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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 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

HIGHLY CONFIDENTIAL

Washington, D.C.

Thursday, February 8, 1996

Deposition of R.B. (BRAD) KING and
MICHAEL D. ONGERTH, witnesses herein, called for
examination by counsel for the Parties in the
above-entitled matter pursuant to agreement, the
witnesses being duly sworn by MARY GRACE PRESTO,
RPR, a Notary Public in and for the District of
Columbia, taken at the offices of Covington &
Burling, 1201 Pennsylvania Avenue, N.W.,
Washington, D.C., 20044, at 10:20 a.m., Thursday,
February 8, 1996, and the proceedings being taken
down by Stenotype by MARY GRACE PRESTO, RPR, and
transcribed under her direction.

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1 MR. HUT: As I understand it, the
2 actual agreements themselves remain to be
3 negotiated by, the target date I think is June 1,
4 1996. So my question is whether you had any
5 understanding of what those implementing
6 agreements for the trackage rights arrangements
7 would include with respect to that issue.

8 MR. KING: That's a better question for
9 John Rebensdorf.

10 MR. HUT: Mr. Ongerth, you executed,
11 did you not, in around November 1993, a verified
12 statement on a UP/CNW matter?

13 MR. ONGERTH: I executed a verified
14 statement. I can't recall the date.

15 MR. HUT: When you executed the
16 statement, you believed that everything in the
17 statement was true?

18 MR. ONGERTH: Yes.

19 MR. HUT: And is it your view that the
20 facts recited by you in the verified statement
21 under oath remain true?

22 MR. ONGERTH: There have been many
23 changes since the time that statement was
24 prepared.

25 MR. HUT: What are the changes?

1 MR. ONGERTH: Well, one of them is
2 quite significant. To answer your question, I'm
3 no longer involved in the day-to-day operation of
4 the railroad. I was then.

5 MR. HUT: My question is whether there
6 is anything you know that suggests that anything
7 you said then is no longer true.

8 MR. ONGERTH: Yes, I know several
9 things.

10 MR. HUT: And what are those?

11 MR. ONGERTH: Well, I know that many of
12 the problems that were identified in my verified
13 statement have been corrected. I know that some
14 of the subsequent discussions that took place
15 between the SP and the UP led to some significant
16 changes, not the least of which were a change of
17 dispatching and maintenance on the Pueblo line
18 and control of Grant Tower in Salt Lake City. I
19 know that we are a lot more comfortable with our
20 ability to communicate our priorities to the UP.
21 I also know that occasionally we continue to fail
22 to do so, which is our fault, not the UP's
23 fault. I know that on reflection, some of the
24 factors that we felt were indicating
25 discrimination were perhaps misreading of the

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1 circumstances.

2 MR. HUT: What were some of those?

3 MR. ONGERTH: I'm going to speak
4 generally rather than with a specific at this
5 point. I may get to specifics. It is very
6 difficult for an individual on a train to
7 identify all of the reasons surrounding why he is
8 delayed. And at the time that that verified
9 statement was filed, we felt we had evidence
10 which was based on interviews that we had
11 conducted with a number of people that there was
12 some discriminatory handling. On reflection and,
13 particularly, based on results of some of our
14 efforts to improve our communication with the UP,
15 I now believe that we misread some of the
16 information we were getting.

17 MR. HUT: And you believe that you
18 misread the information in your sworn statement?

19 MR. ONGERTH: I believe that what we
20 felt was a pattern of discrimination was not
21 borne out, that we didn't have our facts
22 straight.

23 MR. HUT: You had facts before you?

24 MR. ONGERTH: We had statements from
25 employees and we felt we had evidence of

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1 discriminatory handling. We in fact did find, I
2 think, one UP dispatcher for sure that was
3 discriminating. I don't think there was any
4 doubt about that. But I think the pattern that
5 we felt existed, I'm now convinced, was kind of a
6 self-fulfilling thing. We went out to try to
7 prove it and we thought we proved it. I think
8 subsequent discussions between the carriers
9 caused us to rethink that.

10 MR. HUT: You swore to your view that
11 there was a pattern of discrimination?

12 MR. ONGERTH: That's correct.

13 MR. HUT: And that turned out to be a
14 figment of your imagination, something you swore
15 to under oath?

16 MR. ONGERTH: I didn't say that.

17 MR. HUT: I'm asking.

18 MR. ONGERTH: That was then, this is
19 several years down the road. In my statement, I
20 indicated that we had already started the
21 dialogue with UP. I think two or three times in
22 my statement there is an indication that we had
23 seen some improvement. We now have had
24 considerably more time since the time that
25 statement was prepared to observe results, and

1 our results have shown us that we were perhaps
2 basically wrong.

3 MR. HUT: Let me ask this question,
4 Mr. Ongerth. After you executed the verified
5 statement, some months after, and I don't have
6 the date available to me, the SP submitted a
7 brief in the CNW matter, several hundred pages
8 long, a good chunk of which summarized
9 allegations based in part on your statement about
10 the discrimination pattern that you saw. Do you
11 recall that?

12 MR. NORTON: Objection as to
13 characterization. You can answer.

14 MR. HUT: Do you recall the SP brief?

15 MR. ONGERTH: I didn't prepare that
16 brief.

17 MR. HUT: I understand that. Do you
18 recall reading it?

19 MR. ONGERTH: I read that brief at some
20 time.

21 MR. HUT: Did you read it prior to its
22 submission?

23 MR. ONGERTH: I don't recall.

24 MR. HUT: Do you think you did?

25 MR. ONGERTH: I don't recall.

1 MR. HUT: At the time that you read it,
2 did you tell anybody that you disagreed with the
3 allegations and arguments set out in the brief?

4 MR. NORTON: Is there a particular
5 brief, particular argument?

6 MR. HUT: Sure. I identified the
7 brief. There was only one brief on the merits of
8 the CNW proceeding, Jerry. I don't have the
9 date. And the section of the brief I'm talking
10 to is the section that dealt with allegations
11 concerning perceived discriminations of
12 dispatch.

13 MR. HEMMER: As the recipient, I can
14 assure you there was more than one. And they
15 were quite different.

16 MR. HUT: I'm talking about the final
17 brief, not the comments. The brief.

18 MR. HEMMER: So am I.

19 MR. NORTON: Can I consult a moment?

20 MR. HUT: Sure.

21 (Witness confers with counsel.)

22 MR. ONGERTH: Perhaps it would clarify
23 things if I told you that at least for some of
24 the briefs, I didn't see them before they were
25 filed. And in one case, I didn't see it until

1 long after.

2 MR. HUT: Let me not prolong this
3 unduly but let me show you one copy I have of an
4 excerpt from a brief. It's pages 282 to 300 of a
5 brief that I think went on for some degree
6 longer. It begins with the argument heading,
7 UP's Dispatching Control of SP Trains Involves a
8 Risk of Unequal Anticompetitive Delays. It's
9 been produced with a Bates stamp number
10 N53 000877. Would you look through that and tell
11 me whether you've seen it before.

12 MR. NORTON: The question, I thought,
13 was did he see it before it was filed.

14 MR. HUT: No, the question now is has
15 he seen it at any time. And that was not the
16 question, have you seen it before it was filed.
17 I would like to know whether he's seen it at any
18 time.

19 MR. ONGERTH: I've looked at a couple
20 of briefs. I can't tell from this cursory review
21 which brief this is and -- I can take quite a bit
22 of time to go through this but I'm still not sure
23 I'm going to be able to answer your question.

24 MR. HUT: I would rather you didn't.
25 Based on a review of two or three minutes, if you

1 can't recall whether you've seen it before, I
2 accept that answer. I take it you can't recall
3 whether you saw it before it was filed?

4 MR. ONGERTH: At this point in time, I
5 can't tell you whether I saw any of the briefs
6 before they were filed or not. I don't know
7 which one this is.

8 MR. HUT: And you don't know whether
9 you've seen that before now?

10 MR. ONGERTH: At this point, no. And
11 this could be in a portion of the brief -- I
12 could have seen a portion of the brief and not
13 read this portion.

14 MR. HUT: Do you think you would have
15 read a portion of the brief that did not involve
16 a question of claims of discrimination in
17 dispatch?

18 MR. ONGERTH: I can't recall what I
19 read and what I didn't read.

20 MR. HUT: You made reference,
21 Mr. Ongerth, to some aspects that were corrected,
22 and I think you itemized a couple of places where
23 that occurred and then you made reference to some
24 changes. Are all the changes to which you made
25 reference ones that you later itemized in

1 subsequent questions that I asked you?

2 MR. ONGERTH: I was giving you
3 examples.

4 MR. HUT: Any other examples?

5 MR. HEMMER: Objection, vague and
6 ambiguous.

7 MR. HUT: Any other examples of changes
8 you can think of?

9 MR. ONGERTH: SP learned through the
10 process that we were not paying enough attention
11 to our own trackage rights. For a time, we paid
12 significantly more attention to our trackage
13 rights. At the present time, I can't tell you
14 how much attention we were paying to the
15 administration of our trackage rights. But we
16 certainly learned that I think even our top
17 management learned that we were not paying enough
18 attention to our trackage rights. And we clearly
19 understand now that if you're going to get the
20 kind of priorities and attention we expected, we
21 would have to pay more attention to trackage
22 rights. I think that covers most of the changes.

23 MR. HUT: Mr. King, let's move back
24 across the table, if I can, and ask you to look
25 to page 130 of the operating plan at the top.

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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 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

HIGHLY CONFIDENTIAL

Washington, D.C.

Friday, February 9, 1996

Deposition of R.B. (BRAD) KING and
MICHAEL D. ONGERTH, witnesses herein, called for
examination by counsel for the Parties in the
above-entitled matter, pursuant to agreement, the
witnesses having been previously duly sworn,
taken at the offices of Covington & Burling, 1201
Pennsylvania Avenue, N.W., Washington, D.C.,
20044, at 9:10 a.m., Friday, February 9, 1996,
and the proceedings being taken down by Stenotype
by FERNITA R. FINKLEY and CRAIG KNOWLES and
transcribed under their direction.

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1 MR. MACHLIN: Now, Mr. Ongerth, in
2 connection with the trackage rights dispute that
3 Southern Pacific had with Union Pacific and I
4 think which was the subject of some questioning
5 by Mr. Mills and Mr. Hut, can you tell us what
6 Southern Pacific's operating grievances really
7 were?

8 MR. HEMMER: I'm going to raise an
9 objection to questioning which is documented in
10 about five feet of paper that's in the depository
11 as being repetitive and rather unnecessary. I
12 guess I can't stop it yet, but I don't see why we
13 need to go through what Southern Pacific said
14 when it's all on paper.

15 MR. MACHLIN: You may answer the
16 question.

17 MR. ONGERTH: We complained about the
18 priority given our trains. We complained about
19 delays entering and leaving the trackage rights.
20 You're restricting your questioning only to the
21 complaints having to do with the operating
22 problems.

23 MR. MACHLIN: At this point I'd like to
24 start with the operating problems.

25 MR. ONGERTH: I think that's a fairly

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1 good quick summary of the type of complaint.

2 MR. MACHLIN: Was there ever any
3 difficulty with the maintenance being performed
4 by the Union Pacific over lines that, say,
5 Southern Pacific would be using under the
6 trackage rights?

7 MR. NORTON: Objection.

8 MR. MACHLIN: You may answer the
9 question.

10 MR. ONGERTH: What type of maintenance
11 are you referring to? Are you referring to level
12 of maintenance or scheduling of maintenance?

13 MR. MACHLIN: Let's start with level of
14 maintenance.

15 MR. ONGERTH: There's some issues
16 surrounding level of maintenance and there were
17 some issues surrounding timing of maintenance.

18 MR. ONGERTH: And I'd have to review
19 the documents at this point in time to be more
20 specific than that.

21 MR. MACHLIN: Was the timing of
22 maintenance issue -- was the complaint
23 essentially that maintenance was not being
24 scheduled in a way that allowed you to operate
25 efficiently?

1 MR. ONGERTH: It's fair to say that
2 that was one of the allegations, yes

3 MR. MACHLIN: Were there any other
4 issues as to the timing of maintenance?

5 MR. ONGERTH: Various times in the past
6 we've been concerned with the scheduling of
7 windows during which -- curfews is another term
8 we use in the industry during which time
9 maintenance is performed -- during the time the
10 work is physically done during the day. However,
11 I support Mr. -- and amplify Mr. King's answer
12 that we've generally, after meeting and
13 discussing these things, been able to work these
14 items out.

15 MR. MACHLIN: Other than the operating
16 problems, were there other Southern Pacific
17 complaints with regard to the trackage rights?

18 MR. ONGERTH: It's all in
19 documentation, but there were complaints about
20 dispatching. There were complaints about
21 priorities. There were complaints about
22 maintenance, but you're missing one of the major
23 issues, which was the complaints about payments
24 and compensation.

25 MR. MACHLIN: With regard to the

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1 payments and compensation, other than the
2 compensation formula itself, which was the
3 subject of a, I gather, lengthy commission
4 proceeding, what were the issues?

5 MR. ONGERTH: Well, that's the global
6 issue there. It was a rather large global issue.

7 MR. MACHLIN: Mr. Ongerth, I think in
8 your answer to me you've distinguished between
9 dispatching and priorities and I wonder if you
10 could just explain what you meant there.

11 MR. ONGERTH: I would draw a
12 distinction between the way an individual
13 dispatcher would arrange meets between -- as
14 between trains on the one hand and the way
15 dispatching would give priority to some trains or
16 for other trains, and that I could -- that can be
17 taken in two contexts. That can either be in the
18 context of how UP dispatchers would respect SP's
19 priorities as to SP's trains or it could be in
20 the context of how our trains were handled as
21 regard to train -- Union Pacific trains of a
22 similar priority. Do I make myself clear?

23 MR. MACHLIN: You do, you do.
24 Mr. Ongerth, are you familiar with situations
25 where Southern Pacific has been the landlord

1 carrier in a trackage rights?

2 MR. ONGERTH: Yes.

3 MR. MACHLIN: And what are some
4 examples where you, Southern Pacific, has been
5 the landlord carrier?

6 MR. ONGERTH: SP is the owner of the
7 trackage between Elmo, Missouri and Dexter
8 Junction, Missouri over which the UP operates as
9 a tenant. Southern Pacific is the owner of the
10 trackage between Provo and Salt Lake City over
11 which Union Pacific operates. Southern Pacific
12 is the owner of one of the two paired tracks
13 between Weso and Alazon over which the Union
14 Pacific operates. Southern Pacific is the owner
15 of the trackage between El Paso and Sierra Blanca
16 over which the Union Pacific operates.

