

**SURFACE TRANSPORTATION BOARD ACTS TO IMPROVE RAIL SERVICE IN HOUSTON/GULF COAST AREA BY APPROVING PRIVATELY NEGOTIATED ARRANGEMENT FOR JOINT OWNERSHIP OF LINES BETWEEN TEXAS AND LOUISIANA**

Surface Transportation Board (Board) Chairman Linda J. Morgan announced that the Board has granted the joint acquisition exemption filed by The Burlington Northern and Santa Fe Railway Company (BNSF) and Union Pacific Railroad Company (UP) to acquire joint ownership of lines between Dawes, Texas, and Avondale, Louisiana, a distance of approximately 338 miles. The exemption request was the result of a privately negotiated agreement of the sort that was encouraged by the Board to improve rail service in the Houston/Gulf Coast area.

The ownership of the railroad line between Dawes and Avondale is presently divided between UP and BNSF. UP owns the 147.5-mile segment between Dawes and Iowa Junction, LA, at milepost 205.3 (the Beaumont Segment), and BNSF owns the 190.4-mile segment between Iowa Junction and Avondale (the Avondale Segment). BNSF acquired this segment pursuant to the UP's settlement agreement with BNSF that was imposed by the Board as a condition to the merger of UP with Southern Pacific Transportation Company. As part of the settlement agreement, UP retained trackage rights over the Avondale Segment, including the right to serve all local industries on that line. In addition, BNSF received overhead trackage rights on the Beaumont Segment, with access to all new facilities customers, Lake Charles, LA, area customers, and all shippers that would have had their railroad service options reduced from 2-to-1 as a result of the merger.

On February 12, 1998, BNSF and UP entered into a Term Sheet agreement relating to the two railroads' operations in and around Houston, TX, and along the Gulf Coast between Houston and New Orleans, LA. As one part of that agreement, BNSF and UP agreed to exchange 50% ownership interests in their respective main line segments, including operating sidings used for meeting and passing trains. Under the Term Sheet agreement, BNSF will acquire an undivided 50% interest in UP's Beaumont Segment, and UP will acquire an undivided 50% interest in BNSF's Avondale Segment. Other elements of the Term Sheet agreement include the establishment of a regional dispatching center in Spring, TX, for UP and BNSF lines in and around Houston and between Houston and New Orleans. BNSF will gain access to all present and future shipper facilities on the line and on former SP branches or spurs that connect to the line, as well as on new branches and spurs added to the line. The ownership exchange will be made subject to the existing trackage rights of the Texas Mexican Railway Company (TexMex) between Houston and Beaumont, as well as Amtrak's service over the entire line.

UP and BNSF are also conducting consolidated dispatching of other area lines from the Spring facility. UP and BNSF dispatchers control from Spring their respective lines along the entire Gulf Coast region from New Orleans through Houston to Brownsville, TX, and radiating north and south from Houston. Provisions have also been made for TexMex dispatchers to operate out of the new center. By placing each railroad's dispatching operations for these lines in one location, the railroads will be able to increase coordination and improve operations by reducing on-line congestion, permitting trains of both UP and BNSF to operate more reliably and more in accord with customers' expectations. It is anticipated that these steps will fulfill a vital need to coordinate and improve UP and BNSF operations in the Houston area and that the operations of both Kansas City Southern Railway Company and TexMex will benefit from this consolidated dispatching.

The ownership exchange is part of a larger agreement entered into by UP and BNSF not only to help alleviate any rail congestion on this rail line, but also to improve rail service in general in the Houston/Gulf Coast region. In addition, because some of the earliest service problems that eventually led to the service emergency in the West occurred on this line, it is anticipated that the transaction will facilitate improved service to shippers served by the subject line and throughout the region.

*Company--Acquisition Exemption--Lines Between Dawes, TX, and Avondale, LA, STB Finance Docket No. 33630 on September 29, 1998.*

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