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August 3, 2006

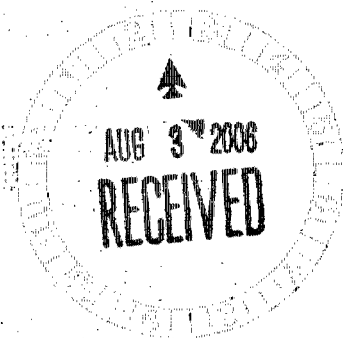
BY HAND

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

AUG 03 2006

Part of
Public Record



Re: STB Ex Parte No. 575, Review of Rail Access and
Competition Issues – Summary of Testimony

Dear Secretary Williams:

We write to clarify a remark made at the July 27, 2006 hearing in the above-captioned matter by John T. Gray on behalf of Union Pacific Railroad Company ("UP").

In response to comments suggesting that interchange commitments in shortline spin-offs are perpetual in nature, Mr. Gray sought to explain that UP's standard approach to spin-offs does not create perpetual interchange commitments; rather, UP leases lines to shortlines for no or little rent for a limited term, the leases typically include an interchange commitment, and the shortlines can renegotiate their interchange commitments, like any other lease terms, when their leases expire. However, a later speaker understood Mr. Gray to say that none of UP's interchange commitments were perpetual in nature, and she offered as a counter-example the Missouri Central transaction.

Mr. Gray did not intend to suggest that UP had never negotiated a permanent interchange commitment as part of a spin-off transaction. UP's written comments and Mr. Gray's opening statement explained that UP, and particularly UP's predecessors, have used different approaches, but that the most common approach is to lease lines for little or no rent with an interchange commitment that expires when the lease expires. In fact, the Missouri Central transaction was particularly unusual, not only because the shipper currently complaining about the interchange commitment actually funded the transaction and was presumably aware of the interchange commitment, but also because that shipper already has access to two railroads.

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UP addressed the situation in detail in its Reply Comments (at pages 5-6 and 10-11) and the accompanying Reply Statement of Warren C. Wilson (at pages 8-11).

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Rosenthal", written in a cursive style.

Michael L. Rosenthal

cc: Parties on Service List