17 Southern Pacific is the owner of
18 several segments of track in the Houston area
19 over which Union Pacific operates. Southern
20 Pacific is the owner of some trackage in Beaumont
21 over which Union Pacific operates. Southern
22 Pacific is the owner of some trackage in Arkansas
23 between Dexter Junction and Paragould over which
24 Union Pacific operates.

25 Southern Pacific is the owner of the

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1 trackage between Mohave and Hearne Junction over
2 which the Santa Fe operates. Southern Pacific is
3 the owner of the trackage between Steige and
4 Emoryville over which the Santa Fe operates.

5 Southern Pacific is the owner of the
6 trackage between Shamolt and Klamath Falls over
7 which Burlington Northern/Santa Fe operates.
8 Southern Pacific is the owner of trackage in the
9 Portland area between Portland and Salem, Oregon,
10 habish actually over which the Burlington
11 Northern operates. I can give you a more
12 extensive list, but I think that will serve your
13 purpose.

14 MR. MACHLIN: Thank you. Good memory.
15 Mr. Ongerth, with regard to the situations where
16 the Santa Fe is the tenant carrier, have there
17 been any operational difficulties as you can
18 recall?

19 MR. ONGERTH: Yes.

20 MR. MACHLIN: Could you give us --
21 could you elaborate?

22 MR. ONGERTH: Santa Fe has occasionally
23 in the past been concerned about the handling of
24 their priority trains. Santa Fe in the past has
25 been concerned about the scheduling of

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1 maintenance. Santa Fe specifically was -- wished
2 to make some capital improvements in the
3 Tehachapi Southern Pacific was not prepared to
4 participate in.

5 All of these issues have been resolved,
6 and I -- you know, we're going to -- you will
7 find wherever there are trackage rights and you
8 pick back through the history of those trackage
9 rights, you are likely to find some occasion of
10 problems. On the other hand, the industry has
11 entered into trackage rights agreements over --
12 well over 100 years, and we continue to do so.
13 And I would predict that you are likely to see
14 more trackage rights in the future than less.

15 MR. MACHLIN: In resolving these
16 trackage rights issues, I assume the goal would
17 be to assure a high level of service to the
18 shippers involved; is that correct?

19 MR. ONGERTH: The industry as a whole
20 has recognized, and particularly since
21 deregulation, that it must become much more
22 service-oriented. And inasmuch as -- and this is
23 essentially an industry goal direction we would
24 move that way. So I think my answer is yes.
25 We're all motivated to improve service.

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1 MR. MACHLIN: In resolving these
2 trackage rights issues, would you necessarily
3 share information about the needs of particular
4 shippers?

5 MR. ONGERTH: I think the process is a
6 little bit different than that. I think that
7 each carrier establishes its service standards
8 based on commitments it makes or markets it
9 wishes to pursue, and there's a process here
10 where the railroad determines its -- the
11 schedules that it wants to operate. And inasmuch
12 as these trains, these schedules, these services
13 operate across trackage rights, they then
14 communicate their needs as between owner and
15 tenant. But I do not believe that it really gets
16 down to customer specifics with a couple of
17 exceptions, and those are generally with
18 intermodal customers.

19 And on -- an example will be UPS. I
20 mean, it's well-known that Santa Fe prides itself
21 in providing unprecedented service levels for
22 United Postal Service, and they certainly
23 communicate their needs to us as regard to 991
24 and 199 in the Tehachapi, and it's very clear
25 that they're doing this in response to UPS

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1 needs. We know it in that case. But in most
2 cases -- but the normal case would be you
3 wouldn't have customer-specific information. It
4 wouldn't be necessary.

5 MR. MACHLIN: Mr. Ongerth, again with
6 regard to the track segments where Southern
7 Pacific is the landlord and Union Pacific or an
8 affiliate is the tenant, have some of these same
9 issues about capital improvements, maintenance,
10 dispatching arisen?

11 MR. ONGERTH: Yes.

12 MR. MACHLIN: And, to your knowledge,
13 they've all been resolved recently?

14 MR. ONGERTH: Some of them have been
15 resolved for a long time. Over some territories
16 we've been able to historically operate without a
17 lot of long-standing disputes. Other territories
18 we've had more problems.

19 On line segments where you have
20 congestion-related problems, we sometimes confuse
21 line congestion with discrimination, and an
22 example of that would be between -- where
23 Southern Pacific is the tenant between Topeka and
24 Kansas City and Union Pacific is the owner, but
25 also in the area between Dexter Junction and Elmo

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1 where Southern Pacific is the owner and Union
2 Pacific is the tenant, we have -- we each have
3 experienced some problems.

4 They're largely more related, if you
5 get down to the bottom of it, to capacity
6 constraints and the timing and the method in
7 which you would resolve those capacity
8 constraints as opposed to issues of dispatching
9 of priorities.

10 We will sometimes get a little
11 paranoid, as it were. But if you really get into
12 it, you really look back on it -- in fact, if you
13 look back on a dispute, and then as I reflect on
14 what was in all the various allegations and
15 statements and in the UP's replies and reflect on
16 the problems that we thought we had identified,
17 and give a fair assessment of it, I think you'll
18 find that many times we really were experiencing
19 congested-related delays that had to do with the
20 line capacity as opposed to discrimination or
21 inattention to our needs.

22 MR. MACHLIN: In your experience, is
23 part of the problem with trackage rights the need
24 to be essentially partners in the making of
25 capital investments on the lines that are being

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1 shared?

2 MR. HEMMER: Objection, lack of
3 foundation.

4 MR. MACHLIN: You may answer.

5 MR. ONGERTH: If one carrier's needs
6 and resources are different than the other
7 carrier needs and resources, I can certainly see
8 where there would be some problems. And again,
9 if you come -- you go back to the problem of the
10 Herington line segment, some of the maintenance
11 problems there were revolved around our use of
12 the line and our -- on the one hand, which was
13 very high, and our ability and willingness to
14 spend money on it, which was -- had a high level
15 of resistance coupled with the Union Pacific's
16 low level of use.

17 In fact, they weren't going to benefit
18 from any expenditures they would spend on the
19 line. In the end, we paid as a tenant a major
20 share of the cost of the upgrading. We were kind
21 of getting what we were paying for in a way.

22 MR. MACHLIN: Let me direct this to
23 Mr. King. And again, I'm trying to clear up some
24 things that I think Mr. Mills covered earlier
25 today. I wonder if you could compare for me

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

HIGHLY CONFIDENTIAL

Washington, D.C.

Wednesday, May 8, 1996

Deposition of RICHARD B. PETERSON, a
witness herein, called for examination by counsel
for the Parties in the above-entitled matter,
pursuant to agreement, the witness being duly
sworn by JAN A. WILLIAMS, a Notary Public in and
for the District of Columbia, taken at the
offices of Covington & Burling, 1201 Pennsylvania
Avenue, N.W., Washington, D.C., 20044, at
10:05 a.m., Wednesday, May 8, 1996, and the
proceedings being taken down by Stenotype by
JAN A. WILLIAMS, RPR, and transcribed under her
direction.

ALDERSON REPORTING COMPANY, INC.

(202)289-2260 (800) FOR DEPO
1111 14th ST., N.W., 4th FLOOR / WASHINGTON, D.C., 20005

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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 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

HIGHLY CONFIDENTIAL

Washington, D.C.

Monday, January 22, 1996

Deposition of JOHN H. REBENSdorf, a
witness herein, called for examination by counsel
for the Parties in the above-entitled matter,
pursuant to agreement, the witness being duly
sworn by JAN A. WILLIAMS, RPR, a Notary Public in
and for the District of Columbia, taken at the
offices of Covington & Burling, 1201 Pennsylvania
Avenue, N.W., Washington, D.C., 20044, at
10:15 a.m., Monday, January 22, 1996, and the
proceedings being taken down by Stenotype by JAN
A. WILLIAMS, RPR, and transcribed under her
direction.

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1 MR. ROACH: I've gotten behind the
2 curve here on instructing the witness. I thought
3 the last question did not have to do with the
4 settlement negotiations but had to do with
5 consideration as to UP's position.

6 To the extent he's asking you to
7 describe the settlement negotiations, I have to
8 instruct you not to answer.

9 BY MR. ALLEN:

10 Q. Well, the question I asked was what
11 consideration, if any, did UP give to alternative
12 routes. And I believe you answered that, that
13 you started out with a different route, that you
14 had considered giving BN or whoever a different
15 route.

16 A. That's correct.

17 Q. And what route was that that you
18 considered?

19 A. It was the same route that we offered
20 to KCS.

21 Q. Which route was that?

22 A. Which is to go from Placedo up to West
23 Point and on in through Sealy to Houston.

24 Q. Okay. Is that a preferable route from
25 UP's point of view to the one that you ultimately

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1 gave?

2 A. It's a preferable route from our point
3 of view in that it is the route that the Southern
4 Pacific currently operates on between --

5 Q. Why is that --

6 A. It's because of the business and
7 congestion particularly on the line from Angleton
8 into Houston.

9 Q. I'm sorry, I don't see Angleton on the
10 map.

11 A. (Witness indicates.)

12 Q. Okay. So the route through from
13 Placedo to West Point is preferable from the UP's
14 perspective because it's not as congested as the
15 other route?

16 A. That's correct. Plus it's the route
17 Southern Pacific is on today. Southern Pacific
18 goes -- let me correct that. Southern Pacific
19 goes to Flatonina and then comes back over on
20 their own railroad.

21 Q. So did you offer the KCS the route east
22 from Flatonina or east from West Point?

23 A. East from West Point.

24 Q. And why does the fact that the Southern
25 Pacific operates that route make it preferable

ALDERSON REPORTING COMPANY, INC.

(202)289-2260 (800) FOR DEPO
1111 14th ST., N.W., 4th FLOOR / WASHINGTON, D.C., 20005


CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served either the highly confidential or the public version of the foregoing TM-34, "Rebuttal in Support of the Responsive Application of the Texas Mexican Railway Company," by hand delivery upon the following persons:

Arvid E. Roach II
J. Michael Hemmer
Michael L. Rosenthal
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20044-7566

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

I have also caused to be served by first-class mail, postage prepaid, or by a more expeditious manner of delivery, all persons on the official service list in Finance Docket No. 32760.


Richard D. Kelley
Zuckert, Scoutt
& Rasenberger, L.L.P.
Brawner Building
888 17th Street, N.W.
Washington, D.C. 20006-3959
(202) 298-8660

Dated: May 14, 1996

STB

FD

32760

5-13-96

83455

HARKINS CUNNINGHAM

ATTORNEYS AT LAW

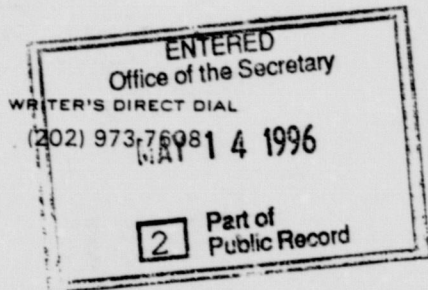
SUITE 600

1300 NINETEENTH STREET, N.W.

WASHINGTON, D.C. 20036-1609

202 973-7600

FACSIMILE 202 973-7610



1800 ONE COMMERCE SQUARE

2005 MARKET STREET

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215 851-6700

FACSIMILE 215 851-6710

May 13, 1996

BY HAND

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1201 Constitution Avenue, N.W., Room 1324
Washington, D.C. 20423

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

Dear Mr. Williams:

Enclosed for filing in the above-referenced proceeding are an original and 20 copies of a document designated as UP/SP-245, Notice of Supplemental Filing of Deposition Transcripts. Also enclosed is a diskette containing the text of this document in WordPerfect 5.1 format.

Accompanying this filing are the redacted deposition transcripts and other materials referred to in the notice. Among those materials are errata pages and signature pages to deposition transcripts that were previously filed with the Board on April 29, 1996, in accordance with Applicants' Notice of Filing of Deposition Transcripts (UP/SP-236, filed April 29, 1996).

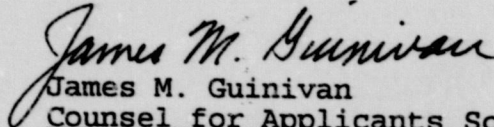
Some of these materials being filed under seal, because they contain material designated as "Highly Confidential" or "Confidential" under the protective order in this proceeding (Decision No. 2, served September 1, 1995). In every such

HARKINS CUNNINGHAM

Mr. Vernon A. Williams, Secretary
May 13, 1996
Page 2

instance, applicants are simultaneously filing redacted copies of those materials on the public record.

Very truly yours,



James M. Guinivan
Counsel for Applicants Southern
Pacific Rail Corporation, Southern
Pacific Transportation Company, St.
Louis Southwestern Rail Company,
SPCSL Corp., and The Denver and Rio
Grande Western Railroad Company

Enclosures

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

NOTICE OF SUPPLEMENTAL FILING OF DEPOSITION TRANSCRIPTS

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May 13, 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
RIO GRANDE WESTERN RAILROAD COMPANY

NOTICE OF SUPPLEMENTAL FILING OF DEPOSITION TRANSCRIPTS

For the convenience of the Board and the parties,
Union Pacific Corporation ("UPC"), Union Pacific Railroad
Company ("UPRR"), Missouri Pacific Railroad Company
("MPRR"),^{1/} Southern Pacific Rail Corporation ("SPR"),
Southern Pacific Transportation Company ("SPT"), St. Louis
Southwestern Railway Company ("SSW"), SPCSL Corp. ("SPCSL"),
and The Denver and Rio Grande Western Railroad Company
("DRGW"),^{2/} are filing this day certain transcripts and
associated documents for the depositions taken in this action
since March 29, 1996, as listed below:

^{1/} UPC, UPRR and MPRR are referred to collectively as "Union Pacific." UPRR and MPRR are referred to collectively as "UP."

^{2/} SPR, SPT, SSW, SPCSL and DRGW are referred to collectively as "Southern Pacific." SPT, SSW, SPCSL and DRGW are referred to collectively as "SP."

SUPPLEMENTAL FILING

Date of Deposition	Witness	Nature of Supplemental Filing
4/18/96	Grimm	Errata; signature page
4/18/96	Simpson/Turner	Signed errata; signature page
4/19/96	Hass	Redacted version; errata; signature page
4/19/96	Ploth	Errata; signature page
4/19/96	Skinner	Errata
4/21/96	Hunt/Oderwald	Redacted version
4/22-23/96	Crowley	Redacted version; signed errata; signature page
4/22/96	O'Conner/Darling	Redacted version; errata; signature page
4/23/96	Christensen	Redacted version; errata; signature page
4/24/96	Majure	Redacted version; errata; signature page

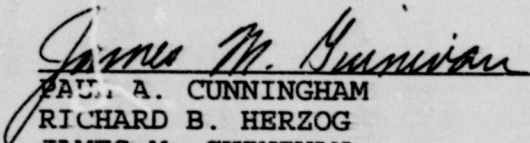
With the exception of certain signature pages and errata that applicants have been unable to obtain from counsel for the deponents, this list corresponds exactly to the Attachment to the Notice of Filing of Deposition Transcripts (UP/SP-236), in which Applicants listed the materials they intended to provide the Board in a supplemental filing.

