

PORT OF HOUSTON AUTHORITY

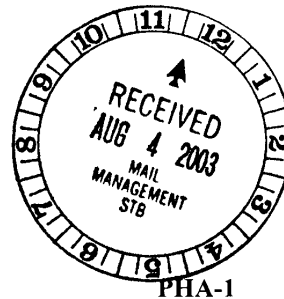
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August 1, 2003

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

208599



Re:

STB Finance Docket No. 34342

KANSAS CITY SOUTHERN
- CONTROL -
THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
AND
THE TEXAS MEXICAN RAILWAY COMPANY

Comments of the

Port of Houston Authority

STB Proceeding
Aug 2003
Part of
STB Recd

Dear Secretary Williams,

The Port of Houston Authority submits the enclosed comments, identified as PHA-1, in the above-captioned proceeding.

An original, 25 paper copies, and an electronic copy of the comments are enclosed.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Richard J. Schiefelbein".
Richard J. Schiefelbein
For: Port of Houston Authority

208599

PHA-1

Before the
Surface Transportation Board

STB Finance Docket No. 34342

KANSAS CITY SOUTHERN
- CONTROL -

THE KANSAS CITY SOUTHERN RAILWAY COMPANY
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Part of Record

The Port of Houston ranks first among U.S. ports in foreign tonnage and sixth in the world in total tonnage handled. The Port of Houston serves 81 steamship lines, with over 6,400 vessel calls and over 150,000 barge movements in 2002. The Port of Houston handles over one million TEUs (twenty-foot equivalent container units) annually. The Port of Houston generates 287,000 direct and indirect jobs and \$10.9 billion in annual economic activity.

The Port of Houston Authority (PHA), a political subdivision of the State of Texas, owns and operates the public facilities located on the Houston Ship Channel and is the ship channel's official sponsor. These facilities handle general cargo, containers, grain and other dry bulk materials, project and heavy-lift cargo and virtually any other kind of cargo. The public facilities which are owned and operated by the Port Authority include 53 general cargo wharves available for public hire and two liquid-cargo wharves.

PHA supports common control of the Kansas City Southern Railway (KCS) and The Texas Mexican Railway Company (Tex Mex). PHA believes that having these railroads under a common management with common objectives would provide an opportunity to shift existing roadway traffic to rail and to gain additional marine cargoes through the Port of Houston destined to Mexican points. With effective coordinated through intermodal service with Transportacion Ferroviaria Mexicana (TFM), cargoes moving between the Port of Houston and Monterrey, Mexico by truck could be attracted to rail movement and cargoes originating in or destined to Mexico City could be attracted to use the Port of Houston.

Port of Houston Rail Service

The Port of Houston is served by three railroads, Union Pacific Railroad Company (UPRR), The Burlington Northern and Santa Fe Railway Company (BNSF), and Tex Mex. Most of the facilities along the Houston Ship Channel are switched by the Port Terminal Railroad Association (PTRA), an unincorporated association of PHA and the three railroads serving Houston, which provides shippers efficient and equal access to all three railroads for their shipments.

The shipment volumes handled to and from the Port of Houston by Tex Mex have been low, generally less than one percent of the carloads handled by PTRA, with the exception of the period covered by Service Order No. 1518, under which Tex Mex had greater shipper access and routing options. Common control of KCS, Tex Mex, and TFM will make the Tex Mex/TFM routing more efficient and should allow Tex Mex to attract additional traffic that currently moves from Houston by truck.

PHA Investments in Rail Infrastructure

PHA has made substantial investments in rail facilities in recent years to handle containers in intermodal rail service. In the last six years, PHA rebuilt and expanded the rail ramp at its Barbours Cut Container Terminal (BCT) to handle increased volumes (container volumes increased 57 percent at BCT from 1996 to 2002) and built 11 miles of additional main line track on UPRR right-of-way to facilitate rail-to-rail competition at BCT and to relieve severe congestion on the rail line that had regularly delayed train movements to and from BCT.

PHA plans to build another container terminal, larger than BCT, at Bayport. The planned Bayport Terminal, expected to cost \$1.2 billion, has received a favorable Final Environmental Impact Statement from the U.S. Army Corps of Engineers; a permit to begin construction is expected soon. The on-terminal rail facilities planned for the Bayport Terminal will have more than triple the capacity of the rail facilities at BCT. In addition, PHA will construct an additional 7-mile rail main line on UPRR's right-of-way to assure rail-to-rail competition and adequate main line capacity for the Bayport Terminal (a 1995 agreement between PHA and UPRR provides for PHA to build this line).

Importance of Rail Service to the Port of Houston

PHA's recent and planned investments in rail infrastructure are related to its overall plan to build additional capacity in its container-handling facilities to handle anticipated growth in containerized shipments and thereby to strengthen its leadership position in container handling among the U.S. Gulf ports. Some of that volume growth will be fueled by growth in the local Houston market, which requires only local truck drayage to move cargoes from the port to the receiver. However, to draw to the Port of Houston those cargoes destined beyond the local truck-served market requires effective inland transportation using rail service.

The UPRR and BNSF rail systems provide broad inland reach throughout the western United States, including direct train service from the BCT rail ramp to the Port of Los Angeles. Currently, however, there is no rail intermodal service from BCT to Mexican destinations. PHA believes there is a substantial market that could be served if there were effective rail service from BCT (and eventually the Bayport Terminal) to Monterrey, Mexico and to Mexico City. Containerized cargoes to and from Monterrey that use the Port of Houston today are transported between Houston and Monterrey by truck. Efficient rail intermodal service from the Port of Houston to Monterrey could shift those cargo movements from truck to rail. Containerized cargoes to and from Mexico City generally do not use the Port of Houston today; an efficient, cost-effective rail intermodal service from Houston to Mexico City could draw additional containerized cargoes to the Port of Houston. NAFTA Rail could provide that efficient, cost-effective service.

Conclusion

Having Tex Mex under common control with KCS would give the Tex Mex common objectives with KCS, and possibly eventually with TFM. The broader perspective provided by the larger rail system could make a Houston-Mexico intermodal service attractive to the combined system, where it might not have been to Tex Mex with a separate management team with separate objectives.

PHA supports the common control of KCS and Tex Mex. The common control of KCS and Tex Mex would provide an opportunity for increased cargoes to move through the Port of Houston and for existing truck movements in Houston and South Texas to be shifted to rail.

Respectfully submitted,



Richard J. Schiefelbein
For: Port of Houston Authority

August 1, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have served upon all Parties of Record, by first-class mail, postage prepaid, a copy of the attached Comments of the Port of Houston Authority submitted this date.



Richard J. Schiefelbein
817-236-6841

August 1, 2003