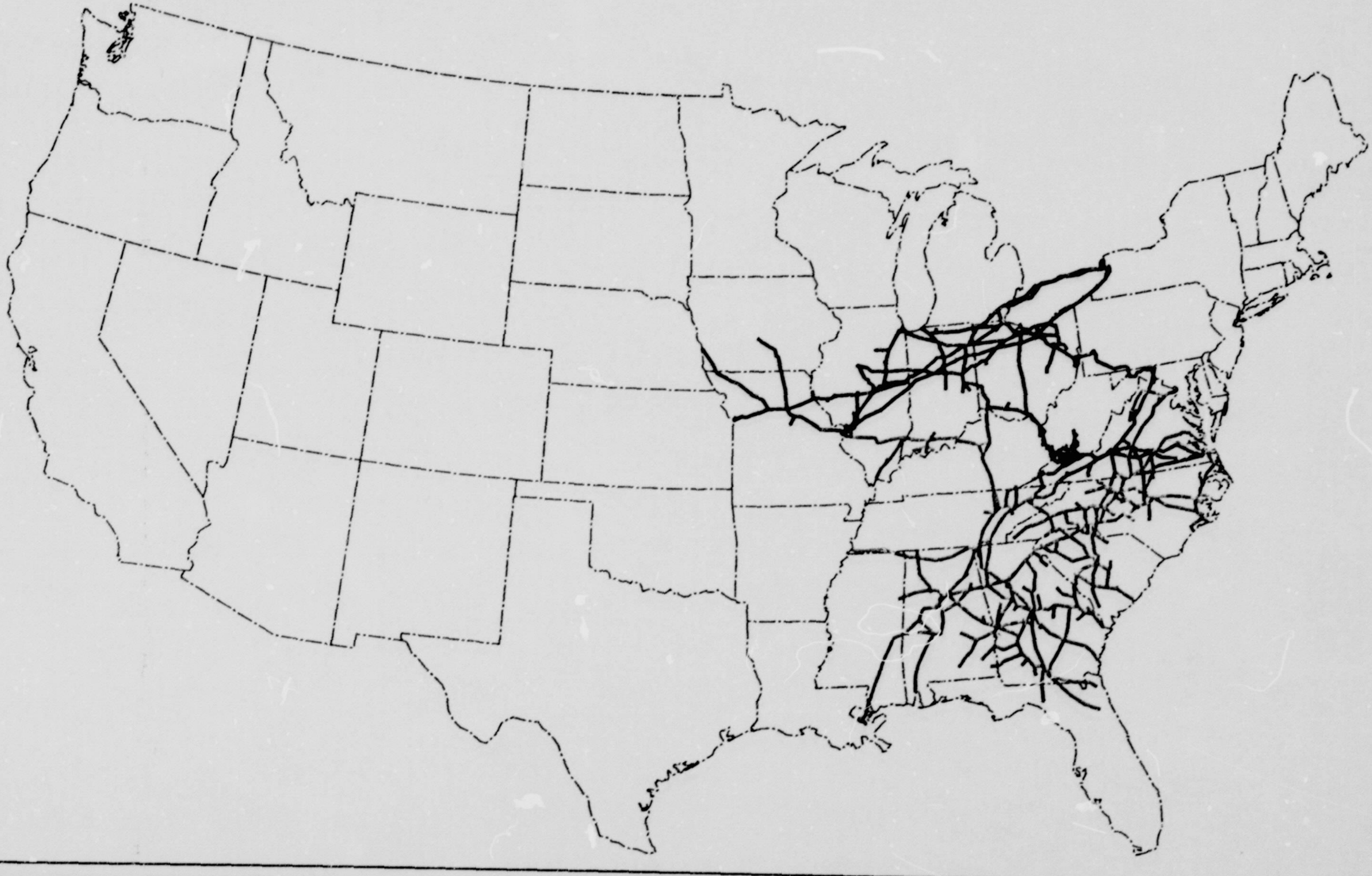

THE BURLINGTON NORTHERN RAILROAD
BURLINGTON NORTHERN
COLORADO SOUTHERN -1980
FORTWORTH & DENVER -1980
ST. LOUIS & SAN FRAN.-1980
3/12/96 ALK ASSOCIATES INC.

