

Docket F.D. 30400 - 10/71/84 - PAGES - 2541 - 2599

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BEFORE THE
INTERSTATE COMMERCE COMMISSION

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In the Matter of: :
SANTA FE SOUTHERN PACIFIC CORPORATION : Finance Docket
-- CONTROL -- : 30400 et al.
SOUTHERN PACIFIC TRANSPORTATION :
COMPANY :
----- x

Hearing Room A
12th & Constitution, N.W.
Washington, D.C.
Wednesday, October 17, 1984

The hearing in the above-entitled matter was
convened, pursuant to notice, at 9:00 a.m.

BEFORE:
JAMES E. HOPKINS,
Administrative Law Judge

00048888

1 APPEARANCES AS HERETOFORE NOTED, AND IN ADDITION:
2

3 On behalf of Applicant Santa Fe Industries:

4 MIKE BLASZAK, ESQ.

5 Chicago, Illinois
6

7 On behalf of Kansas City Southern Railroad:

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C O N T E N T S

<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	William J. Lacy and James R. Fitzgerald By Mr. Stephenson By Mr. Roper By Mr. Remes By Mr. Craig By Mr. Reed By Mr. Atkins By Mr. Solander A.K. Pottorff and J.F. Lynch By Mr. Blaszak By Mr. Remes By Mr. Craig By Ms. Campbell By Mr. Roberts By Mr. Remes T.D. Mason and P.D. Lively By Mr. Blaszak By Mr. Ratner	2544	2546 2569 2609 2622 2636 2653		
		2670	2674 2686 2690 2697 2736		
		2739	2740		

E X H I B I T S

<u>Exhibit No.</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
21 22 23 24 25	MKT-C-21 Ex. Nos. UP/MP-C-7,8 and 9 FGNT-1	2549 2580 2693 2606 2606 2697

P R O C E E D I N G S

1
2 JUDGE HOPKINS: Let's go back on the record.

3 Any preliminary matters?

4 MR. ROOPER: Yes. Just for the record, I would
5 like to note that I have distributed a copy of a letter
6 concerning certain procedural matters regarding
7 examination of witnesses Keyes, Reyff, Swain and Guerin
8 to Applicants, and I have copies for anybody else who
9 desires such.

10 MR. BLASZAK: Your Honor, I would like to
11 enter my appearance. My name is Mike Blaszak. I'm an
12 attorney for Santa Fe Industries in Chicago, appearing
13 on behalf of the Applicants.

14 JUDGE HOPKINS: Thank you.

15 Who's going to call the first witnesses?

16 MR. STEPHENSON: Your Honor, we'll call Mr.
17 Lacy and Mr. Fitzgerald.

18 (Witnesses sworn.)

19 MR. STEPHENSON: Your Honor, the two witnesses
20 are Mr. Lacy on your far right and Mr. Fitzgerald,
21 closest to you. And I will ask them in turn about their
22 verified statements and ask them to identify them.
23 Whereupon,

24 WILLIAM J. LACY

25 and

1 JAMES B. FITZGERALD

2 were called as witnesses by counsel for Applicants and,
3 having been first duly sworn, were examined and
4 testified as follows:

5 DIRECT EXAMINATION

6 BY MR. STEPHENSON:

7 Q Mr. Lacy, you are Vice President,
8 Transportation, for Southern Pacific Transportation
9 Company?

10 A (WITNESS LACY) That is correct.

11 Q And you have before you your verified
12 statement submitted in this proceeding with the ICC?

13 A (WITNESS LACY) Yes.

14 Q And that verified statement was prepared under
15 your direction?

16 A (WITNESS LACY) That is correct.

17 Q As was the operating plan in this case?

18 A (WITNESS LACY) Yes.

19 Q And is the verified statement true and correct
20 to the best of your knowledge and belief?

21 A (WITNESS LACY) It is.

22 Q Mr. Fitzgerald, you are Vice President,
23 Operations, of Santa Fe Railway?

24 A (WITNESS FITZGERALD) Yes.

25 Q And you have before you the verified statement

1 of Lacy and Fitzgerald as submitted on behalf of
2 Applicants in this proceeding?

3 A (WITNESS FITZGERALD) Yes.

4 Q And that verified statement is prepared under
5 your direction?

6 A (WITNESS FITZGERALD) That is correct.

7 Q And the matters stated therein are true and
8 correct to the best of your knowledge and belief?

9 A (WITNESS FITZGERALD) Yes.

10 Q And you also, along with Mr. Lacy, directed
11 in the preparation of the operating plan in this
12 proceeding?

13 A (WITNESS FITZGERALD) That is correct.

14 MR. STEPHENSON: Your Honor, the witnesses are
15 tendered for cross-examination. It would be our request
16 that the questioners direct their questions to one or
17 the other so that they know who is being asked the
18 question. If one witness feels that he is less able or
19 less qualified to answer the question, he will so advise
20 the examiner.

21 JUDGE HOPKINS: Thank you.

22 Who will be first?

23 MR. ROPER: Your Honor, I will.

24 MR. LEARY: Your Honor, the Fio Grande is
25 listed first, but we have no questions.

1 MR. DREILING: Your Honor, we will have re
2 questions.

3 CROSS EXAMINATION

4 BY MR. ROPER:

5 Q Gentlemen, my name is Mike Roper and I
6 represent the MKT Railroad.

7 The first question I have is really directed
8 to both of you, and that is, did you gentlemen
9 participate in the final decisions that were made
10 regarding the operating plan?

11 A (WITNESS FITZGERALD) We participated in the
12 overall direction of it. We did not get involved in the
13 details or any of the final plans or anything like
14 that. We were involved in the initial opening or the
15 initial planning, and periodically as the thing
16 progressed we would get involved to solve any problems
17 that might come up.

18 Q Then who did have the final responsibility for
19 making decisions with regard to the operating plan?

20 A (WITNESS FITZGERALD) We gave final approval
21 of it, along with Mr. Cena and Mr. McNear.

22 Q Maybe I didn't understand, but I thought the
23 first question said you didn't and the second question
24 said you did have responsibility. And just so I'm clear
25 on this, did you or did you not have final

1 responsibility for the implementation of the operating
2 plan?

3 A (WITNESS FITZGERALD) The implementation of
4 it, yes, was our responsibility.

5 Q On page 4 of your verified statement, again
6 this is -- I don't know how to direct it to one or the
7 other.

8 JUDGE HOPKINS: Why don't you try one, and if
9 he can't then you can go to the other.

10 BY MR. ROPER: (Resuming)

11 Q Since Mr. Fitzgerald answered the first
12 question, I will let him answer the second as well. On
13 page 4 there, there is a listing of five policy
14 objectives for the operating plan. Do you see that?

15 A (WITNESS FITZGERALD) Yes, sir.

16 Q Were you the person who developed these policy
17 objectives?

18 A (WITNESS FITZGERALD) We were involved in it.
19 It is not my language, but we were involved in it.

20 Q Who else was involved in it besides you?

21 A (WITNESS FITZGERALD) Mr. Cena, Mr. McNear,
22 and basically the Booz Allen people and the staff people
23 assigned to Booz Allen from both railroads.

24 Q What was the process that went into the
25 development of these objectives?

1 A (WITNESS FITZGERALD) I don't know.

2 Q Mr. Lacy, do you have any recollection of the
3 process that was involved in the development of these
4 objectives?

5 A (WITNESS LACY) There were a number of
6 meetings when the merger was announced, a number of
7 meetings between Mr. Cena, Mr. McNear, Mr. Fitzgerald,
8 and myself. And from these meetings evolved, I think,
9 the five points that we are looking at here.

10 Q Can you give me any indication -- and again,
11 this is Mr. Lacy -- of the time frame when these five
12 objectives were given to Mr. Owen?

13 A (WITNESS LACY) It was a matter of a couple,
14 three months, I guess.

15 Q A couple or three months from when?

16 A (WITNESS LACY) From the time we began the
17 original discussions.

18 Q Can you give me some idea of when you began
19 the original discussions?

20 A (WITNESS LACY) My recollection would be
21 December or some time thereabouts, January, 1984.

22 Q Are you telling me, then, the objectives were
23 developed in January of 1984?

24 A (WITNESS LACY) No, I'm telling you that is my
25 recollection of about when we started. The merger was

1 announced, I guess, in 1983, and following that it
2 became necessary to put together an operating plan to
3 comply with the Commission's requirements, and we had a
4 series of meetings, preliminary meetings followed by
5 more detailed meetings, and this progressed over a
6 period of a couple or three months.

7 And from that evolved the five points that
8 we're talking about here.

9 Q Did you, Mr. Lacy, have any input into the
10 decisions regarding which lines were to be abandoned as
11 part of the merger proceeding?

12 A (WITNESS LACY) The Booz Allen people ran the
13 simulations, looked at the data, made some
14 recommendations. And Mr. Fitzgerald and I looked at the
15 recommendations and concurred.

16 Q So both of you gentlemen did have a
17 decisionmaking role in deciding which abandonments were
18 to be made?

19 A (WITNESS LACY) Right.

20 MR. ROOPER: Your Honor, at this time I would
21 like to have marked as an exhibit the 16-page document
22 entitled MKT-C-21, I believe is the next number.

23 JUDGE HOPKINS: That will be marked for
24 identification.

25 (The document referred to

1 was marked Exhibit No.
2 MKT-C-21 for
3 identification.)

4 BY MR. ROOPER: (Resuming)

5 Q Mr. Fitzgerald, would you look at the first
6 four pages of MKT-C-21 and tell me if you recognize this
7 document?

8 A (WITNESS FITZGERALD) Yes, sir.

9 Q Could you describe what it is, please?

10 A (WITNESS FITZGERALD) It is notes from one of
11 my people who was putting down ideas that he thought
12 would be helpful in making decisions in putting the
13 operating plan together, and -- no, I beg your pardon.

14 It is notes from a meeting held December 10,
15 and the note up at the top is from one of my staff
16 people.

17 Q And I believe this document is entitled
18 "Assumptions for Operating Plan," is that correct?

19 A (WITNESS FITZGERALD) That is correct.

20 Q Now, as of December 19th of 1983, which is the
21 date of the note at the top of the page, if you will see
22 up there, the handwritten note --

23 A (WITNESS FITZGERALD) Yes.

24 Q -- were these the assumptions that were to be
25 used in the operating plan as of that date?

1 A (WITNESS FITZGERALD) These were some ideas
2 that were subject to be used in the operating plan,
3 yes.

4 Q Again, Mr. Fitzgerald, all of these
5 assumptions were not included in the final operating
6 plan, were they?

7 A (WITNESS FITZGERALD) I don't believe they
8 were.

9 Q Just for example, there were -- in that
10 document they discuss several abandonments that did not
11 make it into the final plan, do they not? Does this
12 document not discuss those?

13 A (WITNESS FITZGERALD) What page are you
14 looking at, please?

15 Q Well, for example, look on page 2 of MKT-16 --
16 excuse me, MKT-C-21. And under the section entitled
17 "Arizona, New Mexico, El Paso," do you see that?

18 A (WITNESS FITZGERALD) Yes.

19 Q And the last line of that, the last sentence
20 of that little section says "Need for two lines Deming
21 to Vaughn must be examined."

22 Now, what was your understanding of what that
23 sentence meant?

24 A (WITNESS FITZGERALD) The sentence meant that
25 there were two lines between El Paso, one for the Santa

1 Fe between El Paso and Belen and one for the SP or
2 Cotton Belt between El Paso and Vaughn, and the question
3 is whether we need both lines or not.

4 Q And what was the result of that examination?

5 A (WITNESS FITZGERALD) The result of the
6 examination is we did not intend to do away with one of
7 the lines.

8 Q And what was the reason for that conclusion?

9 A (WITNESS FITZGERALD) It was felt that we
10 would need both lines.

11 Q Would you look at page -- Mr. Fitzgerald,
12 would you look at page 11 of the exhibit, please.

13 A (WITNESS FITZGERALD) Okay.

14 Q Can you tell me who Mr. D. McInnes is?

15 A (WITNESS FITZGERALD) He is the general
16 superintendent of transportation for the Santa Fe.

17 Q Do you recognize the document which this page
18 is a part of?

19 A (WITNESS FITZGERALD) Yes.

20 Q And could you tell me what that document is,
21 please?

22 A (WITNESS FITZGERALD) This is a letter to me
23 from Mr. McInnes outlining ideas or his thoughts or the
24 transportation department's thoughts in input that
25 should be considered for the operating plan.

1 Q Okay. Now, with respect to page 11, do you
2 see the paragraph F there?

3 A (WITNESS FITZGERALD) Yes.

4 Q And is it true that Mr. McInnes recommended
5 that the El Paso line should be either abandoned or at
6 least downgraded to local service?

7 A (WITNESS FITZGERALD) Apparently that was his
8 thought, yes.

9 Q Now, specifically again which line was he
10 talking about there?

11 A (WITNESS FITZGERALD) El Paso to Vaughn, the
12 Cotton Belt line -- no, wait a minute. Yes, he said, "I
13 believe we should retain the El Paso district" -- that
14 is the Santa Fe line -- "and abandon the SP line or at
15 least downgrade for local service only," and that is
16 between El Paso and Vaughn.

17 Q Were either of his recommendations adopted?

18 A (WITNESS FITZGERALD) No.

19 Q Why were they not adopted?

20 A (WITNESS FITZGERALD) The decision was made
21 not to abandon either line or downgrade either line.

22 Q Again, Mr. Fitzgerald, look at page 2 of the
23 exhibit, please. Under the section entitled "Hutchinson
24 to Kansas City," do you see that?

25 A (WITNESS FITZGERALD) Yes.

1 Q Do you see the last line of that page?

2 A (WITNESS FITZGERALD) Yes.

3 Q And what was the recommendation contained in
4 that line?

5 A (WITNESS FITZGERALD) The recommendation --
6 there is a parallel line for both railroads in this area
7 between McPherson and Canton. The recommendation was to
8 abandon one of the lines.

9 Q Now, are there any active shippers on that
10 line, to your knowledge?

11 A (WITNESS FITZGERALD) Yes, there are.

12 Q Is that the reason the line was not selected
13 as one to be abandoned?

14 A (WITNESS FITZGERALD) No.

15 Q What was the reason for that?

16 A (WITNESS FITZGERALD) It costs too much to
17 make the connections. The lines are parallel and we
18 could serve the shippers from either railroad, but the
19 connections between the two railroads were prohibitive.

20 Q Would you also look, continuing on page 2,
21 look up there under the southern California segment of
22 the letter. Do you see that?

23 A (WITNESS FITZGERALD) Yes.

24 Q Is it true that the recommendation was to
25 abandon the Torrance branch and the El Segundo branch of

1 the SP?

2 A (WITNESS FITZGERALD) I will pass to my friend
3 here and let him answer that.

4 A (WITNESS LACY) Well, first of all, I think,
5 putting this in context, this was a memorandum put
6 together by some people early in the formative stages of
7 the operating plan that recommended some thoughts and
8 ideas that they would like to place before the people
9 making the considerations.

10 And there are a number of things in here that
11 I would characterize as being kind of top of the head
12 ideas and thoughts that would be submitted. Your
13 questions about abandonment of the Santa Fe lines, the
14 Torrance branch and El Segundo branch, was one of those
15 thoughts that came up and was looked at and rejected
16 because it didn't follow the policy or the pattern that
17 we were establishing for the merger.

18 Q Well, again, what was that policy that was
19 established with regard to abandonments?

20 A (WITNESS LACY) Those are the five items that
21 we covered earlier.

22 Q I realize it sets out five objectives on page
23 4 of your verified statement, but was the sole criteria
24 for abandonments to avoid abandoning line segments where
25 rail service is currently being provided to shippers?

1 Is that the only determination that was made?

2 A (WITNESS LACY) I think there were some other
3 considerations. The people that work around Los Angeles
4 that are familiar with the activity on the branches,
5 many of those hadn't been consulted at this point in
6 time, and some of the recommendations had not been
7 talked over with the local people.

8 When this was discussed with the local people
9 and we looked at the possible abandonments, it just
10 didn't seem the practical thing to do and it was
11 dropped.

12 Q Mr. Lacy, would you look at page 3 of the
13 exhibit, MKT-C-21. Do you see the section entitled
14 "Miscellaneous Coordinations in Texas"?

15 A (WITNESS LACY) Yes.

16 Q Can you tell me how long the SP line is
17 between Lufkin and, I guess that's Kountze?

18 A (WITNESS LACY) That's about 100 miles.

19 Q And is it true that the suggestion is made in
20 this memorandum that that line should also be
21 abandoned?

22 A (WITNESS LACY) Yes, I think that reference is
23 here.

24 Q Now, what was the reason for not adopting that
25 recommendation?

1 A (WITNESS IACY) Well, again, the
2 recommendations were made by people by looking at, I
3 think in some instances, looking at the maps and saying,
4 you could operate from Beaumont to Teneha or you could
5 operate from Beaumont to Lufkin. You could operate from
6 Beaumont to Teneha, you might not possibly need the
7 lines from Beaumont to Lufkin and therefore we ought to
8 give consideration to abandoning one or the other.

9 And when you put the practical light of day to
10 it, there are some customers on the line between Lufkin
11 and Kountze. There are some things that have to be
12 considered. After the considerations were made, it was
13 decided that the line wouldn't be abandoned, at least
14 for the foreseeable future, until the operating plan had
15 a chance to show itself.

16 Q Mr. Fitzgerald, would you look at pages 12 to
17 16 of MKT-C-21, please. Do you recognize that
18 document?

19 A (WITNESS FITZGERAID) Apparently it came out
20 of our working files, and here again, it seems that
21 there was someone's idea, things that should be
22 considered for the operating plan.

23 Q Do you note the initials in the upper
24 right-hand corner?

25 A (WITNESS FITZGERAID) Yes.

1 Q Who is "MRH"?

2 A (WITNESS FITZGERALD) Mike Haverty. He is my
3 assistant.

4 Q And what does it say right underneath his
5 initials?

6 A (WITNESS FITZGERALD) It says "Approved,
7 JRF."

8 Q And could you, for the record, tell us who is
9 "JRF"?

10 A (WITNESS FITZGERALD) That's me.

11 Q Do you have any recollection as to the
12 approximate date of this document?

13 A (WITNESS FITZGERALD) No, I don't. I think it
14 was -- from the structure and everything, I would think
15 it would be early in the game, but I have no idea.
16 There are no dates on it or anything.

17 Q Am I to take it that the word "approved" with
18 your initials indicates that you concurred in these
19 considerations?

20 A (WITNESS FITZGERALD) In the context of the
21 letter, yes.

22 Q Would you look at section B of that document.
23 I believe it is entitled "Operating Philosophy," and it
24 contains a recommendation.

25 A (WITNESS FITZGERALD) Yes.

1 Q And I guess the first question I should direct
2 to Mr. Lacy, and that is, what is the average size of an
3 SP manifest train today?

4 A (WITNESS LACY) The average size of all trains
5 running on the Southern Pacific, all freight lines, is
6 about 5600 tons.

7 Q And how many cars would that be, generally?

8 A (WITNESS LACY) It varies, obviously, by
9 weight. You haul a trainload of empties and you get a
10 lot of cars, and you haul a trainload of copper
11 concentrate and you don't get very many cars.

12 But we do, on the manifest type trains, try to
13 keep the trainloads up in an effort to accomplish the
14 efficiencies necessary.

15 Q Mr. Lacy, would you look at page 13 of
16 MKT-C-21 under section B there, and about, oh, halfway
17 down is a sentence which states that, "The Southern
18 Pacific philosophy appears to be based on the premise
19 that long, heavy tonnage trains reduce operating labor
20 expenses."

21 Is that an accurate reflection of the SP
22 operating philosophy?

23 A (WITNESS LACY) Not necessarily, no.

24 Q And could you tell me how it is not SP
25 operating philosophy?

1 A (WITNESS LACY) Well, I think, putting this in
2 context, Mike Haverty is one of Jim Fitzgerald's
3 assistants and he puts down some thoughts that come to
4 his mind about the relative differences between the two
5 companies. And I don't know how much research went into
6 this, and certainly I have no knowledge of the material
7 that was put in there and I wasn't copied or wasn't
8 furnished a copy.

9 I know Mike Haverty and I know that he has
10 good judgment and this represents his feeling. But a
11 railroad operation is much more than just a simple long
12 train operation or short train operation. It has to do
13 with the character of the traffic that you're running.
14 And we have some trains that are running 30 to 35 cars,
15 providing 70 mile an hour expedited service, and we've
16 got some other trains running 40 miles an hour with
17 10,000 tons or 12,000 tons.

18 And what we try to do is apply the proper
19 operating philosophy to the character of the traffic
20 that we are handling, so that we can maximize our
21 efforts to keep the business that we have got now and
22 attract new business.

23 Q Mr. Fitzgerald, do you know the average size
24 of the SF manifest trains today?

25 A (WITNESS FITZGERALD) No, not exactly. But it

1 is our philosophy, we would run shorter, faster trains.
2 And I don't recall exactly, but it averaged around
3 probably 5,000 to 5200 tons each. That is the average.

4 Q Now, as I read the recommendation contained on
5 page 14 up at the top, it is that freight trains or
6 solid boxcar trains should be generally 100 cars or as
7 close to 100 cars as is practicable. Do you see that?

8 A (WITNESS FITZGERALD) Yes.

9 Q Now, can you tell me whether or not the
10 operating plan was premised on running 100-car trains of
11 boxcars?

12 A (WITNESS FITZGERALD) No. This is -- I don't
13 think it was. 100 cars is about the maximum train that
14 we try to run. Now, we'll run trains over that, but
15 this 100 cars is generally our maximum number of cars
16 for our trains.

17 Q Do you consider -- again, Mr. Fitzgerald, do
18 you consider 100-car trains to be the optimum size for
19 operating purposes?

20 A (WITNESS FITZGERALD) It depends upon the
21 railroad and the line you're on and what you're doing.

22 Q Well, will it be the operating philosophy of
23 SFSP if the merger is granted to run 100-car boxcar
24 trains?

25 A (WITNESS FITZGERALD) I would think, generally

1 speaking, yes.

2 Q Would that mean that -- as I understood your
3 testimony, and correct me if I'm wrong, the SE today
4 does not run 100-car boxcar trains?

5 A (WITNESS FITZGERALD) Yes, we do.

6 Q You do. So that would not necessitate any
7 change in your operating philosophy?

8 A (WITNESS FITZGERALD) No.

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1 Q Also, Mr. Fitzgerald, if you would look on
2 Section C on Page 14 dealing with intermodal terminals,
3 and I believe there the recommendation is to "follow
4 Santa Fe's philosophy," do you see that?

5 A (WITNESS FITZGERALD) Yes.

6 Q Now, can you explain to me how Santa Fe's
7 philosophy as to intermodal terminals will be
8 implemented on the SP system?

9 A (WITNESS FITZGERALD) We have reduced our
10 intermodal terminals to something like 44 in a hub
11 concept idea, and this, we feel, is more efficient. It
12 saves car days. It gets the customer's trailer to him
13 faster. It saves time, and it is our idea or we think
14 this will -- can also be the concept after we merge for
15 the SP.

16 Q Does that mean that certain of the present SP
17 facilities will be eliminated as a result of that
18 philosophy?

19 A (WITNESS FITZGERALD) That would be my idea,
20 yes.

21 Q And will some additional hub terminals have to
22 be constructed as a result of this philosophy?

23 A (WITNESS FITZGERALD) I doubt it. We will
24 probably use the major existing terminals.

25 Q Do you know whether or not any cost savings

1 were projected from the implementation of this
2 intermodal terminal philosophy?

3 A (WITNESS FITZGERALD) I do not.

4 Q If you will look on Page -- Section F on Page
5 16, dealing with labor agreements -- do you see that?

6 A (WITNESS FITZGERALD) Yes.

7 Q Now, Mr. Fitzgerald, what is your
8 understanding as to which Southern Pacific restrictive
9 labor agreements would be harmful to the combined
10 system?

11 A (WITNESS FITZGERALD) I don't know. I think
12 that question should be answered by our personnel
13 department, who will be here later on.

14 Q So you have no opinion whether or not -- well,
15 let me direct this to Mr. Lacy, I guess.

16 Do you have an opinion whether any of SP's
17 labor agreements are restrictive?

18 A (WITNESS LACY) No.

19 Q In a manner that could be harmful to the
20 combined system?

21 A (WITNESS LACY) No.

22 Q So you disagree with this recommendation?

23 A (WITNESS LACY) I don't see a recommendation in
24 that paragraph.

25 Q Look at the next paragraph, at the

1 recommendation. Does it not say that the recommendation
2 is to spend the appropriate funds required at the onset
3 of the merger to buy out unneeded personnel and get rid
4 of overly restrictive labor agreements?

5 A (WITNESS LACY) And your question is, do I
6 agree with that?

7 Q Yes.

8 A (WITNESS LACY) That if approached properly
9 would require a rather exhaustive study and cost benefit
10 analysis between buying people off versus keeping the
11 people. It has to do with the amount of money required,
12 and the need for the people. It is the kind of a thing
13 that our labor relations people are skilled at. I would
14 assume that they would look very carefully at all of the
15 agreements, and make decisions based upon what would be
16 in the best interest.

17 Q Do you know whether or not any estimate has
18 been made of what the appropriate funds would be to "buy
19 out unneeded personnel and get rid of overly restrictive
20 labor agreements?"

21 A (WITNESS LACY) No, sir, I don't.

22 Q Do you know whether or not any of these costs
23 were included in figuring out the benefits of this
24 merger?

25 A (WITNESS LACY) No, sir, I do not.

1 Q Mr. Fitzgerald, in the last sentence of that
2 recommendation, the sentence says, "If allowed to be
3 retained, they may even drag the system down to a point
4 that it may not be able to recover in later years."

5 What is your understanding of what that
6 sentence means?

7 A (WITNESS FITZGERALD) It means to me that we
8 should get rid of or should buy off unneeded employees.
9 The sooner the better. I am not -- in order to make the
10 merger work. In order to get the railroad into a better
11 operating plan, I am not sure that I am capable of
12 answering your question on this. I still say that our
13 personnel people should be answering these questions. I
14 am telling you that is what it means to me.

15 Q That is all I asked, I think.

16 Also, on Page 16, Mr. Fitzgerald, look at
17 Section G, Safety and Quality Control. Now, there, the
18 author of the document seems to be talking about the
19 relative success of Santa Fe and Southern Pacific's
20 safety and quality control programs.

21 Do you see that?

22 A (WITNESS FITZGERALD) Yes.

23 Q What is your understanding of the phrase "the
24 records speak for themselves" with regard to the
25 comparable success of the two?

1 A For several years, we have developed a very
2 strong safety department and quality control department,
3 and we have been able to be one of the leaders in the
4 nation, in the nation's railroads in safety, and also we
5 feel like we have been one of the leaders in quality
6 control and damage prevention in the nation.

7 And I think this is what he is referring to.

8 Q And do you understand that his view, at least,
9 is that the Southern Pacific has not been a leader among
10 safety and quality control in the industry?

11 A (WITNESS FITZGERALD) I wouldn't say they
12 haven't been a leader. I think they have been very
13 active in both fields. I think the Santa Fe has had a
14 better record than the SP in both fields.

15 Q And the recommendation is that the merged
16 system should implement the Santa Fe's program as a top
17 priority item?

18 A That is the inference here, yes.

19 Q Do you have any idea what it would cost to
20 implement such a program on the Southern Pacific?

21 A No, I don't.

22 Q Do you know whether or not such costs were
23 taken into account in determining the benefits of this
24 merger?

25 A No, I don't.

1 Q Now, lastly, Mr. Fitzgerald, in Section H down
2 there, there is a description of customer and employee
3 relations, and the author speaks in terms of having --
4 historically it had opposite reputations with respect to
5 customer and employee relations.

6 Q Could you describe what those opposite
7 reputations are?

8 A (WITNESS FITZGERALD) We have a very close
9 relationship with both our customers and our employees,
10 and we encourage this. I don't feel like I am qualified
11 to tell you what the Southern Pacific's philosophy is on
12 this matter.

13 Q Well, can you tell me what the author of this
14 document had reference to when he talked about the
15 opposite reputation of the Southern Pacific?

16 A (WITNESS FITZGERALD) I don't have any idea.

17 Q Mr. Lacy, what would be your reaction to this
18 description of the Santa Fe and Southern Pacific having
19 opposite reputations with regard to customer and
20 employee relations?