All every instance in which a redacted version of a deposition transcript is being filed, the unredacted version

has previously been filed under seal, and the redacted version being filed today should be placed on the public record.

Respectfully submitted,

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Transportation Company
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San Francisco, California 94105
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Attorneys for Union Pacific
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Railroad Company and Missouri
Pacific Railroad Company

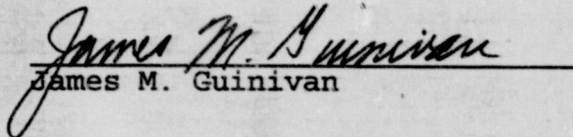
May 13, 1996

CERTIFICATE OF SERVICE

I, James M. Guinivan, certify that, on this 13th day of May, 1996, I caused a copy of the foregoing Notice of Supplemental Filing of Deposition Transcripts (UP/SP-245) to be served by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties of record in Finance Docket No. 32760, and on

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

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


James M. Guinivan

STB FD

32760

5-20-96

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Item No. _____

Page Count 5

May 1996 # 113

83601

MAYER, BROWN & PLATT

2000 PENNSYLVANIA AVENUE, N.W.

WASHINGTON, D.C. 20006-1882

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JAUREGUI, NAVARRETE, NADER Y ROJAS

202-463-2000
TELEX 892603
FACSIMILE
202-861-0473

May 20, 1996

VIA HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
12th Street & Constitution Ave., NW
Room 2215
Washington, DC 20423



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

Dear Secretary Williams:

Enclosed for filing in the above-captioned docket are the original and twenty (20) copies of Erratum to BN/SF-55 (BN/SF-58). Also enclosed is a 3.5-inch disk which contains the text on BN/SF-58 in Wordperfect 5.1 format.

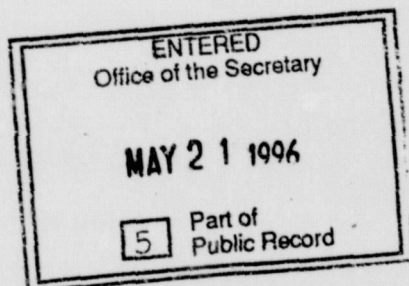
I would appreciate it if you would date-stamp the enclosed extra copy and return it to the messenger for our files.

Sincerely,

Ted R. Bardach

Ted R. Bardach
Paralegal

Enclosures



ORIGINAL

BN/SF-58

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

ERRATUM TO BN/SF-55

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

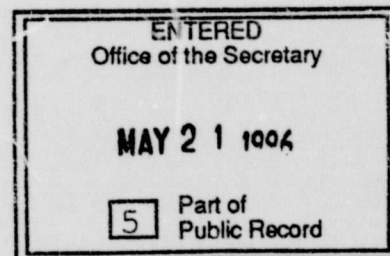
Erika Z. Jones
Adrian L. Steel, Jr.
Roy T. Englert, Jr.
Kathryn A. Kusske

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The Atchison, Topeka and Santa Fe
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1700 East Golf Road
Schaumburg, Illinois 60173
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Attorneys for Burlington Northern Railroad Company
and The Atchison, Topeka and Santa Fe Railway Company

May 20, 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

ERRATUM TO BN/SF-55

Verified Statement of Christopher D. Kent and John C. Klick

<u>Page</u>	<u>Line</u>	<u>Change</u>
51	3	Insert "-- in all but two movements --" between "that" and "are"

Respectfully submitted,

Erika Z. Jones —

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

Erika Z. Jones
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Attorneys for Burlington Northern Railroad Company
and The Atchison, Topeka and Santa Fe Railway Company

May 20, 1996

CERTIFICATE OF SERVICE

I hereby certify that copies of Erratum to BN/SF-55 (BN/SF-58) have been served
this 20th day of May, 1996, by first-class mail, postage prepaid on all Parties of Record in
Finance Docket No. 32760.

Kelley E. O'Brien

Kelley E. O'Brien

Mayer, Brown & Platt

2000 Pennsylvania Avenue, N.W.

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32760

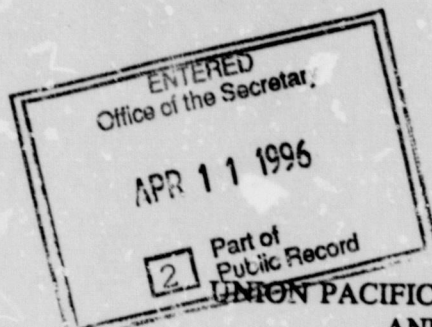
4-10-96

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83696

KCS-37



BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760



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

THE KANSAS CITY SOUTHERN RAILWAY COMPANY'S RESPONSES TO
APPLICANTS' THIRD SET OF INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS

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Attorneys for the Kansas City Southern Railway Company

April 10, 1996

The Kansas City Southern Railway Company ("KCS") responds to Applicants' Third Set of Interrogatories and Requests for Production of Documents as follows:

KCS reasserts and incorporates by reference, its General Objections to Applicants' discovery requests as set forth in KCS-28, paragraphs 3 through 13. Subject to these objections and to prior rulings by Administrative Law Judge Nelson in this proceeding, KCS responds to Applicants' individual interrogatories as follows:

Interrogatories

5. If you contend that there are significant investments in improvements of its railroad that SP could or should have made, or can and should make, identify them and describe any rates of return, hurdle rates, or like standards you use for determining whether to invest in improvements in your business. [All but Govts, Assns]

RESPONSE: KCS incorporates its response to Interrogatory No. 10 contained in KCS-35.

14. Identify all persons (other than Hunt and Oderwald) who assisted in the preparation of the study discussed in the Hunt/Oderwald statement. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

15. Identify each new location (as compared to the 1994 Waybill Sample) in the Quantanet Intercarrier Routing Model used in the study produced by Hunt and Oderwald where BN/Santa Fe was treated as able to originate and terminate traffic by reason of the BN/Santa Fe Settlement. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

16. For each new location identified in response to the preceding question, state whether for purposes of the study presented by Hunt and Oderwald BN/Santa Fe was treated as able to originate or terminate traffic directly. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

17. Identify and describe any and all limitations imposed as part of the study prepared by ALK Associates, Inc. on the ability of BN/Santa Fe to originate, terminate, or carry traffic, including without limitation: (a) any geographic limitation; (b) any minimum volume thresholds applied to locations; and (c) any limitations related to voluntary haulage agreements. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS

and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

18. State whether railroad origins and destinations as referenced in the first full paragraph of page 4 of the verified statement of Hunt and Oderwald were defined on the basis of Business Economic Area (BEA): (a) for intermodal traffic, and (b) for automobile traffic. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

19. Identify and describe all adjustments made by ALK Associates, Inc. and used in the study presented by Hunt and Oderwald to the 1994 ICC Waybill Sample or to the network used as part of the ATD model, including, without limitation, adjustments:

- a. to account for changes in railroad ownership, operations, or operating rights that have taken place since 1994.
- b. to account for rebilling of freight traffic.
- c. to model nodes where more than one Standard Point Location Code was assigned to a node.
- d. to account for intermodal traffic to and from truck hub locations. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS

and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

20. Identify and explain any reassignments of tri-level and intermodal movements to new or different nodes by ALK Associates, Inc. in preparing the study presented by Hunt and Oderwald. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

21. Identify and describe the classification of junction types (e.g., run through; through block; daily switching; less than daily switching) that were assigned in the Quantanet Intercarrier Routing Model used in preparation of the study produced by Hunt and Oderwald, including the basis for those classifications (e.g., average daily volume) and the impedances assigned to each classification in the final calibrated routing model. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

22. Identify each new interline junction between BN/Santa Fe and another carrier created as part of the study produced by Hunt and Oderwald. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS

and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

23. For each new interline junction identified in response to the preceding question, identify the junction classification and impedance values assigned in the Quantanet Intercarrier Routing Model as used in the study produced by Hunt and Oderwald. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

24. Identify and describe any differences in impedance assigned to the node or nodes representing the Laredo, Texas gateway with Mexico for traffic interchanged with (a) UP and (b) The Texas Mexican Railway. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

25. State whether ALK Associates, Inc. had completed its calibration of impedances for the Quantanet Intercarrier Routing Model using the 1994 Waybill (other than the ATD Model Recalibration discussed at pages 8 and 9 of the verified statement of Hunt and Oderwald) prior to its retention by Conrail for this proceeding. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

26. Identify all junctions in the waybill sample that were eliminated in the Quantanet Intercarrier Routing Model used in the study presented by Hunt and Oderwald. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

27. Identify all measures used by ALK Associates, Inc. to determine whether the Quantanet Intercarrier Routing Model was unbiased as used in the study presented by Hunt and Oderwald. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

28. Identify and describe all measurements of the quality of the Quantanet Intercarrier Routing Model that were performed in preparation of the study presented by Hunt and Oderwald. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

29. Identify and describe any comparisons that have been made by ALK Associates, Inc. over the past five years of the impact on traffic flows of a proposed change in the rail network estimated by the "ATD Model" referenced in the verified statement of Hunt and Oderwald and the actual changes in traffic flows that resulted from such change. [CR. KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

30. Identify any screens used by ALK Associates, Inc. as part of its estimation of market shares to eliminate routes that are considered unlikely to attract traffic, including screens applied at the time the origin, origin carrier, termination, termination carrier "quads" are formed for the Quatanet routing model and those applied after routes are generated. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

31. Describe any filtering or other process used by ALK Associates, Inc. to divert traffic from base 1994 routes to new routes after estimates were made of the market share each route is likely to attract. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS

and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

32. Identify all calibrations to the AIX Advanced Traffic Diversion Model ("ATD Model") for each year from 1991 through the present, and produce all documents relating to or setting for the reason(s) for each such calibration. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore incorporates by reference Conrail's response to this interrogatory.

DOCUMENT REQUESTS

33. To the extent not done as part of your prior discovery responses or March 29 filings, produce all presentations to, and minutes of, your board of directors relating to the UP/SP merger or conditions to be sought by you or any other party in this proceeding. [All but govt's, assns.]

RESPONSE: KCS incorporates its response to Request No. 21 contained in KCS-35.

34. To the extent not done as part of your prior discovery responses or March 29 filings, produce all your business plans or strategic plans, if those filings referred to the possible impact of the merger on your future business. [All but govt's, assns]

RESPONSE: KCS incorporates its response to Request No. 23 contained in KCS-35.

38. To the extent not done as part of your prior discovery responses or March 29 filings, if the answer to Interrogatory 21 in applicants' second set is affirmative, produce all documents, including computer tapes, that enable the identification of traffic for which SP is the exclusive serving carrier at the origination or the destination.

RESPONSE: KCS incorporates its response to Interrogatory No. 21 contained in KCS-35, which referred Applicants to responsive disks in the KCS document depository.

39. Produce all geo-coded traffic data from the 1994 Carload Waybill Sample. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore refers Applicants to Conrail's response to this request.

40. Produce all statistical analyses undertaken in developing the "trackage/haulage" coefficients reference on pages 8 and 9 of the Hunt/Oderwald Verified Statement. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore refers Applicants to Conrail's response to this request.

41. Produce in both a paper output list and in electronic format the uncompiled computer source code and the executable version of the following software:

a. The two most recent versions of the "pre-recalibration" ATD Model, i.e., the code(s) that would have been executed prior to the "recalibration" effort described in the Hunt/Oderwald Verified Statement, including:

(1) All the hard copy and machine-readable input and output files for original runs of the "pre-calibration" program that were used to calibrate it against the 1994 Carload Waybill Sample data, and the coefficients determined from those calibrations.

(2) All the hard copy and machine-readable input and output files for original runs of the "pre-calibration" program that were used by ALK to "test[]" the ATC model against the 1994 ICC

Carload Waybill Sample" as described on page 6 of the Hunt/Oderwald Verified Statement, and the coefficients determined from those calibrations.

(3) All the hard copy and machine-readable input and output files for original runs of the "pre-recalibration" program that indicated the need for recalibration.

(4) All other computer programs, input files, and output files, in both paper and machine-readable form, that were used to explore the sensitivity of the coefficients in the "market share equation" to various strategies of recalibration.

b. The current version of the recalibrated ATD Model, and all intermediate versions of the ATD Model run by ALK to finalize and "tune" the final recalibrated model, including input, output, and program listings, in both paper and machine-readable form, and all machine-readable versions of the input files and output files from these runs.

c. All runs of the recalibrated ATD that form the basis for the opinions expressed by Hunt/Oderwald in their Verified Statement, with these runs specifically identified as such, including input, output, and program listings, in both paper and machine-readable form, and all machine-readable versions of the input files and output files from these runs.

d. The two most recent versions of PC*Rail

e. The two most recent versions of the Princeton Transportation Network Model and the Graphic Information System ("PTNM/GIS").

f. All programs and files, both input and output, that form the basis of Figures I, Ia, Ib, Ic, Id, II, IIa, IIb, IIc, IId, in the Hunt/Oderwald Verified Statement. [CR, KCS]

RESPONSE: Pursuant to an agreement between KCS and Conrail, witnesses Hunt and Oderwald's testimony was utilized by both KCS and Conrail. KCS therefore refers Applicants to Conrail's response to this request.

This 10th day of April, 1996.

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Attorneys for The Kansas City
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing "The Kansas City Southern Railway Company's Responses to Applicants' Third set of Interrogatories and Requests for Production of Documents" was served this 10th day of April, 1986, by hand delivery to attorneys for Applicants and by depositing a copy in the United States mail in a properly addressed envelope with adequate postage thereon addressed to the Restricted Service List.

