February 29, 1996

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

Dear Secretary Williams:

As someone who represents working families and consumers, I am concerned about the proposed Union Pacific-Southern Pacific merger. I do not believe it is in the public interest for the following reasons:

1. I believe it would result in unnecessary layoffs and job losses among affected railroad workers; and,

2. It would weaken Northeast Ohio's economy by weakening eastern and midwestern railroads and threaten industrial jobs here; and,

3. By concentrating so many resources, it could negatively affect prices and service -- potentially hurting area families at the market and in the workplace.

I, therefore, find that the merger is not in the public interest, and ask that it be disallowed by the Surface Transportation Board. Thank you for your time and consideration.

Sincerely,

Margaret A. Egensperger
Mayor/Safety Director
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

APPLICANTS' RESPONSES TO
RAILWAY LABOR EXECUTIVES' ASSOCIATION'S
AND UNITED TRANSPORTATION UNION'S
THIRD SET OF INTERROGATORIES TO APPLICANTS

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March 12, 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
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COMPANY, SPCSL CORP. AND THE DENVER AND
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Corporation, Union Pacific
Railroad Company and Missouri
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March 12, 1996
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APPLICANTS' RESPONSES TO
RAILWAY LABOR EXECUTIVES' ASSOCIATION'S
AND UNITED TRANSPORTATION UNION'S
THIRD SET OF INTERROGATORIES TO APPLICANTS

UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW,1/ collectively, "Applicants," hereby respond to RLEA/UTU's Third
Set of Interrogatories to Applicants.

GENERAL RESPONSES

The following general responses are made with
respect to all of the interrogatories.

1. Applicants have conducted a reasonable search
for documents responsive to the interrogatories. Except as
objections are noted herein, 2/ all responsive documents have
been or shortly will be made available for inspection and

1/ UPC, UPRR, and MPRR are referred to collectively as
"Union Pacific." UPRR and MPRR are referred to collectively as "UP." SPR, SPT, SSW, SPCSL and DRGW are referred to
collectively as "Southern Pacific." SPT, SSW, SPCSL and
DRGW are referred to collectively as "SP."

2/ Thus, any response that states that responsive documents
are being produced is subject to the General Objections, so
that, for example, any documents subject to attorney-client
privilege (General Objection No. 1) or the work product
doctrine (General Objection No. 2) are not being produced.
copying in Applicants' document depository, which is located at the offices of Covington & Burling in Washington, D.C. Applicants will be pleased to assist RLEA and UTU to locate particular responsive documents to the extent that the index to the depository does not suffice for this purpose. Copies of documents will be supplied upon payment of duplicating costs (including, in the case of computer tapes, costs for programming, tapes and processing time).

2. Production of documents or information does not necessarily imply that they are relevant to this proceeding, and is not to be construed as waiving any objection stated herein.

3. Certain of the documents to be produced contain sensitive shipper-specific and other confidential information. Applicants are producing these documents subject to the protective order that has been entered in this proceeding.

4. In line with past practice in cases of this nature, Applicants have not secured verifications for the answers to interrogatories herein. Applicants are prepared to discuss the matter with RLEA and UTU if this is of concern with respect to any particular answer.

**GENERAL OBJECTIONS**

The following objections are made with respect to all of the interrogatories. Any additional specific objections are stated at the beginning of the response to each interrogatory.
1. Applicants object to production of, and are not producing, documents or information subject to the attorney-client privilege.

2. Applicants object to production of, and are not producing, documents or information subject to the work product doctrine.

3. Applicants object to production of, and are not producing, documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of, and are not producing, public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of, and are not producing, draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.

6. Applicants object to providing information or documents that are as readily obtainable by RLEA and UTU from their own files.

7. Applicants object to the extent that the interrogatories seek highly confidential or sensitive commercial information (including, inter alia, contracts
containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.

8. Applicants object to the interrogatories to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the interrogatories as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

10. Applicants incorporate by reference their prior objections to the definitions and instructions set forth in RLEA's and UTU's first set of interrogatories.

SPECIFIC RESPONSES AND ADDITIONAL OBJECTIONS

Interrogatory No. 86

"With respect to Applicants' plans to close existing terminals/reporting points for train and engine service employees (e.g., engineers, conductors, trainmen, switchmen, yardmen) and to open new terminals/reporting points; and with respect to Applicants' planned transfers of train and engine service employees and abolition and creation of train and engine service positions (see operating plan pp. 254-259, and labor impact exhibit pp. 410-413 and 419-421);

a. State whether Applicants have any planned limitations as to maximum distances for relocation of reporting points for individual employees;

b. State whether Applicants are willing to commit to any limitations as to maximum distances for relocation of reporting points for individual employees;

c. If the answer to interrogatory 86b is yes, state any maximum distance limitation for relocation that Applicant [sic] are willing to accept."
Response

Subject to the General Objections stated above, Applicants respond as follows:

(a) No.
(b) No.
(c) Not applicable.

Interrogatory No. 87

"Explain how Applicants plan to handle the dispatching work for a railroad with only 588 miles less trackage than the current SP and UP, but with more traffic, and additional trackage rights operations, with 144 fewer dispatchers; and state why Applicants believe that they can effectively handle dispatching in that manner."

Response

Subject to the General Objections stated above, Applicants respond as follows:

UP dispatchers are assisted by considerably more sophisticated technology than is available to SP dispatchers, such as the "Autorouting" function of UP's Computer Assisted Dispatching ("CAD") system. Extending that technology to SP routes will allow dispatchers to handle more territory more efficiently. In addition, dispatching duties will be reduced through installation of centralized traffic control on certain lines, reduced terminal congestion, and use of directional and dedicated rail lines.

Interrogatory No. 88

"Given discrepancies in descriptions of the planned abolishments of dispatcher positions between the operating plan (p. 241) and the labor impact exhibit (p. 422), state the
number of dispatcher (non-management official) positions
Applicants plan to abolish."

Response

Subject to the General Objections stated above,
Applicants respond as follows:

The information on page 422 is correct.

Interrogatory No. 89

"State whether the UP mainframe computer used for
dispatching will be able to handle dispatching for the merged
system without an upgrade of that computer. If the answer is
no, explain Applicants’ plans for upgrading that computer, the
timing of that upgrade and the anticipated cost of that
upgrade."

Response

Subject to the General Objections stated above,
Applicants respond as follows:

Yes.

Interrogatory No. 90

"State whether Applicants plan to honor the March 2,
1995 agreement between SPR and the American Train Dispatchers
Department/BLE which precludes furloughs of any SP dispatchers
through December 31, 1997. If the answer is no, explain the
basis for a refusal to honor that agreement and any authority
that Applicants will assert for failing to honor that
agreement."

Response

Subject to the General Objections stated above,
Applicants respond as follows:

This interrogatory cannot be answered at this time,
as the answer will depend on the term of the outcome of the
New York Dock process.
Interrogatory No. 91

"Explain why greater proportions of boilermaker, sheet metal worker and laborer positions are planned to be abolished than electrician and machinist positions."

Response

Subject to the General Objections stated above, Applicants respond as follows:

Applicants did not evaluate consolidations of mechanical functions on the basis of impacts on particular employee crafts. Instead, as in prior UP mergers, Applicants identified the facilities where work will be consolidated and determined the number of employees needed at those facilities to perform post-merger work.

Interrogatory No. 92

"Identify the craft of any employee who, after consummation of the common control and merger of UP and SP, will perform the work previously done by boilermakers, sheet metal workers and laborers whose jobs are abolished."

Response

Subject to the General Objections stated above, Applicants respond as follows:

No such analysis or exercise was performed. See the Response to Interrogatory No. 91.

Interrogatory No. 93

"Identify any 'efficiency benefits of the merger [that Applicants believe] cannot be achieved if UP/SP is required to maintain existing arrangements under which different maintenance crews must maintain parallel, or even adjacent, tracks in the same geographic area' (Application Vol. 3 p. 403)."
Response

Subject to the General Objections stated above, Applicants respond as follows:

Such efficiencies include the efficient use of maintenance of way equipment and the maintenance crews themselves, more reliable train operations, and improved train schedules, all of which are described in the Operating Plan.

Interrogatory No. 94

"With respect to any efficiency identified in response to interrogatory No. 93:

a. Explain why such efficiency could not be achieved if existing arrangements were continued;

b. Identify the dollar value of any efficiency not realized if existing track maintenance arrangements are continued;

c. Relate any such efficiency identified in response to interrogatory No. 93 to any element of the proposed operating plan.

d. Relate such efficiency identified in response to interrogatory No. 93 to any public benefit asserted by Applicants under the common control/merger or the proposed operating plan."

Response

Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:
(a) UP/SP would be required to retain duplicative maintenance crews and duplicative investment in equipment in numerous geographical areas, when one crew with one set of equipment could perform the same work. Transportation time to, from and between work sites is a significant cause of inefficiency for maintenance crews, and the use of two crews in the same geographical area would increase the amount of transportation time required. Use of two crews on parallel or adjacent lines would limit or prohibit Applicants from routing trains over one line while, for example, maintenance is performed on the other.

(b) See objections.

(c) See Response to Interrogatory No. 93.

(d) See Response to Interrogatory No. 93.

Interrogatory No. 95

"Identify what is meant by 'parallel' and 'adjacent' in the sentence from Application Vol. 3 p. 403 which is quoted in interrogatory No. 93. In doing so, identify the distance between lines which Applicants believe would make them not adjacent, and identify the degree of divergence between lines which Applicants believe would make them not parallel."

Response

Subject to the General Objections stated above, Applicants respond as follows:

As RLEA/UTU is aware from the deposition of Mr. Hartman, the application was not based on any specific definition of the terms "parallel" and "adjacent."
tional information, please consult the definition of these
words in any standard dictionary.

Interrogatory No. 96

"With respect to Applicants [sig] assertion (Vol. 3 p. 255) of a need for common collective bargaining agreements for train service employees, state whether:

a. Applicants deem necessary only common agreements, or whether they deem particular agreements to be necessary;

b. Applicants are willing to allow the Brotherhood of Locomotive Engineers and the United Transportation Union to 'cherry pick' provisions from existing agreements to form new common agreements;

c. Applicants are willing to allow the Brotherhood of Locomotive Engineers and the United Transportation Union to designate any existing agreements of their own choosing to be the common agreements;

d. If the answers to interrogatories Nos. 95 b, and/or c are no, explain the reasons for Applicants negative responses."

Response

Subject to the General Objections stated above, Applicants respond as follows:

(a) In general, common agreements.

(b) No.

(c) This would be subject to negotiation.

(d) As explained by Mr. Hartman during his deposition, if labor organizations are allowed to "cherry pick" agreements, they may select the most expensive and inconsistent provisions available, resulting in highly inefficient and even irrational use of personnel. Although
Applicants would consider allowing labor to choose one agreement or the other. Applicants may have a preference for one agreement or the other. For example, SP's collective bargaining agreements with BLE and UTU contain reduced wage levels and, in exchange for those reduced wage levels, productivity and other concessions by SP that may not be acceptable to UP/SP.

Interrogatory No. 96 [sic]

"With respect to Applicants' desire for single agreements for planned new territories (seniority districts) and system gangs for maintenance of way and signal workers (Vol. 3 pp. 259-265), state whether:

a. Applicants deem necessary only single agreements or whether they deem particular agreements to be necessary;

b. Applicants are willing to allow the Brotherhood of Maintenance of Way ('BMWE') and the Brotherhood of Railroad Signalmen ('BRS') to 'cherry pick' provisions from existing agreements to form new single agreements for the planned new maintenance of way and signal territories;

c. Applicants are willing to allow the BMWE and the BRS to designate any existing agreements of their choosing to be the single agreements for the planned new maintenance of way and signal territories and system gangs;

d. If the answers to interrogatory Nos. 96 b, and/or c are no, explain the reasons for Applicants' negative responses."

Response

Subject to the General Objections stated above,

Applicants respond as follows:

(a) In general, single agreements.
(b) No.
(c) This would be subject to negotiation.
(d) See Response to Interrogatory No. 95(d).

Interrogatory No. 97

"What were the bases for Applicants' selection (Vol. 3 p. [sic] 259-265) of particular collective bargaining agreements as the single agreements for maintenance of way and signal workers intended to work on the planned new larger maintenance of way and signal territories and system gangs."

Response

Subject to the General Objections stated above,
Applicants respond as follows:

In general, Applicants selected the agreement that covers the largest number of employees in each area.

Interrogatory No. 98

"Are Applicants willing to commit to using BMWE represented maintenance of way workers for all of the track and right-of-way construction and rehabilitation work to be done in connection with the merger. If not, state why not."

Response

Subject to the General Objections stated above,
Applicants respond as follows:

No. Existing collective bargaining agreements permit use of outside contractors to varying degrees, and Applicants expect to continue those practices as appropriate.

Interrogatory No. 99

"If the answer to interrogatory no. 98 is no, are Applicants willing to refrain from using contractors or other non-BMWE represented employees for Application-related track and right-of-way construction and rehabilitation while any pre-August 1995 maintenance of way employee who has not
separated from Applicants is furloughed? If not, then state why not.

Response

Subject to the General Objections stated above, Applicants respond as follows:

No. Applicants expect to use UP and SP employees to the fullest extent practicable, consistent with post-merger implementing agreements.

Interrogatory No. 100

"Are Applicants willing to commit to using BRS-represented signalmen for all signal work involved in track and right-of-way construction and rehabilitation work done in connection with the merger? If not, state why not."

Response

Subject to the General Objections stated above, Applicants respond as follows:

No. See the Response to Interrogatory No. 98.

Interrogatory No. 101

"If the answer to interrogatory No. 100 is no, state whether Applicants are willing to refrain from using contractors or other non-BRS-represented employees for signal work involved in Application-related track and right-of-way construction and rehabilitation while any pre-August 1995 signalmen who is not separated from Applicants is furloughed. If not, why not.

Response

Subject to the General Objections stated above, Applicants respond as follows:

No. See the Response to Interrogatory No. 99.
Interrogatory No. 102

"Describe the anticipated consequences of the proposed common control/merger on SP water service employees represented by the Sheet Metal Workers International Association."

Response

Subject to the General Objections stated above,

Applicants respond as follows:

The Application does not anticipate any such consequences.

Interrogatory No. 103

"Do Applicants plan to contract-out any work now performed by bargaining unit employees? If the answer is no, are Applicants willing to commit to refraining from contracting-out work now performed by bargaining unit employees as a condition of STB approval of the common control/merger. If Applicants are unwilling to make such a commitment, explain the reasons for the negative response.

Response

Subject to the General Objections stated above,

Applicants respond as follows:

No determination has been made. Applicants are not willing to make such a commitment. Applicants cannot foresee every possible circumstance, or predict the outcome of implementing negotiations, which might make use of contracting appropriate.

Interrogatory No. 104

"Describe Applicants' plans regarding the rates of pay of current SP employees who are currently working at rates below those applicable on other Class I railroads. Will Applicants restore the rates for those employees to the standard Class I rates? If the answer is no, explain why Applicants
do not plan to restore such employees to national standard rates."

Response

Subject to the General Objections stated above, Applicants respond as follows:

Rates of pay for current SP employees who are currently working at rates below those applicable on other Class I railroads will be subject to negotiation in implementing agreements. Applicants anticipate that as a result of implementing negotiations SP wage rates will be adjusted to UP levels, in exchange for relinquishment of unusual costs and restrictions on productivity in SP contracts.

Interrogatory No. 105

"Explain how Applicants plan to handle the maintenance of way work for a railroad with only 588 miles less trackage than the current SP and UP, and with more traffic, using 261 fewer rail and tie gang employees."

Response

Subject to the General Objections stated above, Applicants respond as follows:

Rail gang employees will be used more efficiently with less travel. In addition, rail gang employees will be more likely to work year round, instead of being furloughed during winter months, as sometimes happens today.

Interrogatory No. 106

"Of the sales of real estate owned by SPT, SSW or SPR since 1988, identify how much money was realized from sales of real estate not used for train operations, and how much money was realized from sales of rail lines, and how much money was realized from sales of transit corridors to
municipalities, public agencies or public authorities for their passenger operations with leasebacks for freight operations."

Response

Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

Responsive information will be provided.

Interrogatory No. 107

"With respect to Philip Anschutz' assertion (Anschutz Transcript at 35) that he could have sold his interest in the Denver Rio Grande & Western Railroad for $333 million, explain any factual basis for that assertion."

Response

Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

This interrogatory mischaracterizes the testimony of Mr. Anschutz. Nevertheless, Applicants provide the following information: On the basis of the cash amounts invested by persons unrelated to Mr. Anschutz in exchange for 25% of RGI's common stock at the time of RGI's acquisition of
SP, the 75% of the RGI common stock acquired by The Anschutz Corporation in exchange for its interest in the DRGW had an extrapolated value at such time of approximately $333 million. This subject was discussed at page 20 of the transcript of Mr. Anschutz’s deposition held on February 16, 1996.

**Interrogatory No. 108**

"Identify any asset of Southern Pacific Transportation Corporation which was pledged as collateral for debt incurred in connection with the RGI Industries acquisition of Southern Pacific Transportation Company which is still pledged as collateral."

**Response**

Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

There were no such assets.

**Interrogatory No. 109**

"Explain how and when the debt incurred in RGI Industries’ acquisition of Southern Pacific Transportation Company was repaid."

**Response**

Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the
General Objections stated above, Applicants respond as follows:

Responsive information will be produced.

Interrogatory No. 110

"Identify any and all corporations owned or controlled by Philip Anschutz' family or The Anschutz Corporation which provide services, products or consulting work to SPR."

Response

Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

Responsive information will be produced.
March 12, 1996

Respectfully submitted,

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Attorneys for Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company
CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 12th day of March, 1996, I caused a copy of the foregoing document to be served by hand on William G. Mahoney, counsel for RLEA/UTU, at Highsaw, Mahoney & Clarke, P.C., 1050 17th Street, N.W., Suite 210, Washington, D.C. 20036, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

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

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

Michael L. Rosenthal
March 12, 1996

HAND DELIVERED

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


Dear Secretary Williams:

Enclosed for filing are an original and five copies of The Kansas City Southern Railway Company's Supplemental List of Numbered Pleadings filed to date in the above referenced proceeding, with attached Certificate of Service. This document is being filed pursuant to the Surface Transportation Board's Decision 17.

Sincerely yours,

[Signature]

William A. Mullins

Enclosures

cc: The Honorable Jerome Nelson  
Restricted Service List
BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

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

SUPPLEMENTAL LIST OF NUMBERED PLEADINGS FILED BY
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

Pursuant to Surface Transportation Board Decision Nos. 15 and 17 (served 3/7/96), notice is hereby given that the following pleadings have been filed by The Kansas City Southern Railway Company ("KCS") in this proceeding. Parties of record may obtain a copy of any or all of these pleadings by directing a written request, specifying the pleadings requested and the name and address of the person to whom such request should be directed, to: William A. Mullins, Troutman Sanders, 601 Pennsylvania Avenue, N.W., Suite 640, North Building, Washington, D.C. 20004.

The requested pleadings will be mailed within three days of receipt of the request.

KCS-1--08/14/95--Comments of Kansas City Southern Railway Company on Proposed Procedural Schedules & Opposition to Proposed Protective Order

KCS-2--08/14/95--Opposition of Kansas City Southern Railway Company to Proposed Protective Order

KCS-3--09/18/95--Comments of the Kansas City Southern Railway Company on Proposed Procedural Schedule

KCS-4--10/10/95--Petition of the Kansas City Southern Railway Company for leave to file Additional Comments on Proposed Procedural Schedule

KCS-5--09/05/95--Petition Of the Kansas City Southern Railway Company for a Stay of Decision
KCS-5 (A)–10/10/95—Additional Comments of the Kansas City Southern Railway Company on Proposed Procedural Schedule

KCS-6–09/05/95—Petition of the Kansas City Southern Railway Company to Reopen and Reconsider the Commission’s Decision

KCS-7–11/13/95—Kansas City Southern Railway Company’s First Interrogatories to Applicants

KCS-8–11/13/95—Kansas City Southern Railway Company’s First Requests for Admission to Applicants

KCS-9–11/22/95—Kansas City Southern Railway Company’s First Request for Production of Documents to Burlington Northern Santa Fe Corporation and Related Entities

KCS-10–12/14/95—Amendment to Kansas City Southern Railway Company’s Request for Admission to Applicants

KCS-11–12/29/95—Kansas City Southern Company’s Revised First Interrogatories to Applicants

KCS-12–01/02/96—Kansas City Southern Railway Company’s Memorandum of Law in Support of Motion to Compel Applicants to Produce Documents and Information Regarding the Negotiations of the Burlington Northern/Santa Fe Trackage Rights Agreement

KCS-13–01/05/96—Kansas City Southern Railway Company’s Second Discovery Requests to Applicants

KCS-14–01/11/96—Kansas City Southern Railway Company’s Third Discovery Requests to Applicants

KCS-15–01/11/96—Kansas City Southern Railway Company’s Notice of Intent to Participate

KCS-16–01/24/96—The Kansas City Southern Railway Company’s Fourth Discovery Requests to Applicants

KCS-17–01/24/96—Comments of the Kansas City Southern Railway Company in Support of the Motion by Western Shippers Coalition for Enlargement of Procedural Schedule

KCS-18–01/29/96—Notice of the Kansas City Southern Railway Company

KCS-19–02/08/96—Kansas City Southern Railway Company’s Subpoena to Gerald Grinstein (not issued)

KCS-20–02/21/96—Kansas City Southern Railway Company’s Fifth Discovery Requests to Applicants

KCS-21–02/22/96—Kansas City Southern Railway Company’s Second Discovery Requests to BNSF Corporation and its Predecessors in Interest

KCS-22–02/23/96—Kansas City Southern Railway Company’s Sixth Discovery Requests to Applicants
KCS-23--02/26/96--Kansas City Southern Railway Company’s List of Numbered Pleadings Filed to date

KCS-24--03/04/96--Kansas City Southern Railway Company’s Objections to Applicants’ First Set of Interrogatories and Requests for Production of Documents

KCS-25--03/04/96--Kansas City Southern Railway Company’s Objections to Burlington Norther Railroad Company and the Atchison, Topeka and Santa Fe Railway Company’s First Set of Interrogatories and Requests for Production of Documents

KCS-26--03/12/96--Kansas City Southern Railway Company’s Supplemental List of Numbered Pleadings Filed to date

KCS-27--03/12/96--Kansas City Southern Railway Company’s Responses to Burlington Norther Railroad Company and the Atchison, Topeka and Santa Fe Railway Company’s First Set of Interrogatories and Requests for Production of Documents

KCS-28--03/12/96--Kansas City Southern Railway Company’s Responses to Applicants’ First Set of Interrogatories and Requests for Production of Documents
This 12th day of March, 1996.

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Attorneys for The Kansas City Southern
Railway Company
CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing "Supplemental List of Numbered Pleadings filed by The Kansas City Southern Railway Company" was served this 12th day of March, 1996, on all parties of record added by Surface Transportation Board Decision No. 17 in this proceeding by depositing a copy in the United States mail in a properly addressed envelope with adequate postage thereon.

[Signature]
Attorney for The Kansas City Southern Railway Company
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

APPLICANTS’ RESPONSES TO THE TEXAS MEXICAN RAILWAY COMPANY’S THIRD INTERROGATORIES AND THIRD REQUEST FOR PRODUCTION OF DOCUMENTS

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

APPLICANTS' RESPONSES TO THE
TEXAS MEXICAN RAILWAY COMPANY'S THIRD INTERROGATORIES
AND THIRD REQUEST FOR PRODUCTION OF DOCUMENTS

UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW,
collectively, "Applicants," hereby respond to Texas Mexican
Railway Company's Third Set of Interrogatories and Third
Request for Production of Documents.¹

GENERAL RESPONSES

The following general responses are made with
respect to all of the interrogatories and document requests.