21 A (WITNESS LACY) Well, I would perceive that to
22 be editorializing on the part of the author, perhaps not
23 being totally aware of some of the things that he is
24 speaking of in his language. The Southern Pacific, as a
25 matter of fact, is like Santa Fe. We are wholly

1 dependent upon our customers for the traffic that we
2 handle, and consequently the revenues that we take in.

3 We have a written policy on the Southern
4 Pacific that the customer is key, so what he wants is
5 important, and not some philosophy that may be
6 advocated. We have very good relationships, we believe,
7 with both railroads. I think we demonstrated that over
8 the years. Both railroads are customer oriented, and it
9 was perceived, I think, that perhaps there might be that
10 difference.

11 But I can assure you that both railroads, not
12 just Santa Fe, but the Southern Pacific, have the same
13 philosophy about its customers now, and we will have the
14 same philosophy after the merger.

15 MR. ROPEP: I believe that's all the questions
16 I have, Your Honor.

17 JUDGE HOPKINS: Who is next?

18 MR. REMES: Your Honor, David Remes for Union
19 Pacific.

20 BY MR. REMES:

21 Q I am going to give each of the witnesses
22 copies of the exhibits that I introduced into evidence
23 yesterday in my cross examination of Mr. Owen, and for
24 demonstrative purposes I am going to mount my maps.

25 My first two questions are directed to both

1 witnesses. Were both of you present yesterday when I
2 cross examined Mr. Owen?

3 A (WITNESS FITZGERALD) Yes.

4 A (WITNESS LACY) Yes.

5 Q Do both of you agree with Mr. Owen's responses
6 to my questions?

7 MR. STEPHENSON: I would object.

8 JUDGE HOPKINS: I think you had better be
9 definitive about what you are talking about.

10 BY MR. REMES: (Resuming)

11 Q Was there anything, and I address this
12 question to each of you, in Mr. Owen's answers to my
13 questions with which you disagreed?

14 MR. STEPHENSON: Again, I object, Your Honor.

15 MR. REMES: How much more specific could I
16 be?

17 MR. STEPHENSON: It is awfully broad. I think
18 you are going to have to go through the questions.

19 JUDGE HOPKINS: One of the problems is, I can
20 see what he is doing, because if we can save some time
21 it would be all right.

22 MR. REMES: I am certainly prepared to go
23 through my 20 pages of questions again.

24 JUDGE HOPKINS: If you can answer that last
25 question, we might be able to save some time.

1 MR. STEPHENSON: Okay, but what I am concerned
2 about is having them by not responding to specific items
3 thereby endorsing a particular word or phrase that Mr.
4 Owen used, and I just want to make sure that I am
5 reserving the right to later on respond by way of other
6 evidence.

7 JUDGE HOPKINS: I understand.

8 MR. REMES: Your Honor, we would welcome a
9 later submission with respect to any statement of Owen
10 with which either of these witnesses disagrees.

11 JUDGE HOPKINS: Because, you know, it is
12 rather difficult to go down, because they might not
13 remember some of the particular statements.

14 MR. REMES: Absolutely, but in the absence of
15 such a later submission, may we assume that there was
16 nothing that he said with which you disagree?

17 MR. STEPHENSON: Well, I will let them respond
18 on that basis.

19 WITNESS FITZGERALD: There is nothing that I
20 remember that I disagree with. However, it is very hard
21 to hear all the questions and all the answers sitting
22 back here in the audience.

23 JUDGE HOPKINS: Those you heard.

24 WITNESS FITZGERALD: Those that I heard I have
25 no objections to.

1 WITNESS LACY: I would voice the same opinion
2 about the accustics. However, there was something, some
3 questicns and answers relative to a bridge across the
4 Los Angeles River that I didn't hear both questions, and
5 I would like to maybe have you bring that up again.

6 BY MR. REMES: (Resuming)

7 Q I will bring that up again, sir.

8 A (WITNESS LACY) Perhaps the statement that he
9 made in connection -- there were some things that I
10 couldn't hear back there. So if you would like to run
11 them by us again --

12 Q Certainly, and for convenience, sir, I will
13 address all of my questions to you, Mr. Lacy, and to the
14 extent that Mr. Fitzgerald can either supplement or
15 qualify what you have said, I will be very grateful if
16 you will do so.

17 Turning to Exhibit UP/MP-C-1, which is the
18 agreement of November 1, 1953, between the Atchison,
19 Topeka, and Santa Fe Railroad Company and the Sacramento
20 Northern Railway, is this agreement still in effect?

21 And I am asking the questions of Mr. Lacy, and
22 he may defer to you, sir.

23 A (WITNESS FITZGERALD) Since it is our
24 agreement, I will answer it, yes, it is still in
25 effect.

1 Q The agreement provides in Paragraph 25 at Page
2 19 that it may not be terminated without notice,
3 terminated by either party except by notice, and the
4 with the ICC's approval.

5 Has either party served notice of termination
6 of this agreement?

7 A (WITNESS FITZGERALD) To my knowledge, no.

8 Q Turning to Paragraph 10 at Page 6, the
9 agreement provides that the Santa Fe shall "at all times
10 keep the same," referring to the Stockton Pittsburgh
11 track, "in good condition and repair for a railroad of
12 its class and suitable for the business of the
13 Sacramento Northern to be conducted by it over the track
14 a provided in the agreement."

15 The paragraph further states that "The Santa
16 Fe shall not make changes, additions, betterments, or
17 repairs permanently to impair the usefulness of the
18 track to the Sacramento Northern."

19 And in Paragraph 27 on Page 20, the agreement
20 provides that it is to be binding upon the parties and
21 their successors. Now, you say at Page 4 of your
22 verified statement that you "personally participated in
23 developing strategies and assumptions underlying the
24 operating plan."

25 Did you direct that the operating plan be

1 developed in a manner consistent with the contractual
2 obligations of the applicants to other carriers?

3 A (WITNESS FITZGERALD) I think we are honorable
4 people, and I think we would honor any contractual
5 agreement we have.

6 Q Did you make known to the people who were
7 developing the operating plan, specifically the Booz
8 Allen people, what trackage rights agreements you
9 entered into with other carriers, and what obligations
10 those agreements carry with them for you?

11 A (WITNESS FITZGERALD) I did not specifically.
12 This was probably brought out later, but I don't know.

13 Q Would it be your testimony then that the
14 operating plan was prepared in ignorance of the
15 obligations of the applicants to other carriers under
16 trackage rights agreements?

17 MR. STEPHENSON: Your Honor, I think he is
18 mischaracterizing.

19 JUDGE HOPKINS: Well, I think he can answer
20 that that wasn't, if it wasn't.

21 Go ahead.

22 WITNESS FITZGERALD: It was not.

23 BY MR. REMES: (Resuming)

24 Q I don't mean ignorance in a derogatory way at
25 all. I just mean that these other obligations were not

1 taken into account in the development of the operating
2 plan.

3 JUDGE HOPKINS: Go ahead, Mr. Fitzgerald.

4 WITNESS FITZGERALD: I am sure that we missed
5 a few things in making the operating plan, but our
6 contractual obligations will be intact, and we will
7 honor them.

8 BY MR. REMES: (Resuming)

9 Q Then you agree with Mr. Owen that the
10 operating plan's reference to a major downgrading of the
11 Stockton Pittsburgh line does not mean that the service
12 presently available to the Sacramento Northern will be
13 reduced or impaired under the operating plan?

14 A (WITNESS FITZGERALD) I think that is a
15 decision that you people or the Union Pacific people and
16 our people would have to sit down and talk about and go
17 into the contract and discuss it.

18 Q And similarly, you agree with Mr. Owen that
19 the operating plan's promise to reroute "all freight
20 traffic" away from the line, which is a quote from Page
21 107 of the operating plan, will not be implemented
22 without Union Pacific's concurrence?

23 (Pause.)

24 Q Shall I rephrase the question?

25 A (WITNESS FITZGERALD) Please.

1 Q The operating plan states that starting in
2 Year 3, all freight traffic will be rerouted away from
3 the Stockton Pittsburgh line. As we discussed,
4 Sacramento Northern has trackage rights over the line to
5 carry its freight. My question, picking up on your
6 answer to the previous question, is, does not the
7 operating plan's promise to reroute all freight traffic
8 away from the line depend upon Sacramento Northern's
9 concurrence in that rerouting?

10 A I don't think so.

11 Q In other words, notwithstanding obligations
12 under the contract to Sacramento Northern, you intend to
13 reroute its traffic away from the line?

14 A (WITNESS FITZGERALD) Away from the Santa Fe
15 line?

16 Q Away from the Stockton Pittsburgh line.

17 A (WITNESS FITZGERALD) Yes.

18 Q So in other words it will not require Union
19 Pacific or Sacramento Northern's concurrence or any
20 negotiation with them to reroute their own traffic which
21 they have over that line by virtue of a contractual
22 obligation that you have entered into?

23 MR. STEPHENSON: Your Honor, I think there is
24 confusion between counsel --

25 JUDGE HOPKINS: I think he was going to

1 correct it, too. Go ahead, Mr. Fitzgerald.

2 WITNESS FITZGERALD: I think that is up to the
3 Union Pacific.

4 BY MR. REMES: (Resuming)

5 Q So your answer is?

6 A (WITNESS FITZGERALD) I am telling you that
7 the traffic for the Santa Fe will be rerouted. Now, the
8 Union Pacific, they do whatever they want. They can
9 stay on that line or be rerouted or whatever they want
10 to do.

11 Q I was only asking because the operating plan
12 refers to all traffic. So, just to finish this line of
13 questioning, the applicants in submitting the operating
14 plan providing for downgrading of the Stockton
15 Pittsburgh line are really making a proposal conditioned
16 on negotiations with UP of an alternative to substitute
17 for the existing contractual arrangement.

18 A (WITNESS FITZGERALD) You lost me somewhere,
19 counsel.

20 Q It is a conditional proposal to the extent
21 that any changes along the line depend upon negotiations
22 with Union Pacific for substitutes for the existing
23 contractual arrangements. Is that correct?

24 MR. STEPHENSON: Your Honor, I think we are
25 getting into legal problems. Let me see if I can state

1 what I think is the testimony of the witness, and which
2 is the position of the company.

3 JUDGE HOPKINS: Go ahead.

4 MR. STEPHENSON: To the extent that this
5 contract permits Union Pacific to stay on the line after
6 the SPSF traffic has been moved over to the upgraded
7 Mccoco line, then Union Pacific can stay there under the
8 terms of the agreement.

9 To the extent that Union Pacific wants to move
10 over onto the Mccoco line with the SPSF traffic, that is
11 a matter that we would sit down and negotiate with you.
12 If you seek to buy the line, which you may want to do,
13 you may want to buy it with Amtrak, who also will be
14 operating on the line.

15 These are things that we will sit down and
16 negotiate with you, but the terms of -- the witness has
17 said several times that we are going to abide by the
18 terms of the contract, and if the contract permits you
19 to stay on the line, then that is where you will be
20 under the terms of the contract, paying whatever the
21 contract requires you to pay.

22 MR. REMES: We accept that, Your Honor.

23 JUDGE HOPKINS: Thank you.

24 BY MR. REMES: (Resuming)

25 Q At Page 3 of the petition concerning the

1 proposed acquisition and control over the Central
2 California Traction Company, which is in SPSF-6,
3 Application Number 3, it states that the purpose of the
4 proposed transaction is to make "CCT part of the new SP
5 and SF rail system," enabling SPSF to "coordinate CCT's
6 operations with those of ATSF and SP under common
7 management."

8 Does your plan assume that UP/MP will continue
9 to have an equal opportunity to compete for traffic
10 moving over the CCT line after the merger is approved,
11 should it be approved?

12 A (WITNESS LACY) I can answer that. As part of
13 my other responsibilities, I am on the board of
14 directors of the CCT, along with a very capable
15 representative from the Missouri Pacific/Union Pacific.

16 Q Mr. Lacy, do you mind speaking up again?

17 JUDGE HOPKINS: Would you speak towards him,
18 and speak up as much as you can?

19 WITNESS LACY: I said that I am on the board
20 of directors, the board of operations of the CCT along
21 with the Union Pacific and the Santa Fe representative,
22 and whatever is done in connection with the CCT after
23 the merger would be done within the confines of the
24 agreement establishing the Central California Traction
25 and with the vote of your Union Pacific

1 representative.

2 MR. REMES: At this point I would like to mark
3 for identification three exhibits, UP/MP-C-7, UP/MP-C-8,
4 and UP/MP-C-9.

5 UP/MP-C-7 is a report and order of the
6 Interstate Commerce Commission in Finance Docket
7 5008/89, decided August 5th, 1927, relating to control
8 of the Central California Traction Company by the Santa
9 Fe.

10 UP/MP-C-8 is an agreement made October 31st,
11 1927, by and between Mr. Herbert Fleischhacker,
12 F-l-e-i-s-h-h-a-c-k-e-r, and Southern Pacific, and
13 forgive me for my previous misstatement. The
14 acquisition and control was by Southern Pacific relating
15 to the sale of the CCT.

16 And UP/MP-C-9 is an agreement between the SF
17 and the Western Pacific and the Southern Pacific
18 indicating the intentions of parties with respect to the
19 agreement.

20 JUDGE HOPKINS: They will be marked for
21 identification.

22 (The documents referred to
23 were marked for
24 identification as Exhibits
25 Number UP/MP-C-7, 8, and

1 9.)

2 BY MR. REMES: (Resuming)

3 Q Just to repeat, UP/MP-7 is a report, and
4 UP MP-8 is the agreement of October 31, 1927, between
5 Mr. Fleishhacker and Scuthern Pacific, and UP/MP-C-9 is
6 the agreement of October 31st, 1927, between the SF, the
7 WP, and the SP.

8 I want to direct your attention to several
9 statments in these documents, and then I will have some
10 questions for you.

11 Turning to Page 10 of UP/MP-C-7, the
12 Commission states that "Under independent operation of
13 the carrier' lines," that is, operation of the CCT by
14 its original owner, Mr. Herbert Fleishhacker, "shippers
15 on the line seem to be free from entangling alliances or
16 obligations, thereby ensuring maximum advantages of
17 service through the competition among the various
18 competing lines." That is SFSP and WP.

19 On Page 12, the Commission concurs with the
20 view that "The existence of the carrier as a short line
21 railroad free of control by any trunk line makes for an
22 ideal situation from the standpoint of competition, and
23 consequently of service."

24 The Commission goes on to say that any
25 arrangement for control of CCT by SP should "preserve

1 present opportunities for competition among the
2 connecting trunk lines for traffic interchanged by the
3 carrier."

4 On the same page, the Commission states its
5 conclusion that "Continued impartial operation of the
6 carrier's properties can best be assured by joinder of
7 the three trunk lines in the control of the carrier
8 corporation."

9 And on Page 13, the Commission states its
10 preference for "a plan for operation of the carrier's
11 properties under joint control without discrimination
12 toward any of the joint proprietors."

13 On Page 4, Paragraph 4, of the next exhibit,
14 UP/MP-C-8, which is the agreement between Mr.
15 Fleishhacker and SP for conveyance of the CCT, it states
16 that upon acquisition of the CCT by SP, SP will admit SF
17 and WP "to participation equally" with the SP "in joint
18 control."

19 And on Page 8, Paragraph 13 of the same
20 document, it states that the agreement is to "innure to
21 the benefit of and be binding upon the successors
22 assigns" of Southern Pacific.

23 Finally, on Page 1 of UP/MP-C-9, which is the
24 agreement among SF, WP, and SP, adopted pursuant to the
25 Commission's decision, SF and WP state their intention

1 "to participate equally" -- that is in quotes -- with SP
2 "in joint control" of the CCT."

3 Now, if following merger SSP desired to make
4 any of the following types of changes, downgrading,
5 abandonment, shift in interchange locations, reduction
6 in maintenance expenditures, and other changes and the
7 like, is it your assumption that if the control
8 application is granted, SFSP would be able to make these
9 decisions over UP's objections?

10 A (WITNESS LACY) I think that is a legal
11 question, and I am not qualified to answer it.

12 Q Well, may I ask you this? Is it your
13 understanding that by virtue of the two-thirds ownership
14 of equity in CCT following the merger, the control to
15 which the application refers is control over the
16 operation and management of CCT over UP's objections?

17 A (WITNESS LACY) Could you restate that
18 question?

19 Q What is meant by the reference to control of
20 CCT in the application for treatment of the acquisition
21 of control as an exempt transaction?

22 A (WITNESS LACY) I would defer that to the
23 legal.

24 Q Let me ask you this. Do the applicants intend
25 to give Union Pacific an equal say in the operation and

1 management of CCT following consummation of the merger
2 if the control application is granted?

3 A (WITNESS LACY) The rights to which the Union
4 Pacific would have under the contract under the material
5 that the Commission grants as far as -- my
6 interpretation would be the same rights that they now
7 have.

8 Q So the right that they now have is the right of
9 an equal with the other co-owners in matters concerning
10 the operation and management of CCT. You were saying
11 then that following consummation of the merger, they
12 will continue to have an equal say in the operation and
13 management of CCT?

14 A (WITNESS LACY) I didn't say that.

15 Q Then you are saying that their influence will
16 change as a result of this merger if the control
17 application is granted?

18 A (WITNESS LACY) No, what I am trying to say is
19 that whatever rights the Union Pacific has after the
20 merger will be determined by the contract under which
21 the company is drawn up, and I am not qualified to
22 interpret that.

23 Q Will the CCT continue to be operated and
24 maintained without discrimination toward any of the
25 proprietors?

1 A (WITNESS LACY) The CCT is a short railroad
2 that is having all kinds of financial difficulties. The
3 business is not there that has been there for many
4 years. The last couple of board meetings that we had,
5 we have actually looked at the Union Pacific, the Santa
6 Fe, the Southern Pacific have looked at opportunities
7 and ways in which to reduce expenses, so that they
8 wouldn't have to make continued drawdowns of cash from
9 their parents, from the three owners, the Southern
10 Pacific, Santa Fe, and Union Pacific.

11 These studies have continued. We have made
12 substantial reductions in the number of people that we
13 have on the CCT. The CCT has been operated without
14 discrimination of one carrier over another. That was
15 the intent.

16 Q And is it your intention to continue to
17 maintain the operation and management of the CCT after
18 merger if the control application is granted impartially
19 and without discrimination to any of the proprietors?

20 A (WITNESS LACY) Whatever happens to the CCT
21 after the merger would be what was called for in the
22 contract that set the CCT up in the first place. I am
23 not qualified to answer that question.

24 Q Do you know what the company's intention is?

25 A (WITNESS LACY) I beg your pardon?

1 Q Do you know whether it is the company's
2 intention to maintain and operate the CCT without
3 discrimination toward any of the proprietors?

4 MR. STEPHENSON: Asked and answered. If
5 counsel is not satisfied with the answer he is getting --

6 MR. REMES: I don't think it has been asked
7 and answered. I think that the witness has merely
8 referred me back to a contract that he says he is
9 incompetent to elucidate, and then tells me that it is
10 going to be the same as it has always been. That sounds
11 like an evasion to me.

12 JUDGE HOPKINS: Well, you are trying to get
13 specific.

14 MR. REMES: I am trying to get an answer, Your
15 Honor.

16 JUDGE HOPKINS: I am afraid as to this he is
17 talking about, he has said they will follow whatever is
18 in the contract. Now, when you get into the specifics,
19 he has indicated previously that he does not believe he
20 is qualified to make that statement at this time.

21 MR. STEPHENSON: I should also point out, Your
22 Honor, that the related application to control that the
23 CCT was not signed by those witnesses, but was signed by
24 Mr. Ray Champion, and perhaps counsel should reserve his
25 questions for Mr. Ray Champion when he comes up on the

1 stand if he wants a more definitive statement as to what
2 the position of the company is going to be, I would
3 suggest.

4 MR. REMES: Well, I have only one more
5 question along this line, and I presume it will not call
6 for any answers that the witnesses are not capable of
7 giving.

8 BY MR. REMES: (Resuming)

9 Q Are you aware of any discussions or memoranda
10 or other communications by and among employees,
11 officials, agents of the applicants with respect to how
12 CCT will be operated and managed following merger if the
13 control application is granted?

14 A (WITNESS LACY) I am not aware.

15 Q Mr. Fitzgerald?

16 A (WITNESS FITZGERALD) I am not aware of
17 anything.

18 Q Turning now to the subject of the Los Angeles
19 terminal facilities, I would ask you for convenience to
20 examine UP/MP-C-2 and UP/MP-C-3, which are the maps. I
21 must apologize with respect to UP/MP-C-3. The color
22 coding did not reproduce as faithfully on these
23 reductions as they appear on the master map, but I trust
24 that there is no confusion as to whose lines are whose.

25 I think that the testimony yesterday has made

1 that clear, and I think that the delineation of the
2 tracks on UP/MP-C-2 makes plain who owns what.

3 Mr. Owen testified yesterday that moving
4 between the Los Angeles Transportation Center and SF's
5 Hobart yard via UP/MP's east bank lines was a policy
6 assumption provided to him for his use in preparing the
7 operating plan, and that he was never asked to consider
8 the feasibility of such alternatives as bridging the Los
9 Angeles River at Mission Tower and carrying the
10 movements via SF's west bank tracks.

11 Did either of you convey to Mr. Owen and his
12 team the assumption that the movements were to be
13 carried on UP's east bank lines?

14 A (WITNESS LACY) Your question was, did we
15 convey that to Mr. Owen?

16 Q Well, I guess that was my question. I can ask
17 it slightly differently. On what basis, as far as you
18 know, did Mr. Owen assume that the movements described
19 in the operating plan would move along UP's east bank
20 tracks?

21 A (WITNESS LACY) I think that assumption was
22 made by Mr. Owen and the Southern Pacific and Santa Fe
23 operating people that accompanied him in looking at the
24 different connections and the different ways that one
25 might operate.

1 In Los Angeles, the LATC, the Southern
2 Pacific's LATC yard is north geographically of the
3 Hobart yard, and there needs to be a way for trailers to
4 be positioned between the Southern Pacific's LATC and
5 the Hobart yard, and movement back and forth of whatever
6 empties over the short distance might be necessary to
7 accommodate the loadings for the customers.

8 A natural connection already exists, so that a
9 train or a couple of cars can leave Southern Pacific's
10 LATC center through an existing connection onto the
11 Union Pacific's east bank, east river line, and operate
12 over that line to Hobart Tower. At that point, it would
13 be necessary to place a connection between Union
14 Pacific's east bank line and the entrance into the
15 Hobart yard.

16 That is a physical possibility. There is no
17 construction or natural obstruction that would prevent
18 it. It is a straightaway connection that could be built
19 simply from the east bank into Hobart yard. That is a
20 necessary connection. We can't overemphasize the
21 importance of the connection.

22 Q It would be a grade level crossing?

23 A (WITNESS LACY) It crosses an existing track
24 at that location. It is at grade level, yes.

25 Q Messrs. Pottorff and Lynch in their verified

1 statement projected costs of the connection at State
2 Street-east bank to be about \$1.9 million, and the cost
3 of the connection at Hobart also at about \$1.9 million.

4 Are these reasonable estimates?

5 A (WITNESS LACY) I have no engineering
6 background. I couldn't comment.

7 Q You have no comment on whether your expert's
8 estimates were reasonable on that?

9 A (WITNESS LACY) If our experts recommended
10 that figure, I would say that would be it.

11 Q Well, turning to a couple of figures in an
12 appendix to your own verified statement, at Page 2 of
13 Appendix A to your verified statement, you state that
14 the cost of constructing a communication department
15 storage building at Hobart is estimated at \$100,000.

16 A (WITNESS FITZGERALD) What page are you on,
17 counselor, please?

18 Q I am on Page 2 of Appendix A to your verified
19 statement. It is under the heading of Coastlines, about
20 half, two-thirds of the way down the page. Hobart
21 Construct Comm Dept Storage Building, 100,000.

22 And you also estimate on Page 5 of Appendix A
23 that the cost of purchasing rights-of-way, and I assume
24 that is what R/W means, for UP's connection -- for the
25 UP connection, by which I assume you mean the connection

1 to UP's lines at Hobart Y at \$500,000.

2 Is this \$600,000 in estimated cost in addition
3 to the \$1.9 million estimated by Messrs. Pottorff and
4 Lynch as the cost of the Hobart connection? Or are they
5 included in his \$1.9 million estimate?

6 A (WITNESS IACY) I am not really certain. I
7 think Mr. Lynch and Pottorff will be on the stand in the
8 next day or so, and I am sure that they can enlighten
9 you about that.

10 MR. STEPHENSON: Let me interject at this
11 point. I think counsel is confused or I am confused.
12 The appendix that you are referring to are the items of
13 avoided capital expenditures that are now -- that we --
14 that results from the merger of the two railroads. All
15 those items in that appendix are items that the Santa Fe
16 will not spend on a stand alone basis because it has now
17 merged with SP.

18 MR. REMES: Thank you for the clarification.
19 The figures here represent a reduction in expenditures
20 as a result of the Hobart connection?

21 MR. STEPHENSON: That has nothing to do with
22 it. They are totally unrelated.

23 MR. REMES: These figures are totally
24 unrelated to the Hobart connection?

25 MR. STEPHENSON: That is correct.

1 MR. REMES: Okay, that satisfies me.

2 BY MR. REMES: (Resuming)

3 Q And UP/MP-C-5, which is the memorandum from
4 Mr. Torpin to Mr. Webb dated February 17, 1984, is it
5 your opinion that Mr. Torpin's \$1.2 million estimate of
6 the cost of routing traffic across the Los Angeles River
7 on a bridge at the Mission Tower a reasonable estimate?

8 A (WITNESS IACY) The bridge across the Los
9 Angeles River I really think is an expenditure that we
10 have no intentions of doing after the merger.

11 The bridge, the bridge came up, possible
12 construction of the bridge came up at a time when, in
13 order to gain flexibility, in order to be as flexible in
14 our operations between one railroad and another in the
15 Los Angeles Basin area, alternatives were looked at
16 where we might put connections in order to enhance
17 flexibility.

18 One of the suggestions was made that we have a
19 connection between Southern Pacific's State Street line
20 and the Union Pacific east bank. That is part of the
21 application. That is part of the recommendation
22 contained in the application, and it does give you the
23 flexibility of making a left turn, so to speak, off of
24 SP's State Street line to go south toward Hobart.

25 There already exists a connection between SP's

1 Alhambra line and the east bank that permits you to move
2 southward from the SF main line and looking at the
3 possible connection between State Street line, which
4 also goes in the LATC, but goes into a northward
5 connection.

6 The obstacles at that particular location,
7 there is a scrap dealer located there. There is a drop
8 of about 3 percent in grade. It would require moving
9 the Union Pacific double track closer to the river.
10 There are some operating and engineering conditions here
11 that are not ideal. You could accomplish the
12 connection.

13 We may possibly want that connection at some
14 time in the future if the need justifies the expense of
15 making the connection.

16 Q Which connection is this?

17 A (WITNESS IACY) That is the connection between
18 the State Street line and the Union Pacific east bank.
19 While the engineering people were looking at this
20 proposed connection, it became obvious that it wasn't a
21 very cheap thing to do, that there was going to be a lot
22 of money spent.

23 So, someone came up with the thought that
24 perhaps the solution to the problem might not be to put
25 the correction in off of the State Street line, but

1 Instead build a bridge across the Los Angeles River, buy
2 some property, and hang a left turn and go south to the
3 Santa Fe's main line.

4 That was even -- was a rather preposterous
5 proposal.

6 Q Was the \$1.2 million estimated cost
7 preposterous in your view, or was it reasonable?

8 A (WITNESS LACY) I don't know that much about
9 bridge construction. There is about a 100-foot span
10 across the river. I don't know the type of construction
11 that they would put in. One point two may be
12 reasonable, but if the 1.2 covers anything, it perhaps
13 covers the bridge itself, and not the track, and not the
14 connections, and not the signals, and not the property,
15 nor the other things.

16 Q And presumably the \$1.9 million estimated for
17 the State Street connection does not cover all sorts of
18 ancillary other costs either?

19 A (WITNESS LACY) Again, I would qualify my
20 statement as being not an engineer, and I am not
21 qualified to estimate, but I would say that the 1.9 may
22 or may not be enough.