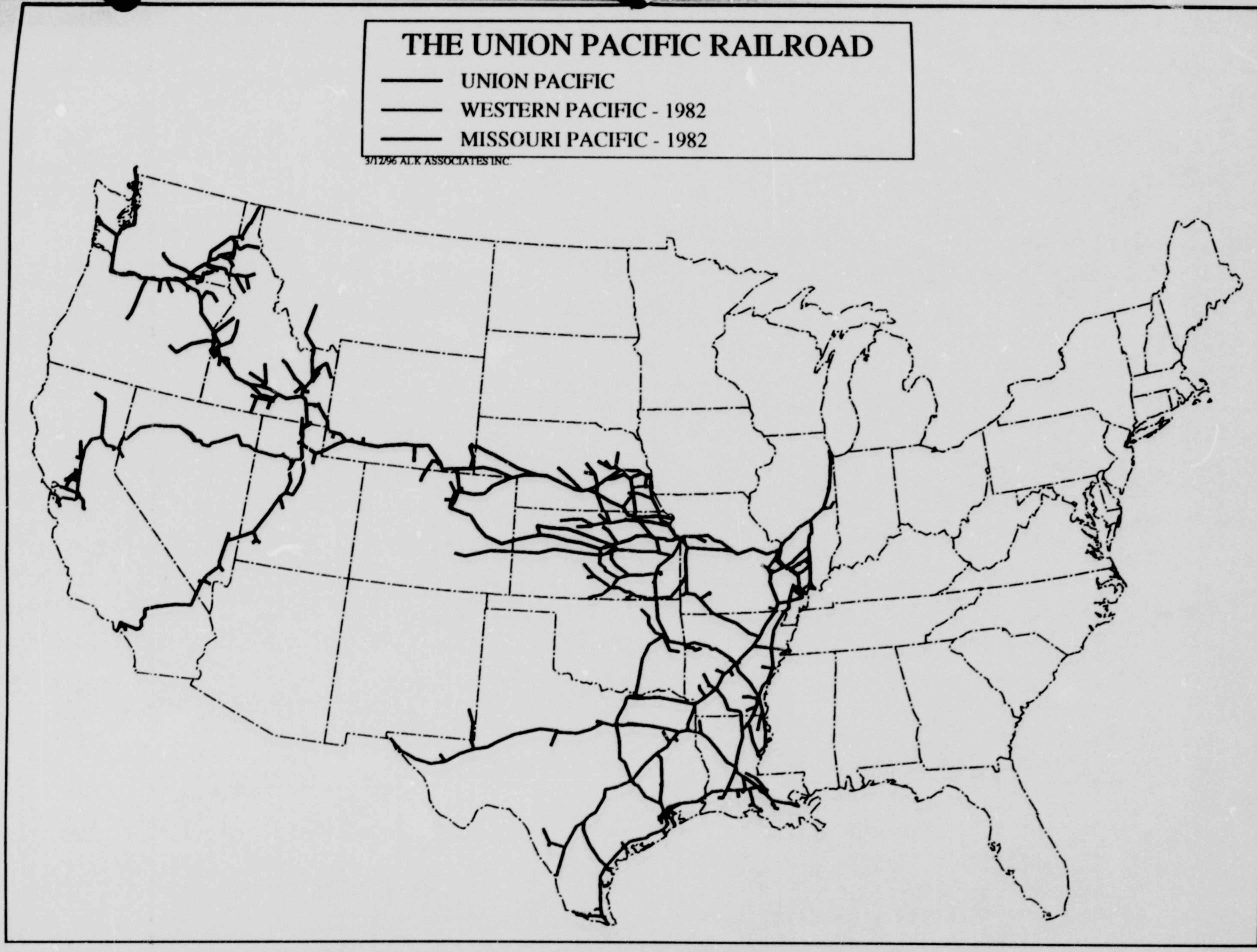
THE NORFOLK SOUTHERN RAILWAY COMPANY

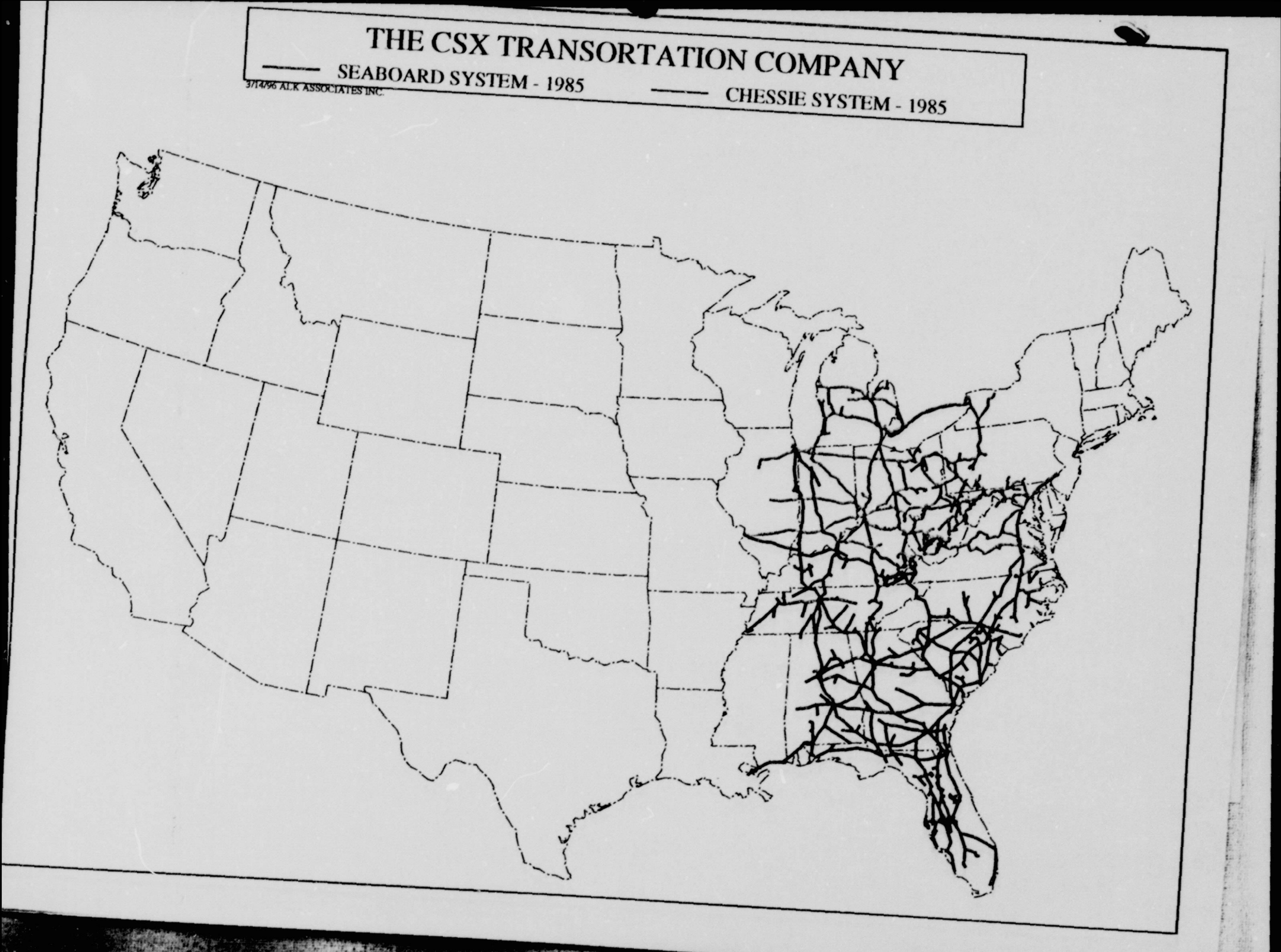
NORFOLK & WESTERN - 1982

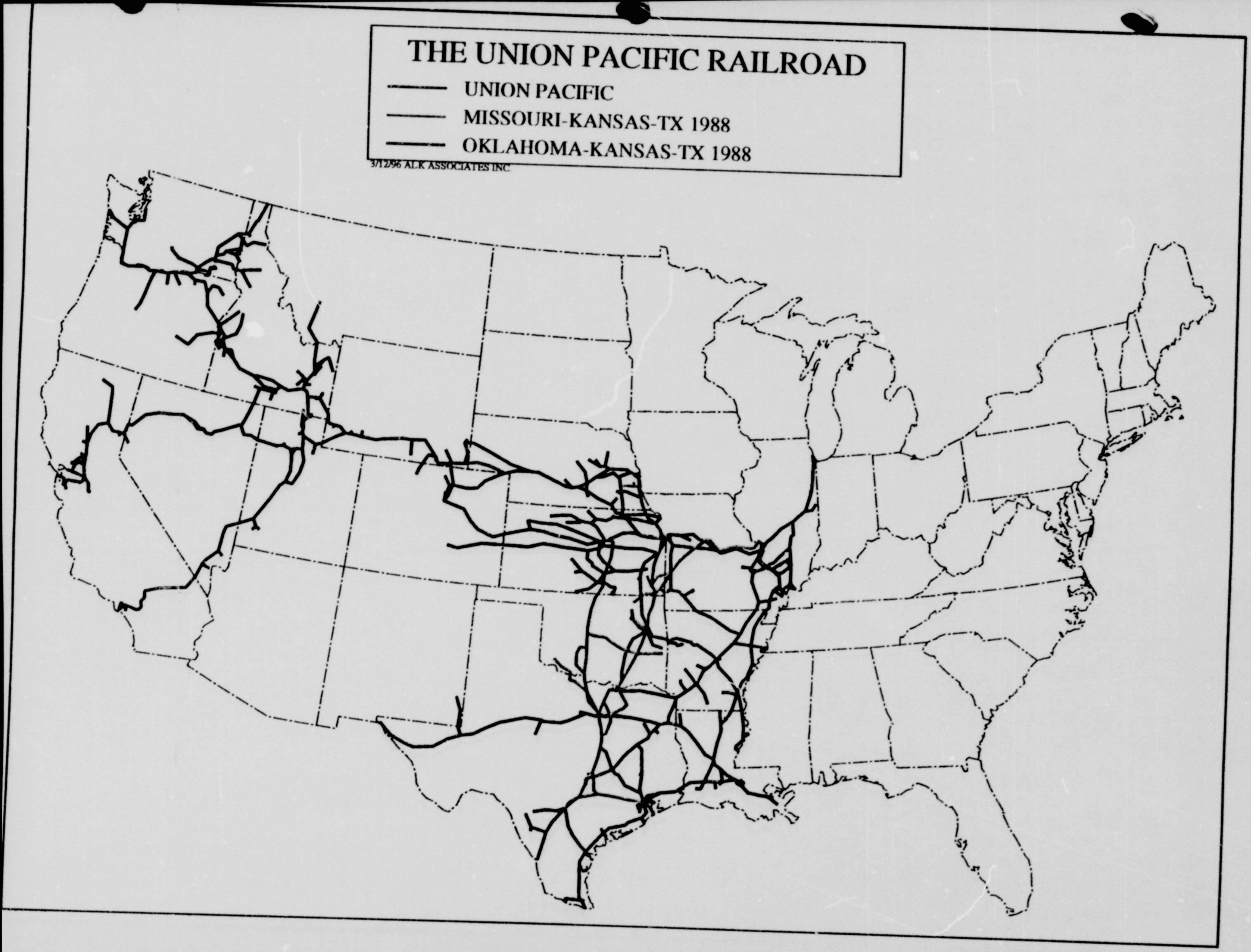
SOUTHERN RAILWAY - 1982

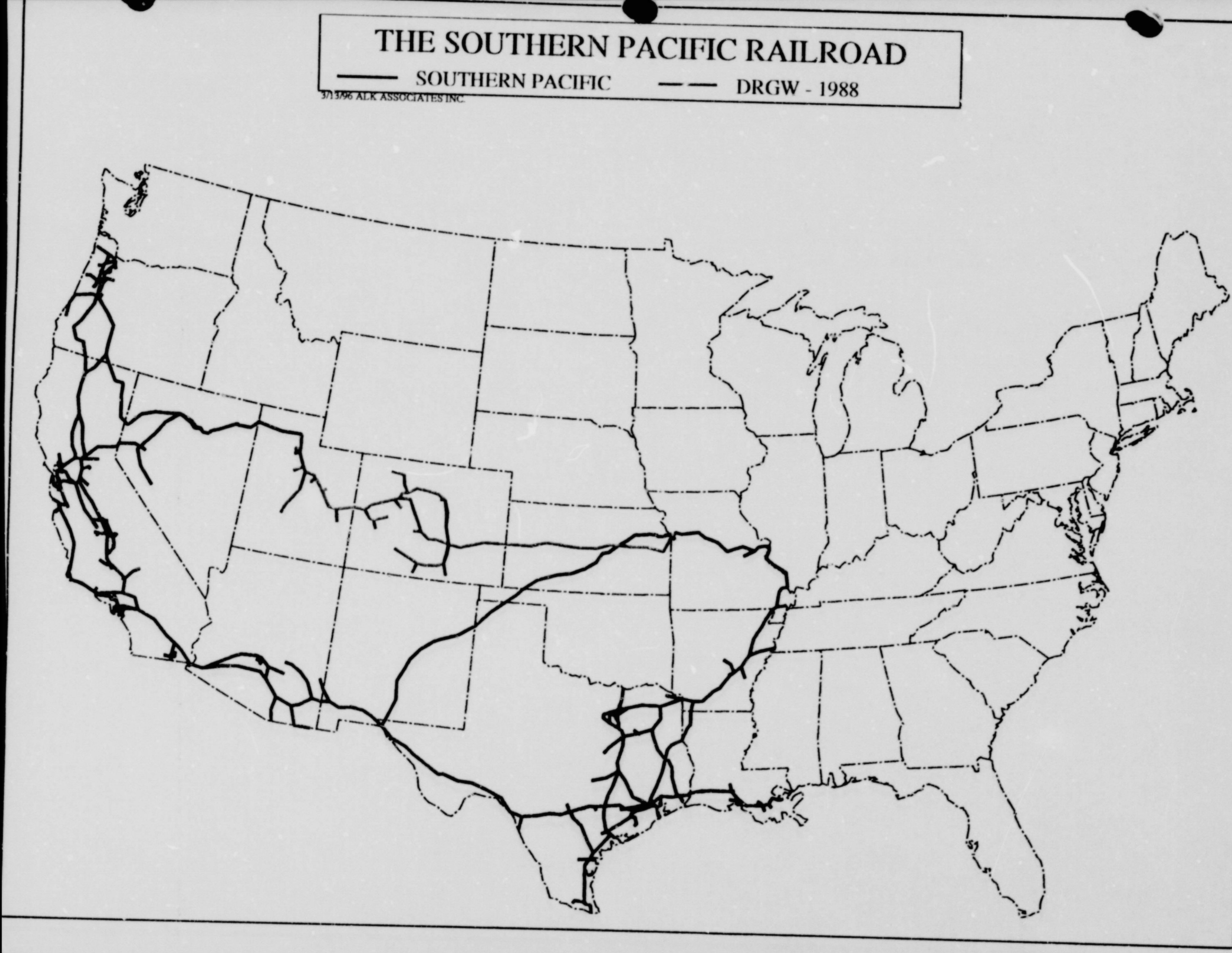
3/13/96 ALK ASSOCIATES INC.

