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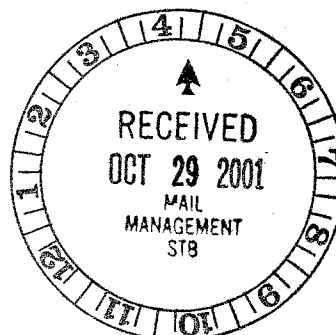
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October 29, 2001

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

ENTERED
Office of the Secretary

OCT 30 2001

Part of
Public Record

Re: Finance Docket No. 34079, San Jacinto Rail Limited -- Authority To Construct --
And The Burlington Northern And Santa Fe Railway Company -- Authority To
Operate -- Petition For An Exemption From 49 U.S.C. § 10901 -- Build-Out To
The Bayport Loop Near Houston, Harris County, Texas

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are the original and ten (10) copies of San Jacinto Rail Limited and The Burlington Northern and Santa Fe Railway Company's Reply to Union Pacific Railroad Company's "Comments on Infrastructure and Safety for the Build-Out to the Bayport Loop". Also enclosed is a 3.5 inch disk containing the text of the pleading in WordPerfect 9 format.

I would appreciate it if you would date-stamp the enclosed extra copy of this submission and return it to the messenger for our files. Thank you for your assistance.

Sincerely,

Erika Z. Jones/als

Erika Z. Jones

Enclosures

CHARLOTTE

CHICAGO

COLOGNE

FRANKFURT

HOUSTON

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INDEPENDENT MEXICO CITY CORRESPONDENT: JAUREGUI, NAVARRETE, NADER Y ROJAS

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BEFORE THE
SURFACE TRANSPORTATION BOARD



Finance Docket No. 34079

**San Jacinto Rail Limited -- Authority To Construct -- And
The Burlington Northern And Santa Fe Railway Company --
Authority To Operate -- Petition For An Exemption From 49 U.S.C. § 10901 --
Build-Out To The Bayport Loop Near Houston, Harris County, Texas**

**SAN JACINTO RAIL LIMITED AND THE BURLINGTON NORTHERN
AND SANTA FE RAILWAY COMPANY'S REPLY TO UNION PACIFIC
RAILROAD COMPANY'S "COMMENTS ON INFRASTRUCTURE AND
SAFETY FOR THE BUILD-OUT TO THE BAYPORT LOOP"**

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October 29, 2001

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SAFETY FOR THE BUILD-OUT TO THE BAYPORT LOOP"**

San Jacinto Rail Limited ("San Jacinto") and The Burlington Northern and Santa Fe Railway Company ("BNSF") (collectively, "Petitioners") submit these comments in reply to Union Pacific Railroad Company's ("UP") "Comments on Infrastructure and Safety for the Build-Out to the Bayport Loop" filed on October 9, 2001, in this proceeding.¹

In its Comments, UP supports the issuance of a conditional exemption for the construction of the proposed new line to the Bayport Loop. However, UP asserts that San Jacinto and BNSF's traffic projections for the new line are unrealistically low and that the traffic

¹ Petitioners note that UP originally filed its Comments in both this docket and in the UP/SP merger proceeding, Finance Docket No. 32760. However, by letter dated October 11, 2001, UP authorized the Board not to file the Comments in the latter docket since UP was "not requesting relief at this time." Petitioners also note that their Petition for Exemption was filed on August 30, 2001, and that UP did not file its Comments until some 40 days later, well after the 20-day period provided for in 49 C.F.R. 1104.13(a).

which BNSF will more realistically carry over the new line will cause severe congestion and safety problems.²

UP's Comments were late-filed and technically request no specific relief. Therefore, no reply is necessary. However, Petitioners believe that the Board and the record would benefit from a clarification of matters raised in UP's Comments.

Traffic Projections

UP asserts that the traffic projections contained in the Petition for Exemption are unrealistic and that the new line can be expected to attract traffic from 19 additional Bayport Loop shippers identified on Exhibit 4 to the Petition. Specifically, UP asserts that Bayport Loop shippers generate approximately 600 cars of petrochemicals and plastics rail traffic on a "typical day" and that San Jacinto and BNSF are likely to attract from these shippers more than the 36 to 66 cars per day which were projected in the Petition. UP then asserts that the additional traffic it claims the new line will carry will cause additional congestion and safety problems which would be remedied by the various infrastructure improvements that UP suggests. UP's assertions are, however, premised on an apparent misunderstanding of the Petitioners' traffic projections and on what appears to be a significant overstatement of the traffic that would even be available to the new line.

First, contrary to UP's assumption, the Petitioners' projection of 36 to 66 cars in each direction per day is based not only on the traffic they expect initially to be carried over the new line for the four shippers who are partners in San Jacinto, but also on the traffic of a number of other shippers who could be served by the line if the necessary connections were to be built.