23 Q It may or may not be?

24 A (WITNESS LACY) It may or may not be enough to
25 make that connection.

1 Q Well, if we have a rough estimate of \$1.2
2 million for the bridge, and a rough estimate of \$1.9
3 million for the State Street connection, then why was
4 the operating plan developed on the assumption that
5 movements between Hobart yard and the Los Angeles
6 Transportation Center would be carried on UP's east bank
7 tracks rather than by bridge over the Los Angeles River
8 at Hobart, at Mission Tower?

9 A (WITNESS LACY) The connection already, there
10 is no connection at all. There is no tie-in at all
11 between the proposed connection from the State Street
12 line to the Union Pacific east bank line. That has
13 nothing to do with achieving what we already have the
14 ability to achieve, which is movement between LATC and
15 the Hobart yard.

16 The connection is already in there between the
17 Alhambra line, the LATC center, and the east bank Union
18 Pacific connection.

19 Q You can move from the LATC to UP's east line
20 via State Street at this present time?

21 A (WITNESS LACY) No, not from the State Street
22 line, but from the LATC and the Alhambra line.

23 Q Can you kindly show me on a map here how that
24 would work, Mr. Lacy? And I think this is the map that
25 has the detail.

1 A (WITNESS LACY) It doesn't show on this map,
2 but it is my impression there is a connection that you
3 can go from the Alhambra line -- wait a minute. Let me
4 find it. Okay, here we are. Here is -- the red is the
5 Union Pacific east bank line.

6 Q Yes.

7 A (WITNESS LACY) Down to Hobart. Here is our
8 Southern Pacific Alhambra line. You see the little
9 orange connection in here.

10 Q This is a connection that goes from the
11 Alhambra line to the east line, UP line?

12 A (WITNESS LACY) Sure. If we had a need to go
13 to Hobart from the Alhambra line, you would hang a left
14 turn at the Pasadena junction and go down the east
15 bank.

16 Q Okay, but if you constructed the bridge over
17 the Los Angeles River at Mission Tower, you could also
18 route traffic down to the Hobart yard from the Alhambra
19 line using SFSP lines on the west bank, could you not?

20 A (WITNESS LACY) I wouldn't have any legitimate
21 reason for wanting to build a bridge across the river
22 when I have already got the existing connection to
23 accomplish what I want.

24 Q Unless it costs less. Oh, I withdraw that
25 statement.

1 So your sole purpose -- all right. I see how
2 that works. Then why, sir, are you proposing a
3 connection from the State Street line? I am not clear
4 on that, if your connection is from the Alhambra line.

5 A (WITNESS LACY) That is in our application for
6 the purpose of providing flexibility in our operations
7 at some time in the future. We have two ways of coming
8 into Los Angeles from El Monte.

9 We can come the Alhambra line, and we can come
10 the State Street line. It in effect is a kind of a
11 double track type operation. We achieve everything that
12 we want to achieve before going to the Hobart yard on
13 the Alhambra line, but the State Street line does not
14 provide a connection to go from State Street southward
15 to the UP east bank.

16 Q So currently you don't need the State Street
17 connection. You already have a connection from Alhambra
18 to the Hobart yard via the west bank lines through the
19 Alhambra connection?

20 A (WITNESS LACY) We already have the connection
21 off of the Alhambra line. In putting together a merger
22 and an operating plan, it was felt that wherever there
23 might be a need at some time in the future, if the
24 growth of business continues, we might possibly need the
25 connection from the State Street line.

1 Q So requesting it is sort of like trimming a
2 Christmas tree.

3 A (WITNESS LACY) No, I think it is more in line
4 with anticipating your needs and doing some long range
5 planning.

6 Q One of the -- well, let me back up a second.
7 You would anticipate, then, that some time in the future
8 you might contemplate moving traffic down State Street,
9 down this new State Street connection, down the UP's
10 line, east bank line, and down to the Hcbart yard.

11 Is that correct?

12 A (WITNESS LACY) That is a possibility. Let me
13 characterize it by saying it is a possibility.

14 Q It is a possibility, and if I understand Mr.
15 Over's testimony correctly, the State Street connection
16 could technologically be used to carry SFSP movements
17 from the Los Angeles Transportation Center down UP's
18 east bank line to Hcbart yard?

19 A (WITNESS LACY) No, that is not right. The
20 State Street line comes into the LADC south of the LADC,
21 so that when you come westward into the Los Angeles
22 Transportation Center on the State Street line, you can
23 go right into the LADC. There is a connection already
24 existing at that location. There is no relationship
25 between the State Street line and the need to move

1 traffic from the LATC to the Hobart yard.

2 Q But the State Street connection would
3 facilitate movements from the Alhambra line down to the
4 Hobart yard via the east bank UP lines?

5 A (WITNESS LACY) It would give you the added
6 flexibility. We already have the connection off of the
7 Alhambra line.

8 Q Going down the west bank?

9 A (WITNESS LACY) Going down the east bank.
10 That was the connection that we just looked at.

11 Q And why is it, if you can cross the Los
12 Angeles River on the Alhambra line to reach the SF line
13 and then go down the west bank of the river on the SF
14 line to the Hobart yard, are you proposing to use UP's
15 east bank line via a connection at Hobart?

16 A (WITNESS LACY) We don't want to build a
17 bridge across the Los Angeles River.

18 Q I thought the Alhambra line already goes
19 across the Los Angeles River and connects to the SF line
20 on the other side.

21 A (WITNESS LACY) It crosses the Los Angeles
22 River and goes into the LAUPT, the passenger station,
23 but it doesn't afford connections to the Santa Fe.

24 Q So the choice, Mr. Lacy, is between building a
25 connection from the Alhambra line to the SF line on the

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1 west bank to carry traffic from the LATC down to the
2 Hobart yard and on the other hand building the Hobart
3 connection and carrying the traffic from the LATC down
4 to Hobart on UP's east bank line?

5 A (WITNESS LACY) I think if we go back and
6 reexamine everything that has been said, that we already
7 have a connection to -- we already have the trackage
8 rights. We already have everything in place that we
9 need to go from SP's Alhambra line from the LAUPT down
10 the east bank to Hobart. All we need is a connection at
11 Hobart Tower in order to make a left turn and go into
12 the Santa Fe Hobart yard.

13 Q And trackage rights below Ninth Street?

14 A (WITNESS LACY) Well, I think that is right.

15 Q But the point is that you also, with the
16 connection from the Alhambra line to the west bank SF
17 line, would achieve the same ability to move traffic
18 down to the Hobart yard that you would achieve by
19 getting your Hobart connection onto UP's east bank
20 line. You will have tracks on both sides of the river.
21 You are saying that you already have what you need on
22 the east bank, and I am saying, don't you also have what
23 you need on the west bank, except for the connection of
24 the Alhambra line to SF's line.

25 A (WITNESS LACY) We already have what we need

1 on the east line except for the connection at the Hobart
2 Tower. We do not have what we need on the west bank.

3 Q What is that, sir?

4 A (WITNESS LACY) That is acquiring property at
5 probably a preposterous price and spending a tremendous
6 amount of money to build a connection to the Santa Fe
7 Railroad on the west side that at this point in time is
8 not needed.

9 Q So you don't even need a bridge. What you
10 need is a connection between the Alhambra line on the
11 west bank and SF's lines?

12 A (WITNESS LACY) That is right.

13 Q That is the alternative to the Hobart
14 connection?

15 A (WITNESS LACY) We already have a bridge
16 across the Los Angeles River that goes to the LAUPI. We
17 don't need another bridge.

18 Q But their choice is between the connection
19 from Alhambra to the west bank line and the Hobart
20 connection. Those are the choices.

21 A (WITNESS LACY) We already have a connection
22 from Alhambra to the east bank.

23 Q But you don't have a connection at Hobart that
24 would connect the Hobart yard to the UPC's bank line?

25 A (WITNESS LACY) That is right. That is the

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very simple connection.

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1 Q The \$1.9 million connection, okay.

2 Finally, Mr. Owen testified yesterday that the
3 operating plan was developed on the assumption that
4 UP/MP would concur in shifting the Taylor and Hobart
5 interchange at Colton/West Colton. I just want to
6 confirm the understanding of the Applicants that UP's
7 concurrence is required for this interchange shift.

8 MR. STEPHENSON: Give it to me again, please,
9 counsel?

10 BY MR. REMES: (Resuming)

11 Q As I understood Mr. Owen's testimony
12 yesterday, he said that the operating plan was developed
13 on the assumption that UP/MP would concur in shifting
14 the Taylor and Hobart interchange to Colton/West
15 Colton. I just want to confirm from the testimony of
16 company policy witnesses here the understanding of the
17 Applicants that UP's concurrence would indeed be
18 required for this interchange shift.

19 MR. STEPHENSON: That's my understanding, but
20 I think you ought to ask Mr. Lacy.

21 MR. REMES: That is what I was trying to do.

22 JUDGE HOPKINS: He was referring to Mr. Lacy.

23 MR. STEPHENSON: I thought he was asking me.

24 JUDGE HOPKINS: No, he's asking Mr. Lacy.

25 WITNESS LACY: The matter of at which

1 interchange is handled between one railroad and another
2 is usually accompanied by an agreement between the two
3 railroads as to how that interchange might be
4 accomplished.

5 Right now we have a yard to yard interchange
6 in Los Angeles between Santa Fe and SP and between Union
7 Pacific-SP. It is an alternating yard to yard
8 reciprocal type interchange. Over the last couple or
9 three years we have looked at the type traffic that is
10 involved in that interchange, and a lot of it is traffic
11 coming from Union Pacific east points and it comes
12 across the connection at Colton and continues on into
13 Los Angeles, into your Union Pacific yard, at which time
14 it is switched and blocked and set aside for the SP, and
15 either Union Pacific delivers that to the SP or SP comes
16 and gets it. It depends upon who is doing the hauling
17 in this particular reciprocal period.

18 And the thought was, since there is a lot of
19 traffic, that backhauls back out to City of Commerce,
20 City of Industry, and those areas, that it might be
21 better handling of traffic if Union Pacific were to
22 operate over SP from a connection at Colton through West
23 Colton yard and set cut and/or pick up, as the case
24 might be, and continue operating over SP to a point near
25 Montclair which is 15, 20 miles west of our West Colton

1 yard, build the connection back to the Union Pacific, so
2 that the UP train would come on the SP at Colton and run
3 a short distance and go through a power-controlled
4 crossover and back onto the UP, having dropped its
5 interchange at West Colton.

6 The interchange that we receive at West Colton
7 would be likely to be traffic going to industries served
8 by Southern Pacific and it would make the south branch
9 hauling programs at that location.

10 But all of this is in a stage of some
11 advantages to UP, with some advantages to SP, and some
12 correspondence has been initiated and some discussions
13 have been held. But there has been no ratification of
14 anything at this time.

15 BY MR. REMES: (Resuming)

16 Q We are cognizant of those factors and just
17 wanted reassurance that the operating plan didn't assume
18 a unilateral shift at the interchange.

19 A (WITNESS LACY) No.

20 MR. REMES: Thank you very much, gentlemen.

21 JUDGE HOPKINS: I think this would be a good
22 time for --

23 MR. REMES: Oh, Your Honor, I move into
24 evidence the exhibits I marked for identification.

25 JUDGE HOPKINS: They will be received in

1 evidence.

2 (The documents previously
3 marked Exhibit Nos.
4 UP/MP-C-7, 8 and 9 for
5 identification were received
6 in evidence.)

7 JUDGE HOPKINS: Let's take a 15-minute
8 recess.

9 (Recess.)

10 JUDGE HOPKINS: Let's go back on the record.

11 MR. ROPER: Your Honor, one point. I did not
12 move for admission of MKT-C-21, and I do so at this
13 time.

14 JUDGE HOPKINS: Any objection?

15 (No response.)

16 JUDGE HOPKINS: It will be received.

17 (The document previously
18 marked Exhibit No. MKT-C-21
19 for identification was
20 received in evidence.)

21 MR. ROPER: Your Honor, also before we get
22 started, there's some question about which witnesses
23 will appear tomorrow at the hearing. Could we get a
24 statement from Applicants as to who will be on
25 tomorrow?

1 MR. HYNES: Your Honor, I take it that
2 question is directed primarily at the issue of Mr.
3 Baumol. Several of the Protestants have asked whether
4 or not Mr. Baumol will appear in the order which was
5 anticipated in the list which we distributed.

6 Mr. Baumol is out of the country right now.
7 Things have moved a little bit more quickly than we
8 anticipated with the witnesses which have appeared so
9 far. And we are in contact with him right now and are
10 going to try to establish what date he is going to be
11 back, and we will attempt to establish with him a date
12 certain upon which he will be available to testify here,
13 and as soon as we have that date certain established
14 with him we will pass that along to the Protestants.

15 JUDGE HOPKINS: He had better be back pretty
16 fast.

17 MR. ROPER: That answers part of it, Your
18 Honor. But still, are we to assume that Messrs. Keyes
19 and Swain and Beyff are going to be ready tomorrow? Or
20 do I understand they won't be ready until Friday?

21 MR. STEPHENSON: I was told they won't be
22 ready until Friday. Mr. Anderson will be available
23 tomorrow, Mr. Champion on certain limited subjects, and
24 Mr. Sonefeld, although I think the decision was made
25 that Sonefeld was -- Mr. Champion was going to take care

1 of the Sonefeld matters.

2 JUDGE HOPKINS: That was my understanding.

3 MR. REMES: May I ask whether Mr. Champion
4 will be taking questions on the CCT tomorrow?

5 MR. STEPHENSON: Yes, we will make him
6 available for that purpose.

7 JUDGE HOPKINS: Now, who are they that you say
8 will be available tomorrow?

9 MR. STEPHENSON: Mr. Anderson, Mr. Champion,
10 who will be testifying both as to the CCT issue as well
11 as certain Sunkist issues relating to the abandonment
12 policies of the two companies. Mr. Anderson will be
13 here to testify concerning the UP trackage rights
14 proposal, and it may be -- and I throw this out -- well,
15 let me make another update on that announcement.

16 After lunch, Your Honor, I would like perhaps
17 to move another witness into that time period, if we can
18 do so.

19 JUDGE HOPKINS: Sure.

20 MR. REMES: Off the record.

21 JUDGE HOPKINS: Off the record.

22 (Discussion off the record.)

23 JUDGE HOPKINS: Back on the record.

24 Mr. Craig, are you next?

25 MR. CRAIG: Yes.

1 CROSS EXAMINATION

2 BY MR. CRAIG:

3 Q Messrs. Lacy and Fitzgerald, my name is Peter
4 Craig, representing Amtrak in this proceeding. I would
5 like to ask a few general questions first which exclude
6 the San Joaquin operation from the scope of the
7 questions. But, excepting the San Joaquin Valley, are
8 you representing to the Commission that all present
9 Amtrak trains will continue to operate over your
10 respective systems at as good running times as they
11 presently do?

12 A (WITNESS FITZGERALD) Santa Fe has no plans
13 for change.

14 A (WITNESS LACY) The same thing with SP.

15 Q And can you represent to the Commission that
16 there will be no added cost burden on Amtrak for the
17 operation of these trains?

18 A (WITNESS FITZGERALD) I can't state that.

19 Q Can you identify any increased cost burdens
20 that would be imposed upon Amtrak as a result of the
21 merger?

22 A (WITNESS FITZGERALD) I cannot.

23 Q Can you, Mr. Lacy?

24 A (WITNESS LACY) No. We have a very good
25 relationship with Amtrak and your Mr. Larson, and we

1 have, I would say, repeated discussions and negotiations
2 about different type things, like increasing speed where
3 we can, where ties and rails have been installed, and
4 different ways of doing these things. And everything
5 that is done is done by contract and with the approval
6 and consent.

7 I don't know of anything at all that is in the
8 future that would increase Amtrak's costs, but if it
9 were it would be with the consent of Amtrak.

10 Q And do you agree with that, Mr. Fitzgerald?

11 A (WITNESS FITZGERALD) Yes, sir.

12 Q On page 12 of your statement, you state near
13 the bottom that: "SFT's Sunset route between West
14 Colton and El Paso, on the other hand, will see a
15 reduction in traffic of up to six daily trains."

16 You will continue to operate, however, the
17 Amtrak train over that segment, will you not?

18 A (WITNESS LACY) Very definitely, yes.

19 Q And you have no intention to abandon any
20 track, say, in the Phoenix area over which that train
21 operates?

22 A (WITNESS LACY) No.

23 Q This morning there was marked for
24 identification MKT-C-21, a memorandum of a meeting
25 between you two gentlemen and others held on December

1 10th, 1983. Do you gentlemen have that exhibit before
2 you?

3 A (WITNESS FITZGERALD) Yes.

4 A (WITNESS LACY) I have it.

5 Q On the first page, under the caption "Northern
6 California," there is -- the second short paragraph
7 reads: "Trains to and from Bay Area moving via
8 Bakersfield would use SP lines via Martinez, Tracy and
9 Fresno."

10 What did you mean by "trains"? All trains
11 including Amtrak or just SP-Santa Fe trains?

12 A (WITNESS FITZGERALD) It is my opinion that is
13 Santa Fe-SP trains.

14 Q Did you at that time consider the fact that
15 the Amtrak trains were using the segment from Stockton
16 to Pittsburg?

17 A (WITNESS FITZGERALD) On the original Santa Fe
18 line?

19 Q Yes.

20 A (WITNESS FITZGERALD) We were aware of it.

21 Q What did you hope would happen as to those
22 trains?

23 A (WITNESS FITZGERALD) That is up to Amtrak. I
24 have no direction on that.

25 Q Do you have any opinion as to what should

1 happen, Mr. Lacy or Mr. Fitzgerald?

2 A (WITNESS FITZGERALD) We have a contract with
3 Amtrak to operate the trains and I think at the proper
4 time that your contract people would need and legal
5 people would need to sit down with ours and go over the
6 contract and decide whether you want to stay where you
7 are, move by our line, or what you want to do. That is
8 your decision.

9 Q I am trying to explore what you considered in
10 the development of the operating plan. Turning to page
11 4 of your joint statement, you set forth various policy
12 objectives, and below that it says: "We personally
13 participated in developing strategies and assumptions
14 underlying the operating plan."

15 As I read your policy objectives, they all
16 relate to freight operations. Am I reading that
17 correctly?

18 A (WITNESS FITZGERALD) You are.

19 Q And is there a conscious decision to disregard
20 passenger operations in the development of your
21 operating plan?

22 A (WITNESS FITZGERALD) Not disregard it. As I
23 said before, you're under contract, and I have no
24 authority to start altering contracts here at this
25 hearing. This is between the contract and legal

1 people.

2 Q Well, in developing your operating plan did
3 you examine the contract to see if they obligated the
4 Santa Fe to continue to use various track segments that
5 were occupied by Amtrak trains?

6 A (WITNESS FITZGERALD) I did not personally.

7 Q Did you supply copies of those agreements to
8 Booz Allen in connection with developing the operating
9 plan?

10 A (WITNESS FITZGERALD) Possibly. I do not
11 know.

12 Q Do you know, Mr. Lacy?

13 A (WITNESS LACY) No.

14 Q Mr. Lacy, earlier this morning you said both
15 railroads are customer-oriented. Do you include Amtrak
16 in the definition of "customer"?

17 A (WITNESS LACY) By all means.

18 Q And in developing your guidelines on page 4,
19 the last one is "to avoid abandoning segments where rail
20 service is currently being provided to shippers." Why
21 did you have that as one of your five policy
22 objectives?

23 A (WITNESS FITZGERALD) I think that is a
24 reasonable statement, and I think our management
25 considered that to be a subject that we should by all

1 means take into consideration and avoid if possible.
2 The line you are talking about would be -- it is in the
3 Delta area. It is very expensive to maintain, and it is
4 our decision to, since we have an alternate route, to go
5 to the SP line.

6 Q Would it be equally important to consider
7 avoidance of abandoning line segments where rail service
8 is currently being provided to rail passengers?

9 A (WITNESS FITZGERALD) Not in my opinion.

10 Q Would you turn to page 17 of your joint
11 statement, please. In the first paragraph, the last
12 sentence, you talk about your Martinez-Lathrop project,
13 which according to the preceding page would cost \$33
14 million, and say that that will enable SPSF to
15 discontinue freight operations over Santa Fe's high
16 maintenance line between Pittsburgh and Stockton.

17 What are the mileposts at Pittsburgh and at
18 Stockton, Mr. Fitzgerald?

19 A (WITNESS FITZGERALD) I don't know.

20 Q Do you have any papers handy that could supply
21 me that information as a preliminary to later
22 questions?

23 A (WITNESS FITZGERALD) I don't have anything
24 here to supply that.

25 A (WITNESS LACY) Are you looking for something

1 that shows distances or milepost locations?

2 Q Milepost numbers. You have a table at the end
3 of your exhibit or joint statement which lists avoided
4 projects resulting from the consolidation. And some of
5 them are identified only by milepost numbers, number of
6 bridges, for example, and there is nothing to indicate
7 to me where those bridges are located.

8 Can you, by examination of your appendix to
9 your verified statement, identify projects that are in
10 the Pittsburgh to Stockton segment?

11 A (WITNESS FITZGERALD) It is my opinion, if you
12 are looking at Appendix A, page 1, the second district
13 valley division, those three bridges are in the Delta
14 area between Pittsburgh and Stockton.

15 Q And would you look at the next page.

16 A (WITNESS FITZGERALD) Yes, sir.

17 Q What about those bridges? Many of them are
18 the same mileposts?

19 A (WITNESS FITZGERALD) Yes, that's right. It
20 is a continuation of work to be done in year one, two,
21 three, and four, and whatever.

22 Q So that the bridge replacement projects for
23 1985 and 1986 and 1987 are all on the Stockton to
24 Pittsburgh line?

25 A (WITNESS FITZGERALD) I can't say all of

1 them. Those with --

2 Q They are between mileposts 1127.4 and milepost
3 1186.3.

4 A (WITNESS FITZGERAID) Those in that area I
5 believe are.

6 Q On the 1985 listing, the second bridge
7 replacement has a number at the right which reads
8 "0,200"; is that correct?

9 A (WITNESS FITZGERAID) I don't think so. There
10 is a number that is faded out and I think it is a 7.
11 70,200, I think.

12 MR. CRAIG: If the number is otherwise, will
13 counsel advise me at a later time?

14 MR. STEPHENSON: Yes, if you will remind me.
15 I am somewhat forgetful.

16 BY MR. CRAIG: (Resuming)

17 Q Do I correctly read your appendix, Mr.
18 Fitzgerald, that these are projects that, absent
19 consolidation, the Santa Fe would undertake during these
20 enumerated years?

21 A (WITNESS FITZGERAID) If we were not merged?

22 Q Yes.

23 A (WITNESS FITZGERAID) That's true.

24 Q Now, aside from these capital projects, what
25 is the annual maintenance cost between Pittsburgh and

1 Stockton that you are trying to avoid?

2 A (WITNESS FITZGERALD) I have no idea.

3 Q Well, how do you conclude that it is a high
4 maintenance line if you don't have any idea?

5 A (WITNESS FITZGERALD) You've got some pretty
6 good ideas with the bridge replacements and bridge
7 renewals. And you have got a couple of engineering
8 witnesses to follow us that can probably give you some
9 better information than we can.

10 Q Well, since you are the witness talking about
11 maintenance costs, I have asked to cross-examine you on
12 the subject. You, however, do not know?

13 A (WITNESS FITZGERALD) I don't know.

14 MR. CRAIG: Would counsel be agreeable to
15 supplying the maintenance costs of the Santa Fe on this
16 line to be downgraded from Stockton to Pittsburgh?

17 MR. STEPHENSON: I don't think so. I think
18 that discovery has been over for a long time and I don't
19 appreciate getting discovery requests during the course
20 of -- rather extensive discovery requests, too, I might
21 add -- during the course of cross-examination of the
22 witnesses.

23 The application has been on file for six
24 months and we have been trying to find out from Amtrak
25 for three or four months what their concerns were. And

1 to get discovery requests during the course of
2 cross-examination is not in my opinion appropriate
3 procedure to follow.

4 MR. CRAIG: Well, Your Honor, I would like to
5 ask you to direct the Applicants to supply this figure,
6 in view of the fact that this witness cannot stand
7 cross-examination on his own statement.

8 MR. STEPHENSON: The witness has deferred the
9 maintenance cost testimony to the engineering witnesses
10 that are going to follow. I think that it would be more
11 appropriate for counsel to address his question to those
12 witnesses, particularly Mr. Pottorff, and if he is still
13 dissatisfied at that time I think that he could renew
14 his request at that time.

15 JUDGE HOKKINS: Why don't we see, Mr. Craig,
16 if Mr. Pottorff is able to answer that question for you,
17 and then I will rule on it if you make the further
18 request at that time.

19 MR. CRAIG: Off the record, please.

20 (Discussion off the record.)

21 JUDGE HOKKINS: Back on the record.

22 BY MR. CRAIG: (Resuming)

23 Q In the San Joaquin Valley, what, from the
24 Applicants' point of view, would make the most sense in
25 terms of the schedule for the Amtrak passenger trains?

1 That is, what, in light of your operating plan, would
2 you like to see happen to the two daily Amtrak trains
3 that operate between Bakersfield and Stockton on into
4 the Bay Area?

5 A (WITNESS FITZGERAID) I think that is Amtrak's
6 decision. I think you have a choice of staying where
7 you are, buying the Santa Fe line, or going over on the
8 upgraded SP line.

9 Q You have no opinion as operating people for
10 the Applicant?

11 A (WITNESS FITZGERAID) I have enough problems
12 running Santa Fe without trying to run Amtrak.

13 Q Have you, in the development of your operating
14 plan subsequent to your meeting of December 10th, 1983,
15 prior to its filing in March of 1984, did you have any
16 discussions with Amtrak on the San Joaquin Valley
17 operation and how they might be modified consistent with
18 your proposal?

19 A (WITNESS FITZGERAID) I don't recall any
20 personal conversations with Amtrak on that line.

21 Q Did you, Mr. Lacy?

22 A (WITNESS LACY) No, I had no discussions.

23 Q And are you aware of anyone working on the
24 operating plan having been assigned to negotiate with
25 Amtrak?

1 A (WITNESS FITZGERALD) I am not.

2 Q Are you, Mr. Lacy?

3 A (WITNESS LACY) No.

4 Q Has there been any encouragement in this
5 period to Amtrak to purchase the line, or is this the
6 first announcement of it in the footnote from page 17?

7 A (WITNESS FITZGERALD) To my knowledge, there
8 has not been any contact or encouragement for Amtrak to
9 buy the line.

10 Q Do you agree, Mr. Lacy?

11 A (WITNESS LACY) I don't know whether there's
12 been any contact or not, no.

13 Q And you don't know what the price, the
14 purchase price, would be?

15 A (WITNESS FITZGERALD) I have no idea.

16 A (WITNESS LACY) No.

17 Q Do you know the annual maintenance cost?

18 A (WITNESS FITZGERALD) No.

19 Q If Amtrak were to move over to the upgraded
20 Mocco line, how would it serve Stockton, Mr. Lacy -- or
21 Mr. Fitzgerald, I mean? Would it go up to Stockton and
22 then back out?

23 A (WITNESS FITZGERALD) As I understand it, that
24 would be the only way it could serve it, and I am not
25 that acquainted with that area. But I understand if you

1 serve Stockton, you would have to pull in and back out.
2 Maybe Mr. Lacy could enlighten us on that.

3 Q How far would the train have to back out of
4 Stockton to get onto the Moccoco Line? Do either of you
5 know?

6 A (WITNESS FITZGERALD) I don't.

7 A (WITNESS LACY) I might be able to get -- to
8 help you. The Moccoco Line, as we define it, runs from
9 Martinez to Tracy. Stockton is an intermediate station
10 on our line between Sacramento and Lathrop, so you're
11 talking about not only the Moccoco Line, you're talking
12 about the segment of the Stockton district. And I think
13 the operation probably would be -- would come out of
14 Bakersfield on whatever railroad you wanted to come out
15 on.

16 Up to Fresno, the tracks run parallel with
17 each other. You have the alternative of getting back on
18 the Santa Fe north of Fresno and operating over the
19 existing Santa Fe line up to Stockton. And your
20 problem, I guess, would be at Stockton.

21 Your passenger station, which is the old Santa
22 Fe passenger station, is west of the SP main line, so
23 that you would come westward on the Santa Fe, across the
24 SP Stockton district line, the one that goes to Tracy,
25 and the Moccoco Line, and make your station stop, after

1 which you would have to back up, I would guess, a
2 quarter of a mile, back beyond the point where there is
3 a connection, an existing connection for a straight-away
4 move to the Stockton district.