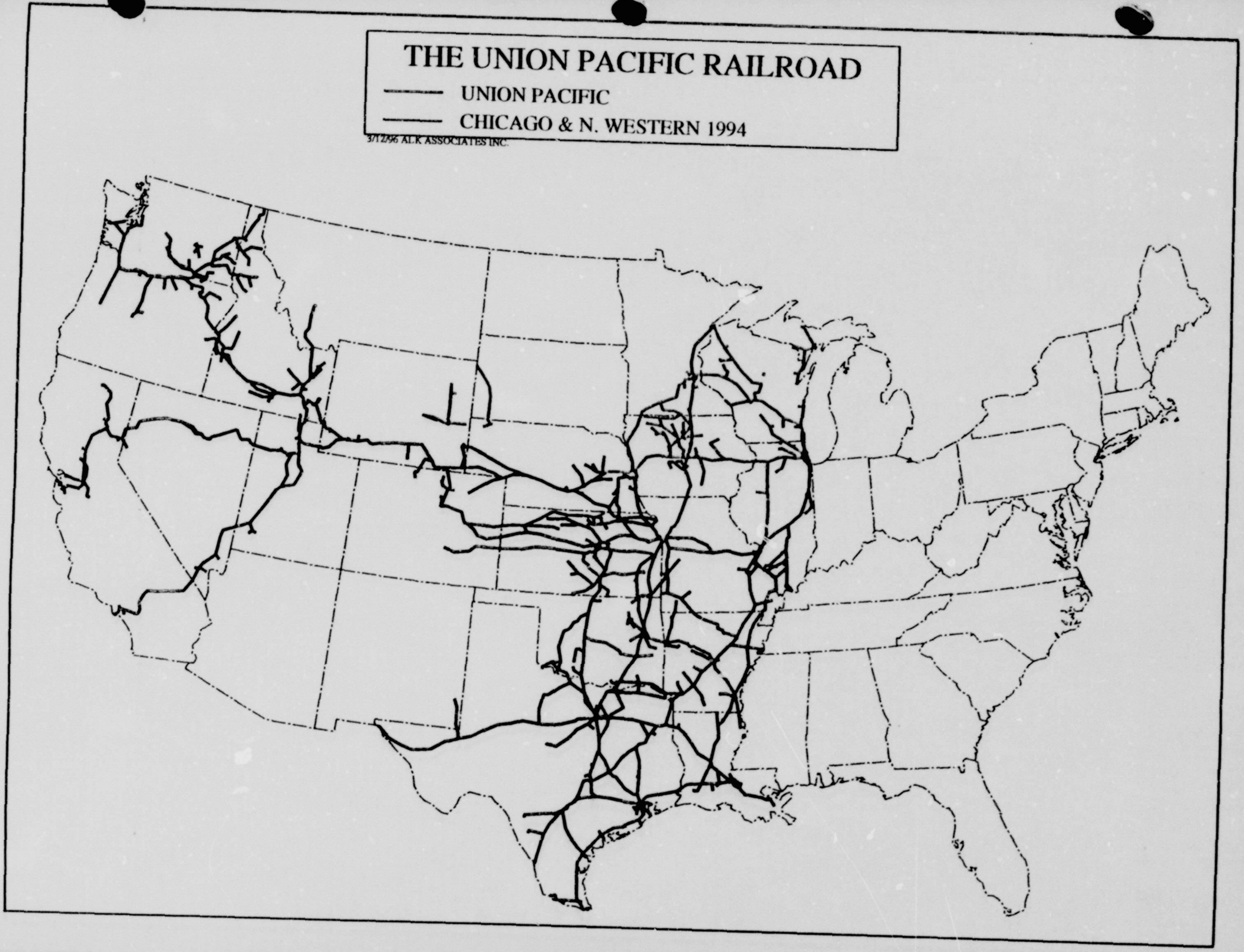



THE UNION PACIFIC RAILROAD
UNION PACIFIC
WESTERN PACIFIC - 1982
MISSOURI PACIFIC - 1982
3/12/96 ALK ASSOCIATES INC.


THE CSX TRANSORTATION COMPANY
SEABOARD SYSTEM - 1985
CHESSIE SYSTEM - 1985
3/14/96 ALK ASSOCIATES INC.


THE UNION PACIFIC RAILROAD
UNION PACIFIC
MISSOURI-KANSAS-TX 1988
OKLAHOMA-KANSAS-TX 1988
3/12/96 ALK ASSOCIATES INC

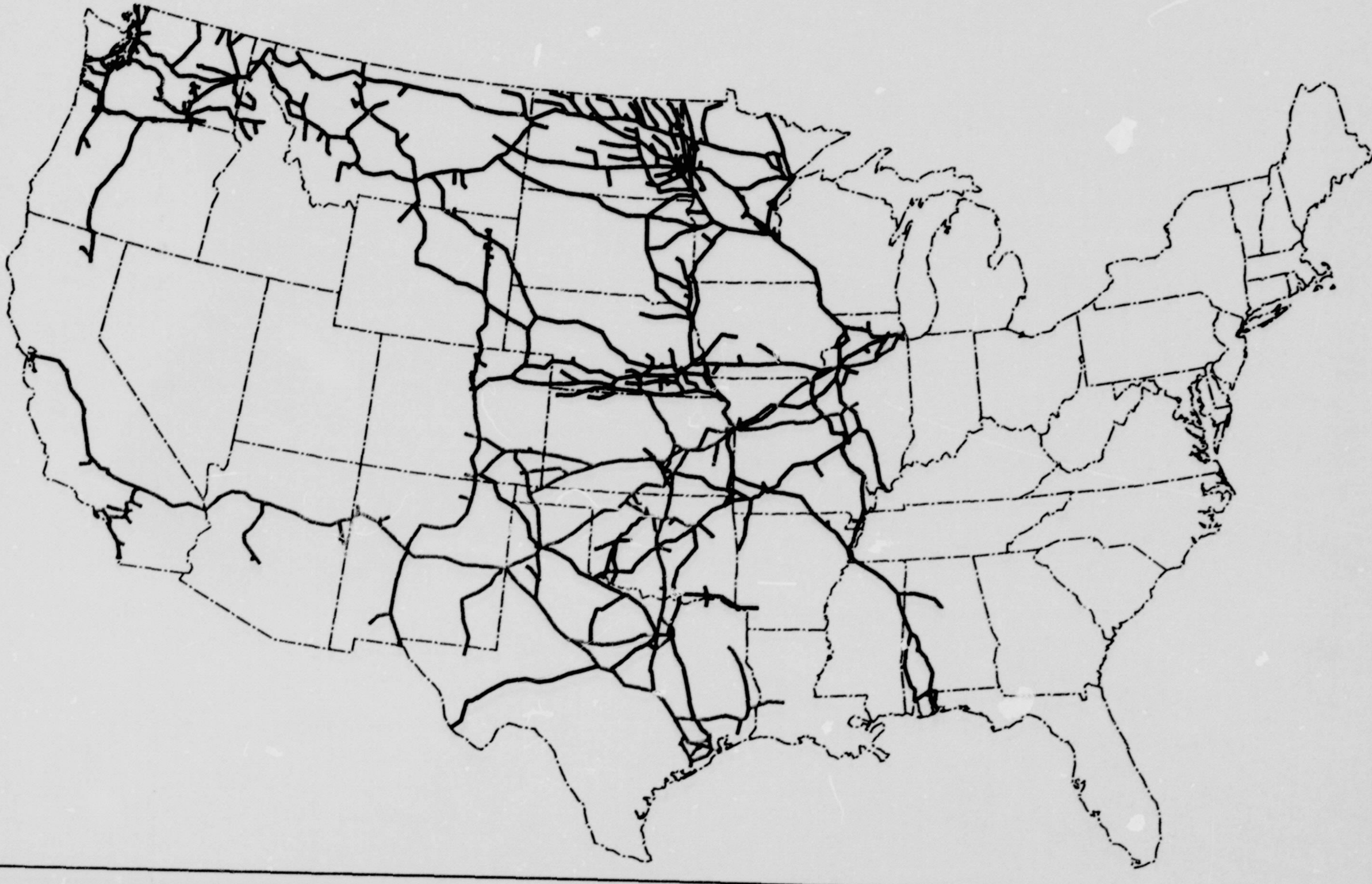

THE SOUTHERN PACIFIC RAILROAD
SOUTHERN PACIFIC
DRGW - 1988
3/13/96 ALK ASSOCIATES INC.