1. Applicants have conducted a reasonable search
for documents responsive to the interrogatories and document
requests. Except as objections are noted herein,² all

¹ In these responses, Applicants use acronyms as they
have defined them in the application. However, subject to
General Objection No. 10 below, for purposes of interpreting
the requests, Applicants will attempt to observe Tex Mex's
definitions where they differ from Applicants' (for example,
Tex Mex's definitions of "UP" and "SP," unlike Applicants',
include UPC and SPR, respectively).

² Thus, any response that states that responsive documents
are being produced is subject to the General Objections, so
(continued...
responsive documents have been or shortly will be made available for inspection and copying in Applicants' document depository, which is located at the offices of Covington & Burling in Washington, D.C. Applicants will be pleased to assist Tex Mex to locate particular responsive documents to the extent that the index to the depository does not suffice for this purpose. Copies of documents will be supplied upon payment of duplicating costs (including, in the case of computer tapes, costs for programming, tapes and processing time).

2. Production of documents or information does not necessarily imply that they are relevant to this proceeding, and is not to be construed as waiving any objection stated herein.

3. Certain of the documents to be produced contain sensitive shipper-specific and other confidential information. Applicants are producing these documents subject to the protective order that has been entered in this proceeding.

4. In line with past practice in cases of this nature, Applicants have not secured verifications for the answers to interrogatories herein. Applicants are prepared to discuss the matter with Tex Mex if this is of concern with respect to any particular answer.

\(2/\) (continued)

that, for example, any documents subject to attorney-client privilege (General Objection No. 1) or the work product doctrine (General Objection No. 2) are not being produced.
GENERAL OBJECTIONS

The following objections are made with respect to all of the discovery requests. Any additional specific objections are stated at the beginning of the response to each interrogatory or document request.

1. Applicants object to production of, and are not producing, documents or information subject to the attorney-client privilege.

2. Applicants object to production of, and are not producing, documents or information subject to the work product doctrine.

3. Applicants object to production of, and are not producing, documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of, and are not producing, public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of, and are not producing, draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.
6. Applicants object to providing information or documents that are as readily obtainable by Tex Mex from its own files.

7. Applicants object to the extent that the discovery requests seek highly confidential or sensitive commercial information (including, inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.

8. Applicants object to the discovery requests to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the discovery requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

10. Applicants incorporate by reference their objections to the definitions and instructions set forth in Tex Mex’s First Interrogatories to Applicants and Tex Mex’s First Request for Production of Documents.

11. Applicants object to Instructions 1, 4 and 5 in Tex Mex’s third set of document requests as unduly burdensome and further object to the extent that those instructions seek to impose requirements that exceed those specified in the applicable discovery rules and guidelines.
SPECIFIC RESPONSES AND ADDITIONAL OBJECTIONS

Interrogatory No. 1

"Has UP or SP had any discussions with any governmental or quasi-governmental authorities concerning the sale, lease or use of any of the rail lines located in the Houston BEA for commuter rail service?"

Response

Subject to the General Objections stated above, Applicants respond as follows:

Yes.

Interrogatory No. 2

"If the answer to interrogatory No. 1 is yes, identify such lines and describe the negotiations and any resulting agreements."

Response

Subject to the General Objections stated above, Applicants respond as follows:

Negotiations between SP and Houston Metro about potential commuter trackage rights between Amtrak’s main station and Sugarland, TX, and associated capital improvements occurred 1993 but did not result in any agreement.

Interrogatory No. 3

"In UP/SP-90, Applicants’ Responses to Tex Mex’s Second Set of Interrogatories and Requests for Production of Documents, page 11, in response to Interrogatory 14(b), you state:

In addition, URCS unit costs were not used for auto, intermodal and double stack car costs. Instead, typical car hire rates were substituted for URCS values. Diesel fuel cost was based on UP, CNW and SP R-1 data because the MultiModal Model computed changes in fuel consumption on the basis of gallons and URCS unit cost for fuel is not based on gallons. A typical locomotive lease rate
was substituted for URCS Locomotive Unit Mile depreciation and lease unit costs.

With reference to the quoted language, provide: (a) the 'typical car hire rates'; (b) the 'diesel fuel cost'; and (c) the 'typical locomotive lease rate'."

Response

Subject to the General Objections stated above, Applicants respond as follows:

See Document Nos. C04-300410 (car hire rates), C04-302422 to 425 (diesel fuel cost), and C04-300434 (lease rate).

Document Request No. 1

"Produce all documents provided by Klick, Kent & Allen referenced in UP/SP-90, Applicants' Responses to Tex Mex's Second Set of Interrogatories and Requests for Production of Documents, page 11, in response to Interrogatory 14(d)."

Response

Applicants object to this document request as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

All such documents are available in Applicants' document depository. See Document Nos. C02-100635 (URCS diskette) and C02-100634 (description).
Respectfully submitted,

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

March 12, 1996
CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 12th day of March, 1996, I caused a copy of the foregoing document to be served by hand on Richard A. Allen, counsel for The Texas Mexican Railway, at Zuckert, Scoultt & Rasenberger, 888 Seventeenth Street, N.W. Suite 600, Washington, D.C. 20006-3939, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

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

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

Michael L. Rosenthal
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

APPLICANTS' RESPONSES TO CENTRAL POWER & LIGHT COMPANY'S
FIRST SET OF INTERROGATORIES
AND FIRST SET OF REQUESTS FOR PRODUCTION OF DOCUMENTS

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(202) 662-5388

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

The following general responses are made with respect to all of the interrogatories and document requests.

1. Applicants have conducted a reasonable search for documents responsive to the interrogatories and document requests. Except as objections are noted herein, all

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1/ In these responses Applicants use acronyms as they have defined them in the application. However, for purposes of interpreting the requests, Applicants will attempt to observe CPL’s definitions where they differ from Applicants’ (for example, CPL’s definitions of "UP" and "SP," unlike Applicants’, include UFC and SPR, respectively).

2/ Thus, any response that states that responsive documents are being produced is subject to the General Objections, so that, for example, any documents subject to attorney-client privilege (continued...)
responsive documents have been or shortly will be made available for inspection and copying in Applicants' document depository, which is located at the offices of Covington & Burling in Washington, D.C. Applicants will be pleased to assist CPL to locate particular responsive documents to the extent that the index to the depository does not suffice for this purpose. Copies of documents will be supplied upon payment of duplicating costs (including, in the case of computer tapes, costs for programming, tapes and processing time).

2. Production of documents or information does not necessarily imply that they are relevant to this proceeding, and is not to be construed as waiving any objection stated herein.

3. Certain of the documents to be produced contain sensitive shipper-specific and other confidential information. Applicants are producing these documents subject to the protective order that has been entered in this proceeding.

4. In line with past practice in cases of this nature, Applicants have not secured verifications for the answers to interrogatories herein. Applicants are prepared to discuss the matter with CPL if this is of concern with respect to any particular answer.

\[\text{2/}(\ldots\text{continued})\]

(General Objection No. 1) or the work product doctrine (General Objection No. 2) are not being produced.
GENERAL OBJECTIONS

The following objections are made with respect to all of the discovery requests. Any additional specific objections are stated at the beginning of the response to each interrogatory or document request.

1. Applicants object to production of, and are not producing, documents or information subject to the attorney-client privilege.

2. Applicants object to production of, and are not producing, documents or information subject to the work product doctrine.

3. Applicants object to production of, and are not producing, documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of, and are not producing, public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of, and are not producing, draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.
6. Applicants object to providing information or documents that are as readily obtainable by CPL from its own files.

7. Applicants object to the extent that the discovery requests seek highly confidential or sensitive commercial information (including, inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.

8. Applicants object to the discovery requests to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the definition of "relating to" as unduly vague.

10. Applicants object to Instructions Nos. 2, 3 and 4 to the extent that they seek to impose requirements that exceed those specified in the applicable discovery rules and guidelines.

11. Applicants object to Instructions Nos. 2, 3 and 4 as unduly burdensome.

12. Applicants object to the discovery requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

**SPECIFIC RESPONSES AND ADDITIONAL OBJECTIONS**

**Interrogatory No. 1**

"With respect to unit train coal traffic moving to and from the Coleto Creek Station, state whether either the Coleto Creek Station or Victoria, Texas constitutes a "2-to-1" point
with respect to the such merger application and/or the Settlement Agreement."

Response

Subject to the General Objections stated above.

Applicants respond as follows:

Coleto Creek Station does not constitute a "2-to-1" point. Victoria, Texas, does constitute a "2-to-1" point.

Interrogatory No. 2

"State whether the resolution of the Surface Transportation Board’s Docket No. 41242, Central Power & Light Company v. Southern Pacific Transportation Company will have any impact upon the status as a '2-to-1' point of either the Coleto Creek Station or Victoria, Texas (with respect to unit train coal traffic moving to and from the Coleto Creek Station)."

Response

Subject to the General Objections stated above,

Applicants respond as follows:

No.

Interrogatory No. 3

"If the response to Interrogatory No. 2 is 'yes,' describe this impact."

Response

Subject to the General Objections stated above,

Applicants respond as follows:

Not applicable.

Interrogatory No. 4

"Identify all documents discussing, commenting upon, or in any way addressing potential outcomes of Docket No. 41242, and/or the impact of such outcomes either upon future CPL rail service or upon the instant proceeding."
Document Request No. 2

"Produce all documents identified in response to Interrogatory No. 5."

Response

See the Response to Interrogatory No. 5.

Document Request No. 3

"Produce all documents identified in response to Interrogatory No. 7."

Response

See the Response to Interrogatory No. 7.
March 12, 1996

Respectfully submitted,

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Attorneys for Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company
March 12, 1996

BY HAND DELIVERY

Vernon A. Williams
Secretary
Surface Transportation Board
12th and Constitution Avenue, N.W.
Washington, D.C. 20423


Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and 20 copies of each of (i) Responses and Objections of Montana Rail Link, Inc. to Applicants' First Set of Interrogatories and Requests for Production of Documents, and (ii) Responses and Objections of Montana Rail Link, Inc. to Burlington Northern Railroad Company and the Atchison, Topeka and Santa Fe Railway Company's First Set of Interrogatories and Document Production Requests.

Please acknowledge receipt of this letter and filing by date-stamping the enclosed acknowledgment copy and returning it to our messenger.

Very Truly Yours,

Christopher E. Kaczmarek

Enclosures

cc: Restricted Service List
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

RESPONSES AND OBJECTIONS OF MONTANA RAIL LINK, INC. TO
APPLICANTS' FIRST SET OF INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS

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ATTORNEYS FOR
MONTANA RAIL LINK, INC.

Dated: March 12, 1996
Montana Rail Link, Inc. ("MRL") responds and objects as follows to the "First Set of Interrogatories and Requests for Production of Documents" ("Discovery Request") directed to MRL by Applicants UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW ("Applicants"). These responses and objections are made pursuant to: (i) the Discovery Guidelines applicable to this proceeding, as adopted by Administrative Law Judge Jerome Nelson ("Judge Nelson") on December 7, 1995; and (ii) Judge Nelson’s March 8, 1996 discovery conference rulings with respect to Applicants’ Discovery Request.

Pursuant to Judge Nelson’s March 8, 1996 discovery conference rulings, and MRL’s review and understanding of those rulings, MRL is required to respond only to the following discovery requests on March 12, 1996: document request numbers 15 (as modified), 16 (as modified), 23 (as modified), 24 (as
modified), 28, 31, 33 and 34.  

All other discovery requests propounded by Applicants, but not listed above, will be responded to in accordance with Judge Nelson's March 8, 1996 discovery conference rulings.

To the extent that MRL's understanding of, and actions based on, Judge Nelson's March 8, 1996 rulings are disputed by Applicants, MRL is prepared informally to address and resolve such disputes with counsel for Applicants. Similarly, MRL is prepared, if necessary, to meet with counsel for Applicants to discuss informal resolution of the objections raised by MRL herein. Finally, please note that although MRL has not secured any verifications for these discovery responses, MRL is willing to discuss any particular response in this regard with counsel for Applicants.

1/ As noted, a number of these document requests were modified and/or limited by Judge Nelson in the March 8, 1996, discovery conference. These modifications and/or limitations are noted in footnotes throughout MRL's response.

2/ Based on Judge Nelson's March 8, 1996 discovery conference rulings, and MRL's review and understanding of those rulings, MRL is required to respond to document request numbers 1, 8, 14, 17, 22 and 26, all as modified by Judge Nelson, by April 1, 1996. MRL envisions that to the extent that MRL has information or documents responsive to these requests, such materials will be submitted with its responsive or inconsistent application to be filed on March 29, 1995, and will therefore be available in MRL's document depository in accordance with the Discovery Guidelines. All other discovery requests not specifically accounted for here, or in the text, are to be reformulated by Applicants and re-served on MRL sometime after MRL's March 29, 1996 filing.
GENERAL OBJECTIONS

The following objections are made with respect to all of the interrogatories and document requests contained in the Discovery Request.

1. MRL objects to Applicant’s Discovery Request to the extent that it is premature in light of the Procedural Schedule served by the Interstate Commerce Commission (“Commission”) on October 19, 1995, and violates the spirit and intent of the discovery moratorium imposed under the Discovery Guidelines agreed to and entered in this proceeding. The Procedural Schedule clearly states that "[d]iscovery on responsive and inconsistent applications will begin immediately upon their filing," which will occur on March 29, 1996. The Discovery Guidelines stipulate that "[n]o written discovery requests shall be served after February 26, 1995 [sic], through March 29, 1995 [sic]." The clear intent of this moratorium is to provide parties the unhindered opportunity to concentrate their time and resources on the preparation of comprehensive inconsistent or responsive applications, protests, comments and/or requests for conditions that must be filed by March 29, 1996. Applicants served their Discovery Request by facsimile late in the evening on February 26, 1996, substantially seeking the information MRL is currently in the process of producing and gathering in connection with the preparation of its inconsistent or responsive application. This information will be provided either as part of MRL’s March 29, 1996 submission
or as part of the workpapers underlying that submission. Thus, the Discovery Request is premature, based on both the Procedural Schedule and the Discovery Guidelines, and MRL objects to it.  

2. Applicant's Discovery Request is unduly burdensome in that it imposes duplicative burdens on MRL at a time when MRL is devoting its time and resources to the preparation and filing of its inconsistent or responsive application, protest, comments or request for conditions by the March 29, 1995, deadline.

3. MRL objects to Applicant's Discovery Request to the extent that it seeks information protected from discovery by the attorney-client privilege, the work-product doctrine, or any other privilege, immunity or exemption.

4. MRL objects to Applicant's Discovery Request to the extent it seeks information or documents not in MRL's possession, custody or control.

5. MRL objects to providing information or documents that are readily obtainable by Applicants from their own files.

6. MRL objects to production of public documents that are readily available, including but not limited to documents on public file at the Surface Transportation Board ("Board") or

3/ MRL recognizes that the March 8, 1996, discovery conference partially resolved this particular objection. Nonetheless, MRL renews the objection here in order to preserve the objection.

4/ See supra text accompanying footnote 3.
the Securities and Exchange Commission or clippings from newspapers or other public media.

7. MRL objects to production of documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

8. MRL objects to the production of draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.

9. MRL objects to the extent that the Discovery Request seeks highly confidential or sensitive commercial information that is of insufficient relevance to warrant production even under a protective order.

10. MRL objects to the Discovery Request to the extent it calls for the preparation of special studies, reports, analyses, etc., not already in existence.

11. MRL objects to Applicant’s Discovery Request to the extent it seeks documents which do not exist or are not relevant to the subject matter of this action or are not calculated to lead to the discovery of relevant evidence.

12. MRL objects to Applicant’s Discovery Request to the extent that it attempts to impose any obligation on MRL beyond those imposed by the General Rules of Practice of the Commission, 49 C.F.R. § 1114.21-31, the Commission’s scheduling orders in this proceeding, the Discovery Guidelines or the Administrative Law Judge assigned to this case.
RESERVATION OF RIGHTS

1. MRL’s responses and objections to Applicant’s Discovery Request are based on information now known to MRL. Because formal discovery is continuing, MRL reserves the right to amend, modify or supplement its objections and responses if it learns new information.

2. The fact that, in response to certain requests, MRL provides a responsive, non-privileged document is not a concession that the document or its contents are true, accurate, or authentic or that the document is relevant or admissible in this proceeding.

3. In providing the responses herein, MRL does not in any way waive, but rather intends to preserve:

   (a) all objections as to competency, relevancy, materiality, and admissibility;

   (b) all objections as to vagueness, ambiguity and undue burdensomeness;

   (c) all rights to object on any ground to the use of the responses contained herein in any proceeding; and

   (d) all rights to object on any ground to any further discovery request related to any of the Discovery Requests.

RESPONSES AND ADDITIONAL OBJECTIONS TO SPECIFIC INTERROGATORY AND DOCUMENT REQUESTS

Document Request 15: Produce all presentations, letters, memoranda, white papers or other documents sent or given to DOJ, DOT, any state Governors’ s, Attorney General’s or Public Utilities Commission’s (or similar agency’s) office, any
Mexican government official, any other government official, any security analyst, any bond rating agency, any consultant, any financial advisor or analyst, any investment banker, any chamber of commerce, or any shipper or trade organization relating to the UP/SP merger.

Response: Subject to, including and without waiving the General Objections, MRL objects to this request on the grounds that it is overly broad and burdensome, and because it seeks information or documents not in MRL's possession, custody or control. MRL further objects to this request to the extent that it seeks information that may impinge upon MRL's right to petition the government for redress of grievances pursuant to the First Amendment.

Subject to and without waiving the foregoing objections, MRL states that it is unaware of, and has not located, any presentations, letters, memoranda, white papers or other documents sent or given to any of the financial entities or categories listed relating to the UP/SP merger. Nonetheless, MRL will continue to search for materials responsive to this

5/ Pursuant to Judge Nelson's March 8, 1996, discovery conference rulings, MRL's response to this document request, to the extent a response is required by March 12, 1996, is limited to the financial categories (i.e., "any security analyst, any bond rating agency, any consultant, any financial advisor or analyst, any investment banker"). To the extent this request seeks information as to the Mexican government, or any other foreign government, a response is not required until April 1, 1996. To the extent this request seeks information as to all other listed categories or persons or entities, Applicant's are required to reformulate the request and re-serve it on MRL sometime after MRL's March 29, 1996, filing.

-7-
request and will produce, if found, any non-privileged responsive documents.

Document Request 16: Produce all notes of any meetings with DOJ, DOT, any state Governor’s, Attorney General’s or Public Utilities Commission’s (or similar agency’s) office, any Mexican government official, any other government official, any security analyst, any bond rating agency, any consultant, any financial advisor or analyst, any investment banker, any chamber of commerce, or any shipper or trade organization relating to the UP/SP merger.

Response: Subject to, including and without waiving the General Objections, MRL objects to this request on the grounds that it is overly broad and burdensome, and because it seeks information or documents not in MRL’s possession, custody or control. MRL further objects to this request to the extent that it seeks information that may impinge upon MRL’s right to petition the government for redress of grievances pursuant to the First Amendment.

Subject to and without waiving the foregoing objections, MRL states that it is unaware of, and has not located, any presentations, letters, memoranda, white papers or other documents sent or given to any of the financial entities or categories listed relating to the UP/SP merger. Nonetheless,

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5/ Pursuant to Judge Nelson’s rulings in the March 8, 1996, discovery conference, MRL’s response to this document request is limited to the same extent as it is for Document Request No.15. See supra text accompanying note 5.
MRL will continue to search for materials responsive to this request and will produce, if found, any non-privileged responsive documents.

**Document Request 23:** Produce all studies, reports or analyses relating to collusion among competing railroads or the risk thereof.  

**Response:** Subject to, including and without waiving the General Objections, MRL objects to this request on the grounds that it is unduly vague and burdensome, and overly broad in that it seeks information or documents that are not in MRL’s possession, custody or control.

Subject to and without waiving the foregoing objections, MRL states that it currently does not have any such studies, reports or analyses. To the extent that such studies, reports or analyses are generated in conjunction with the preparation of MRL’s inconsistent or responsive application, due March 29, 1996, they will be placed in MRL’s document depository in accordance with the Discovery Guidelines and will then be available for inspection.

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**2/** Pursuant to Judge Nelson’s rulings in the March 8, 1996, discovery conference, in responding to this request, MRL need only focus on the files of its marketing or strategic planning departments, to the extent it has such departments.
Document Request 24: Produce all studies, reports or analyses relating to the terms for or effectiveness of trackage rights.

Response: Subject to, including and without waiving the General Objections, MRL objects to this request on the grounds that it is unduly vague and burdensome, and overly broad in that it seeks information or documents that are not in MRL's possession, custody or control.

Subject to and without waiving the foregoing objections, MRL states that it has no studies, reports or analyses responsive to this request. To the extent that such studies, reports or analyses are generated in conjunction with the preparation of MRL's inconsistent or responsive application, due March 29, 1996, they will be placed in MRL's document depository in accordance with the Discovery Guidelines and will then be available for inspection.

Document Request 28: Produce all documents relating to discussions between MRL and Applicants in August or September 1995 concerning possible line sales, trackage rights or other agreements in regard to this proceeding. Except to the extent that Applicants may be required to do so, MRL need not produce documents depicting the back-and-forth of negotiations.

8/ Pursuant to Judge Nelson's rulings made during the March 8, 1996, discovery conference, this discovery request has been limited to the notion of "effectiveness of trackage rights" only, and the language "relating to the terms for" is eliminated.
Response: Subject to, including and without waiving the General Objections, MRL will produce an unexecuted copy of a Confidentiality Agreement given to MPL by representatives of Applicants during a meeting in the specified time period. This Confidentiality Agreement will be produced under separate cover as soon as counsel for MRL has received a copy from MRL for production purposes. At that same time, MRL will produce, to the extent they exist and can be located, any notes taken during that meeting. MRL has located no other documents responsive to this request.

Document Request 31: Produce each current haulage or trackage rights agreement in effect between MRL and any other railroad. Response: Subject to, including and without waiving the General Objections, MRL objects to this request on the grounds that it is overly broad and seeks production of documents neither relevant nor reasonably calculated to lead to the discovery of relevant evidence. Any such agreement is neither directly relevant to this proceeding, nor to any position MRL will take in connection with this proceeding in MRL’s responsive or inconsistent application to be filed March 29, 1996.

Document Request 33: Produce all public statements by MRL’s President or other top executives relating to the UP/SP merger. Response: Subject to, including and without waiving the General Objections, MRL states that MRL’s President or other top executives have made no formal "public statements" that can
be produced by MRL in response to this request. To the extent that oral statements have been made by these same individuals to newspapers, MRL has not memorialized any such statements in any reproducible form and, assuming any such statements were included in actual newspaper articles, they are part of the public domain and are just as readily available, obtainable and accessible to Applicants as they are to MRL.


Response: Subject to, including and without waiving the General Objections, MRL objects to this request on the grounds that it is overbroad in its designated scope (i.e., 1991 through 1995), and seeks production of documents that are not relevant to the subject matter of this action, nor reasonably calculated to lead to the discovery of relevant evidence.

Subject to and without waiving the foregoing objections, MRL notes that because it is a privately-held company, MRL does not issue annual reports to stockholders and, therefore, has nothing responsive to this request.

Respectfully submitted,

[Signatures]
Mark H. Sidman
Jo A. DeRoche
Christopher E. Kaczmarek
Dated: March 12, 1996

Weiner, Brodsky, Sidman & Kider, P.C.
1350 New York Ave., N.W.
Suite 800
Washington, D.C. 20005
(202) 628-2000

ATTORNEYS FOR
MONTANA RAIL LINK, INC.