5 Q So you would contemplate the train would have
6 to back up a quarter of a mile to turn around?

7 A (WITNESS LACY) That is just a guess.

8 Q And then would go south to Lathrop, across to
9 Tracy, and then across to Martinez?

10 A (WITNESS LACY) Right.

11 Q In developing your operating plan at Fresno,
12 did you explore alternate sites for a passenger
13 station?

14 A (WITNESS LACY) We did not.

15 A (WITNESS FITZGERALD) We did not.

16 MR. CRAIG: I have no further questions.

17 Thank you.

18 JUDGE HOPKINS: Thank you.

19 Who's next? Ms. Reed.

20 CROSS EXAMINATION

21 BY MS. REED:

22 Q Good morning, Mr. Lacy and Mr. Fitzgerald. My
23 name is Mary Reed and I'm with the U.S. Department of
24 Transportation. I have a few questions I would like to
25 ask you on behalf of the Kansas Department of

1 Transportation.

2 Is it correct that the Atchison, Topeka, Santa
3 Fe grand divisions, Mr. Fitzgerald, are divided between
4 the Topeka and Amarillo offices?

5 A (WITNESS FITZGERALD) There's a grand division
6 office at Topeka and another at Amarillo. The eastern
7 line is headquartered at Topeka, the western line is
8 headquartered at Amarillo.

9 Q Will these offices continue after the merger?

10 A (WITNESS FITZGERALD) Not necessarily.

11 Q Do you know what offices will? Will one
12 office be eliminated after the merger?

13 A (WITNESS FITZGERALD) There's a possibility
14 that Amarillo will be eliminated.

15 Q Now, there will be three separate divisions
16 after the merger, an eastern, southern and western
17 division; is that correct?

18 A (WITNESS FITZGERALD) That is the plan at this
19 time, yes.

20 Q Will any operating divisions be eliminated?

21 A (WITNESS FITZGERALD) Yes. I think there is
22 25 operating divisions within both companies now, and
23 they will be reduced. It is planned to reduce them to
24 19.

25 Q Will any operating divisions be eliminated?

1 A (WITNESS FITZGERALD) That is what I
2 answered.

3 Q 29?

4 A (WITNESS FITZGERALD) 25, I think. It will be
5 reduced to 19.

6 Q Do you know in what city the combined ATSF
7 Kansas City and SP St. Louis traffic and marketing sales
8 divisions will be located?

9 A (WITNESS FITZGERALD) I have no idea.

10 Q Do you know who would know, or has that been
11 decided yet?

12 A (WITNESS FITZGERALD) No. That would be to
13 Tom Fitzgerald, the Vice President of Traffic, and his
14 counterpart on the SP, and I can't answer for them.

15 Q Do you know how the proposed route changes
16 will affect the level of service to the customers in
17 Kansas?

18 A (WITNESS FITZGERALD) I think it will improve
19 service to most of Kansas.

20 Q Will there be more trains providing service to
21 people in Kansas?

22 A (WITNESS FITZGERALD) In certain areas, yes.

23 Q Will the frequency of service be increased?

24 A (WITNESS FITZGERALD) In what segment?

25 Q Say western Kansas.

1 A (WITNESS FITZGERALD) Western Kansas?

2 Q Yes.

3 A (WITNESS FITZGERALD) It's very doubtful in
4 western Kansas.

5 Q What about eastern Kansas?

6 A (WITNESS FITZGERALD) There is a possibility
7 in parts of eastern Kansas.

8 Q A possibility. What do you mean by
9 "possibility"?

10 A (WITNESS FITZGERALD) Kansas City.

11 Q And as far as the rest of the state, there
12 would be no increase in the frequency of service?

13 A (WITNESS FITZGERALD) Well, our
14 transcontinental main line runs from Kansas City through
15 Emporia, Wellington, and then south to Amarillo, and
16 that is where the increase in trains will be.

17 Q Are you familiar with the Mid-States Port
18 Authority?

19 A (WITNESS FITZGERALD) Mid-States Port
20 Authority?

21 Q Yes, sir.

22 A (WITNESS FITZGERALD) No.

23 Q Now, according to the operating plan the
24 Tucumcari line from Vaughn to Hutchinson will be changed
25 from TOFC to boxcar manifest; is that correct?

1 A (WITNESS FITZGERALD) That is what we plan,
2 yes.

3 Q What do you mean by the term "boxcar
4 manifest"?

5 A (WITNESS FITZGERALD) Anything other than
6 TOFC.

7 Q Will the speed of the trains be slower than
8 they are today over that line?

9 A (WITNESS FITZGERALD) No, I don't think so.

10 Q Will the number of trains be reduced?

11 A (WITNESS FITZGERALD) I don't think so.
12 There's a possibility that it will be increased.

13 Q So what is the difference between TOFC and
14 manifest boxcar service?

15 A (WITNESS FITZGERALD) TOFC is either trailers
16 or containers on flatcars. They usually demand a very
17 -- they are time-sensitive and demand a very high-speed
18 schedule. And our plan is to keep those on the
19 high-speed main line and use the Tucumcari line for the
20 so-called boxcar traffic.

21 Q So you are just sorting the traffic one line
22 to the other, is that right?

23 A (WITNESS FITZGERALD) That's right.

24 Q Now, on page 4 of your verified statement you
25 list five policy objectives of the merged system. Would

1 you please explain how these objectives apply to the
2 elimination of through service on the Hutchinson to
3 Topeka segment of the SPC's Tucumcari line, and could
4 you go through them one by one?

5 How does the elimination of this service
6 establish routes that would maximize service
7 improvements through the combined use of line segments
8 of both railroads?

9 A (WITNESS FITZGERALD) These objectives were
10 considerations that we had for the entire merger, and I
11 don't think I can take one segment in the middle of
12 Kansas and go through each one of these and make it
13 fit.

14 Q Do you expect that the Hutchinson to
15 Harrington and Harrington to Topeka line can continue to
16 be financially viable with the projected traffic
17 levels?

18 A (WITNESS FITZGERALD) I'm not sure. It will
19 be, probably. I have been answering Mr. Lacy's
20 questions. I am going to turn that over to him.

21 Q Mr. Lacy?

22 A (WITNESS LACY) Could you phrase the question
23 again?

24 Q Do you expect the Hutchinson to Harrington and
25 Harrington to Topeka line segments can continue to be

1 financially viable with the projected traffic levels?

2 A (WITNESS LACY) We are probably a little
3 premature in giving a definitive answer on this. We
4 plan to retain the line and, depending upon what traffic
5 patterns develop and the way the plan progresses will
6 depend upon the volume of traffic. If it is there, it
7 will be continued as a viable line. If business drops
8 off --

9 Q Under the current or projected volumes of
10 traffic, is the line financially viable?

11 A (WITNESS LACY) I don't really understand the
12 term "financially viable" as it applies to a piece of
13 track.

14 Q Will it be able to generate enough traffic to
15 justify its continued operation? Excuse me. Enough
16 overhead traffic. Will there be enough overhead traffic
17 on the line to justify its continued operation?

18 A (WITNESS LACY) I can't answer that question,
19 except to say that we have no plans for abandoning or
20 eliminating that track.

21 Q Would your answer be the same, Mr.
22 Fitzgerald?

23 A (WITNESS FITZGERALD) Yes.

24 Q Mr. Lacy, is that track continuous welded
25 rail?

1 A (WITNESS LACY) I believe that, with the
2 exception of -- with the exception of some buffer
3 joints, that it is, yes. I could be wrong about that.
4 You might want to ask that of Mr. Lynch, who will be on
5 immediately following me.

6 Q Mr. Fitzgerald, does the downgrading of the
7 Tucumcari line from Hutchinson to St. Louis, combined
8 with diversion of traffic on present St. Louis trains
9 bound to Chicago, in your opinion underutilize the
10 potential of the St. Louis gateway?

11 MR. STEPHENSON: Your Honor, I would just like
12 to have the question repeated.

13 BY MS. REED: (Resuming)

14 Q Mr. Fitzgerald, does the downgrading of the
15 Tucumcari line Hutchinson to St. Louis, combined with
16 the diversion of present St. Louis trains to Chicago --
17 and I have the train numbers if you would like --
18 underutilize the potential of the St. Louis gateway in
19 your opinion?

20 MR. STEPHENSON: I would object to the
21 question as being overly broad. I don't think that
22 there is such -- I don't think that it is a fair
23 characterization that we have downgraded from Hutchinson
24 to St. Louis. Certainly from Hutchinson to Topeka there
25 would not be the same level of traffic, but I would not

1 consider our plan for Kansas City to St. Louis to be
2 downgrading, and therefore I object to the predicate of
3 the question.

4 BY MS. REED: (Resuming)

5 Q Will the number of trains between Kansas City
6 and St. Louis be maintained, Mr. Fitzgerald?

7 A (WITNESS FITZGERALD) That's his.

8 A (WITNESS LACY) Yes. I think it might be
9 helpful for you to understand, the traffic from St.
10 Louis generally is connecting line traffic and
11 originating traffic and traffic that comes to us in
12 connections at East St. Louis.

13 I think after the merger -- I don't remember
14 the exact numbers of trains, but it would be relatively
15 the same. But it is maybe something less. But we would
16 hope that, as a result of the merger and the ability to
17 compete with the trucks and that type thing, that we
18 would promptly fill the line back up with business
19 again.

20 Q Do you know the condition of the Emporia to
21 Topeka line that would carry the traffic bound for or
22 coming from Topeka?

23 A (WITNESS FITZGERALD) Topeka to Emporia?

24 Q Yes, sir.

25 A (WITNESS FITZGERALD) Which line?

1 Q Both lines, or which line is going to be
2 handling the traffic? Both lines?

3 A (WITNESS FITZGERALD) Well, you said through
4 Topeka, but the preponderance of the traffic will be
5 handled through Emporia directly to Kansas City without
6 going through Topeka.

7 Q What about traffic going to or from Topeka?

8 A (WITNESS FITZGERALD) That will still be
9 handled on the line through Topeka.

10 Q What is the present routing of that traffic?
11 Is it the same as it is post-merger?

12 A (WITNESS FITZGERALD) Yes. Now, you're
13 talking about from Topeka itself?

14 Q Traffic that terminates or originates at
15 Topeka.

16 A (WITNESS FITZGERALD) There's no change in
17 it.

18 Q Thank you.

19 Now, turning to page 12 and 13 of your
20 verified statement, you project the cancellation of CTC
21 from El Paso to Harrington, Kansas; is that correct?

22 A (WITNESS FITZGERALD) That is an avoided
23 capital expenditure.

24 Q Is there CTC between El Paso and Harrington
25 today?

1 A (WITNESS FITZGERALD) No.

2 Q However, you indicated earlier, in response to
3 a question, you thought the volume of traffic on that
4 line, even though it was boxcar manifest traffic, would
5 be the same as it is today, isn't that correct?

6 MR. STEPHENSON: I think this question should
7 be directed, if it hasn't been already, to Mr. Lacy.
8 This is really something that Mr. Lacy can answer.

9 JUDGE HOPKINS: Mr. Lacy?

10 WITNESS LACY: Would you repeat the question
11 again?

12 BY MS. REED: (Resuming)

13 Q The level of boxcar manifest traffic that is
14 projected to move over this line is approximately the
15 same as the amount of traffic being handled today; isn't
16 that correct?

17 A (WITNESS LACY) I think that perhaps there
18 might be less.

19 Q Is it significantly less traffic?

20 A (WITNESS LACY) Significantly is what?

21 Q Let me ask it this way. Is the decrease in
22 traffic volume sufficient to justify the cancellation of
23 the central traffic control?

24 A (WITNESS LACY) No. Without the
25 time-sensitive overhead traffic from Los Angeles to

1 Kansas City to Chicago, in the absence of that traffic
2 moving over the Tucumcari-Harrington line as it now does
3 for SP, and substituting in lieu thereof boxcar
4 manifested traffic, we expect the line to operate
5 without the need for the CTC and avoid the capital
6 cost.

7 Q Could you explain why the boxcar manifest
8 traffic would not need CTC and TOFC traffic would,
9 please?

10 A (WITNESS LACY) Well, there are two different
11 time elements involved in the moving of one versus the
12 other. Trailer traffic, TOFC traffic, is extremely time
13 sensitive and it's very competitive with the trucking
14 industry, and it has certain time parameters that
15 require almost an absolute on-time performance. The
16 arrival of the train either in Chicago or Los Angeles
17 can't be five or six hours late. If it is, it follows
18 over into the next day as far as the trailers being
19 delivered.

20 And so it is recognized in the railroad
21 industry that there is a difference between the
22 sensitivity of TOFC traffic and boxcar traffic. So what
23 CTC does is provide the ability to meet and pass trains
24 more expeditiously, which can enhance the operation of
25 your TOFC trains.

1 And by taking the hot, time-sensitive traffic
2 off the line, then you have an operation where your
3 manifest traffic flows in an orderly way, but takes the
4 delays necessary to meet the opposing trains. There is
5 not that much of a sense of priority between one type
6 manifest traffic and the other type as there is between
7 manifest and TOFC.

8 Q So the presence of CTC doesn't affect the
9 safety of trains moving on that line?

10 A (WITNESS LACY) Absolutely not.

11 Q Do you know whether there is CTC on the Topeka
12 to Harrington line today?

13 A (WITNESS LACY) Topeka to Harrington line,
14 yes.

15 Q Do you know whether the CTC system will be
16 dismantled after the merger?

17 A (WITNESS LACY) I have no plans or knowledge
18 to do that, no.

19 Q Is your answer the same, Mr. Fitzgerald?

20 A (WITNESS FITZGERALD) Yes.

21 Q Mr. Fitzgerald, on the bottom of page 19 and
22 the top of page 20, you discuss abandonments and the
23 merged system's attitude toward abandonment, and you
24 indicate you want to give the lines an opportunity to
25 show its stuff, so to speak. What do you mean by "show

1 its stuff"?

2 A (WITNESS FITZGERALD) To see if they can be
3 maintained and see if they will be able to support
4 themselves traffic-wise.

5 Q Has the merged system developed any criteria
6 for determining as a general matter when abandonments
7 are a possibility?

8 A (WITNESS FITZGERALD) Beyond what is in our
9 statement, no.

10 Q Do you know whether the Santa Fe today has
11 criteria, revenue, tonnage, or maintenance figures or
12 whatever, criteria for reviewing whether a line should
13 be considered for abandonment?

14 A (WITNESS FITZGERALD) Yes, there are several
15 things considered, mainly revenue and the profitability,
16 to maintain the railroads.

17 Q Are there certain minimum revenue
18 requirements?

19 A (WITNESS FITZGERALD) Yes. I can't tell you
20 what they are, but there are.

21 Q And do you know whether there are certain
22 minimum profitability requirements?

23 A (WITNESS FITZGERALD) I'm sure that's right.

24 Q Or tonnage requirements?

25 A (WITNESS FITZGERALD) Both.

1 Q And you do not know anything more specific
2 than that?

3 A (WITNESS FITZGERALD) No.

4 Q Do you know whether the Hutchinson to
5 Harrington line is one line which is under the category
6 of being allowed to show its stuff post-merger?

7 A (WITNESS LACY) Yes.

8 MS. REED: Thank you very much. That's all I
9 have.

10 JUDGE HOPKINS: Who will be next? Mr.
11 Atkins.

12 CROSS EXAMINATION

13 BY MR. ATKINS:

14 Q Good morning, Mr. Lacy and Mr. Fitzgerald. My
15 name is Nelson Atkins and I represent the City of
16 Compton, California.

17 Are both of you familiar with that city in
18 southern California and the tracks that run through
19 there?

20 A (WITNESS LACY) I am, yes.

21 Q I will ask the first set of questions of both
22 of you and either one of you can choose to answer. And
23 if the other one has a different answer, if you would
24 voice that I would appreciate that.

25 Okay. Were both of you present at the time

1 that Mr. Neal Owen testified yesterday in the hearing?

2 A (WITNESS LACY) Yes.

3 A (WITNESS FITZGERALD) Yes.

4 Q And were both of you present at the time that
5 I cross-examined him?

6 A (WITNESS FITZGERALD) Yes.

7 A (WITNESS LACY) Yes.

8 Q And did you hear him testify as to the effect
9 of the merger on the Wilmington branch and the San Pedro
10 branch of the Southern Pacific Railroad?

11 A (WITNESS LACY) Yes.

12 A (WITNESS FITZGERALD) Yes.

13 Q Do either of you disagree with the statements
14 that he made in regard to that segment of his
15 testimony?

16 MR. STEPHENSON: Same objection, Your Honor,
17 subject to the same limitations.

18 BY MR. ATKINS: (Resuming)

19 Q Subject to the same limitations, yes.

20 Now, did both of you work with Booz Allen and
21 Hamilton and also with Mr. Owen in the development of
22 the operating plan?

23 A (WITNESS LACY) Yes.

24 A (WITNESS FITZGERALD) Yes.

25 Q And I assume that both of you have supplied

1 all of the information that was necessary to formulate
2 this operating plan, as well as other information
3 concerning the operations of both of the railroads; is
4 that correct?

5 A (WITNESS LACY) The information was supplied,
6 not necessarily by us. They had access to any record
7 and document and department that might have information
8 that they needed in order to conduct their study.

9 Q Maybe I should say through you or under your
10 direction, or those under your direction.

11 A (WITNESS LACY) As it pertains to the
12 operating plan, yes.

13 Q In regard to the operating plan. Now, do both
14 of the railroads adopt the testimony that was given by
15 Mr. Owen yesterday regarding the traffic as it travels
16 on the San Pedro branch and the Wilmington branch of the
17 Southern Pacific Railroad? Do you adopt that?

18 A (WITNESS LACY) I took no exception to it.

19 Q Do you take any exception to that?

20 A (WITNESS FITZGERALD) I do not.

21 Q And that is the official position of the
22 railroad as voiced by Mr. Owen yesterday?

23 A (WITNESS LACY) Well, that is phrasing it a
24 little strong. I don't speak for the official position
25 of the railroad. All I can say is that I heard the

1 testimony and I take no exception to that. As far as
2 I'm concerned, it represents what we would do.

3 Q Well, he was voicing the position of the
4 railroad then, shall I say that, and say the railroads
5 do not disagree with what he said; is that correct?

6 A (WITNESS LACY) I do not disagree.

7 A (WITNESS FITZGERALD) I do not.

8 Q And so that is the position of the railroad,
9 then, that is a fair statement?

10 JUDGE HOPKINS: They indicated their
11 positions. They are the vice presidents of traffic, as
12 I understand. I think you can take it on that basis.

13 BY MR. ATKINS: (Resuming)

14 Q Now, Mr. Fitzgerald, I would like to direct
15 some questions to you. And Mr. Lacy, if you disagree
16 with anything that he says, if you would tell me that
17 would be helpful.

18 Now, at the present time how many lines does
19 the ATSF have from the Port of Long Beach and the Port
20 of Los Angeles to the interior of the United States or
21 eastward, shall we say? Do you know?

22 A (WITNESS FITZGERALD) I'm going to have to
23 defer to Mr. Lacy. I'm not that well acquainted with
24 that area.

25 A (WITNESS LACY) Lay it on me again? Could you

1 rephrase the question?

2 Q How many lines does the ATSF have from the
3 Port of Los Angeles and Long Beach to the interior of
4 the United States?

5 A (WITNESS LACY) Well, they have a couple of
6 main lines leaving the Los Angeles area. They come back
7 together at San Bernadino.

8 Q Now, I'm not referring to just lines. I'm
9 referring to specific lines from the ports, the Long
10 Beach port and the L.A. port.

11 A (WITNESS LACY) They have one line coming from
12 the Long Beach port up to the downtown Los Angeles
13 area.

14 Q Is that the harbor district line?

15 A (WITNESS LACY) Yes, sir.

16 Q Now, that line is considerably to the east of
17 the Wilmington branch and the San Pedro branch of the
18 Southern Pacific lines; is that correct?

19 A (WITNESS LACY) It is east of that, yes.

20 Q Isn't it true that the Wilmington branch and
21 the San Pedro branch are a more direct route to the
22 metropolitan Los Angeles area and eastwards?

23 A (WITNESS LACY) I think it could be
24 characterized as a shorter line, yes.

25 Q Will the ATSF transfer many of its operations

1 from the harbor district line to the Wilmington branch
2 and the San Pedro branch because they are more direct?

3 A (WITNESS LACY) I would expect that would be
4 an alternative available, yes.

5 Q When you say an alternative available, is it
6 projected in the future that that would happen?

7 A (WITNESS LACY) There is probably a new
8 international container facility that has been approved
9 and is being constructed in the Long Beach area, and
10 hopefully the container traffic for that area will come
11 out of that new ICTF facility. And it will go eastward
12 and it will probably operate over the Wilmington line.

13 Q Then other than the traffic that may go
14 through the intermodal container transfer facility that
15 is being built, would there be any other traffic that
16 perhaps would run on either of those two lines from the
17 harbor district line of the MTSF?

18 A (WITNESS LACY) I'm sure there will be some
19 traffic that will continue to move on the harbor
20 district. I don't know what that would be.

21 Q Okay. Well, my question deals with traffic
22 that would be diverted from that line, from the harbor
23 district line, to the Wilmington or San Pedro lines
24 notwithstanding the transfer facility.

25 A (WITNESS LACY) What is your question?

1 Q In other words, of the traffic that presently
2 travels on the ATSF line or the harbor district line,
3 would any of that traffic be transferred to the
4 Wilmington line, the Wilmington branch or the San Pedro
5 branch?

6 A (WITNESS LACY) I don't know. With the ICTF
7 traffic that is not now moving, obviously --

8 Q I'm going to ask about that in just a moment.
9 Outside of that type of traffic that would come through
10 the ICTF terminal, would there be any additional or
11 other traffic that would move then on the Wilmington
12 branch line or the San Pedro branch?

13 A (WITNESS LACY) I'm sure there would be, yes.

14 Q Do you know the quantity of that traffic?

15 A (WITNESS LACY) No.

16 Q Do you know, how many trains do you have
17 running from the port on the harbor district line at the
18 present time, or does ATSF have running?

19 A (WITNESS LACY) I don't know how many trains
20 of the ATSF run on the harbor line.

21 MR. STEPHENSON: Your Honor, I think at this
22 point I am going to interpose a standing objection to
23 these questions. I made two announcements asking that
24 the specific questions relating to the operating plan
25 and the details of the operating plan be addressed with

1 Mr. Owen. Counsel did do that yesterday with Mr. Owen.
2 He is repeating his questions almost verbatim today with
3 these witnesses, and I think that it is redundant,
4 duplicative type of testimony and questioning and I
5 don't think that we are getting anywhere with this level
6 of detail.

7 MR. ATKINS: Well, Your Honor, they are not
8 exactly the same questions. Some of them cover the same
9 type of ground. However, I am inquiring as to specific
10 information regarding the harbor district line. Mr.
11 Owen testified as to trains.

12 JUDGE HOPKINS: What in particular are you
13 trying to arrive at, Mr. Atkins?

14 MR. ATKINS: Okay. Well, it would appear to
15 be that with two more direct lines from the harbor
16 facility to the city of Los Angeles and there on, that
17 it would be more likely that the ATSF would use those
18 lines that are now being used by the SP, which are much
19 more direct than a more circuitous line that goes
20 through the harbor district.

21 JUDGE HOPKINS: Why don't you ask him that
22 specific question?

23 MR. ATKINS: I just did.

24 WITNESS LACY: And the answer was yes. And
25 your next question was how much and the answer was I

1 don't know.

2 BY MR. ATKINS: (Resuming)

3 Q Now, you indicated that the ICTF, intermodal
4 transfer facility, would change the amount of traffic
5 that ATSF would have traveling on the Wilmington branch;
6 is that correct?

7 A (WITNESS LACY) Both ATSF and SP.

8 Q Now, were it not for the merger, would the
9 ATSF have access to that facility?

10 A (WITNESS LACY) No.

11 Q Now, so with the merger, then, the ATSF would
12 now begin using a facility to which it had no access
13 prior to the merger; is that correct?

14 A (WITNESS LACY) The combined company would.
15 We would be a merged company. We would be one company
16 using the facility.

17 Q Because of that, would that -- because of the
18 merged companies' now using that facility, would that
19 increase the amount of freight that would be traveling
20 on the Wilmington branch and the San Pedro branch?

21 A (WITNESS LACY) I think I can answer that
22 question by saying right now, the containers come into
23 the Long Beach area on ships. They come in from the
24 Orient on ships, and they are taken off the ships and
25 they are hauled on the Los Angeles street system.

1 freeway system, to the downtown IOFC facility, some 30
2 or 40 miles.

3 What this ICTF facility does that is built in
4 conjunction with the City of Los Angeles and Long Beach
5 is to provide a facility for the removal of the
6 container traffic from ships in the general area of the
7 port, and then those containers would be placed on the
8 container flatcars and operated over the rail to Los
9 Angeles and points east.

10 So what you have done is taken the container
11 traffic off of the freeway highway system and put it on
12 the railroad.

13 Q Well, my question is, if the merger were not
14 to occur, then the ATSF would not have flatcars or would
15 not have trucks that would transfer items to flatcars to
16 be moved because that facility would not be near any of
17 their tracks; isn't that correct?

18 A (WITNESS LACY) They would do the same thing
19 they're doing now, which is to take the traffic to the
20 existing facility at Hobart and place it onto flats at
21 that location.

22 Q So with the merger, then, we would now have
23 the addition of the freight from these ships and trucks
24 due to be put into this facility to be used on these
25 tracks, these tracks being the Wilmington and San Pedro

1 branch? In other words, I'm speaking of at least ATSF
2 -- let me withdraw that. Let me rephrase that.

3 Okay. If things remain as they presently are,
4 if this facility is built as it is under construction
5 now, the SP would have full use of that and be able to
6 use those tracks, those branches, those two branches
7 I've referred to, for its transportation. Now, with the
8 merger, does that now mean that ATSF will now also use
9 that in addition to what SP would have used?

10 A (WITNESS LACY) I think we're chasing the
11 wrong rabbit here. The traffic is not now moving on
12 rail from Long Beach to Los Angeles. It is moving over
13 the freeway system.

14 Now, after the merger when the ICTF facility
15 is completed, all of the traffic that is presently moved
16 Santa Fe-SP to the downtown area would move on the
17 train, move on a flatcar. If the merger does not occur,
18 God forbid, the Santa Fe would have to continue draying
19 their traffic as they now do, except that the reason we
20 built the ICTF and the reason we helped fund the
21 ICTF --

22 Q "We" being

23 A (WITNESS LACY) The Southern Pacific
24 Transportation Company.

25 -- was in the hope and expectation that we

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would get all of the container traffic out of the Delores-Long Beach area and move it over our own system.

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1 Q Now, that will happen, notwithstanding the
2 merger, as far as SP is concerned, isn't that correct?

3 A (WITNESS LACY) What will happen?

4 Q That this facility, the ICTF, will be built,
5 and you will take the truck traffic over to the ICTF,
6 which will go on flatcars through the Wilmington and San
7 Pedro branch. That has nothing to do with the merger by
8 itself.

9 A (WITNESS LACY) No. It is a plan that has
10 been devised and worked on for a couple of years.

11 Q Now, my question is that with the addition or
12 with the merger with ATSF, will additional freight now
13 be hauled over this area because of the merger; in other
14 words, freight that would normally go somewhere else
15 through ATSF will now go through this facility that SP
16 is building?

17 A (WITNESS LACY) The answer to that is yes.

18 Q Do you know the increase in quantity of
19 freight that that will be?

20 A (WITNESS LACY) We're right back where we were
21 a while ago. The answer is no.

22 Q Now, Mr. Owen testified yesterday that
23 principally the Wilmington branch will be used rather
24 than the SP or the San Pedro branch -- is that true as
25 far as you know -- because of the better superior

1 quality of track?

2 A (WITNESS LACY) Yes.

3 Q Do you personally have any knowledge of the
4 consolidated train corridor that has been proposed by
5 SCAG?

6 A (WITNESS LACY) Very, very general.

7 Q You have not personally worked with any
8 members of SCAG regarding this?

9 A (WITNESS LACY) I've not personally worked
10 with any member, that is correct.

11 Q Now, just very briefly in regard to your
12 verified statements, refer to page 4, the second
13 paragraph. It says, "At the outset, our supervision of
14 the study process consisted principally of establishing
15 policy objectives for the operating plan. These
16 objectives are listed in order of importance as
17 follows: one, to establish routes that would maximize
18 service improvements through the combined use of line
19 segments of both railroads."

