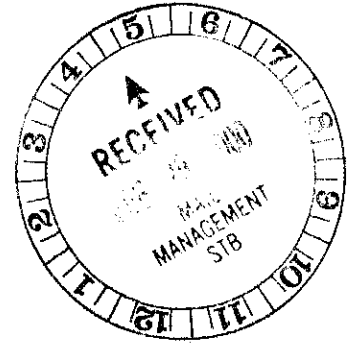




GREATER HOUSTON PARTNERSHIP
Chamber of Commerce • Economic Development • World Trade

Jim C. Kollaer
President & CEO

197300



February 25, 2000

Via Overnight Delivery

Surface Transportation Board
Office of the Secretary
Case Control Unit, ATTN: STB Ex Parte No. 582
1925 K Street, NW
Washington, DC 20423-0001

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Office of the Secretary

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Dear Secretary Williams:

RE:

STB Ex Parte No. 582

PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

Enclosed is the statement of the Greater Houston Partnership in the above-captioned proceeding.

An original and 10 paper copies of this filing are enclosed. Also enclosed is a 3.5-inch IBM-compatible diskette containing an electronic copy of this filing in WordPerfect format.

Regards,

Jim C. Kollaer

Enclosures:

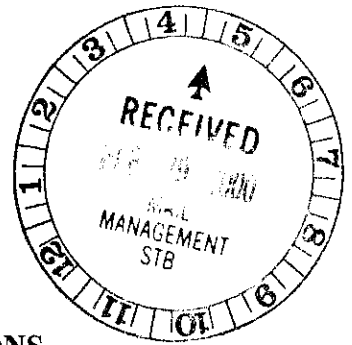
Office of the Secretary

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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 582



PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

COMMENTS OF
THE GREATER HOUSTON PARTNERSHIP

The Greater Houston Partnership is Houston's principal business organization and is dedicated to building prosperity in the Houston region. The Partnership has 2,400 members from virtually every industry sector throughout the eight-county Houston region. The Partnership's Board of Directors is composed of 112 corporate CEO's of organizations in the Houston region. Partnership members employ almost 600,000 people, which is one out of every three employees in the region.

The Partnership applauds the Surface Transportation Board for its decision to take a longer view of the potential impacts of mergers in the railroad industry. The Board's decision to include consideration of other railroads' likely reactions to a rail merger is an improvement over the Board's traditional "one case at a time" approach. This longer view will allow the Board to more fully explore the impacts of a merger on competition, rates and service levels and to consider imposing merger conditions that could assure the preservation and, if necessary in the Board's judgment, the creation of effective rail-to-rail competition.

The Partnership wants to make it clear that it does not oppose rail freight mergers. The Partnership believes that continued investments in the Houston region by strong, financially-

viable railroad companies is essential to the continued competitiveness of the Houston region and its industrial and commercial components. The Partnership does want to stress the importance, in its view, of a comprehensive review by the Board of all facets of proposed mergers, with particular attention placed on the level of rail competition that would exist after rail mergers are consummated.

The following principles were adopted by the Greater Houston Partnership's Board of Directors in 1998 during the freight rail crisis involving the Union Pacific / Southern Pacific merger and have been updated to reflect current conditions. Having learned from experience how severely the region's economy can be impacted by railroad operating problems, the Partnership again emphasizes its belief that Houston's rail system performance must be in the top tier of United States cities.

1. To be in the top tier of cities, both service and rates must be fully competitive for Houston's port and local industries to compete effectively in domestic and international markets. In the U.S. economy, vigorous competition among competitors has been proven to be an effective means of achieving good service at fair prices, while ensuring profitability for the competitors.
2. The Partnership Board prefers that the private sector rectify non-competitive situations through equitable compensation. However, the Partnership Board realizes that federal regulations can constitute fundamental roadblocks in competitive situations and changing

them, if necessary, should be given consideration by the Board in its evaluation of proposed mergers.

PARTNERSHIP CONCERNS

1. That the criteria by which past mergers have been evaluated may not adequately consider the public interest issues raised by a highly-consolidated railroad industry. The longer view being taken by the Board will improve the evaluation of the public interest in rail mergers.
2. That it would be poor public policy to permit additional railroad mergers without genuine consideration of the rail competitive realities faced by major industries, and individual shippers in those industries, or without serious evaluation of the impacts of a proposed rail merger on economic activity and economic growth in major commercial and industrial regions of the country.
3. That competition may not be increased. The Partnership supports rail competition to the greatest extent achievable in future railroad mergers because attitudes fostered through competition for market share benefits all shippers. In a competitive environment, railroads strive to satisfy their customers by putting their full creative energies into providing consistent, reliable service and continuously reducing costs, thus benefiting overall commerce and attracting new business.

4. That additional consolidation of the railroad industry may diminish customer-responsive train scheduling, effective customer service, and reasonable rates. Shippers could face a railroad industry with service inflexibility and lacking in creativity and innovation.
5. That future mergers could negatively impact the Port of Houston, which provides the nucleus for industrial activity in the Houston region. The citizens of Houston and Harris County have made substantial investments in port facilities, as have the numerous industries located along the Houston Ship Channel, to support economic activity and job growth in the region.

RECOMMENDATIONS

The Partnership recommends that the criteria by which rail mergers, including the proposed combination of Burlington Northern Santa Fe and Canadian National, are evaluated be changed to reflect the realities of competition in a highly-concentrated railroad industry. The Partnership recommends that there be no creation or extension of bottlenecks and is encouraged by BNSF's and CN's recent joint statement that existing gateways will remain open after the proposed combination and that a rail alternative will be made available for those shippers who otherwise would have one rather than two serving railroads after the combination.

The Partnership recommends that the following criteria, designed to assure that shippers have a more easily attainable access to the benefits of competition, be adopted by the Surface Transportation Board. Future criteria should include:

Competitive Access

- To assure the continued economic vitality of regions such as the Houston region, the Board should strive to assure, to the greatest extent possible, that rail shippers in the major U.S. metropolitan areas have access to at least two major line haul railroads, without creating disincentives for railroads to invest in those metropolitan areas.
- In a similar manner, the Board should strive to assure, to the greatest extent possible, that rail shippers at major U.S. ports have access to at least two major line haul railroads.
- Recognizing the importance of balancing property rights and competition, the Partnership looks to the Board to identify an equitable method of assuring such competitive access while respecting rail carriers' property rights.

Competitive Issues

- The Board should attempt to prevent the creation of new bottlenecks or the extension of existing bottlenecks by judiciously applying conditions to its rail merger approvals. The applicants in the proposed BNSF-CN combination may have resolved this issue for the Board by their recent announcement that the combined system would maintain existing gateways.