THE UNION PACIFIC RAILROAD
UNION PACIFIC
CHICAGO & N. WESTERN 1994
3/12/96 ALK ASSOCIATES INC.

THE BURLINGTON NORTHERN RAILROAD

BURLINGTON NORTHERN — ATSF - 1995

3/13/96 ALK ASSOCIATES INC.

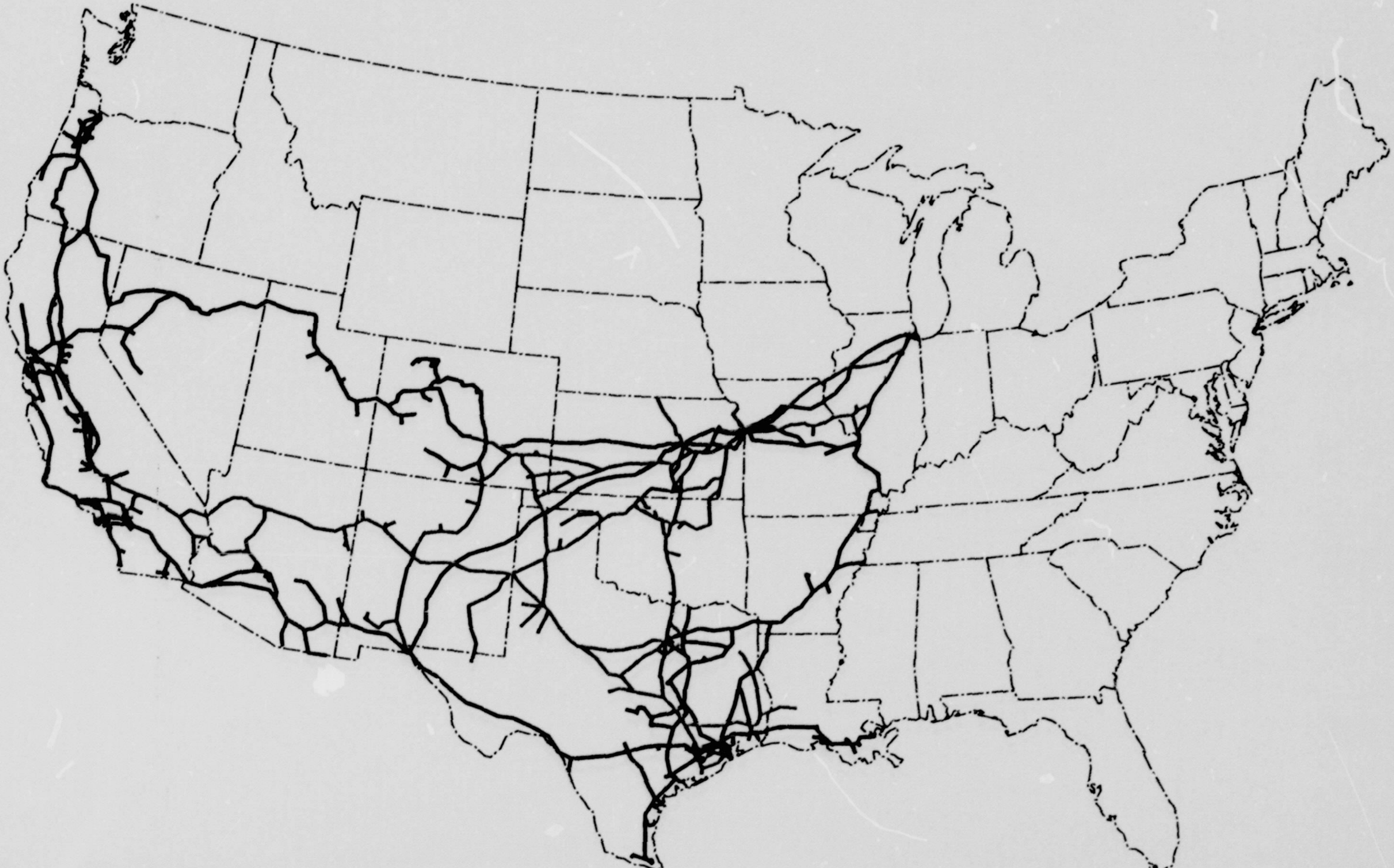


THE SOUTHERN PACIFIC - SANTA FE RAILROADS

SP SYSTEM - 1994

SANTA FE - 1994

3/25/96 ALK ASSOCIATES INC.

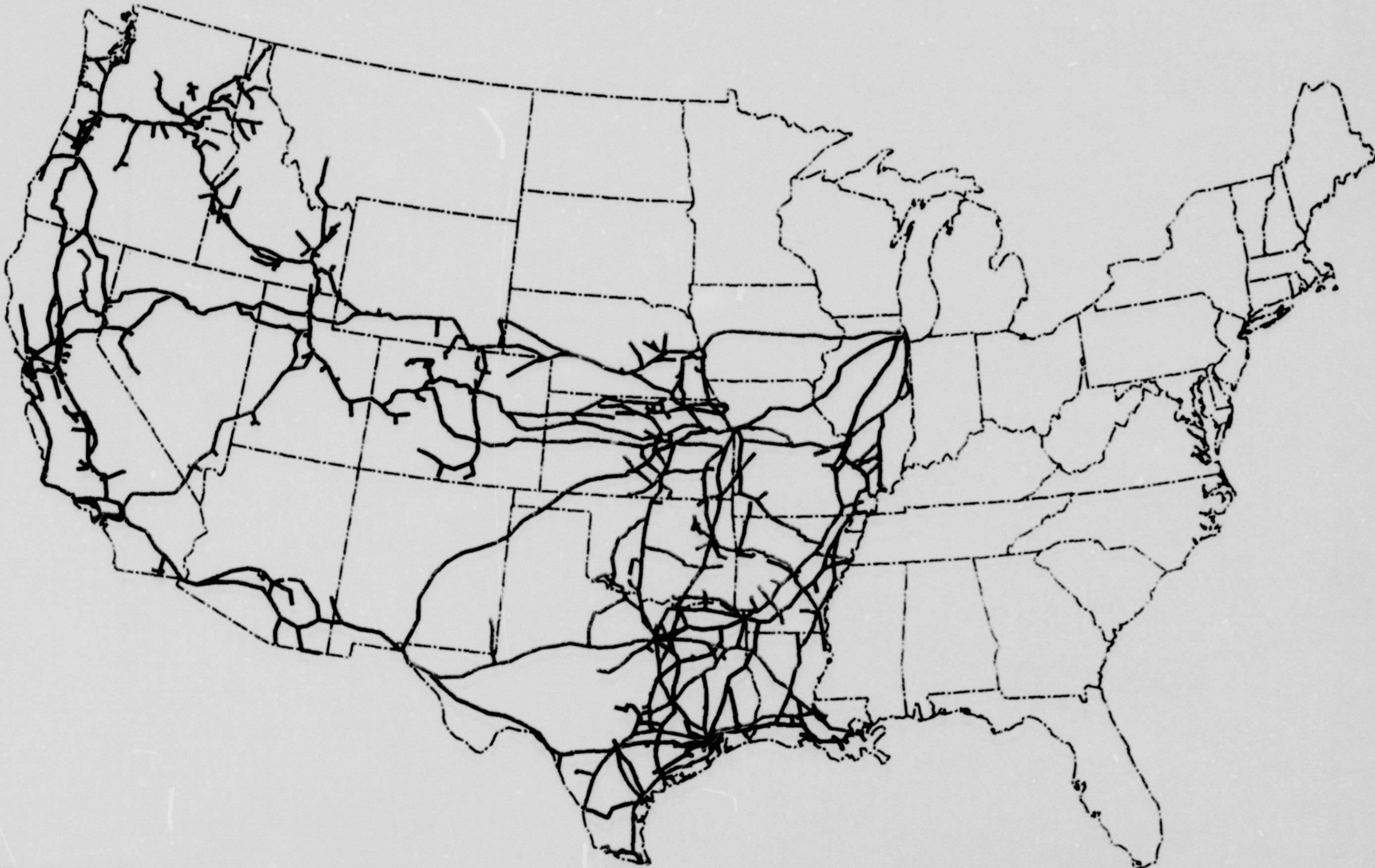


THE SOUTHERN PACIFIC - UNION PACIFIC RAILROADS

——— SOUTHERN PACIFIC - 1994

——— UNION PACIFIC - 1994

3/25/96 ALK ASSOCIATES INC.