20 Other than testified by Mr. Owen yesterday, do
21 you plan on combining any other routes through the
22 Wilmington branch or San Pedro branch other than what we
23 have heard initially?

24 A (WITNESS LACY) No. I have no knowledge of
25 any plans in that regard.

1 Q To combine any other lines other than the one
2 train that he referred to yesterday?

3 A (WITNESS LACY) Well, I think the SCAG plan
4 itself just -- as I indicated, I have not worked with
5 SCAG, and I'm not the qualified witness to talk about
6 the details, but I believe that to be the plan that
7 would tend to put all the railroads on one alignment.

8 Q Okay. Notwithstanding the SCAG proposal,
9 since we are not directly dealing with that here, that
10 aside, assuming that doesn't exist, which it doesn't at
11 this point, would there be any combination of any other
12 lines on either of those two branches of the SP lines
13 with the merger?

14 A (WITNESS LACY) Well, there's only two
15 branches that go down, San Pedro and Wilmington.

16 Q That's correct, but I mean would there be a
17 combining of any other MTSF line or SP lines for that
18 matter?

19 A (WITNESS LACY) No.

20 Q Now, further it goes on to say, "To permit
21 through consolidation of redundant facilities, maximum
22 integration of rail operations at the lowest possible
23 cost," and so forth. Are there any consolidations of
24 any redundant facilities that you know of that would
25 increase the traffic on these two branches?

1 A (WITNESS LACY) That would increase the
2 traffic on the two branches? I think in order to answer
3 that, to get back to the original premise, when the
4 merger takes place that certain ATSF traffic that now
5 moves on Harbor District would move over this line, that
6 traffic obviously would be moving over the Wilmington
7 line. But beyond that there is none other.

8 Q Okay. According to Mr. Owen yesterday, that
9 would have a net effect of one train in each direction.
10 Do you disagree with that?

11 A (WITNESS LACY) What would cause the net
12 effect?

13 Q The merger.

14 A (WITNESS LACY) I think that's right, yes.

15 Q Also, on page 6 of your verified statement
16 there is an area entitled "New trains and improved
17 schedules." Would there be any new trains -- when you
18 speak of new trains there, you're referring to
19 additional trains being placed on a route, not new
20 equipment.

21 A (WITNESS LACY) New service.

22 Q New service. Is there anticipated any new
23 service that would travel over either of these two
24 branch lines that does not presently exist by reason of
25 the merger?

1 A (WITNESS LACY) I guess that is where that one
2 train comes in.

3 Q Other than that one train?

4 A (WITNESS LACY) Then the ICTF traffic when
5 that comes along.

6 Q Well, the ICTF traffic is a mixture of the
7 merger and what's going to happen anyway.

8 A (WITNESS LACY) That's right.

9 MR. STEPHENSON: Just so that doesn't go
10 unresponded to, we don't concede that the ICTF is a
11 mixture of the merger. It has nothing to do with the
12 merger. It is happening irrespective of the merger.

13 MR. ATKINS: Well, I agree and disagree with
14 that. I think that the witness also indicated that the
15 ATSF will now be using that facility for certain of its
16 operations that it would not be but for the merger.

17 MR. STEPHENSON: To the contrary, he said one
18 company, one combined company is going to be using the
19 facility.

20 JUDGE HOPKINS: If it is merged.

21 MR. ATKINS: If it is merged. But many of the
22 uses of that facility would only occur if there is a
23 merger by ATSF. That would not be used but for the
24 merger.

25 MR. STEPHENSON: ATSF will not exist after the

1 merger, counsel. After the merger there's going to be
2 one company, and ATSF and SPT will lose their identity.
3 There will be one company serving that container
4 facility if the merger doesn't go into effect, and that
5 is going to be SPT. If the merger does, is approved,
6 one company will continue to serve it, and that will be
7 the combined SPSF.

8 MR. ATKINS: Well, I don't know if you want me
9 to argue.

10 JUDGE HOPKINS: There's no sense in arguing.

11 MR. ATKINS: The testimony speaks for itself.
12 I have no further questions.

13 JUDGE HOPKINS: Thank you.

14 Any other questions?

15 MR. SOLANDER: Yes, Your Honor.

16 BY MR. SOLANDER:

17 Q Mr. Lacey and Mr. Fitzgerald, my name is C.J.
18 Solander, and I represent the Department of
19 Transportation for the State of California, which is
20 cooperating with the California Public Utilities
21 Commission in investigating the impacts of the proposed
22 merger.

23 Mr. MacKenzie, the attorney for the
24 Commission, was here for two weeks, and now it's my turn
25 to ask some questions. And I think I would like you to

1 assume that my questions will be directed, of course, at
2 the combined operation of the companies, and I don't
3 care who answers unless I direct a specific question.

4 Will northern California shippers experience
5 longer transit time on traffic destined to enter
6 intrastate locations? let me explain that for a
7 minute. Would you assume from Oakland or Stockton north
8 to Tehama?

9 A (WITNESS LACY) Longer transit times than what
10 they now are?

11 Q Yes. Than what they now are.

12 A (WITNESS LACY) No.

13 Q How about from Oakland or Stockton down to Los
14 Angeles?

15 A (WITNESS LACY) No, no increase in transit
16 time.

17 Q And I would ask the same question for traffic
18 interstate. And let's assume from Oakland or Stockton
19 first to Chicago.

20 A (WITNESS LACY) The question being whether or
21 not there would be longer transit times?

22 Q Yes. Increased transit times.

23 A (WITNESS LACY) To the contrary, there should
24 be shorter transit times.

25 Q And how about from Oakland or Stockton to

1 Kansas City?

2 A (WITNESS LACY) Same answer.

3 Q And Oakland or Stockton to New Orleans?

4 A (WITNESS LACY) Same answer.

5 Q And is that for all commodities that you can
6 think of in northern California?

7 A (WITNESS LACY) Yes.

8 Q What provisions have been made to serve
9 shippers in communities of Knightson, Oakley and Antioch
10 on the Santa Fe line of Pittsburgh to Stockton?

11 A (WITNESS FITZGERAID) I'm not aware of
12 shippers down there other than TOFC or shippers that are
13 on the Team Track. That is my understanding.

14 Q Can you tell me what provisions have been made
15 to serve these shippers?

16 A (WITNESS FITZGERAID) If they are TOFC or Team
17 Track, why, they can be served at other locations.

18 Q Could you explain that?

19 A (WITNESS FITZGERAID) Well, it can be served
20 from the SP line or from Stockton or Pittsburgh.

21 Q And there will be some truck movement involved
22 in that?

23 A (WITNESS FITZGERAID) Yes.

24 Q Does the planned exclusive use of the SP line
25 to Fresno mean that there will be a reduction or

1 elimination of the service to shippers located on the
2 Santa Fe line in Fresno, which is planned for
3 discontinuance?

4 A (WITNESS FITZGERALD) A reduction?

5 Q Yes.

6 A (WITNESS FITZGERALD) No planned reduction for
7 the shippers in Fresno.

8 Q What provisions have been made to serve those
9 shippers on the Santa Fe line which will no longer be in
10 use, as I understand it, after the traffic is rerouted
11 on the Southern Pacific?

12 A (WITNESS FITZGERALD) The portion, if I
13 understand it correctly, the portion that is to be taken
14 up, I don't believe there are any shippers on it.

15 Q Do you know that for sure?

16 A (WITNESS FITZGERALD) No.

17 Q Do you know who would?

18 MR. STEPHENSON: Mr. Champion tomorrow will
19 have that.

20 BY MR. SCIANDER: (Resuming)

21 Q What plans are being developed or have been
22 developed to avoid vehicle -- that is, truck --
23 congestion on highways or streets at the entrances to
24 the TOFC/COFC intermodal terminal at Oakland? I'm
25 assuming there will be more trucks arriving at Oakland

1 after the combined operation is transferred there. So
2 my question has to do with whether or not you have
3 considered this increased traffic in what you have
4 planned to do there?

5 A (WITNESS LACY) In what way?

6 Q Well, have you considered whether or not there
7 would be increased truck congestion at this TOFC/COFC
8 terminal?

9 A (WITNESS LACY) Specifically, I can't answer
10 that question. When an intermodal facility is expanded
11 or built a new facility, that is always a consideration
12 that is taken under advisement, and usually that
13 requires working with the local city and state and other
14 interested bodies to prohibit an excessive amount of
15 traffic congestion at the entrance to the facility.

16 Q Do you know who made that consideration in
17 connection with this particular project?

18 A (WITNESS LACY) The plan for Oakland is a very
19 preliminary plan. I don't think it has all of the
20 details worked out as regards the possible traffic
21 congestion.

22 Q Would your answer be the same for the TOFC
23 facility in Fresno?

24 A (WITNESS LACY) I'm not aware of any
25 congestion there now. I can't imagine there would be

1 congestion after. If there were, I'm sure it would be
2 addressed.

3 Q Are the plans for that location preliminary
4 also?

5 A (WITNESS LACY) I can't answer for Fresno.

6 A (WITNESS FITZGERALD) Yes, they are.

7 Q And how about -- would your answer be the same
8 for the LADC area and the Hobart area?

9 A (WITNESS LACY) The LADC area -- now, are we
10 talking about post-merger?

11 Q Post-merger, yes.

12 A (WITNESS LACY) We're talking about traffic
13 that moves after the merger?

14 Q Yes.

15 A (WITNESS LACY) We have already reached about
16 the capacity for the LADC. In fact, we are in the
17 process of constructing a new TOFC facility at City of
18 Industry for the purpose of siphoning off some of the
19 traffic that comes into the LADC. So there can't be any
20 more increase in traffic in the LADC. It is already at
21 capacity. There would be a lessening of traffic if the
22 merger occurs.

23 Q How about in the Long Beach area, Delores and
24 Watson?

25 A (WITNESS LACY) We don't have a TOFC facility

1 there.

2 Q Is there a plan to make one there?

3 A (WITNESS LACY) We have the ICTF that we were
4 speaking of earlier that is being constructed at the
5 Delcres-Long Beach area.

6 Q And have you considered potential truck
7 congestion at that facility?

8 A (WITNESS LACY) That plan has been given the
9 blue ribbon treatment, and that satisfies everything
10 that you would want to satisfy when you build a new
11 facility. That is a detailed plan, and there would be
12 no congestion.

13 Q You have checked with the local authorities,
14 and they've reviewed your plans?

15 A (WITNESS LACY) In order for the facility to
16 be constructed, it required approval by everyone that is
17 legally required to give that approval.

18 Q Does that complete your answer?

19 A (WITNESS LACY) Yes.

20 Q Will shippers who are accustomed to receiving
21 regular local service in the San Joaquin Valley receive
22 the same frequency and type of service?

23 A (WITNESS LACY) Yes.

24 Q How about for shippers in the Roseville area,
25 Tracy area?

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1 A (WITNESS LACY) Yes. Same answer.

2 Q I have a laundry list, if I could go through
3 them for you and see if your answer would be the same.

4 Oakdale?

5 A (WITNESS LACY) Oakdale is currently served by
6 both Southern Pacific and Santa Fe. We have a plan that
7 has been approved by the Commission for the Southern
8 Pacific to continue to serve Oakdale using the Santa
9 Fe's branch line from Riverdale to Oakdale. When the
10 merger is consummated, the Oakdale office will continue
11 to be in operation, and we will still serve it with the
12 same frequency in regard to that.

13 Q How about the Richmond-Oakland area?

14 A (WITNESS LACY) The same answer.

15 Q Martinez-Pittsburgh?

16 A (WITNESS LACY) Same.

17 Q Barstow-Watson-San Diego?

18 A (WITNESS FITZGERALD) Same.

19 Q Los Nietros-Torrance?

20 A (WITNESS LACY) Yes. The same service from
21 Los Nietros to Torrance or from some other point to
22 Torrance. Torrance will receive the same service that
23 it is now receiving.

24 Q Los Nietros-El Segundo?

25 A (WITNESS LACY) The answer would be the same.

1 Q Could we have a -- well, strike that. There
2 is reference in the operating plan at various places to
3 the phrase "active shippers." Is there a consensus
4 definition for that term?

5 A (WITNESS FITZGERALD) Active shippers?

6 Q Active shippers, yes.

7 A (WITNESS FITZGERALD) One that uses the
8 railroad and pays his bill.

9 JUDGE HOPKINS: That's a good definition.

10 (Laughter.)

11 BY MR. SOLANDER: (Resuming)

12 Q Do you have a limit on the number of cars that
13 might be used by the shipper?

14 A (WITNESS FITZGERALD) No, we do not.

15 A (WITNESS LACY) I don't.

16 MR. STEPHENSON: For purposes of the
17 application, I think we used shipment over the last two
18 years, but I think you could check that with Mr.
19 Champion tomorrow.

20 MR. SOLANDER: So that would refer to any kind
21 of service?

22 MR. STEPHENSON: Yes. If they were served in
23 the last two years. That is my understanding, but I may
24 be wrong, so you can check that with Mr. Champion
25 tomorrow.

1 BY MR. SOLANDER: (Resuming)

2 Q Will the consolidation or elimination of
3 freight yard facilities at Oakland, Richmond, Stockton,
4 Fresno, Bakersfield and San Bernadino add transit time
5 on most traffic moving through these locations?

6 A (WITNESS LACY) No.

7 Q You don't anticipate any congestion there?

8 A (WITNESS LACY) No.

9 Q Were there any changes to the plant that
10 needed to be made to ensure that there would be no
11 congestion?

12 A (WITNESS LACY) What were the locations again?

13 Q Oakland.

14 A (WITNESS LACY) Oakland, chvically the plan
15 calls for expansion of the TCFC facilities at Oakland.

16 Q Richmond?

17 A (WITNESS LACY) Richmond, no additional tracks
18 would need to be built in Richmond.

19 Q Stockton?

20 A (WITNESS LACY) Stockton, there is one
21 connection coming from Roseville, so that a southbound
22 train coming from Roseville might make a direct
23 connection at Stockton to the Santa Fe's main line.

24 Q Fresno?

25 A (WITNESS LACY) Fresno is a connection.

1 There's a connection north of Fresno that I think has
2 been spoken about earlier here; that is, through Fresno
3 the Santa Fe and SP tracks would be on the same
4 alignment. At a point north of Fresno there would be a
5 rather long crossover that puts one of the main tracks
6 back to the Santa Fe, and then there is a similar
7 correction at the south end where the Santa Fe facility
8 is that will enable the train to get back on the Santa
9 Fe or stay on the SP.

10 Q Bakersfield?

11 A (WITNESS LACY) Bakersfield, there was a plan
12 for rehabilitation and possibly new connection at all
13 the junctions that would permit a train coming south on
14 SP to be able to make a right turn and get over on the
15 Santa Fe into the Santa Fe yard.

16 Q And finally, San Bernadino?

17 A (WITNESS LACY) San Bernadino, there's nothing
18 that I know of.

19 Q Can you tell me what factors will determine
20 whether or not traffic shipped via the central corridor

21 --

22 A (WITNESS LACY) How do you define the central
23 corridor?

24 Q To Ogden through Nevada.

25 A (WITNESS LACY) To Ogden?

1 Q To Ogden through lowesville, Wesco, Ogden.
2 That is what I consider to be the central corridor.

3 MR. STEPHENSON: I really think that that is a
4 traffic question and not an operating question, Mr.
5 Solander. I would object to it, Your Honor. It is the
6 same thing I've talked about before. These witnesses
7 are operating witnesses and not solicitation -- traffic
8 solicitation witnesses.

9 MR. SOLANDER: Well, Your Honor, it seems to
10 me that they would be the people who are going to direct
11 the traffic if they're operating people, and I am trying
12 to test how this plan will be.

13 JUDGE HOPKINS: The trouble is trying to --
14 some of the questions have to sometimes be asked of
15 other witnesses. If you can answer, go ahead.

16 WITNESS LACY: The traffic is generally
17 directed almost exclusively by the customer, and where
18 Mr. Fitzgerald and I come in is if they direct it by
19 Ogden, we will provide the operating plan that will move
20 that traffic in the most expeditious way in order to
21 keep the traffic to the railroads.

22 BY MR. SOLANDER: (Resuming)

23 Q So one factor is the request of the customer,
24 is that correct?

25 A (WITNESS LACY) Well, that is the biggest

1 factor.

2 Q Are there any other factors?

3 A (WITNESS LACY) Well, I'm sure there may be
4 some factors having to do with the marketing process and
5 the rates and that type of thing, but I'm not qualified
6 to speak to it.

7 Q What about the type of commodity to be
8 shipped, does that make a difference?

9 A (WITNESS LACY) I can't see that it would.

10 Q How about the -- strike that.

11 What factors will be used to determine whether
12 or not traffic is shipped from Los Angeles over the
13 coast route into northern California?

14 A (WITNESS LACY) The economy, the time
15 sensitivity of the traffic, the commitments of the
16 traffic, the capacity of the lines, and the balancing of
17 crews and those type of things.

18 Q Can you give me an example of some
19 time-sensitive freight?

20 A (WITNESS LACY) Well, we have traffic that
21 moves from Los Angeles to Oakland over the coast line
22 that if you're late about two days in a row, you don't
23 have the traffic any more. And that obviously would
24 continue to move over the coast line.

25 Q What kind of freight is that? Is it --

1 A (WITNESS LACY) That is TOFC traffic, traffic
2 the customers like United Parcel and people that handle
3 LTL shipments give, fortunately, to the railroad, as
4 opposed to trucking over the congested highways. And we
5 want to keep that business.

6 Q Mr. Lacy, this question is directed to you.
7 As part of your duties do you make recommendations
8 concerning a line which should be proposed for
9 abandonment regardless of whether or not there are
10 active shippers on it, or assuming there are active
11 shippers on it -- I'm sorry.

12 A (WITNESS LACY) The Southern Pacific
13 established a couple of years ago what we called a
14 revenue enhancement committee. Serving on the revenue
15 enhancement committee are people from the commercial
16 group and from the operating group and the engineering
17 groups. And they are staffed so as to look at all of
18 the factors to be considered before a branch line is
19 abandoned, and they do a very thorough job, and they do
20 it in accordance with the law and do it in accordance
21 with judicious management decisions. And we have
22 abandoned a number of lines, and in each instance every
23 detail is looked at by this group.

24 Q Are you a member of that committee?

25 A (WITNESS LACY) Yes.

1 Q What factors do you look at?

2 A (WITNESS LACY) We look at the shippers on the
3 line and the amount of traffic that is moved, and we
4 look at the condition of the line, and we look at the
5 maintenance of the line and the alternative means of
6 service, and we look at the profitability of the line
7 and the contribution, and we look at the land values of
8 the line, and we look at the communities that it
9 operates in and whether there is other service
10 available. There are dozens of things.

11 Q How does a particular line get on the agenda
12 of the committee?

13 A (WITNESS LACY) All of our branch lines are
14 continually looked at, and by looking at I mean if there
15 is a precipitous drop in intercity rail traffic and the
16 incroads made by the trucking industry -- there has been
17 a dramatic decrease in the amount of rail boxcar traffic
18 originated on the railroad branch lines in particular,
19 and that is it.

20 Q Do you know whether or not a similar type of
21 committee will be established for the merged corporation?

22 A (WITNESS LACY) I expect there will be an even
23 better committee.

24 Q How often would your committee meet?

25 A (WITNESS LACY) As often as necessary to

1 transact their business. Usually the ones that we have
2 I believe meet whenever there is something new to
3 discuss or perhaps -- it seems like to me that they
4 happen rather frequently, but I could be misled. I
5 guess not less than a couple of months apart.

6 Q Sitting as you are here today do you have any
7 particular lines in mind that you might recommend to be
8 brought before this committee?

9 A (WITNESS LACY) In the state of California?

10 Q In the state of California.

11 A (WITNESS LACY) No, I can't think of anything
12 in the state of California that we haven't already
13 broached.

14 Q At least not now?

15 A (WITNESS LACY) Yes.

16 MR. SOLANDER: Thank you, sir.

17 JUDGE HOPKINS: Are there any other questions?
18 Mr. Stephenson?

19 MR. STEPHENSON: Your Honor, there is no
20 redirect, and I would move the admission of the joint
21 statement of Messrs. Fitzgerald and Lacy.

22 JUDGE HOPKINS: Any objection?

23 (No response.)

24 JUDGE HOPKINS: It will be received in
25 evidence.

1 It seems that we are right about at the noon
2 break, so we might as well recess until 1:30.

3 MR. STEPHENSON: Your Honor, I've been advised
4 that Mr. Champion will not be available tomorrow except
5 for the limited purposes of the CCT and Visalia
6 abandonment, which has previously been discussed, and
7 Sunkist, and Mr. Anderson will be available tomorrow as
8 previously indicated.

9 JUDGE HOPKINS: Thank you.

10 We will be in recess until 1:30.

11 (Whereupon, at 12:30 p.m., the hearing was
12 recessed for lunch, to be reconvened at 1:30 p.m., the
13 same day.)
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AFTERNOON SESSION

(1:30 p.m.)

JUDGE HOPKINS: Let's go back on the record.

Call your next witness.

MR. BLASZAK: Your Honor, the Applicants would like to call Messrs. Lynch and Pottorff to the stand, please.

MR. FISHMAN: Your Honor, I wish to enter an appearance for KCS. My name is Eric Fishman of the law firm of Sullivan & Worcester, 1025 Connecticut Avenue, Washington.

(Witnesses sworn.)

Whereupon,

A. K. POTTORFF

and

J. F. LYNCH

were called as witnesses by counsel for Applicants and, having been first duly sworn, were examined and testified as follows:

DIRECT EXAMINATION

BY MR. BLASZAK:

Q Gentlemen, do you have before you a document entitled verified statement of A.K. Pottorff and J.F. Lynch?

A (WITNESS LYNCH) I do.?

ALDERSON REPORTING COMPANY, INC.

20 F ST., N.W., WASHINGTON, D.C. 20001 (202) 628-9300

0007 0134

1 A (WITNESS POTTORFF) I do.

2 Q Mr. Pottorff, could you briefly state your
3 background and qualifications as an engineering
4 witness?

5 A (WITNESS POTTORFF) I am A.K. Pottorff. I
6 went to work for the Santa Fe Railroad in 1950 as a
7 bridge and building helper and then entered the
8 engineering department in approximately 1956, at which
9 time I became an assistant roadmaster. And I worked as
10 a roadmaster, division engineer, and district engineer
11 until such time as I came to my present position, which
12 is an assistant to chief engineer.

13 Q Mr. Pottorff, could you tell me your present
14 business address?

15 A (WITNESS POTTORFF) 4100 South Kedzie,
16 K-e-d-z-i-e, Chicago, Illinois.

17 Q Mr. Lynch, could you briefly state your
18 qualifications and background as an engineering
19 witness?

20 A (WITNESS LYNCH) Yes, sir. Prior to my
21 employment by the Southern Pacific Company, I worked for
22 Bechtel Engineering Company as a field and office
23 engineer on the construction of a 100-mile railroad in
24 Venezuela, South America. I worked also for the State
25 of California and for E&H Construction Company in

1 various construction capacities.

2 I started work with the Southern Pacific
3 Company in December of 1954 and have been continuously
4 employed by them since. I started as a structural
5 draftsman and worked to the position as a structural
6 designer.

7 I was given an assignment as a general bridge
8 and building foreman in Eugene and worked as senior
9 assistant bridge and building supervisor, as an
10 assistant division engineer, as a roadmaster, as a
11 division engineer, as an assistant engineer, maintenance
12 of way and structures, with headquarters, with the
13 general office in San Francisco.

14 I was district engineer in Houston, handling
15 the Texas and Louisiana lines for four years as chief
16 engineering officer. I was then transferred to San
17 Francisco, where I assumed the position of manager of
18 planning and budget control.

19 Approximately seven years ago, I was promoted
20 to my present position, that of engineer, design and
21 construction, where I'm responsible for the design and
22 construction of all additions and betterments to the
23 fixed plant of the Southern Pacific system.

24 Q Mr. Lynch, what is your business address?

25 A (WITNESS LYNCH) My business address is No. 1

1 Market Plaza, San Francisco, California, 94105.

2 I would also like to add that I am registered
3 as a civil engineer and practice civil engineering in
4 the states of California, Oregon, Texas, Louisiana,
5 Nevada and Utah.

6 Q Has the verified statement that I referred to
7 earlier been prepared by you and under your direction
8 and control?

9 A (WITNESS POTTORFF) Yes.?

10 A (WITNESS LYNCH) Yes.

11 Q Is that -- let me ask you this. Are there any
12 changes that you wish to make in that verified statement
13 other than those contained in the errata filed by the
14 Applicants?

15 A (WITNESS POTTORFF) Yes, there is.

16 Q Could you tell me what those changes are?

17 A (WITNESS POTTORFF) On page 7, near the bottom
18 of the page, it says "Summerville thereafter will supply
19 about 74 percent of SPSF's total requirements." That
20 should read "71 percent".

21 On page 12 at the top of the page, it says
22 "Average cost of transportation will drop to \$5.91";
23 should read "5.87". And it goes on down there and says,
24 "Thus, the delivered cost of accounting balance to SPSF
25 is expected to be \$9.73." That should be "\$9.69".

1 Q With those corrections, is the verified
2 statement true and correct to the best of your
3 knowledge, information and belief?

4 A (WITNESS POTTORFF) Yes, it is.

5 MR. BIASZAK: Before I tender the witness for
6 cross-examination, I would like to make a statement
7 relative to the Union Pacific. The Union Pacific did
8 not originally notice these witnesses for
9 cross-examination. However, in view of the answers
10 given by Messrs. Owen, Fitzgerald and Lacy concerning
11 the Los Angeles connections, we will not object to Union
12 Pacific examining these witnesses on that subject.

13 And with that understanding, I would like to
14 tender the witnesses for cross-examination.

15 JUDGE HOPKINS: Who's going to start?

16 MR. REMES: David Remes for Union Pacific, and
17 we intend to limit our questions to those to connections
18 and related matters.

19 CROSS EXAMINATION

20 BY MR. REMES:

21 Q My first question, gentlemen -- and I direct
22 it to either or both of you -- is can you tell me,
23 first, precisely what the connection, the State
24 Street-East Bank connection whose costs you studied,
25 involves? Can you tell me what connects and how it

1 connects?

2 A (WITNESS LYNCH) State Street-East Bank
3 connection connects the Southern Pacific's State Street
4 line to the East Bank trackage along the east bank of
5 the river, the Union Pacific East Bank trackage.

6 Q How long is that connection or would that
7 connection be under your plan?

8 A (WITNESS LYNCH) I will have to refer to my
9 notes, but I have it here. The State Street-East Bank
10 connection is listed at 950 feet long.

11 Q 950 feet. What costs go into your estimate of
12 \$1,908,165 at page 20 of your verified statement?

13 A (WITNESS LYNCH) In addition to the usual
14 items are grading, stabilizing of the subgrade, of the
15 imported material on a geotextural fabric.

16 Q Pardon?

17 A (WITNESS LYNCH) Stabilizing of the subgrade
18 with an importation of screenings or other select
19 material, and a use of geotextural fabric.

20 There are two each No. 10 turnouts, there is
21 \$220,000 worth of signal labor, \$222,000 worth of signal
22 work listed, other investment, mainly material, and
23 \$60,000 worth of miscellaneous signal work. There is,
24 in addition, miscellaneous investment of \$1,115,135,
25 primarily to cover acquisition costs of the property and

1 the demolition costs associated with removing the
2 improvements that exist on the property.

3 These are the major items. I think the rest
4 of them are of little consequence.

5 Q To your knowledge, apart from other items of
6 little consequence, would there be any other costs
7 associated with the connection for SFSP?

8 A (WITNESS LYNCH) No, sir.

9 Q Now, can you present the same description with
10 respect to the proposed connection at Hobart?

11 A (WITNESS LYNCH) I can.

12 Q Again, I refer you to page 20 of the verified
13 statement and the cost estimate of \$1,973,122.

14 A (WITNESS LYNCH) Yes. This is listed as
15 central district connection between the UP and the
16 ATSF. Again, we have grading costs, stabilization,
17 including importation of select material, of geotextural
18 fabric, to each No. 10 turnouts; \$450,000 worth of
19 signal labor, \$1,050,000 worth of signal material,
20 \$90,000 worth of miscellaneous signal work; and a
21 miscellaneous cost of about \$36,000, which covers the
22 miscellaneous items not mentioned, and there of course
23 would be no property acquisition cost to amount to
24 anything here.

