

SURFACE TRANSPORTATION BOARD ALLOWS PRIVATELY NEGOTIATED SALE OF UNION PACIFIC'S "ROSENBERG LINE" TO TEX MEX

Surface Transportation Board (Board) Chairman Linda J. Morgan announced that the Board today has issued a decision allowing the Texas Mexican Railway Company (Tex Mex) to acquire and operate the Union Pacific Railroad Company's (UP) "Rosenberg Line" south of Houston to Victoria, Texas. The Board's approval of the transaction--which was privately negotiated between Tex Mex and UP--is expected to enhance trackage rights obtained by Tex Mex in connection with the 1996 merger of the UP and Southern Pacific (SP) rail systems, and to help Tex Mex become a more efficient and effective competitor for rail traffic moving between the United States and Mexico.

The Rosenberg Line is an 85-mile line of track in southern Texas running from just south of Houston to Victoria (in the direction of Corpus Christi). UP currently owns the Rosenberg Line, which, prior to the UP-SP merger, was owned by the SP system. The line has not been operated for a number of years.

Tex Mex owns and operates a line extending from the International Bridge at Laredo, TX (where Tex Mex connects with its affiliate, Transportation Ferroviaria Mexicana), to Corpus Christi. Tex Mex connects with lines of The Kansas City Southern Railway Company at Beaumont, TX, using trackage rights over UP lines granted as part of the Board's approval of the UP-SP merger. These trackage rights operations, however, extend over a significant portion of UP's busy "Sunset Route." Tex Mex and UP thus agreed to Tex Mex's purchase of the Rosenberg Line from UP. The line's transfer to Tex Mex is expected to restore service to businesses along the line, add rail infrastructure to the Houston-Gulf Coast region, free up capacity on some of UP's busiest routes, and generally to help inject new and vigorous competition into southern Texas rail operations and traffic moving under the North American Free Trade Agreement.

In addition to approving the line's sale, the Board also sanctioned the procompetitive, private agreement the parties have reached expanding trackage rights granted as a Board-imposed condition to the UP-SP merger so that Tex Mex may move traffic originating or terminating on the Rosenberg Line and interchange traffic with railroads other than UP.

The Board's decision was issued today in *Texas Mexican Railway Company--Purchase Exemption--Union Pacific Railroad Company*, STB Finance Docket No. 33914. A printed copy is available for a fee by contacting: **D~To~D~ Office Solutions, Room 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 466-5530**. Today's decision is also available for viewing and downloading via the Board's website at <http://www.stb.dot.gov>

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