7985\1\teag0010.brf
CERTIFICATION OF SERVICE

I hereby certify that on this 12th day of March, 1996, a copy of the foregoing Responses and Objections of Montana Rail Link, Inc. to Applicants' First Set of Interrogatories and Requests for Production of Documents was served by facsimile and by messenger upon:

Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044

Paul A. Cunningham, Esq.
Harkins Cunningham
1300 Nineteenth Street, N.W.
Washington, D.C. 20036

and by first-class mail, postage prepaid, upon all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760.

Christopher E. Raczmarek
4 March 1996

Vernon A. Williams, Secretary
Surface Transportation Board
Room 1324
Twelfth Street and Constitution N.W.
Washington, D.C. 20423

Dear Secretary Williams,

I support the merger of the Union Pacific and Southern Pacific railroads: It will create additional jobs to my county, and will open markets for soda ash and coal which are produced there. In addition, the merger would heighten competition between UP-SP and the Burlington Northern which I believe would be beneficial to all industries.

Because of the above stated points, I urge approval of the UP and SP. Thank you.

Sincerely,

Frank Prevedel

FP:er

ADVISE OF ALL PROCEEDINGS
The Honorable Vernon A. Williams  
Secretary of the Surface Transportation Board  
12th Street and Constitution Avenue  
Washington, DC 20423

RE: Finance Docket 32760

Dear Secretary Williams:

Please accept this letter as my personal objection to an application pending before the board seeking approval of a merger between the Union Pacific Railroad Company (UP) and Southern Pacific Lines (SP). I am extremely concerned of the implications this pending merger poses to rail competition in Texas, more particularly to San Antonio and South Texas.

The pending merger would grant UP control over a reported 90% of rail traffic into and out of Mexico. This seriously puts Texas in a difficult predicament. Also, the merger would grant UP control of over 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 concedes that the merger would greatly reduce rail competition. There solution is a proposed trackage rights agreement with the Burlington Northern-Santa Fe (BNSF).

However, a trackage rights agreement 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. Burlington Northern-Santa Fe would not own the track, thus subject to the control of others. They would not have control over the service they would provide. For example, they would not have control over its frequency, its reliability, its timeliness, and so forth.

Texas needs an owning railroad, not another merger, to ensure effective rail competition, an owning railroad willing to provide quality service and investment. This type of 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 merger.

For 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. Thank you very much for your time.

Very truly yours,

John A. Longoria
State Representative
District 117

cc: The Honorable Carole Keeton Rylander, Texas Railroad Commission
Dear Secretary Williams:

Re: Finance Docket No. 32760

I am writing to voice my support for the proposed merger of the Union Pacific and Southern Pacific railroads, and to urge the Surface Transportation Board to act favorably on this merger proposal.

The merger will provide rail customers and the general public with substantial benefits, such as faster and more reliable service, better opportunities to move freight by rail and thus take trucks off of crowded highways, and the maintenance of healthy competition in the rail industry.

The merger will also improve the financial health of the Southern Pacific, which is badly needed in light of their financial situation and continuing inability to fund needed investments in rail service.

In recognition of these benefits to rail customers and the public, I urge the ICC to give its swift approval of this proposed merger.

Sincerely,

Newton R. Russell
Senator, 21st District
The Honorable Vernon A. Williams
Secretary, Federal Surface Transportation Board
12th Street & Constitution Avenue
Washington, D.C. 20423

RE: Finance Docket 32760

Dear Secretary Williams,

I am extremely concerned about the competitive aspects on area businesses as a result of the proposed acquisition of the Southern Pacific lines (SP) by the Union Pacific Railroad (UP). While I am familiar with the proposed agreement between UP and the Burlington Northern-Santa Fe (BNSF), intended to remedy those effects, I am not persuaded that this arrangement will produce effective competition for rail traffic in the mid-south region of the United States. This is of concern to me.

I also have reviewed Conrail’s proposal to acquire a significant portion of the SP’s Eastern lines in connection with the merger, especially the lines running from Chicago and St. Louis, to Arkansas, Texas and Louisiana. I find this proposal to be more appropriate and 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 the granting of trackage rights. I believe that trackage rights provide only limited benefits and limited guarantees which can be easily lost if railroads disagree over whose traffic has priority and who is in charge of operations of the line. Further, I believe an owning railroad is in a far better position than a renter to encourage economic development activities on its lines.

Another reason I favor Conrail’s proposal is that it would provide efficient service for rail customers in our area for movement of goods, produce, commodities, etc., to the Mid-South and Texas Gulf. Conrail’s proposed one-line service to these markets would be the fastest, most direct, and involve the fewest car handlings.
The Honorable Vernon A. Williams
Page Two
March 7, 1996

I am extremely concerned about the recent railroad merger trend in the United States. This trend seems to be leading our nation toward a few giant railroads. Clearly, mega-railroads will further limit competition and reduce productivity.

For all of the above reasons, I am actively opposing the UP-SP merger at the ICC unless it is conditioned upon acceptance of Conrail’s proposal.

Sincerely,

John E. Kimmel
State Representative

JEK/db

cc: David M. Levan, President & CEO, Conrail
Mr. Vernon Williams  
Secretary  
Surface Transportation Board  
12th Street and Constitution Avenue, NW  
Washington, D.C. 20423

RE: Finance Docket 32760 - Union Pacific/Southern Pacific

Dear Mr. Williams:

My name is Walter Dudycz. I am a member of the Illinois General Assembly.

The purpose of this letter is to formally advise you that I support the Union Pacific and Southern Pacific merger.

My reasons for supporting this acquisition are included on the attached documents.

Sincerely,

WALTER W. DUDYCZ  
Assistant Majority Leader  
Illinois State Senate

WWD/ssd

Enclosures
Union Pacific Railroad

Operating Revenues (1994) $6.44 billion
Operating Income (1994) $1.4 billion
Employees 35,000
Track operated 22,600 miles
States served 23
Locomotives 3,922
Freight cars 97,600
Trains operated daily
Freight 1,200
Commuter 197

Commuter operations—daily riders
Metra 90,000 riders (Chicago)
Metrolink 3,300 riders (Los Angeles)

Southern Pacific Lines

Operating Revenues (1994) $3.1 billion
Operating Income (1994) $346 million
Employees 18,010
Track operated 14,500 miles
States served 15
Locomotives 2,413
Freight cars 44,629
Trains operated daily
Freight 750
January 17, 1996

THE UP/SP MERGER AND ILLINOIS

Summary. The UP/SP merger will dramatically improve service and strengthen competition. The merged system will meet the competitive challenge of BN/Santa Fe. Problems of SP service, finances and capital constraints will be overcome, and SP customers will have the assurance of long-term, top-quality service from a financially strong railroad.

Service Improvements. Among the key service improvements for Illinois shippers are:

- The new system’s routes will be significantly shorter than UP’s or SP’s routes today in many important corridors, including Chicago-Oakland and St. Louis-Oakland.

- There will be greatly improved service for both intermodal and carload traffic moving between California and the gateways of Chicago and St. Louis/East St. Louis.

- Availability of alternative routings will provide UP/SP with flexibility to reroute traffic to improve service. For example, intermodal and automobile traffic moving between southern California and Chicago will be concentrated on SP’s Tucumcari route, and other traffic will be concentrated on UP’s Overland route. Shipments to and from Texas, Louisiana and Arkansas will benefit from directional operation of parallel lines, which eliminates most delays associated with train meets and improves transit times. These steps will reduce delays, increase reliability, and create new capacity for the merged system.

- UP/SP will be able to challenge Santa Fe’s dominance of California-Chicago intermodal traffic for the first time. Vigorous competition in this market is crucial to Illinois’s continued economic growth and to the nation’s domestic and international competitiveness. Between Oakland and Chicago, mileage savings and operating efficiencies will allow UP/SP to offer a new third-morning intermodal service, which neither UP nor SP can do today. This service will equal or exceed BN/Santa Fe service and it will provide fast
connections to the Stockton and Fresno areas. Between Los Angeles and Chicago, route specialization, plus linking SP's excellent L.A. Basin intermodal terminals with UP's excellent Chicago-area terminals, will also improve service; the merged system will be able to provide more reliable third-morning service, rivalling the service of BN/Santa Fe. UP/SP will provide more than 35 intermodal departures per week to Southern California. UP/SP will improve St. Louis-Southern California intermodal service by almost half a day.

Coordination and specialization of intermodal yards at Chicago will allow reduced drayage and improved efficiency. UP/SP will invest over $12 million to expand the Global II intermodal facility in Chicago to handle increased volume and almost $40 million to expand an intermodal facility in East St. Louis.

With better routes, improved train schedules, reduced switching and enhanced technological support, UP/SP will improve transit times for SP shippers of carload traffic. Compared to current schedules, for example, service from Chicago to Houston will improve by more than a day and a half; service from Portland, OR, to Chicago by almost four days, and service from Oakland to East St. Louis by more than a day. All SP shipments between Chicago and the South Central states will avoid the delays associated with switching in St. Louis.

UP animal feed sources in Illinois will benefit from new single-line routes providing access to SP receivers in Arizona, California and Texas, and SP-served gateways to Mexico.

UP-served barge facilities on the Mississippi River will have opportunities to attract increased traffic from western points, including SP-served coal producers in Utah and Colorado.

SP Illinois shippers will gain direct, single-line routes to the leading Mexican gateway of Laredo.
UP/SP will have the opportunity to build run-through trains from the Gulf chemical region to Chicago, resulting in improved transit time for Illinois receivers.

Illinois shippers and receivers will enjoy extensive new single-line service, including:

- between SP points in Illinois and UP points in the Upper Midwest and Midwest, the Intermountain region, California, Oregon, Washington, Louisiana and Texas; and

- between UP points in Illinois and SP points in Arkansas, Louisiana, Texas, New Mexico, Arizona, California, Oregon, Utah, Colorado and Kansas.

Equipment supply will be dramatically improved as the result of operating efficiencies, the ability to reposition cars efficiently, and taking advantage of backhaul and triangulation opportunities and seasonality.

Major cost savings, from reduced overheads, facility consolidations and use of the best systems of each railroad, will improve efficiency and justify increased investment to expand capacity and improve service, all to the benefit of shippers.

**Stronger Competition.** Competition will be strengthened in all markets:

- Competition among BN/Santa Fe, IC, Soo, KCS and a merged UP/SP will be much stronger than competition were UP and SP to remain separate railroads.

- The merger applicants have accepted conditions ensuring that all shippers that would lose two-railroad competition in the merger are served by a second railroad. There are no such "2-to-1" situations in Illinois. However, under the settlement agreement, BN/Santa Fe will gain access to certain points in other states (including California, Nevada, Utah, Texas, Louisiana, and Arkansas), which will provide new competitive options for Illinois shippers and receivers served by BN/Santa Fe.
Meeting the Challenge of BN/Santa Fe. SP's Chairman, Phil Anschutz, has forthrightly said that SP can't make it alone in the wake of the BN/Santa Fe merger. The BN/Santa Fe system will be far larger than either UP or SP. It will have crucial competitive strengths that UP or SP separately lack. For example, Santa Fe is the clear and widening leader in handling service-sensitive traffic between California and Chicago, and the further cost savings and financial strength resulting from the BN/Santa Fe merger will only widen that lead even further. The UP/SP merger will create a competitor that is fully the equal of BN/Santa Fe.

The Assurance of Quality Service for SP Shippers. SP has significant shipper coverage in Illinois, and some of SP's Illinois customers are exclusively served by SP. SP customers have had to cope with service problems and uncertainties as to SP's finances. The UP/SP merger will provide SP shippers the assurance of top-quality service with a financially strong railroad that can afford the capital investments necessary to build new capacity, implement new technology, and continually improve its operations.
Mr. Vernon A. Williams  
Surface Transportation Board  
Room 1324  
Twelfth St. & Constitution Ave. NW  
Washington, DC 20423

Dear Mr. Williams:

The Board of Bannock County Commissioners wish to express their full support for the proposed merger of the Union Pacific Railroad and the Southern Pacific Lines. The merger of the Union Pacific and Southern Pacific will enhance rail competition, strengthen the Idaho transportation system and help fulfill the potential for increased economic development within the State of Idaho.

Our primary concern is the permanent loss of jobs in our area promulgated by the purposed merger. If this is only a short term temporary development, we would be in full support of the purposed merger.

Pocatello has been the Railroad Center in Idaho since the 1870's. Bannock County would like to remain the Railroad Center in Idaho, and with this merger Bannock County would like to also expand as a Rail Center. Union Pacific plays a significant role in the economy of the Pocatello area by providing rail transportation to our business, and jobs for its residents. In particular, this merger will provide faster, more direct, and new single-line routes for many of the areas that trade by rail with Idaho. In addition there will be a new single-line service to numerous points previously served only by Southern Pacific in Colorado, Oregon, California, Arizona, New Mexico, Texas, Louisiana and the Midwest.

ADVISE OF ALL PROCEEDINGS
The merger of the Union Pacific and Southern Pacific will enhance rail competition, strengthen the Idaho transportation system and help fulfill the potential for increased economic development within the State of Idaho. Because of these strengths we believe that the merger will enable Union Pacific and Southern Pacific to compete successfully with the merged Burlington Northern and Santa Fe Railway. This will mean more stable jobs and increased economic development in Pocatello.

Because of these benefits and the potential for a more competitive railroad in Idaho and elsewhere, we the Board of Bannock County fully support this merger and urge the Surface Transportation Board to approve the merger promptly.

Sincerely,

BOARD OF BANNOCK COUNTY COMMISSIONERS

Tom Katsilometes, Chairman
Carolyn Meline, Member
J. O. Cotant, Member

cc: Charles G. Clark
Dear Secretary Williams:

The State of Ohio is doing its best to compete in the new global economy that has dominated all recent trade. We have worked hard to ensure that our citizens will enjoy the benefits of an open and fair market.

We must also look toward the future to ensure that our ability to compete is not obstructed in any way. The proposed acquisition of Southern Pacific Railroad by Union Pacific Railroad may hinder competition and Ohio's ability to take advantage of the NAFTA agreement.

Conrail's alternative proposal to acquire some of Union Pacific's lines, however, would ensure that the State of Ohio remains successful in this global economy. These additional lines would give the industries of Ohio a one-line direct link to the Gulf Coast and the Mexican market. This would be a great benefit to not only my constituents, but all of Ohio's citizens.

I urge the ICC to give favorable consideration to the alternative Conrail plan. Thank you for your consideration of this matter.

Sincerely,

Johnnie A. Maier
State Representative
56th District
Dear Secretary Williams:

As the elected government officials of Vienna Township, Trumbull County Ohio, entrusted with the economic well being of our residents and community, here in Northeast Ohio, we are gravely concerned about the proposed Union Pacific Southern merger. We do not believe it is in the best interest of the public.

A close analysis of this proposal will show that it will result in unnecessary layoffs and job loss among railroad workers in our area; a weakened economy for Northeast Ohio and likely industrial job loss; and an increase in the cost of goods and services for our residents and area workers.

Accordingly we urge the denial of the proposed Union Pacific-Southern Merger by the Surface Transportation Board.

Very truly yours,

VIENNA TOWNSHIP TRUSTEES

Mary S. Finamore
Shawn Byne
Glen M. Burns
Jack E. Hinely
Dear Secretary Vernon Williams

As elected officials who represent working families and consumers, we are concerned about the proposed Union Pacific-Southern Pacific merger for the following reasons:

1. The potential for layoffs and job losses among the affected railroad workers; and

2. It could weaken Northeast Ohio's economy by weakening eastern and midwestern railroads, and threatening industrial jobs here; and

3. By concentrating so many resources, it could negatively affect prices and service - potentially hurting area families at the market and in the workplace.

We, therefore, feel that the merger is not in the public interest, and ask that it be disallowed by the Surface Transportation Board.

Sincerely,

HOWLAND TOWNSHIP BOARD OF TRUSTEES

[Signatures]

Rick G. Clark, Trustee

ADVISE OF ALL PROCEEDINGS

HOWLAND TOWNSHIP GOVERNMENT OFFICES: 169 Niles-Cortland Rd. N.E. Warren, Ohio 44484

HOWLAND TOWNSHIP ROAD & ZONING OFFICES: 3600 North River Rd. N.E. Warren, Ohio 44484
March 7, 1996

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

Dear Secretary Williams:

I am concerned that the proposed Union Pacific-Southern Pacific railroad merger is not in the public interest in Northeast Ohio. We would be far better served if the UP-SP's eastern routes were, as part of the proposed merger, sold to Conrail, not leased to another western railroad.

My reasoning is straightforward. First, our industrial companies, particularly in the booming polymers sector, need direct service to raw materials and markets in the Gulf "chemical coast" region and to Mexico. Second, we believe that an owner-carrier, such as Conrail, would have greater incentive to improve markets along the route. Third, by keeping Conrail strong, we ensure a variety of service options and strong price competition among the major railroads in our region, namely CSX, Norfolk and Southern, and Conrail.

Finally, and most important, we believe the Conrail proposal is in the best interests of the industrial, manufacturing and transportation workers of our region. It combines efficient transportation, economic development, and continued employment opportunities. These are keys to the public interest.

For those reasons I would oppose the proposed merger unless it includes the Conrail purchase of the eastern lines of the old Southern Pacific. Only with the Conrail acquisition will Northeast Ohio economies be maximally served.

Thank you for your consideration.

Sincerely,

Vilas S. Gamble
City Manager

VSG/ds
To Whom It May Concern:

Yes, what it's worth to you, Washington must approve this railroad monopoly type merger between the Union Pacific and Southern Pacific Railroads.

Merger of this sort do not save jobs, and this merger will give the Union Pacific a powerful tool in controlling companies, their freight, and the cost of moving the freight. Yes, I want my company to grow and prosper, but not at the cost of jobs, living and fair trade.

Richard S Craig
Camer, Union Pacific Railroad
March 1, 1996

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

Dear Secretary Williams:

I represent working families and consumers and am concerned about the proposed Union Pacific-Southern Pacific merger. It is not in the public’s best interest for the following reasons:

1. In my opinion, the merger would result in unnecessary layoffs and job losses among the affected railroad workers.

2. Northeastern Ohio’s economy would be at risk by weakening eastern and midwestern railroads and threatening jobs here.

3. Concentrating so many resources would negatively affect prices and service hurting area families at the market and in the workplace.

I, therefore, find that the merger is not in the public interest and ask that it be disallowed by the Surface Transportation Board.

Very truly yours,

Jeanette A. Crislip, Chairperson

Jeanette A. Crislip, Chairperson
March 7, 1996

Mr. Vernon A. Williams
Secretary, Surface Transportation Board
Room 1324
Twelfth Street & Constitution Avenue N.W.
Washington, DC 20423

Dear Secretary Williams:

I am aware of the proposal to merge the Union Pacific and Southern Pacific Railroads. As an active citizen in Wyoming concerned with economic growth, I am in support of that proposal. It does appear to provide substantial benefits to the businesses and in turn the citizens of Wyoming.

We have, of course, long been aware of the activities of the Union Pacific in this state. The Burlington Northern also provides significant benefits and the recent merger of that line with the Santa Fe does make it larger than the Union Pacific. The merger would appear to maintain that competition on a more equal basis.

It is also apparent that it will open up wider access and more contacts for businesses in Wyoming who do ship by rail.

Sincerely,

Harry B. Tipton
Chairman
House Judiciary Committee
HBT/ww

cc: Dick Hartman
To Whom it may Concern,

I would like to express my conditional opposition to the proposed merger between the Union Pacific and Southern Pacific Railroads. If the two railroads plan to abandon the Canon to Dotsero line in the Upper Arkansas Valley, rather than sell it, then this merger would hurt Colorado businesses who rely on rail shipping. Furthermore, if the Canon-Dotsero line is abandoned, a valuable continuous corridor across the state could be permanently lost.

Union Pacific and Southern Pacific officials claim that there has been no "substantive interest" in the purchase of the Canon-Dotsero Line, however, three entities have filed documents with the Surface Transportation Board expressing their interest in the purchase of the old Denver and Rio Grande Western Railroad system, which would include the Canon-Dotsero line. Two of the companies, Montana Rail Link and Wisconsin Central, are currently running successful railroads. It is obvious that there is substantive interest in the line that UP-SP proposes to abandon.

If Union Pacific and Southern Pacific merge and then abandon the Canon-Dotsero line, which is part of the "Central Corridor," it is possible that the east-west routes could be divided between UP/SP and Burlington Northern/Santa Fe creating a situation where a lack of competition could lead to unfairly inflated freight rates. A third railroad in the Central Corridor will help to ensure an environment of healthy competition among the freight rates for east-west rail shipping.

Finally, I believe that it is essential to maintain valuable continuous corridors like the Canon-Dotsero right-of-way. If UP/SP abandons the Canon-Dotsero line and the property is sold piecemeal, that corridor could be forever lost. The loss of such a right-of-way could be extremely expensive in the long run when the future of transportation across the state is considered.
March 7, 1996
Page Two

Let me reiterate that I am opposed to the merger of the Union Pacific and Southern Pacific Railroads unless they agree to sell the rights to the Central Corridor, of which the Canon-Dotsero Line is a part.

Sincerely,

Linda Powers
State Senator

LP;mg
March 1, 1996

Offices of the Secretary


The Union Pacific and Southern Pacific railroads have filed an application with the Surface Transportation Board to merge their two companies. I would like to express my support for their merger and urge the Board to grant its approval of the merger as proposed by the two railroads.

The California Assembly district I represent covers much of Imperial County and much of Riverside County, including Imperial County's main railroad line running through the district. The Southern Pacific's rail line linking with Mexico's Ferrocarril Railway at Calexico/Mexicali is an important employer and transportation provider in this part of California.

The proposed merger of the Southern Pacific and Union Pacific railroads appears to be a solid solution which will maintain the Southern Pacific as a viable railroad well into the future, while enabling the Southern Pacific to compete effectively with the Burlington Northern/Santa Fe. In the past few years, the Southern Pacific has had difficult financial problems, and that has hampered the railroad's ability to invest in needed improvements in its operations. Unfortunately, that situation will likely to degrade further due to the increased competition for railroad business that will result from the recent merger of the Burlington Northern and Santa Fe railroads. Should the Southern Pacific and Atchison Topeka & Santa Fe railroads fail to merge, the Southern Pacific's situation would be a big blow to the railroad's employees in California, and to the many communities and local businesses that depend upon the Southern Pacific for rail service.

The marriage of the Union Pacific, a financially strong railroad, with the Southern Pacific should produce a merged railroad able to complete effectively with the Burlington Northern/Santa Fe.

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The merger should also fit well with efforts to obtain the full benefits of the North American Free Trade Agreement (NAFTA). By linking the Southern Pacific’s gateways to Mexico, such as the one at Calexico/Mexicali, with businesses served by the Union Pacific in Utah, Nevada, California, and the Pacific Northwest, American producers will obtain better rail routes and service to supply growing Mexico markets. International trade with Mexico should see a substantial boost, especially as the merged railroad will be able to provide, for the first time, direct north-south rail service up and down the West Coast from Mexico to as far North as Seattle.

Clearly, the proposed merger of the Union Pacific and Southern Pacific railroads would provide many public benefits in southeastern California, and would provide substantial benefits related to NAFTA. I urge the Surface Transportation Board to give its full approval to the proposed merger.

Sincerely,

James F. Battin
Assemblyman
89th District

JFB:pa

cc: Wayne Horiuchi
March 5, 1996

Dear Secretary Williams:

The City of East Liverpool is extremely concerned about the competitive aspects on area businesses as a result of the proposed acquisition of the Southern Pacific Lines (SP) by the Union Pacific Railroad (UP). While we are familiar with the proposed agreement between UP and the Burlington Northern-Santa Fe (BNSF), intended to remedy those effects, we are not persuaded that this arrangement will produce effective competition for rail traffic in the Mid-South region of the United States. This is of concern to our community.