Alan E. Lube
Attorney for The Kansas City Southern
Railway Company

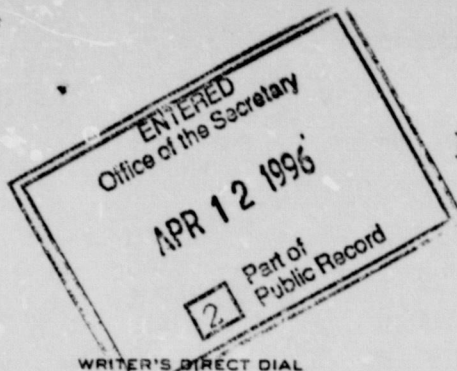
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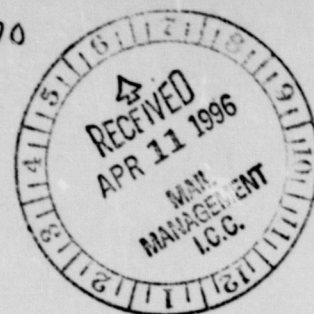


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April 11, 1996

HAND DELIVERED

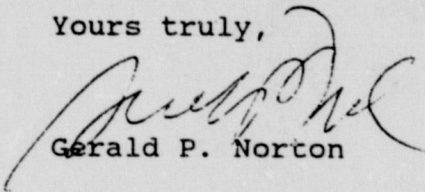
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1201 Constitution Avenue, N.W., Room 1324
Washington, D.C. 20423

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

Dear Mr. Williams:

Enclosed for filing in the above-captioned proceeding
are an original and 20 copies of a document designated as UP/SP-
212, Applicants' Eighth Set of Discovery Requests.

Yours truly,



Gerald P. Norton

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 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' EIGHTH SET OF DISCOVERY REQUESTS

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April 11, 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' EIGHTH SET OF DISCOVERY REQUESTS

Pursuant to 49 C.F.R. §§ 1114.21 et seq., and the Discovery Guidelines entered in this proceeding on December 7, 1995, and the rulings of Judge Nelson on March 8, 1996 ("March 8 rulings"), Applicants UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW direct the following interrogatories and document requests to each party ("you") who made a filing on or about March 29, 1995, and is listed in the Appendix. You should respond to those requests designated for response by you.

Responses should be delivered as soon as possible, and in no event later than 5:00 p.m. on the sixth calendar day from the date of service hereof (see March 8 rulings, Tr. 2061). According to Judge Nelson, claims of undue burden must "be detailed as to time, money, physical limitations, geography, or any other factors making the alleged burden" (id., Tr. 2061), and you must bring documents for which claims of irrelevance or privilege are made to a hearing on or about April 12, 1996, for review by the Administrative Law Judge and immediate production

(id., Tr. 2056). You are requested to contact the undersigned promptly to discuss any objections or questions regarding these requests with a view to resolving any disputes or issues of interpretation informally and expeditiously.

DEFINITIONS AND INSTRUCTIONS

Applicants incorporate by reference the definitions and instructions in their first set of interrogatories and requests for production of documents. [A copy of those definitions and instructions is enclosed for parties not served with a first set.]

"March 29 filings" means any filing due March 29, 1996, that you made or served in response to the Application, including documents that were put or due to put in a document depository on or about April 1, 1996, in conjunction with those filings, pursuant to the March 8 rulings, or in response to the first set of discovery requests.

DOCUMENT REQUEST

1. Produce all documents relating to the creation of Montana Rail Link, including but not limited to, all documents showing any and all relationships with BN/Santa Fe. [MRL]

Respectfully submitted,

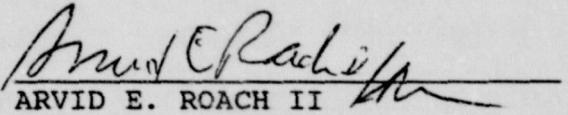
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Railway Company, SPCSL Corp. and
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Railroad Company and Missouri
Pacific Railroad Company

April 11, 1996

Finance Docket No. 32760

Appendix to Applicants' Eighth Set of Discovery Requests

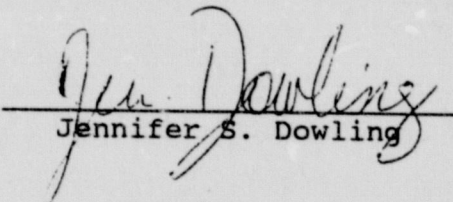
Party	Document Request	
MRL	1	

CERTIFICATE OF SERVICE

I, Jennifer S. Dowling, certify that, on this 11th day of April, 1996, I caused a copy of the foregoing document to be served by hand or facsimile transmission on all parties to whom it is directed so as to be received by 5:00 p.m., and by first-class mail, postage prepaid, or a more expeditious form of delivery, on all other parties of record appearing on the restricted service list in Finance Docket No. 32760, and on

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

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



Jennifer S. Dowling

STB

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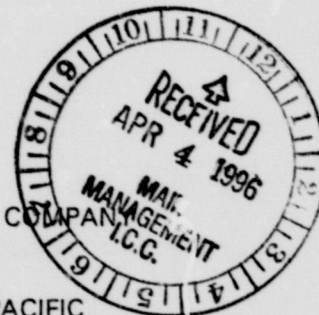
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KCS-34

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

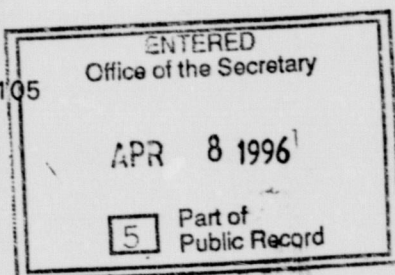
UNION PACIFIC CORPORATION, UNION PACIFIC RAILROAD COMPANY
AND MISSOURI PACIFIC RAILROAD COMPANY
-- CONTROL AND MERGER --
SOUTHERN PACIFIC RAIL CORPORATION, SOUTHERN PACIFIC
TRANSPORTATION COMPANY, ST. LOUIS SOUTHWESTERN RAILWAY
COMPANY, SPCSL CORP. AND THE DENVER AND
RIO GRANDE WESTERN RAILROAD COMPANY



THE KANSAS CITY SOUTHERN RAILWAY COMPANY'S
SECOND SUPPLEMENTAL ANSWERS TO
APPLICANTS' FIRST SET OF INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS TO
KANSAS CITY SOUTHERN RAILWAY COMPANY

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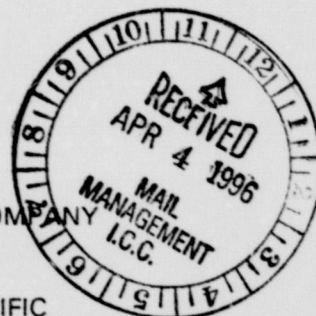
Attorneys for The Kansas City Southern
Railway Company

April 3, 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



THE KANSAS CITY SOUTHERN RAILWAY COMPANY'S
SECOND SUPPLEMENTAL ANSWERS TO
APPLICANTS' FIRST SET OF INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS TO
KANSAS CITY SOUTHERN RAILWAY COMPANY

Subject to its general and specific objections previously made, all of which are incorporated herein, The Kansas City Southern Railway Company, Inc. ("KCS") hereby provides the following Second Supplemental Answers to Interrogatories pursuant to paragraph 1 of the Discovery Guidelines adopted by the Commission on December 5, 1995, and to the rulings made by The Honorable Jerome Nelson on March 8, 1996 and March 20, 1996.

KCS incorporates herein its prior Responses to Applicants' First Set of Interrogatories and Document Production Requests (hereinafter referred to as "Applicants' discovery requests").

Interrogatory No. 3: Identify each rail line where KCS owns the track and another railroad has trackage rights, or where KCS operates over another railroad on trackage rights, in each instance identifying the other railroad. Production of the trackage rights agreements will

suffice as an answer. With respect to each segment where KCS owns the track and another railroad has trackage rights, identify each instance in which KCS has taken any actions, or failed to take any action, resulting in interference with or limitation on the ability of the tenant railroad to compete effectively with KCS or any other transportation company or to operate its trains as it would if it owned such track segment.

Response: Most of the trackage rights agreements to which KCS is a party are with the Applicants, and Applicants have these agreements. Further, 4 Agreements are attached to the Verified Statement of Tom Nelson (KCS-32, Exhibits 2,3,5 and 6). The remainder of the Agreements are in the process of being placed in the KCS depository, and copies thereof will be provided to Applicants.

Interrogatory No. 5: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following assertions at page 4: "[B]ased on 1993 data, there are 164 BEA origin-destinations with traffic greater than \$2 million that will go from 2-1 independent alternatives. The traffic in revenues in these 2-1 corridors exceeds \$1.65 billion. There are another \$3.93 billion in revenues in BEA origin-destinations that would fall from 3-2 independent alternatives if merger is approved." Were these calculations based on Waybill Sample data? If not, what data were used? How were the number of "independent alternatives" in a BEA pair determined? Was all traffic in a BEA pair, regardless of how many railroads served either end of any particular movement, included in the revenue calculations if the BEA pair was deemed "2-1" or "3-2"? Have any similar calculations been done based on 1994 data or that reflect the BN/Santa Fe Settlement Agreement?

Response: In further response, see Comments of the Kansas City Southern Railway Company And Request For Conditions filed March 29, 1996 (KCS-33) (hereinafter referred to as "Comments"), and the Verified Statement of Dr. Curtis Grimm, including pages 182-187. The number of independent alternatives were determined as covered in Dr. Grimm's March 29, 1996 Verified Statement at pages 182-187, except the exclusion criteria specified on page 186

were not applied to the 1993 ICC Waybill study. The \$2 million minimum was used as the threshold below which a BEA pair was not included. All traffic in the BEA pair was not considered since the \$2 million threshold was applied. A similar calculation was not performed for 1994. The calculation performed on 1994 waybill data was as described by Dr. Grimm at pages 182-187, except it was performed on the 1994 ICC Waybill Data and was reported as Figure 5.2 following page 192.2 in the Public Version of Volume 1. No calculations were performed reflecting the BNSF Settlement Agreement.

Interrogatory No. 7: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following statements at page 5: "Based on Class 1 railroad originations by BEA, the BN/UP duopoly will have fully 100% market share in 37 Western BEA's. The two systems will have 90-99% market share in an additional 8 BEA's, 70-89% market share in an additional 4 BEA's and 50-69% market share in another 4 BEA's." Were these calculations based on Waybill Sample data? If not, what data were used? How was traffic originating on non-Class 1 railroads handled in the calculations? Have any similar calculations been done based on 1994 data or that reflect the BN/Santa Fe Settlement Agreement? Define the word "duopoly" as it is used here.

Response: In further response, no similar calculations were done based on 1994 data or that reflect the BN/Santa Fe Settlement Agreement.

Interrogatory No. 8: The Verified Statement of Curtis M. Grimm submitted with KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) contains the following statements at page 6: "Based on Class 1 railroad originations by BEA, the BN/SF and the combined UP/SP will have fully 100% market share in 58 Western BEA's. The two systems will have 90-99% market share in an additional 10 BEA's, 70-89% market share in an additional 8 BEA's and 50-69% market share in another 8 BEA's." Were these calculations based on Waybill Sample data? If not, what data were used? What year's data were used for the calculations? How

was traffic originating on non-Class I railroads handled in the calculations? Why do these figures differ from those in Interrogatory No. 7?

Response: In further response, the figures in KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) differ from those in Interrogatory No. 7, because the data reflected in Interrogatory No. 7 reflect both market share and system overlap.

Interrogatory No. 9: Does KCS contend that any of the lines over which trackage rights are sought in Finance Docket No. 32760 (Sub-No. 9) are not "terminal facilities, including main line track for a reasonable distance outside of a terminal" (former 49 U.S.C. § 11103)? If so, identify each such trackage rights segment and explain the bases for KCS' contention.

Response: Yes. See Response of The Kansas City Southern Railway Company to Application For Terminal Rights, KCS-32, (Finance Docket No. 32760 (Sub-No.-9) filed March 29, 1996, including the Verified Statement of Mr. Tom J. Nelson.

Interrogatory No. 10: Does KCS contend that any of the trackage rights sought in Finance Docket No. 32760 (Sub-No. 9) are not essential in order to implement the settlement agreement among UP, SP and BN/Santa Fe? If so, identify each such trackage rights segment and explain the bases for KCS' contention.

Response: See Response of The Kansas City Southern Railway Company to Application For Terminal Rights, KCS-32, Finance Docket No. 32. (Finance Docket No. 32760 (Sub-No.9) filed March 29, 1996, including the Verified Statement of Mr. Tom J. Nelson.

Interrogatory No. 11: Does KCS contend that any of the trackage rights sought in Finance Docket No. 32760 (Sub-No. 9) will substantially interfere with the ability of KCS to handle its own business? If so, identify each such trackage rights segment and explain the bases for KCS' contention. ▲

Response: See Response of The Kansas City Southern Railway Company to Application For Terminal Rights, KCS-32, Finance Docket No. 32, (Finance Docket No. 32760 (Sub-No.9) filed March 29, 1996, including the Verified Statement of Mr. Tom J. Nelson.

Interrogatory No. 12: Does KCS contend that the primarily directional operations identified in the UP/SP Operating Plan will have any adverse impact on KCS' operations in the Shreveport terminal or at any other location? If so, identify each such location and explain the bases for KCS' contention.

Response: See Response of The Kansas City Southern Railway Company to Application For Terminal Rights, KCS-32, Finance Docket No. 32, (Finance Docket No. 32760 (Sub-No.9) filed March 29, 1996, including the Verified Statement of Mr. Tom J. Nelson.

Interrogatory No. 13: Explain why, if KCS were to purchase SP lines between St. Louis/Memphis and Texas, KCS would provide superior service, greater transportation efficiency or other larger public benefits than would Conrail as purchaser of those lines.

Response: Information responsive to this interrogatory is contained in KCS's comments filed on March 29, 1996 (KCS-33). In further response, KCS states that if the SP lines in question were divested and if KCS were the successful acquirer of such lines, a full and complete answer to this inquiry may then be appropriate and would be contained in any application that KCS would be required to file.

Interrogatory No. 14: Does KCS have a specific proposal for line sales or trackage rights in its favor as a condition to the UP/SP merger? If so, (a) describe that proposal, (b) state whether KCS has conducted a market analysis with respect to the proposal, (c) state whether KCS has prepared an operating plan with respect to the proposal, and (d) state whether KCS has prepared pro forma financial statements with respect to the proposal.

Response: Information responsive to this interrogatory is contained in KCS's Comments filed March 29, 1996 (KCS-33), specifically including section VIII.

Interrogatory No. 16: KCS President and Chief Executive Officer Haverty is quoted in Traffic World, Dec. 18/25, 1995, p. 32, as stating that Conrail President LeVan "told me what his plan was and I told him what our plan was," and that "[w]e have never, ever had discussions about a joint plan." Describe in detail the discussions referred to between Messrs. Haverty and LeVan. Describe in detail any other discussions, whether occurring before or after Mr. Haverty's statement, between representatives of KCS and Conrail about separate or joint plans.

Response: Information responsive to this interrogatory is contained in KCS's comments filed March 29, 1996 (KCS-33) and in documents placed in KCS Document Depository. In further response, KCS shows that any discussion in December 1995 of potential plans is irrelevant due to KCS's having now filed its Comments in this proceeding.