² UP also asserts that BNSF has not adequately invested in Houston-area infrastructure over the past several years. Many of UP's assertions are too broad and vague to allow for a reply, but Petitioners will respond in this Reply to the specific assertions that relate to the new Bayport Loop line.

This projected traffic is based on discussions with those shippers and on a review of the various routings and destinations of the shippers' traffic. In fact, the projected average figure of 66 cars per day in each direction per linehaul train represents an over 80 percent increase in the initial traffic level of 36 cars per day in each direction. Such an increase is a significant increase by any measure – particularly when it is realized that UP will, as it has publicly stated, compete vigorously to retain as much of the traffic as it can, if the line is built.

Second, UP's assertion that the Petitioners' projections are unrealistically low is based primarily on its generalized claim that "Bayport Loop shippers today generate approximately 600 cars of rail traffic every day." UP Comments at 11. UP, however, presents no support for its assertion. The most recent STB Carload Waybill Sample (1999) indicates that UP originates approximately 37,000 loaded cars annually (or approximately 101 cars daily on average) from the station of Bayport (SPLC No. 684790).³ This Waybill Sample figure is in a range consistent with field observations by Petitioners' representatives. Further, all 19 additional shippers identified on Exhibit 4 to the Petition from which UP claims the new line will attract traffic are at the Bayport station, and thus their traffic is included in the Waybill Sample figure. Accordingly, while it is possible that the volume of traffic from Bayport has grown some since 1999, it is highly unlikely that the volume of traffic from the Bayport Loop shippers which the new line could access is anywhere near the 600 loaded cars per day that UP proclaims.⁴ The reason for

³ The STB Carload Waybill Sample also indicates that UP terminates approximately 10,000 cars at the Bayport station annually, an amount which, even when combined with the 37,000 loaded cars moved annually, would lead to an average of only approximately 129 cars daily.

⁴ It is also possible that the expanded Waybill Sample figure does not precisely represent the number of carloads originated from the Bayport SPLC in the sample year, but any error in the expansion process would not be of a magnitude to explain the difference between the 101 (or 129) cars per day figure derived from the sample and UP's claimed 600 cars per day figure.

the discrepancy may be that UP is including traffic from other stations such as Barbour's Cut, La Porte, Seabrook and Strang.

Finally, even assuming that UP's claim of 600 cars per day has some factual support, Petitioners' traffic projections include potential shipments from shippers where connections are logistically and economically feasible. It is unreasonable to assume that Petitioners will be able to access and serve all Bayport Loop shippers as UP suggests. Petitioners are confident that realistic and deliberate projections have been submitted to the Board on the basis of committed volumes, reasonable growth expectations, UP's anticipated competitive response, and historical experiences with market share projections.

New South Yard

UP asserts that BNSF cannot handle and switch additional cars at New South Yard and that BNSF's current operations result in the frequent blocking of the two mainline tracks adjacent to the yard, thereby delaying UP trains to and from South Texas. UP also asserts that BNSF will need to arrange for additional SIT cars as well as storage space for empty tank cars.

Petitioners do not disagree that the capacity of New South Yard is constrained. However, the capacity of the yard and the effect of the build-in on the yard has been addressed in the planning for the project. In this regard, the new main track and switching lead being constructed by UP and BNSF will, as UP noted in its Comments (at 7, n.5), improve operations in and around the yard and will enable BNSF to build trains without blocking UP's trains.⁵ As to the capacity of the yard itself, BNSF is making plans for adjustments to its operations to move switching and classifying operations currently conducted at the yard to other locations to make

⁵ Additionally, BNSF is working closely with UP and TexMex through the Spring Coordinated Dispatching Center to keep trains out of the Houston terminal area until crew and tracks are completely available.

capacity available for future movements to and from the Bayport Loop and for storage once the new line becomes operational.⁶ In addition, BNSF and PTRRA are working on the development and implementation of plans that will allow cars moving in and through the Houston Terminal to bypass New South Yard. Additionally, BNSF is developing plans to route some of its intermodal trains to and from New Orleans around Houston altogether, thereby freeing up capacity and reducing congestion at New South Yard.

T&NO Junction

UP states that reverse movements at T&NO Junction will be required and that those movements would add to what it claims are already existing congestion and safety problems caused by BNSF's present operations. Accordingly, UP suggests that BNSF should construct a new connection in the northeast quadrant of the junction before operations begin on the build-in line.

Reverse movements at the T&NO Junction have occurred since the UP/SP merger without undue adverse effect. There are currently three such movements each day. BNSF closely monitors all of these movements to assure safety and minimize rail congestion and interference with vehicular traffic,⁷ and reverse movements are routine and completed every day across the BNSF and UP systems.⁸ Operations in the Houston terminal area are involved, but the

⁶ For instance, BNSF is planning to use its yard at Brownwood, TX to pre-block inbound trains and to make detailed blocks on outbound trains from the Gulf Coast to California, the Texas Panhandle, the Pacific Northwest and Denver. The Brownwood yard is a large flat underutilized switching facility which can switch 600 to 700 cars per day, and the movement of operations to Brownwood will take approximately 300 cars per day out of New South Yard.

