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PORT OF HOUSTON AUTHORITY

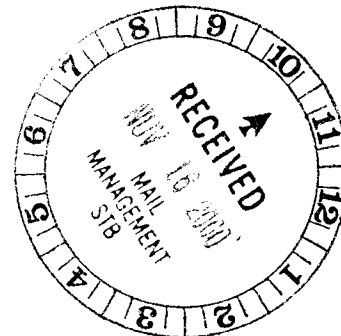
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November 17, 2000

Surface Transportation Board
Office of the Secretary
Case Control Unit, ATTN: STB Ex Parte No. 582 (Sub-No. 1)
1925 K Street, NW
Washington, DC 20423-0001

Dear Secretary Williams:

RE:

STB Ex Parte No. 582 (Sub-No. 1)

Major Rail Consolidation Procedures

Comments of the

Port of Houston Authority

on

Notice of Proposed Rulemaking

An original and 25 paper copies of the reply of the Port of Houston Authority in the above-captioned proceeding are enclosed. Also enclosed is a 3.5-inch IBM-compatible floppy diskette containing an electronic copy of the enclosed comments, in or convertible by and into WordPerfect 9.0 format.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard J. Schiefelbein".

Richard J. Schiefelbein
For: Port of Houston Authority

STB Ex Parte No. 582 (Sub-No. 1)

Major Rail Consolidation Procedures

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Office of the Secretary

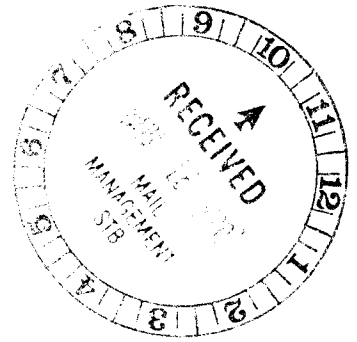
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Comments of the
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The Port of Houston Authority ("PHA") submits the following replies to comments presented to the Surface Transportation Board ("Board") in the above captioned proceeding.

The Port of Houston Authority

The Port of Houston Authority is an autonomous governmental entity which owns the public facilities along the 50-mile Houston Ship Channel and is the Channel's official sponsor. The Port of Houston Authority owns 43 general cargo wharves, owns and operates the Barbour's Cut Container Terminal and leases and operates the Container Terminal at Galveston, which are available for public use. It also owns an export grain elevator, a bulk materials handling plant, a bagging and loading facility, a refrigerated facility, two liquid cargo wharves, and other facilities which are leased to private operators. It is in the early phases of constructing a \$1.2 billion container terminal at Bayport on Galveston Bay. The Port of Houston complex also includes numerous privately-owned terminals. The Port Authority also operates the Malcolm Baldrige Foreign Trade Zone.

The Port Authority's facilities handle approximately 15 percent of the approximately 170 million tons of cargo moving through the Port of Houston. The Port of Houston ranks first in the United States in total foreign water-borne commerce handled and second in total tonnage. It is the seventh busiest port in the world. Last year, the Port of Houston handled over 6,500 ships, 100,000 barges and 1,000,000 TEU's (twenty-foot equivalent container units).

Summary

The Port of Houston Authority recommends the following be included in the Board's merger regulations:

- That a Ports Council be established to assure effective implementation of mergers in terms of ports' ability to sustain essential services and to effectively participate in the competitive process.
- That the most effective method of providing competition in major terminal and port areas is through the use of neutral switching carriers.

Port Issues

PHA is pleased that the Board that the Board included in proposed section 1180.7(b)(6) the requirement that the merging railroads provide an explicit delineation of the projected impacts of the merger on the ability of ports to participate in the competitive process and to sustain essential services.

In its comments and its reply on the advance notice of proposed rulemaking, PHA called on the Board to assure equity among ports served by the merging railroads, with the merging railroads not giving route, service, rate, or promotional preferences to one port over another.

PHA had recommended that the Board require the merging railroads to prepare a comprehensive Ports Impact Statement and to establish a Ports Review Board as a forum for ongoing discussion of merger implementation issues.

The proposed section 1180.7(b)(6) appears to encompass PHA's request for a Ports Impact Statement. PHA commends the Board on including that requirement in the proposed merger regulations.

Such an explicit delineation of the impact on ports appears to reflect the Board's recognition of the magnitude of public investment in ports and the importance of the ports to the taxpayers in the regions which support the ports. For instance, the voters of Harris County recently authorized bonds for a portion of the costs associated with building a new \$1.2 billion state-of-the-art container terminal. The Port of Houston generates over 196,000 jobs and \$8 billion in economic activity in the region.

However, PHA still believes that a Ports Council, similar to the Service Council called out by the Board in Section 1180.1(h)(3), is important to assuring effective implementation of the merger in terms of ports' ability to sustain essential services and to effectively participate in the competitive process.

Therefore, PHA recommends that the Board add an additional Section 1180.1(h)(4) to the proposed regulations, as follows:

(4) We will require applicants to establish problem resolution teams and specific procedures for resolving problems related to ports. Also, we would envision the establishment of a Ports Council made up of port representatives and railroads to provide an ongoing forum for the discussion of implementation issues related to ports.

We believe that a Ports Council is necessary and that the problems related to ports cannot be handled by the Service Council because the nature of ports is different from the experience and expertise that one would expect to find in the shipper community.

Ports are not shippers or receivers. Few, if any, ports generate or terminate rail traffic for their own account. Ports are links in the transportation network, partners with railroads rather than customers of railroads. For this reason, a Shippers Council comprised of shippers and railroads would not be attuned to port issues. A council populated by ports and railroads is necessary.

Competition

PHA is also pleased that the Board has included in its policy statement and in the proposed regulations the recognition that enhanced competition is in the public interest.

PHA continues to believe that the most effective method of providing competition in major terminal and port areas is through the use of neutral switching carriers in major terminals and major ports. PHA does not propose seizing railroads' local service infrastructure without compensation. Instead, PHA envisions the railroads receiving fair compensation for any

properties included in a neutral switching carrier. Such a neutral switching railroad could be most effective in assuring quality, responsive, and competitive service if it were accountable to a board comprised of local shippers and receivers served by the neutral switching railroad.

CERTIFICATE OF SERVICE

I do hereby certify that copies of these Comments of the Port of Houston Authority have been served on all parties of record in STB Ex Parte No. 582 (Sub-No. 1) by first-class U.S. mail.


Richard J. Schiefelbein

November 17, 2000