III. AS PROPOSED, THE UP/SP CONSOLIDATION IS EXTREMELY ANTICOMPETITIVE

In analyzing the competitive impact of UP's and SP's proposed consolidation, the Commission must begin by defining the relevant markets that would be affected. While not binding on the Commission, the antitrust laws provide a useful guide in defining the markets affected by a proposed transaction. A relevant market is the area of effective competition, *Standard Oil Co. v. United States*, 337 U.S. 293, 299-300, n. 5 (1949), and necessarily has two dimensions, product and geographic.[11] *Brown Shoe Co. v. United States*, 370 U.S. 294, 324 (1962)(*Brown Shoe*). Relevant markets must be defined in terms of commercial realities. *United States v. Grinnel Corp.*, 384 U.S. 563, 572 (1966).

When assessing the product dimension of competitive markets, the courts have stated that a relevant product market requires a grouping together of products that are reasonably interchangeable. In *Brown Shoe*, 370 U.S. at 325, the Court noted that the "outer boundaries of a product market are determined by the reasonable interchangeability of use or the cross-elasticity of demand between the product itself and substitutes for it." All parties to this proceeding recognize that the "product" sold by railroads is the transportation of freight. As discussed in the verified statement of Dr. Curtis Grimm, the issue is the extent to which

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[11] These terms should not be confused with product and geographic (or source) competition as used by the Commission in market dominance proceedings. *Market Dominance Determinations*, 365 I.C.C. 118 (1981), *aff'd, Western Coal Traffic League v. ICC*, 715 F.2d 772 (5th Cir. 1983) (*en banc*), *cert. denied*, 104 S. Ct. 2160 (1984); Ex Parte No. 320 (Sub-No. 3), *Product and Geographic Competition*, 2 I.C.C.2d 1 (1985)." *General Electric Company v. The Baltimore & Ohio Railroad Co.*, No. 38125S, 1987 ICC LEXIS 399 at *4 (March 17, 1987). Geographic competition (also referred to as source competition) is an important element in this proceeding in examining whether or not there is a reduction of competition in a relevant geographic market.

freight transportation by other modes, *e.g.* trucks and barges, should be included in the same product market as rail freight transportation.

Like product markets, geographic markets must correspond to economic realities. *Brown Shoe*, 370 U.S. at 336. In antitrust cases, the relevant geographic market has been described as the area in which providers of a particular product or service operate and to which purchasers can turn for such products or services. *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327-328 (1961). In the context of Clayton Act § 7 cases, a merger related geographic market has been found to include "markets as small as individual cities and a market as large as the entire country." *Brown Shoe*, 370 U.S. at 328, 340. It has also been found necessary to examine any "economically significant submarket" where the effect of the transaction may be substantially to lessen competition. *Id.*, at 325.

Consistent with this approach, the Commission has made it clear that a critical element used in evaluating whether or not a reduction of competition will occur in a proposed rail merger is to examine whether or not there will be a reduction in the number of independent rail routings serving a given geographic region.[12] Such "horizontal" effects range from a loss of direct, head-to-head competition between two railroads serving the same origin/destination pair or to a loss of geographic competition between railroads, as would occur if each of the merging parties exclusively serves a different competing shipper from the same origin. *BNSF*, slip op. at 55; *Chicago, Milwaukee, St. Paul, and Pacific Railroad*

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[12] *Burlington Northern Inc. & Burlington Northern R.R. -- Control and Merger -- Santa Fe Pacific Corp. & Atchison, Topeka & Santa Fe Ry.*, Finance Docket No. 32549, slip op. at 55 (ICC served Mar. 7, 1995)("The determination of competitive harm is more evident where the possible routing options on a rail-bound commodity drop from two originating or terminating railroads to one.").

Company-Reorganization-Acquisition by Grand Trunk Corporation, 2 I.C.C.2d 161, 224-225 (1984) ("Parallel effects may arise where the consolidating railroads run between common origin/destination pairs or corridors and generally involve the question of whether there is a reduction in the number of rail competitors serving transportation markets").

This approach is further emphasized in the regulations by the statement that a "consolidation of two carriers serving the same market might be contrary to the public interest despite the potential efficiencies that may be gained." 49 C.F.R. 1180.1(c)(2). Indeed, where the possible routing options on a rail-bound commodity dropped from two originating or terminating railroads to one, the Commission has found competitive harm and imposed a condition to alleviate such harm.[13]

A. <u>The Proposed Transaction Will Result In A Significant Number Of "2 To 1 Point Shippers" Seeing Their Independent Rail Routings Drop From Two To One, And Such Shippers Are Not Granted Access To The BNSF</u>

Applicants, fully aware of Commission precedent with respect to such geographic markets having both UP and SP service, negotiated an agreement with BNSF to provide BNSF access to those geographic <u>points</u> that would see a reduction from two carriers (UP

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[13] See *BNSF*, slip op. at 63, 83-86 imposing conditions due to the reduction of independent rail routings in various market areas, including the Pueblo-Ft. Worth corridor; *Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Company--Control--Missouri-Kansas-Texas Railroad Company, et al*, Finance Docket No. 30800, 4 I.C.C. 2d 409 (1988)(*UP/MKT*); *Union Pacific Corporation, Pacific Rail System, Inc. and Union Pacific Railroad Company--Control--Missouri Pacific Corporation and Missouri Pacific Railroad Company*, Finance Docket No. 30,000,366 I.C.C. 459 (1982)(*UP/MP/WP*); *Norfolk Southern Corporation--Control--Norfolk and Western Railway Company and Southern Railway Company and Southern Railway Company*, Finance Docket No. 29430, 366 I.C.C. 173 (1982)("NS Control"); *Burlington Northern, Inc--Control and Merger--St. Louis-San Francisco Railway Company*, Finance Docket No. 28583, 360 I.C.C. 784 (1980) (*BN/Frisco*).

and SP) down to one carrier (the merged UP/SP). The key word used by Applicants for determining which shippers received access to BNSF is the word "points." In other words, the definition of the appropriate "geographic market" used by Applicants for purposes of determining which shippers are "2 to 1 shippers" focused only on those shippers located at a point who prior to the merger were physically served only by UP and SP. (*See* App. Vol. II, V.S. Peterson at 14-20; App. Vol. I, V.S. Rebensdorf at 296-298.)

All of the "2 to 1" shippers, as defined by Applicants, involved shippers at points who were physically served by UP and SP and no other carrier. The vast majority of these shippers were exclusively served by either UP or SP, but were open to the other Applicant carrier, and only the other Applicant carrier, via reciprocal switching. Very few such shippers had direct access to both UP and SP. (*See* App. Vol. II, V.S. Peterson at 72.)[14]

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[14] Applicants also considered a shipper located on a shortline a "2 to 1" shipper if the shortline was able to connect with both UP and SP and no other railroad. V.S. Rebensdorf at 297. *But see* Comments and Request for Conditions of Yolo Shortline Railroad Company (while we share trackage rights in UP's West Sacramento railroad with SP, . . . UP does not permit interchange with SP. . .. UP has carefully arranged that our traffic will be interchanged solely with UP, . . . coupled with the hostile relationship between SP and UP, this has impeded our ability to arrange and provide our customers economic transportation for numerous shipments), March 22, 1996. In addition, if there was an actual build-out project begun, as opposed to a theoretical or threatened build-out Applicants considered the shipper a 2 to 1 shipper. Under Applicants' limited definition, only two locations fit the build-out criteria so as to justify access to BNSF, *e.g.* Baytown and Mont Belvieu. Yet, discovery has exposed that internally, prior to the merger, UP considered several other points to be potential build in opportunities (*See*, Peterson Deposition at 82-84) In this regard, witness Barber testified that all that is required is an "imminent possibility" of a build-in and that not "one shovel of dirt" had to be moved. (Barber Deposition at 64.)

The best way to describe what Applicants considered a 2 to 1 shipper is to refer to the Figure on the next page, which represents a theoretical geographical area.[15] The illustration assumes three shippers (industrial sites) currently use rail service from either UP or SP or both, but from no other rail carrier. Industrial Site #1 is served by both UP and SP via reciprocal switch or direct access. Under Applicants' definition of 2 to 1, Industrial Site #1, and only Site #1, would receive access to BNSF.