25 And again, those are the principal items for

1 that connection.

2 Q And again, apart from miscellaneous costs you
3 haven't identified, there are no other costs that you
4 are aware of?

5 A (WITNESS LYNCH) No, sir.

6 Q Might ask whether there are work papers
7 supporting these computations that can be made available
8 to counsel for UP?

9 A (WITNESS LYNCH) The work papers from which
10 I'm reading were in the depository and I'm sure they're
11 available to you.

12 Q Fine. Thank you.

13 My next question refers, I suppose, to the
14 road not taken. Were you asked to consider the
15 feasibility of a connection between the Alhambra line,
16 once it has crossed the Los Angeles River, and the Santa
17 Fe line going between -- going down to the Hobart yard?

18 A (WITNESS LYNCH) Yes, we were.

19 Q Does such a connection now exist?

20 A (WITNESS LYNCH) If I follow you correctly,
21 no.

22 Q In other words, a connection between the
23 Alhambra line and the Santa Fe line going down the west
24 bank of the Los Angeles River does not exist at this
25 time?

1 A (WITNESS LYNCH) No, sir, not to my
2 knowledge.

3 Q Apart from questions of relative convenience
4 and cost, would a connection between the Alhambra line
5 and the west bank of the Santa Fe serve the same
6 function as a connection at the Hobart Y for purposes of
7 yard to yard movements from IATC to the Hobard yard?

8 A (WITNESS LYNCH) Well, that touches an
9 operating area that I don't pretend to have total
10 expertise on, but it is my understanding that it would
11 not serve the same purpose.

12 Q Such a connection by the Alhambra line onto
13 the west bank of the SF would not facilitate movements
14 from the Los Angeles Transportation Center to the Hobard
15 yard via the SF line?

16 A (WITNESS LYNCH) I think if you concentrate on
17 the word "facilitate," the answer is an unequivocal yes,
18 it would not facilitate that.

19 Q It would not. Why do you say that, sir?

20 A (WITNESS LYNCH) Because it would be a rather
21 awkward connection and rather difficult to put together,
22 and it would require some moves that do not appear to me
23 from my vantage point to be very efficient.

24 Q Can you describe what those disadvantages are
25 in detail?

1 A (WITNESS LYNCH) First I think I would like to
2 state that we looked very carefully and did a
3 considerable amount of research and field investigation
4 to find a good connection between the west bank line and
5 the Alhambra line, and we were unable to find one that
6 was either economically feasible or a straightforward
7 connection that would fulfil the functions that we
8 understood we were to provide with this route.

9 Q Can you explain in detail why the connection
10 would be, as you say, awkward?

11 A (WITNESS LYNCH) There are, as we see it, two
12 possibilities mentioned in the letter that Mr. Torgir
13 signed. One of them involves a balloon track with ten
14 degree curvature on a rather steep grade, bending around
15 to use the existing river crossing at Mission Bay
16 Tower. This is not a straightforward connection. It
17 would require the acquisition of some property
18 contiguous to the Los Angeles County Jail, and in my
19 opinion it would be difficult, if not impossible, to
20 obtain that property at any reasonable price. Perhaps
21 you wouldn't be able to obtain it at all.

22 The other alternative, the bridge, is in a
23 congested area in the Los Angeles River channel. There
24 are already several bridges. The plan presented
25 required two piers in the middle of the Los Angeles

1 River, which in my opinion it would be difficult to
2 obtain authority from the people who are responsible for
3 making those decisions, primarily the City and County of
4 Los Angeles.

5 And in any case, were they to give you such
6 permission, the hydraulics in that channel with the
7 piers already in there would be such that I would be
8 very reluctant to recommend piers and a bridge at that
9 location. In addition, the location of the bridge, the
10 angle is skewed, and the ability to bring the track into
11 the east bank presents some problems that I'm not sure
12 we have a solution to. Certainly we don't have one now,
13 and whether we could obtain it or not is highly
14 problematic.

15 Q Can you describe for me what the bridge would
16 connect?

17 A (WITNESS LYNCH) The bridge would connect the
18 Los Angeles -- or the Santa Fe west bank trackage to the
19 UP east bank trackage.

20 Q And the UP east bank trackage would be
21 connected to the SP lines how?

22 A (WITNESS LYNCH) As it is now.

23 Q Through connections to Taylor yard and on the
24 Alhambra line?

25 A (WITNESS LYNCH) There are connections between

1 the east bank and those locations, yes, sir.

2 Q So if the bridge at Mission Tower were built,
3 the traffic could be moved from Los Angeles
4 Transportation Center across the bridge, down the SF
5 west bank line, and then down to Hobart yard on SF's
6 tracks?

7 A (WITNESS LYNCH) I believe it could, yes,
8 sir.

9 Q What is your understanding that the \$1.2
10 million estimated cost of the bridge includes?

11 A (WITNESS LYNCH) That cost included only the
12 preliminary estimate of the Los Angeles Santa Fe people
13 as to what they thought the bridge would cost.

14 Q Did you have any discussions with them, either
15 prior to or subsequent to the receipt of this February
16 17th memorandum from Mr. Torpin, as to the cost of the
17 connection provided by the Mission Tower bridge?

18 A (WITNESS LYNCH) I can't recall any. We
19 studied it in our office, but I can't recall
20 specifically any discussions with the L.A. people.

21 Q Are work papers reflecting these studies also
22 in the depositories?

23 A (WITNESS LYNCH) No.

24 Q Can they be made available to us?

25 A (WITNESS LYNCH) I'm not sure there are any.

1 Q If there are, can you search for them and make
2 them available to us?

3 A (WITNESS LYNCH) If there are any, but I'm
4 reasonably sure there aren't, but they could be made
5 available.

6 Q Okay. The \$6.7 million figure that is given
7 in the February 17th memorandum, that refers to the
8 price of purchasing the land, I take it, and replacing
9 existing industrial buildings thereon?

10 A (WITNESS LYNCH) As I understand it, it
11 includes the cost of acquiring the land and that is all
12 it includes.

13 Q In your opinion, there would be additional
14 costs?

15 A (WITNESS LYNCH) Considerable additional
16 costs, yes, sir.

17 Q Can you quantify those?

18 A (WITNESS LYNCH) That would be the costs
19 associated with track, that would be the cost associated
20 with demolishing the buildings that are on the property,
21 and there would be a very heavy cost involved in
22 connecting that trackage to the existing interlocking
23 plant at Mission Bay, a very high signal cost, as is
24 evidenced by the costs we've quoted for the other two
25 connections, which again involve heavy signal costs.

1 Q I'm sorry, sir, I didn't catch the last part
2 of your sentence.

3 A (WITNESS LYNCH) The signal costs involved in
4 this particular connection that we were talking about,
5 the \$6.9 million land acquisition cost, would incur very
6 large signal costs associated with bending a new track
7 into an existing interlocking plant. This cost is also
8 reflected in both the State Street East Bank connection
9 and the Hobart to UP connection.

10 Q What do you suppose the net difference would
11 be in the costs between the Hobart Street connection and
12 the West Bank connection, connecting the Alhambra line
13 with the West Bank SF line?

14 A (WITNESS LYNCH) Which one do you refer to,
15 sir?

16 Q I am asking if you can give me an estimate of
17 the net difference.

18 A (WITNESS LYNCH) There are two connections
19 there. Which one do you refer to?

20 Q Let me try again, because I am evidently not
21 making myself clear. You take the cost of the
22 connection that would be required to connect the
23 Alhambra line to the SF West Bank.

24 A (WITNESS LYNCH) Yes, sir.

25 Q And subtract from it -- or subtract it from

1 the cost of the proposed Hobart connection. What would
2 the difference be?

3 A (WITNESS LYNCH) Well, I'm sorry, but the
4 question you are asking I can't answer because there are
5 two connections that I must compare the cost with. When
6 I compare them at Hobart, there is the cost of the
7 connection involving the \$6.8 million in land
8 acquisition and there is a cost to the connection
9 involving the bridge across the Los Angeles River.

10 Q Okay. What would be the net difference if you
11 chose the Mission Tower Bridge alternative?

12 A (WITNESS LYNCH) I would think that you would
13 have to start at an order of perhaps ten times as much.

14 Q It would cost ten times as much to use the
15 bridge alternative?

16 A (WITNESS LYNCH) Yes, sir.

17 Q And how much more do you say it would cost to
18 use the land-based alternative?

19 A (WITNESS LYNCH) I don't think there would be
20 a lot of difference between the two costs when you
21 factor in the land.

22 Q If you use the land-based alternative, then
23 the cost would be about the same as the cost for the
24 Hobart connection?

25 A (WITNESS LYNCH) I would hesitate to answer

1 specifically, but I think that is a very good place to
2 start. The difference in cost in the two connections is
3 not great and they would be about ten times as much, I
4 would think.

5 Q If you used the bridge?

6 A (WITNESS LYNCH) If you used the bridge or if
7 you used the connection involving a land acquisition.

8 Q I'm sorry, would you repeat that?

9 A (WITNESS LYNCH) I say the cost would be
10 approximately ten times the cost of the Hobart
11 connection, regardless of which of the two alternatives
12 you used.

13 Q I thought you said the cost of using the
14 Alhambra to the SF line would be roughly the same as the
15 cost of the Hobart connection?

16 A (WITNESS LYNCH) I said the cost of using the
17 bridge connection and the connection involving the land
18 acquisition would be approximately the same.

19 Q As the Hobart connection?

20 A (WITNESS LYNCH) No, the same as each other.

21 Q I understand now.

22 JUDGE HOPKINS: Do you have any more, Mr.
23 Remes?

24 MR. REMES: That's all. Thank you, Your
25 Honor.

1 JUDGE HOPKINS: Thank you.

2 MR. CRAIG: Could I ask the question that has
3 been deferred to this witness?

4 JUDGE HOPKINS: Go ahead.

5 CROSS EXAMINATION

6 BY MR. CRAIG:

7 Q Mr. Pottorff, I am Peter Craig representing
8 Amtrak.

9 Were you here during my questioning of Mr.
10 Fitzgerald?

11 A (WITNESS POTTORFF) Yes, I was.

12 Q Mr. Fitzgerald on page 17 of his statement in
13 the footnote says: "We would expect to achieve
14 significant savings as a result of not having to
15 maintain the Delta line," having reference to the line
16 between Pittsburgh and Stockton.

17 Do you know the annual maintenance expenses on
18 that line, sir?

19 A (WITNESS POTTORFF) No, sir, I don't.

20 MR. CRAIG: Could I repeat my request I made
21 this morning, Your Honor, to have the Applicants submit
22 for the record what the annual maintenance costs are on
23 this line from Pittsburgh to Stockton?

24 MR. BLASZAK: Your Honor, our position on that
25 remains that it should have been a matter taken care of

1 in discovery. It would involve quite a bit of work and
2 expense, and at this time, at this point in the
3 proceeding, we don't think that would be an appropriate
4 request.

5 JUDGE HOPKINS: It would involve quite a bit
6 of expense and study?

7 MR. BLASZAK: I believe it would.

8 JUDGE HOPKINS: Have you discussed it with
9 anybody?

10 MR. BLASZAK: I discussed it with the witness
11 during the break and we don't keep our maintenance cost
12 on this sort of basis. This is part of a line, it is
13 part of a division, and it is not the sort of thing --

14 JUDGE HOPKINS: Do you have any maintenance
15 expense for a larger part of the line that this would be
16 included on?

17 MR. BLASZAK: Well, that really wouldn't be
18 representative, Your Honor.

19 JUDGE HOPKINS: No, I understand that. But
20 I'm saying, even though that wouldn't be representative,
21 would we have the maintenance costs for a larger part
22 where this is just part of that line? I mean, I'm just
23 trying to figure a simple way, because the rule is that
24 I put out my order some time ago that discovery should
25 be at least 15 days, as I remember, prior.

1 MR. CRAIG: Well, Your Honor, this is not
2 discovery. I am probing here the statements in their
3 own operating plan, where on page 102 they characterize
4 the Pittsburgh to Stockton line as a high maintenance
5 line. And on page 17 of the verified statement of Mr.
6 Fitzgerald and Mr. Lacy they again call their operations
7 over Santa Fe's "high maintenance line," and in the
8 footnote they talk about the cost inefficiency of the
9 line and how they could expect to achieve significant
10 savings.

11 This is routine cross-examination.

12 JUDGE HOPKINS: I understand that.

13 MR. BLASZAK: I'm reluctant to help counsel
14 with their cross-examination, but I think if you could
15 ask the witness what he considers -- whether he
16 considers the line to be a high maintenance line, and if
17 so what he means by that, it might take care of it.

18 JUDGE HOPKINS: Let's try that.

19 BY MR. CRAIG: (Resuming)

20 Q If you were to quantify the savings that would
21 be achieved by abandoning this line, Mr. Pottorff, do
22 you have any judgments of the ballpark number that would
23 be involved?

24 A (WITNESS POTTORFF) I can't give you an exact
25 number, but I could definitely state that the

1 maintenance on that portion of the line would be higher
2 than the average heavy traffic line, and this is because
3 of the area it goes through. It goes through peat bogs
4 and it has a high incidence of bridges.

5 Q Assuming that I don't know what average is
6 either, Mr. Pottorff, could you give me a ballpark
7 figure as to what we are looking at?

8 A (WITNESS POTTORFF) In dollars per mile?

9 Q In dollars per year.

10 A (WITNESS POTTORFF) I don't have any figures.

11 Q And are we talking about \$100,000 a year, or
12 are we talking about a million dollars a year, or are we
13 talking about \$10 million a year? Roughly, what would
14 you say?

15 A (WITNESS POTTORFF) I don't have an exact
16 quantity. I could again say it would be considerably
17 more per mile than to maintain the Mococo line.

18 JUDGE HOPKINS: Well, what is the average per
19 mile, say on that line you're talking about?

20 WITNESS POTTORFF: I don't have a figure with
21 me. I did check against our one for 1982. Our average
22 cost per mile at that time, figuring our gross
23 maintenance dollars against our gross miles, was around
24 \$13,000 per mile, and that was just an overall figure
25 from the accounting people.

1 BY MR. CRAIG: (Resuming)

2 Q That was for the year 1982?

3 A (WITNESS POTTORFF) Yes.

4 Q And you would expect this to be 50 percent
5 higher than that?

6 A (WITNESS POTTORFF) I would say so, yes.

7 MR. CRAIG: That's all the questions I have.

8 JUDGE HOPKINS: Who's next?

9 MR. CRAIG: Your Honor, may I be excluded for
10 the balance of the hearing? I have no further witnesses
11 to cross-examine.

12 JUDGE HOPKINS: You're excused. You have a
13 vacation now. The rest of us will keep working.

14 (Laughter.)

15 CROSS EXAMINATION

16 BY MS. CAMPBELL:

17 Q Good afternoon, Mr. Lynch, Mr. Pottorff. My
18 name is Elizabeth Campbell and I represent the Fig
19 Garden New Town. I would like to ask you a few
20 questions about the proposed connector line north of
21 Fresno.

22 May I refer you to replacement volume SFSP-4,
23 dated September 1984, regarding environmental data, in
24 particular page A-24.

25 A (WITNESS LYNCH) May I have the page again,

1 please?

2 Q Page A-24.

3 A (WITNESS LYNCH) I have it.

4 Q This is a discussion about the connector
5 north of Fresno; is that correct?

6 A (WITNESS LYNCH) Correct.

7 Q And the preceding page, A-23, is a map of that
8 proposed connector line; is that correct?

9 A (WITNESS LYNCH) That is correct.

10 Q I would like to read one sentence, the
11 underlined sentence on page A-24. It says: "The
12 proposed connection has been relocated 4,000 feet to the
13 north of the originally proposed site, in cooperation
14 with the City of Fresno, to avoid conflict with future
15 plans for residential development proposed south of the
16 site."

17 Do you see that statement?

18 A (WITNESS LYNCH) I do.

19 Q Are you familiar with the plans that cause a
20 change in the location of the line?

21 A (WITNESS LYNCH) I am.

22 Q Were you involved in negotiating with the City
23 of Fresno regarding those changes?

24 A (WITNESS LYNCH) I was.

25 Q Is it correct that the proposed connection as

1 originally designed and set forth in Applicant's
2 original application would have impacted the residential
3 development in Fresno?

4 MR. BLASZAK: I would object to that on the
5 grounds that that is no longer in the testimony of any
6 of the witnesses in this proceeding.

7 JUDGE HOPKINS: Why are you asking that now,
8 if it has been changed?

9 MS. CAMPBELL: That is the point, to clarify.

10 JUDGE HOPKINS: You want to be certain it has
11 been changed?

12 MS. CAMPBELL: I want to be certain it has
13 been changed and I would like to make sure that I
14 understand. It says right here "to avoid conflict."

15 JUDGE HOPKINS: That's all right. Go ahead.

16 BY MS. CAMPBELL: (Resuming)

17 Q It's referring, obviously, to a prior plan; am
18 I correct?

19 A (WITNESS LYNCH) That's correct.

20 Q And are you aware of the reason why it was
21 changed?

22 A (WITNESS LYNCH) I am.

23 Q Did the reason include the negative impact on
24 new residential development north of Fresno?

25 A (WITNESS LYNCH) It did.

1 Q Are you familiar with the Fig Garden New Town
2 development?

3 A (WITNESS LYNCH) I am.

4 Q Is that the same development north of Fresno
5 that we're talking about?

6 A (WITNESS LYNCH) It is.

7 Q Mr. Lynch, are you aware that the City Council
8 of Fresno approved a resolution in the beginning of
9 October adopting this plan?

10 A (WITNESS LYNCH) I am.

11 MS. CAMPBELL: Your Honor, if counsel for
12 Applicants does not object, I would like to enter as an
13 exhibit --

14 JUDGE HOPKINS: This will be marked for
15 identification.

16 (The document referred to
17 was marked Exhibit No.
18 FGNT-1 for identification.)

19 MS. CAMPBELL: For the record, it is
20 Resolution No. 84-391.

21 BY MS. CAMPBELL: (Resuming)

22 Q Mr. Lynch, have you familiarized yourself with
23 this? Are you familiar with this resolution?

24 A (WITNESS LYNCH) I know that it has been
25 passed, but this is the first opportunity I've had to

1 read it.

2 Q Have you had a chance to finish reading it?

3 A (WITNESS LYNCH) I think so, yes.

4 Q Do you agree with me that the City Council's
5 approving of a plan proposed by the railroads that would
6 alter the connection line in accordance with the plan
7 now set forth in the application?

8 A (WITNESS LYNCH) I think I agree, yes.

9 Q I will restate the question. As I understand
10 it, the proposed connection north of Fresno avoids the
11 Fig Garden New Town development?

12 A (WITNESS LYNCH) It does.

13 Q Is it that plan that the City Council is
14 approving in Resolution 84-391?

15 A (WITNESS LYNCH) Yes. I think I should offer
16 at this point, though, that in addition to conflict with
17 the Fig Garden New Town development, there was conflict
18 with a major arterial planned by the Fresno street
19 department that required some attention to the location
20 of the connection.

21 That was also incorporated in the relocation
22 of the connection, and the relocated connection as shown
23 in this plan and as adopted in this resolution are the
24 plans that we went over with the director of public
25 works, and it is my understanding that everyone is

1 satisfied and that we have no problems with either Fig
2 Garden or the City of Fresno concerning the location of
3 the north connection.
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1 Q For the record, there is an attachment to the
2 resolution as Exhibit A. Would you look at that -- that
3 is a map -- please? That depicts as Location C the
4 current planned location for this connection.

5 A (WITNESS LYNCH) That is correct.

6 Q Is it your understanding, Mr. Lynch, that this
7 configuration of the line is the firm and final planned
8 alignment for this construction?

9 A (WITNESS LYNCH) It is.

10 Q Any reason to think that it is likely to
11 change?

12 A (WITNESS LYNCH) None that I can think of.

13 Q Would I be correct in assuming that the
14 operating plan for the merged railroads would also
15 reflect the new construction?

16 A (WITNESS LYNCH) To my knowledge, it does,
17 yes.

18 Q To clarify the construction of the line at the
19 new location?

20 A (WITNESS LYNCH) Yes.

21 MS. CAMPBELL: That is all I have, and I move
22 the admission of my exhibit.

23 JUDGE HOPKINS: Any objection?

24 MR. BLASZAK: No objection.

25 JUDGE HOPKINS: It will be received in

1 evidence.

2 (The document referred to,
3 previously marked for
4 identification as Exhibit
5 Number FGNI-1, was received
6 in evidence.)

7 JUDGE HOPKINS: Mr. Roberts?

8 BY MR. ROBERTS:

9 Q Mr. Pottorff and Lynch, my name is Barry
10 Roberts. I represent Sunkist Growers, Inc., and I would
11 like to just ask you a few questions about a connection
12 that is proposed at Visalia, California, and might I
13 first ask which of you gentlemen would be most familiar
14 with that?

15 A (WITNESS LYNCH) I have been handling the
16 connection and capital improvement part of the project.
17 I think I could best help you there.

18 Q Can you tell us what the reason is for the
19 proposed connection at Visalia, California?

20 A (WITNESS LYNCH) The connection at Visalia is
21 to expedite and facilitate the movement into and out of
22 the Visalia area and serve the shippers in that area.

23 Q And how are those shippers now being served?

24 A (WITNESS LYNCH) They are being served by the
25 Santa Fe branch, and the Santa Fe, and I believe we also

1 have a branch in that area -- I am not totally familiar
2 with that, but they are, I think, being served by a
3 Santa Fe branch.

4 Q Are you familiar with the material concerning
5 the connection that is contained in SFSP Replacement
6 Volume 4, dated September of 1984, and this would be the
7 document captioned Railroad Merger Application, Volume
8 2, Environmental and Energy Data, Exhibits 4 and 5, and
9 if you would turn to Pages A36 through A39.

10 A (WITNESS LYNCH) Yes, sir, I have them.

11 Q And you will notice that the description of
12 the proposed action includes a mention of two Santa Fe
13 abandonments.

14 A (WITNESS LYNCH) Yes.

15 Q Are you familiar with those abandonments?

16 A (WITNESS LYNCH) Yes, I am.

17 Q Would you have any figures or any information
18 showing the amount of traffic that presently moves over
19 the lines to be abandoned?

20 A (WITNESS LYNCH) No, sir.

21 Q Perhaps counsel can tell us which witness
22 would have that information.

23 MR. STEPHENSON: That is Mr. Champion,
24 tomorrow.

25 BY MR. ROBERTS: (Resuming)

1 Q Did you have anything to do with the
2 abandonment?

3 A (WITNESS LYNCH) I calculated the values and
4 did the engineering work necessary to produce the work
5 you see here.

6 Q And when you say the values and the
7 engineering work, you mean with the new construction?

8 A (WITNESS LYNCH) That is correct.

9 Q Now, is it your understanding that the new
10 construction is what the merged railroads would use to
11 provide service to shippers who are today served by
12 portions of the line to be abandoned?

13 A (WITNESS LYNCH) Yes. I would qualify that
14 reply, though, by saying as I understand it there are
15 two connections in that area, but this connection is
16 provided so that there would be no problem with serving
17 the industries that presently exist in the Visalia area.

18 Q So that the record is straight, this
19 connection is to be built to provide service. And let
20 me be specific. Are you aware Sunkist has a packing
21 house in Visalia that is now served by the Santa Fe? I
22 would ask you that.

23 A (WITNESS LYNCH) Yes, I am aware that Sunkist
24 has a packing plant in the Visalia area.

25 Q Are you familiar with the location of that

1 packing house?

2 A (WITNESS LYNCH) Yes, I have a fairly general
3 knowledge of where it is.

4 Q Is this new connection described at Pages A36
5 through A39 on SFSP-4, Replacement Volume, Environmental
6 and Energy Data, Exhibits 4 and 5, is this the
7 connection that will be built to provide service to that
8 packing house?

9 A (WITNESS LYNCH) This is a connection that is
10 included in the capital plant. As far as I know, it
11 will be built, however, like all plants that we
12 produce. It will require further management approval
13 before I could definitely state that connection would be
14 built.

15 Q What do you mean, it will require further
16 management approval? You mean they haven't decided
17 whether they are going to build this?

18 A (WITNESS LYNCH) I wouldn't characterize what
19 I said that way at all. I said this plan is produced as
20 a result of a request and the need by the operating
21 people to get in and out of Visalia. We designed it.
22 We have laid it out. We have estimated it.

23 But there is another step that must be
24 followed, and all work that the Southern Pacific or the
25 Santa Fe undertakes as these plans and these estimates

1 must be submitted to management for their final
2 approval.

3 Q So what you are saying is, these plans have
4 not been submitted to management for final approval?

5 A (WITNESS LYNCH) No, no. No, sir.

6 Q So are we to take the testimony and exhibits
7 as a representation by the applicants that this
8 construction will in fact take place, or are we to take
9 it as testimony that maybe it will take place? Which is
10 it?

11 A (WITNESS LYNCH) I am not sure that I would
12 answer in either mode. I think it indicates
13 construction that will be built if it is required.

14 Q Let me ask you this. Let's assume that the
15 Commission approves the proposed abandonments, both
16 north and south of Visalia. Will the merged carriers
17 first abandon and then complete the construction, or
18 will all of the construction be completed before any
19 steps are taken to abandon the lines?

20 A (WITNESS LYNCH) Well, as I understand it, the
21 policy that we are working under, we will abandon no
22 railroad until the shippers are satisfied, the shippers
23 that exist on that railroad are satisfied.

24 Q Now, could we translate that policy into this
25 particular connection at Visalia, California? Are you

1 representing on behalf of the applicants that there will
2 not be any abandonment of the Visalia line, the lines
3 north and south of Visalia, California, until this
4 construction has been completed and is operable?

5 MR. BLASZAK: Your Honor, I would object to
6 that. We have tendered a number of policy witnesses.
7 Mr. Champion is going to be on tomorrow as a policy
8 witness regarding abandonments.

9 This witness has been tendered for cross
10 examination on the cost of the connection and location
11 of the connection. If counsel has questions about those
12 subjects, it would be proper for this witness to
13 entertain them, but I think he is really barking up the
14 wrong tree here.

15 JUDGE HOPKINS: Mr. Roberts?

16 MR. ROBERTS: Your Honor, obviously I have
17 asked questions of each of the policy witnesses. Surely
18 if they are going to tender a witness to put in cost
19 estimates of some new construction, I am entitled to
20 find out if they are in fact going to undertake that
21 construction, and when, and under what circumstances.

22 JUDGE HOPKINS: Well, I think this witness has
23 indicated he can't go any farther than he has already
24 gone. Isn't that right?

25 MR. BLASZAK: That is how I understand his

1 testimony, Your Honor.

2 BY MR. ROBERTS: (Resuming)

3 Q On Page A36 of the exhibit I have referred to
4 earlier, you have indicated that approximately 1.2 acres
5 of land must be acquired to enable construction of this
6 connection. Has anything been done towards the
7 acquisition of that land?

8 A (WITNESS LYNCH) We have investigated the
9 ownership and got a fair evaluation of what we think the
10 property will cost, and that has been included in the
11 cost of the estimate.

12 Q Who owns that land?

13 A (WITNESS LYNCH) I will have to refer to my
14 prints. I think I can tell you.

15 My print shows it is occupied by a building
16 owned by Tri-Counties Roof and Insulation. Also, there
17 is a piece of property owned by C&S Distributing
18 Company.

19 Q Is there also property that must be acquired
20 that is owned by the Ford Motor Company?

21 A (WITNESS LYNCH) My print doesn't indicate
22 this.

23 Q Have you discussed the acquisition of this
24 property with any of those owners?

25 A (WITNESS LYNCH) That is not within my sphere

1 of responsibility.

2 Q Do you know if anyone in either of the
3 applicant carriers has discussed the acquisition of this
4 property with any of the property owners?

5 A (WITNESS LYNCH) I can tell you that we have
6 asked our real estate people for an estimate of the
7 cost, and they have done, as they normally do, what
8 investigation is necessary to establish a fair market
9 price.