We also have reviewed Conrail’s proposal to acquire a significant portion of the SP’s eastern lines in connection with the merger, especially the lines running from Chicago and St. Louis, to Arkansas, Texas and Louisiana. We find this proposal to be more appropriate and 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 the granting of trackage right. We believe that trackage rights provide only limited benefits and limited guarantees which can be easily lost if railroads disagree over whose traffic has priority and who is in charge of 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 City of East Liverpool 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 Mid-South and Texas gulf. Conrail’s proposed one-line service to these markets would provide the fastest, most direct means of reaching these areas and would involve the fewest car handlings.

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

For all the reasons stated above, the City of East Liverpool is actively opposing the UP-SP merger at the ICC unless it is conditional upon acceptance of Conrail’s proposal.

Sincerely,

William A. Devon
Mayor, City of East Liverpool, Ohio

cc: David M. Levan of Conrail; file.
March 7, 1996

Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
12th & Constitution Ave., N.W.  
Washington, DC 20423

Dear Mr. Williams:


This letter is written to express our support for the settlement agreement between BN/Santa Fe and UP/SP.

My name is Roger Dunning. I am President & General Manager of North Dakota Mill, and have served in this capacity since 1988. I have 18 years experience in the milling industry.

The North Dakota Mill is located in Grand Forks, ND. Our mill produces high quality flour for distribution in most areas of the United States. In 1995 we shipped 1150 rail cars of bulk flour, 700 boxcars of bagged flour, 500 rail cars of millfeed by-product and 1500 truckloads of flour and millfeed. Our marketing plan includes expansion of bulk flour shipments and therefore an increase in the intermodal transfer from bulk rail cars to transfer truckload delivery at destination points. Our marketing plan also includes an expansion of bagged flour via rail car delivery.

We are served at our rail origin by BNSF and view the Settlement Agreement as an opportunity to increase our use of single line service and increase the utilization of our leased rail equipment. In my role as General Manager, I view this agreement as having direct positive results for the North Dakota Mill.

Our past efforts to increase market share in areas such as Utah and Texas have been hampered by marginal and erratic service due to delays in interchange. These markets would be available to us on a single line service basis under this agreement and will allow us to do a better job of scheduling shipments.

P.O. Box 13078 / Grand Forks, ND 58208-3078  
Telephone: (701) 795-7000 / FAX: (701) 772-9387
A review of this agreement leads me to believe that it will offer us: (1) Seamless Rail Service (2) More Effective Utilization of Equipment (3) Expanded Geographic Coverage (4) Improved Service Through Interchange Gateways (5) New Single Line Service.

In consideration of these factors we express full support for approval of the settlement agreement reached by BN/Santa Fe and UP/SF and request that it be imposed as a condition of the merger.

I declare under penalty of perjury that the foregoing is true and correct. Executed on this 16th day of March, 1996.

Roger W. Dunning  
President & General Manager  
North Dakota Mill  
P. O. Box 13078  
Grand Forks, ND 58208-3078

Debra K. Wilson  
Notary Public  
My Commission Expires August 22, 2001
March 6, 1996

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

Dear Secretary Williams:

I am writing to express my concerns over the proposed merger of Union Pacific (UP) and Southern Pacific (SP). As an economist, I fully appreciate the potential increases in efficiency achieved by the merger and the benefits of deregulation. I have long been a very public advocate of deregulation and fully recognize that consolidation is an inevitable (and generally desirable) outcome of the process.

It may well be that the overall merger of UP and SP is desirable. I am deeply concerned, however, about the anticompetitive effects of creating a monopoly for railroad service, affecting the border region of Texas (including most goods coming into and out of Mexico) and the Gulf Coast petrochemical complex. The dominance of a single carrier in these critical markets could have substantial adverse effects on the Texas economy.

It is highly unlikely that these deleterious effects could be avoided through a trackage rights agreement with BNSF. Even UP and SP have asserted in other contexts that trackage rights do not afford adequate safeguards for competition. The optimal approach would seem to be to sell the current SP routes in these areas to a viable competitor (I am aware that several potential buyers have expressed an interest). In this manner, vigorous competition could be assured.

During the recent public hearing process, I was asked by the Texas Farm Bureau and the Texas Cattle Raisers' Association to examine the effects of this proposed merger on the economy of Texas. On a “net” basis, our analysis indicated substantial losses. Given the importance of the petrochemical industry and trade with Mexico to the future of the state, I feel that it is imperative that (1) this competitiveness issue be fully addressed and (2) a second railroad have full ownership of the current SP lines.
I am enclosing a copy of the report that we prepared. I believe that it offers a balanced perspective on this critical issue. If you have any questions, let me know. I appreciate the opportunity to comment on this issue.

Sincerely,

M. Ray Perryman

MRP/RW

enclosure
The Impact of the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

Prepared by

THE PERRYMAN GROUP
510 N. Valley Mills Drive, Suite 300
Waco, Texas  76710-6076
(817) 751-9595

January 1996
THE IMPACT OF THE PROPOSED UNION PACIFIC-SOUTHERN PACIFIC MERGER ON BUSINESS ACTIVITY IN TEXAS

I. INTRODUCTION

Industry Background

The railroad industry has long held a place of enormous distinction in American economic development. The linkage of materials, products, plants, and markets by rail was an essential component in the emergence of the US as a global commercial power. The railroads, like other modes of transportation, were essentially treated as "public goods" and "regulated monopolies" for most of this century. In essence, this structure involves the granting of monopoly rights to certain routes (due to cost and efficiency considerations) while controlling rates to simulate a competitive environment.

The framework for traditionally regulated sectors (including transportation, communication, and utilities) has been going through a marked transition in recent years. Beginning with the airlines in the early and mid-1970s, a substantial and definitive movement toward deregulation has continued for the past two decades. Natural gas utilities and interstate trucking (and, in many areas, intrastate trucking) were opened to competitive forces in the late 1970s and early 1980s; the breakup of AT&T in 1984 ushered in an ongoing program of deregulation in telecommunications. More recently, electric utilities have begun to face competition in power transmission and distribution.

The past several decades have also seen enormous challenges in the rail industry. Spiraling costs, inadequate revenues, increased competition from other transport modes, service reliability difficulties, and infrastructure deterioration have taken their toll on the once-dominant railroads. By the late 1970s, the very survival of the train as a viable means of moving cargo across America was at risk. Highly publicized failures and consolidations focused attention on the situation and brought fundamental changes in public policy.

The Staggers Rail Act of 1980 essentially deregulated the railroads. Since its passage, the industry has achieved substantial gains in
efficiency, rate reductions, facility upgrades, and a general (though uneven) pattern of profitability. Mergers and acquisitions have been commonplace, with the number of Class I railroads declining by over 75% and numerous smaller carriers being absorbed. The most notable of these combinations is the recent "end-to-end" merger of Burlington Northern and Santa Fe, creating the nation's largest rail system. Within the context of this massive and continuing consolidation, the Interstate Commerce Commission has taken steps to ensure that competition along various routes is preserved. Although the regulatory structure is now in transition, maintenance of competition will remain a fundamental objective.

Proposed Merger

At present, Union Pacific (UP) and Southern Pacific (SP) are proposing a merger that would establish a railroad with approximately $9 billion in annual revenues (the largest in the US). This combination would almost certainly provide enhanced efficiencies, but, unlike the Burlington Northern-Santa Fe (BNSF) linkage, will eliminate duplicate service (and, hence, competition) in numerous segments. (Although some improvement in service is often asserted as a benefit of such consolidations, the recent difficulties encountered by UP in absorbing the much smaller Chicago & North Western (C&NW) raise serious doubts as to the likelihood of any significant gains.) This reduction of alternatives for shippers is likely to result in increased rates, thus placing the affected purchasers of rail service at a competitive disadvantage both domestically and globally.

Union Pacific and Southern Pacific propose to overcome the competitive shortcomings of the merger through the granting of "trackage rights" over the pertinent routes to BNSF. Such a solution is unlikely to be effective, however, in that trackage rights are rarely sufficient to achieve appropriate levels of competition. This arrangement creates some incentive to compete, but leaves extensive control over access, timing, and, thus, service quality and profitability to the discretion of the grantor (UP in this instance). Ironically, this point has been recently emphasized in other contexts by both UP and SP. Moreover, if the UP-SP combination proceeds as proposed, UP-SP and BNSF will essentially constitute a "duopoly" with respect to western rail traffic. As is well known and extensively discussed in theoretical and empirical academic literature, a market structure of this nature encourages tacit collusion for joint profit maximization. The occurrence of this phenomenon reduces or
eliminates the competitive gains from the trackage rights agreement, with any efficiency increases flowing to UP-SP and BNSF as "monopoly rents."

The adverse outcomes could potentially be avoided (while retaining the advantages of the merger) through the sale of the current eastern lines of SP (where much of the duplication of service with UP occurs) to a third party. The purchaser, with a substantial investment and facility ownership, would provide vigorous competition. At least two major railroads have publicly expressed an interest in these lines and sought to acquire them. Such an outcome appears to be a net benefit to society and the public interest through the preservation of a competitive market framework.

The proposed UP-SP combination is of particular concern to the economic well-being of Texas. Among the affected segments in which competition would be eliminated or substantially curtailed are (1) the Texas Gulf Coast with its vast petrochemical complex and (2) the border region of Texas and its expanding shipments associated with Mexican and Latin American trade. Consequently, it is not surprising that the merger has become a source of extreme concern for many senior officials within the state, as well as shippers and trade groups representing key industrial interests (most notably agriculture and chemicals). Opposition is also being voiced at a national level for similar reasons.

Overview

The current study measures the economic impact of the proposed UP-SP merger on overall business activity in Texas. The results include a detailed analysis of both the net efficiencies created by the combination and the effects of the reductions in competition and, thus, shipper choice and bargaining power. In all cases in which assumptions are required, they are structured to understate harms and overstate any offsetting benefits. Hence, the findings should represent a conservative overall assessment of any net costs to production within the state.

Initially, a description of the methodology employed in the study is provided. This discussion is followed by a presentation and evaluation of the major conclusions. A final section offers a brief perspective on the analysis and its public policy implications. An Appendix presents detailed results from all phases of the empirical process by major industrial sector. This study reveals that the economy of Texas is likely to be adversely affected to a significant degree by the UP-SP merger as it is presently envisioned.
II. METHODOLOGY

Basic Approach

The basic technique used by The Perryman Group in estimating the economic impact of the proposed UP-SP merger on the economy of Texas is known as input-output analysis. This methodology essentially uses extensive survey data, industry information, and a variety of corroborative source materials to create a matrix describing the various goods and services (known as resources or inputs) required to produce one unit of output for a given sector. Once the base information is compiled, it can be mathematically manipulated to generate evaluations of the magnitude of successive rounds of activity (or "multiplier effects") involved in the overall production process.

There are two essential steps in conducting an input-output analysis once the system is operational. The first major endeavor is to accurately define the levels of economic activity to be evaluated. These components, which may be expressed in terms of expenditures, jobs, income, or output, form the basis for the analysis. Once they have been adequately quantified, the final step is the simulation of the input-output system to measure overall economic effects. Before describing the details of the impact assessment model, it is useful to briefly review the process for quantifying the direct effects of the proposed rail consolidation.

Measurement of The Direct Efficiency Effects

The overall impact of the UP-SP merger arises from two basic factors--denoted as the "efficiency effect" and the "competitive effect." Initially, the combined system is expected to generate certain efficiencies. Once the integration is completed, it is anticipated that several thousand jobs will be eliminated. According to the documents filed in conjunction with the merger application, more than 700 of the positions in this workforce reduction will be lost in Texas. This job displacement has obvious negative consequences for business activity within the state. Because it is achieved through improved operations, however, offsetting benefits may also occur. As an extreme example, if the cost savings were passed entirely to shippers in Texas, the relative multipliers might well lead to a net gain.

In reality, there is a countervailing stimulus to economic conditions, but it is not of sufficient magnitude to overcome the adverse effects of the job
losses. Specifically, the merger documents reveal that, by the end of five years, there will be (1) an annual profit gain for the combined entity of $200 million (a portion of which will flow via dividend payments into Texas) and (2) $91 million in rate reductions for shippers (some of which accrues to the benefit of Texas companies).

To estimate the effects of the dividend flow into Texas, the profit increase was translated into a total shareholder distribution using the current dividend payout ratio of Union Pacific (which is higher than that of financially-troubled SP). The portion of this money flowing to Texas was estimated using relative wealth and income statistics for the state and the nation as a whole. This process should modestly overstate the income increment received within the state, in that (1) institutional holders will receive a substantial portion of these funds and (2) the percentage allocated to Texas was somewhat higher than suggested by the empirical analysis. Finally, it was assumed that the entire amount flowing into the state (net of taxes) was spent on a typical market basket of consumer goods (as defined by the Bureau of Labor Statistics and the American Chamber of Commerce Researchers' Association). As a practical matter, a portion of these funds would leave the expenditure stream in the form of savings and external outlays. Consequently, this offset to the layoffs arising from profits of the UP-SP enterprise is likely to be overstated.

The direct effects of the reduced rates for shippers are measured by calculating the percentage reduction in rates based on (1) 1994 revenues (and the increments anticipated in the consolidation) and (2) the total projected rate reductions as quantified in the merger documents. The resulting decline, about 1.08%, is somewhat overstated in that likely expansion of revenues from other sources over the next several years is not factored into the computational approach. When this percentage reduction is allocated across the various industrial categories purchasing rail service from UP and SP in Texas, it provides a partial offset to the layoffs within the state. The data for these calculations are obtained from (1) the materials filed in support of the merger application, (2) the financial records (10-Ks) of UP and SP, and (3) information on shipments by industry submitted to the Texas Railroad Commission.

Once the direct layoffs and the magnitudes of the resulting benefits are determined, each of the resulting patterns is simulated to determine its total (multiplier) effects on business activity. The aggregation of these elements, then, provides a realistic evaluation of the net impacts associated with the efficiency gains.
Measurement of The Direct Competitive Effects

The next phase of the investigation involves the quantification of the direct effects of reduced competition on shippers in Texas. The basic approach employs both (1) regression analysis of patterns in pricing, productivity, and factor payments and (2) extensive review of the existing literature on monopoly pricing (with emphasis on the rail industry). Initially, regression equations are fitted for the period prior to deregulation to establish normal patterns in pricing, factor payments, and productivity. In all cases, stable and statistically significant relationships were observed. In addition, for all cases, data for the state of Texas were employed (similar patterns are observed for the nation as a whole). The resulting models were then simulated to determine the likely path of these variables in the absence of deregulation. By comparing these patterns to actual outcomes, it is possible to determine the maximum reductions achievable through enhanced productivity. The resulting amount can then be allocated among rate reductions, increased factor payments, and a residual which essentially reflects diminishing competition.

Despite substantial rate decreases (57.1% of the available increment) and enhanced factor payments per unit of production (26.7% of the total), the "monopoly rents" represent a 16.2% capture rate of the gains achieved to date. When compared with the period prior to implementation of the Staggers Rail Act, the resulting rate increment is approximately 8.38%. Because this amount reflects the typical pattern in Texas since deregulation, it is likely to understate the pricing power in the present instance due to both (1) the magnitude and nature of UP and SP shipments in the state and (2) the key areas and industries for which competition is being restricted. Nonetheless, in the interest of conservatism in the estimates, only 80% of this typical increase (or 6.7%) is applied within the study.

The net increase (about 5.6% when the rate reductions resulting from the efficiency gains previously described are considered) is quite comparable to that found in an analysis of the inefficient diversions arising in a different but relatively comparable context1 and is well below the threshold likely to cause switches to other transportation modes. Regression analysis performed within this study reveals that trucking rates have not been a significant factor in railroad pricing in Texas. Moreover, a similar

result was found in a different context in research sponsored by SP in its opposition to the UP and C&NW transaction. In general, the findings in the present report are consistent with the academic literature related to this issue.

Once the pricing impacts of reduced competition have been quantified, they are allocated across the approximately 400 mining, manufacturing, and agricultural industries within the state in accordance with their current shipping patterns with Union Pacific and Southern Pacific. The data for these computations were obtained from (1) the Regional Economic Information System and National Income and Product Accounts maintained by the US Department of Commerce, (2) the public financial information for UP and SP, and (3) the Texas Railroad Commission. These categories represent only about 85% of total rail shipments, with the remainder including items such as waste, US mail, and mixed shipments. The omission of any rate effects on these non-goods producing sectors brings a further element of conservatism to the investigation. Once determined, these costs to shippers are factored into the impact assessment analysis. The sum of these amounts and the net results from the efficiency simulations previously described yield the total effect of the UP-SP combination on activity in Texas.

In all cases, the annual impacts are evaluated based on the stabilized situation which occurs in about five years. In the interim, the reductions in business activity will be incrementally experienced as operations are integrated (with some possible temporary offsets associated with facility upgrades). All dollar values are given in constant (1995) dollars to eliminate any effects of inflation.

**Data and Model**

The model employed in the present analysis is the relevant geographic sub-model of the US Multi-Regional Impact Assessment System (MRIAS) developed and maintained by The Perryman Group. Similar sub-systems have been used in hundreds of diverse applications and have a proven reputation for accuracy and credibility. In particular, the models applicable to the various regions of Texas have been in operation and constantly updated for more than a decade. The specific models used in the current simulations reflect the unique industrial composition of the Texas economy and its rail transportation structure.

The MRIAS is somewhat similar in format to the Input-Output Model of the United States and the Regional Input-Output Modeling System, both of
which are maintained by the US Department of Commerce. The models developed by The Perryman Group, however, incorporate several important enhancements and refinements. Specifically, the expanded system includes (1) comprehensive 500-sector coverage for any county, multi-county, or urban region; (2) calculation of both total expenditures and value-added (real gross area product) by industry and region; (3) extensive parameter localization; (4) price adjustments for real and nominal assessments by sector and area; (5) measurement of the induced impacts associated with payrolls and consumer spending; (6) embedded modules to estimate multi-sectoral direct spending effects (such as tourism); (7) estimation of retail spending activity; and (8) comprehensive linkage and integration capabilities with a wide variety of econometric, real estate, occupational, and fiscal impact models. The geographic areas utilized in the present investigation were thoroughly tested for reasonableness and historical reliability.

As noted earlier, the impact assessment (input-output) process essentially estimates the amounts of all types of goods and services required to produce a unit of a specific type of output. For purposes of illustrating the nature of the system, it is useful to think of input and output units in dollar (rather than physical) terms. As an example, the construction of a new building typically requires lumber, glass, concrete, hand tools, architectural services, interior design services, paint, plumbing, and numerous other elements. Each of these suppliers must, in turn, purchase additional inputs. This process continues through multiple rounds of production, thus generating subsequent increments to business activity. The initial process of building the facility is known as the direct effect. The ensuing transactions in the output chain constitute the indirect effect.

Another pattern that arises in response to any direct economic activity comes from the payroll dollars that are received by employees at each stage of the production cycle. As workers are compensated, they use some of their income for taxes, savings, and purchases from external markets. A substantial portion, however, is spent locally on food, clothing, health care services, utilities, housing, recreation, and other items. Typical purchasing patterns in the relevant areas are obtained from the Inter-City Cost of Living Index of the American Chamber of Commerce Researchers' Association and the Consumer Expenditure Survey of the US Department of Labor. These initial outlays by area residents generate further secondary activity as local providers acquire inputs to meet this consumer demand. These consumer spending
When these various components of the "efficiency effect" are combined, the net losses to the economy upon the maturity of the proposed merger are determined to be:

- $147.2 million in annual Total Expenditures;
- $86.4 million in annual Gross State Product;
- $56.1 million in annual Personal Income;
- $16.3 million in annual Retail Sales; and
- 1,926 Permanent Jobs.

Thus, the workforce reductions from the UP-SP consolidation represent a substantial loss to Texas, even when adjusted for offsetting increases from the resulting efficiency enhancements (see Graph 1 and Table 4 for results).

Graph 1: The Annual Net Impact of the Efficiency Gains Associated with the Union Pacific-Southern Pacific Merger on Business Activity in Texas

Competitive Effects

The potential lessening of competition for rail service, particularly in the Gulf Coast petrochemical complex and along the border with Mexico, is a source of substantial concern in Texas. The issue takes on a sense of some urgency in light of the North American Free Trade Agreement (NAFTA) and the anticipation of future trade expansion in all of Latin America. According to the present analysis, the minimum level of losses
in state business activity attributable to the reduction of competitive forces is

- $245.3 million in annual Total Expenditures;
- $106.0 million in annual Gross State Product;
- $59.7 million in annual Personal Income;
- $22.9 million in annual Retail Sales; and
- 1,951 Permanent Jobs.

Because the direct losses are incurred by firms in the goods-producing, export-oriented sectors of the economy (mining, agriculture, and manufacturing), there are substantial declines across all major sectors (see Graph 2 and Table 5).

Graph 2: The Annual Impact of Reduced Competition Associated with the Union Pacific-Southern Pacific Merger on Business Activity in Texas

Aggregate Effects

The overall decrease in business activity which may be anticipated from the proposed UP-SP merger is obtained by combining the efficiency and competitive effects (see Graph 3). The composite impact of these losses is computed as

- $392.5 million in annual Total Expenditures;
- $192.3 million in annual Gross Sales Product;
- $115.9 million in annual Personal Income;
- $39.3 million in annual Retail Sales; and
- 3,877 Permanent Jobs.

Graph 3: The Aggregate Annual Impact of the Union Pacific-Southern Pacific Merger on the Business Activity in Texas

Recall that (1) these totals reflect the stabilized annual losses and (2) all monetary values are given in 1995 dollars. The detailed results are provided in Table 6. These findings reveal that Texas has a substantial stake in maintaining a competitive environment for rail service in key commercial corridors.
IV. CONCLUSION

The proposed UP-SP merger would, if ultimately approved, represent a major milestone in the colorful history of the railroad industry in the US. It would create the nation's largest carrier and, in so doing, continue a trend of consolidation. The achievements of this once-troubled sector in the era of deregulation are notable, and the shrinking number of inefficient companies has been a critical factor in the remarkable turnaround process.

The combination of UP and SP into a single entity would require special consideration if for no other reason than the sheer size of the resulting enterprise. The process is further complicated by the fact that the two companies operate "side-by-side" as the dominant rail lines in a number of critical corridors. The proposed resolution through the granting of trackage rights to BNSF is inadequate to preserve a vigorously competitive framework, particularly in light of the emerging duopoly in western rail traffic. While the gains in overall efficiency of the US transportation system may ultimately justify the integration of UP and SP as in the public interest, the merger should only occur if the adverse effects on competition are fully eliminated.

The results from this study clearly demonstrate that the state of Texas would suffer substantial losses in yearly business activity as a consequence of this merger. These negative impacts are particularly acute if the deleterious reductions in competition in key corridors are not fully addressed and eliminated. The purchase of the eastern SP lines by a company with the capability and commitment to aggressively enter the market appears to be the optimal means to ensure a viable competitive environment. In this manner, the options for shippers in the Gulf Coast and border regions of the state can be preserved and, consequently, the ability of Texas firms to continue making inroads into expanding global markets can be assured.