While 2 to 1 shippers as defined by Applicants will see a reduction in competition (absent the BNSF agreement), and thus, consistent with ICC precedent, should be afforded access to another carrier as a condition of the merger,[16] such "2 to 1" shippers are not the full universe of true 2 to 1 shippers that need additional access to another carrier. There are a significant number of shippers who are not included within Applicants' narrow definitions; yet these 2 to 1 shippers will see their competitive routing options reduced after the merger, and they are not granted access to BNSF under the trackage rights agreement.

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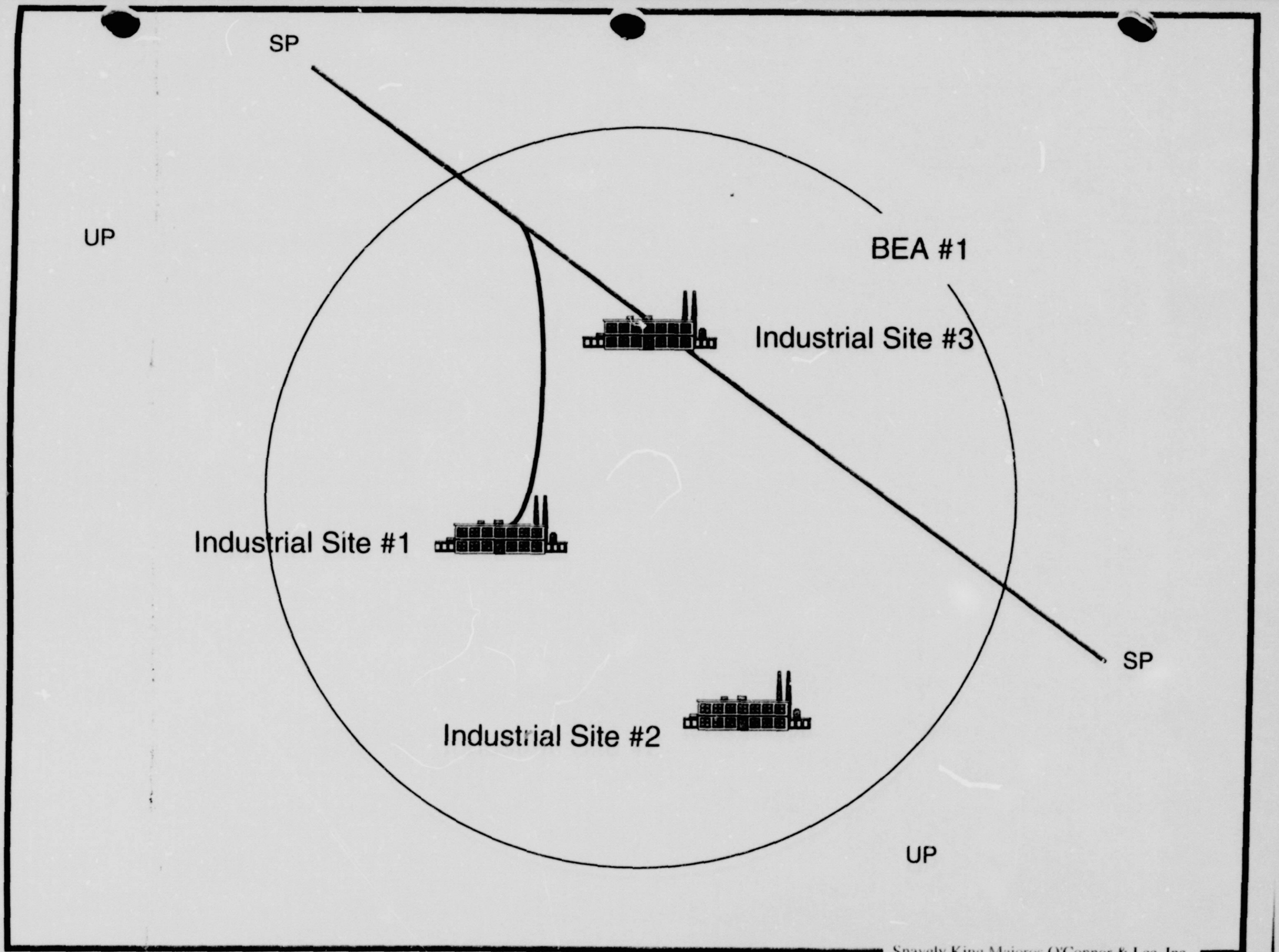
[15] Whether it represented a Business Economic Area (BEA) or a Standard Point Location Code (SPLC) was irrelevant from Applicants' point of view because Applicants focused merely on "points" without respect to the geographical scope of that point. It is unclear how far in geographic reach Applicants' definition of a "point" reaches, so that future traffic and shippers could be considered covered by the BNSF agreement. Rebensdorf mentions that defining the precise "areas" to be considered as a "2 to 1" point is a subject for further negotiation. V.S. Rebensdorf at 315.

[16] Whether or not the Agreement actually provides "2 to 1 Point shippers" or "2 to 1 Corridor shippers," an effective competitive alternative is another matter. As the verified statements of KCS witnesses Don Swanson, Hilary Rawert, Joe Plaistow, and A.W. Rees establish, trackage rights, and in particular, the trackage rights granted to BNSF, will not furnish such shippers an adequate alternative. *See also* Conrail's filing, CR-22. As is shown, the only solution that truly provides such shippers competitive service is actual ownership, through divestiture of the lines and facilities mentioned by KCS, Conrail, and others.


SP
UP
BEA #1
Industrial Site #3
Industrial Site #1
SP
Industrial Site #2
UP

Applicants did not consider a shipper a "2 to 1 point" if that shipper had access, either directly or via reciprocal switching, to two carriers, the first being either UP or SP, and the second, another Class 1 carrier, such as KCS or BNSF. (Peterson Deposition at 72-80.) However, such shippers should qualify as a "2 to 1" point, even under Applicants' definition. For example, Montel Plastics' plant located at West Lake Charles has access to SP and KCS. Currently, Montel ships from its West Lake Charles plant to New Orleans. It has two independent rail routing options prior to the merger: (1) it can ship either KCS to DeQuincy, LA where KCS interchanges the traffic with UP, who then takes the traffic to New Orleans; or (2) it can ship the traffic SP single-line from the plant to New Orleans. After the merger, because UP and SP will be merged, there no longer will be two independent rail route alternatives, since UP/SP will be involved in the movement regardless of whether the customer ships *via* KCS to UP or directly *via* UP. UP thus will serve as a "bottleneck" carrier with the ability to take its "one lump" in either move.[17] *See* MP-1, the filing of Montel Plastics for a complete discussion of Montel's competitive situation.

Applicants did not consider plants, such as the Montel Plastics's Lake Charles Plant, as a "2 to 1 point" because of the presence of KCS. However, it is clear that even after the merger, KCS alone will not have, absent the imposition of a condition, the ability to provide a second independent routing option for Montel from West Lake Charles to New Orleans because KCS cannot directly take movements from West Lake Charles to New Orleans without first travelling north to Shreveport and then back south to New Orleans. Applicants

[17] For a discussion of the "one lump" theory, *see BNSF*, slip op. at 70-75.

themselves admitted such a routing does not constitute an effective, competitive route for shipments from West Lake Charles to New Orleans. (Peterson Deposition at 171-172.)

International Paper (IP) also has three plants similar to the Montel Plastics situation. IP's plants at Bayou Pierre, LA, Texarkana, TX, and Pineville, LA, are all served, either directly or via reciprocal switching, by both KCS and UP. For all three of these plants, KCS interchanges the traffic with SP in order to provide an independent rail route alternative to the UP single-line route. Obviously, after the merger, as with Montel, UP/SP would be in either movement and would thus serve as a "bottleneck" carrier with the ability to take its "one lump" in either move. For a detailed discussion of IP's competitive situation, *See* IP-10.

The verified statement of Dr. Curtis Grimm, V.S. Grimm, Vol. I, discusses shippers in the situation of Montel and IP and includes a diagram describing these situations, V.S. Grimm, Figure 3.5--where Montel Plastics' West Lake Charles Plant would be represented by Industrial Site #6. There are a number of shippers who fit the profile of Industrial Site #6 (Montel) and who did not receive access to BNSF or any other carrier so as to preserve its competitive options. Accordingly, even under Applicants' narrow definition of what constitutes a "2 to 1 point," these shippers should be granted access to another alternative carrier.

Applicants also did not consider as a "2 to 1 point" those situations where a shipper may have a plant that is served by both UP and SP, either directly or via reciprocal switching, and another Class 1 carrier, such as KCS or BNSF.[18] Applicants treated such a shipper as a "3 to 2" point, and it was not included as a shipper that needed additional access. Such a shipper is represented by Industrial Site #1 in Figure 3.7 of Dr. Grimm's Verified Statement.

However, what Applicants did not consider were the origin and destinations for shipments originating at Industrial Site #1. If Industrial Site #1 ships product X on UP from the origin BEA to receiver #1 at the destination BEA and also ships that same product on SP from the same origin to the same receiver, having access to BNSF is irrelevant for that shipper because BNSF does not have a route from the origin BEA to the destination BEA. The only two carriers with two independent routes are UP and SP. When considering origin and destination, this shipper should qualify as a 2 to 1 point, but because Applicants did not consider origin and destination, this shipper was called 3 to 2 by Applicants.