10 Q And I take it your real estate people provided
11 you with a cost estimate.

12 A (WITNESS LYNCH) That is correct.

13 Q And that cost estimate was then included in
14 the total cost of \$1.145 million?

15 A (WITNESS LYNCH) That is correct.

16 Q What was the cost of the land acquisition?

17 A (WITNESS LYNCH) I have an item that covers
18 the cost of land acquisition on my estimate in the
19 amount of \$627,260.

20 Q And that represents slightly more than half of
21 the total cost?

22 A (WITNESS LYNCH) I believe so. You are
23 referring to half the total cost of the connection?

24 Q Half the total cost that is shown on Page 20
25 of your statement.

1 A (WITNESS LYNCH) I agree. That is correct.

2 Q Which is 1.145?

3 A (WITNESS LYNCH) Approximately, yes.

4 Q And can you tell us what the other items of
5 cost are that would make up that 1.145 million?

6 A (WITNESS LYNCH) Eight hundred and fifty track
7 feet of track need to be constructed. There are two
8 Number 10 turnouts with 400 track feet of road
9 crossing. There is some signal work involved of a
10 relatively modest amount, but nonetheless signal work is
11 involved.

12 That is the basic items, 850 feet of track,
13 the signalization that is necessary in a connection of
14 this sort, and the property acquisition.

15 Q Now, it is stated again on A36 that
16 approximately 234 feet of existing track will be
17 repaired. Are the costs of those repairs included?

18 A (WITNESS LYNCH) They are. They are
19 relatively minor, but they are included. I have 234
20 feet of track to be repaired, with a gross investment
21 cost of \$3,023, and an expense of \$7,011 in terms of the
22 total project. It is relatively small.

23 Q Can you tell us when either the repair work or
24 the construction will take place?

25 A (WITNESS LYNCH) All of the work necessary to

1 implement the operating plan is scheduled for completion
2 within two years after the operation date of the merger,
3 and that connection would be built within that two-year
4 period if there is one.

5 Q If it is built, it would be built within the
6 two-year period?

7 A (WITNESS LYNCH) That is correct.

8 Q On Page A38, you indicate that the new
9 connection will experience approximately one train per
10 day. Could you tell us what the source of that
11 information is?

12 A (WITNESS LYNCH) This volume you are referring
13 to is not mine, and I can't comment on where that
14 information came from other than that information I
15 furnished to the environmental witness to do his work.

16 Q This would be on Page A38 of the environmental
17 and energy data statement, SFP Replacement Volume 4?
18 You are not -- you have no information as to the volume
19 of traffic that might be handled or the number of train
20 movements?

21 MR. ROBERTS: Could I inquire of counsel as to
22 which witness would have provided that?

23 MR. BLASZAK: Mr. Owen was tendered for that
24 sort of cross examination. And of course Mr. Stark was
25 tendered for examination on the environmental impact

1 statement and studies, and both of those witnesses have
2 been here and have already been excused.

3 MR. ROBERTS: Your Honor, I submitted before
4 the proceeding extensive discovery requests to the
5 applicants in connection with the abandonment and the
6 construction, and one of the questions asked in the
7 discovery request was which witnesses should I address
8 questions to.

9 And the only witnesses that were listed were
10 Mr. Sonefeld, who I understand will be replaced by Mr.
11 Champion, to testify as to the abandonment itself, and
12 as was indicated, all questions pertaining to this new
13 construction should be addressed to Mr. Pottorff and Mr.
14 Lynch.

15 So, I would say that I relied upon that.
16 Apparently they are telling me now that their discovery
17 answers were wrong.

18 MR. BLASZAK: No, I am not saying that at
19 all. You asked about the connection, the construction
20 connection and the shares to be provided, and whether
21 Sunkist would be served at Visalia. Those are the
22 appropriate witnesses to ask. If you are asking about
23 specific train schedules to Visalia, Mr. Owen was the
24 one who did that study.

25 MR. ROBERTS: Those were exactly the questions

1 I asked in my discovery request, and I want a comparison
2 of transit times. I want a comparison of train
3 schedules.

4 MR. BLASZAK: This was the subject of a
5 discussion on the telephone between myself and Mr.
6 Roberts, and we were going to try to attempt to get a
7 stipulated set of answers to his interrogatories. I
8 have yet to get a response from the suggested set.

9 JUDGE HOPKINS: Is there any reason you can't
10 stipulate on these particular points right now?

11 MR. BLASZAK: I think if we were to -- if he
12 wants a specific question as to the train service, or if
13 he has a specific question as to the train service and
14 is willing to provide it to me, I will try to get an
15 answer.

16 JUDGE HOPKINS: It seems to me you can
17 stipulate as to some of these matters without any
18 problem.

19 MR. ROBERTS: Your Honor, I can explain very
20 quickly what I want. As you know, we are dealing with
21 perishable commodities. They are time sensitive. I
22 asked in our discovery request how the routing and
23 transit times after the abandonment and the presumed
24 construction would compare to the service we have now.

25 I think that is a legitimate question, and it

1 hasn't been answered.

2 MR. BLASZAK: I think Messrs. Fitzgerald and
3 Lacy, and this is subject to what is in the record, but
4 I think I heard them say that service would generally be
5 the same on this particular line as it is now.

6 It seems to me that is a sufficient answer.

7 MR. ROBERTS: Is counsel representing that
8 with respect to the service to the Sunkist plant that we
9 can expect the same service as we now have? Is that
10 your representation?

11 MR. BLASZAK: You are asking me to testify.

12 JUDGE HOPKINS: Can you gentlemen state that
13 specifically?

14 MR. BLASZAK: I don't think these witnesses
15 can.

16 JUDGE HOPKINS: I thought you just said they
17 could.

18 MR. BLASZAK: No, I said Mr. Owen was the one
19 who was tendered for the purposes.

20 JUDGE HOPKINS: Well, I don't see any reason
21 you can't stipulate on these points. It is a very
22 simple question.

23 MR. BLASZAK: I have taken the first step
24 towards stipulation, Your Honor, and I will talk with
25 counsel about it.

1 JUDGE HOPKINS: All right. You two can easily
2 stipulate, it appears, on this. I don't see any problem
3 at all, Mr. Roberts.

4 BY MR. ROBERTS: (Resuming)

5 Q Mr. Pottorff or Mr. Lynch, assuming for the
6 moment that the abandonments take place and the
7 construction is not completed. Do either of you
8 gentlemen, or are either of you gentlemen able to
9 explain for the record whether and how the Sunkist
10 facility will continue to be served?

11 A (WITNESS LYNCH) No. I can answer that there
12 is another way that trains can get into the Visalia area
13 without that connection, but as to how they would be
14 served, I can't say. I know that we have provided in
15 the engineering design connections and facilities for
16 the continued service of the industries along that
17 stretch of track in Visalia. That is not contemplated
18 for abandonment.

19 Q Mr. Pottorff, would your answer be the same?

20 A (WITNESS POTTORFF) Yes, it would.

21 MR. ROBERTS: I have no further questions.

22 JUDGE HOPKINS: Thank you. Who is next?

23 Department of Justice?

24 BY MS. KOOPERSTEIN:

25 Q Good afternoon. My name is Donna

1 Kooperstein. I represent the United States Department
2 of Justice. I would appreciate it if the person that
3 feels best able to answer a question does it, and I have
4 no preference.

5 On Pages 3 and 4 of your testimony, you talk
6 about moving material as company material. What do you
7 mean by that?

8 A (WITNESS LYNCH) Would you repeat the
9 question, please?

10 Q What do you mean by moving material as company
11 material?

12 A (WITNESS LYNCH) Moving material as company
13 material refers to material under the ownership of the
14 company that is moved without a cost as far as
15 transportation cost is concerned. That is, cost to the
16 maintenance of way department.

17 Q You don't assign a cost to the movement of
18 that material. Is that correct?

19 A (WITNESS LYNCH) We do not assign a cost to
20 the maintenance of way budget. That is correct.

21 Q Do you assign any costs?

22 A (WITNESS LYNCH) I can't comment on that type
23 of question. There is obviously a cost, but I can't
24 comment on it.

25 Q So when you computed your figures, you

1 computed it as no cost?

2 A (WITNESS LYNCH) We computed it. I am not
3 sure I understand.

4 Q When you computed savings because something
5 was going to be moving as company material, you computed
6 that as moving at no cost?

7 A (WITNESS LYNCH) No. We didn't assume it
8 moving at no cost. No, we did not.

9 Q What type of cost did you assume it moved at?

10 A (WITNESS LYNCH) We assumed it moved at the
11 cost of two cents a ton mile.

12 Q And what would be the cost that you, if you
13 can answer this, that you would assume for moving
14 material of another company a ton mile?

15 A (WITNESS LYNCH) Well, that varies so much I
16 couldn't comment on that. That would take someone
17 versed in rates and a more specific request than you
18 have made.

19 Q Would it be more than two cents a ton mile?

20 A (WITNESS LYNCH) Yes, considerably more, I am
21 sure.

22 Q Considerably more?

23 A (WITNESS LYNCH) I would think so, yes.

24 Q Could you turn to Page 4 of your testimony?

25 A (WITNESS LYNCH) I have it.

1 Q You have there a figure for the reduced rate
2 expense. Do you see that?

3 A (WITNESS LYNCH) I see that, yes.

4 Q Where do the savings come from, exactly?

5 A (WITNESS LYNCH) Reduced rate expense?

6 Q Right.

7 A (WITNESS LYNCH) I calculated this number by
8 what I would refer to as a redispatch of the material
9 handling of the 1982 Southern Pacific rail program,
10 following the material, the new material, from where it
11 was purchased to where it was finally applied to the
12 track, both using existing SP facilities prior merger,
13 and then redoing it with certain assumptions concerning
14 a different handling and different processing of the
15 material that would be available to us after the
16 merger.

17 Q I am not sure I understand. Did the SP
18 material move previously over the Santa Fe lines?

19 A (WITNESS LYNCH) No, it did not.

20 Q Do you know which lines it moved over?

21 A (WITNESS LYNCH) Well, I can tell you. I
22 think I will have to refer to my work papers. Rail to
23 the Houston welding plant presently moves from Pueblo
24 via CNW, CNF, and SWD. It is interchanged at Fort
25 Worth, and moved as company material to Houston.

1 Q Do you know whether and do your computations
2 show when the material would be moving over shorter
3 routes postmerger than it would now?

4 A (WITNESS LYNCH) It would be moving over
5 considerably shorter routes postmerger.

6 Q Can you tell me how much of the savings in
7 your transportation savings figure is predicated on
8 moving over shorter routes, and how much is predicated
9 on moving by company rate?

10 A (WITNESS LYNCH) No, I don't have that. I
11 didn't break it out that way. I am not sure I
12 understand the question, but if I do, I didn't break it
13 out that way.

14 Q What is it that you are not sure you
15 understand about the question.

16 A (WITNESS LYNCH) Well, the difference between
17 shorter routes and calling it as company freight.

18 Q Does any of the savings accountable by the
19 fact that the material is going to be moving less of a
20 distance after the merger than it does now?

21 A (WITNESS LYNCH) Yes.

22 Q Do you know how much of that is?

23 A (WITNESS LYNCH) No. The total savings
24 aggregated -- and I didn't break it out that way. It
25 would be a considerable task to do so, but I don't break

1 it cut that way.

2 Q Some of the savings is predicated on the fact
3 that it is going to be moving at a company rate. Is
4 that correct?

5 A (WITNESS LYNCH) Yes, that's true.

6 Q And you can't break out that part of the
7 savings?

8 A (WITNESS LYNCH) As I said previously, I
9 didn't break it that way. I aggregated it. It is very
10 difficult in a redispach, as I call it, to break it out
11 that way. It would require a rather formidable task to
12 break it down, and it is of no interest to me.

13 Q Could you look at Page 5 of your testimony?

14 A (WITNESS LYNCH) I beg your pardon?

15 Q Could you look at Page 5?

16 A (WITNESS LYNCH) Yes.

17 Q It is stated on Page 5 that Santa Fe doesn't
18 solicit outside contracts for rail welding. Is that
19 correct?

20 A (WITNESS LYNCH) I think I should defer that
21 to Mr. Pottorff, since it is a question concerning the
22 Santa Fe.

23 Q Is that correct?

24 A (WITNESS POTTORFF) That is correct.

25 Q Have you ever done that?

1 A (WITNESS POTTORFF) Not to my knowledge.

2 Q Have you ever considered it?

3 A (WITNESS POTTORFF) I think it has been
4 considered, and it was an executive decision that it
5 wouldn't be done.

6 Q Do you know why?

7 A (WITNESS POTTORFF) I have been told that
8 mostly because of possible product liability and such.

9 Q Do you perform any type of work for other
10 companies, other railroad companies?

11 A (WITNESS POTTORFF) No, not to my knowledge.

12 Q Do you know whether any other railroads
13 perform welding for other railroads?

14 A (WITNESS POTTORFF) I don't have that
15 knowledge.

16 Q Would it be in the interest of Santa Fe to put
17 that excess capacity to use?

18 A (WITNESS POTTORFF) I do not have an answer
19 for that.

20 Q You don't know whether it would be in Santa
21 Fe's interest now to use that excess capacity?

22 A (WITNESS POTTORFF) I would think not.

23 Q It is not in your interest to put the excess
24 capacity to use? I am just trying to understand

25 A (WITNESS POTTORFF) Well, as I said, I really

1 don't have an answer for you.

2 Q What do you mean by the term "net savings?"

3 A (WITNESS LYNCH) Where does that occur?

4 Q For example, in Table 1.

5 A (WITNESS LYNCH) Table 1, net savings? Well,
6 that net is the usual accepted sense of the word net,
7 costs one way less costs the other way.

8 Q You didn't consider any increased costs that
9 you would have to incur before achieving efficiency in
10 calculating the net figure, did you?

11 A (WITNESS LYNCH) I am not sure I understand.

12 Q This goes in general for your whole
13 testimony. Maybe that will make it easier. In certain
14 cases I think you said you had to incur certain costs
15 before you could achieve some savings. For instance,
16 you might have had to expand a plant.

17 A (WITNESS LYNCH) That is correct.

18 Q Did you include that cost in your net savings
19 calculation?

20 A (WITNESS LYNCH) No, that is included in the
21 column labeled additional capital expenditures, which
22 you see is blank in Table 1.

23 Q Could you please turn to Page 6?

24 A (WITNESS LYNCH) Yes.

25 Q I wasn't clear on this. Did you quantify any

1 of the savings from using SF's methods for processing
2 secondhand jointed rail?

3 A (WITNESS LYNCH) No, we did not.

4 Q So none of the discussion that begins in the
5 middle of Page 5 and continues on to 6 resulted in any
6 savings in Table 1?

7 A (WITNESS LYNCH) That is correct.

8 Q On the bottom of Page 6 you state that ATSF
9 does not normally process jointed rail for other
10 companies. Do you see that?

11 A (WITNESS POTTORFF) Yes.

12 Q Do you ever do it?

13 A (WITNESS POTTORFF) For other companies? No.

14 Q On Page 7, you discuss the tie treatment. Do
15 you see that?

16 A (WITNESS POTTORFF) Is Southern Pacific
17 planning to close its Houston plant? The Houston plant
18 is already closed.

19 Q Does SF have lower costs in treating ties than
20 commercial suppliers?

21 A (WITNESS LYNCH) I would refer that to Mr.
22 Pottorff.

23 A (WITNESS POTTORFF) Yes.

24 Q Do you do it better? Is that why?

25 A (WITNESS POTTORFF) We feel we do it better.

1 Q Do you know what accounts for the lower cost?

2 A (WITNESS POTTORFF) I really can't answer.

3 Let me put it this way. I do not really know what
4 accounts for the lower cost.

5 Q Is there a considerable cost difference?

6 A (WITNESS POTTORFF) Yes.

7 Q When you compute in your cost, do you include
8 profit in that figure?

9 A (WITNESS POTTORFF) Profit to the Santa Fe
10 Railroad?

11 Q Right.

12 A (WITNESS POTTORFF) No.

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1 Q You discussed the expansion of the Summerville
2 plant. Will that plant operate more efficiently after
3 the expansion?

4 A (WITNESS POTTOROFF) We hope so.

5 Q How did you arrive at the figure of almost \$3
6 million in savings for reduced treatment costs?

7 A (WITNESS POTTOROFF) We took the number of
8 ties which we felt we were going to increase our
9 production to, and then we took our costs at that time,
10 what they were running per tie, and compared them to the
11 figures that the Southern Pacific furnished us that they
12 were paying for ties on the market. We took that
13 difference between our cost and the average of what the
14 SP had given us for the costs they were paying and
15 multiplied them by the increased production and
16 considered that the savings.

17 Q Could you explain to me where the reduced
18 freight cost savings comes from?

19 A (WITNESS POTTOROFF) The two cents a ton mile
20 comes from our cost accounting people and was furnished
21 to us by them, and I believe they would be quite able to
22 answer that.

23 A (WITNESS LYNCH) Excuse me. I could offer
24 this. It is a cost of providing a ton mile of
25 transportation from Rail Form A less overhead. Other

1 than that, you would have to refer to the cost people.

2 Q Do you know whether post-merger you'll be
3 moving the ties shorter distances?

4 A (WITNESS POTTOROFF) I do not know.

5 Q So you did not take that into account in
6 computing the figure for reduced freight cost?

7 A (WITNESS POTTOROFF) That is not taken into
8 account.

9 Q You have a figure listed under "Additional
10 capital expenditures." Do you see that?

11 A (WITNESS POTTOROFF) Yes.

12 Q Is that the figure, the cost of increasing the
13 capacity of the Summerville plant?

14 A (WITNESS POTTOROFF) Yes, it is.

15 Q Do you know how much of the cost savings from
16 reduced treatment cost is attributable to the
17 expenditure for increasing the capacity of the plant?

18 A (WITNESS POTTOROFF) Please repeat the
19 question.

20 Q Let me try to rephrase it. Do you know
21 whether you could achieve any reduced treatment cost
22 without first expanding the capacity of the Summerville
23 plant?

24 A (WITNESS POTTOROFF) Not to my knowledge.

25 Q You could not do it without that?

1 A (WITNESS POTTOROFF) That is correct.

2 Q Is it correct that Santa Fe has a less costly
3 procedure for tie unloading?

4 A (WITNESS POTTOROFF) What are you referring to?

5 Q Pages 8 and 9.

6 A (WITNESS POTTOROFF) Yes.

7 Q Could Southern Pacific save money by adopting
8 the Santa Fe's procedures?

9 A (WITNESS POTTOROFF) I will let Mr. Lynch
10 handle that.

11 A (WITNESS LYNCH) We could if we could get the
12 money to buy the equipment.

13 Q Is that your problem?

14 A (WITNESS LYNCH) That is our problem.

15 Q How much equipment would you need to purchase?

16 A (WITNESS LYNCH) I believe it states here
17 additional capital expenditures in the amount of
18 \$564,000 would pretty well cover what we need, in
19 addition to the equipment presently owned by Santa Fe.

20 Q So if you purchased that equipment and you
21 could do it on your own?

22 A (WITNESS LYNCH) That is an
23 oversimplification, but basically that is correct. We
24 would, however, be short of gondolas to handle the ties,
25 and Santa Fe seems to have no problem obtaining the

1 gons. We are unable to obtain gons to haul ties or to
2 haul our other material in the quantities we need.

3 Q So in addition to this figure you would need
4 to purchase, you would need to spend money to purchase
5 more gondola cars?

6 A (WITNESS LYNCH) Lacking the merger, we would
7 have to have a source of gondolas we do not now have.

8 Q Is there anything else you would need?

9 A (WITNESS LYNCH) There are, but I think they
10 are rather insignificant. I can't offer anything of any
11 consequence. I'm sure there are other things we would
12 need.

13 Q Could you please focus now on pages 10 to 12
14 in your testimony? Post-merger will there be less car
15 miles of ballast movements?

16 A (WITNESS POTTOROFF) Yes, there will.

17 Q Do you know how much?

18 A (WITNESS POTTOROFF) Not in that context, but
19 that is what that savings entails.

20 Q Is that savings all due to less car miles?

21 A (WITNESS POTTOROFF) Not totally.

22 Q Is it also due to use of the company rate?

23 A (WITNESS POTTOROFF) It is due to use of the
24 company rate.

25 Q Can you divide that out for me?

1 A (WITNESS POTTOROFF) No, I don't believe I
2 would be able to without a great deal of effort.

3 Q And you calculate that you would save \$16.5
4 million on ballast, is that correct?

5 A (WITNESS POTTOROFF) That is correct.

6 Q Have the two companies ever tried to work out
7 an arrangement so they could each save about \$8 million
8 now?

9 A (WITNESS POTTOROFF) No, not to my knowledge.

10 A (WITNESS LYNCH) I would offer that we did
11 make one attempt to use a quarry, Declezville, but we
12 found that the cost involved in moving the ballast from
13 Declezville to an interchange with the Santa Fe at
14 Colton priced the ballast out of competition, with a
15 source of supply at Fontana, while admittedly lower
16 quality, still satisfactory. And we were unable to sell
17 the ballast from Declezville -- which incidentally is
18 owned by the Southern Pacific -- either to the Santa Fe
19 or to the Union Pacific because of the problems involved
20 with transportation cost.

21 Q Is the higher cost due to the fact that the
22 Santa Fe was charging you its regular rate, not its
23 company rate?

24 A (WITNESS LYNCH) No.

25 Q What was the problem?

1 A (WITNESS LYNCH) The cost of the material at
2 Declezeville was in the neighborhood of \$4 a ton. The
3 charge to move the ballast to Colton through interchange
4 and switching charge raised the price of the ballast to
5 somewhere in the neighborhood of \$6 a ton, and that made
6 it noncompetitive with other sources of ballast.

7 Q Could you focus now on page 13, the section
8 "Equipment maintenance." The Santa Fe, does it
9 presently have the capacity to handle some of SP's work?

10 A (WITNESS POTTOROFF) Yes.

11 Q Couldn't SP use Santa Fe as a backup to its
12 Oakland plant now?

13 A (WITNESS POTTOROFF) I don't think it would be
14 practical.

15 Q Why wouldn't it be?

16 A (WITNESS LYNCH) I would certainly be
17 reluctant to depend upon a source of equipment
18 maintenance at Albuquerque with a railroad that goes
19 nowhere near Albuquerque in view of the problems
20 involved in getting back and forth and the sensitivity
21 of down time that we experience.

22 Q Could you please look at page 15 now? Could
23 you tell me where the one-time savings of about \$7
24 million comes from?

25 A (WITNESS LYNCH) Yes. We, after considerable

1 discussion amongst the maintenance officers, engineering
2 officers of the Southern Pacific and the Santa Fe, we
3 feel that the additional railroad that will be -- that
4 will have responsibility for joint maintenance involves
5 areas where we can more efficiently utilize the
6 equipment that would normally stand idle due to snow
7 conditions, winter conditions on the Southern Pacific
8 and the Santa Fe, and the expanded southern areas.

9 We feel that moving time will be considerably
10 reduced from one job to another with the additional
11 property that we will have to maintain. We have
12 identified many areas where the savings would be --
13 would occur. We had some difficulty in obtaining a good
14 representative number, but we took the amount of
15 equipment represented on the dollars that represent the
16 amount of equipment we own from the 1982 forms R-1 for
17 the respective companies, from accounts 37, 57 and 58,
18 and determined that we could expect considerably more,
19 but we would state that we could make a 5 percent
20 reduction in the equipment ownership represented by the
21 amount in these accounts.

22 Q So that figure is based upon the 5 percent
23 reduction in equipment ownership?

24 A (WITNESS IYNCH) That is correct.

25 Q Now, if you would please focus now on pages 15

1 to 16, vegetation control. Does Santa Fe perform
2 vegetation control at a lower cost than SP contractors?

3 A (WITNESS POTTOROFF) That is correct.

4 Q Do you know what accounts for the cost
5 difference?

6 A (WITNESS LYNCH) I'm not totally sure, but
7 Santa Fe has a good organization, and they pay wage
8 rates that are based on company wage rates rather than
9 the more competitive contractors' wage rates. They have
10 equipment that I think is perhaps a little better than
11 some of the contractors that we are able to attract. I
12 believe substantially that would account for the
13 difference in the costs.

14 Q Does Santa Fe figure in a profit in computing
15 its costs?

16 A (WITNESS POTTOROFF) No, it does not.

17 Q On page 16 you have a figure for additional
18 capital expenditures. Do you see that? Is that the
19 equipment that you talk about in the paragraph above?

20 A (WITNESS POTTOROFF) Yes, it is.

21 Q Do you know how much of the cost savings is
22 attributable to the purchase of that new equipment?

23 A (WITNESS LYNCH) I don't think that that
24 question is really -- the Santa Fe enjoys an excess
25 capacity in the vegetation control equipment, but they

1 do not have enough capacity to handle the combined
2 systems. With the purchase of \$854,000 worth of
3 additional equipment, they can handle the entire
4 system. On the basis of the information of the study we
5 made, it would be very difficult to say what percentage
6 of the savings is represented by the equipment shown as
7 an additional capital expenditure. It is lumped
8 together. But there is a certain amount of it that
9 would be attributable to that capital expenditure.

10 Q If Southern Pacific spent this approximate
11 \$800,000 and purchased equipment, could it do its own
12 vegetation control?

13 A (WITNESS LYNCH) No, ma'am.

14 Q Why not?

15 A (WITNESS LYNCH) Because \$854,000 represents
16 perhaps a third of the amount of equipment that would be
17 needed to do the vegetation control program, and
18 represents none of the costs that would go to training
19 supervisors and obtaining the expertise in the company
20 that the Santa Fe now enjoys.

21 MS. KOOPERSTEIN: Thank you.

22 JUDGE HOPKINS: Are there any other? Mr.
23 Solander.

24 BY MR. SOLANDER:

25 Q Mr. Pottorff and Mr. Lynch, my name is O.J.

1 Solander, and I represent the Department of
2 Transportation of the State of California. We are
3 cooperating with the California Public Utilities
4 Commission in investigating the impacts of this merger,
5 and I'm asking you some questions today.

6 You are aware -- and I would like to direct
7 this question to both of you -- you are aware that with
8 the combined traffic there will be an increase in
9 traffic in the communities of Fresno, Bakersfield,
10 Stockton and San Bernadino. You are aware of that,
11 aren't you?

12 A (WITNESS LYNCH) I'm not sure that I would
13 agree.

14 Q You won't agree that on the Southern Pacific
15 line in Fresno, for example, when the traffic is
16 rerouted from the Santa Fe to the Southern Pacific line
17 to Fresno that that particular line will not experience
18 an increase in traffic?

19 A (WITNESS LYNCH) I would agree with that, but
20 I would not agree that there would be additional traffic
21 through Fresno.

22 Q Okay. But the particular line will experience
23 an increase in what was there for Southern Pacific,
24 isn't that right, simply because the traffic of the two
25 corporations is combined?

1 A (WITNESS LYNCH) Yes, sir, I think I would
2 agree with that.

3 Q The purpose of my question is not for you to
4 talk about increased traffic over and above, but I just
5 wanted to illustrate for the purpose of the next
6 question to determine what you looked at whether or not
7 you recognize that there will be some increased traffic
8 in these communities. And the reason I prefaced my
9 question is that I want to know whether either of you
10 have made any investigation of the at-grade crossings
11 which will be affected by the increased traffic to
12 determine whether or not those crossings need to be
13 improved or upgraded as a result of the increased
14 traffic. And I would ask you to consider the
15 communities of Fresno, Bakersfield, Stockton and San
16 Bernadino.

17 A (WITNESS LYNCH) Both Mr. Pottorfi and I made
18 a rather detailed study of the crossing situation in
19 Fresno. The rest of the areas -- the rest of the places
20 you refer, to I can't speak about San Bernadino. I know
21 that there should be little or no impact on the existing
22 street crossings at Bakersfield.

23 And what were the others you requested?

24 Q Stockton.

25 A (WITNESS LYNCH) I don't think there would be

1 any real problem at Stockton. By the nature of your
2 question, I would have to remain somewhat vague about
3 it, but tracing the line in my mind as quickly as I
4 could, I can't see what the operating plan envisions
5 should cause any problem with -- any great problem with
6 traffic.

7 Q You are talking now about Stockton from your
8 general memory and not from any particular study that
9 you made of that area?