Respectfully submitted,

The Perryman Group
M. Ray Perryman, Ph.D., President
Appendix:

Detailed Impact Tables
Impact of Efficiency Gains from the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas
### Table 4: The Net Impact of the Efficiency Gains in the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Products &amp; Services:</td>
<td>$303,171</td>
<td>$112,383</td>
<td>$51,296</td>
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<tr>
<td>Forestry &amp; Fishery Products</td>
<td>($33,672)</td>
<td>($15,426)</td>
<td>($10,910)</td>
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<tr>
<td>Coal Mining</td>
<td>$1,274,092</td>
<td>$252,266</td>
<td>$385,384</td>
<td>6</td>
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<tr>
<td>Crude Petroleum &amp; Natural Gas</td>
<td>($2,296,253)</td>
<td>($749,601)</td>
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<tr>
<td>Miscellaneous Mixing</td>
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<tr>
<td>New Construction</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>($11,207,799)</td>
<td>($7,205,198)</td>
<td>($6,055,380)</td>
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<td>Food Products &amp; Tobacco</td>
<td>($3,041,417)</td>
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<td>(16)</td>
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<td>Textile Mill Products</td>
<td>($63,946)</td>
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<tr>
<td>Apparel</td>
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<td>($459,384)</td>
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<td>(19)</td>
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<td>Paper &amp; Allied Products</td>
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<td>Printing &amp; Publishing</td>
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<td>($450,901)</td>
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<tr>
<td>Chemicals &amp; Petroleum Refining</td>
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<td>$950,216</td>
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<tr>
<td>Rubber and Leather Products</td>
<td>($474,452)</td>
<td>($162,615)</td>
<td>($123,175)</td>
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</tr>
<tr>
<td>Lumber Products &amp; Furniture</td>
<td>($196,934)</td>
<td>($61,690)</td>
<td>($37,230)</td>
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<tr>
<td>Stone, Clay, &amp; Glass Products</td>
<td>$223,035</td>
<td>$95,555</td>
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<tr>
<td>Primary Metal</td>
<td>($598,900)</td>
<td>($424,647)</td>
<td>($213,606)</td>
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<td>Fabricated Metal Products</td>
<td>($1,000,245)</td>
<td>($417,472)</td>
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<tr>
<td>Machinery, Except Electrical</td>
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<td>($183,473)</td>
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<tr>
<td>Electric &amp; Electronic Equipment</td>
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<td>($253,576)</td>
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<td>Transportation Equipment</td>
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<td>($442,439)</td>
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<tr>
<td>Instruments &amp; Related Products</td>
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<td>($25,238)</td>
<td>($33,106)</td>
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<tr>
<td>Miscellaneous Manufacturing</td>
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<td>($150,915)</td>
<td>($72,317)</td>
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<td>Transportation</td>
<td>($64,814,015)</td>
<td>($44,219,732)</td>
<td>($29,137,357)</td>
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<tr>
<td>Communication</td>
<td>($2,398,969)</td>
<td>($1,670,264)</td>
<td>($633,939)</td>
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<td>Wholesale Trade</td>
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<td>($2,691,186)</td>
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<td>Retail Trade</td>
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<td>Real Estate</td>
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<td>($3,237,748)</td>
<td>($285,147)</td>
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<td>Hotels, Lodging Places, Amusements</td>
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<td>($466,987)</td>
<td>($391,282)</td>
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<td>Personal Services</td>
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<td>($1,548,382)</td>
<td>($1,034,963)</td>
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<td>Business Services</td>
<td>($5,229,975)</td>
<td>($3,235,361)</td>
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<td>Eating &amp; Drinking Places</td>
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<td>($2,475,459)</td>
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<td>Health Services</td>
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<td>($2,478,400)</td>
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<td>($1,424,242)</td>
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<td>Households</td>
<td>($56,143,379)</td>
<td>($257,142)</td>
<td>($219,250)</td>
<td>(34)</td>
</tr>
</tbody>
</table>

**Total**                                    | ($147,187,048)                        | ($86,383,230)                            | ($56,143,379)                        | (1,926)                     |

**Note:** Totals may not add due to rounding.

**Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.**

**SOURCE:** Texas Multi-Regional Impact Assessment System, The Perryman Group
Table 5: The Impact of Increased Shipping Rates Resulting from the Reduced Competition Associated with the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

<table>
<thead>
<tr>
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<td>Agricultural Products &amp; Services</td>
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<td>($7,032,843)</td>
<td>($3,210,238)</td>
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<td>Forestry &amp; Fishery Products</td>
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<td>($66,641)</td>
<td>($47,138)</td>
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<td>Coal Mining</td>
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<td>($2,830,525)</td>
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<td>Crude Petroleum &amp; Natural Gas</td>
<td>($5,636,816)</td>
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<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>($3,947,881)</td>
<td>($2,066,821)</td>
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<td>Food Products &amp; Tobacco</td>
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<td>Textile Mill Products</td>
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<td>($541,992)</td>
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<td>Paper &amp; Allied Products</td>
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<td>($784,507)</td>
<td>($543,041)</td>
<td>(17)</td>
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<td>Chemicals &amp; Petroleum Refining</td>
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<td>($13,657,691)</td>
<td>($5,593,703)</td>
<td>(79)</td>
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<tr>
<td>Rubber and Leather Products</td>
<td>($1,778,715)</td>
<td>($575,047)</td>
<td>($435,576)</td>
<td>(14)</td>
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<tr>
<td>Lumber Products &amp; Furniture</td>
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<tr>
<td>Stone, Clay, &amp; Glass Products</td>
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<td>Primary Metal</td>
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<td>Fabricated Metal Products</td>
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<td>($787,433)</td>
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<td>Machinery, Except Electrical</td>
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<td>Miscellaneous Manufacturing</td>
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<td>($290,853)</td>
<td>($139,371)</td>
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<td>Transportation</td>
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<td>($4,817,333)</td>
<td>($3,174,245)</td>
<td>(90)</td>
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<tr>
<td>Communication</td>
<td>($3,514,649)</td>
<td>($2,435,561)</td>
<td>($924,377)</td>
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<td>Electric, Gas, Water, Sanitary Services</td>
<td>($10,637,162)</td>
<td>($3,865,397)</td>
<td>($1,034,899)</td>
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<tr>
<td>Wholesale Trade</td>
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<td>($5,637,767)</td>
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<td>Retail Trade</td>
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<td>($7,704,813)</td>
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<tr>
<td>Finance</td>
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<td>($2,369,294)</td>
<td>($836,737)</td>
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<td>Insurance</td>
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<td>($1,431,317)</td>
<td>($1,114,761)</td>
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<td>Real Estate</td>
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<td>Hotels, Lodging Places, Amusements</td>
<td>($1,617,815)</td>
<td>($662,086)</td>
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<td>Personal Services</td>
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<td>Business Services</td>
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<td>($4,356,398)</td>
<td>($3,443,832)</td>
<td>(85)</td>
</tr>
<tr>
<td>Eating &amp; Drinking Places</td>
<td>($7,390,907)</td>
<td>($3,573,294)</td>
<td>($2,302,231)</td>
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<td>Health Services</td>
<td>($5,330,594)</td>
<td>($3,576,597)</td>
<td>($3,152,740)</td>
<td>(91)</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>($4,700,050)</td>
<td>($2,087,494)</td>
<td>($1,700,507)</td>
<td>(94)</td>
</tr>
<tr>
<td>Households</td>
<td>($59,707,132)</td>
<td>($273,814)</td>
<td>($233,471)</td>
<td>(34)</td>
</tr>
</tbody>
</table>

Total: ($245,318,879) ($105,959,679) ($59,707,132) (1,951)

Note: Totals may not add due to rounding.

Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group
III. RESULTS OF THE ANALYSIS

Efficiency Effects

The efficiency effects include (1) the negative impact of job elimination; (2) offsetting benefits of increased dividend payments and the resulting spending stream; and (3) positive gains from the rate reductions projected to accompany the merger.

The anticipated layoffs associated with the proposed UP-SP merger will, when fully completed, generate gross losses to the Texas economy of

- $214.6 million in annual Total Expenditures;
- $117.1 million in annual Gross State Product;
- $74.1 million in annual Personal Income;
- $27.6 million in annual Retail Sales; and
- 2,593 Permanent Jobs.

These losses are ameliorated to some extent by a flow of dividend revenues into the state as a result of the higher profits expected from the combined operations (results are given in Table 1). The benefits derived from this enhanced spending are expected to be, at most,

- $28.0 million in annual Total Expenditures;
- $13.7 million in annual Gross State Product;
- $8.3 million in annual Personal Income;
- $7.6 million in annual Retail Sales; and
- 354 Permanent Jobs.

An additional offset comes in the form of UP-SP’s projected savings of over 1% in costs to shippers in Texas as a consequence of the merger. The resulting gains to business activity are estimated at

- $39.4 million in annual Total Expenditures;
- $17.0 million in annual Gross State Product;
- $9.6 million in annual Personal Income;
- $3.7 million in annual Retail Sales; and
- 314 Permanent Jobs.

Disaggregated findings by industry for these countervailing factors are provided in Tables 2 and 3 at the conclusion of this report.
Net Impact of the Proposed
Union Pacific-Southern Pacific Merger
on Business Activity in Texas
Table 6: The Total Net Impact of the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Products &amp; Services</td>
<td>($17,543,993)</td>
<td>($6,920,460)</td>
<td>($3,158,942)</td>
<td>(91)</td>
</tr>
<tr>
<td>Forestry &amp; Fishery Products</td>
<td>($221,667)</td>
<td>($82,067)</td>
<td>($58,048)</td>
<td>(1)</td>
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<tr>
<td>Coal Mining</td>
<td>($8,039,280)</td>
<td>($1,600,552)</td>
<td>($2,445,141)</td>
<td>(41)</td>
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<tr>
<td>Crude Petroleum &amp; Natural Gas</td>
<td>($7,933,069)</td>
<td>($2,500,712)</td>
<td>($798,487)</td>
<td>(15)</td>
</tr>
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<td>Miscellaneous Mining</td>
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<td>($6,807,151)</td>
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<td>New Construction</td>
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<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>($15,155,680)</td>
<td>($9,272,019)</td>
<td>($7,792,267)</td>
<td>(213)</td>
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<tr>
<td>Food Products &amp; Tobacco</td>
<td>($18,731,739)</td>
<td>($4,522,933)</td>
<td>($2,302,929)</td>
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<td>Textile Mill Products</td>
<td>($179,965)</td>
<td>($49,160)</td>
<td>($34,564)</td>
<td>(1)</td>
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<tr>
<td>Apparel</td>
<td>($2,459,657)</td>
<td>($1,001,376)</td>
<td>($692,891)</td>
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<td>Paper &amp; Allied Products</td>
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<td>($1,758,469)</td>
<td>($1,026,849)</td>
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<td>Printing &amp; Publishing</td>
<td>($2,650,417)</td>
<td>($1,235,408)</td>
<td>($855,164)</td>
<td>(29)</td>
</tr>
<tr>
<td>Chemicals &amp; Petroleum Refining</td>
<td>($46,744,112)</td>
<td>($12,707,475)</td>
<td>($5,204,529)</td>
<td>(74)</td>
</tr>
<tr>
<td>Rubber and Leather Products</td>
<td>($2,252,967)</td>
<td>($737,663)</td>
<td>($558,751)</td>
<td>(18)</td>
</tr>
<tr>
<td>Lumber Products &amp; Furniture</td>
<td>($3,270,420)</td>
<td>($1,281,592)</td>
<td>($773,506)</td>
<td>(31)</td>
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<tr>
<td>Stone, Clay, &amp; Glass Products</td>
<td>($4,175,521)</td>
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<td>($1,118,494)</td>
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<tr>
<td>Primary Metal</td>
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<td>($1,260,570)</td>
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<td>Fabricated Metal Products</td>
<td>($2,991,919)</td>
<td>($1,204,905)</td>
<td>($720,116)</td>
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<tr>
<td>Machinery, Except Electrical</td>
<td>($2,255,904)</td>
<td>($1,035,944)</td>
<td>($683,856)</td>
<td>(16)</td>
</tr>
<tr>
<td>Electric &amp; Electronic Equipment</td>
<td>($1,601,180)</td>
<td>($839,408)</td>
<td>($529,929)</td>
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</tr>
<tr>
<td>Transportation Equipment</td>
<td>($6,051,644)</td>
<td>($2,085,063)</td>
<td>($1,570,041)</td>
<td>(36)</td>
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<td>Instruments &amp; Related Products</td>
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<td>($79,234)</td>
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<td>Miscellaneous Manufacturing</td>
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<td>Transportation</td>
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<td>Electric, Gas, Water, Sanitary Services</td>
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<td>Wholesale Trade</td>
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<td>Retail Trade</td>
<td>($26,736,280)</td>
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<td>($1,957,675)</td>
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<td>($1,129,073)</td>
<td>($946,043)</td>
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<td>Personal Services</td>
<td>($5,342,972)</td>
<td>($3,820,363)</td>
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<td>Business Services</td>
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<td>($6,001,458)</td>
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<td>Eating &amp; Drinking Places</td>
<td>($12,504,537)</td>
<td>($6,048,733)</td>
<td>($3,897,132)</td>
<td>(331)</td>
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<tr>
<td>Health Services</td>
<td>($9,539,192)</td>
<td>($6,388,199)</td>
<td>($5,631,140)</td>
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<td>($8,514,147)</td>
<td>($3,835,860)</td>
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<tr>
<td>Households</td>
<td>($115,850,511)</td>
<td>($530,956)</td>
<td>($452,721)</td>
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</table>

Total: ($392,505,927) ($192,342,909) ($115,850,511) (3,877)

Note: Totals may not add due to rounding.

Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group
Table 1: The Gross Impact of Layoffs Associated with the Efficiency Gains of the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Agricultural Products &amp; Services</td>
<td>($3,083,506)</td>
<td>($1,228,187)</td>
<td>($560,624)</td>
<td>(16)</td>
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<tr>
<td>Forestry &amp; Fishery Products</td>
<td>($76,974)</td>
<td>($333,334)</td>
<td>($23,577)</td>
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<tr>
<td>Coal Mining</td>
<td>($292,846)</td>
<td>($39,483)</td>
<td>($90,871)</td>
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</tr>
<tr>
<td>Crude Petroleum &amp; Natural Gas</td>
<td>($3,577,127)</td>
<td>($1,124,153)</td>
<td>($358,951)</td>
<td>(7)</td>
</tr>
<tr>
<td>Miscellaneous Mining</td>
<td>($158,811)</td>
<td>($91,127)</td>
<td>($45,479)</td>
<td>(1)</td>
</tr>
<tr>
<td>New Construction</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>($12,519,809)</td>
<td>($7,877,816)</td>
<td>($6,620,661)</td>
<td>(181)</td>
</tr>
<tr>
<td>Food Products &amp; Tobacco</td>
<td>($6,622,763)</td>
<td>($1,719,434)</td>
<td>($875,479)</td>
<td>(32)</td>
</tr>
<tr>
<td>Textile Mill Products</td>
<td>($96,151)</td>
<td>($25,383)</td>
<td>($17,850)</td>
<td>(1)</td>
</tr>
<tr>
<td>Apparel</td>
<td>($1,530,402)</td>
<td>($624,763)</td>
<td>($432,260)</td>
<td>(26)</td>
</tr>
<tr>
<td>Paper &amp; Allied Products</td>
<td>($1,004,883)</td>
<td>($342,253)</td>
<td>($199,857)</td>
<td>(5)</td>
</tr>
<tr>
<td>Printing &amp; Publishing</td>
<td>($1,493,379)</td>
<td>($689,289)</td>
<td>($477,136)</td>
<td>(17)</td>
</tr>
<tr>
<td>Chemicals &amp; Petroleum Refining</td>
<td>($9,670,435)</td>
<td>($1,397,528)</td>
<td>($572,378)</td>
<td>(8)</td>
</tr>
<tr>
<td>Rubber and Leather Products</td>
<td>($887,965)</td>
<td>($297,407)</td>
<td>($225,278)</td>
<td>(8)</td>
</tr>
<tr>
<td>Lumber Products &amp; Furniture</td>
<td>($743,693)</td>
<td>($279,620)</td>
<td>($168,768)</td>
<td>(7)</td>
</tr>
<tr>
<td>Stone, Clay, &amp; Glass Products</td>
<td>($552,467)</td>
<td>($287,311)</td>
<td>($156,074)</td>
<td>(5)</td>
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<tr>
<td>Primary Metal</td>
<td>($1,544,705)</td>
<td>($781,762)</td>
<td>($393,250)</td>
<td>(10)</td>
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<tr>
<td>Fabricated Metal Products</td>
<td>($1,459,968)</td>
<td>($598,189)</td>
<td>($357,510)</td>
<td>(11)</td>
</tr>
<tr>
<td>Machinery, Except Electrical</td>
<td>($772,147)</td>
<td>($357,924)</td>
<td>($236,276)</td>
<td>(6)</td>
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<tr>
<td>Electric &amp; Electronic Equipment</td>
<td>($760,145)</td>
<td>($389,444)</td>
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</tr>
<tr>
<td>Transportation Equipment</td>
<td>($2,478,759)</td>
<td>($736,877)</td>
<td>($563,630)</td>
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<tr>
<td>Instruments &amp; Related Products</td>
<td>($170,579)</td>
<td>($39,519)</td>
<td>($11,832)</td>
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<tr>
<td>Miscellaneous Manufacturing</td>
<td>($409,115)</td>
<td>($228,327)</td>
<td>($109,416)</td>
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<td>Transportation</td>
<td>($66,800,779)</td>
<td>($45,540,912)</td>
<td>($30,007,908)</td>
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<tr>
<td>Communication</td>
<td>($3,790,480)</td>
<td>($2,636,253)</td>
<td>($1,004,549)</td>
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<tr>
<td>Electric, Gas, Water, Sanitary Services</td>
<td>($8,176,170)</td>
<td>($3,017,188)</td>
<td>($807,807)</td>
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<tr>
<td>Wholesale Trade</td>
<td>($6,537,177)</td>
<td>($4,136,262)</td>
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<td>Retail Trade</td>
<td>($18,975,963)</td>
<td>($13,981,651)</td>
<td>($9,402,810)</td>
<td>(492)</td>
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<tr>
<td>Finance</td>
<td>($2,777,218)</td>
<td>($2,477,900)</td>
<td>($875,086)</td>
<td>(25)</td>
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<tr>
<td>Insurance</td>
<td>($3,354,184)</td>
<td>($1,538,601)</td>
<td>($1,198,316)</td>
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<td>Real Estate</td>
<td>($20,401,842)</td>
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<td>Hotels, Lodging Places, Amusements</td>
<td>($1,832,678)</td>
<td>($745,886)</td>
<td>($624,970)</td>
<td>(31)</td>
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<td>Personal Services</td>
<td>($3,838,959)</td>
<td>($2,757,734)</td>
<td>($1,843,323)</td>
<td>(71)</td>
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<td>Business Services</td>
<td>($7,491,022)</td>
<td>($4,603,552)</td>
<td>($3,639,214)</td>
<td>(92)</td>
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<tr>
<td>Eating &amp; Drinking Places</td>
<td>($8,588,333)</td>
<td>($4,155,730)</td>
<td>($2,677,477)</td>
<td>(228)</td>
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<td>Health Services</td>
<td>($6,525,499)</td>
<td>($4,379,123)</td>
<td>($3,860,156)</td>
<td>(114)</td>
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<td>Miscellaneous Services</td>
<td>($5,613,715)</td>
<td>($2,518,670)</td>
<td>($2,051,746)</td>
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<td>Households</td>
<td>($74,052,768)</td>
<td>($339,346)</td>
<td>($289,345)</td>
<td>(44)</td>
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<td>Total</td>
<td>($214,610,648)</td>
<td>($117,067,763)</td>
<td>($74,052,768)</td>
<td>(2,593)</td>
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</tbody>
</table>

Note: Totals may not add due to rounding.

Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group
Table 2: The Offsetting Impacts of Increased Dividend Payments
Associated with the Efficiency Gains in the Proposed Union Pacific-
Southern Pacific Merger on Business Activity in Texas

<table>
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<th></th>
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<tbody>
<tr>
<td>Agricultural Products &amp; Services</td>
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<td>$210,201</td>
<td>$93,948</td>
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<td>Forestry &amp; Fishery Products</td>
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<td>$7,197</td>
<td>$5,091</td>
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<td>Coal Mining</td>
<td>$70,026</td>
<td>$13,951</td>
<td>$21,313</td>
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<td>Crude Petroleum &amp; Natural Gas</td>
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<td>New Construction</td>
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<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>$677,478</td>
<td>$340,424</td>
<td>$286,100</td>
<td>8</td>
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<tr>
<td>Food Products &amp; Tobacco</td>
<td>$1,059,485</td>
<td>$273,420</td>
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<td>Textile Mill Products</td>
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<td>$3,819</td>
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<tr>
<td>Apparel</td>
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<td>Paper &amp; Allied Products</td>
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<td>$57,243</td>
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<tr>
<td>Printing &amp; Publishing</td>
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<tr>
<td>Rubber and Leather Products</td>
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<td>$42,366</td>
<td>$32,094</td>
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<tr>
<td>Lumber Products &amp; Furniture</td>
<td>$52,766</td>
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<tr>
<td>Stone, Clay, &amp; Glass Products</td>
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<td>Primary Metal</td>
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<td>Fabricated Metal Products</td>
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</tr>
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<td>Instruments &amp; Related Products</td>
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<td>Electric, Gas, Water, Sanitary Services</td>
<td>$2,013,182</td>
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<td>Wholesale Trade</td>
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<td>Retail Trade</td>
<td>$5,270,516</td>
<td>$3,883,264</td>
<td>$2,611,538</td>
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<td>Finance</td>
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<td>Hotels, Lodging Places, Amusements</td>
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</tr>
<tr>
<td>Personal Services</td>
<td>$1,166,022</td>
<td>$844,183</td>
<td>$564,274</td>
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</tr>
<tr>
<td>Business Services</td>
<td>$1,099,710</td>
<td>$667,999</td>
<td>$528,071</td>
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</tr>
<tr>
<td>Eating &amp; Drinking Places</td>
<td>$2,286,783</td>
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</tr>
<tr>
<td>Health Services</td>
<td>$1,460,130</td>
<td>$992,665</td>
<td>$875,025</td>
<td>26</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
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<td>$354,186</td>
<td>20</td>
</tr>
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<td>Households</td>
<td>$8,312,830</td>
<td>$38,195</td>
<td>$32,570</td>
<td>5</td>
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</tbody>
</table>

Total: $27,994,189 $13,653,933 $8,312,830 354

Note: Totals may not add due to rounding.

Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group
Table 3: The Offsetting Impacts of Reduced Shipping Rates Associated with the Efficiency Gains in the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Products &amp; Services</td>
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<td>$1,130,369</td>
<td>$515,972</td>
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<td>Forestry &amp; Fishery Products</td>
<td>$30,216</td>
<td>$10,711</td>
<td>$7,576</td>
<td>0</td>
</tr>
<tr>
<td>Coal Mining</td>
<td>$1,496,912</td>
<td>$297,798</td>
<td>$454,942</td>
<td>8</td>
</tr>
<tr>
<td>Crude Petroleum &amp; Natural Gas</td>
<td>$905,990</td>
<td>$286,273</td>
<td>$91,407</td>
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</tr>
<tr>
<td>Miscellaneous Mining</td>
<td>$2,381,376</td>
<td>$1,287,045</td>
<td>$642,356</td>
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</tr>
<tr>
<td>New Construction</td>
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<td>$0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>$634,532</td>
<td>$332,194</td>
<td>$279,181</td>
<td>7</td>
</tr>
<tr>
<td>Food Products &amp; Tobacco</td>
<td>$2,521,861</td>
<td>$589,254</td>
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</tr>
<tr>
<td>Textile Mill Products</td>
<td>$18,720</td>
<td>$5,285</td>
<td>$3,716</td>
<td>0</td>
</tr>
<tr>
<td>Apparel</td>
<td>$214,947</td>
<td>$797,113</td>
<td>$60,276</td>
<td>3</td>
</tr>
<tr>
<td>Paper &amp; Allied Products</td>
<td>$786,534</td>
<td>$282,179</td>
<td>$164,778</td>
<td>4</td>
</tr>
<tr>
<td>Printing &amp; Publishing</td>
<td>$266,623</td>
<td>$126,092</td>
<td>$87,281</td>
<td>3</td>
</tr>
<tr>
<td>Chemicals &amp; Petroleum Refining</td>
<td>$7,268,203</td>
<td>$2,195,162</td>
<td>$899,060</td>
<td>13</td>
</tr>
<tr>
<td>Rubber and Leather Products</td>
<td>$285,856</td>
<td>$92,426</td>
<td>$70,009</td>
<td>2</td>
</tr>
<tr>
<td>Lumber Products &amp; Furniture</td>
<td>$493,993</td>
<td>$196,071</td>
<td>$118,340</td>
<td>5</td>
</tr>
<tr>
<td>Stone, Clay, &amp; Glass Products</td>
<td>$706,967</td>
<td>$346,295</td>
<td>$188,115</td>
<td>6</td>
</tr>
<tr>
<td>Primary Metal</td>
<td>$890,614</td>
<td>$334,521</td>
<td>$168,276</td>
<td>4</td>
</tr>
<tr>
<td>Fabricated Metal Products</td>
<td>$320,116</td>
<td>$126,562</td>
<td>$75,560</td>
<td>2</td>
</tr>
<tr>
<td>Machinery, Except Electrical</td>
<td>$300,676</td>
<td>$137,015</td>
<td>$90,446</td>
<td>2</td>
</tr>
<tr>
<td>Electric &amp; Electronic Equipment</td>
<td>$177,085</td>
<td>$94,159</td>
<td>$59,443</td>
<td>1</td>
</tr>
<tr>
<td>Transportation Equipment</td>
<td>$702,738</td>
<td>$264,014</td>
<td>$196,190</td>
<td>4</td>
</tr>
<tr>
<td>Instruments &amp; Related Products</td>
<td>$34,275</td>
<td>$8,679</td>
<td>$11,383</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous Manufacturing</td>
<td>$82,679</td>
<td>$46,748</td>
<td>$22,401</td>
<td>1</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1,194,127</td>
<td>$774,276</td>
<td>$510,187</td>
<td>14</td>
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<tr>
<td>Communication</td>
<td>$564,900</td>
<td>$391,461</td>
<td>$148,573</td>
<td>3</td>
</tr>
<tr>
<td>Electric, Gas, Water, Sanitary Services</td>
<td>$1,709,681</td>
<td>$621,274</td>
<td>$166,336</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$1,430,509</td>
<td>$906,142</td>
<td>$558,211</td>
<td>15</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$2,499,334</td>
<td>$1,841,416</td>
<td>$1,238,373</td>
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</tr>
<tr>
<td>Finance</td>
<td>$421,435</td>
<td>$380,810</td>
<td>$134,486</td>
<td>4</td>
</tr>
<tr>
<td>Insurance</td>
<td>$500,726</td>
<td>$230,052</td>
<td>$179,172</td>
<td>4</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$2,986,450</td>
<td>$908,720</td>
<td>$80,029</td>
<td>3</td>
</tr>
<tr>
<td>Hotels, Lodging Places, Amusements</td>
<td>$260,027</td>
<td>$106,415</td>
<td>$89,165</td>
<td>4</td>
</tr>
<tr>
<td>Personal Services</td>
<td>$511,332</td>
<td>$365,169</td>
<td>$244,086</td>
<td>9</td>
</tr>
<tr>
<td>Business Services</td>
<td>$3,161,337</td>
<td>$700,192</td>
<td>$553,517</td>
<td>14</td>
</tr>
<tr>
<td>Eating &amp; Drinking Places</td>
<td>$1,187,920</td>
<td>$574,325</td>
<td>$370,031</td>
<td>31</td>
</tr>
<tr>
<td>Health Services</td>
<td>$856,771</td>
<td>$374,856</td>
<td>$506,731</td>
<td>15</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>$755,426</td>
<td>$335,517</td>
<td>$273,318</td>
<td>15</td>
</tr>
<tr>
<td>Households</td>
<td>$9,596,559</td>
<td>$44,009</td>
<td>$37,525</td>
<td>5</td>
</tr>
</tbody>
</table>

Total: $39,429,411 $17,830,600 $9,596,559 314

Note: Totals may not add due to rounding.

Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group
### Table 4: The Net Impact of the Efficiency Gains in the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Products &amp; Services</td>
<td>$303,171</td>
<td>$112,383</td>
<td>$51,296</td>
<td>1</td>
</tr>
<tr>
<td>Forestry &amp; Fishery Products</td>
<td>$(33,672)</td>
<td>$(15,426)</td>
<td>$(10,910)</td>
<td>0</td>
</tr>
<tr>
<td>Coal Mining</td>
<td>$1,274,092</td>
<td>$252,266</td>
<td>$385,384</td>
<td>6</td>
</tr>
<tr>
<td>Crude Petroleum &amp; Natural Gas</td>
<td>$(2,296,253)</td>
<td>$(719,601)</td>
<td>$(229,776)</td>
<td>(5)</td>
</tr>
<tr>
<td>Miscellaneous Mining</td>
<td>$2,231,586</td>
<td>$1,200,484</td>
<td>$599,157</td>
<td>15</td>
</tr>
<tr>
<td>New Construction</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Construction</td>
<td>$(11,207,799)</td>
<td>$(7,205,198)</td>
<td>$(6,055,380)</td>
<td>(166)</td>
</tr>
<tr>
<td>Food Products &amp; Tobacco</td>
<td>$(3,641,417)</td>
<td>$(856,760)</td>
<td>$(436,236)</td>
<td>(16)</td>
</tr>
<tr>
<td>Textile Mill Products</td>
<td>$(634,496)</td>
<td>$(16,279)</td>
<td>$(11,446)</td>
<td>(1)</td>
</tr>
<tr>
<td>Apparel</td>
<td>$(1,122,316)</td>
<td>$(459,384)</td>
<td>$(317,869)</td>
<td>(19)</td>
</tr>
<tr>
<td>Paper &amp; Allied Products</td>
<td>$(51,257)</td>
<td>$(2,831)</td>
<td>$(1,649)</td>
<td>0</td>
</tr>
<tr>
<td>Printing &amp; Publishing</td>
<td>$(991,564)</td>
<td>$(450,901)</td>
<td>$(312,123)</td>
<td>(11)</td>
</tr>
<tr>
<td>Chemicals &amp; Petroleum Refining</td>
<td>$(1,523,363)</td>
<td>$(950,216)</td>
<td>$(389,174)</td>
<td>5</td>
</tr>
<tr>
<td>Rubber and Leather Products</td>
<td>$(474,452)</td>
<td>$(162,615)</td>
<td>$(123,175)</td>
<td>(5)</td>
</tr>
<tr>
<td>Lumber Products &amp; Furniture</td>
<td>$(196,934)</td>
<td>$(61,690)</td>
<td>$(37,230)</td>
<td>(2)</td>
</tr>
<tr>
<td>Stone, Clay, &amp; Glass Products</td>
<td>$223,035</td>
<td>$95,555</td>
<td>$51,907</td>
<td>1</td>
</tr>
<tr>
<td>Primary Metal</td>
<td>$(598,900)</td>
<td>$(424,647)</td>
<td>$(213,606)</td>
<td>(6)</td>
</tr>
<tr>
<td>Fabricated Metal Products</td>
<td>$(1,000,245)</td>
<td>$(417,472)</td>
<td>$(249,502)</td>
<td>(8)</td>
</tr>
<tr>
<td>Machinery, Except Electrical</td>
<td>$(385,184)</td>
<td>$(183,476)</td>
<td>$(121,123)</td>
<td>(4)</td>
</tr>
<tr>
<td>Electric &amp; Electronic Equipment</td>
<td>$(499,405)</td>
<td>$(253,576)</td>
<td>$(160,093)</td>
<td>(5)</td>
</tr>
<tr>
<td>Transportation Equipment</td>
<td>$(1,679,401)</td>
<td>$(442,439)</td>
<td>$(349,400)</td>
<td>(8)</td>
</tr>
<tr>
<td>Instruments &amp; Related Products</td>
<td>$(112,753)</td>
<td>$(25,238)</td>
<td>$(33,106)</td>
<td>(1)</td>
</tr>
<tr>
<td>Miscellaneous Manufacturing</td>
<td>$(272,433)</td>
<td>$(150,915)</td>
<td>$(72,317)</td>
<td>(3)</td>
</tr>
<tr>
<td>Transportation</td>
<td>$(64,814,015)</td>
<td>$(44,219,732)</td>
<td>$(29,137,357)</td>
<td>(833)</td>
</tr>
<tr>
<td>Communication</td>
<td>$(2,398,969)</td>
<td>$(1,670,264)</td>
<td>$(633,923)</td>
<td>(15)</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>$(4,255,812)</td>
<td>$(2,691,186)</td>
<td>$(1,657,846)</td>
<td>(47)</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$(11,206,113)</td>
<td>$(8,256,971)</td>
<td>$(5,552,899)</td>
<td>(291)</td>
</tr>
<tr>
<td>Finance</td>
<td>$(1,997,259)</td>
<td>$(1,784,871)</td>
<td>$(630,339)</td>
<td>(18)</td>
</tr>
<tr>
<td>Insurance</td>
<td>$(2,360,943)</td>
<td>$(1,082,270)</td>
<td>$(842,914)</td>
<td>(22)</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$(12,499,373)</td>
<td>$(3,237,748)</td>
<td>$(285,147)</td>
<td>(13)</td>
</tr>
<tr>
<td>Hotels, Lodging Places, Amusements</td>
<td>$(1,154,391)</td>
<td>$(466,987)</td>
<td>$(391,282)</td>
<td>(20)</td>
</tr>
<tr>
<td>Personal Services</td>
<td>$(2,161,605)</td>
<td>$(1,548,382)</td>
<td>$(1,034,963)</td>
<td>(40)</td>
</tr>
<tr>
<td>Business Services</td>
<td>$(5,229,975)</td>
<td>$(3,235,361)</td>
<td>$(2,557,626)</td>
<td>(65)</td>
</tr>
<tr>
<td>Eating &amp; Drinking Places</td>
<td>$(5,113,630)</td>
<td>$(2,475,459)</td>
<td>$(1,594,901)</td>
<td>(136)</td>
</tr>
<tr>
<td>Health Services</td>
<td>$(4,208,598)</td>
<td>$(2,811,602)</td>
<td>$(2,478,400)</td>
<td>(74)</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>$(3,814,097)</td>
<td>$(1,748,366)</td>
<td>$(1,424,242)</td>
<td>(80)</td>
</tr>
<tr>
<td>Households</td>
<td>$(56,143,379)</td>
<td>$(257,142)</td>
<td>$(219,250)</td>
<td>(34)</td>
</tr>
</tbody>
</table>

**Total**                                    | $(147,187,944)                         | $(86,383,230)                            | $(56,143,379)                         | (1,926)                     |

**Note:** Totals may not add due to rounding.

**Total Retail Sales impacts reflect the sum of retail trade plus eating and drinking places.**

**SOURCE:** Texas Multi-Regional Impact Assessment System, The Perryman Group
March 4, 1996

Dear Secretary Williams:

I am writing about the application pending before you that seeks approval of the merger between the Union Pacific Railroad Company (UP) and Southern Pacific Lines (SP). I am concerned that the proposed merger will severely damage Texas businesses and our state’s economy. The only thing that the merger would create is a monopolistic rail system which would reduce rail competition and increase consumer prices.

As you know, the merger would grant UP control over a majority of the rail traffic, into and out of Mexico, of the petrochemical shipments from the Texas /Louisiana Gulf Region. Because UP has acknowledged that the merger would greatly reduce rail competition in our state, they proposed a trackage rights agreement with Burlington Northern-Sante Fe. I hardly believe that this proposal is a real and long-term solution. There are no guarantees that railroads that operate on someone else’s tracks will invest in the tracks and will work with local communities to attract economic development. Furthermore, trackage rights simply establish a tenant-landlord relationship. Such trackage rights are rarely sufficient to achieve appropriate levels of competition because the ultimate control over access, timing, and service quality remains with the landlord—UP in this case.

No one has been able to give me any assurances that this agreement would provide a substitute for true competition. What we really need is another owning railroad in Texas. Only this could ensure rail competition, not a merger.

As an elected official in Texas, my responsibility is to look out for the best interest of our city’s and our state’s economy. I do not believe that the proposed merger between UP
and SP offers us substantial benefits, on the contrary, it guarantees the loss of jobs and a price increase on consumer commodities.

I urge the Board to seriously consider the negative ramifications that this merger will have on our city and our state and recommend an owning railroad as the only means to ensure effective rail competition in Texas.

Sincerely,

Christine Hernandez

cc: Carole Keeton Rylander, Chairman
    Railroad Commission of Texas
My name is J.A. Hannold, President of the Arkansas and Missouri Railroad Company, a position in which I have held since 1986.

The A&M interchanges with BN/SF in Monett, Mo. and with UP at Van Buren, Ar. The A&M supports the BN/SF - UP/SP Agreement as an unusual and excellent cooperation which will preserve competition and facilitate the improved rail service that these mergers contemplate. The seamless service, more effective utilization of assets, expanded geographic coverage, more single line service and improved service through Gateway will benefit our railroad because it will benefit our shippers.

Not every one will be satisfied, but we hope the Surface Transportation Board will support this commendable effort to protect the interest of almost every shipper.

VERIFICATION

The State of Arkansas
County of Washington

J.A. Hannold, being duly sworn, deposes and says that he has read the foregoing statement and that the contents therefore are true and correct to the best of his knowledge and belief:

Signed

My commission expires:

ADVISE OF ALL PROCEEDINGS
Dear Secretary Williams:

As someone who represents working families and consumers, I am concerned about the proposed Union Pacific-Southern Pacific merger. I do not believe it is in the public interest for the following reasons:

1. I believe it would result in unnecessary layoffs and job losses among the affected railroad workers;

2. It would weaken Northeast Ohio's economy by weakening eastern and midwestern railroads and threatening industrial jobs here; and

3. By concentrating so many resources, it could negatively affect prices and service -- potentially hurting area families at the market and in the workplace.

We therefore find that the merger is not in the public interest and ask that it be disallowed by the Surface Transportation Board.

Sincerely,

James R. Stuart
Economic Development Commissioner

ADVISE OF ALL PROCEEDINGS

6161 Eagle Road • Brook Park, Ohio 44142
216/234-6016 • Fax 216/234-1640
STB  FD  32760  3-7-96  D  61674
BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY
-- CONTROL I ND MERGER --
SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC
TRANSPORTATION COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY
COMPANY, SP CSL CORP. AND THE DENVER AND
RIO GRANDE WESTERN RAILROAD COMPANY

APPLICANTS’ RESPONSES TO
KCS’ FIFTH AND SIXTH DISCOVERY REQUESTS

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(202) 662-5388

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

March 7, 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

APPLICANTS' RESPONSES TO
KCS' FIFTH AND SIXTH DISCOVERY REQUESTS
UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW,
collectively, "Applicants," hereby respond to the fifth and
sixth sets of discovery requests served by KCS on February 21
and 23, 1996.1/

GENERAL RESPONSES
The following general responses are made with
respect to all of the interrogatories and document requests.

1. Applicants have conducted a reasonable search
for documents responsive to the interrogatories. Except as
objections are noted herein,2/ all responsive documents have

1/ In these responses Applicants use acronyms as they have
defined them in the application. However, subject to
Applicants' previous objections to KCS' definitions of
"Applicants," "SP," and "UP," for purposes of interpreting the
requests, Applicants will attempt to observe KCS' definitions
where they differ from Applicants.

2/ Thus, any response that states that responsive documents
are being produced is subject to the General Objections, so
that, for example, any documents subject to attorney-client
(continued...
been or shortly will be made available for inspection and copying in Applicants' document depository, which is located at the offices of Covington & Burling in Washington, D.C. Applicants will be pleased to assist KCS to locate particular responsive documents to the extent that the index to the depository does not suffice for this purpose. Copies of documents will be supplied upon payment of duplicating costs (including, in the case of computer tapes, costs for programming, tapes and processing time).

2. Production of documents or information does not necessarily imply that they are relevant to this proceeding, and is not to be construed as waiving any objection stated herein.

3. Certain of the documents to be produced contain sensitive shipper-specific and other confidential information. Applicants are producing these documents subject to the protective order that has been entered in this proceeding.

4. In line with past practice in cases of this nature, Applicants have not secured verifications for the answers to interrogatories herein. Applicants are prepared to discuss the matter with KCS if this is of concern with respect to any particular answer.

\[2/\text{...continued}\]

privilege (General Objection No. 1) or the work product doctrine (General Objection No. 2) are not being produced.
GENERAL OBJECTIONS

The following objections are made with respect to all of the discovery requests. Any additional specific objections are stated at the beginning of the response to each discovery request.

1. Applicants object to production of, and are not producing, documents or information subject to the attorney-client privilege.

2. Applicants object to production of, and are not producing, documents or information subject to the work product doctrine.

3. Applicants object to production of, and are not producing, documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of, and are not producing, public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of, and are not producing, draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.
6. Applicants object to providing information or documents that are as readily obtainable by KCS from its own files.

7. Applicants object to the extent that the discovery requests seek highly confidential or sensitive commercial information (including, *inter alia*, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.

8. Applicants object to the discovery requests to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the discovery requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

10. Applicants incorporate by reference their prior objections to the definitions and instructions set forth in KCS' First Interrogatories.

**SPECIFIC RESPONSES AND ADDITIONAL OBJECTIONS**

**Interrogatory No. 72**

"Identify and produce copies of all financial statements of Western Rail Properties, Inc., a wholly-owned carrier subsidiary of CNW (or one of its predecessor corporations, including Chicago and North Western Holdings Corp. or Chicago and North Western Transportation Company), used to increase the 'CNW(1994)' amounts found at N03-000344, et seq. and carried forward in preparation of Applicants' Appendices B through D."

Responsive information has been produced, first enclosure to the letter from Carolyn F. Corwin Alan E. Lubel dated February 27, 1996.

Interrogatory No. 77

"Identify the relevant document page number produce copies of all workpapers supporting the Applied claimed car miles, car hours, gross ton miles, train diesel fuel consumption outputs (shown at pp. C04-30 through C04-300404) that were used by Richard Kauder to estimate the costs of handling increased levels of traffic."

Response

Applicants object to this interrogatory as burdensome. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

Responsive information has been produced, first enclosure to the letter from Carolyn F. Corwin Alan E. Lubel dated February 27, 1996.

Interrogatory No. 78

"Identify the relevant document page number produce copies of all workpapers supporting the Applied claimed car miles, car hours, gross ton miles, train diesel fuel consumption outputs (shown at p. C04-30 that were used by Richard Kauders to estimate the ben handling increased levels of traffic."

Response

Applicants object to this interrogatory as burdensome. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:
Responsive information has been produced. See the first enclosure to the letter from Carolyn F. Corwin to Alan E. Lubel dated February 27, 1996.

**Interrogatory No. 79**

"Identify the relevant page numbers and produce copies of all workpapers supporting the Applicants' claimed savings attributable to the following items on the 'Supply Sub-Team's' 'Operating Expense Benefits - Monetary Measures' (shown at pp. C04-300048 through C04-300049):

(a) 'Adopt Pro-Card for SP;'

(b) 'Settegast, Tucson, El Paso, Hinkle, Colton Warehouse DE;'

(c) 'Internal Material Transportation;'

(d) 'Combined Vehicle Fleet;'

(e) 'OE Budget - Savings for Sacra, Pinebluff, Houston & Gen. Off;'

(f) 'Material Purchases Savings;'

(g) 'Inventory Reduction - Carrying/Handling Costs;'

(h) 'Capital Service Contracts;’ and

(i) 'Capital Purchases Material Savings.'"

**Response**

Applicants object to this interrogatory as unduly burdensome. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

Responsive information has been produced. See the first enclosure to the letter from Carolyn F. Corwin to Alan E. Lubel dated February 27, 1996.
Interrogatory No. 80

"Please produce (or, if the documents are in the Applicants' depository, identify the relevant document page numbers for) the 'BN/SF and SP analysis' and workpapers referred to in document number HC32-000051 as having been used 'last May.'"

Response

Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 81

"Please produce (or, if the documents are in the Applicants' depository, identify the relevant page numbers for) all workpapers supporting the development of the trackage rights compensation schedule set forth in the Verified Statement of Mr. John H. Rebensdorf, UP/SP-22, Vol. 1, page 304, Table 1. Specifically, produce or identify workpapers supporting the development of:

(a) the 3.0 mills per ton-mile rate for bulk traffic;

(b) the 3.48 mills per ton-mile rate for intermodal and carload traffic on the Keddie-Stockton/Richmond segment; and

(c) the 3.1 mills per ton-mile rate for intermodal and carload traffic on all other line segments subject to the agreement."

Response

Subject to the General Objections stated above, Applicants respond as follows:

As indicated in Applicants' response to Interrogatory No. 10 of International Paper's First Interrogatories, the trackage rights compensation provided for under the
BN/Santa Fe settlement agreement was developed through arm's length negotiations. Thus, there are no "workpapers" supporting development of such compensation.

Interrogatory No. 82

"Please produce (or, if the documents are in the Applicants' depository, identify the relevant page numbers for) all workpapers supporting the development of all items appearing on lines ATSF-1 through ATSF-11, BN-1 through BN-11, UP/SP-1, and lines 7 ('Cars/Train') and 9 ('one way miles incl rights') in the service units portion of pages N04-700004 through N04-700007. Specifically, provide the following information:

(a) the Uniform Railroad Costing System ('URCS') locations for all unit costs;

(b) the sources for all service units;

(c) the methodology used to develop line 2 'Gross ton mile on rights' unit cost based on line 1 'gross ton mile' unit costs (for both ATSF and BN); and

(d) the methodology used to develop line 4 'Train mile other than crew on rights' unit cost based on Line 3 'Train mile other than crew' unit cost (for both ATSF and BN)."

Response

Applicants object to this interrogatory as unduly burdensome. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

This information was provided by Richard Kauders at his deposition on February 29, 1996.
Respectfully submitted,

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March 7, 1996

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Attorneys for Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company
March 1, 1996

Honorable Vernon A. Williams, Secretary
Surface Transportation Board
Twelfth Street and Constitution Avenue, N.W.
Room 1324
Washington, DC 20423


Dear Mr. Williams:

I, Atwell J. Parry, am a member of the Senate, representing Canyon County in the Idaho Legislature. I am Chairman of the Senate Finance Committee.

I support the proposed merger of the Union Pacific Railroad and the Southern Pacific Lines. The merger of the UP and SP will enhance rail competition, strengthen the Idaho transportation system and help fulfill the potential for increased economic development within the State of Idaho.

In particular, this merger will provide faster, more direct and new single-line routes for many of the areas that trade by rail with Idaho. For example, eastern and northern Idaho will obtain much shorter single-line routes to many points in California and Oregon. In addition there will be a new single-line route for the Eastport, Idaho gateway to Mexico and to the SP-served points in California, Arizona and Texas, as well as new single-line service from all UP-served points in Idaho to numerous points now served only by SP in Colorado, New Mexico, Louisiana, and the Midwest. Both shippers and receivers in Idaho will benefit from this streamlining.

Also important is the fact that merger will enable UP to provide a ready supply of railcars, particularly the refrigerated equipment that Idaho shippers need. By making use of backhaul opportunities and taking the best advantage of seasonal patterns, the UP could provide more reefer cars for Idaho potatoes, for example, without any corresponding increase in its fleet and the cost that would entail. In addition, more capital investment for expanded capacity would be possible with the additional cost savings from combining the operations of the two railroads.

A merged UP/SP will strengthen competition with the now-merged BN/Santa Fe and its new single-line routes. It is important to Idaho that UP/SP be permitted to compete by merging because of the benefits outlined above, and so that the UP will remain a financially strong match for BN/Santa Fe in Idaho.