⁷ BNSF has the best crossing incident record among the four largest railroads for FRA reportable crossings for the last five years. Further, the majority of reportable incidents at the road crossings at T&NO Junction since the merger have involved UP trains.

⁸ For instance, UP uses reverse movements to move its grain trains onto the PTRRA at North Yard. It should also be noted that the movement of traffic out of the Bayport Loop over the

addition of two such movements each day at T&NO Junction should not create a problem or represent an unusual situation. As with any terminal operation, BNSF will closely monitor and study operations at the junction and evaluate the need for a new connection as the situation may require.

T&NO Junction to Tower 30

UP expresses concern that BNSF's traffic will delay movements on this segment of UP's Harrisburg Line and indicates that it will work with BNSF to determine if new capacity is needed. BNSF is willing to work with UP in that regard, but it should be noted that UP committed in its May 1, 1998 "Report on Houston and Gulf Coast Infrastructure" (at 19-20) to upgrade the Harrisburg Line around the south side of Houston (including the segment between T&NO Junction and Tower 30) and to add a new siding. Those improvements should substantially address the concerns UP has raised. Further, UP's suggested alternative route between Tower 30 and New South Yard via Tower 85 is not practical for several reasons: no connection currently exists at Tower 85 which would allow a direct movement between the lines and any such connection would be required to cross a city street and would need to pass through property on which existing businesses are located.

GH&H Line

UP asserts that the GH&H Line cannot absorb additional trains without delaying UP trains. It notes that the segment of the line which BNSF plans to use has no long sidings where trains can meet and no signals to control train movements. UP suggests that Petitioners would

GH&H line instead of over UP's and PTR's lines will have the effect of reducing the volume of rail traffic which crosses such major thoroughfares such as Manchester and Central Streets near La Porte where concerns have been expressed about blocked crossings.

need to lengthen or add a siding on the line to avoid unacceptable delays to UP trains and that an additional traffic control system is needed.⁹

UP's claims of potential interference on the GH&H line are, however, overstated. First, UP itself only identifies eight to nine trains that operate daily over that line on a regular basis, and, even assuming that delays are already common on the line, it is unlikely that adding one linehaul train a day on average in each direction will materially alter the situation that exists today. Second, the lack of sidings and signals is a problem that already exists, and, if improvements are needed to lengthen or add a siding or to add a traffic control system, they are needed independent of any new BNSF traffic.¹⁰

Bayport Loop Coordination

UP projects that there may be as many as a dozen crossings of UP tracks within the Bayport Loop itself to serve the four shippers who are participating in the project and that additional tracks and crossings would be required to serve any additional shippers in the Loop. UP notes that, with appropriate infrastructure and coordinated dispatching, it believes that UP and BNSF can operate safely.

Petitioners agree that UP and BNSF will be able to operate safely and efficiently in serving facilities located on the Bayport Loop, and they note that UP and BNSF successfully operate in a similar complex situation on the Baytown Branch.

⁹ UP also indicates that Petitioners should install two powered switches at Graham siding. Two such switches are planned and budgeted for the project, and the existing turnout to Graham siding will also be reworked to allow higher speed movement through the switch.

¹⁰ In addition, UP's suggestion that BNSF should be required to contribute to the costs of the connection which UP constructed in the southwest quadrant of Tower 30 in 1999 (UP Comments at 16) is without foundation. UP committed to build that connection in its May 1, 1998 Report for its own independent purposes, and UP should not be permitted to attempt to force BNSF to pay a portion of the costs of the connection.

Conclusion

San Jacinto and BNSF are committed to providing safe, on-time and efficient transportation service to their customers over the new line, and they are confident that, as set forth above, they will be able to provide such service. Nonetheless, infrastructure improvements which are determined to be necessary in the future will be undertaken when they are needed after the new line is operational. However, a majority of the infrastructure in the Houston terminal area belongs to and is the responsibility of UP, and BNSF pays a GTM mill rate when it operates over UP's lines. It is therefore UP's responsibility to maintain that infrastructure as may be necessary to enable both carriers to provide reliable and safe rail service to shippers. To the extent it is required to do so under the BNSF Settlement Agreement or other agreements, BNSF will contribute its share of the costs required, but UP should not look to Petitioners as the new entrant to resolve longstanding infrastructure problems.

Respectfully submitted,

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October 29, 2001

Certificate of Service

I hereby certify that a copy of the foregoing has been served on all Parties of Record and Non-Parties of Record as well as the following by hand delivery or first-class mail on this 29th day of October, 2001.

By First-Class Mail:

Mr. Jerry L. Martin
Director, Rail Division
Railroad Commission of Texas
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Mr. John W. Johnson, Chairman
Texas Department of Transportation
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