Interrogatory No. 17: The Verified Statement of Curtis M. Grimm submitted with KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) contains the following statements at page 10, footnote 11: "For traffic originating in the Dallas-Fort Worth BEA and terminating in the Houston BEA, the SP, BN, UP and SF single-line routes have the following 1993 market shares: [citing percentages, which are redacted in public version]." Were these calculations based on Waybill Sample data? If not, what data were used? Explain in detail how these "market shares" were calculated.

Response: In further response, the market shares were calculated based on the tons moved between the origin BEA and destination BEA. See KCS-33, Statement of Curtis Grimm.

Interrogatory No. 19: A "Dear Transportation Professional" letter from KCS President and Chief Executive Officer Haverty dated December 5, 1995 states, at page 1, that the UP/SP merger "would give the new rail combination pervasive control over almost \$3 billion of North American petro-chemical traffic." Explain in detail the basis for this calculation. Does this calculation assume that UP/SP will "control" all traffic that either UP or SP originated or

terminated in 1994? Does the calculation take account of the BN/Santa Fe Settlement Agreement? If so, how?

Response: All petro-chemical traffic (STC 28 or 29) originating or terminating on UP/SP lines was selected from the 1994 Waybill sample, and the total revenue of this traffic was determined to be \$2,933M. A set of UP/SP local nodes was then created from the 1994 Waybill network that represented all locations where UP and/or SP were the only railroads present. All traffic which both originated and terminated at these UP/SP captive nodes was selected from the 1994 Waybill, and the total revenue of this traffic equaled \$315M and represented the 11% market share that UP/SP controlled at both ends. All traffic which either originated or terminated at these UP/SP local nodes (excluding the traffic that originated and terminated) was also selected from the 1994 Waybill, and the total revenue of this traffic equaled \$2,000M and represented the 68% market share that UP/SP served locally at a single end. The remaining \$617M (21%) of the total UP/SP petro-chemical traffic represented traffic where other railroads were present at both the origination and the termination points.

Interrogatory No. 20: Mr. Harty's December 5 "Dear Transportation Professional" letter asserts, at page 2, that the "UP/SP system would control over 75% of the international rail traffic between the United States and Mexico," and that BN/Santa Fe "will control an additional 13% of that traffic." Explain in detail the basis for these calculations. How is rail traffic assigned to carriers in the calculations? Do the calculations take account of the BN/Santa Fe Settlement Agreement? If so, how?

Response: All traffic originating or terminating at the seven gateways to Mexico (Calexico, CA, Nogales, AZ, and El Paso, Presidio, Eagle Pass, Laredo, and Brownsville, TX) was selected from the 1994 ICC Waybill Sample. The total revenue for each Waybill record selected was divided among the carriers in the move by ALK's standard revenue division algorithm. The Waybill revenue was tabulated for each carrier and shown in Figure II. The

total revenue was calculated to be \$912 million. The following is a detailed list of the calculated revenues and associated percentages for the eleven largest carriers.

<u>CARRIER</u>	<u>REVENUE</u>	<u>PERCENTAGE</u>
UP	\$474,151,759	52%
SP	\$210,363,304	23%
BNSF	\$118,977,682	13%
NS	\$26,997,960	3%
CSXT	\$23,442,100	3%
CR	\$17,896,694	2%
TM	\$17,856,372	2%
CN	\$10,372,560	1%
CP	\$7,218,221	1%
KCS	\$2,923,763	0%
IC	<u>\$2,426,564</u>	<u>0%</u>
TOTAL:	\$912,626,979	1.00%

Interrogatory No. 22: Identify the current number of KCS (including MidSouth) movements per day over each of the KCS track segments in Shreveport and Beaumont over which terminal trackage rights are sought in Finance Docket No. 32760 (Sub-No. 9). Please subdivide the total for each segment into types of movement, such as through trains, locals, and switching moves.

Response: See, KCS-32, Verified Statement of Tom J. Nelson, specifically including pages 7 and 13.

DOCUMENT REQUESTS

Request No. 1: Produce no later than April 1, 1996 (a) all workpapers underlying any submission that KCS makes on or about March 29, 1996 in this proceeding, and (b) all publications, written testimony and transcripts, without limitation as to date, of any witnesses presenting testimony for KCS on or about March 29, 1996 in this proceeding.

Response: Subject to the prior objections asserted by KCS and to Judge Nelson's March 8, 1996 ruling regarding the scope of this request, responsive documents have been

placed in KCS's Document Depository, and additional documents will be added as they become available.

Request No. 2: Produce all documents relating to benefits or efficiencies that will result from the UP/SP merger.

Response: See Comments, including the Statement of Tom O'Connor.

Request No. 4: Produce all documents relating to competitive impacts of the UP/SP merger, including but not limited to effects on (a) market shares, (b) source or destination competition, (c) transloading options, or (d) build-in options.

Response: See Comments, including the Statement of Dr. Curtis Grimm, evidence in Vol. III, and related workpapers.

Request No. 5: Produce all documents relating to the BN/Santa Fe Settlement Agreement.

Response: See Comments, including Statements of David T. Hunt and William H. Oderwald, Donald A. Swanson, Joseph J. Plaistow and Hilary Rawert.

Request No. 6: Produce all documents relating to the IC Settlement Agreement.

Response: KCS has no responsive documents other than the Agreement itself.

Request No. 7: Produce all documents relating to the Utah Railway Settlement Agreement.

Response: KCS has no responsive documents.

Request No. 8: Produce all documents relating to conditions that might be imposed on approval of the UP/SP merger.

Response: See Comments.

Request No. 9: Produce all studies, reports or analyses relating to actual or potential competition between UP and SP.

Response: See Comments.

Request No. 10.: Produce all studies, reports or analyses relating to competition between single-line and interline rail transportation.

Response: See Comments.

Request No. 11.: Produce all studies, reports or analyses relating to the benefits of any prior rail merger or rail mergers generally.

Response: See Comments, including the Statements of Tom O'Connor and John Darling.

Request No. 12.: Produce all studies, reports or analyses relating to the financial position or prospects of SP.

Response: See Comments, including the Statements of Frank J. Berardino and John J. Grocki.

Request No. 14.: Produce all presentations, solicitation packages, form verified statements, or other materials used to seek support from shippers, public officials, railroads or others for the position of KCS or any other party in this proceeding.

Response: Subject to KCS's prior objections and to Judge Nelson's March 8, 1996 ruling limiting the scope of this request, responsive documents have been placed in the KCS Document Depository.

Request No. 15.: Produce: all presentations, letters, memoranda, white papers or other documents sent or given to 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 KCS's prior objections and to Judge Nelson's March 8, 1996 ruling limiting the scope of this request, responsive documents have been placed in the KCS Document Depository.

Request No. 16.: Produce all notes of, or memoranda relating to, 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 KCS's prior objections and to Judge Nelson's March 8, 1996 ruling limiting the scope of this request, responsive documents have been placed in the KCS Document Depository.

Request No. 18.: Produce all documents relating to the price to be paid for, or the value of, any UP or SP lines that might be sold as a condition to approval of, or otherwise in connection with, the UP/SP merger.

Response: See Comments, including the Statement of John J. Grocki.

Request No. 19.: Produce all documents relating to trackage rights compensation for any of the BN/Santa Fe Settlement Agreement Lines or any other line of UP or SP that might be the subject of a proposed trackage rights condition in this proceeding.

Response: See Comments, including the Statement of Joseph J. Plaistow.

Request No. 21.: Produce all documents relating to any agreement or understanding that KCS has with any other party to this proceeding regarding positions or actions to be taken in this proceeding. Documents relating to routine procedural agreements, such as agreements concerning the order of questioning at depositions or the avoidance of duplicative discovery, need not be produced.

Response: There are none.

Request No. 22.: Produce all presentations to, and minutes of, the board of directors of Kansas City Southern Industries relating to the UP/SP merger or conditions to be sought by any party in this proceeding.

Response: KCS has not located, but will continue to search for such documents.

Request No. 23.: Produce all studies, reports or analyses relating to collusion among competing railroads or the risk thereof.

Response: Subject to its prior objections to this request, KCS refers Applicants to its Comments, including Section V and accompanying evidence.

Request No. 24.: Produce all studies, reports or analyses relating to the terms for or effectiveness of trackage rights.

Response: See Comments, including Statements of Swanson, Hunt, Oderwald and Plaistow.

Request No. 25.: Produce the files for KCS' 25 largest Kansas grain shippers and 10 largest plastics shippers.

Response: Pursuant to agreement with counsel for Applicants, KCS submits the following information:

Grain Shippers:

Bartlett Grain
Cargill
ADM
Continental Grain
White Cloud Grain
Farmland Industries

Plastics Shippers:

Paxon Polymer - Baton Rouge, LA
-High Density Polyethylene (HDPE)
-1,300,000,000 lbs. plant capacity

Westlake Polymer - West Lake Charles, LA
-Low Density Polyethylene (LDPE)
-750 million lbs. plant capacity

Formosa Plastic - Baton Rouge, LA
-Polyvinyl Chloride (PVC)
-735 million lbs. plant capacity

Containeed Corp. - West Lake, LA
-Polyvinyl Chloride (PVC)

-235 million lbs. plant capacity

Shell Oil Co. - Norco, LA
-Polypropylene (PP)
-340 million lbs. plant capacity

Vista Chemical Co. - Aberdeen, MS
-Polyvinyl Chloride (PVC)
-450 million lbs. plant capacity

Exxon Chemical Americus - Baton Rouge, LA
-Low Density Polyethylene (LDPE)
-710 million lbs. plant capacity

Himont - West Lake Charles, LA
-Polypropylene (PP)
-352 million lbs. plant capacity

Request No. 26.: Produce all publications, written testimony and transcripts of Curtis M. Grimm, Thomas O'Connor and Joseph Plaistow, and all merger analyses that have been conducted by Snavelly, King & Associates, without limitation as to date.

Response: Subject to its prior objections and to Judge Nelson's March 8, 1996 ruling limiting the scope of this request, responsive documents have been placed in the KCS Document Depository.

Request No. 28.: Produce all computerized 100% KCS traffic data for 1994, containing at least the fields listed in Attachment A hereto, a Rule 11 or other rebilling indicator, gross freight revenue, and freight revenue net of allowances, refunds, discounts or other revenue offsets, together with documentation explaining the record layout and the content of the fields. To the extent particular items are unavailable in machine-readable form, (a) provide them in hard-copy form, and (b) provide any similar machine-readable data.

Response: These tapes have been provided to Applicants
(HC0000001-HC0000017).

Request No. 30.: See Comments, including Section IV and the Statement of Dr. Curtis Grimm. Produce all studies, reports or analyses relating to competition for traffic to or

from Mexico (including but not limited to truck competition) or competition among Mexican gateways.

Response: See Comments, including Section IV and the Statement of Dr. Curtis Grimm.

Request No. 31: Produce all documents, other than the study itself, relating to the January 1995 study by The Perryman Group entitled, "The Impact of the Proposed Union Pacific-Southern Pacific Merger on Business Activity in Texas."

Response: Subject to its prior objections, KCS states that there are no responsive documents.

Request No. 33: Produce all documents relating to the reported acquisition by Kansas City Southern Industries, Inc., of a 49% interest in Mexrail, Inc., and any related transactions, including but not limited to all agreements between KCS and Tex Mex or their parents or affiliates and any regulatory filings made by KCS or Tex Mex or their parents or affiliates.

Response: Responsive documents have been placed in the KCS Document Depository. See also the response of the Texas Mexican Railway.

Request No. 35: Produce all documents relating to the decision by KCS not to submit a responsive application in this proceeding, including but not limited to documents relating to whether KCS would be subject to conditions imposed by the Board to address anticompetitive consequences of any such responsive application if it did so.

Response: Subject to its prior objections, KCS refers Applicants to its Comments.

Request No. 36: Produce all public statements by KCS's President or other top executives relating to the UP/SP merger.

Response: Subject to its prior objections and to Judge Nelson's March 8, 1996 ruling, responsive documents have been placed in the KCS depository.

Request No. 38: Produce all documents relating to possible operations by KCS over, or capital investments by KCS in, lines of UP or SP.

Response: See Comments, including the Statement of Michael R. Haverty.

Request No. 39: Produce each current haulage or trackage rights agreement in effect between KCS and any other railroad.

Response: Most of the trackage rights agreements to which KCS is a party are with the Applicants, and Applicants have these agreements. Further, 4 Agreements are attached to the Verified Statement of Tom Nelson (KCS-32, Exhibits 2,3,5 and 6). The remainder of the Agreements are in the process of being placed in the KCS depository, and copies thereof will be provided to Applicants.

Request No. 40: Produce all studies, reports or analyses relating to competition in freight transportation services for shipments to or from West Coast ports.

Response: See Comments, Vol. III, including the analysis of traffic tapes.

Request No. 41: Produce all studies, reports or analyses relating to (a) transport pricing or competition for chemicals or petrochemicals (i.e., any STCC 28 or STCC 29 commodity, or such commodities generally), (b) the handling of such commodities by railroads, (c) the handling of such commodities by other modes, (d) storage-in-transit of such commodities, or (e) source or destination competition, shifting of production or shipments among facilities, "swapping" of product, modal alternatives, or shipper leverage as constraints on rail rates or service for such commodities.

Response: See Comments, including the Statement of the Curtis Grimm and Vol. III.

Request No. 42: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following statements at page 4: "[B]ased on 1993 data, there are 164 BEA origin-destinations with traffic greater than \$2 million that will go from 2-1 independent alternatives. The traffic in revenues in these 2-1 corridors exceeds \$1.65 billion. There are another \$3.93

billion in revenues in BEA origin-destinations that would fall from 3-2 independent alternatives if merger is approved." Produce all documents relating to these calculations and all documents relating to any similar calculations that have been done based on 1994 data or that reflect the BN/Santa Fe Settlement Agreement.

Response: See Comments, including the Statement of Dr. Curtis Grimm that supplements his earlier analysis.

Request No. 43: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following statements at page 4, footnote 3: "A similar calculation of the competitive harm from 2-1 reduction in independent rail alternatives has been performed for BN-Santa Fe and SP-Santa Fe, based on 1993 waybill data. The revenues in traffic for these BEA corridors are \$165 million for BN-Santa Fe and \$921 million for SP-Santa Fe." Produce all documents relating to these calculations.

Response: See Comments, including the Statement of Dr. Curtis Grimm that supplements his earlier analysis.

Request No. 44: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following statements at page 5: "Based on Class 1 railroad originations by BEA, the BN/UP duopoly will have fully 100% market share in 37 Western BEA's. The two systems will have 90-99% market share in an additional 8 BEA's, 70-89% market share in an additional 4 BEA's and 50-69% market share in another 4 BEA's." Produce all documents relating to these calculations and all documents relating to any similar calculations that have been done based on 1994 data or that reflect the BN/Santa Fe Settlement Agreement.