For these reasons, the undersigned fully supports the merger and urges the Surface Transportation Board to approve the merger promptly.

Atwell J. Parry
February 29, 1996

Secretary
Surface Transportation Board (c/o ICC)
12th St. & Constitution Ave., NW
Washington, D.C. 20423

Subject: UP/SP MERGER

We remain extremely concerned about the competitive aspects of the UP/SP merger.

It is imperative that we continue to have available in our markets legitimate rail competition which encompasses the entire U.S. "sunbelt."

Sincerely yours,

COMMERCIAL METALS COMPANY

Stanley A. Rabin
President and Chief Executive Officer
March 5, 1996

Ms. Julia M. Farr
Surface Transportation Board
Office of Proceedings, Room 2116
1202 Constitution Avenue N.W.
Washington D.C. 20423-0001

Re: Request to be Party of Record for the Union Pacific/Southern Pacific Merger

Dear Ms. Farr:

The Industry Urban-Development Agency presently owns parcels of land which have historically been served by both the Southern Pacific and Union Pacific rail lines. Shortly after the announcement of the proposed merger between these entities, a representative from the Southern Pacific Railroad notified the Agency that certain businesses were considered to be "joint served" and, as such, would be allowed to ship their commodities via the Burlington Northern/Santa Fe Lines.

In November of 1995, The Agency submitted a written request to the Director of National Accounts for the Southern Pacific Lines here in Monterey Park, California, requesting confirmation on the status of being classified as the owners of joint-served property. The response received just recently is that the subject property is not listed in the agreement between the applicants and the Burlington Northern & Santa Fe Railroads as a joint-served parcel. The previous owner of the subject property, Mr. Roy F. Benton, has provided canceled checks as evidence that shipments were made by both the Union Pacific and Southern Pacific Railroads via an interconnecting rail line.

The Agency is the redevelopment arm of the City of Industry and is responsible for the real estate transactions for the City. The request is hereby made that the Industry-Urban Development Agency be considered a Party of Record (POR) and as such be added to the final list of POR's for this merger identified as Finance Docket # 32760.
Attached for your information and use is a copy of the correspondence sent to earlier to the Southern Pacific Lines, a copy of the 1966 U.S. Geological Survey Map which shows the innerconnecting spur line and a copy of the referenced cancelled checks. The Agency will forward a complete formal "Request for Condition" by March 29, 1996.

Thank you for your assistance in this matter.

Sincerely,

John D. Ballas
Agency Engineer

JDB:kat

Enclosure

c: Carl Burnett, Executive Director
   Chris Rope, City Manager
CERTIFICATE OF SERVICE

I hereby certify that a copy of the Industry Urban-Development Agency’s notice of intent to participate has been served by first class mail, postage paid, to the representatives of the applicants and to the administrative law judge in the matter of the proposed merger of the Union Pacific and Southern Pacific Railroads. The Industry Urban-Development Agency is in the process of serving all parties of record as designated in the Surface Transportation Board Decision No. 15 served of February 26, 1996.

Date: March 5, 1996

[Signature]

John D. Ballas
Agency Engineer
November 16, 1995

Mr. Paul R. Marcinko
Director National Accounts
Southern Pacific Lines
1200 Corporate Center Drive, Suite 325
Monterey Park, California 91754

Re: Joint Rail Service

Dear Mr. Marcinko:

The Industry Urban-Development Agency presently owns two contiguous 40 acre parcels of land located easterly of Grand Avenue between the Southern Pacific and Union Pacific rail lines. Located on each parcel were feed processing plants which provided grain and other nutrients for cattle that were held in nearby pens. In the past, these cattle feed lots served as a stop-over location to "fatten" the cattle prior to slaughter.

Both feed lots are served by a single rail spur that is interconnected to both the Union Pacific and Southern Pacific mainlines. Attached are maps and photographs which show this spur track. Please note that the most westerly switch at the Southern Pacific track was abandoned upon the construction of Grand Avenue in 1991.

The unique feature of these adjoining properties is the interconnecting spur line that allowed each feed lot to be jointly served. As understood, the pending merger of the Southern Pacific and Union Pacific Railroads has led to surface tracks rights being offered to the BN and Santa Fe Railroads. In the near future, an application will be made to the Federal Trade Commission which will delineate the sections of rail lines where these track rights are being granted.

Since there is a history of joint service to these properties, and given that cattle shipments ceased some time ago, the agency hereby requests that the property be re-affirmed as "joint served" and identified as such in the pending merger documents.
As requested, below are the names and addresses of the former feed lots:

1. Machlin Feed Yard
   21832 E. Valley Blvd.
   City of Industry, CA 91744

2. Roy F. Benton Feed Yard
   21830 E. Valley Blvd
   Walnut, CA 91789

Sincerely,

John D. Ballas
Agency Engineer

JDB:kat
Enclosure
xc: Carl Burnett, Ex. Dir, IUDA
    Chris Rope, City Manager
February 28, 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:

An application pending before you is seeking approval of a merger between the Union Pacific Railroad Company (UP) and Southern Pacific Lines (SP). There is a great concern in our state of Texas on what impact this merger will have on our businesses and economy.

As proposed, the merger would grant UP control over a reported 90% of rail traffic into and out of Mexico, 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 officials acknowledge that this merger would greatly reduce rail competition and have proposed a trackage rights agreement with the Burlington Northern-Santa Fe (BNSF) as the solution.

Unfortunately, this solution does not address all of our concerns. Rail line owners have incentives to invest in the track and to work with local communities to attract economic development. They have control over the service they provide, its frequency, its reliability and timeliness. None of this can be said about railroads that operate on someone else's tracks, subject to someone else's control.

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

I urge you and members of 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,

Sylvia Romo
State Representative
District 125

cc: The Hon. Carole Keeton Rylander
Chairman, Texas Railroad Commission

Committees: Financial institutions · Ways & Means
February 29, 1996

Vernon A. Williams, Secretary
Attn: Finance Docket 32760
Surface Transportation Board
1201 Constitution Avenue, N.W.
Washington D.C. 20423


Dear Sir:

Enclosed please find the original and five (5) copies of the Certificate of Service filed pursuant to Decision No. 16, in the above-styled proceeding.

Please receipt duplicate copy of this transmittal and return to address above.

Sincerely,

MARC RACICOT
Governor

Enc.
Before The
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423

Finance Docket No. 32760

UNION PACIFIC CORPORATION, ET AL.
CONTROL AND MERGER --
SOUTHERN PACIFIC RAIL CORPORATION

Pursuant to the Board’s decision, served February 16, 1996, and received
February 29, 1996, I, Marc Racicot, Governor of the State of Montana, herewith list the
pleadings filed to date in the above-styled proceeding:

1.) Petition for Leave to Intervene -- Filed January 10, 1996.

2.) Description of Inconsistent and Responsive Application --
State of Montana -- Filed January 29, 1996

Further pursuant to the Board’s decision, petitioner, will, upon request, serve a copy
of the above described pleading.

Certificate of Service

Pursuant to the Board’s decision, this document has been served upon each of the
parties of record, by mailing them by first-class mail, postage prepaid.

Dated at Helena, MT this 29th day of February, 1996.

MARC RACICOT
Governor
State of Montana
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

APPLICANTS' OBJECTIONS TO CAPITAL METROPOLITAN TRANSERATION
AUTHORITY'S FIRST SET OF INTERROGATORIES
AND FIRST SET OF REQUESTS FOR PRODUCTION OF DOCUMENTS

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March 4, 1996
BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

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

APPLICANTS' OBJECTIONS TO CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY'S FIRST SET OF INTERROGATORIES AND FIRST SET OF REQUESTS FOR PRODUCTION OF DOCUMENTS

Applicants UPC, UPRR, MPRR, SPR, SPT, SSW, SPDSL and DRGW submit the following objections to Capital Metropolitan Transportation Authority's First Set of Interrogatories and Requests for Production of Documents, served February 26, 1996. These objections are made pursuant to paragraph 1 of the Discovery Guidelines applicable to this proceeding, which provides that objections to discovery requests shall be made "by means of a written objection containing a general statement of the basis for the objection."

Applicants intend to file written responses to the discovery requests. It is necessary and appropriate at this stage, however, for Applicants to preserve their right to assert permissible objections.

GENERAL OBJECTIONS

The following objections are made with respect to all of the discovery requests.
1. Applicants object to production of documents or information subject to the attorney-client privilege.

2. Applicants object to production of documents or information subject to the work product doctrine.

3. Applicants object to production of documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.

6. Applicants object to providing information or documents that are as readily obtainable by CMTA from its own files.

7. Applicants object to the extent that the discovery requests seek highly confidential or sensitive commercial information (including, inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.
8. Applicants object to the discovery requests to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the definition of "referring to" as unduly vague.

10. Applicants object to the definition of "person" as unduly vague, overbroad, and not susceptible of meaningful application in the context of many of the discovery requests.

10. Applicants object to Instructions A, C, D and E to the extent that they seek to impose requirements that exceed those specified in the applicable rules and guidelines.

11. Applicants object to Instructions C, D and E as unduly burdensome.

9. Applicants object to the discovery requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

ADDITIONAL OBJECTIONS TO SPECIFIC DISCOVERY REQUESTS

In addition to the General Objections, Applicants make the following objections to the discovery requests.

**Interrogatory No. 1:** "Identify all officers, managers, agents and employees of the Applicants who have operational responsibility for traffic flowing over (i) the Taylor-McNeil line, and (ii) the Taylor-Round Rock and/or Kerr portion of the line."

**Additional Objections:** Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor
reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 2: "Identify each section of the BN/SF Agreement under which the Applicants have granted BN/SF trackage rights over the Taylor-McNeil line or any portion thereof."

Additional Objections: None.

Interrogatory No. 3: "Identify each section of the BN/SF Agreement under which the Applicants have granted BN/SF trackage rights over the portion of the Taylor-McNeil line that extends from Taylor to Round Rock and/or Kerr."

Additional Objections: None.

Interrogatory No. 4: "With respect to BN/SF trackage rights over Taylor-Round Rock and/or Kerr:

(a) identify specifically the compensation BN/SF would grant in exchange for these rights and identify how this compensation was determined; and

(b) identify all management level persons responsible for entering into the BN/SF Agreement.

Additional Objections: None.

Interrogatory No. 5: "Identify each and every reason UP granted BN/SF trackage rights from Taylor to Round Rock and/or Kerr."

Additional Objections: None.

Interrogatory No. 6: "Identify each and every reason UP did not grant BN/SF trackage rights from Round Rock and/or Kerr to McNeil."

Additional Objections: None.

Interrogatory No. 7: "As between the Applicants and any other party that expressed an interest in negotiating an agreement that would preserve rail competition upon the UP/SP merger, including but not limited to the eleven (11) railroads Mr. Rebensdorf referred to in his statement at Volume 1 of the Merger Application, identify all meetings, conferences, telephone conferences, and discussions, whether formal or
informal, (together "communications") at which trackage on all or any portion of the Taylor-McNeil line were discussed and shared.

(a) identify the individuals who participated in these communications;

(b) identify the substance of these communications, including any outcome or decision.

To the extent the individuals participating or the substance of the communications varied from one portion of the Taylor-McNeil line to another (such as Taylor-McNeil versus Taylor-Round Rock and/or Kerr), identify clearly in your response differing persons and differing positions."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 9: "Identify all SP's rights, whether existing, executory or option, and: (i) whether such rights can be exercised now or in the future, and (ii) whether such rights involve an active or abandoned portion of the line, over the following or any portion thereof: and at any termination point thereof:

(a) Giddings-Llano line, or any portion thereof including but not limited to rights at Elgin.

(b) The web of railroad lines that extend from Smithville, Texas to Waco, Texas; 2) Kearne Texas to McNeil, Texas; and 3) Granger, Texas to Round Rock and/or Kerr, Texas."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.
Interrogatory No. 9: "To the extent SP holds rights described in Interrogatory No. 8, identify each provision in the BN/SF Agreement that would ensure BN/SF direct access for a rail shipper that currently benefits, or might in the future benefit, from SP's rights."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 10: "Identify all trackage and other legal rights SP has over the Taylor-McNeil line, or over any portion of it, whether existing, executory or options and whether they can be exercised now or in the future, and whether they involve an active or abandoned portion of the line."

Additional Objections: None.

Interrogatory No. 11: "To the extent SP holds rights described in Interrogatory No. 10, identify each provision in the BN/SF Agreement that would ensure BN/SF direct access for a rail shipper that currently benefits, or might in the future benefit, from SP's rights."

Additional Objections: None.

Interrogatory No. 12: "Identify all trackage and other legal rights UP has over the Giddings-Llano line, whether existing, executory or options and whether they can be exercised now or in the future, and whether they involve an active or abandoned portion of the line."

Additional Objections: None.

Interrogatory No. 13: "To the extent UP holds rights described in Interrogatory No. 12, identify each provision in the BN/SF Agreement that would ensure BN/SF direct access for a rail shipper that currently benefits, or might in the future benefit, from UP's rights."

Additional Objections: None.

Interrogatory No. 14: "Identify all meetings, conferences, telephone conferences, and discussions, whether formal or
informal (together "communications") at which rights identified in Interrogatory Nos. 8-13 were discussed and:

(a) identify the individuals who participated in these communications, whether or not employees, officers or managers of Applicant, and including attorneys:

(b) identify the substance of these communications, including any outcome or decision."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 15: "Identify any studies, analyses, memoranda, reports or other documents regarding the effect of the proposed merger on:

(a) The Giddings-Llano line, or any portion thereof, including interchange points at Giddings, Elgin and McNeil;

(b) the Taylor-McNeil line, or any portion thereof, including interchange points at McNeil, Round Rock and/or Kerr, and Taylor."

Additional Objections: None.

Interrogatory No. 16: "With respect to BN/SF’s trackage rights over Taylor-Round Rock, identify and describe the anticipated increase in traffic over the Taylor-Round Rock line, expressed in terms of train movements per day in either direction."

Additional Objections: Applicants object to this interrogatory as unduly vague.

Interrogatory No. 17: "In the alternative, if the BN/SF Agreement does not grant BN/SF trackage rights over Taylor-Round Rock and/or Kerr, identify the projections for traffic over the Taylor-Round Rock and/or Kerr line, expressed in terms of trains movements per day in either direction, that the Applicants and BN/SF used to conduct their negotiations."
Additional Objections: None.

Interrogatory No. 18: "Identify the anticipated increase in traffic, expressed in terms of train movements per day in either direction, over Temple-Taylor, as a result of the BN/SF Agreement."

Additional Objections: None.

Interrogatory No. 19: "Identify the anticipated increase in traffic, expressed in terms of train movements per day in either direction, over Taylor-Elgin, as a result of the BN/SF Agreement."

Additional Objections: None.

Interrogatory No. 20: "Identify each instance in which UP was unable to provide timely service to a shipper at McNeil. For each such instance, state the duration of delay, identify the shippers adversely affected, and identify the reasons therefor."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 21: "Identify each complaint lodged with UP by a shipper regarding UP's service provided at McNeil and UP's response thereto, including correspondence, telephone logs, and records of physical actions taken to correct the situation complained of or to prevent its recurrence."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 22: "Identify any adverse consequences to (i) competition and (ii) the public interest that would result if the Board conditioned the proposed UP/SP merger upon a
condition that BN/SF have trackage rights over the Taylor-McNeil line, including interchange rights at McNeil, for the rail freight operator with the common carrier obligation on the Giddings-Llano line."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 23: "Identify any adverse consequences to (i) competition and (ii) the public interest that would result if the Board were to condition the proposed UP/SP merger of UP/SP reaching or having reached an accommodation with the operator, manager, and/or others responsible for rail passenger service over the Giddings-Llano line in the Austin Metropolitan Area, which would facilitate or permit rail passenger service through the McNeil interchange."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 24: "Identify any adverse consequences to (i) competition and (ii) the public interest that would result if the Board were to condition the proposed UP/SP merger on the Applicant [sic] funding signalization and other improvements which would accommodate future passenger rail service to and from the Austin metropolitan area over the Giddings-Llano line at peak hours through McNeil."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.
Interrogatory No. 25: "With respect to BN/SF’s trackage rights from Taylor to Round Rock and/or Kerr, state how the public interest and enhanced competition is served by BN/SF being precluded from having trackage rights for the approximately additional seven (7) miles from Round Rock to McNeil."

Additional Objections: Applicants object to this interrogatory as unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 26: "Identify any studies, analyses, memoranda, reports or other documents regarding the effect of the proposed merger on any or all of the following:

- granting BN/SF trackage rights over the portion of the UP line that extends from Taylor to McNeil;
- granting BN/SF trackage rights over the portion of the UP line that extends from Taylor to Round Rock and/or Kerr; and/or
- interference at McNeil with passenger rail service along the Giddings-Llano Line for the Austin metropolitan area."

Additional Objections: Applicants object to this interrogatory as unduly burdensome and unduly vague, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 27: "Identify any studies, analyses, memoranda, reports or other documents regarding the increase in traffic as a result of trackage and interchange rights granted, if any, to BN/SF over the following or at any termination point thereof:

- Taylor-Round Rock and/or Kerr;
(b) Taylor-McNeil;
(c) Round Rock and/or Kerr-McNeil; or
(d) Taylor-Elgin."

Additional Objections: None.

Interrogatory No. 28: "Identify all documents not identified in response to one of these interrogatories or produced in response to a document request, to which you referred or on which you relied to prepare your responses to these interrogatories."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 29: "Identify each person who was:

(a) consulted regarding responses to these interrogatories or document requests;
(b) who has knowledge concerning the facts or circumstances contained in the responses; or
(c) who helped prepare the substance of the responses to these interrogatories or document requests."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Document Request No. 1: "Produce all documents evidencing, describing or relating to the BN/SF Agreement provisions identified in response to Interrogatory No. 2."
Additional Objections: Applicants object to this document request as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Document Request No. 2:

"Produce all documents evidencing, describing or relating to the BN/SF agreement provisions identified in response to Interrogatory No. 3."

Additional Objections: Applicants object to this document request as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Document Request No. 3: "Produce all documents evidencing, describing or relating to the BN/SF agreement provisions identified in response to Interrogatory No. 4."

Additional Objections: Applicants object to this document request as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Document Request No. 4: "Produce all studies, analyses, or reports generated by or on behalf of the Applicants that form the basis for the response to Interrogatory No. 5."

Additional Objections: Applicants object to this document request as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor
reasonably calculated to lead to the discovery of admissible evidence.

**Document Request No. 5:** "Produce all documents evidencing, describing, relating to, or relied upon in responding to Interrogatory Nos. 6-29, in each instance separately identifying to which interrogatory the documents are related."

**Additional Objections:** Applicants object to this document request as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.
CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 4th day of March, 1996, I caused a copy of the foregoing document to be served by hand on Albert B. Krachman, counsel for Capital Metropolitan Transportation Authority at Bracewell & Patterson, L.L.P., 2000 K Street, N.W. Suite 500, Washington, D.C. 20006, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

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Suite 500 Room 303
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Washington, D.C. 20530 Washington, D.C. 20580

Michael L. Rosenthal
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

APPLICANTS' OBJECTIONS TO THE
TEXAS MEXICAN RAILWAY COMPANIES THIRD INTERROGATORIES
AND THIRD REQUEST FOR PRODUCTION OF DOCUMENTS

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March 4, 1996
BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD
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

APPLICANTS' OBJECTIONS TO THE
TEXAS MEXICAN RAILWAY COMPANIES THIRD INTERROGATORIES
AND THIRD REQUEST FOR PRODUCTION OF DOCUMENTS

Applicants UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW submit the following objections to Tex Mex's Third Interrogatories to Applicants and Third Request to Applicants for Production of Documents, served February 26, 1996. These objections are made pursuant to paragraph 1 of the Discovery Guidelines applicable to this proceeding, which provides that objections to discovery requests shall be made "by means of a written objection containing a general statement of the basis for the objection."

Applicants intend to file written responses to the discovery requests. It is necessary and appropriate at this stage, however, for Applicants to preserve their right to assert permissible objections.

GENERAL OBJECTIONS

The following objections are made with respect to all of the discovery requests.
1. Applicants object to production of documents or information subject to the attorney-client privilege.

2. Applicants object to production of documents or information subject to the work product doctrine.

3. Applicants object to production of documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.

6. Applicants object to providing information or documents that are as readily obtainable by Tex Mex from its own files.

7. Applicants object to the extent that the discovery requests seek highly confidential or sensitive commercial information (including, inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.
8. Applicants object to the discovery requests to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the discovery requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

10. Applicants incorporate by reference their objections to the definitions and instructions set forth in Tex Mex's First Interrogatories to Applicants and Tex Mex's First Request for Production of Documents.

ADDITIONAL OBJECTIONS TO SPECIFIC DISCOVERY REQUESTS

In addition to the General Objections, Applicants make the following objections to the discovery requests.

Interrogatory No. 1: "Has UP or SP had any discussions with any governmental or quasi-governmental authorities concerning the sale, lease or use of any of the rail lines located in the Houston BEA for commuter rail service?"

Additional Objections: None.

Interrogatory No. 2: "If the answer to interrogatory No. 1 is yes, identify such lines and describe the negotiations and any resulting agreements."

Additional Objections: None.

Interrogatory No. 3: "In UP/SP-90, Applicants' Responses to Tex Mex's Second Set of Interrogatories and Requests for Production of Documents, page 11, in response to Interrogatory 14(b), you state:

In addition, URCS unit costs were not used for auto, intermodal and double stack car costs. Instead, typical car hire rates were substituted for URCS values. Diesel fuel cost was based on UP, CNW and SP R-1 data because the MultiModal Model computed changes in fuel consumption on the basis of gallons and URCS unit costs for fuel is not based on
gallons. A typical locomotive lease rate was
substituted for URCS Locomotive Unit Mile
depreciation and lease unit costs.

With reference to the quoted language, provide: (a) the
"typical car hire rates"; (b) the "diesel fuel cost"; and (c)
the "typical locomotive lease rate".

Additional Objections: None.

Document Request No. 1: "Produce all documents provided by
Klick, Kent & Allen referenced in UP/SP-90, Applicants'
Responses to Tex Mex's Second Set of Interrogatories and
Requests for Production of Documents, page 11, in response to
Interrogatory 14(d)."

Additional Objections: None.
Respectfully submitted,

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March 4, 1996
CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 4th day of March, 1996, I caused a copy of the foregoing document to be served by hand on Richard A. Allen, counsel for The Texas Mexican Railway, at Zuckert, Scoult & Rasenberger, 888 Seventeenth Street, N.W. Suite 600, Washington, D.C. 20006-3939, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

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Michael L. Rosenthal
BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

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

APPLICANTS’ RESPONSES TO THE TEAMSTERS’
FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION
OF DOCUMENTS TO OVERTIME TRANSPORTATION AND APPLICANTS

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March 4, 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

APPLICANTS' RESPONSES TO THE TEAMSTERS' FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO OVERTNITE TRANSPORTATION AND APPLICANTS

UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW, collectively, "Applicants," hereby respond to the discovery requests served by the International Brotherhood of Teamsters and directed jointly to Overtnite Transport Company and Applicants.

GENERAL RESPONSES

The following general responses are made with respect to all of the interrogatories and document requests.

1. Applicants have conducted a reasonable search for documents responsive to the interrogatories and document

In these responses, Applicants use acroynms as they have defined them in the application. However, subject to General Objection No. 10 below, for purposes of interpreting the requests, Applicants will attempt to observe Tex Mex's definitions where they differ from Applicants' (for example, Tex Mex's definitions of "UP" and "SP," unlike Applicants', include UPC and SPR, respectively).
requests. Except as objections are noted herein, all responsive documents have been or shortly will be made available for inspection and copying in Applicants' document depository, which is located at the offices of Covington & Burling in Washington, D.C. Applicants will be pleased to assist IBT to locate particular responsive documents to the extent that the index to the depository does not suffice for this purpose. Copies of documents will be supplied upon payment of duplicating costs (including, in the case of computer tapes, costs for programming, tapes and processor time).