Furthermore, many shippers may be exclusively served by SP where both UP and SP serve the destination. Such shippers can often "short haul" SP by moving the traffic on SP to the nearest interchange with UP, who then takes the traffic to destination. In other words, SP can take the traffic all the way, or because of shipper leverage, environmental, or operational reasons, the shipper is able to effectively use the SP as a switch carrier to switch the traffic to UP. These shippers are 2 to 1 shippers who directly benefit from UP and SP competition. The verified statement of Patteye Simpson and Lynn Turner contains a

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[18] The third carrier need not be a Class 1 carrier. If the shipper was served by a third carrier and that third carrier was a shortline that connected to a Class 1 carrier other than UP or SP, Applicants did not consider that shipper as being located at a "2 to 1" point. Instead, Applicants considered such a shipper as a "3 to 2" point. V.S. Rebensdorf at 297.

discussion of the "short haul" phenomenon and why shippers view this as direct competition from UP and SP. V.S. Simpson and Turner at 96-97. Applicants themselves also recognize this activity as creating direct competition. See HC20-200004 filed in Vol. III, Highly Confidential Appendix, pp. 22-23.2.

Despite the private recognition of these various forms of direct UP/SP competition, UP and SP did not consider such situations as 2 to 1 points subject to BNSF access. The evidence is clear: even under Applicants' narrow definition of 2 to 1 points, there are many such 2 to 1 shippers that in Applicants' opinion (not the board's), are not 2 to 1 shippers entitled to BNSF access.

B. Numerous Shippers Located In "2 to 1" Corridors Will See A Reduction Of Competition, And Such Shippers Should Receive Access To Another Carrier In Order To Preserve Their Competitive Options

1. The Commission has consistently used corridors as a factor in determining the relevant geographic market.

The most significant element of Applicants' definition of 2 to 1 shippers is that contrary to Commission precedent, the relevant geographic market includes no reference to independent rail routings, origin/destination pairs, or corridor competition. While 2 to 1 points are a relevant geographic sub-market, they are not the only geographic market used by the Commission in past proceedings for determining whether or not there would be a reduction of intramodal competition. The record in past merger cases is replete with examples of the Commission's use of origin/destination pairs or corridor competition as a relevant geographic market. In the most recent *BNSF* proceeding, along with the loss of competition occurring at 2 to 1 points, the Commission also considered the diminution of competition in corridors as an additional justification for the imposition of the National Industrial Transportation League settlement as a condition. For example:

> [W]e will impose certain competitive conditions to eliminate what would otherwise be transaction-caused diminutions of competition . . . in the Pueblo-Forth Worth corridor.

BNSF at 59.

> Common control, if not conditioned, would result in competitive harm in the Pueblo-Fort Worth corridor . . . . Santa Fe and BN compete for traffic moving . . . in that corridor.

BNSF at 63.

A review of other past precedents clearly indicates that in addition to looking at 2 to 1 points, the Commission has also consistently used corridors as the definition of the relevant geographic market. Of special importance is that in analyzing these corridors to determine whether to impose conditions, the Commission did not determine whether or not a specific shipper located within the origin or destination actually had physical access to both railroads that served that corridor before imposing a condition.

While the Commission has been concerned about shippers going from 2 to 1 at a specific point, the Commission has also been concerned about the loss of intramodal competition within a given corridor without reference to a particular shipper at a given point within the origin or destination city. The following list of precedents with a representative sample of the Commission's discussion of the relevant geographic market clearly establishes this point.

Union Pacific Corp., Union Pacific R.R. & Missouri Pacific R.R. Co. -- Control -- Chicago & North Western Transportation Co., Finance Docket No. 32133 (ICC served March 7, 1995) (*UP/CNW*):

Of the major city pair corridors that both UP and CNW can serve, there are two (Kansas City-Chicago and St. Louis-Chicago) that might, in other circumstances, be problematic. Comparable mileage factors and directional orientations are such that UP and CNW are, or at least could be, competitors in these two corridors. This is not a problem for present purposes, however, because even with UP/CNW common control, there will remain substantial intramodal competition in these corridors.

UP/CNW at 70.

Wisconsin Central Transportation Corp., et al. -- Continuance in Control -- Fox Valley & Western Ltd., Finance Docket No. 32036 (ICC served December 22, 1992)(*WCL*):

[T]he competitive impact is most apparent in the fact that the proposal at issue would place under common control two carriers with parallel tracks in certain important regions. It would reduce from two to one the independent rail alternatives between Green Bay and Milwaukee.

WCL at 243.

Rio Grande Industries, Inc., SPTC Holding, Inc., and The Denver and Rio Grande Western Railroad Company -- Control -- Southern Pacific Transportation Company, Finance Docket No. 32000, 4 I.C.C.2d 834 (1988)(*Rio Grande*):

The Commission has previously found a core of (heavy loading) transcontinental traffic moving to or from the Oregon and Northern California area for which motor carriers do not provide effective competition and for which the Central Corridor provides the most efficient routing alternative. For this traffic, the Commission has considered the Central Corridor a distinct market and has been concerned about preserving competition within that market.

Rio Grande at 888.

As a result, the UP/MP/WP merger had a substantial impact upon the Central Corridor routings. . . . The parallel lines of UP and MP running between Pueblo, CO and Kansas City, KS and MO were to be combined, eliminating an independent provider of rail service between those two cities and creating a monopoly link or "economic bottleneck" in the Central Corridor. The Commission granted DRGW trackage rights over the MP line to prevent this anticompetitive outcome.

* * * *

We thereby created, by trackage rights, a new joint-line SPT/DRGW/SSW Central Corridor route that would be competitive with the single line WP/UP/MP Central Corridor route.

Rio Grande at 891.

Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company -- Control -- Missouri-Kansas-Texas Railroad Company, et al., Finance Docket No. 30800, 4 I.C.C.2d 409 (1988)(*UP/MKT*):

> The following summary of these points supports a conclusion that, within these Texas-Midwest corridors, rail competition will remain effective in the post-merger environment. Post-merger, four railroads (ATSF, BN, KCS, and SP) will continue to compete with the merged carrier. The particular array of competitors varies to a certain extent, corridor to corridor . . ., but one basic fact remains constant: in each of the corridors in which MKT operates today, there will be effective post-merger rail competition. The four competitive railroads--ATSF, BN, KCS, and SP--will be able to compete, as they do now, for commodity flows moving in the corridors in which they operate.

UP/MKT at 449.

> The Dallas Corridors. UP operates in each of these corridors (*e.g.*, Dallas-Kansas City, Dallas-St. Louis, and Dallas-Chicago), as does MKT (although MKT reaches Chicago only in interline service). The merger, therefore, will necessarily reduce by one the number of rail competitors operating in these corridors.

UP/MKT at 450.

Santa Fe Southern Pacific Corporation -- Control -- Southern Pacific Transportation Company, Finance Docket No. 30400, 2 I.C.C.2d 709 (1986)(*SFSP*):

> Parallel Effects: ATSF and SPT lines are essentially parallel across the Southern Corridor between Southern California and the Gulf and Southeastern gateways, and through the Central Valley of California.

SFSP at 764.

> In the Southern Corridor, rail movements between the San Joaquin Valley and the Los Angeles Basin on the west, and points in Texas and eastward through the Southeast would be dominated by a merged SPSF. . . . All of this traffic is moved between the Los Angeles Basin and Texas via either SPT's or ATSF's Southern Corridor routes, encompassing an area geographically analogous to most of Conrail's operating territory.

SFSP at 767.

For all of these reasons, we cannot accept or authorize the creation of a rail mc opoly across the Southern Corridor. . . . [T]he evidence demonstrates that a considerable amount of traffic requires movement by rail across this corridor if it is to move economically, that there are no other Southern Corridor rail options to applicants' service, and that many shippers now rely on applicants' competition to maintain favorable rates and service.

SFSP at 777.

We find the above effects of the merger anticompetitive, and the merger cannot be approved unless conditions can be imposed to alleviate them. We acknowledge that some shippers now moving traffic over the Central Corridor would be indifferent to applicants' rerouting it over the Southern Corridor. However, our analysis and conclusions focus on the need to preserve existing Central Corridor routings for shippers that find movement over that corridor economically preferable or necessary.

SFSP at 790.

Control of Central Pacific By Southern Pacific, Finance Docket No. 2613 (Sub-No. 1) (ICC decided June 16, 1986)(*CCP*):

A mileage comparison of UP and SP central corridor routings between points in northern and central California and Oregon and points in the Middle West . . . amply demonstrates that UP, through its control of the WP, has become a direct and efficient competitor in its own right for central corridor traffic.

CCP at 696.