Response: See Comments, including the Statement of Dr. Curtis Grimm that supplements his earlier analysis.

Request No. 46: Produce all documents relating to any possible sale, acquisition, breakup, bankruptcy or other disposition of SP or any portion of SP.

Response: See Comments, including the Statement of John J. Grocki.

Request No. 47: Produce all instructions, guidelines or policies issued to or by train dispatchers or dispatching supervisors relating to dispatching of trains operated by any other railroad or railroads over trackage rights on KCS, including but not limited to any instructions, guidelines or policies relating to how such trains should be handled in relation or comparison to KCS trains, the priorities to be accorded to such trains, and any requirement to provide non-discriminatory or equal dispatch.

Response: KCS currently knows of no such documents. This response will be supplemented if such documents are found to exist. Additionally, KCS refers Applicants to the trackage rights agreements, which are being produced in response to Request No. 39

Request No. 48: Produce all documents reflecting the types or levels of priority or ranking assigned by KCS to its trains or trains of other railroads where other railroads have trackage rights over KCS, including but not limited to definitions or lists of such priorities or rankings and priorities or rankings assigned to individual trains.

Response: KCS currently knows of no such documents. This response will be supplemented if such documents are found to exist.

Request No. 49: Produce all documents relating to KCS' reasons for opposing the UP/SP merger or seeking to acquire any portion of SP in connection with the UP/SP merger.

Response: See Comments.

Request No. 50: Produce all analyses, studies, reports or plans relating to implementation of trackage rights or haulage rights obtained by KCS from BN and Santa Fe in connection with the BN/Santa Fe consolidation.

Response: Correspondence responsive to this request appears in KCS's Comments, Vol. III. No other documents are known to exist.

Request No. 51: Produce all communications between KCS and BN/Santa Fe relating to complaints about the handling of KCS trains or shipments under trackage rights or haulage obtained by KCS from BN and Santa Fe in connection with the BN/Santa Fe consolidation.

Response: No such documents are known to exist.

Request No. 52: If KCS has a specific proposal for line sales or trackage rights in its favor as a condition to the UP/SP merger, produce all documents relating to that proposal, including but not limited to (a) documents describing the proposal, (b) any market analysis with respect to the proposal, (c) any operating plan with respect to the proposal, and (d) any pro forma financial statements with respect to the proposal.

Response: See Comments and Response to Interrogatory No. 13 above.

Request No. 53: The Verified Statement of Curtis M. Grimm submitted with KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) contains the following statements at page 6: "Based on Class 1 railroad originations by BEA, the BN/SF and the combined UP/SP will have fully 100% market share in 58 Western BEA's. The two systems will have 90-99% market share in an additional 10 BEA's, 70-89% market share in an additional 8 BEA's and 50-69% market share in another 8 BEA's." Produce all documents relating to these calculations.

Response: See Comments including the Statement of Dr. Curtis Grimm, which supplements his earlier analysis.

Request No. 54: The Verified Statement of Curtis M. Grimm submitted with KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) contains the following statements at page 10, footnote 11: "For traffic originating in the Dallas-Fort Worth BEA and terminating in the Houston BEA, the SP, BN, UP and SF single-line routes have the following 1993 market shares: [citing percentages, which are redacted in the public version]." Produce all documents relating to these calculations.

Response: See Comments including the Statement of Dr. Curtis Grimm, which supplements his earlier analysis.

Request No. 57: Produce all communications between KCS and any investment banker relating to the purchase of all or any part of SP.

Response: See Comments, including the Statement of Michael R. Haverty.

Request No. 58: A "Dear Transportation Professional" letter from KCS President and Chief Executive Officer Haverty dated December 5, 1995 states, at page 1, that the UP/SP merger "would give the new rail combination pervasive control over almost \$3 billion of North American petro-chemical traffic." Produce all documents relating to this calculation.

Response: See Response to Interrogatory No. 19.

Request No. 59: Mr. Haverty's December 5 "Dear Transportation Professional" letter asserts, at page 2, that the "UP/SP system would control over 75% of the international rail traffic between the United States and Mexico," and that BN/Santa Fe "will control an additional 13% of that traffic." Produce all documents relating to these calculations.

Response: See Response to Interrogatory No. 20.

Request No. 60: Produce all documents relating to Figure I in Mr. Haverty's December 5 "Dear Transportation Professional" letter.

Response: See Response to Request No. 58 above.

Request No. 61: Produce all documents relating to Figure II in Mr. Haverty's December 5 "Dear Transportation Professional" letter.

Response: See Response to Request No. 59 above.

Request No. 62: Produce all documents relating to Figure III in Mr. Haverty's December 5 "Dear Transportation Professional" letter.

Response: Responsive documents have been placed in the KCS depository.

Request No. 63: Produce all studies, reports, analyses, compilations, calculations or evaluations of market or competitive impacts of the UP/SP merger or the BN/Santa Fe Settlement Agreement or of trackage rights compensation under the BN/Santa Fe Settlement prepared by Curtis M. Grimm, ALK Associates or Snively, King & Associates, and all workpapers or other documents relating thereto.

Response: See Comments, including the Statement of Dr. Curtis Grimm, Joseph J.

Plaistow, Tom O'Connor and John Darling and related work papers.

This 3rd day of April, 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 "Kansas City Southern Railway Company's Second Supplemental Answers Responses to Applicants' First Set of Interrogatories and Document Production Requests" was served this 3rd day of April, 1996, by hand delivery to attorneys for Applicants and by depositing a copy in the United States mail in a properly addressed envelope with adequate postage thereon addressed to each other party on the restricted service list.

Alan E. Lubel

Attorney for The Kansas City Southern
Railway Company

STB

FD

32760

4-3-96

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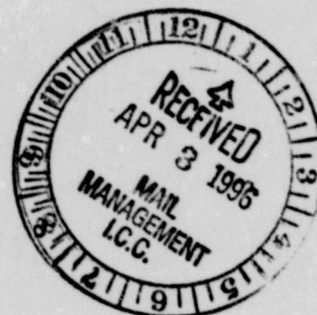
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Office of the Secretary

APR 04 1996

4 Post of
Public Record

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
SURFACE TRANSPORTATION BOARD

WSC-12



Finance Docket No. 32760

UNION PACIFIC CORP., et al. --
CONTROL AND MERGER --
SOUTHERN PACIFIC RAIL CORP., et al.

ERRATUM TO TESTIMONY OF WESTERN SHIPPERS' COALITION
WITNESS ALEXANDER H. JORDAN (WSC EX. 1)

Western Shippers' Coalition hereby submits the following erratum to the Verified Statement of Alexander H. Jordan (WSC Ex. 1), which was due to a word processing problem:

Add the words "over the D&RGW/UP, UP planned to drop the speed limits and do" after the word "operation" in the last (i.e., 26th) line on page 9, and delete the comma following the word "operation." Mr. Jordan will be prepared to attest that those additional words as part of his Verified Statement at his deposition, assuming such a deposition occurs.

Respectfully submitted,

Michael F. McBride

Michael F. McBride

Linda K. Breggin

Daniel Aronowitz

LeBoeuf, Lamb, Greene & MacRae, L.L.P.

1875 Connecticut Avenue, N.W., Ste. 1200

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Attorneys for Western
Shippers' Coalition

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

UNION PACIFIC CORP., et al. --
CONTROL AND MERGER --
SOUTHERN PACIFIC RAIL CORP., et al.

CERTIFICATE OF SERVICE

I hereby certify that I have served this 3rd day of April, 1996, a copy of the foregoing by facsimile on Arvid E. Roach, Esq. and Paul A. Cunningham, Esq. and on all other parties of record in this proceeding by First Class mail, postage prepaid.

Michael F. McBride
Michael F. McBride

STB

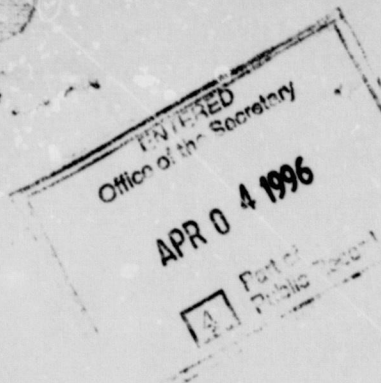
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HOPKINS & SUTTER

(A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS)

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DETROIT OFFICE 1333 BREWERY PARK BOULEVARD SUITE 101 48207



JAMIE PALTER RENNERT
(202) 835-8112

April 3, 1996

VIA HAND DELIVERY

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


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

Dear Mr. Williams:

On behalf of Canadian National Railway Company, I have enclosed the original signature page (and twenty copies) of the Verified Statement of Gerald K. Davies, filed with the Board on March 29, 1996 as Exhibit 1 to the *Statement of Position and Testimony of Canadian National Railway Company in Support of the Primary Application (CN-3)* in the above captioned docket. I have enclosed an additional copy of the signature page for your office to date-stamp and return to our office by our messenger for our files.

Please do not hesitate to call if you have any questions about this matter. Thank you.

Sincerely,

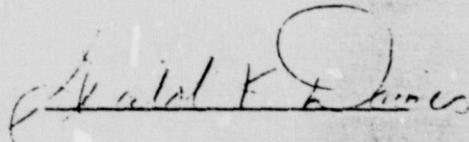

Jamie Palter Rennert

Enclosure

cc: Applicants

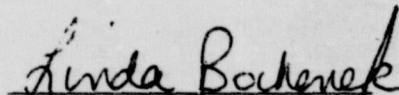
VERIFICATION

Gerald K. Davies, being first duly sworn, deposes and says that he is Senior Vice-President, Marketing, and has read the foregoing document, knows the contents thereof, and that the same is true and correct to the best of his knowledge.



Gerald K. Davies

Subscribed and sworn to me by Gerald K. Davies this 28th day of March, 1996.
in Montreal, Quebec



LINDA BOCHENEK
Commissioner for Oaths
Commissaire à l'Assermentation
District - Montreal
Expires July 26, 1996
No. 126 530,

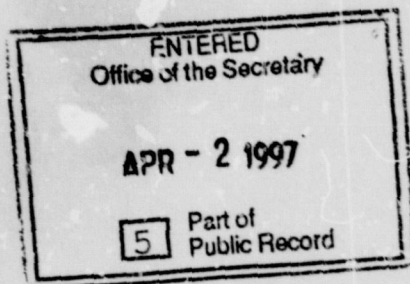
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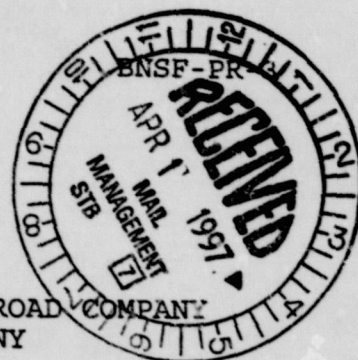


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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

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



-- CONTROL AND MERGER --

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

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

Pursuant to the Surface Transportation Board's ("Board")
Decision No. 44 in Finance Docket No. 32760, The Burlington
Northern and Santa Fe Railway Company ("BN/Santa Fe") hereby
submits its Quarterly Progress Report.^{1/} Union Pacific Corp., et
al. -- Control and Merger -- Southern Pacific Rail Corp., et al.,
Fin. Dkt. No. 32760, Decision No. 44 at 147 (served Aug. 12, 1996)
(BN/Santa Fe shall submit quarterly progress reports). This third
quarterly progress report follows BN/Santa Fe's January 2, 1997
progress report and its October 1, 1996 submission of a Progress
Report and Operating Plan.

In this Report, BN/Santa Fe summarizes the progress it has
made since its last report to the Board on its operations and

^{1/} As BN/Santa Fe did with its October 1, 1996 and January 2,
1997 submissions, it is providing courtesy copies of this Quarterly
Progress Report by mail to all parties on the restricted service
list in Finance Docket No. 32760. Should the Board desire BN/Santa
Fe to make this Quarterly Progress Report available in another
manner, BN/Santa Fe is prepared to do so.

provision of services to shippers. Total BN/Santa Fe traffic as a result of the trackage and other rights granted by Decision No. 44 has continued to grow. BN/Santa Fe trackage rights volumes in terms of units handled increased by 225% for the first quarter of 1997, up to over 6,000 units in March, compared to the last quarter of 1996. This growth has been driven by increased customer awareness of the BN/Santa Fe competitive option on our new UP/SP franchise, as well as our transition, begun in the fourth quarter of 1996 but accelerating in the first quarter of 1997, from haulage to trackage rights operations as volumes in key lanes continue to build. We expect to see these volumes continue to build through the second quarter of 1997 and beyond. In a number of our UP/SP lanes, we have seen volumes build to permit daily train service in each direction, an important milestone in providing effective competitive rail service.

Capital improvements have already been made to support these new operations, and other improvements are planned as part of the 1997 capital budget, as outlined in Section A(3) below. In addition, BN/Santa Fe has continued its significant efforts to inform existing and potential customers of the BN/Santa Fe services that are available, including marketing efforts to attract new customers over BN/Santa Fe's new routes and offers of competitive service to or from customers at two-to-one points.

In spite of BN/Santa Fe's continued vigorous efforts to implement operations and market services to shippers to which BN/Santa Fe has gained access pursuant to Decision No. 44,

challenges still exist to the prompt accomplishment of the Board's intention to preserve vigorous competition. Those challenges are discussed below in Section B.

A. BN/SANTA FE PROGRESS ON IMPLEMENTATION

Since its January 2, 1997 submission, BN/Santa Fe has undertaken additional steps to position itself to take full competitive advantage of the trackage rights and lines sales agreement it reached with UP/SP.

1. Direct BN/Santa Fe Train Service. Since its last submission, BN/Santa Fe has increased its train service and started new service as follows:

THROUGH SERVICE

- * BN/Santa Fe commenced intermodal service to and from the New Orleans, LA gateway on January 13, 1997. This service includes the provision of local service for the New Orleans market, through use of UP's Westwego intermodal facility.
- * BN/Santa Fe began direct train service on January 16, 1997, between Houston and Memphis, as it earlier had indicated to the Board was planned, in conjunction with a voluntary marketing agreement with the Illinois Central for origins and destinations on Conrail. This completes the initial implementation of BN/Santa Fe operations over the key corridors previously identified by the Board. Decision No. 44, at 146 n.178.
- * BN/Santa Fe commenced intermodal service to and from Salt Lake City, UT via Denver on February 4, 1997.
- * Commencing on February 4, 1997, BN/Santa Fe increased its Central Corridor service between Denver and Salt Lake City from three days to five days per week.

