

SURFACE TRANSPORTATION BOARD EXTENDS SERVICE ORDER, REQUIRES UP/SP TO ADDRESS INFRASTRUCTURE ISSUES RELATED TO RAIL SERVICE EMERGENCY IN WEST

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Contact: Dennis Watson
(202) 565-1596
TDD (202) 565-1695
www.stb.dot.gov

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Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has extended, until August 2, 1998, its service order that made substantial changes in the way in which rail service is provided in and around the Houston, TX, area. The Board also directed the Union Pacific Railroad Company/Southern Pacific Transportation Company (UP/SP) to meet with other interested parties to address infrastructure in the Houston area, and to report back to the Board by May 1, 1998.

The Board first issued a service order on October 31, 1997 (see "Surface Transportation Board News" release No. 97-92, issued October 31, 1997); in a supplemental decision issued on December 4, 1997, the Board extended the service order and expanded its scope (see "Surface Transportation Board News," release No. 97-102, issued on December 5, 1997). These unprecedented service orders concluded that the service emergency in the West originated in Houston, and they sought to modify traffic and service patterns in a way that would relieve some of the pressure on rail service to Houston in general, and on UP/SP in particular, without interfering with existing rail operations or with UP/SP's own service recovery efforts.

After reviewing the extensive data that the service orders required UP/SP and Burlington Northern and Santa Fe Railway Company (BNSF) to report, along with comparable performance reports from shipper groups and others, the Board concluded that the service order must be extended. Because of the gravity of the emergency, which it found not close to being resolved, and because shippers must have some certainty as to the transportation alternatives that will be available to them in the immediate future to manage their transportation needs effectively, the Board decided to continue the order until August 2, 1998, the maximum period allowed by law.

Although it found that the more aggressive remedies suggested by some parties would not likely resolve the emergency, and in fact could aggravate it by discouraging investment in infrastructure, the Board encouraged continued cooperation and negotiation among railroads and others. It cited as examples of constructive private sector cooperation the recently reported UP/BNSF arrangement for the Houston-New Orleans area (joint ownership of track, joint dispatching, and trackage rights to permit rerouting around Houston), and

ongoing negotiations between BNSF and The Texas Mexican Railway Company (Tex Mex) concerning operational changes that may further facilitate the movement of traffic. While the Board encouraged other private sector solutions that the carriers, hopefully in collaboration with their shippers, can develop, it said that, to the extent that private parties cannot agree on solutions, they should submit their proposals to the Board for review.

Finally, the Board noted that the congestion appears to have been caused in large measure by the inadequate infrastructure in the Houston area. It stated:

the rail system in Houston has limited capacity, antiquated facilities, and an inefficient configuration unable to cope with surges in demand. . . .Our service orders, along with the private-sector arrangements among railroads, we hope, will continue to be successful in helping to alleviate some of the congestion in Houston, but we are not optimistic that the Houston railroad service problems will be finally resolved for the long term until infrastructure is addressed in a meaningful way.

The Board recognized that UP/SP has announced substantial investments in facilities, but it found that more aggressive attention to the problem is needed. Accordingly, it directed UP/SP to immediately convene meetings with involved railroads, principally BNSF and Tex Mex; involved shippers; and any other interested parties to discuss the upgrading of the Houston facility and the appropriate role in this effort of each group represented. It directed UP/SP to file, by May 1, 1998, a report, to which interested parties may respond, addressing needed infrastructure changes, and how they can appropriately be funded and implemented.

The Board's decision was issued today in the case entitled *Joint Petition For Service Order*, STB Service Order No. 1518, and *Rail Service in the Western United States*, STB Ex Parte No. 573.

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