In UP Control, we recognized that the UP would emerge as a powerful single-line competitor for central corridor traffic. Because of its dramatically-enhanced market position found that the preservation of rail competition to and from the West required a grant of trackage rights to DRGW over MP between Pueblo and Kansas City and to SSW over MP between Kansas City and St. Louis. We reasoned that, with a parallel direct route between St. Louis and the West Coast, SP and DRGW would be positioned to provide the necessary competitive service for central corridor shippers.

CCP at 697-98.

Union Pacific Corporation, Pacific Rail System, Inc. and Union Pacific Railroad Company -- Control -- Missouri Pacific Corporation and Missouri Pacific Railroad Company, Finance Docket No. 30,000, 366 I.C.C. 459 (1982)(*UP/MP/WP*):

> The record indicates four areas where UP and MP or WP lines are parallel: transcontinental traffic both through the central corridor and over all routes, the Kansas City-Omaha corridor, Kansas, and the West Coast.

UP/MP/WP at 506.

> Approval of the consolidation will result in an increase of UP's market share for transcontinental traffic moving through the central corridor east of Denver from approximately 75 percent to approximately 85 percent. Concentration of this magnitude represents a substantial lessening of competition in these markets and must be redressed if we are to approve the proposed transactions. The substantially increased central corridor market share reflects the loss of DRGW's largest eastern interchange, with MP at Pueblo, and a substantial lessening of competitive alternatives for transcontinental, central corridor traffic moving across the Great Plains.

UP/MP/WP at 525.

Based upon these cases and the regulations (49 C.F.R. 1180.1(c)(2)) it is clear that there are two key elements in defining the relevant "geographic market" in order to determine where the horizontal effects exist so as to justify imposition of a condition to prevent any anticompetitive effects: (1) determine where there will be a reduction in the number of independent rail routings from two to one; and (2) determine those markets where UP and SP serve the same origin/destination pair. Where UP and SP serve the same origin/destination pair and where the number of independent rail routings in that "geographic market" will be reduced from two to one, there is a horizontal anticompetitive effect which, in past cases, has warranted the imposition of a condition.

2. <u>The use of the BEA as the proper origin and destination geographic market</u>.

Consistent with this approach, Dr. Grimm has completed a comprehensive analysis of those corridors served by UP and SP that will see a reduction of independent rail routings from two to one and from three to two. A detailed discussion of his findings and methodology are contained in his verified statement and the competitive analysis report contained in Vol. III,[19] Highly Confidential Append. Dr. Grimm first defines the relevant market for determining what should be considered the origin and destinations. Dr. Grimm relies on the BEA as being representative of the origin and destination. As a BEA approximates the economic activity of a given city, its use is consistent with Commission precedent discussing corridors. It has also been specifically used in determining market shares in a given corridor. *SFSP*, 2 I.C.C. 2d at 768 ("[T]he following BEA data conclusively show applicants' dominance of the Southern Corridor for traffic moving to and from the Los Angeles BEA"). Indeed, UP itself, in the *SFSP* case, also used rail market shares between specific BEA areas to establish that a merger of the Santa Fe with the Southern Pacific would be anticompetitive. *SFSP*, 2 I.C.C. 2d at 767, 769-770. Support and validation of the use of BEA's as a unit of measure is also found in a study performed for BNSF by the consulting firm which

REDACTED (Ice Deposition, Exhibit 1,

pp. 6, 8, 17-22; and Exhibit 2, Appendix II "BEA Printout.") This BNSF study also included within the scope of competitive harm areas broader than Applicants' narrow definition, **REDACTED** (Ice Deposition at 159-162; and 166-169; Exhibit 1.)

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[19] Because the competitive analysis report relies upon 100% Waybill data from the traffic tapes of UP, SP, BNSF, and KCS, it is a "Highly Confidential" document filed under seal. Any references to Dr. Grimm's findings in any publicly filed document will either be redacted or will contain or be based upon aggregated Waybill information from the Commission's Waybill sample.

The use of a BEA may, in some instances, include rail traffic not affected by changes in the levels of competition, *e.g.* a shipper may be exclusively served by SP and not benefit in any way from the presence within the BEA of UP; but, as Dr. Grimm and others discuss,[20] and as the evidence establishes, for the vast majority of UP or SP shippers, even for those who may not be directly served by both carriers, the mere presence of the other, non-serving carrier within the BEA serves as a form of competitive restraint upon the ability of the serving carrier to raise its rates.[21] This restraint takes many forms:

- potential build-out or build-in situations between UP and SP
- the potential to truck transload between UP and SP
- the potential to use joint truck/rail or barge/rail movements
- the ability to shift production among numerous plants located on the UP and the SP
- the ability to relocate plant facilities from one carrier to the other
- the ability to play UP and SP against each other in deciding where to locate new plant facilities
- the use of package bidding
- source and product competition between shippers located on the UP line with shippers located on the SP line

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[20] *See also* the verified statements of Ms. Patteye Simpson and Mr. H. Lynn Turner; Mr. Shade May; Mr. William Ploth; and the numerous statements filed by the Coalition for Competitive Rail Transportation, The Western Shippers' Coalition, NITLeague, and other shippers and shipper organizations.

[21] *Accord, SFSP*, 2 I.C.C.2d at 773, n. 42 ("[A]lthough many other San Joaquin Valley points are now exclusively served by ATSF or SPT, the consolidation would effectively eliminate rail competition throughout the Valley. This is due to the proximity of the two carrier's lines to each other throughout the Valley.")

The Commission has recognized in numerous market dominance proceedings and merger cases that the above stated principles are effective restraints on the ability of a carrier to raise its rates, even for exclusively served shippers. *Market Dominance Determinations*, 365 I.C.C. 118 (1981), *aff'd, Western Coal Traffic League v. ICC*, 715 F.2d 772 (5th Cir. 1983) (*en banc*), *cert. denied*, 104 S. Ct. 2160 (1984); Ex Parte No. 320 (Sub-No. 3), *Product and Geographic Competition*, 2 I.C.C.2d 1 (1985); *General Electric Company v. The Baltimore & Ohio Railroad Co.*, No. 38125S, 1987 ICC LEXIS 399 at *4 (March 17, 1987); *McCarty Farms v. Burlington Northern, Inc.*, No. 37809, 3 I.C.C.2d 822, 1987 ICC LEXIS 279 (May 22, 1987) at *8. ("We will consider any kind of competition from any source if it is shown to provide an effective constraint. Effective competition may result from any one type of competition standing alone, or from a combination of several different types of competition."); *Metropolitan Edison Co. v. Conrail*, No. 37931S, 5 I.C.C.2d 385, 1989 ICC LEXIS 64, *54 (March 10, 1989)("[The Commission has] the discretion to determine what types of competition (direct and/or indirect) will govern our determination, and how we will develop the record with respect to particular kinds of competition."); *Market Dominance Determinations and Considerations of Product Competition*, Ex Parte No. 320 (Sub-No. 2), 365 I.C.C. 118 (June 24, 1981)("Geographic competition is a restraint on rail pricing stemming from a shipper's or receiver's ability to get the product to which the rate applies from another source, or ship it to another destination. Because the shippers and receivers can do this, the railroad must compete with the railroad serving the alternate source or destination.") 1981 ICC LEXIS at *23-24; *see also* the competitive analysis sections of

SFSP, UP/CNW, Wisconsin Central Transportation Corp. -- Continuance in Control -- Fox Valley & Western Ltd., 9 I.C.C.2d 233 (1992), and finally, *BNSF*.[22]

Of particular note is that Applicants' witnesses Peterson, Barber, and Willig, rely on such competitive forces for their arguments that there will be plenty of competitive factors to restrain UP and SP from extracting monopoly rents after the merger, but conveniently ignore such factors when determining the relevant geographic markets where UP and SP compete--which Applicants claim should be only those points that are directly served by UP and SP and no other carrier. Dr. William Tye calls this the "accordion theory of competition"--when arguing UP and SP are competitors only at 2 to 1 points, the accordion is compressed, but when arguing that there will be plenty of competition after the merger, the accordion is expanded. See filing of the Texas Railroad Commission, TRRC, V.S. Tye.

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[22] Because a potential receiver may be able to receive the same product from either a UP or a SP shipper or because a receiver on the UP or SP line is competing against a receiver on the SP or UP line, shippers on the UP line, for example, will often request a lower rate from UP in order to compete against a shipper on the SP line and vice-a-versa. In order to avoid what Applicants claimed would be a burdensome production of evidence from shipper files, Applicants stipulated as follows:

> Shippers on a line of one railroad sometimes request lower rates in order to compete with shippers on lines of other railroads. Such "source" competition occurs with respect to shippers on the lines of SP and UP and in those corridors where UP and SP have parallel lines. Source competition occurs with respect to many commodities and most major transportation corridors.

Stipulation to KCS Interrogatory No. 21, Discovery Conference, January 28, 1996. Of course, Applicants' narrow definition of the relevant geographic market as consisting of only 2 to 1 points does not account for any of these forms of competition. Dr. Grimm's BEA analysis does account for these forms of competition and thus is more reflective of the Commission's views on competition.