2. Production of documents or information does necessarily imply that they are relevant to this proceeding and is not to be construed as waiving any objection stated herein.

3. Certain of the documents to be produced consist of sensitive shipper-specific and other confidential information. Applicants are producing these documents subject to the protective order that has been entered in this proceeding.

4. In line with past practice in cases of this nature, Applicants have not secured verifications for the answers to interrogatories herein. Applicants are prepared

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2/ Thus, any response that states that responsive documents are being produced is subject to the General Objections, that, for example, any documents subject to attorney-client privilege (General Objection No. 1) or the work product doctrine (General Objection No. 2) are not being produced
discuss the matter with IBT if this is of concern with respect to any particular answer.

GENERAL OBJECTIONS

The following objections are made with respect to all of the interrogatories and document requests.

1. Applicants object to production of, and are producing, documents or information subject to the attorney client privilege.

2. Applicants object to production of, and are producing, documents or information subject to the work product doctrine.

3. Applicants object to production of, and are producing, documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of, and not producing, draft verified statements and documents relating thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.
6. Applicants object to providing information or documents that are as readily obtainable by IBT from its own files.

7. Applicants object to the extent that the interrogatories and document requests seek highly confidential or sensitive commercial information (including inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.

8. Applicants object to the definitions of "relating to," "related to" and concerning as unduly vague.

9. Applicants object to Instructions Nos. 2, 3, 5, 6, 7, 8 and 10 to the extent that they seek to impose requirements that exceed those specified in the applicable discovery rules and guidelines.

10. Applicants object to Instructions Nos. 2, 3, 5, 6, 7, 8, and 10 as unduly burdensome.

11. Applicants object to the interrogatories and document requests to the extent that they call for the preparation of special studies not already in existence.

12. Applicants object to the interrogatories and document requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.
13. Applicants object to the extent that the discovery requests purport to be directed to the non-applicant Overnite, or to seek information or documents from Overnite.

**Interrogatory No. 1**

"Identify any studies or analyses conducted by Overnite or Applicants concerning whether traffic now carried over the road by Overnite will be diverted to intermodal rail as a result of the merger of UP and SP. Identify any documents that relate to such studies or analyses."

**Response**

Applicants object to this interrogatory as unduly burdensome. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

See the verified statements of Don P. Ainsworth and Paul O. Roberts in Volume 1 of the Application.

**Interrogatory No. 2**

"Identify any studies or analyses conducted by Overnite or Applicants concerning possible changes in the number of over the road drivers employed by Overnite as a result of the merger of UP and SP. Identify any documents that relate to such studies or analyses."

**Response**

Applicants object to this interrogatory as unduly burdensome. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

Applicants have not identified any such studies or analyses.
Interrogatory No. 3

“Identify the factors that Overnite considers in determining whether to transport cargoes by intermodal rail as opposed to over the road truck. Describe how such factors are applied to determine by which mode a particular shipment or a class of shipments will be transported. Identify any documents relating to the application of such factors to the decision to transport cargoes by intermodal rail as opposed to over the road truck.”

Response

Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

This interrogatory is not applicable to Applicants.

Interrogatory No. 4

“Identify all changes in Overnite’s operational procedures and organization that will result from the UP/SP merger.”

Response

Applicants object to this interrogatory in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

Applicants have not identified any such changes.
Interrogatory No. 5

"Does Overnite intend to discontinue operations at any existing terminal if the merger of UP and SP is approved? If so, identify each such terminal."

Response

Applicants object to this interrogatory in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

This interrogatory is not applicable to Applicants.

Interrogatory No. 6

"Does Overnite expect to alter its service in any manner if the merger of UP and SP is approved? If so, describe how its service will be changed."

Response

Applicants object to this interrogatory in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

This interrogatory is not applicable to Applicants.

Interrogatory No. 7

"Identify all communications between SP or UP personnel and representatives of Overnite Transportation Company concerning the increased use of intermodal rail service following approval of the UP/SP merger. Identify all documents relating to those communications."
Response

Applicants object to this interrogatory as unduly burdensome and in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, and subject to the General Objections stated above, Applicants respond as follows:

See the verified statement of Andrew Stroud on behalf of Overnite Transportation Company at page 370 in Volume 4, part 3 of the application.

Document Request No. 1

"Produce all documents identified in response to Interrogatory No. 1."

Response

See Response to Interrogatory No. 1.

Document Request No. 2

"Produce all documents identified in response to Interrogatory No. 2."

Response

See Response to Interrogatory No. 2.

Document Request No. 3

"Produce all documents identified in response to Interrogatory No. 3."

Response

See Response to Interrogatory No. 3.

Document Request No. 4

"Produce all documents identified in response to Interrogatory No. 7."
Response

See Response to Interrogatory No. 7.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 4th March, 1996, I caused a copy of the foregoing document to be served by facsimile and first-class mail on Marc J. Fink, counsel for Teamsters, at Sher & Blackwell, 2000 L Street, N.W., Suite 612, Washington, D.C. 20036, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

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Michael L. Rosenthal
BEFORE THE
JURISDICTIONAL TRANSPORTATION BOARD

Finance Docket No. 32760

UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
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-- 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

APPLICANTS' OBJECTIONS TO
RAILWAY LABOR EXECUTIVES' ASSOCIATION'S
AND UNITED TRANSPORTATION UNION'S
THIRD SET OF INTERROGATORIES TO APPLICANTS

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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

APPLICANTS' OBJECTIONS TO RAILWAY LABOR EXECUTIVES' ASSOCIATION'S AND UNITED TRANSPORTATION UNION'S THIRD SET OF INTERROGATORIES TO APPLICANTS

Applicants UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW submit the following objections to the Railway Labor Executives' Association's and United Transportation Union's Third Set of Interrogatories to Applicants, served February 26, 1999. These objections are made pursuant to paragraph 1 of the Discovery Guidelines applicable to this proceeding, which provides that objections to discovery requests shall be made "by means of a written objection containing a general statement of the basis for the objection."

Applicants intend to file written responses to the interrogatories. It is necessary and appropriate at this stage, however, for Applicants to preserve their right to assert permissible objections.

GENERAL OBJECTIONS

The following objections are made with respect to all of the interrogatories.
1. Applicants object to production of documents or information subject to the attorney-client privilege.

2. Applicants object to production of documents or information subject to the work product doctrine.

3. Applicants object to production of documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.

6. Applicants object to providing information or documents that are as readily obtainable by RLEA and UTU from their own files.

7. Applicants object to the extent that the interrogatories seek highly confidential or sensitive commercial information (including, inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.
8. Applicants object to the interrogatories to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the interrogatories as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

10. Applicants incorporate by reference their prior objections to the definitions and instructions set forth in RLEA’s and UTU’s first set of interrogatories.

ADDITIONAL OBJECTIONS TO SPECIFIC DISCOVERY REQUESTS

In addition to the General Objections, Applicants make the following objections to the interrogatories.

Interrogatory No. 86: "With respect to Applicants’ plans to close existing terminals/reporting points for train and engine service employees (e.g., engineers, conductors, trainmen, switchmen, yardmen) and to open new terminals/reporting points; and with respect to Applicants’ planned transfers of train and engine service employees and abolishment and creation of train and engine service positions (see operating plan pp. 254-259, and labor impact exhibit pp. 410-413 and 419-421);

a. State whether Applicants have any planned limitations as to maximum distances for relocation of reporting points for individual employees;

b. State whether Applicants are willing to commit to any limitations as to maximum distances for relocation of reporting points for individual employees;

c. If the answer to interrogatory 86b is yes, state any maximum distance limitation for relocation that Applicant [sic] are willing to accept."

Additional Objections: None.

Interrogatory No. 87: "Explain how Applicants plan to handle the dispatching work for a railroad with only 588 miles less
trackage than the current SP and UP, but with more traffic, and additional trackage rights operations, with 144 fewer dispatchers; and state why Applicants believe that they can effectively handle dispatching in that manner."

**Additional Objections: None.**

**Interrogatory No. 88:** "Given discrepancies in descriptions of the planned abolishments of dispatcher positions between the operating plan (p. 241) and the labor impact exhibit (p. 422), state the number of dispatcher (non-management official) positions Applicants plan to abolish."

**Additional Objections: None.**

**Interrogatory No. 89:** "State whether the UP mainframe computer used for dispatching will be able to handle dispatching for the merged system without an upgrade of that computer. If the answer is no, explain Applicants' plans for upgrading that computer, the timing of that upgrade and the anticipated cost of that upgrade."

**Additional Objections: None.**

**Interrogatory No. 90:** "State whether Applicants plan to honor the March 2, 1995 agreement between SPR and the American Train Dispatchers Department/BLE which precludes furloughs of any SP dispatchers through December 31, 1997. If the answer is no, explain the basis for a refusal to honor that agreement and any authority that Applicants will assert for failing to honor that agreement."

**Additional Objections: None.**

**Interrogatory No. 91:** "Explain why greater proportions of boilermaker, sheet metal worker and laborer positions are planned to be abolished than electrician and machinist positions."

**Additional Objections: None.**

**Interrogatory No. 92:** "Identify the craft of any employee who, after consummation of the common control and merger of UP and SP, will perform the work previously done by boilermakers, sheet metal workers and laborers whose jobs are abolished."

**Additional Objections: None.**

**Interrogatory No. 93:** "Identify any 'efficiency benefits of the merger [that Applicants believe] cannot be achieved if UP/SP is required to maintain existing arrangements under
which different maintenance crews must maintain parallel, or even adjacent, tracks in the same geographic area' (Application Vol. 3 p. 403).

Additional Objections: None.

Interrogatory No. 94: "With respect to any efficiency identified in response to interrogatory No. 93:

a. Explain why such efficiency could not be achieved if existing arrangements were continued;

b. Identify the dollar value of any efficiency not realized if existing track maintenance arrangements are continued;

c. Relate any such efficiency identified in response to interrogatory No. 93 to any element of the proposed operating plan.

d. Relate such efficiency identified in response to interrogatory No. 93 to any public benefit asserted by Applicants under the common control/merger or the proposed operating plan."

Additional Objections: Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 95: "Identify what is meant by 'parallel' and 'adjacent' in the sentence from Application Vol. 3 p. 403 which is quoted in interrogatory No. 93. In doing so, identify the distance between lines which Applicants believe would make them not adjacent, and identify the degree of divergence between lines which Applicants believe would make them not parallel."

Additional Objections: None.

Interrogatory No. 96: "With respect to Applicants' assertion (Vol. 3 p. 255) of a need for common collective bargaining agreements for train service employees, state whether:
a. Applicants deem necessary only common agreements, or whether they deem particular agreements to be necessary;

b. Applicants are willing to allow the Brotherhood of Locomotive Engineers and the United Transportation Union to "cherry pick" provisions from existing agreements to form new common agreements;

c. Applicants are willing to allow the Brotherhood of Locomotive Engineers and the United Transportation Union to designate any existing agreements of their own choosing to be the common agreements;

d. If the answers to interrogatories Nos. 95 b, and/or c are no, explain the reasons for Applicants negative responses."

Additional Objections: None.

Interrogatory No. 96: "With respect to Applicants' desire for single agreements for planned new territories (seniority districts) and system gangs for maintenance of way and signal workers (Vol. 3 pp. 259-265), state whether:

a. Applicants deem necessary only single agreements or whether they deem particular agreements to be necessary;

b. Applicants are willing to allow the Brotherhood of Maintenance of Way ("BMWE") and the Brotherhood of Railroad Signalmen ("BRS") to "cherry pick" provisions from existing agreements to form new single agreements for the planned new maintenance of way and signal territories;

c. Applicants are willing to allow the BMWE and the BRS to designate any existing agreements of their choosing to be the single agreements for the planned new maintenance of way and signal territories and system gangs;

d. If the answers to interrogatory Nos. 96 b, and/or c are no, explain the reasons for Applicants' negative responses."

Additional Objections: None.

Interrogatory No. 97: "What were the bases for Applicants' selection (Vol. 3 p. 259-265) of particular collective bargaining agreements as the single agreements for maintenance
of way and signal workers intended to work on the planned new larger maintenance of way and signal territories and system gangs."

Additional Objections: None.

Interrogatory No. 98: "Are Applicants willing to commit to using BMWE represented maintenance of way workers for all of the track and right-of-way construction and rehabilitation work to be done in connection with the merger. If not, state why not."

Additional Objections: None.

Interrogatory No. 99: "If the answer to interrogatory no. 98 is no, are Applicants willing to refrain from using contractors or other non-BMWE represented employees for Application-related track and right-of-way construction and rehabilitation while any pre-August 1995 maintenance of way employee who has not separated from Applicants is furloughed? If not, then state why not."

Additional Objections: None.

Interrogatory No. 100: "Are Applicants willing to commit to using BRS-represented signalmen for all signal work involved in track and right-or-way [sic] construction and rehabilitation work done in connection with the merger? If not, state why not."

Additional Objections: None.

Interrogatory No. 101: "If the answer to interrogatory No. 100 is no, state whether Applicants are willing to refrain from using contractors or other non-BRS-represented employees for signal work involved in Application-related track and right-of-way construction and rehabilitation while any pre-August 1995 signalmen [sic] who is not separated from Applicants is furloughed. If not, why not."

Additional Objections: None.

Interrogatory No. 102: "Describe the anticipated consequences of the proposed common control/merger on SP water service employees represented by the Sheet Metal Workers International Association."

Additional Objections: None.

Interrogatory No. 103: "Do Applicants plan to contract-out any work now performed by bargaining unit employees? If the
answer is no, are Applicants willing to commit to refraining from contracting-out work now performed by bargaining unit employees as a condition of STB approval of the common control/merger. If Applicants are unwilling to make such a commitment, explain the reasons for the negative response.

Additional Objections: None.

Interrogatory No. 104: 'Describe Applicants' plans regarding the rates of pay of current SP employees who are currently working at rates below those applicable on other Class I railroads. Will applicants restore the rates for those employees to the standard Class I rates? If the answer is no, explain why Applicants do not plan to restore such employees to national standard rates."

Additional Objections: None.

Interrogatory No. 105: "Explain how Applicants plan to handle the maintenance of way work for a railroad with only 588 miles less trackage than the current SP and UP, and with more traffic, using 261 fewer rail and tie gang employees."

Additional Objections: None.

Interrogatory No. 106: "Of the sales of real estate owned by SPT, SSW or SPR since 1988, identify how much money was realized from sales of real estate not used for train operations, and how much money was realized from sales of rail lines, and how much money was realized from sales of transit corridors to municipalities, public agencies or public authorities for their passenger operations with leasebacks for freight operations."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 107: "With respect to Philip Anschutz' assertion (Anschutz Transcript at 35) that he could have sold his interest in the Denver Rio Grande & Western Railroad for $333 million, explain any factual basis for that assertion."
Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 108: "Identify any asset of Southern Pacific Transportation Corporation which was pledged as collateral for debt incurred in connection with the RGI Industries acquisition of Southern Pacific Transportation Company which is still pledged as collateral."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 109: "Explain how and when the debt incurred in RGI Industries' acquisition of Southern Pacific Transportation Company was repaid."

Additional Objections: Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 110: "Identify any and all corporations owned or controlled by Philip Anschutz' family or The Anschutz Corporation which provide services, products or consulting work to SPR."

Additional Objections: Applicants object to this interrogatory as unduly vague and unduly burdensome, and overbroad in that it includes requests for information that is
neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Respectfully submitted,

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PAUL A. CONLEY, JR.
JAMES V. DOLAN
LOUISE A. RINN

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

March 4, 1996
CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 4th day of March, 1996, I caused a copy of the foregoing document to be served by hand on William G. Mahoney, counsel for RLEA/UTU, at Highaw, Mahoney & Clarke, P.C., 1050 17th Street, N.W., Suite 210, Washington, D.C. 20036, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

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

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

Michael L. Rosenthal
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

APPLICANTS' OBJECTIONS TO CENTRAL POWER & LIGHT COMPANY'S FIRST SET OF INTERROGATORIES AND FIRST SET OF REQUESTS FOR PRODUCTION OF DOCUMENTS

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March 4, 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

APPLICANTS’ OBJECTIONS TO CENTRAL POWER & LIGHT COMPANY’S
FIRST SET OF INTERROGATORIES
AND FIRST SET OF REQUESTS FOR PRODUCTION OF DOCUMENTS

Applicants UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and
DRGW submit the following objections to Central Power & Light
Company’s First Set of Interrogatories and Document Production
Requests, served February 26, 1996. These objections are made
pursuant to paragraph 1 of the Discovery Guidelines applicable
to this proceeding, which provides that objections to
discovery requests shall be made "by means of a written
objection containing a general statement of the basis for the
objection."

Applicants intend to file written responses to the
discovery requests. It is necessary and appropriate at this
stage, however, for Applicants to preserve their right to
assert permissible objections.

GENERAL OBJECTIONS

The following objections are made with respect to
all of the discovery requests.
1. Applicants object to production of documents or information subject to the attorney-client privilege.

2. Applicants object to production of documents or information subject to the work product doctrine.

3. Applicants object to production of documents prepared in connection with, or information relating to, possible settlement of this or any other proceeding.

4. Applicants object to production of public documents that are readily available, including but not limited to documents on public file at the Board or the Securities and Exchange Commission or clippings from newspapers or other public media.

5. Applicants object to the production of draft verified statements and documents related thereto. In prior railroad consolidation proceedings, such documents have been treated by all parties as protected from production.

6. Applicants object to providing information or documents that are as readily obtainable by CPL from its own files.

7. Applicants object to the extent that the discovery requests seek highly confidential or sensitive commercial information (including, inter alia, contracts containing confidentiality clauses prohibiting disclosure of their terms) that is of insufficient relevance to warrant production even under a protective order.
8. Applicants object to the discovery requests to the extent that they call for the preparation of special studies not already in existence.

9. Applicants object to the definition of "relating to" as unduly vague.

10. Applicants object to Instructions Nos. 2, 3 and 4 to the extent that they seek to impose requirements that exceed those specified in the applicable discovery rules and guidelines.

11. Applicants object to Instructions Nos. 2, 3 and 4 as unduly burdensome.

12. Applicants object to the discovery requests as overbroad and unduly burdensome to the extent that they seek information or documents for periods prior to January 1, 1993.

*SPECIFIC RESPONSES AND ADDITIONAL OBJECTIONS*

In addition to the General Objections, Applicants make the following objections to the discovery requests.

Interrogatory No. 1: "With respect to unit train coal traffic moving to and from the Coleto Creek Station, state whether either the Coleto Creek Station or Victoria, Texas constitutes a "2-to-1" point with respect to the such merger application and/or the Settlement Agreement."

Additional Objections: None.

Interrogatory No. 2: "State whether the resolution of the Surface Transportation Board's Docket No. 41242, Central Power & Light Company v. Southern Pacific Transportation Company will have any impact upon the status as a "2-to-1" point of either the Coleto Creek Station or Victoria, Texas (with respect to unit train coal traffic moving to and from the Coleto Creek Station)."

Additional Objections: None.
Interrogatory No. 3: "If the response to Interrogatory No. 2 is "yes," describe this impact."

Additional Objections: None.

Interrogatory No. 4: "Identify all documents discussing, commenting upon, or in any way addressing potential outcomes of Docket No. 41242, and/or the impact of such outcomes either upon future CPL rail service or upon the instant proceeding."

Additional Objections: Applicants object to this interrogatory as unduly burdensome, and overbroad in that it includes requests for information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 5: "Identify all documents from the Applicants' files discussing, considering, or evaluating in any way whatsoever, whether either the Coleto Creek Station or Victoria, Texas (with respect to unit train coal traffic moving to and from the Coleto Creek Station) is now, or following resolution of Docket No. 41242 will become, a "2-to-1" point with respect to the subject merger application and/or the Settlement Agreement."

Additional Objections: None.

Interrogatory No. 6: "State whether the November 18, 1995 Amendment to the Settlement Agreement grants BNSF the right to "provide competitive service" to Victoria, Texas, as that phrase is used on page 353 of Volume 1 of the Application."

Additional Objections: None.

Interrogatory No. 7: "If the response to Interrogatory No. 5 if "yes," identify the specific nature of the rights (i.e. trackage rights, haulage rights, or any other form of access) that BNSF has obtained, identify the particular segments(s) of track to which such rights pertain, identify the specific amount of any fees associated with the use of those rights, and identify all documents from the Applicants' files relating specifically to such service to Victoria, Texas."

Additional Objections: None.

Document Request No. 1: "Produce all documents identified in response to Interrogatory No. 4."
Additional Objections: See Objections to Interrogatory No. 4.

Document Request No. 2: "Produce all documents identified in response to Interrogatory No. 5.

Additional Objections: None.

Document Request No. 3: "Produce all documents identified in response to Interrogatory No. 7."

Additional Objections: None.
Respectfully submitted,

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(402) 271-5000

March 4, 1996
CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 4th day of March, 1996, I caused a copy of the foregoing document to be served by hand on C. Michael Loftus, counsel for Central Power & Light Company at Slover & Loftus, 1224 Seventeenth Street, N.W. Washington, D.C. 20036, and by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties appearing on the restricted service list established pursuant to paragraph 9 of the Discovery Guidelines in Finance Docket No. 32760, and on

Director of Operations  Premerger Notification Office
Antitrust Division  Bureau of Competition
Suite 500  Room 303
Department of Justice  Federal Trade Commission
Washington, D.C. 20530  Washington, D.C. 20580

Michael L. Rosenthal
February 29, 1996

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

Dear Secretary Williams:

The proposed Union Pacific-Southern Pacific railroad merger concerns me in that it is not in the public interest in Northeast Ohio. We would be better served if, as part of the proposed merger, the UP-SP’s eastern routes were sold to Conrail and not leased to another western railroad.

My reasons are as follows:

1) Our industrial companies, particularly in the booming polymers sector, need direct service to raw materials and markets in the Gulf "chemical coast" region and to Mexico.

2) We feel that an owner-carrier such as Conrail, would have greater incentive to improve markets along the route.

3) By keeping Conrail strong, we ensure a variety of service options and strong price competition among the major railroads in our region, namely CSX, Norfolk and Southern, and Conrail.

Also, it concerns me that railroad "mega mergers" cost hardworking citizens jobs, just as they have in other industries. Conrail is a major Ohio employer, and their success is in the public interest here.

The above reasons cause me to oppose the proposed merger unless it includes the Conrail purchase of the eastern lines of the old Southern Pacific. Only with the Conrail acquisition will Northeast Ohio economies be served to the fullest.

Your consideration would be appreciated.

Sincerely,

Leo H. Bender, Mayor
City of Broadview Heights

LHB/am
February 28, 1996

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
12th St. & Constitution Avenue
Washington, D.C. 20423

Dear Secretary Williams:

I am concerned that the proposed Union Pacific-Southern Pacific railroad merger is not in the public interest in Northeast Ohio. We would be far better served if the UP-SP's eastern routes were, as part of the proposed merger, sold to Conrail, not leased to another western railroad.

I believe the Conrail proposal is in the best interests of the industrial, manufacturing and transportation workers of our region. It combines efficient transportation, economic development, and continued employment opportunities. These are keys to the public interest.

For those reasons I would oppose the proposed merger unless it includes the Conrail purchase of the eastern lines of the old Southern Pacific. Only with the Conrail acquisition will Northeast Ohio economies be maximally served.

Thank you for your consideration.

Sincerely,

Kory Koran, Director
Community Services and Economic Development

KK/kd