10 A (WITNESS LYNCH) That is correct.

11 Q And how about San Bernadino?

12 A (WITNESS LYNCH) I can't say. I don't know
13 anything about San Bernadino.

14 Q But you did make a study of Fresno?

15 A (WITNESS LYNCH) Yes, sir.

16 Q Could you tell me the results of that study?

17 A (WITNESS LYNCH) We found that eliminating the
18 track between Blackstone and Hammond eliminated several
19 very difficult street crossings in the middle of
20 downtown Fresno, took Santa Fe traffic out of the middle
21 of downtown Fresno, put the traffic over on the Southern
22 Pacific track where most of the major grade crossing,
23 most of the major streets are separated.

24 We made a specific survey to see that all the
25 crossings were protected. They're all protected with

1 one or two very minor exceptions.

2 In addition, an advantage that should be
3 factored into the equation is the crossing between
4 Church and Calwah; that is, Church Street and Calwah.
5 There may at some time or another be an abandonment of
6 that trackage. There are, however, an industry or two
7 on it that preclude that.

8 But in any case, the train traffic over that
9 rather lengthy stretch of track will be such that
10 interference there will practically disappear. On
11 balance I would think that our plan benefits the city of
12 Fresno rather markedly, and I think the city of Fresno
13 would agree.

14 Q How about the crossings that were -- the
15 at-grade crossings that were protected or not
16 protected? Did you decide whether or not those need to
17 be upgraded or improved?

18 A (WITNESS LYNCH) I looked specifically to see
19 if there was anything that would preclude an immediate
20 move without additional upgrading, and I would say that
21 there is nothing that is of any real serious import in
22 terms of crossing protection on the SP line.

23 Q I believe, Mr. Lynch, this next question would
24 be directed to you, and I would like you to consider the
25 proposed sidings at Tracy and Herdlyn and Brentwood, and

1 for purposes of illustration they are, and for my
2 discussion they are in replacement volume SFS 24.

3 Are you familiar with those crossings and the
4 proposed projects?

5 A (WITNESS LYNCH) Yes, sir.

6 Q Are you also familiar that at the Brentwood
7 siding there are streets at the north and the south end
8 which aren't directly affected by the siding, but
9 nonetheless, they are in the immediate vicinity of that
10 siding?

11 A (WITNESS LYNCH) Yes.

12 Q And did you make a determination of whether or
13 not the siding would necessitate any upgrading or
14 improvement of the at-grade crossings within the
15 immediate vicinity of that site?

16 A (WITNESS LYNCH) No. Those sidings were
17 located after considerable study to least interfere with
18 street traffic, and I would answer your question no, I
19 don't think there is any immediately needed.

20 Q But did you make a study about whether or not
21 the crossing needs to be improved or upgraded?

22 A (WITNESS LYNCH) I looked at the crossings,
23 and I would state that in my experience I don't think
24 any major work is indicated immediately.

25 Q When did you look at the sidings?

1 A (WITNESS LYNCH) I looked at them several
2 times. The last time would be about three months ago.

3 Q In relating to the siding at Herdlyn did you
4 also investigate the crossing at Herdlyn Road?

5 A (WITNESS LYNCH) Again, I would respond,
6 perhaps not responsive enough, but we went to
7 considerable effort to locate those crossings, to locate
8 those crossings so there would be no street crossings in
9 the body of the sidings. This was a terrible
10 inconvenience to the traveling public and a problem of
11 operations in terms of operating, cutting the crossings
12 and so forth.

13 Those sidings are not located in the exact
14 optimum location for a railroad operation, but they are
15 located to best eliminate the interface or interference
16 between street traffic and rail traffic.

17 Q With respect to the crossings at Brentwood and
18 Herdlyn, do you know whether or not there are grade
19 crossing predictors at the signals there?

20 A (WITNESS LYNCH) No, I don't know specifically.

21 Q Do you know whether or not -- strike that.

22 With respect to the Tracy siding, did you also
23 investigate the area of that siding?

24 A (WITNESS LYNCH) Yes.

25 Q And you are aware, aren't you, that that

1 siding will cross two city streets, isn't that correct?

2 A (WITNESS LYNCH) That is correct.

3 Q And are those streets signalized at this time,
4 do you know?

5 A (WITNESS LYNCH) I don't believe they are. I
6 don't know.

7 Q Did you investigate the need to improve or
8 upgrade the crossings as a result of the construction of
9 the Tracy siding?

10 A (WITNESS LYNCH) I looked at them, and I don't
11 believe we will have any more difficulty there than we
12 have in other locations. Again, the siding has been
13 located, in the judgment of the SP engineering people,
14 to minimize this very problem.

15 Q Do you know what the motor vehicular traffic
16 counts on Crowell Hollow Road are?

17 A (WITNESS LYNCH) No, I don't.

18 Q Or Fabian Road?

19 A (WITNESS LYNCH) No.

20 Q Did you investigate the potential need for a
21 grade separation at either one of those two roads?

22 A (WITNESS LYNCH) No, I did not.

23 Q One more question directed to both of you. At
24 page 13 of your verified statement you do mention
25 maintenance in connection with equipment. I'm wondering

1 whether or not you know whether the policies or
2 procedures with which you are connected will result in
3 any changed maintenance for the passenger car equipment
4 on the San Francisco peninsula commute service of which
5 you are aware?

6 A (WITNESS LYNCH) My only knowledge of that is
7 a general statement that no changes are contemplated in
8 the commute operations.

9 MR. SOLANDER: Thank you.

10 MR. REMES: Your Honor, with your indulgence
11 and without objection from counsel for the applicants,
12 may I ask these witnesses two or three short questions
13 that may simplify matters later?

14 JUDGE HOPKINS: How are they going to simplify
15 matters?

16 MR. REMES: That depends upon the answers.

17 MR. BLASZAK: I don't have any objection so
18 long as it's two or three short questions.

19 JUDGE HOPKINS: Go ahead.

20 BY MR. REMES:

21 Q Are there any crossings below Mission Tower
22 that could serve with the addition of a connection to
23 carrying traffic from UP's East Bank lines to SF's West
24 Bank lines?

25 A (WITNESS LYNCH) Crossing below?

1 Q Crossings of the Los Angeles River.

2 A (WITNESS LYNCH) I don't know of any.

3 Q For example, the Redondo Junction bridge, if I
4 describe it correctly. Couldn't a connection be built
5 from that junction onto the SF line on the West Bank to
6 carry traffic down to Hobart Yard?

7 A (WITNESS LYNCH) I would have to give a
8 general answer. I can't be specific because I'm not
9 sure I understand what you're talking about. Put a
10 general answer is that a considerable amount of effort
11 was spent both by the Santa Fe engineering people at Los
12 Angeles and by the Southern Pacific engineering people
13 at Los Angeles to find a connection, if I understand
14 what you are alluding to, and we were unsuccessful in
15 finding anything that would suffice, that would even be
16 practical from an engineering standpoint.

17 MR. FEMES: I suppose that suffices.

18 Thank you, Your Honor.

19 JUDGE HOPKINS: Any further redirect?

20 MR. BIASZAK: I have no redirect, Your Honor.

21 At this time I would move the admission of the
22 verified statement into evidence.

23 JUDGE HOPKINS: Any objection?

24 (No response.)

25 JUDGE HOPKINS: It will be received in

1 evidence.

2 This would be a good time. Let's take a
3 15-minute recess.

4 (Recess.)

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1 JUDGE HOPKINS: Let's go back on the record.
2 Call the next witnesses, please.

3 MR. BLASZAK: The next witnesses we would like
4 to call are Mr. Mason and Mr. Lively.

5 MR. BLASZAK: To avoid the point of confusion
6 that we had before, I should point out to Your Honor
7 that Mr. Mason is seated closest to you, and Mr. Lively
8 is seated next to Mr. Mason.

9 Whereupon,

10 T.D. MASON and

11 P.D. LIVELY

12 were called as witnesses, and having been first duly
13 sworn, were examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BLASZAK:

16 Q Gentlemen, do you have before you a document
17 entitled Verified Statement of T.D. Mason and P.D.
18 Lively.

19 A (WITNESS LIVELY) Yes.

20 A (WITNESS MASON) Yes.

21 Q Was that verified statement and the table
22 attached thereto prepared by you and under your
23 direction and supervision?

24 A (WITNESS LIVELY) It was.

25 A (WITNESS MASON) Yes.

1 Q Do you have any changes to this testimony
2 other than those included in the errata which were filed
3 by the applicants?

4 A (WITNESS MASON) None.

5 A (WITNESS LIVELY) No.

6 Q Is the statement true and correct to the best
7 of your knowledge, information, and belief?

8 A (WITNESS LIVELY) It is.

9 A (WITNESS MASON) It is.

10 MR. ELASZAK: The witnesses are tendered for
11 cross examination.

12 JUDGE HOPKINS: Who is going to be first? Mr.
13 Leary?

14 MR. LEARY: No, Your Honor.

15 JUDGE HOPKINS: Thank you again.

16 MR. LEARY: You are very welcome, sir.

17 MR. BEMES: None for UP, Your Honor.

18 JUDGE HOPKINS: Who is next?

19 CROSS EXAMINATION

20 BY MR. RATNER:

21 Q Gentlemen, my name is James Ratner, and I am
22 with the United States Department of Justice.

23 If you could refer to Pages 4 and 5 of your
24 verified statement, one of the things you discuss is
25 that Southern Pacific has a Sacramento locomotive works

1 plant.

2 A (WITNESS LIVELY) Correct.

3 Q And the second sentence in the first full
4 paragraph on Page 4 says, "This facility outshucks
5 remanufactured locomotives."

6 A (WITNESS LIVELY) Right.

7 Q Forgive me for my ignorance. What does
8 "outshucks" mean?

9 A (WITNESS LIVELY) Produces.

10 Q And I understand then from the testimony that
11 the Sacramento locomotive works might also perform
12 overhauls?

13 A (WITNESS LIVELY) Yes, it does.

14 Q And do I understand correctly that this plant
15 is currently obtaining rewound traction motor armatures
16 and all the other things listed in here from outside
17 vendors?

18 A (WITNESS LIVELY) That's correct.

19 Q Who are some of the outside vendors?

20 A (WITNESS LIVELY) The traction motor armatures
21 are purchased from the original equipment manufacturer,
22 EMD, as well as Shandison and Motor Coils.

23 Q Could you very briefly describe the process
24 that Southern Pacific goes through when they purchase
25 these things from outside people?

1 A (WITNESS LIVELY) We have a specification that
2 we have developed in our engineering group which
3 describes the characteristics needed in a rewind or
4 remanufactured armature, and we ask for quotations on
5 these elements and receive prices from the vendors and
6 make a selection based on price and delivery.

7 Q Have you ever tried to get Santa Fe to do any
8 of the work?

9 A (WITNESS LIVELY) We have not as yet asked
10 them for a quote on that particular work.

11 Q I guess this goes a little more to Mr. Mason.
12 Is Santa Fe capable of doing the outside work that
13 Southern Pacific is currently turning to the outside
14 for?

15 A (WITNESS MASON) Yes, it is.

16 Q Does Santa Fe do it in a more cost effective
17 manner, if you know, than the people Southern Pacific is
18 currently turning to?

19 A (WITNESS MASON) I am not really familiar with
20 how they do the work. I know that our price is better.

21 Q Does Santa Fe do any work for anybody outside
22 of Santa Fe?

23 A (WITNESS MASON) Not really. There may be a
24 case every now and then with a small switching road that
25 would want something done, but it is very insignificant.

1 Q So when you are referring to the Santa Fe
2 price, are you referring to the charge that Santa Fe in
3 effect charges itself for the service?

4 A (WITNESS MASON) I am referring to the price
5 that we know it costs us to do the work.

6 Q Does that price that you know it costs you to
7 do the work include any profit to Santa Fe?

8 A (WITNESS MASON) It does not.

9 Q On Page 5, you refer to a savings of 6.3
10 million in the first year and 5.6 million annually by
11 the third year. Do you see that?

12 A (WITNESS MASON) Yes.

13 Q How did you determine that figure or those
14 figures?

15 A (WITNESS MASON) Those figures come from two
16 general areas. One is the furnishing of traction motor
17 armatures and machining traction motor frames that casts
18 into \$3.47 million a year. A second area is main
19 generators and alternators that casts into 2.24
20 million.

21 Q Well, let's start with the 4.3. What I am
22 looking for is how you actually determine that there
23 would be a 4.3 million cost savings.

24 A (WITNESS MASON) The Santa Fe's average cost
25 is \$3,950. This is for the traction motors and frames.

1 The SP's average cost was \$5,913 for a difference of
2 \$1,985. It is estimated that the SP's usage would be
3 2,200 a year; 2,200 times the 1985 is 4.37 million.

4 Q So in essence the figure comes from the
5 difference between what Southern Pacific is paying now
6 and what they would be paying using the Santa Fe price?

7 A (WITNESS LIVELY) That is correct.

8 Q Was the identical process used to determine
9 the 2.24 million figure?

10 A (WITNESS MASON) Yes.

11 A (WITNESS LIVELY) Yes.

12 Q In determining the 4.3 and the 2.24, was there
13 any assumption that additional expenditures would have
14 to be made for Santa Fe to be able to accommodate all of
15 this new business from Southern Pacific?

16 A (WITNESS LIVELY) Yes, there was.

17 Q What were those expenditures?

18 A (WITNESS MASON) The increased capital
19 expenditure at San Bernadino is \$1.29 million.

20 Q And what would that be for, or what is that
21 for?

22 A (WITNESS MASON) The increase of \$1.29 million
23 at San Bernadino is to expand the electrical cabinet
24 area and to increase the facilities for doing this
25 work.

1 Q It may be very hard for you to answer this
2 question, if you can answer it. Do you know -- let's
3 just skip it and move on to something else.

4 You said earlier for the most part Santa Fe
5 doesn't do any outside work at the San Bernardino plant.

6 A (WITNESS MASON) That is correct.

7 Q Is there any official corporate policy as to
8 why not?

9 A (WITNESS MASON) Not that I know of.

10 Q Has it ever been considered?

11 A (WITNESS MASON) I really can't answer that.

12 Q On Page 5, down at the bottom of the last full
13 paragraph, you refer to a savings in transportation and
14 inventory costs that total 200,000 annually.

15 A (WITNESS MASON) Yes.

16 Q Of that 200,000, how much is inventory and how
17 much is transportation?

18 A (WITNESS MASON) All of it is transportation.

19 Q And how was that calculated?

20 A (WITNESS MASON) It was calculated by the
21 amount that it costs for us to move company material now
22 for the average haul of 800 miles, and the difference of
23 what it costs us to move it 600 miles, average move,
24 after the merger.

25 Q So the merger would result in a 200 mile

1 shortage in the mileage for the move?

2 A (WITNESS MASON) That is correct.

3 Q On Page 6, why specifically does the merger
4 allow the Barstow diesel shop to be downscaled?

5 A (WITNESS MASON) I don't think that downscaled
6 really covers it. It is a type of work.

7 Q I may have misspoke. I understand you say
8 downscaling of the planned improvements, and that is
9 what I was trying to get at is, why did the planned
10 improvements need to be downscaled?

11 A (WITNESS MASON) Without the merger, if we
12 expand, we expect to expand the back shop or the heavier
13 area. With the merger, that would not be necessary, but
14 it would be necessary for us to expand the running
15 repair or the lighter area. The net savings is what is
16 shown.

17 A (WITNESS LIVELY) If I may add to that, part
18 of the reason for that is essentially through the merger
19 you are adding two more locomotive maintenance
20 facilities, one at Roseville and the other at Los
21 Angeles.

22 Q So the work that would otherwise be handled by
23 these improvements can be handled --

24 A (WITNESS LIVELY) By additional facilities.

25 Q At the bottom of Page 6, the second line after

1 light repair function, you refer to consolidation of
2 functions which will permit economies. What do you mean
3 by economies?

4 A (WITNESS MASON) Reduction in costs.

5 Q Do you mean by reduction in costs reductions
6 in the amounts paid out?

7 A (WITNESS LIVELY) Yes.

8 Q Could you tell me how the 580,000 figure was
9 calculated?

10 A (WITNESS LIVELY) The 580,000 figure was shown
11 on Table M1, and essentially is those dollars that are
12 shown in annual net savings in the area of consolidated
13 light repairs and in El Paso, Bakersfield, Yuma, et
14 cetera, at the bottom of that page.

15 Q What I am looking for is how the consolidation
16 will enable you to have a reduced payout.

17 A (WITNESS LIVELY) The table shown on Page 8
18 shows these consolidations, and the costs of those
19 consolidations are shown in the space on M1.

20 Q I am sorry to be asking perhaps a very
21 simplistic question. What I am trying to learn is, how
22 is it that you get a reduced dollar payout by actually
23 going through with these consolidations? What is it
24 that you pay now, and what is it that you won't have to
25 pay after the merger?

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A (WITNESS LIVELY) The savings are generally related to the improvements in labor efficiency in the combined locations as shown on this Table 1, Page 8.

Q What do you mean by improvements in labor efficiency?

A (WITNESS LIVELY) Where you have combined facilities, you generally have less labor costs at those locations.

Q Why is that?

A (WITNESS LIVELY) Through a combination of operations.

Q Are you eliminating -- are any of the facilities that currently exist going to be eliminated after the merger?

A (WITNESS LIVELY) The table on Page 8 shows in Stockton that that work will be done at the SPT facility, and so forth, through that table. The same way at Fresno. SPT will do the work that is currently done at Calwah, and through that table the same thing applies. El Paso, at the bottom of the table, for example, Santa Fe work will be done in SPT facilities.

Q So that means the Santa Fe facility will cease to exist after the merger?

A (WITNESS MASON) It will be merged into the other.

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1 Q On the bottom of Page 6 and the top of Page 7,
2 you refer to a \$750,000 capital expenditure that is
3 necessary to achieve these savings. What is that
4 expenditure?

5 A (WITNESS LIVELY) These are minor improvements
6 in Stockton, Fresno, and El Paso to provide for these
7 consolidation facilities that amount to \$750,000.

8 Q If you know, if the 750,000 was not expended,
9 would there be any savings associated with the merger in
10 this area?

11 A (WITNESS MASON) I don't believe we have
12 studied that alternative. It was felt necessary.

13 Q If you haven't already covered it, could you
14 explain for me the nature of the savings that are
15 anticipated at Bakersfield and Yuma? That is on Page
16 7.

17 A (WITNESS LIVELY) The savings in Yuma result
18 from a reduction in the number of people needed to
19 service the traffic once we merge.

20 Q Did you say that was for both Yuma and
21 Bakersfield, or that is just Yuma?

22 A (WITNESS LIVELY) I think you just asked about
23 Yuma.

24 Q I am sorry. I meant to ask for both
25 Bakersfield and Yuma.

1 A (WITNESS LIVELY) There will be a change in
2 the operation at Bakersfield. It was proposed at the
3 time this was done, and we will do more work on Santa Fe
4 than is currently done on Southern Pacific, and that is
5 the nature of the reduction there. Accommodation of
6 service again.

7 Q Concerning heavy repair facilities on lines
8 east of Albuquerque and El Paso, which is what you
9 discuss on Pages 9 through 11, unless I misunderstand
10 the appendix, indicates that there will be a 3.1 to 4.1
11 million annual savings --

12 A (WITNESS MASON) Yes, that is correct.

13 Q -- associated with that.

14 A (WITNESS MASON) Yes, that is correct.

15 Q How did those figures get calculated?

16 A (WITNESS MASON) Those figures are calculated
17 -- if you will wait just a minute, I will find that.
18 They come from two areas primarily. One is the
19 recycling of General Electric power assemblies, and the
20 other one is a reduction in unit costs at the wheel
21 shops.

22 Q Where does the reduction in unit cost of the
23 wheel shops come from?

24 A (WITNESS MASON) That comes primarily from the
25 SF area.

1 A (WITNESS LIVELY) It does, our costs, and in
2 our Houston and Pine Bluff wheel shops, because of their
3 lack of modernization in the past year, results in
4 higher unit costs than the Topeka modernized wheel shop
5 currently enjoys.

6 Q Has the Southern Pacific ever considered
7 contracting out its work to the more modern Santa Fe
8 facilities?

9 A (WITNESS LIVELY) Unfortunately, in many of
10 these cases there are labor agreements that prevent us
11 from doing that contracting out.

12 Q Any other reason that you know of why you
13 wouldn't contract out to Santa Fe?

14 A (WITNESS LIVELY) That is certainly a
15 significant one.

16 A (WITNESS MASON) There would also be
17 administrative costs that would be involved that would
18 change these unit prices, third party liability
19 concerns.

20 Q Is Santa Fe unwilling to enter into such an
21 arrangement?

22 A (WITNESS MASON) I really can't answer that.

23 Q Are there -- maybe if we could go into the
24 recycling of GE power centers for a minute, I guess I
25 don't quite understand how that would translate into a

1 cost savings.

2 A (WITNESS LIVELY) Currently our shop that does
3 the major rework of GE locomotive buys those components
4 through a unit exchange operation with the original
5 equipment manufacturer. We pay more like new prices
6 from that manufacturer than we would under the merged
7 situation where we would be receiving the remanufactured
8 components from Santa Fe's Topeka operation or Argentine
9 operations.

10 Q Is this another example where the figure was
11 determined by looking at the difference between what
12 Southern Pacific pays now and what they would be charged
13 by the Santa Fe price after the merger?

14 A (WITNESS LIVELY) That is correct.

15 Q With regard to the recycling of the power
16 assemblies, does the Santa Fe price incorporate any
17 profit?

18 A (WITNESS MASON) None.

19 Q As to this 3.1 to 4.1 million in annual
20 savings, are any expenditures needed to achieve the
21 savings?

22 A (WITNESS MASON) Yes. There are some
23 expenditures.

24 A (WITNESS LIVELY) There are some improvements
25 to the Topeka wheel shop that are required in order for

1 them to produce in quantity. There are also some
2 offsetting capital savings that result from not having
3 Southern Pacific's facilities that are at Houston and
4 the Cotton Belt facility at Pine Bluff to have machinery
5 replaced or renewed if they were to keep on in their
6 current business and mode.

7 Q There is some savings, if I understand you
8 correctly, then? Is it correct there are some savings
9 that are going to be associated with actual abandonment
10 of the facilities?

11 A (WITNESS LIVELY) These facilities will not be
12 abandoned. The improvements that are currently planned
13 will not be forthcoming.

14 Q On Page 13, you refer to a 1.26 million annual
15 cost savings in the third year of the merger. Do you
16 see that?

17 A (WITNESS MASON) Yes.

18 Q How is this figure calculated?

19 A (WITNESS LIVELY) Again, that is a similar
20 calculation having to do with the table on Page 14, the
21 table known as M1, and it has to do with labor savings
22 through combined servicing at common points.

23 Q Are there any additional factors that go into
24 the 1.26 million figure?

25 A (WITNESS LIVELY) No, that generally is

1 reflected as labor savings.

2 Q On Page 15 of your testimony, you refer to the
3 AAR interchange rules which require some repair work to
4 be done by the home road on foreign equipment. Is that
5 correct?

6 A (WITNESS LIVELY) Well, the AAR rules do not
7 require repairs to be made. They define the uses of new
8 or used material when a road finds another road's
9 equipment in need of repair. These repairs are made
10 under these rules of interchange in order to make the
11 car completely safe for operation.

12 Q If you know, and hopefully if you can do it
13 briefly, can you describe the type of repairs that are
14 done under that system?

15 A (WITNESS LIVELY) There is -- the rules
16 provide for a variety of repairs to be made to running
17 gear, draft gear, the car body itself. It is a series
18 of job codes and uses of new and used material.

19 Q Is it all light repair, or some of it heavy
20 repair as well?

21 A (WITNESS LIVELY) Generally it is all light
22 repair.

23 Q Outside of the work that comes under the AAR
24 interchange rules, are you aware of railroads doing
25 heavy or light repair for each other at all in the

1 industry?

2 A (WITNESS MASON) I don't know of any.

3 A (WITNESS LIVELY) I have not heard of any.

4 Q Is it correct there may be a few examples of
5 Class 1's doing repair work for short lines?

6 MR. BLASZAK: Asked and answered. He has
7 already said he wasn't aware of any.

8 JUDGE HOPKINS: He has already.

9 MR. RATNER: I understand.

10 JUDGE HOPKINS: Are you talking about short
11 lines now? Is that the only difference in the
12 question?

13 BY MR. RATNER: (Resuming)

14 Q Yes. I wanted to make sure that they
15 understood that -- did both of you understand in the
16 first question that I referred to any type of railroad
17 whatsoever?

18 A (WITNESS MASON) My answer still stands. I
19 don't personally know of any.

20 A (WITNESS LIVELY) There are occasions where a
21 railroad may do a minor repair for some small concern
22 that happens to own a piece of equipment, but nothing
23 major to my knowledge.

24 Q On Page 15, you indicate that it would be
25 impractical for Santa Fe and Southern Pacific to depend

1 upon each other to perform this work. Did you do any
2 specific analysis or investigation of how impractical it
3 would be or how much it would cost to do that?

4 A (WITNESS LIVELY) One of the problems we have
5 is labor agreements, as I mentioned earlier. Those are
6 significant in most cases. We hope that the Commission
7 will provide the vehicle for us to provide for changes
8 in our labor agreements, and negotiations will then make
9 those agreements possible.

10 Q I think you have answered my question, but
11 just for clarity, was there any other investigation or
12 analysis that you did concerning whether it would be
13 difficult or impractical for Southern Pacific and Santa
14 Fe to achieve these things as separate companies?

15 A (WITNESS MASON) I don't know of any in-depth
16 study.

17 A (WITNESS LIVELY) No depth study, but the
18 problems, of course, are of managerial skills and
19 managing outside contracts, and the problems that a
20 railroad source has in dealing and making sure that it
21 gets its own first right for components as regards
22 perhaps a second user of the same components.

23 MR. RATNER: Thank you both very much.

24 I have no further questions, Your Honor.

25 JUDGE HOPKINS: Any other questions?

1 (No response.)

2 JUDGE HOPKINS: Any redirect?

3 MR. BLASZAK: No redirect. I move the
4 admission of their testimony in evidence.

5 JUDGE HOPKINS: Any objection?

6 (No response.)

7 JUDGE HOPKINS: It will be received in
8 evidence.

9 Thank you.

10 (Witnesses excused.)

11 (Whereupon, a discussion was held off the
12 record.)

13 JUDGE HOPKINS: I think it would be advisable
14 to take this up tomorrow morning. Did anyone find out
15 about Dr. Baumol?

16 MR. STEPHENSON: The problem is, he is in
17 Europe.

18 JUDGE HOPKINS: So who do we have tomorrow?

19 MR. STEPHENSON: Mr. Anderson will be the
20 lead-off witness. Mr. Champion, on the limited subjects
21 that have been discussed in the last couple of days.
22 And I think we are going to be temporarily
23 embarrassed.

24 JUDGE HOPKINS: I don't mind embarrassing you
25 sometimes.

1 MR. STEPHENSON: Friday we will start with the
2 traffic diversion witness.

3 JUDGE HOPKINS: All right. We will be in
4 recess.

5 MR. SOLANDER: May I have one second,
6 please?

7 JUDGE HOPKINS: Sure.

8 MR. SOLANDER: Your Honor, yesterday afternoon
9 I asked Mr. Cwen about the traffic density on the
10 Southern Pacific line between San Jose and San
11 Francisco, and he has provided me with that information,
12 and he is here, and with counsel's agreement I would
13 like to read that into the record if I could.

14 JUDGE HOPKINS: Surely. Go right ahead.

15 MR. SOLANDER: The tonnage includes
16 locomotives and cabooses, as I understand it, all of the
17 tonnage, and at present between Sunnyvale and Redwood
18 Junction there is slightly over 3.6 million tons; north
19 of Redwood Junction it is 2.2 million annual tons
20 postmerger, which I understand includes Year 1 through
21 4.

22 There would be 3.7 annual million tons between
23 Sunnyvale and Redwood Junction, and the figure of 2.2
24 million annual tons north of Redwood Junction will
25 remain constant.

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JUDGE HOPKINS: Thank you.

Anything further this afternoon?

(No response.)

JUDGE HOPKINS: We will be in recess then
until 9:00 o'clock tomorrow morning.

(Whereupon, at 3:55 p.m., the hearing was
recessed, to reconvene at 9:00 a.m. of the following
day, Thursday, October 18, 1984.)