- * Effective April 1, 1997, BN/Santa Fe will begin operations with its own trains and crews over the trackage rights line between Temple and Eagle Pass, TX. At Eagle Pass, BN/Santa Fe will have a direct interchange with the Ferrocarriles Nacionales De Mexico.

LOCAL SERVICE

- * BN/Santa Fe commenced local merchandise train service between Houston and Dayton, TX on January 16, 1997, to improve BN/Santa Fe's service to customers on UP/SP's Baytown, TX branch.
- * BN/Santa Fe commenced local merchandise train service between Temple and Waco, TX and between Temple and Elgin, TX (interchange with the Longhorn Railway) on March 10, 1997.
- * BN/Santa Fe commenced local merchandise train service between Amelia and Beaumont, TX on March 23, 1997.
- * On April 1, 1997, Utah Railway will replace UP/SP local merchandise reciprocal switch and haulage service for Utah customers located between Provo and Little Mountain, UT, including Salt Lake City and Ogden, with local pickup and delivery service provided by Utah Railway, acting as BN/Santa Fe's agent. This service, connecting with BN/Santa Fe merchandise service operating in the Central Corridor, should result in significant service improvements for BN/Santa Fe's customers.
- * Through discussions with UP/SP and Salt Lake City Southern Railway ("SLCS"), BN/Santa Fe has now added SLCS as the seventeenth two-to-one shortline which BN/Santa Fe accesses, although not all SLCS customers can be reached by BN/Santa Fe due to pre-merger agreements between SLCS and UP/SP.

2. Haulage. BN/Santa Fe is working with UP/SP to improve UP/SP's provision of haulage services for BN/Santa Fe on the Baytown Branch near Dayton, TX. There is no interim haulage of BN/Santa Fe traffic by UP/SP on the I-5 route between Bieber and

Stockton because final negotiations have not been concluded with respect to implementation of the proportional rate agreement on the I-5 Corridor.

3. Capital Projects. BN/Santa Fe has commenced construction of a yard for local work at Dayton, TX. Its capital plans for 1997 include other projects to support new services being provided under the trackage rights such as a program to improve the Lafayette yard in Lafayette, LA; and approval of a \$600,000 project to rehabilitate and upgrade industry trackage from 6 cars to 32 cars for Texaco at Vallier, LA. Work on the project at Vallier is expected to begin shortly. BN/Santa Fe also has requested UP/SP to authorize construction of a 10,000 foot siding at Iowa Junction, LA using funds from the \$25 million capital reserve fund that was provided for in the Settlement Agreement approved by the Board. Construction of this siding will help to reduce congestion on the line between Houston and New Orleans.

4. Marketing Efforts. BN/Santa Fe has continued to undertake significant efforts to keep its existing and potential customers informed of its new services through direct customer contacts, as well as press releases and customer letters. The two-to-one customer list has been undergoing a process of continuous review and refinement and has been distributed to our customer base.

BN/Santa Fe is continuing to investigate opportunities for build-ins, new facilities and transloads and is pursuing discussions of those opportunities with interested shippers.

5. Coordination Matters. BN/Santa Fe and UP/SP are working together to seek to achieve better coordination on various kinds of operating issues. Further, the companies are working to relieve the congestion problems currently existing on UP/SP's Baytown, TX branch.

In addition, BN/Santa Fe and UP/SP are working through resolution efforts to identify and correct service problems on haulage and reciprocal switch shipments stemming from electronic information transfer between the multiple operating systems on each railroad. Frequently, information cannot be properly exchanged between the multiple systems in use on both BN/Santa Fe and UP/SP, leading to service breakdowns. The companies are focusing on problem resolution processes to identify the root causes of these problems and to insure that shipments move as customers expect. Steps to remedy these matters have involved the assignment of operations officers from BN/Santa Fe to the Salt Lake City and Houston-Baytown, TX areas to monitor such shipments and provide realtime feedback and input to correct data transfer problems.

While problem resolution commitment from UP/SP has been helpful, BN/Santa Fe continues to have problems with shipments moving via haulage or reciprocal switch on UP/SP, particularly on the former SP side. We are focused on resolving these issues promptly.

BN/Santa Fe and UP/SP have also exchanged drafts of a new facilities protocol to establish working guidelines for the companies in locating new industries along trackage rights lines.

B. CHALLENGES TO FULL ACCOMPLISHMENT OF THE BOARD'S INTENTIONS

Among the challenges facing BN/Santa Fe is the continued uncertainty present in the marketplace as a result of the pendency of the various appeals of the Board's decisions in the UP/SP merger, as well as ongoing efforts by BN/Santa Fe, UP/SP and the shippers to interpret and apply the Board's various rulings to particular situations. For example, as indicated in BN/Santa Fe's last quarterly report, Decision No. 57 concerning contract reopeners has not brought about the competitive opportunities that one might have anticipated. This is particularly true since UP/SP was given the right in Decision No. 57 to void the entire contract with a shipper if a shipper chose to open and award BN/Santa Fe up to 50% of the contract. Another area of concern that has developed but was not anticipated by Decision No. 44 are the limitations on BN/Santa Fe's access to New Orleans westbound traffic.

Other challenges are presented by the ongoing relationships with UP/SP and other carriers to come to agreement on matters such as reciprocal switching and interchange arrangements in locations like New Orleans to enable BN/Santa Fe to fully provide replacement service for the former SP, and track space availability at Ogden, UT.

Among the challenges previously identified by BN/Santa Fe that still remain are completion of final negotiations with UP/SP for an implementing agreement with respect to proportional rates in the I-5 Corridor. Substantial progress has been made toward implementation, and BN/Santa Fe and UP/SP have therefore suspended

the arbitration that was filed with the American Arbitration Association on December 4, 1996. UP/SP has taken the position that BN/Santa Fe cannot close on the Keddle-Bieber line purchase or commence through BN/Santa Fe operations over the I-5 route, as UP/SP has had the capability of doing since September 11, 1996, until the commercial issues involved in the proportional rate agreement have been settled.

BN/Santa Fe believes substantial progress has been made in resolving issues relating to implementation of the I-5 proportional rate agreement and believes that agreement should be implemented and the Keddle-Bieber transaction closed within the next 30 days. If such a resolution cannot be achieved in such a reasonable time period, BN/Santa Fe may be compelled to seek appropriate relief requiring closure of the Keddle-Bieber transaction so shippers are not denied the benefits of BN/Santa Fe's single line route as a competitive alternative to UP/SP's single line service resulting from the UP/SP transaction.

Another impediment that is still unresolved is the lack of progress in the negotiations between BN/Santa Fe and Tex Mex on determining a neutral division arrangement for rates on traffic interchanged at Robstown between the two carriers, to assure the continuation of vigorous competition for Mexico-bound traffic moving via the Laredo gateway.

Collectively, these challenges continue to cause delay to BN/Santa Fe's progress on implementation of fully competitive

service to shippers to which it was granted access by the Board's Decision No. 44.

CONCLUSION

BN/Santa Fe continues to make significant progress in implementation of the rights and access imposed by the Board in Decision No. 44. While the practicalities of the marketplace may take time to work out before commercial opportunities can be fully realized by BN/Santa Fe and the uncertainties associated with the Board's various decisions on appeal still persist, BN/Santa Fe is continuing its vigorous marketing efforts to two-to-one shippers and is continuing to gain substantial traffic to new destinations using its rights and access under Decision No. 44.

Respectfully submitted,

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April 1, 1997

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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
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NOTICE OF FILING OF
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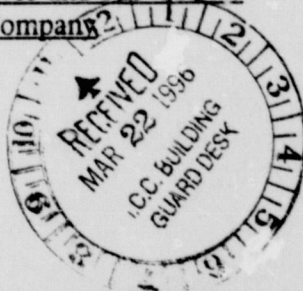
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March 22, 1996



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

NOTICE OF FILING OF
DEPOSITION TRANSCRIPTS

For the convenience of the Board and the parties, Union Pacific Corporation ("UPC"), Union Pacific Railroad Company ("UPRR"), Missouri Pacific Railroad Company ("MPRR"),^{1/} Southern Pacific Rail Corporation ("SPR"), Southern Pacific Transportation Company ("SPT"), St. Louis Southwestern Railway Company ("SSW"), SPCSL Corp. ("SPCSL"), and The Denver and Rio Grande Western Railroad Company ("DRGW")^{2/} are filing this day the transcripts and exhibits of the depositions taken to date in this action, as listed in the Attachment hereto.

Where any part of a deposition transcript is subject to the "Highly Confidential" or "Confidential" designations, the original transcript is being filed under

^{1/} UPC, UPRR, and MPRR are referred to collectively as "Union Pacific." UPRR and MPRR are referred to collectively as "UP."

^{2/} SPR, SPT, SSW, SPCSL and DRGW are referred to collectively as "Southern Pacific." SPT, SSW, SPCSL and DRGW are referred to collectively as "SP."

seal, and the sealed envelope and cover page are appropriately marked. In such instances, an additional copy of the transcript from which all "Highly Confidential" and "Confidential" material has been redacted is being filed, not under seal. The Attachment notes those transcripts for which redacted versions are being filed.

Applicants expect to file very shortly the Gehring transcript as well as the errata and signature pages that are not presently available, as listed in the column "Supplemental Filing" in the Attachment hereto.

Copies of all errata and confidentiality designations for these depositions

have been or are being served on the parties on the restricted service list.

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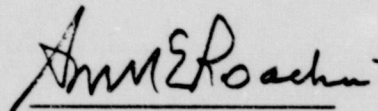
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March 22, 1996

ATTACHMENT

Date of Deposition	Witness	Redacted Version Filed	Supplemental Filing
1/16	Runde	Y	
1/17,18	Spero	Y	
1/19	Ainsworth	Y	
1/22, 23, 2/12, 3/20	Rebensdorf	Y except 3/20	Original of 3/20 signature page
1/24, 25, 27	Barber	Y	
1/29	La Londe		Errata and signature page
1/30	Month	Y	Original of signature page
1/31	Roberts	Y	
2/1,2	Willig		
2/5,6,7,8,9,10	Peterson	Y	
2/8-10	King & Ongerth	Y	Signature page
2/12	Yarberry	Y	
2/13,14	Sharp	Y	
2/14, 3/4	Ice	Y	Errata and signature page
2/16	Grinstein	Y	Errata and signature page
2/16	Anschutz		Redacted version
2/20	Hartman	Y	
2/22	Draper & Salzman	Y	Errata and signature page
2/23	Owen	Y	

Date of Deposition	Witness	Redacted Version Filed	Supplemental Filing
2/26,27	Gray	Y	Errata and signature page
2/28	Davidson	Y	
2/29	Kauders	Y	Errata and signature page
2/29	Lawrence	Y	
3/8	Bredenberg	Y	Errata and signature page

CERTIFICATE OF SERVICE

I, Teresa M. Gillis, certify that, on this 22nd day of March, 1996, I caused a copy of the foregoing Notice of Filing Deposition Transcripts to be served by first-class mail, postage prepaid, or by a more expeditious manner of delivery on all parties of record in Finance Docket No. 32760, and on

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Washington, D.C. 20530

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

Teresa M. Gillis
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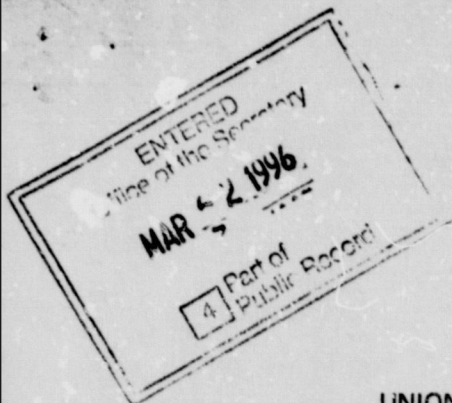
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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760



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

THE KANSAS CITY SOUTHERN RAILWAY COMPANY'S
FIRST SUPPLEMENTAL ANSWERS TO
APPLICANTS' FIRST SET OF INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS TO
KANSAS CITY SOUTHERN RAILWAY COMPANY

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March 21, 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



THE KANSAS CITY SOUTHERN RAILWAY COMPANY'S
FIRST SUPPLEMENTAL ANSWERS TO
APPLICANTS' FIRST SET OF INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS TO
KANSAS CITY SOUTHERN RAILWAY COMPANY

Subject to its general and specific objections previously made, all of which are incorporated herein, The Kansas City Southern Railway Company, Inc. ("KCS") hereby provides the following First Supplemental Answers to Interrogatories in accordance with the March 20, 1996 direction of the Administrative Law Judge, The Honorable Jerome Nelson.

Interrogatory No. 5: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following assertions at page 4: "[B]ased on 1993 data, there are 164 BEA origin-destinations with traffic greater than \$2 million that will go from 2-1 independent alternatives. The traffic in revenues in these 2-1 corridors exceeds \$1.65 billion. There are another \$3.93 billion in revenues in BEA origin-destinations that would fall from 3-2 independent alternatives if merger is approved."

Were these calculations based on Waybill Sample data?

Response: Yes *response necessary.*

How were the number of "independent alternatives" in a BEA pair determined?

Response: See response to Interrogatory No. 5.

Was all traffic in a BEA pair, regardless of how many railroads served either end of any particular movement, included in the revenue calculations if the BEA pair was deemed "2-1" or "3-2"?

Response: As we understand the question, yes.

Does the calculation for BN/Santa Fe merger reflect the various settlements entered into by the applicants in that case?

Response: As we understand the question, no.

Interrogatory No. 7: The Verified Statement of Curtis M. Grimm submitted with KCS-3 contains the following statements at page 5: "Based on Class 1 railroad originations by BEA, the BN/UP duopoly will have fully 100% market share in 37 Western BEA's. The two systems will have 90-99% market share in an additional 8 BEA's, 70-89% market share in an additional 4 BEA's and 50-69% market share in another 4 BEA's."

Were these calculations based on Waybill Sample data?

Response: Yes.

If not, what data were used?

Response: No response necessary.

How was traffic originating on non-Class I railroads handled in the calculations?

Response: As we understand the question and subject to verification, we do not believe it was included in the calculations.

Have any similar calculations been done based on 1994 data or that reflect the BN/Santa Fe Settlement Agreement?

Response: To be determined.

Define the word "duopoly" as it is used here.

Response: The word was intended to have its standard meaning in economics and anti-trust law.

Interrogatory No. 8: The Verified Statement of Curtis M. Grimm submitted with KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) contains the following statements at page 6: "Based on Class 1 railroad originations by BEA, the BN/SF and the combined UP/SP will have fully 100% market share in 58 Western BEA's. The two systems will have 90-99% market share in an additional 10 BEA's, 70-89% market share in an additional 8 BEA's and 50-69% market share in another 8 BEA's."

Were these calculations based on Waybill Sample data?

Response: Yes, to our belief at this time, subject to verification.

If not, what data were used?

Response: No response necessary.

What year's data were used for the calculations?

Response: 1993.

How was traffic originating on non-Class I railroads handled in the calculations?

Response: As we understand the question, we do not believe it was.

Why do these figures differ from those in Interrogatory No. 7?

Response: To be determined.

Interrogatory No. 17: The Verified Statement of Curtis M. Grimm submitted with KCS-6 in the BN/Santa Fe case (Finance Docket No. 32549) contains the following statements at page 10, footnote 11: "For traffic originating in the Dallas-Fort Worth BEA and terminating in the Houston BEA, the SP, BN, UP and SF single-line routes have the following 1993 market shares: [citing percentages, which are redacted in public version]."

Were these calculations based on Waybill Sample data?

Response: Yes.

If not, what data were used?

Response: No response necessary.

Explain in detail how these "market shares" were calculated.

Response: To be provided.

Interrogatory No. 19: A "Dear Transportation Professional" letter from KCS President and Chief Executive Officer Haverty dated December 5, 1995 states, at page 1, that the UP/SP merger "would give the new rail combination pervasive control over almost \$3 billion of North American petro-chemical traffic."

Explain in detail the basis for this calculation.

Response: The total rail waybill sample for petrochemical traffic was reviewed, and \$3 billion of the approximately \$6 billion total will be on the UP/SP system.

Does this calculation assume that UP/SP will "control" all traffic that either UP or SP originated or terminated in 1994?

Response: The calculation assumes that UP/SP have and will continue to have a pervasive presence.

Does the calculation take account of the BN/Santa Fe Settlement Agreement?

Response: No.

If so, how?

Response: No response necessary.

Interrogatory No. 20: Mr. Haverty's December 5 "Dear Transportation Professional" letter asserts, at page 2, that the "UP/SP system would control over 75% of the international rail traffic between the United States and Mexico," and that BN/Santa Fe "will control an additional 13% of that traffic."

Explain in detail the basis for these calculations.

Response: Of the total U.S. rail industry revenue identified in the waybill sample as going to or from Mexico, 75% will be on the UP/SP and an additional 13% will be on BN/Santa Fe.

How is rail traffic assigned to carriers in the calculations?

Response: Rail traffic is not assigned in the waybill sample, it is provided by each carrier as a part of the sampling process.

Do the calculations take account of the BN/Santa Fe Settlement Agreement?

Response: No.

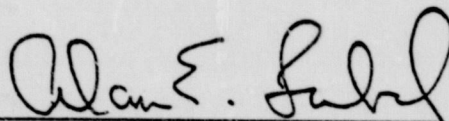
If so, how?

Response: No response necessary.

This 21st day of March, 1996.

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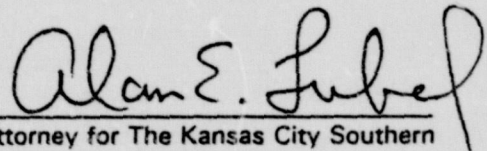
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing "The Kansas City Southern Railway Company's First Supplemental Answers to Applicants' First Set of Interrogatories and Requests for Production of Documents to Kansas City Southern Railway Company" was served this 21st day of March, 1996, by hand delivery to attorneys for Applicants and by depositing a copy in the United States mail in a properly addressed envelope with adequate postage thereon addressed to each other party on the restricted service list.



Attorney for The Kansas City Southern
Railway Company

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BEFORE THE
SURFACE TRANSPORTATION BOARD



JAN 30 1996

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' SUPPLEMENTAL RESPONSES TO
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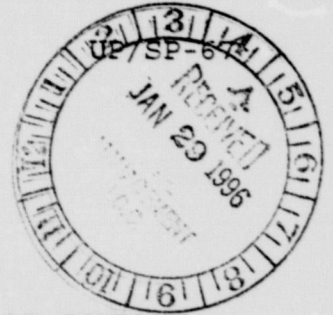
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January 29, 1996

BEFORE THE
SURFACE TRANSPORTATION BOARD



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APPLICANTS' SUPPLEMENTAL RESPONSES TO
RLEA/UTU'S FIRST SET OF INTERROGATORIES

UPC, UPRR, MPRR, SPR, SPT, SSW, SPCSL and DRGW,
collectively, "Applicants," hereby supplement their response
to RLEA/UTU's Interrogatory No. 39 as follows:

Interrogatory No. 39

"State whether the Applicants consider themselves bound by the Operating Plan discussed in volume 3 of the Application if the ICC approves the common control and merger application. If they do not consider themselves to be so bound, explain the extent to which Applicants believe that they will be free to deviate from the proposed Operating Plan, and whether they contend that Section 11341(a) will be applicable to actions taken which are not disclosed in the proposed Operating Plan."

Response

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

The Operating Plan is a best projection which is not binding on the Applicants. This is in part because Applicants need to be free, in actually implementing the merger, to discover better ways of achieving benefits, including ways that may be suggested by employee organizations

during negotiation of implementing agreements. It is also because the relevant facts and circumstances will inevitably change. The Operating Plan reflects Applicants' best effort to identify how UP and SP would be consolidated on the basis of 1994 traffic levels, judgments about the effects of the merger (and other events) on those traffic levels, the operating patterns that were used as an input to the Operating Plan, and the information available to Applicants when the planning process was undertaken. All of those inputs are subject to change. Applicants could not, and are not required to, identify all anticipated changes that might be required in order to consolidate UP and SP in the future, and they therefore cannot be "bound" by the Operating Plan.

Supplemental Response

As the Commission stated in both its UP/CNW and BN/Santa Fe decisions (e.g., BN/Santa Fe, Decision No. 38, served August 23, 1995, p. 82), the applicants in a merger proceeding are not required "to identify all anticipated changes that might affect rights under CBAs or the RLA. Such a requirement could negate many benefits from changes that only become apparent after consummation." It was impossible for Applicants in November 1995 to identify each of the implementation steps that will be necessary under operating, traffic, commercial, and competitive conditions as they will exist in late 1996 and beyond. Applicants also expect that, during the course of implementing negotiations with labor unions, the unions will identify steps that may benefit both

parties that were not identified in the Operating Plan. Accordingly, Applicants fully expect to "deviate from the proposed Operating Plan" in implementing the merger. As with other implementing changes, UP/SP will seek to negotiate implementing arrangements with labor organizations and, only

if those efforts are unsuccessful, employ arbitration and,
potentially, Section 11341(a).

Respectfully submitted,

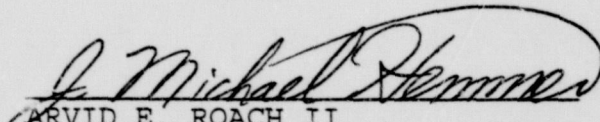
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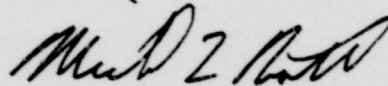
January 29, 1996

CERTIFICATE OF SERVICE

I, Michael L. Rosenthal, certify that, on this 29th day of January, 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

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Michael L. Rosenthal

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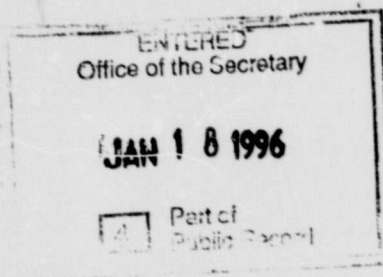
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BEFORE THE
SURFACE TRANSPORTATION BOARD

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January 13, 1996

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 32760

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COMPANY, SPCSL CORP. AND THE DENVER AND
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APPLICANTS' SUPPLEMENTAL RESPONSES TO KCS' FIRST
INTERROGATORIES

Pursuant to the rulings made by Judge Nelson at the hearings held on December 20, 1995 and January 2, 1996, Applicants hereby provide the following supplemental responses to KCS' First Interrogatories to Applicants. For each supplemental response below, Applicants incorporate by reference the general responses and the general and specific objections stated in Applicants' initial responses to KCS' First Interrogatories, filed on December 14, 1995.

SUPPLEMENTAL RESPONSES

Supplemental Response to Interrogatory No. 1

Applicants have identified to the best of their ability those meetings of UP and SP that led to the Merger Agreement at which competition or the competitive impact or the chance of ICC approval of the UP/SP merger was discussed. If additional information in this regard becomes available, Applicants will supplement this Response.

Information concerning the participants at each of the two meetings that have been identified and the subject matter of each meeting is being produced. Applicants are also producing copies of the following documents related to competition or the benefits of the transaction: (a) any communications or documents prepared specifically for the meeting, (b) any notes of the meeting or taken by participants at the meeting, and (c) any documents exchanged at, or subsequent to as a follow-up on, the meeting or memoranda prepared concerning the meeting or competitive issues discussed.

Supplemental Response to Interrogatories Nos. 4 and 23

Applicants have gone significantly beyond what was ordered at the December 20 hearing in regard to this issue. Applicants have had their marketing groups conduct a thorough inquiry and identify any instances in which agreements, promises or threats with regard to rates or service were made by UP or SP in connection with seeking support for the merger, and are producing documents reflecting every such situation that has been identified. This encompasses, as directed, all situations referred to in Applicants' response to DOJ's discovery requests and any situations involving the largest 10 UP/SP supporting shippers in each of the automotive, coal, chemicals, forest products, grain, and metals and minerals groups; but it also encompasses all such situations,

regardless of the size or commodity group of the shipper, and regardless of whether or not the shipper submitted a statement in support of the merger.

Based on a comprehensive review, Applicants can report on this issue as follows:

1. The policy and practice of UP and SP was to request support for the merger from shippers solely on the basis of the benefits of the merger, with absolutely no threats or inducements. Marketing personnel who solicited shipper support statements were instructed that: "Nothing should be offered or promised in exchange for a shipper statement." Document No. N54-000002 (emphasis in original). Applicants' thorough inquiry indicates that no one involved in the shipper solicitation campaign made any threats or offered any inducements to shippers. No documents involving threats have been identified, and no documents involving any offer of inducements by UP or SP to secure merger support have been identified.

2. Shippers occasionally raised ongoing commercial issues in the context of discussions of merger support, and a few shippers sought commitments as to post-merger rates and service. Applicants' response to such suggestions was that Applicants did not wish to link business matters with merger support or with the merger, because Applicants were not

seeking to "buy" support for the merger, nor did they wish to be perceived as doing so.

3. Nonetheless, occasionally, UP and SP, when pressed by shippers whose business they valued, did respond to such requests on a business basis, and in a very few instances UP or SP did enter into agreements that addressed post-merger rates or service where this was justified on independent business grounds. Copies of these agreements are being produced. These agreements reflect and confirm the rate and service improvements that Applicants anticipate the merger will bring about. They also reflect the substantial business leverage of the shippers in question. In addition, two of these agreements involve the settlement of "2-to-1" issues in this case (and, in one instance, of another dispute) as well as other commercial matters.

4. Applicants have no such agreements with well over 99% of the more than 1,150 shippers who have submitted sworn statements in support of the merger.

Supplemental Response to Interrogatory 5(a)

Applicants have located no additional documents reflecting communications with "financial community" third parties concerning competitive effects of the merger, and have located no additional intra-company communications concerning competitive effects of the merger located in the files of

pertinent executive officers that are not subject to attorney-client privilege or workpapers already produced.

Supplemental Response to Interrogatory No. 11

No non-privileged communications concerning possible imposition of conditions in 2-to-1 or 3-to-2 markets to persons who spoke to the UP or SP boards of directors in regard to the merger have been located.

Supplemental Response to Interrogatory No. 14(a)

Applicants have determined that no study was done for them by an outside consultant of the effect of the BN/Santa Fe settlement.

Supplemental Response to Interrogatory No. 17

Applicants are producing copies of all trackage rights agreements for which UP or SP is the grantor or grantee that relate to lines over which BN/Santa Fe is to receive trackage rights or that are to be sold to BN/Santa Fe under the Settlement Agreement.

Supplemental Response to Interrogatories Nos. 20 and 25

Applicants have previously searched for and placed in their depository any documents concerning the competitive impact of the merger on coal, grain and chemicals traffic located in the files of pertinent executive officers. Any such documents located in the files of the applicable UP market managers are being produced. In addition, any such documents dated after August 1, 1995 located in the files of

shippers on the lists provided by KCS on December 7 and December 29, 1995 are being produced. As directed, SP's supplemental search in response to these interrogatories is limited to the files of the shippers among its top 150 shippers that are on KCS' lists of both December 7 and December 29.

Supplemental Response to Interrogatory No. 21

Applicants continue to object to this interrogatory on the ground that the limitations proposed by KCS do not eliminate the problems of undue burden and overbreadth identified in Applicants' original objections. KCS has now listed, in its December 29, 1995, submission, more than 100 shipper facilities, and asked Applicants to search for any instance involving those facilities and traffic moving in 10 broadly-defined "corridors" in which a shipper on a UP line requested lower rates in order to compete with a shipper on an SP line, or vice versa. This did not meaningfully narrow the original request. It would still require a "needle-in-a-haystack" search of some 100 shipper files, since neither UP's nor SP's shipper files are maintained on a facility- or "corridor"-specific basis, nor do they contain separate sections for rate requests. Many of these files are several feet long for the relevant time period.

Supplemental Response to Interrogatory No. 22

KCS has not provided Applicants with a workable stipulation with respect to this interrogatory, as directed at the December 20 hearing (Transcript, pp. 302-07). KCS has now listed, in its December 29, 1995 submission, (a) nearly 50 flows involving particular shippers and origin and destination areas, (b) another more than 35 shipper/station combinations, and (c) still another 11 shippers without any geographic specification. These include shippers not on the list provided by KCS on December 7, 1996. No commodity specifications are provided (Transcript, pp. 304-05). KCS has not limited the request to service competition, as discussed at the December 20 hearing (e.g., Transcript, pp. 296), and has included numerous grain shippers, contrary to Judge Nelson's direction (Transcript, p. 297). To answer this request, as now reformulated by KCS, would entail the same intolerable burdens associated with the reformulated Interrogatory No. 21. Applicants remain willing to stipulate as to the general existence of source competition.

Supplemental Response to Interrogatory No. 39

Lists of UP and SP individuals who assisted in answering the KCS interrogatories have been produced. An additional list showing the positions of the SP individuals is being produced.

Respectfully submitted,

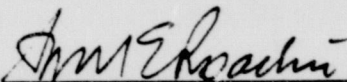
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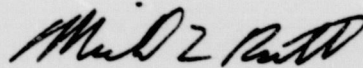
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